

A9-Excellent

Tylenol Case

Crisis Management

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Table of Contents

Introduction	3
Mission Statement.....	4
Issue	5
Strategy	5
Analysis	6
Considerations for the firm	6
Action Plans implemented	6
Reasons behind the recall	7
Financial implications of the recall.....	7
Marketing implications of this recall	8
Legal implications of the crisis	8
Implications of the recall and incident on consumers	8
Benefits of the recall to Johnson and Johnson	8
Aftermath of the incident.....	9
Comparison with another firm's strategy (Perrier)	9
Recommendation (Guidelines for the future)	10
Conclusion.....	10
Bibliography.....	11

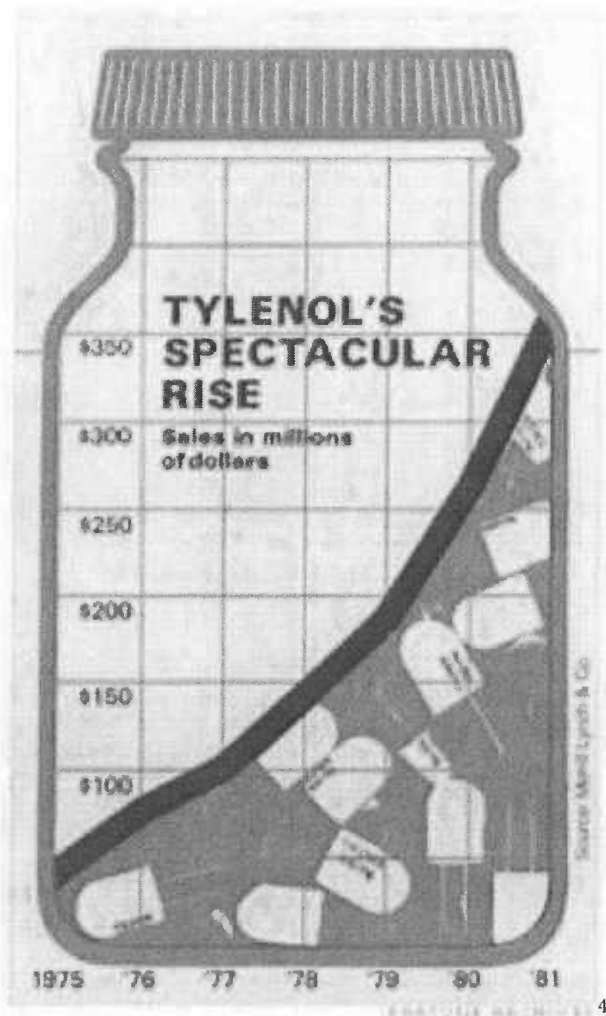
Introduction

Tylenol is an American drug, which is produced by the company McNeil that is a subsidiary of the firm Johnson and Johnsons. Johnson and Johnsons were known to be shy of the media and had refused to interact with them on many occasions. But that changed during the Tylenol murders as will be seen later. In this report we analyze the Tylenol case that took place in October 1982 and left seven people dead in Chicago due to cyanide poisoning caused because the capsules were laced with potassium cyanide. The first victim of the poisoning was 12-year old Mary Kellerman followed by Adam Janus his brother Stanley and sister-in-law Theresa, Mary McFarland, Paula Prince and Mary Reiner. This case to this day remains among one of the top 10 unsolved crimes in America¹. Tylenol was a market leader when it came to consumer drugs controlling a massive market share of 37% before the incident outselling the other painkillers combined (Anacin, Bayer, Bufferin, and Excedrin)². After the incident took place their market share dropped to 7%. Furthermore Della Femina, a prominent figure in the advertising industry proclaimed that Tylenol would never sell again³. This report focuses on how we responded to this crisis and look to the future as we define guideline to help avoid/ respond effectively to such incidents. A pictorial representation as shown below of the growth of the sales of Tylenol gives us a better understanding of how it had grown over the years.

¹http://www.time.com/time/specials/packages/article/0,28804,1867198_1867170_1867146,00.html

²<http://www.ou.edu/deptcomm/dodjcc/groups/02C2/Johnson%20&%20Johnson.htm>

³<http://www.aerobiologicalengineering.com/wxk116/TylenolMurders/crisis.html>



Mission Statement

The mission statement for our company that is Johnson and Johnson's emphasizes putting the well-being and needs of the people we serve first⁵, this can be found in the credo of the company.

