

The impact of danone's loss of reputation on the company's image

[Life](#)



Direct Impact of Bad Reputation to Danone Company

Slow Turnover/Growth

Following the law suit filed against Danone for false marketing, the Activia yoghurt market performance dropped drastically in the Spanish market. The sale rate on a scale of 1 to 10 dropped from 7 to 4 within the period of reputation damage (Herlin et al. 2017, pp. 2-22). Currently, Danone has looked into the ingredient of their products but still have not reached the desired sales target for the product.

Huge Loses

Pressure from the Chinese market, Activia scandal and Spain's harsh market conditions led to huge loses to the firm. Additionally, in 2008, false advertising law suit cost Danone \$ 45 million that was to be paid to the complaining consumers (Stanciu 2014, pp. 381-386). In the absence of the law suit, the amount could have been used in worthwhile projects within the organization.

Management Change

In 2013, Danone's China branch was accused of bribing Chinese hospital employees into using their milk formula at the hospital. According to the company regulations, Dumex China had to appoint a new management promptly as a disciplinary action (Nicolai 2016, pp. 56). The new team was tasked with resolving the fraud incident. Recruitment is both expensive and time-intensive and quite inconveniencing to an organization (Steyn 2013, pp. 108-109). The company would not have undergone through such a tedious process if the issue of unethical marketing would not have taken place.

Risks of Boycotts

In 2016, Danone's china branch faced major management set back as the China food and drugs regulators declared unregulated distribution of milk formula as a key cause of the increase in the number of counterfeit milk formulas in the country. It did not take long for Danone to stop its supply of Karicare milk formula to China.

Financial loses

A company is likely to undergo huge financial loss due to various factors. First, Danone's will suffer financially because of reduced customer loyalty. When an organization has good reputation, the employees are fully dedicated to achieving the set company goals. Customer loyalty is built on trust. The customer has to trust the products to trust the company. If a particular product is declared unfit for health or counterfeit it becomes a betrayal of consumer trust. This explains low sales counts after major reputation tainting scandals. The company suffers huge loses through the payment of fines to the complainant consumer when a law suit is filed. For instance, in China the 2013 incident where infants died due to consumption of unauthorized milk formula has made them boycott local milk formulas produced in their country (Nicolai 2016, pp. 58). In the same note, Danone paid fines amounting to \$35 million due to false advertising as settlement over Activia probiotic yogurt (Herlin et al. 2017, pp. 2-22). The fines amount to loss of the company's income because the money could have been used in other worthwhile activities in the organization.