Restore Customer Trust and Public Reputation: Case Study of Didi

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ABSTRACT

The sharing economy has been undergoing dramatic development in the past years. Didi, the leading sharing transportation provider in China, is deemed as one of the most successful cases. However, despite the great economic growth in the market, numerous issues regarding customer safety and data security lead to a decreased customer trust and public reputation, creating massive negatives impacts on its sustainable development. This study, thereby, would focus on the case of Didi by investigating the causes of its Crisis. According to the results, there are some solutions to help the share economy corporates to deal with reputation problems. Some suggestions based on management models are also proposed to help Didi regain its public trust, e.g. They can join some charity to rebuild their corporate image and win more social benefits and adjust the management of Didi's internal departments. This study would contribute to the field of corporate crisis management and public relations management.

Keywords: Sharing economy, Crisis management, Public trust, Reputation management, Didi

1. INTRODUCTION

Contemporarily, a new economic form and resource allocation model has appeared in our lives, so-called sharing economy. It is a new economic model based on resource sharing and collaborative consumption, which relies on online social networking to obtain use rights rather than ownership [1]. It integrates and shares many scattered idle resources which include the temporary transfer of use rights, the transfer of surplus ownership and the sharing of intangible assets, e.g., time, space, and skills.

In the business environment, the concept of sharing economy gradually extends to the forms of B2C self-employment (e.g., time-sharing leasing), C2B (e.g., mobile phone recycling), C2B2C (e.g., second-hand clothing consignment) etc., essentially seeking a balance of supply and demand and fully improving the efficiency of resource used to reduce the crisis of overcapacity [2]. However, concerning its business model development process, we can find some obstacles in practices, e.g., trust, service standardization and resource constraints.

According to a survey, 77 % of people used the Sharing Economy application platform in China in 2016 [2]. Although sharing economy emphasizes everyone's participation in society, most consumers merely participate in market activities as buyers. Environmental protection of sharing economy, convenience to life and income gain are considered as the main benefits of consumer participation. However, the sharing of personal information and property safety issues are still the concerns of consumers. In other words, one of the most vital problems for the public standpoint of sharing economy is trust.

With the extension of commercialization of the sharing conception, a company named Didi Chuting emerged. It's a one-stop transportation platform that provides comprehensive travel services, e.g., Didi Premier, Didi Express, Didi Hitch, etc. Didi Chuting has changed the traditional taxi market pattern based on the characteristics of mobile Internet. It also integrates online and offline to form an O2O closed loop, which reduces the empty driving rate and maximizes the saving of resources and time for both drivers and passengers.

Nonetheless, in the environment of shared economy, this new operation mode contains many unknown risks, which may even threaten the lives of passengers. Didi company, since its establishment, has experienced many

major accidents directly, leading to the loss of the trust from market and users. For instance, on August 24, 2018, Zhao Peahen, a 20-year-old girl in Yueqing, was raped and killed by the driver Zhong Yuan while using the Didi hitch service. In this case, Zhao Peahen sent rescue information to her friends, but Didi customer service delayed providing driver's information to the victim's friends and police for many reasons such as "no authority" and "privacy protection", resulting in serious consequences.

Besides the safety issue, the second controversial issue of Didi is regarding its listing proposal in the US stock market, suspected of leaking data threatening China's information security. Consequently, as forced by Chinese authorities, on July 9, 2021, 25 applications of the Didi company were prohibited from downloading. Afterward, the Chinese network security office issued the notices called "National Security Law of the People's Republic of China" and "Network Security Law of the People's Republic of China" to prevent the risk of national data security and safeguard the public interest of national security. To cooperate with the network security review work to prevent risk expansion, Didi has been required to stop new-user registration during the inspection period.

Based on two incidents as aforementioned, this paper will analyse the measures taken by Didi and the aspects that can be improved in the future from the perspective of organizational management. The purpose of this paper is to discuss the solutions for the credit crisis in order to help enterprises to solve such challenges.

