Did Gushcloud Just Spend $26,000 on a Poor Response to the Xiaxue Saga?

Description

Have you guys been following the Gushcloud vs. Xiaxue saga which erupted recently this Christmas?



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Iâ??ve been keeping myself up-to-date with the whole issue, and you gotta admit, it is extremely **entertaining.** Whether you like her or not, you got to give credit to Xiaxue, who exemplifies the best and worst side of a Singaporean. Iâ??m not going to comment on whoâ??s wrong or whoâ??s right here, but what really appalls me is h**ow much Gushcloud spent on handling the issue and yet did a terrible job** at it.

Iâ??m not sure who Gushcloud consulted before they released their official statement, but they claim

â??We spent the 36 hours speaking with our investors, clients in the region, influencers and lawyers about this matterâ?•.

Yet their response wasâ?¦disappointing, to say the least. And achieved almost nothing to salvage the crisis.

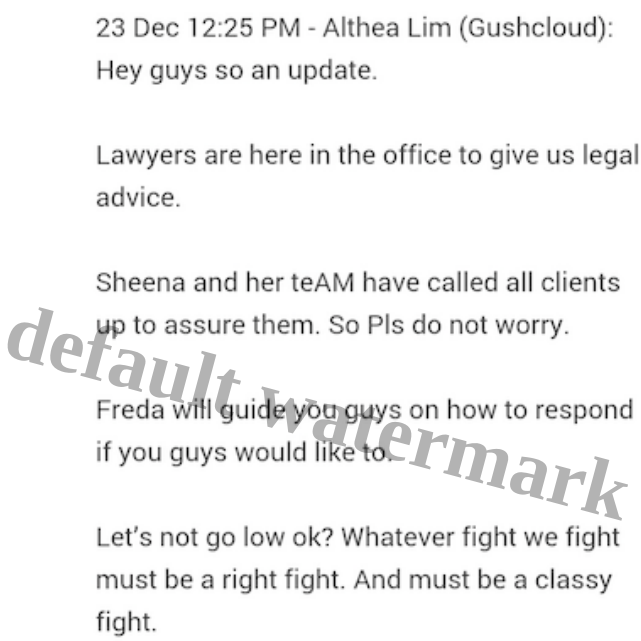
This will probably go down in media/marketing books as a classic case study of crisis communications done wrong. Here are some of the big mistakes they made, analyzed by yours truly:

Mistake 1: Not paying a good Public Relations consultant / agency to do damage control

Now this is the one I feel most strongly about. Coming from a PR and marketing background, my favourite module in university was on handling crises.

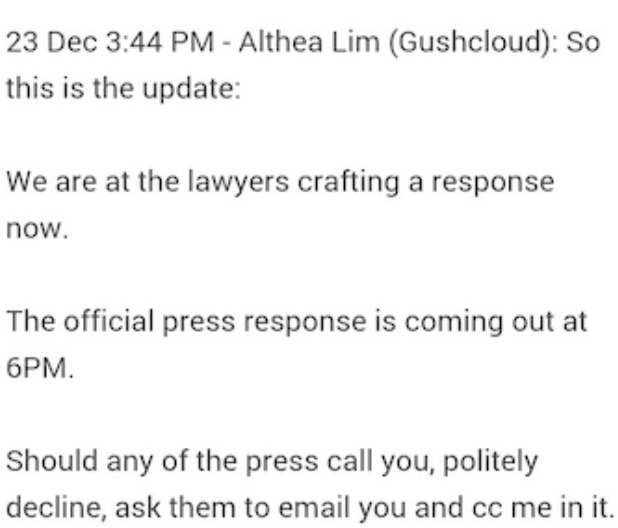
Look, this is a PR crisis more than a legal problem. They might have a case for defamation against Xiaxue (I donâ??t know for sure since the last time I touched media law was years ago), but when you are issuing a response to the public and your followers, your lawyers are not the right people for this job.

UPDATE 1.39am: Just confirmed my suspicions with this leaked Gushcloud WhatsApp group chat.



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3 hours laterâ?¦



Another 3- 4 hours laterâ?¦

23 Dec 6:07 PM - Althea Lim (Gushcloud): Hi all. So we are still at the lawyers.

This is their advice. They want us to wait one more day and most importantly safekeep our clients first.

They are drafting a letter for the press first.

