

## Tylenol Case Study

In 1982, Johnson & Johnson faced a crisis of epic proportions that could have destroyed the reputation of the company and its number one product. However, they immediately launched a massive public relations program that helped reduce panic and fear across the country, while also strengthening the company's longstanding family values to the public.

The crisis began when seven people on Chicago's West Side died without explanation. It was determined rather quickly by authorities that an ingested Extra-Strength Tylenol capsule laced with cyanide caused each death. The news spread with rapid speed across Chicago and the nation. Police drove through the city blaring warnings over loudspeakers, and all three national television networks reported the breaking news on their evening broadcasts. Soon after, the Food and Drug Administration recommended that consumers should avoid the Tylenol capsules until an investigation concerning the Chicago deaths was completed.

Immediately, a spokesperson for Johnson & Johnson, the maker of Tylenol, assured the public that the tampering did not occur at their plants due to very strict quality controls in place. However, the nation was already in a state of panic and fear since this painkiller was used by nearly everyone at the time. Hospitals in the Chicago area received nearly 700 telephone calls concerning Tylenol and people were admitting themselves to hospitals across the country suspecting cyanide poisoning. Also, nearly 270 copycats were caught on suspicion of product tampering.

By definition, a **crisis** is any major unpredictable event that could have potentially negative results for an organization and its shareholders. The crisis faced by Johnson &

Johnson was an **intentional act to disrupt** their company. There are three stages in a **crisis life cycle: pre-crisis, crisis and post-crisis**. Since no other poisonings had happened before, Johnson & Johnson was not fully prepared with a **crisis management plan**. The company did not believe at the current time that product tampering was a potential risk for them. However, even though the company did not have a **pre-crisis signal** and **detection program** they were still able to manage the crisis adequately. Johnson & Johnson worked diligently and honestly to help alleviate any problems that this intentional criminal activity could cause to their company.

Johnson & Johnson needed to handle this crisis in a way that would not destroy their reputation or their most profitable product, Tylenol. One advertising agent, Jerry Della Femina, summed up what marketing experts were all assuming, telling the New York Times, "I don't think they can ever sell another product under that name." However, executives at Johnson & Johnson felt quite differently and set out to launch a two-phase public relations **campaign** to display that they were committed to product quality and public safety, while also trying to maintain their reputation and stop the financial damage. The first phase of the plan ensured that the crisis was handled properly and put to an end, while the second focused on bringing the company back into a positive light with consumers. As with any campaign Johnson & Johnson had a planned, targeted communication program that was designed with certain outcomes in mind.

According to **The Resilient Enterprise**, by Yossi Sheffi, Johnson & Johnson handled this crisis the way a resilient company should. Within the first hours of this crisis Johnson & Johnson was getting ready for action and taking responsibility for the incidents, even though their company was victimized. This goes in conjunction with the

longstanding family values and history of the company to handle the situation, which according to Sheffi; these **company values** will define the fortune of a company before a crisis ever occurs. The **culture of an organization** plays a key role in how executives and management will handle a situation. Johnson & Johnson was not only a strong company, but had high ethical and moral standards to fall back on when things became difficult. As the crisis began, Johnson & Johnson responded with **urgency**, which is necessary in order to survive a crisis of this magnitude. A spokesperson for the company warned consumers around the nation not to consume any type of Tylenol product, and to not continue use again until authorities completed the tampering investigation. They accomplished this by using one of their **key publics**; the media. Johnson & Johnson then stopped production of the product and recalled all Tylenol capsules from the lots that were laced with cyanide from the market.

In this first phase of the campaign, Johnson & Johnson used the **public information model**. Their main goal was to disseminate information to consumers, but the company was not focused on getting any feedback from them. Johnson & Johnson wanted to communicate to their publics instead, and make sure that everyone discontinued use of Extra-Strength Tylenol. At this stage of the crisis Johnson & Johnson was focused on informing their publics, and concerned with public safety and health. The company was not worried about persuading consumers to continue buying their product at this time.

