

Food Safety, Business Ethics and Marketing Relationship

Food safety has been one of the top social issues in Hong Kong during the past few years. The firms need to learn the lessons from negative impacts of the food safety problems. Two recent examples may help understand the need of enhancement of a firm's sense of business ethics and social responsibilities. We are not in the position to claim whether the firms involved in the examples have faults or not. Instead, following the recent emphasis on building up customer relationship (e.g. Kotler, 2012, p.36-46), we mainly aim to use the example to illustrate the importance of business ethics if a firm wants to maintain long-term relationship with the customers. The first example happened in September 2013 while the second example happened in July 2014.

Hoi Tin Tong Turtle Jelly (龜苓膏) Event

September 2013 was dark time for Hoi Tin Tong. Two pieces of bad news occurred related to Hoi Tin Tong Turtle Jelly. On 11 September, an online video clip was broadcasted through a TV report in Huizhou, Guangdong claimed that Hoi Tin Tong's Turtle Jelly produced in Guangdong included mould. Moreover, the original containers for Turtle Jelly, pottery cups, had been replaced by plastic cups which were cheaper. The video clip showed that some workers were cleaning off mould in pottery cups by washing with tap water and then the Jelly was boiled for 30 minutes in order to kill the bacteria. On the other hand, in the video clip, a worker used her hand to transfer Turtle Jelly from plastic cups to pottery cups. Turtle Jelly contained in pottery cups was claimed to be fresher and the taste of Turtle Jelly was believed to be better in pottery. A plastic cup of Turtle Jelly was sold for HK\$35 in Hong Kong while a pottery cup of Turtle Jelly was sold for HK\$50 in Hong Kong. In the TV report, a man, who claimed to be a former senior personnel of Hoi Tin Tong, Mr. Choi Kwok-keung, admitted that he uploaded the video clip online. In the video, the man said that he disclosed the "secrets" of Hong Tin Tong because he did not like what had been done in Hoi Tin Tong (*Youtube*, 2013).

On 12 September 2013, Hoi Tin Tong responded quickly by holding a press conference in Guangdong. In the press conference, Mr. Ng Yiu-Ming, the Hoi Tin Tong founder, denied what were shown in the video clip. He said that Hoi Tin Tong Turtle Jelly did not have mould and no plastic white cups were used as containers. He pointed out that the video clip was fraud as the metal table shown in the video clip did not match the facilities in any of the Hoi Tin Tong outlets. He further said that if mould was discovered, the staff would immediately throw away the jelly. He believed that Hoi Tin Tong was

deliberately slandered and he had already reported to the police. But to Mr. Ng's surprise, Mr. Choi Kwok-keung also appeared in the press conference. Mr. Choi showed a white plastic cup before the reporters and asked Mr. Ng whether the cup was belonged to Hoi Tin Tong or not. Mr. Ng at first replied that "may I not reply this?". Mr. Choi insisted that Mr. Ng had to answer. Mr. Ng at first denied it. But after Mr. Choi showed minutes of internal Hoi Ting Tong meeting to the reporters and disclosed more hygiene problems, Mr. Ng admitted that the plastic white cup was belonged to his company. He explained that the plastic cups were used for internal testing only but not for sales (Apple Daily, 2013a). Some Hoi Tin Tong senior staff in Hong Kong told admitted to the reporter that Hoi Tin Tong staff did move Turtle Jelly from plastic cups to pottery cups for selling, but the staff used plastic gloves for the moving. Mr. Ng replied that they did move turtle Jelly from plastic cups to pottery cups, but the staff would move the Jelly in front of the customers (Sing Tao Daily, 2013).