23 Dec 7:22 PM - Freda Poh (Gushcloud): We just released this on our Facebook page

18 hours after Altheaâ??s first announcement that theyâ??re with the lawyers, it seems their legal team is still at work.

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24 Dec 9:51 AM - Seth Lui: But I do hope to see one that addresses xx's every single point

24 Dec 9:51 AM - Seth Lui: Especially in inflated numbers, thats where everyone is zooming in on

24 Dec 9:52 AM - Althea Lim (Gushcloud): Yes. That's currently cleared by lawyers now.

Iâ??m not sure if their lawyers stayed with them until 5am, but here they are at 23 hours laterâ?¦

24 Dec 11:20 AM - Althea Lim (Gushcloud):
Hello all.

1. The official statement and report from Gushcloud will be out in a couple of hours. We need time because that requires time to craft with the lawyers. We must tread this ground carefully to protect everyone in the company. We didn't have the luxury to plan this against her or had the luxury of time for multiple edits.

2. We are also collating evidence non stop and proof even from external sources to make a credible claim. And Kaykay can vouch for us that we were in the office till close to 5AM last night collating and making sense of everything.

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27 hours and counting so farâ?¦

24 Dec 3:36 PM - Althea Lim (Gushcloud):
Press release is looking ok. We are just protecting all angles right now.

Looks like they finally took a break at this point.

24 Dec 5:24 PM - Althea Lim (Gushcloud): Pls help us share everyone.

24 Dec 5:24 PM - Althea Lim (Gushcloud):
Thank you.

24 Dec 5:25 PM - Althea Lim (Gushcloud): I just wanted to say our lawyers were expensive haha but Merry Christmas everyone. I hope we sleep well in peace tonight.

Next, they decide to get the lawyers in again for another 3 hours.

24 Dec 6:30 PM - Althea Lim (Gushcloud): Ok all. So we wait now ok?

1. Pls have a good Christmas. Share the story.

2. The Gushcloud teAM is on standby with lawyers tomorrow at 9-12PM just in case we have to deal with something.

3. Lastly when you have time, I just want you to think what have you learnt from this. So spend some time ok?

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At this point Iâ??m not sure if their lawyers have gone home yet, but if â??everyoneâ?• refers to investors, stakeholders, influencers and clients (which is likely the case), it is safe to assume their lawyers helped with the email too.

26 Dec 2:57 PM: Althea Lim: Freda and I are dropping everyone an email exactly why we can't sue. Yet.

26 Dec 3:57 PM: Althea Lim: Hello all. We sent u an email for you guys to understand our difficult position. Pls read when u have the time to. :) thanks.

Now letâ??s do some quick calculations (all purely assumed):

Crisis period â?? 29 hours
Lawyers on standby for press release response â?? 3 hours
Internal email â?? 1 hour?
Total = 33 hours

I consulted a lawyer for legal advice earlier this year when I sued my employer in court just to get back $2000 (they owed me salary and refused to pay up after I resigned). As I represented myself in court (and won), my only costs were the few sessions I spent in legal consult. It was a top-notch lawyer,

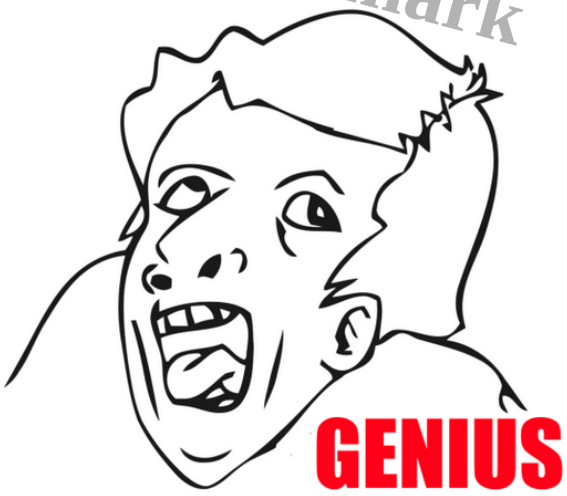
reputed for being one of Singaporeâ??s best, and who happens to also be my mumâ??s friend, so she asked for a discounted rate for me. Still, the total amount was still heartbreaking! And to think that Gushcloud spent perhaps 33 hours with their lawyers (almost 16 times of mine!), you can only imagine how much they paid.