Also, during this first phase the company used the **social exchange theory**. Executives and the public relations department at Johnson & Johnson knew that costs and benefits were very important to examine. However, they understood that the

consequences of not standing up immediately and speaking to the media with candor and honesty would be grave for the fortunes of the company. The goal of this theory is to keep costs low and rewards high. For executives at Johnson & Johnson the reward was gaining back the trust of the American people and preserving the longstanding company image. They did not care about profit or loss at this time because they knew that public safety was of much more importance to the company.

Chairman of the Board, James E. Burke said, “the decisions to pull advertising, recall all bottles from the lots laced with cyanide, and send warnings to health professionals were made with no hesitation.” The biggest decision was whether to make a nationwide recall of Tylenol. There were arguments on both sides, but after viewing the burials of poisoned victims, all objections subsided and a nationwide recall was announced. This decision shows that executives at Johnson & Johnson not only used **team play**, but also that **intercultural communications** helped to make this vital decision. Johnson & Johnson executives knew they needed to work together so they would make not only the right decision for the company, but also for the consumers. Johnson & Johnson executives focused on what Sheffi calls aggressive **intercultural communications**. Executives knew they had little time to waste and that everyday without recalling the product could lead to another possible death.

This recall was of grave importance, and remains the main reason why the company was able to survive. By recalling the product nationwide, Johnson & Johnson displayed they were taking responsibility for what happened, and were willing to lose money in order to ensure that no other deaths would result from anyone using this product.

A recall of this magnitude was very rare for large corporations to do in a crisis during this time period. In a majority of other cases companies put their own interest above their publics and caused more harm than good. Executives at Johnson & Johnson understood the responsibility they had toward their publics and decided a recall was inevitable. Sheffi refers to this as **assessing the damage realistically**. He believes that companies must make sure to not underestimate the severity of damage caused by a crisis. Johnson & Johnson realized that this crisis was not isolated to just one city, but was nationwide and the recall and warnings were needed to help rebuild trust with the consumer.

Johnson & Johnson continued to show concern for consumers by offering to exchange all Tylenol capsules already purchased, which cost Johnson & Johnson many more millions of dollars in order to help protect their consumers from harm. This decision helped to uphold their reputation to the public, and showed that they cared about their **relationships with stakeholders**. This was extremely important in order for the company to regain its place in the market.

Recalling the 31 million bottles of Extra-Strength Tylenol capsules led to Johnson & Johnson receiving a great deal of positive attention from the media for its ethical actions. Johnson & Johnson also received positive response from the media because of relationships formed with the Chicago Police department, the FBI, and the Food and Drug Administration. Doing this recall helped make the company an active participant in the search for the criminal that tampered with their products, and once again portrayed the company as a victim. They even offered a \$100,000 reward for the killer. One reporter, Jerry Knight, said in The Washington Post, "Johnson & Johnson has

effectively demonstrated how a major business ought to handle a disaster.” Being honest and blunt allowed the company to build good connections with the media and Johnson & Johnson was able to use **agenda setting theory**. They had the media on their side, and it helped to portray the company well to the public. Using this theory, the company did not tell consumers what to think, instead told them what to think about. They had the media giving them positive reviews and playing up the fact that they were being victimized, which helped turn public interest in their favor.