Another event occurred at the same time. A researcher from City University of Hong Kong, Professor Cheung Hon-yeung, associate professor in the Department of Biology and Chemistry, had tested elements of Turtle Jelly from four companies in August 2013. The test included three samples of Hoi Tin Tong, two containing no turtle shell collagen, a critical element of Turtle Jelly, while the other sample contained very little of it. Mr. Cheung found that the Hoi Tin Tong sample with turtle-shell collagen had the amount 1,000 times less than the amount in other brands. The results were in much contrast to those of the other three companies: all their samples contained acceptable amounts of turtle shells (SCMP, 2013a). Mr. Ng called a press conference in Hong Kong again in the same day, 12 Sep 2013, and argued that Hoi Tin Tong's products were made by fresh turtle shells and that should be the reason why the University test did not find elements of turtle-shells. However, the researcher disagreed but said that the test was able to identify fresh turtle shells too (Apple Daily, 2013b).

The two scandals hit Hoi Tin Tong fiercely. The results were that many people requested Hoi Tin Tong to refund their pre-purchased coupons of Turtle Jelly. Hoi Tin Tong promised that all unused coupons would be refunded.

In response to the scandals, the Centre for Food Safety of Hong Kong took jelly samples from Hoi Tin Tong outlets for testing. To Hoi Tin Tong's favour, on 17 September 2013, Health Secretary Dr Ko Wing-man announced that the Centre for Food Safety did not find mould in the samples (SCMP, 2013b). Furthermore, Hoi Tin Tong got supports from another line: some Legislative Councilors in Hong Kong publicly showed their trust on Hoi Tin Tong's products (even though the support from Legislative Councilors

might not help much as some supporters were found to have received contributions from Mr. Ng for the legislative election campaign) (SCMP, 2013c). In October 2013, Hoi Tin Tong also fought back against the turtle-shell collagen event by hiring a biotechnology company to conduct tests. The results proved that its jelly contained turtle-shell collagen. Later that month, the results were also confirmed by the Hong Kong customs officials that elements of turtle-shell collagen were found in the company's Turtle Jelly.

The trend seemed to be favourable for Hoi Tin Tong. And the company tried to get the opportunity to build up its image. In the eve of 2013, Hoi Tin Tong launched a series of campaigns to strike back. In late December, a TV ad was launched, which was mainly conversation between Mr. Ng Yiu-Ming and a famous Hong Kong actor, Mr. Lo Hoi-Pang (Youtube, 2014a). The ad argued that Hoi Tin Tong was maligned in September 2013. Following the ad, on 10 January 2014, Hoi Tin Tong launched a large scale sales promotion for free delivery of 100,000 cups of Turtle Jelly. The promotion should have been successful as long queues were seen outside all Hoi Tin Tong outlets (House News, 2014).

But the seemingly great promotion activities turned out to be a disaster. At first, some people found that the free gifts offered by Hoi Tin tong were the stocks produced in September 2013, which were suspected to be unsold products during the scandal period. The press took photos of the packages to prove the suspects (Apple Daily, 2014a). Another backfire was that additional video clips of the TV ad were uploaded on Youtube.com (Youtube 2014b). Mr. Lo Hoi Pang's foul language was revealed in the video clips. Over 600,000 views were recorded and most comments were negative. A third event was that the Hoi Tin Tong Turtle Jelly was reported to change Tufuling (土茯苓), a critical element of the Jelly, to Xianfuling (鮮茯苓) without public announcement. The traditional ingredient for Turtle Jelly should be Tufuling rather than Xianfuling. Some Chinese medicine practitioners considered the Xianfuling was not as effective as Tufuling and some even considered Xianfuling to have opposite effects of Tufuling. The press further compared the prices of the two herbals and found that the price of Xianfuling was lower than Tufuling (Apple Daily, 2014b). In face of another wave of scandals, Hoi Tin Tong did not call any press conference. Instead, Mr. Ng wrote a public letter to the Hong Kong citizens through advertisements and claimed that, "sorry, I have not spoken clearly." Hoi Tin Tong only replied briefly that its own herbal experts believed Xianfuling had the same effects as Tufuling and Xianfuling was more expensive. But it turned down more detailed answers on the turtle-shell issue by claiming that related events were under legal procedures (Sky Post, 2014).