A decent lawyer charges at least $400 per hour. Althea mentioned â??lawyersâ?• in plural, so letâ??s assume it refers to a minimum of 2 lawyers. My guess is that **Gushcloud probably spent over $26,000** ($??) during this crisis, although this is purely a rough estimate on my part.

What they should have done was to engage a PR consultant to manage the crisis and draft Vincent Haâ??s response / the press statement / the stakeholdersâ?? email instead, followed by their lawyers spending 1 â?? 2 hours (max) to vet through before release.

I canâ??t really comment on PR rates as it has been a good 2 years since I was last with a PR agency, but from a quick salary search online, I found the average wage of a PR person as $38 per hour in Singapore. A good PR consultant can charge as much as 3 â?? 5 times of their cost rate. Which means **Gushcloud could have spent between $1,250 to $6000+ instead if they had gotten good PR folks to handle the crisis.** Just look at the savings!

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And after all that money, Vincent Haâ??s crafted-by-lawyers official response still hasnâ??t addressed or resolved the crisis, he merely glossed over it.

Mistake 2: Not addressing their wrongdoings


Gushcloud
23 December at 19:39 ·

It has come to our attention that a post "The Big Gushcloud Exposé" was published by Ms Cheng Yan Yan Wendy on her blog today (the "Blog Post").

We have read the contents of the Blog Post. Ms Cheng's allegations are inaccurate. We think that the Blog Post was calculated to disparage and injure our reputation. The timing of the release of the Blog Post also speaks for itself.

We are currently taking legal advice and reserve all our rights against Ms Cheng in relation to the Blog Post.

#FaithInGushcloud

Their first public response was so poorly written, it sounds exactly like what my ex-boss said when I took him to court earlier this year.

- *â??Ms. Chengâ??s allegations are inaccurateâ?•* â?? Why? On what basis do you claim this?
- *â??We think that the Blog Post was calculated to disparage and injure our reputationâ?•* â?? Yeah, like we were simply mindless naive folks who couldnâ??t tell Xiaxue was obviously attacking you guys from her post. Plus, who cares about what you think? And you couldnâ??t even tell us WHY you have reason to think this is so?
- *â??The timing of the release of the Blog Post also speaks for itselfâ?•* â?? What are you trying to imply it suggested?
- *â??Reserve all our rights against Ms. Chengâ?•* â?? In other words, no comment. Which every good PR or media student can tell you is always the worst thing to say in times of crisis.

Xiaxue accused Gushcloud of several offences, but when I read Gushcloudâ??s responses (one from CEO Vincent Ha, and another from co-founder Althea Lim) they only answered the part on inflating their earnings. Vincent Ha admitted that the Straits Times article in 2012 was wrong and he should have corrected it then, but it was an oversight on his part. **Seriously? You had 2 years to correct a mistake and you didnâ??t do so until Xiaxue literally â??forcedâ?• your hand?**

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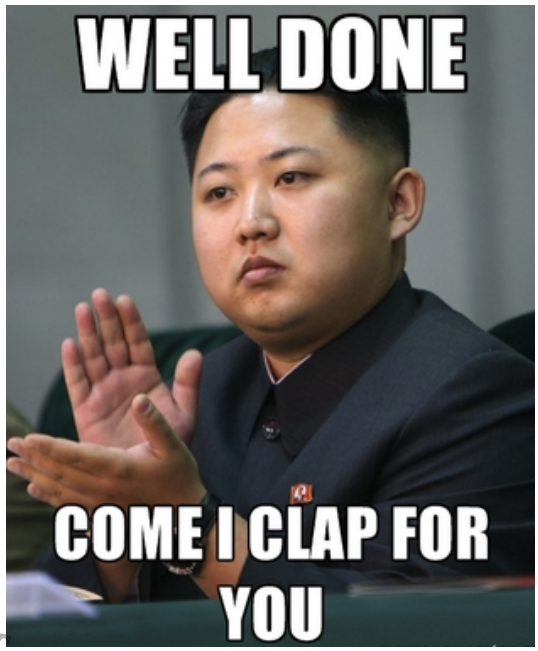
Other than that, he didnâ??t directly answer any of the other questions that Xiaxue raised among us readers. This only makes me suspect they may have something to hideâ?¦do they?

Look, it is only human nature to make mistakes, and we can all relate, but not having the guts to address the problem directly only suggests that youâ??re not being completely honest.