2. CASE ANALYSIS

The time went back to 1 p.m. on August 24, 2018, 20-year-old girl used the Didi Hitch service in Leering, China. Around 2 p.m., the girl lost contact after sending "SOS" messages to her friends. The girl's friend called the Didi platform for help, hoping to get information about the driver. However, the Didi platform said, "there will be relevant security experts involved in dealing with this matter, and they will reply in an hour." At 5: 35 pm, the girl s parents called the police. The police contacted the Didi platform, but customer service at Didi replied it needed 3 to 4 hours to provide the query results. After the police said that the situation is urgent, Didi agreed to speed up the processing. Didi company called back claimed that they need to provide a letter of introduction and two police officer's certifications. At 6:13 pm, the police received license plate information from Didi Company.

The 3T Principle of Crisis Management put forward by the British Crisis Public Relations Expert Register includes three aspects: 1) tell your tale; tell them fast, and then tell them All [3]. As can be seen from the process of events, it is found that the victim's family and friends have repeatedly asked Didi about the driver's information, whereas, they were all been rejected. The police also asked Didi Company twice, but the information was greatly delayed. In this drop of the company did not do well to provide timely and effective information necessary to respond to emergencies. This makes the company questioned by society and the masses, seriously affecting consumer trust and corporate reputation and made the girl miss the best rescue time.

On August 25, the police captured the suspect Zhong in Luisi Town. Meanwhile, Didi issued a statement of apology on social media, which stated that Didi failed everyone's trust and should take the uncompelling obligation [4]. The statement pointed out that the suspect who had been arrested by the police, used real information to register the Didi Express and had no criminal record. He also passed face recognition when receiving the order, but the vehicle license plate was temporarily forged.

The Hawthorne Effect occurs when people alter their behaviour when they are aware that they are being examined [5]. Faced with such a serious situation and high social concern, Didi immediately responded and apologized to the public after the authenticity of the event was confirmed. It changed the time-consuming formalism in the course of the previous events. The efficient response not only reflects the company's attitude but also shows the company's active cooperation with the investigation, which has a positive impact on the return of the company's credibility and the recovery of public trust.

On August 28, Didi issued an apology statement again. Didi stated that Hitch service would be offline before the safety protection measures were approved by users to re-evaluate the business model. Didi carried out internal organizational adjustment and product improvement for its Hitch service. It no longer takes scale and growth as the measurement of company development but takes security as the core evaluation index. The organization and resources would fully focus on its optimization of security and customer service system. As a result of these modifications, Didi has suspended 824 drivers who use cheating tools for face recognition permanently. In the meantime, to enhance user safety awareness, safety education and voice broadcast reminders have been launched about 74.91 million times. Consequently, Didi gradually overcomes this crisis and regain the public trust of trust by improving the product safety standard and undertaking the responsibility.

Dated back to June 30th, 2021, Didi has made a low-key debut in the United States. Nevertheless, after Didi has submitted the request to go public, the Chinese supervision department noticed this and issued a warning to Didi seriously. This behaviour rose the public's attention, and many people suspected that Didi revealed

the information which contained the Chinese road construction and the passengers' private information.

As soon as the event took place, Didi company thought it was a malicious rumour. Its president said that the company will keep the information on the domestic server rather than overseas and that they will not provide the information to the US no matter what has happened. Unfortunately, the unofficial statement from the government was unconvincing. On July 4th, the State Information Internet Office decided to remove Didi applications from the app store according to the Cyber Security Law of the People's Republic of China [6]. To its credit, Didi released a statement on its official Weibo account an hour later, saying that the company has firmly implemented the requirements from relevant state authorities and has temporarily stopped registering new users. The Didi Chuxing APP will be removed and rectified in strict accordance with the requirements of relevant authorities. Users who have downloaded the APP can use it normally, and passengers' trips and drivers' orders will not be affected.

After this incident, Didi has also taken a series of measures to restore the company's image. After the floods in Henan, Didi immediately donated money and provided vehicles to help Zhengzhou rebuild the city. This is also the first official donation by Didi after the storm. This move is also Didi's effort to restore consumers' trust from the perspective of social impact. At the same time, from the perspective of a shared platform, Didi also actively cooperates with the government's decision-making and proactively proposed rectification plans, which has also improved consumers' goodwill to a certain extent.

