

China Name and Shame Night Leaves Consumer Companies on Edge

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March 15, 2016 — 6:00 AM CST

Updated on March 15, 2016 — 1:30 PM CST

- ▶ E-commerce, car-sales, mobile phones are top buyer complaints
- ▶ Commerce watchdog had said some e-tailers cheat customers

China's state broadcaster will tonight air its annual program to mark World Consumer Rights Day that's closely watched by international companies operating in the country, after it sparked investigations by regulators and public apologies from executives in past years.

In an indication of what the "315 Gala" -- representing the date the program is aired -- will focus on this year, the Central China Television listed on its [official website](#) the three top areas where the program received consumer complaints, namely e-commerce websites, car sales, and mobile phones. CCTV's reporters typically don hidden cameras to conduct sting operations on companies.

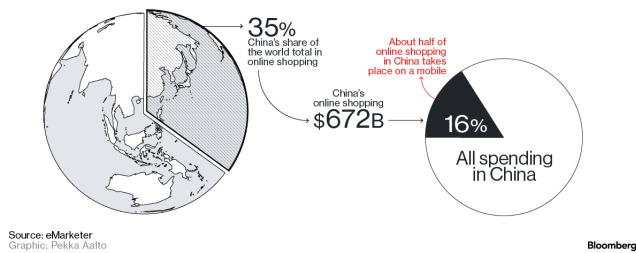
This year's installment comes amid [growing frustrations](#) about China's legal system, with U.S. food producer OSI Group LLC. criticizing a Chinese court verdict last month. While Chinese companies such as China Mobile Ltd., Anhui Jianghuai Automobile Co. and Baidu Inc. were also targeted by CCTV in past years, foreign companies may have more to lose, said Mark Natkin, managing director at Beijing-based Marbridge Consulting Ltd.

"Foreign companies are in a more tenuous position, in that criticism made of them is often indicative of some government attitude -- they are always afraid they could be regulated against or kicked out of China," said Natkin, whose company researches Chinese markets and investments. "This day is an extra dollop of cream on their cup of dismay."

Most Grievances

Online shopping produced the most complaints, with "well-known e-commerce vendors selling fake goods," CCTV's website said, adding that consumer feedback collected through the program's mail and social media platforms represented 25 percent of all grievances. The broadcaster didn't name any companies.

Chinese Shopping Habits



In a visit to Beijing-based Baidu on March 10, the head of China's commerce market watchdog Zhang Mao said some online companies cheat consumers or sell counterfeit goods, and urged operators to deal with unfair competition, according to a report posted on the State Administration for Industry & Commerce's [website](#) Monday.

Alibaba Group Holding Ltd. Founder Jack Ma said he will add 300 people to a team that roots out fake products on its platforms, the Paper reported Tuesday, citing his speech last week.

CCTV ranked car sales as the area with the second-most complaints, with some vendors demanding buyers pay for insurance and license plates, or products that were subjected to recalls. Mobile phones that were faulty or had other issues such as poor after-sales services were in third place.

Major consumer companies have learned the dangers of ignoring the "315 Gala" and have been conditioned to react quickly if they are targeted on the program, said James Feldkamp, founder of Chinese consumer ratings website Mingjian.com.

Apple Apology

"The knee-jerk reaction from companies is that they want to avoid this headache. But the publicity is here to stay, so it's more effective to take a pro-active approach," Shanghai-based Feldkamp said in a telephone interview.

After last year's program reported Tata Motors Ltd.'s Jaguar Land Rover didn't handle an alleged fault properly, it promptly apologized to consumers and pledged to resolve the problem quickly. Other auto-makers including Volkswagen AG and Daimler AG also [responded](#) to reassure customers after the same show accused car dealerships of inflating repair costs.

Cases highlighted by CCTV can escalate if companies are slow to respond. In 2013, Apple was [targeted](#) for offering warranties in China that were not comparable to ones available in other markets. After the March 15 report, the State Administration for Industry & Commerce asked local authorities to increase supervision of clauses in Apple's warranty policies.

The People's Daily newspaper, mouthpiece of the ruling Communist Party, followed up by lambasting the mobile-phone maker for arrogance and poor customer service. Apple Inc. Chief Executive Officer Tim Cook [apologized](#) to Chinese consumers after about two weeks.

'Smear Campaign'

Companies haven't always rolled over when targeted by Chinese media. OSI said Feb. 1 that Dragon TV, operated by state-owned Shanghai Media Group, had [run](#) a "harmful smear campaign" and hurt its reputation. The Aurora, Illinois-based food supplier also said it [would consider](#) appealing a verdict by a Shanghai court that its China units broke food safety laws, more than a year after the station reported its workers were repackaging and selling expired chicken and beef. Dragon TV news editor-in-chief Liu Weihua declined to comment further "as the court has made its decision."

The impact of name-and-shame TV programs may also be dimming amid the increasing importance of younger Chinese, who are more Internet-savvy than their parents, said Ben Cavender, a Shanghai-based analyst for China Market Research Group. Consumers have also become more aware of their rights, to the credit of the "315 Gala," he said.

"It does still have an impact, but that impact has been tempered as consumers are now more sophisticated and assertive than before," Cavender said. "In the past, when consumers were usually powerless and ignored, the program showed that someone was looking out for them."

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