Hong Kong McDonald's Response to Food Safety Scandal of Shanghai Hushi Food Company

On 20 Jul 2014, a TV station, SMG Shanghai TV, in Mainland China exploded that Shanghai Hushi Food Company, a subsidiary of US-based OSI Group, sold expired beef and chicken to fast food restaurants, including McDonald's and KFC. The TV station sent reporters to Shanghai Hushi collecting evidence secretly and found that the company deliberately re-cooked the expired meat and re-wrote the expired dates (*Youtube*, 2014c). Furthermore, the company prepared two accounting books, one external and another internal only. The authority arrested five executives of Shanghai Hushi and an investigation was under way. McDonald's and KFC all over China were requested by the authority to put away all problematic food (*Wikipedia*, 2014a)

After the Shanghai Hushi event was exploded, the media in Hong Kong were interested in whether McDonald's as well as other restaurants in Hong Kong also used the food products from Hushi. McDonald's replied to *Apple Daily* on 21 Jul 2014 that the company had "no food supplied from the food production plant mentioned in the recent Mainland reports". However, some internet users revealed photos to show that Hong Kong McDonald's actually used chicken supplied by Hubei Hushi. In face of suspects that McDonald's told lies, the company admitted that some of the food was supplied from Hushi, but not from the plant in Shanghai Hushi (*Apple Daily*, 2014c)

On 24 Jul 2014, Centre for Food Safety, Food and Environmental Hygiene Department (CFS) announced that all food from any plant of Hushi in Mainland China would be blocked from imports. The imported food would be stored and banned from selling. These polices would be effective until the investigation in Mainland China was completed (*Government of HKSAR*, 2014). Furthermore, CFS confirmed that Hong Kong McDonald's did import meat from Shanghai Hushi. Hong Kong McDonald's admitted that the restaurant imported Gillette pig blocks from Shanghai Hushi in Jul 2013 to Feb 2014 and imported Crispy spicy chicken from the same plant in May to Jun 2014. McDonald's further claimed that it initiated to stop using problematic products and regretted that CFS announced individually rather than jointly announced with the restaurant. In response, CFS denied that it agreed to announce jointly with McDonald's (*Mingpao*, 2014a).

On 27 Jul, the senior management of Hong Kong McDonald's called a press conference

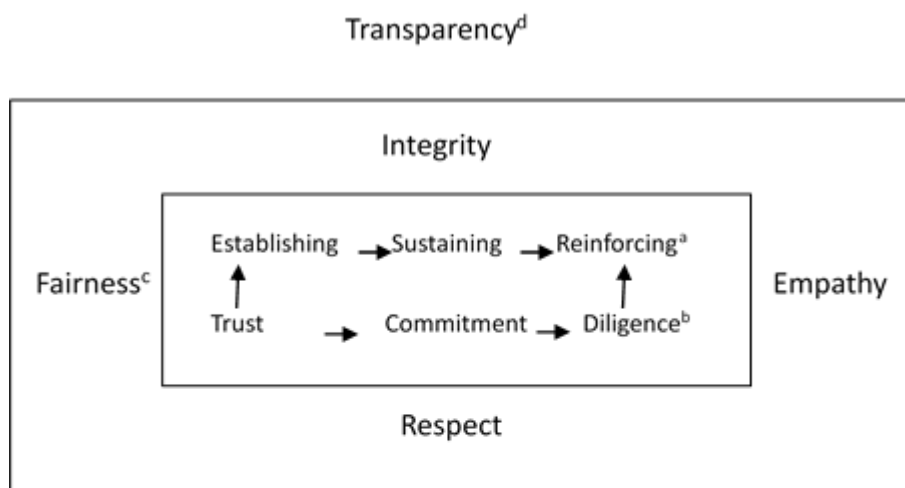
to express apologies to the Hong Kong people for the confused messages. McDonald's further claimed that the restaurant would stop using any product from Hui China regardless of whether the investigation in Mainland was completed or not. The products from the U.S. and Taiwan would replace the Hui products. However, the media were not satisfied with McDonald's press conference as the management refused any questions from the press (Mingpao 2014d).