3. RECOMMENDATIONS

3.1 Suggestions based on the PEST model

PEST is an acronym for political, economic, social and technological. It's a way of understanding how external forces impact the business [7]. The PEST model can be included in the business plan as part of risk management and strategic design [7]. Based on this theory, some solutions are put forward from four different aspects.

First, the political factors. Government regulations and legal issues affect a company's ability to be profitable and successful. Issues that must be considered include tax guidelines, copyright and property law enforcement, political stability, trade regulations, social and environmental policy, employment laws and safety regulations. For Didi, the company listed in the United States to restore the company's trust. They need to cooperate with the relevant departments of the investigation and improve their internal management to ensure that their operation of the company can comply

with the legal laws and regulations of the People's Republic of China in the future. On September 1, 2021, the Data Security Law of the People's Republic of China me into force. This law embodies the legislative goal of the overall national security concept, focuses on the outstanding problems in the field of data security and establishes the classification and grading management of data [8]. Since there are many trade frictions between China and the United States, Didi's choice of listing in the United States at this time has become a sensitive topic, which has attracted strong criticism from many Chinese consumers. The Chinese government has also intervened in the investigation of Didi due to its suspicion that it has the risk of violating Chinese laws and information. Actively cooperating with the investigation to provide effective information can restore the lost social trust of the company. When all authoritative results have not been published, the method of self-confessing is not afraid of authoritative investigation.

Secondly, the technological factors. The vital cause of many dishonesties in Didi Company is the immature technology and the technological environment. As it known to all, sharing economy is a new field. Many countries and companies are still exploring its development model, especially involving advanced technologies such as artificial intelligence. Most of the safety accidents in Didi are due to the imperfection of risk prevention measures in the initial attempt stage. After establishing the "Didi safety system", Didi protect the customer from three stages: before the trip, during the trip, after the accident. This type of solution helps the public to accept this company even it makes some security mistakes. Didi company also set up an artificial intelligence laboratory to improve both customer's and driver's experience by using voice interaction technology, intelligent map engine technology. However, these advanced technologies bring some negative impacts, e.g., the protection and use of data is still controversial company needs to study new areas do better internal management at the same time. They can choose to set up a special department to manage and ensure the safety of data. Meanwhile, the company should also increase product investment in safety by using high technology.

Thirdly, regarding the social factors, it needs to follow the traditional and current values. With the social factor, a business can analyse the socio-economic environment of the given industry's market to understand how consumer needs are shaped and what brings them to the market for purchase. Didi should conduct more social surveys and improve products and services by mainstream values to better enhance product competitiveness and win public trust and recognition. The market department of this company can choose to study customer psychology. It will not only help the company to deal with some serious trust crisis immediately by using the psychology knowledge but

also help the company to divide the market and make personal service, which is an efficient way to attract the customer.

Fourthly, the economic factors. The size of the enterprise affects the trust. Facing the same product, people generally choose famous and large-scale manufacturers. Under the sharing economy, a larger enterprise size means that may have stronger quality assurance. Didi adopted the development strategy of acquiring the same type of companies during the expansion period, this strategy can be continued to use. What it should do at this stage is to maintain its market share, i.e., people can continue to trust this company and help the company to create brand value. Besides, the company's financial information should also be published in time to comply with the latest accounting regulations to ensure the authenticity of the statements. Nowadays, many enterprises have not only lost the trust of consumers and caused huge losses, but also lost the trust of investors and caused problems in the capital chain due to financial fraud. Financial authenticity is an important guarantee to win a good reputation.

3.2. Adjust the management of Didi's internal departments

After the management of the external environment, it is needed for Didi to improve its internal departments' management to enhance public trust.

