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## **International Marketing Communications**

### **Professor Shintaro Okazaki**

Case #1

Source: Kotabe, M., and Helsen, K. (2010), Case 13-1 and 13-2, in *Global Marketing Management*, 5th edition, New York: John Wiley & Sons, p. 461-462.

### **CASE 1: P&G CHINA—A LEGAL CLOUD OVER SK-II**

SK-II is an ultra-premium skincare range that originated from Procter & Gamble's Japan division. According to P&G's product literature, the SK-II product combines the magic of nature with the advances of science. A Japanese monk visiting a sake brewery noticed that brewery workers had very soft and youthful hands. Even an elderly wrinkled man had the silky smooth hands of a young boy. A team of skincare scientists discovered the secret: a clear liquid that could be extracted during the yeast fermentation process. The liquid became known as the "Secret Key" to beautiful skin.

De-Wrinkle Active, the latest launch in China from P&G's SK-II skincare line, attracted unwelcome publicity in early March 2005 when Lu Ping, a woman from Jiangxi province, filed a lawsuit against P&G, China's biggest advertiser, the company that distributed it, and even Carina Lau, the celebrity who endorsed SK-II in P&G's advertising. The plaintiff said she had spent Rmb. 840 (US\$100) on a 25-gram bottle of SKII anti-aging De-Wrinkle Essence in the hope that "the concentrated treatment would work to help iron out 47 percent of deep lines and wrinkles after 28 consecutive days of usage," as the product's promotional materials had promised.

Unfortunately for Mrs. Lu, the "miracle cure" failed to remove her wrinkles. Instead, it triggered an allergic reaction, which left the woman in pain. Lu alleged that she was misled by the brand's advertising. A local industrial watchdog claimed that P&G's statistics for SK-II's claims came from a lab experiment on 300 Japanese women and lacked authoritative proof. After a 20-day investigation into SK-II, the Nanchang Commercial and Industrial Bureau fined P&G with a penalty of Rmb. 200,000 (US\$24,000) for making false advertising claims.

Initially P&G considered Lu's case as a spiteful act to draw media attention. P&G insisted that all of its cosmetic products had undergone stringent tests and were well received in Japan and the U.S. On March 25, the firm softened its tone and admitted that its advertising had been misleading. In April, P&G paid the fine and made an apology to consumers. Lu, on the other hand, lost her case because of insufficient evidence. She said she would appeal the verdict. Sales of SK-II brand had slipped by nearly 30 percent. P&G planned to launch a new SK-II campaign in September 2005. The SK-II case underlines an emerging trend in China—consumer activism, which has become a major force in Chinese society today.

### **DISCUSSION QUESTIONS**

1. What lessons does P&G's mishap with SK-II in China inspire for advertisers in China?
2. Did P&G handle the SK-II case correctly? What would you recommend to P&G China for the marketing of its SK-II product line?



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