⁴ <http://features.blogs.fortune.cnn.com/2012/10/07/the-fight-to-save-tylenol-james-burke/>

⁵ <http://www.jnj.com/connect/about-jnj/jnj-credo/>

Issue

The crisis started on 29th September 2012 when 12 year Mary Kellerman died after taking an extra-strength Tylenol capsule. This was followed by the deaths of 6 other people in quick succession within the next 72 hours. All these deaths were random and the police had no idea as to who was responsible. A couple of firefighters later realized that it was in fact the Tylenol that tied all the deaths together as all the victims had ingested Tylenol before their deaths. At this point Johnson and Johnson were sitting in a good position as the company was growing at a phenomenal rate with earnings up 16.7% in 1981 and it was predicted to go up even further in 1982⁶. In the next section we analyze the strategy and different steps taken by the company as they look to overcome this incident of domestic terrorism.

Strategy

The first step that James E Burke, the then CEO of Johnson & Johnsons took as soon as he heard about the murders was to set up a 7 man strategic team to help resolve this issue as soon as possible. This emergency strategy tem consisted of David Clare, J&J President; Wayne Nelson, Company Group Chairman; Arthur Quilty, Executive Committee member; David E Collins, Chairman of McNeil, Lawrence G. Foster, Corporate Vice President of Public Relations and George Frazza; General Counsel⁷. With the help of the strategic team they analyzed the issue first to establish the source of the poisoning. Furthermore Illinois Governor James Thompson gave Attorney General Tyrone Fahner jurisdiction over the case. The company also decided to work closely with the FBI and the FDA in order to solve this case.

⁶ <http://features.blogs.fortune.cnn.com/2012/10/07/the-fight-to-save-tylenol-james-burke/>

⁷ http://americanfraud.com/tylenol_murders.html

- On 1st of October 1982 Johnson and Johnson put out a reward of \$100,000 for anyone who can provide information, which could be vital towards the investigation.
- On 2nd of October 1982 McNeil set up hotlines for anyone who was affected from Tylenol poisoning, at the same time the police had set up lines for anyone who had information regarding the tampering.
- On 4th of October 1982 the company announced that they had stopped the manufacturing and shipping of Extra-strength Tylenol throughout America.
- On 5th of October 1982 Johnson and Johnsons had recalled all Tylenol capsules, which included 31 million capsules that represented a loss of \$100 million for the company.

Throughout these few days the company interacted with the media like never before ensuring that all their customers knew about the crisis and what steps were being taken to ensure their safety. Even after the incident the CEO James Burke appeared on talk shows such as "The Phil Donahue show" and "60 minutes" to stress the fact the company was not to blame for this incident and rather it was a crazed individual who had committed these murders. These actions weren't always approved by all parties involved like for instance the FBI and FDA were initially against the company recalling all the Tylenol as they believed this would give the guilty the notion that they had won and that they had brought a large corporation to its knees.

Reasons behind the recall

The main reason that led us to recall the products was due to our credo, which we follow no matter what the situation is and it entails that we put the well-being and needs of the people we serve first, that in this situation was putting the lives of our customers before the profits/losses for our company.

Financial implications of the recall

Loss of \$100 million in capsules as the company decided to destroy all the Tylenol capsules that were recalled. Additionally the costs associated with building good public relations again and retaining loyal customers through their

advertisements, campaigns etc. The estimated cost for this stands at a whopping \$150 million⁸

Marketing implications of this recall

Before the murders the marketing strategy of the company included promotions of Tylenol through ads that emphasized how effective Tylenol was in relieving pain that was caused due to the use of aspirin. After the murders the main focus was to regain the trust of loyal customers and advertising the fact that hospitals trust Tylenol and hence so can the consumers. To better understand the difference we can have a look at the advertisements that can be found by following the link as provided:

http://americanfraud.com/marketing_tylenol.html

Legal implications of the crisis

The families of the victims filed three lawsuits totaling \$35 million against the company⁹. These were eventually settled 9 years after the incident took place in 1991. This settlement required complete silence from the families about the incident. Johnson and Johnson has tried to help out the families of the victims even though they weren't the cause for the poisonings through offering scholarships in the names of the victims, which didn't work out.

