

MEMO

DATE: February 12, 1986
TO: John Doe
FROM: Adam Kowol
SUBJECT: Current Tylenol crisis

INTRODUCTION

In response to your request, my team and I analyzed the recent Tylenol incident and attempted to establish how best to remedy the resulting crisis. As you know, this was the second incident involving Tylenol and it is imperative that the company should draw on the lessons learned in the past. The objectives of this report are as follows:

- to summarize basic facts about the present crisis,
- to assess its severity and identify the threats it poses to our market position,
- to review the methods employed during the first Tylenol incident and evaluate their applicability to the current situation,
- to make specific recommendations to the Management Team on how to handle the problem.

PROBLEM STATEMENT

A 23-year-old Peekskill, N.Y., woman died on February 8 after taking a cyanide-laced Extra-Strength Tylenol capsule. This means that our company is facing an emergency similar to the one that occurred in 1982. The tragic event presents a major threat to our brand image as well as consumers' confidence in the safety of our products. Consequently, it is necessary to adopt the appropriate communication strategy and take all reasonable precautions to prevent such incidents in the future.

ASSESSMENT OF THE SITUATION

In order to fully appreciate the seriousness of the situation, we ought to remember that after the 1982 deaths in the Chicago area many business experts thought Tylenol sales could never recover. Until then the product had enjoyed 35 percent of the non-prescription painkiller market, but this share shrank to 8 percent.

Even though the poisoning can have disastrous consequences for Johnson & Johnson, this time most industry analysts remain optimistic. If the stock market is any indication, investors have already discounted the potential for damage to the company. Johnson & Johnson's stock, which was the most actively traded issue on the New York Stock Exchange yesterday, opened at \$49 a share but climbed to \$50.625 by the end of the day. On Monday, when news of the death first came to light, the stock closed at \$51.75, down \$1.75 from the previous trading session. In the days following the 1982 poisonings, the stock fell 7 points.

Moreover, in 1982 the series of poisonings occurred over a period of days, gradually building nationwide alarm aggravated by copycat incidents, whereas the present case appears to be limited to a single contamination.

It is my firm belief that the company has a good chance of avoiding a nightmare scenario, provided that it skillfully applies its knowledge and experience to coping with the problem in question.

LESSONS FROM THE 1982 INCIDENT

The course of action Johnson & Johnson took in 1982 set a new precedent and is considered by public relations experts to be the prototypical example of efficient and ethical crisis management.

Listed below are the findings of my research on our company's handling of the 1982 crisis:

1. Crisis Response Strategies employed:

- a. Remediation (offering some form of compensation to help victims of the crisis): Johnson & Johnson provided counseling and financial assistance to the victims' families even though the company was not responsible for the product tampering.
- b. Rectification (taking action to prevent a recurrence of the crisis in the future): Johnson & Johnson developed a new triple-seal tamper-resistant package and new random inspection procedures before the shipment of Tylenol to retailers.
- c. Sympathy (winning support from the public by portraying the organization as the unfortunate victim of an attack from an outside entity): Johnson & Johnson conducted an immediate product recall from the entire country, which amounted to about 31 million bottles and a loss of more than \$100 million dollars. It elicited feelings of sympathy among the public.

2. The Tylenol crisis project was managed using three phases:

- a. Discovery - the gathering of information from every possible source in order to learn about the complexity of the problem and the associated risks.
- b. Assessment and quantification of the risks as well as the containment of potential damage to the company.
- c. The establishment of a recovery plan and risk mitigation.

3. Following the corporate Credo allowed the managers to make quick decisions about being open with the press and putting the consumer's interest first.

4. Our corporate culture is one of cooperation. Employees volunteered to assist in any way possible to help the company out of the crisis.
5. It is essential to recognize the benefits of open and honest communication:
 - a. Although before the crisis Johnson & Johnson had not actively sought press coverage, several major press conferences were held at corporate headquarters.
 - b. The company decided to cooperate fully with all types of news media. Disapproving coverage by the media could have easily destroyed Tylenol's reputation permanently.
 - c. All television commercials for Tylenol were immediately and indefinitely canceled. Instead, Johnson & Johnson used the media to issue a national alert to tell the public not to use the Tylenol product.
 - d. In the first week of the crisis Johnson & Johnson established a toll-free telephone hot-line to answer consumer questions.

FURTHER RECOMMENDATIONS

All the findings mentioned above are perfectly applicable to the present situation and thus should be taken into account by managers responsible for handling the current crisis. In addition, I strongly advise taking the following measures:

1. Recall Tylenol from every outlet.
2. Offer refunds or exchanges to customers who had purchased Tylenol capsules.
3. End the production of capsules.
4. Switch to pill bottles and caplets, which are more resistant to tampering than capsules.

5. Enlist sales people to explain the new safety standard to physicians.
6. Endorse legislation making tampering a crime.
7. Launch an aggressive campaign to re-introduce Tylenol and restore consumer confidence:
 - a. Invite former users to call a freephone number to request a free bottle in the new packaging.
 - b. Send samples to doctors for free distribution.
 - c. Offer discount vouchers and introduce an attractive new pricing program.

CONCLUSION

The findings of this study lead to the conclusion that our company is in a position to emerge relatively unscathed from the crisis. However, it is vitally important that we realize the seriousness of the challenge we are facing and take appropriate action.