Mistake 3: Behaving childishlyâ?¦and then eating back your own words later
Shortly after Xiaxueâ??s post went public, co-founder Althea Lim wrote back (rather childishly, in my own personal opinion). I especially love how she emphasizes this (just look at all those capitals!) :

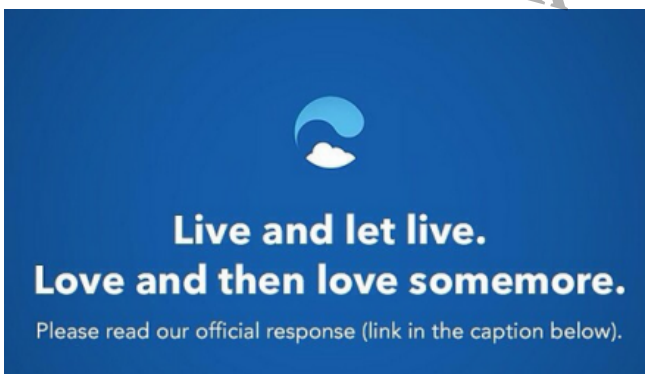
> *â??So I, ALTHEA LIM, IN MY PERSONAL CAPACITY, SAY TO YOU, WENDY CHENG, THAT YOUR ALLEGATIONS AGAINST GUSHCLOUD IN YOUR BLOG POST ARE FALSE.*
>
> *I, ALTHEA LIM, IN MY PERSONAL CAPACITY, CALL YOU A LIAR.*
>
> *If you truly believe that you are not lying in your blog post on Gushcloud, I invite you to sue me FOR CALLING YOU A LIAR.*
>
> *And if you do not sue me, then I guess that speaks for itself.â?•*

Wow. I think I was 12 when I stopped writing like this.



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And the end result? Gushcloud has decided not to sue Xiaxue (surprise!â?¦..NOT). In the words of Vincent Ha:



(Hmm, Iâ??m not sure if Iâ??m convinced that they â??loveâ?• Xiaxue.)

Mistake 4: Using the wrong hashtag

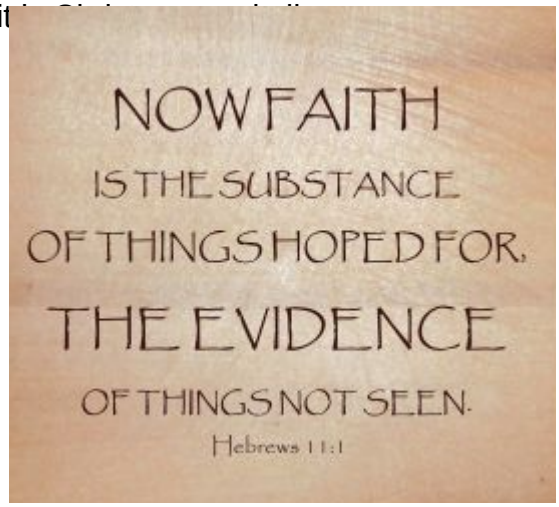
With this being a social media battle, it was a smart move by Miss Freda Poh to come up with a hashtag to garner support for Gushcloud by asking their influencers to post #faithingushcloud, leading to a chain effect of people on their side reposting the hashtag.

23 Dec 7:25 PM - Freda Poh (Gushcloud): Please help to share it on fb. And for ig, if you feel strongly for GC, please help us spread it too. Our official hashtag would be #FaithInGushcloud. If you need help to vet your caption just whatsapp me directly ok? We appreciate everyone's support in keeping tight together as a fAMily



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But really, she ought to have hired a copywriter instead for the job! Perhaps she thought it was smart to use the word â??faithâ?•, since it



Faith â?? the evidence of things not seen. Xiaxue presented what seemed like evidence to make a convincing argument, but Gushcloud responded with a hashtag that otherwise suggests a â??I have faith in you even though you have no evidence to show me youâ??re innocentâ?•.

It reminds me of Malaysia Airlinesâ?? failed promo campaign just a few months ago:



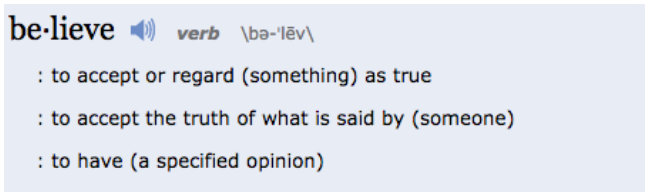
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Different company, same mistake.