Implications of the recall and incident on consumers

Consumers were left with a dilemma with the recall, as the brand that they had grown to trust had been taken off the shelves and they had to shift to other pain relievers such as Anacin, Bufferin etc. 87% of the consumers believed that Tylenol wasn't the reason for the murders but 61% of consumers said that they wouldn't buy the Extra-strength Tylenol capsules in the future¹⁰.

Benefits of the recall to Johnson and Johnson

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http://www.pearsonhighered.com/readinghour/philosophy/assets/0205667503_ch1.pdf

⁹ <http://eightiesclub.tripod.com/id298.htm>

¹⁰ <http://features.blogs.fortune.cnn.com/2012/10/07/the-fight-to-save-tylenol-james-burke/>

Johnson and Johnson's to this day has been lauded for the way they handled the crisis and have become exemplary examples of how a large organization should handle situations that may arise to weaken their positions in the market. They solidified themselves as being one of leading corporations when it came to public relations as they handled the situation brilliantly and in a few months had regained about 28% of the market share after hitting a low of 7% after the crisis. This was due to PR campaigns that involved executives cooperating with newspapers and television. Consumers realized that the company valued their lives more than their profits and hence slowly started trusting the company and Tylenol again.

Aftermath of the incident

To further gain the confidence of their customers Johnson and Johnson along with the FDA launched new packaging regulations for Tylenol, which ensured that they were tamper resistant, hence the three-sealed package was born which to this day is being used for many products. On November 11th 1982 Johnson and Johnson announced that they would be reintroducing Tylenol with the new safety packaging. Furthermore the company handed out \$80 million coupons worth \$2.50 in lieu of promotions for the product. This incident also led to the passing of the Tylenol bill of 1983, which makes tampering with consumable products a federal crime¹¹. In 1986, when there was another case of a murder through poisoning of Tylenol they decided to withdraw all capsules from the shelves and destroy them and move from capsules to caplets which are tamper proof¹²

Comparison with another firm's strategy (Perrier)

In 1990 Perrier failed to handle the situation with their benzene-contaminated water, as they did not know what to do when this issue came up and furthermore they failed to accept that this was going to be a global phenomenon. For a

¹¹ <http://lawandordnance.com/The-Tylenol-Poisonings.html>

¹² <http://lawandordnance.com/The-Tylenol-Poisonings.html>

company that is based on the philosophy of “natural purity”, this didn’t sit well with the customers, as they believed the company was too lax in their handling of the issue¹³. This is contradictory to what Johnson and Johnsons did as they held the interests of the customers as the highest priority and ensured that a solution was obtained as quickly as possible and one that follows their credo. To this day the effect of these 2 contradictory methods of handling as Johnson and Johnson has regained much of its market share but Perrier is has not achieved the same level of market share that it had before the 1990 incident.

Recommendation (Guidelines for the future)

- Companies must ensure that they are quick to respond to emergencies if and when they turn up.
- The strategy of the company during a crisis must be built upon its mission with a view to give the greatest priority to your customers.
- Ensure that your product is tamper resistant at all times and is following the FDA regulations for the same.
- Ensure that you have a capable strategic team that can be assembled within a given time frame to handle such emergencies.
- Plan for the future by analyzing scenarios that may arise.
- Maintain transparency between the firm and the customers, as this will help them realize that their interests are being upheld through the actions of the firm.
- Ensure that the strategy is effective unlike Perrier where they just recalled products from the UK only for Benzene contamination to be found elsewhere.
- Have quality control measures handled by a third party to ensure that all products coming out of production are of the highest possible quality.

Conclusion

¹³ <http://brandfailures.blogspot.ca/2006/12/brand-pr-failures-perriers-benzene.html>

Though Johnson and Johnsons were the pioneers in crisis management we find that recently they have been accused of not handling a crisis very well. The now CEO William Weldon was initially more concerned about the bottom line of the company rather than the customers as was the case earlier and this has led to criticism of the company going against its mission. Quality assurance slipped under his watch and resulted in the production of faulty products. ¹⁴He has recently decided to leave his post as the CEO. The company has had to do product recalls for the past 3 years and the problem doesn't look like it will be solved until next year. This shows that given the circumstances if the right steps are not followed to handle a situation it can get out of hand and can eventually lead to the decline of a company.

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