Firstly, the internal public relations department. The Public Relations (PR) Society of America defines public relations as "a strategic communication process that builds mutually beneficial relationships between organizations and their publics. "When it comes to internal PR, the "public" is an organization's employees or board members [9]. While PR typically involves mass media, internal PR does not. And while it may be overlooked, internal PR should be an important part of any organization's communication strategy [9]. This kind of internal public relations needs related organization and a perfect mature process guarantee. Didi should timely provide full support to the public relations department promptly when facing a public relations crisis. In general, cross-sectoral collaboration has problems of low communication efficiency. For example, when applying for assistance materials and information from other departments, the public relations department of an enterprise may be regarded by other employees as a burden outside its work. The consciousness of full-staff public relations encourages all employees in the enterprise to regard public relations activities as part of their work and actively assist in improving public relations efficiency. Therefore, corporate support for public relations activities requires clear guidelines for corporate management, which can establish a sense of full public relations to provide a better platform for public relations work. Only by

correctly dealing with the public relations crisis can help the company to restore its corporate reputation and rebuild trust.

Secondly, the human resource management department. Good human resource allocation for large-scale enterprises is easier to obtain higher economic and social benefits. The internal organization structure affects the operation of the company. For large enterprises, active social responsibility is the key to gaining public trust. Didi should realize that the meaning of ideas and technological innovation is to benefit the public. Collaborating with relevant parties to create more social value can help enterprises establish a positive corporate image. Didi Company should pay attention to sustainable development and provide more green travel choices to society. Didi provides humanized solutions for the travel convenience of special groups. For example, the elderly hotline/call service, disabled car, mother, and child car, etc. In addition to consumer groups, companies should also consider Didi driver. Increasing fuel costs and more and more private cars joining Didi have squeezed out the profit margins of existing drivers. According to a questionnaire survey, 72.33% of drivers think their income is average. Didi drivers have an overall Not very satisfied [10]. The vital step for a company to gain social trust is to obtain high recognition from both customers and staff.

3.3. General suggestions to enhance its public trust

According to the research on the Impact of Reputation Crisis on Enterprise Management [11], there are two main solutions to address the problem. The first one is to create a good social atmosphere of honesty and trustworthiness, the other is to establish a sound market economy reputation mechanism. As for Didi company, they can consider the first solution.

In modern society, the law and morality are two keys to creating an honesty atmosphere. In terms of theory, morality has the most important effect on people's minds. It is a spontaneous behaviour for people and society. Within the scope permitted by law, the Didi company can do as much as possible to change the people's attuited towards itself. For one thing, Didi company can publish a policy to encourage people to use the application with some details about charity actions. For example, Didi company can promise society to donate money to charity institutions every time after passengers pay the fare. They can develop a mechanism that can automatically calculate the expenses and corresponding donations. The Trust theory is proposed by Simmel, which believes that the interactions form complex relationships between people and different organizations. Simmel agued that the main form of interactions is exchanged, especially currency-mediated exchange. This kind of exchange cannot be carried out without trust.

Furthermore, the operation of the entire society cannot do without trust. In all, by the way, mentioned before, people can receive a feel of involving in charity. Because people pay the fare, the company donate the money base on the fare. People would regard themselves as a part of the charity, they would feel happy and satisfy because of helping others. This is a good opportunity to improve corporate reputation. Moreover, the company can construct some

"City Love Supply Station" aims to provide the supplement to people, like the cleaner and sick driver. The "City Love Supply Station" can be found easily if some needs water or other medical treatment. Nowadays, some drivers may choose to drive longer than permitted time to earn more money. However, it is an irresponsible action for themselves and their families. From another angle, this way can ensure the safety of passengers because the drivers have better body condition. In addition, they can promote some precautions about driving, which exhibits a positive attitude of establishing a new mechanism and eliminating people's worries to public.

4. CONCLUSION

In summary, this paper analyses the public relation and crisis management practices based on Didi company and offer some useful solutions to help to share economy corporates to deal with reputation problems.

In general, there is no doubt that there is still a long way to go for ensuing sharing economy development. Even though the solutions given to Didi may not be suitable for all the company who has the reputation problem, it is expected that the solutions can help other industry to improve their problems about trust.

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