The effects on McDonald's are immediate. For example, from Mingpao's survey on 24 Jul 2014, 82% of the respondents believed that McDonald's told lies (Mingpao, 2014b)! 57.5% claimed that they would reduce or even stop consuming products of McDonald's. The reporters' observation also confirmed that the queuing time in McDonald's was hugely reduced and the staff also agreed that the number of customers greatly reduced (Mingpao, 2014c). The food safety scandal broke out in difficult time of McDonald's. In Jul 2014, globally the same-store sales dropped 2.5%, while in the stores affected by Hui food problems, the drop was even greater, at 7% (tvb.com, 2014).

Marketing Relationship and Business Ethics

We state again here that we do not aim to discuss whether Hoi Tin Tong or McDonald's did have faults or not. We mainly use the two examples as lessons to discuss the importance of ethical issues in building up marketing relationship.

Business ethics may be described as “a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment ... Ethics implicitly regulates areas and details of behavior that lie beyond governmental control” (Wikipedia, 2014b). Murphy et al. (2007) provide a model on the roles of ethics on marketing relationship. In the model, marketing relationship is supported by four dimensions: integrity, fairness, respect and empathy. The interpretation is that a firm need to be honest on its purposes, to make the customers feel the deal be fair, to find out what the customers want to be respected, and to be responsive to the needs and concerns of the customers. Furthermore, the core elements in maintaining marketing relationship are: trust, commitment and diligence (Hosmer, 1994). Building-up trust is very critical. A customer is willing to maintain a long-term relationship with a firm only if he or she considers the firm reliable. Trust and commitment are inter-related for the relationship, for example, making and keeping of promises are ways to win loyalty from customers. Diligence is also important as a firm needs to work very hard to maintain the trust and commitment. On top of all the three core elements and four dimensions, transparency is required for communication with customers (Figure 1).



Key:

^a Relationship Marketing Stages

^b Key (Foundational) Virtues

^c Facilitating (Supporting) Virtues

^d In Communication and Action

Figure 1: Ethical Bases of Relationship Marketing (reproduced from Fig 1, p.44, Murphy et al. (2007))

Applying the model to Hoi Tin Tong and McDonald's, "dishonesty" is one common feeling among the customers. That is, the customers were in doubt of the firms' "integrity". When the customers think a firm does not have enough integrity, they are losing trust on it. What follows is the breaking up of long-term relationship. The critical factor leading to the "dishonesty" feeling is that transparency is not enough. Perhaps a firm tries to keep some business secrets in order to hold up its "advantage" over rivals. But a firm needs to understand that the customers feel "secrets" unfair to them and thus reduce their trust on the firm. When the Hoi Tin Tong founder tried to keep secrets of using plastic cups for delivering Turtle Jelly, how can a customer believe that all else of Hoi Tin Tong's products are the same as the firm's promise? Furthermore, the change of an important ingredient, Tufuling, to Xianfuling is important to customers. The company had to communicate with the customers very well. The customers may think that the company did not have commitment on its products. When Hong Kong McDonald's disclose wrong sources of meat without reasonable explanation, what else will a customer believe in McDonald's?

The core communication to maintain the customers' trust is transparency. A firm should

keep as few “secrets” as possible. A firm needs to fully understand its customers’ needs and concerns. The secrets should be understandable to the customers. For example, the details of sales figures are usually kept confidential, which are acceptable to the customers. But the containers and sources of products are generally not acceptable as secrets. It may be inevitable that a firm makes mistakes. However, a firm needs to disclose all details of the mistakes in order to make the customers believe that no secrets put them unfavourable in the deals. The firm also needs to admit mistakes sincerely. Hoi Tin Tong and McDonald’s were considered keeping too many “secrets”, at least at the time of the crises, and not transparent enough.

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