24 Dec 11:26 AM - Freda Poh (Gushcloud): I'm back to asking you guys to keep your #FaithInGushcloud lol

16 hours later and sheâ??s still propagating her mistake. Even funnier was how Gushcloud had to create their own hashtag, while #faithinxiaxue was created by the public without Xiaxue doing anything.

My dear Freda, you should have used **#ibelieveingushcloud** instead. At least that comes with 1) a personal stamp of trust by whoever posts it and 2) the meaning of believe is much more appropriate in this case.





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Mistake 5: Using emotional blackmail

Iâ??m not sure if anyone else noticed this, but it seemed to me as though they used the strategy of emotional appeal in their official response to try to get the public to feel bad about them being attacked by Xiaxue. Just look at what Vincent Ha said:

â??You can imagine how the feeling of escape the near-death of a company and to see your efforts start to pay off.

I was personally in the US making arrangements to shut our business operations down around the relevant point in time and to look at turning it into a product development office. â??

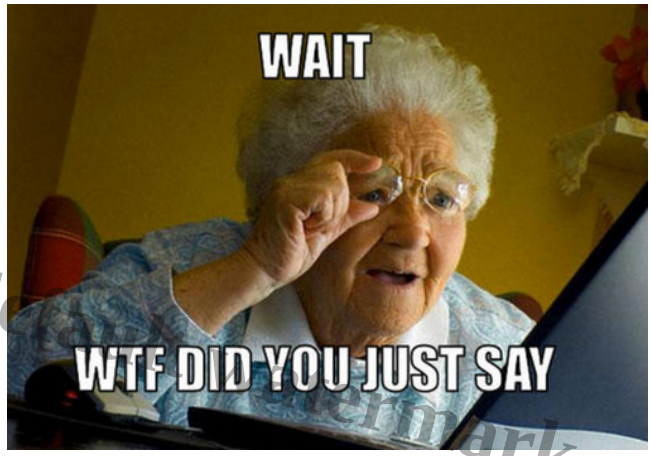
Ideal public reaction â?? Oh no! So poor thing, they are a struggling business just trying to survive, letâ??s not be so hard on them lah.

Emotional appeal was popularized by Thomas Paine, whose words propelled the colonies into the Revolutionary War in 1776. **Appealing to emotions can be a good tactic to persuade if used effectively, but unfortunately for Gushcloud, Budget Babe has been trained to identify these sort of things, so Iâ??m not impressed.**

Xiaxue used logical appeal to persuade her readers when she wrote about the big Gushcloud expose, by relying on statistics and data to make her case. Whoever read her post will naturally expect a logical response from Gushcloud, addressing each and every one of her accusations head-on. Did they do

that? No.

23 Dec 4:05 PM - Freda Poh (Gushcloud): Yes. Office is good, everything is under control. We won't retaliate on an emotional angle so u guys don't do so too ok? Wait for our the news to be released on our site first.



IN SUMMARY, Gushcloud may have spent over $26,000 on lawyersâ?? fees alone (and this is only guess estimation on my part) when they could have paid just a fraction if they had engaged PR folks for the solution instead. The result? **A total of 2,977 words** (according to my Microsoft Word count) on Vincent Haâ??s official statement emphasizing on the things theyâ??ve done well since they started. We DONâ??T CARE. If a crisis happens, we want you to admit what youâ??ve done wrong, apologize, and tell us what you will do to make things right. NOT tell us how good you are or try to make us feel bad about wanting answers.

I donâ??t have anything against Gushcloud, but donâ??t you agree that the way they handled the crisis was appalling?



This apt meme taken from Xiaxueâ??s blog.

Aiya, Gushcloud should have just spent that $26k to hire me lah.
At least I could have drafted a better response for them.

Not sure if Gushcloud will ever properly recover from this, but at any rate, this is one case to learn from on how NOT to handle a PR crisis.

Just my two cents worth.

Budget Babe works as a freelance PR and marketing consultant on weekends (thatâ??s partly how she saved $20,000 in a year), although most of her clients are small-businesses and start-ups. All the figures and analysis in this post are merely guesswork on her part and are not meant to reflect the actual amount Gushcloud truly spent (which she would love to know!).

Category

1. Savings

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