The second phase of the public relations campaign began after the recall, and was aimed at helping Tylenol gain back its number one position for over-the-counter painkillers. A mere six weeks after the crisis had begun; a five-point public relations plan was unveiled at Tylenol’s annual sales conference. Announcing the new plan at this conference helped the company because it ensured stakeholders that the company was headed in the right direction, and Tylenol would soon regain its coveted position in the market. The plan included introducing a new triple-seal, tamper-resistant package to the market, which made Tylenol the first over the counter drug to adhere to the FDA’s new ruling for tamper-resistant packaging. This also gave assurance that another **intentional act to disrupt** their company would not occur again. Coupons were also offered to help entice customers to use Tylenol products again. The company made it very easy and simple for their **key public**, the consumer, to get these coupons. There was a special toll-free number set up and coupons were also printed in newspapers throughout the months of November and December. Also, discounts up to 25 percent were issued on Tylenol products. Making sure that Extra-Strength Tylenol was being purchased again was a key part of getting the company through the crisis stage. Providing consumers with the

coupons and discounts they incorporated **social exchange theory** again because the company made sure to keep the costs low and rewards high for consumers. This **resumption of the organization** was needed to help bring Tylenol back to the top of the market. The company waited until they could get a new secure product out on the market and then made it simple and easy for consumers to purchase the product. They also initiated a new advertising campaign, which integrated the **elaborated likelihood model** into the plan. The campaign used the **central route** because the company already had an active audience, the consumer; they just needed to persuade them to start purchasing Tylenol again. Johnson & Johnson took the final step in their public relations plan by sending 2,250 sales people to make presentations to help encourage the reintroduction of Tylenol in the medical community. This part of the campaign used the **peripheral route** because Johnson & Johnson was trying to persuade doctors and other medical professionals to administer Tylenol again by using the company's employees as spokespeople for the product.

After the second phase of Johnson & Johnson's public relations plan was in progress the company continued to receive positive media coverage from national publications such as The Kansas City Times, Advertising Age Magazine and The New York Times. They all applauded the organization for the way it handled the crisis and ultimately helped to endorse the product and company.

All decisions made by executives and the public relations department at Johnson & Johnson did not stem from a lengthy crisis management plan, but from the company credo established by Robert Wood Johnson, of the founding family, in the 1940s. Corporate Vice President of Johnson & Johnson Lawrence G. Foster told journalist **post-**

**crisis** that there were crisis management plans but nothing that could have prepared the company for this type of disaster. Conducting interviews with **key external opinion leaders** is another crucial part of the post-crisis stage. The company used the credo to be their moral compass during the crisis, and it helped display the importance of the **company culture** to the public. The credo stated that Johnson & Johnson had social responsibilities that were far more important than sales and profit. It displayed that their real responsibility was toward their publics, which includes the consumers, medical professionals, employees, and stockholders. The credo helped executives to understand the importance of being honest and straightforward with their messages to the media and ultimately consumers. Executives knew that ensuring the safety of the public, while risking short-term loss of revenue, was the key to saving their product and maybe even the company.

All of the decisions made were a joint effort between executives and the public relations department. The **dominant coalition** at Johnson & Johnson knew the importance of working together and creating an atmosphere of acceptance for everyone. The public relations department's key decision was to make sure the company was in full cooperation with all media. Since the public relations **technicians** are advocates for the company's publics, they understood that the media was the best way to reach out to them. They knew they needed the media on their side to have an effective campaign. With the media on their side, much of the work was already accomplished. The media cast a positive light on Johnson & Johnson and advocated that the company was a victim, and not a culprit in this awful crisis. There were over 2,500 press queries on the incident and news clipping services found over 125,000 stories on Tylenol. The media coverage was



widespread and the nation had not seen anything like this since President John F. Kennedy's assassination. Johnson & Johnson's assistance, patience and truthfulness with the media ensured the company's success in dealing with this crisis. This relationship also ensured that **media spin**, gossip and lies about the company were not in the headlines. If the media thought that the company was being deceitful or dishonest with the nation, then the results of this campaign could have been dire for Johnson & Johnson.

In this crisis Johnson & Johnson chose to be the good guy, and because of that they came out on top. They understood the importance of being honest with the media and knew the urgency of their situation. The company reacted to the situation using an **open system of communication**, which allowed them to get their message out to all their publics. Also, Johnson & Johnson decided to take a hit financially, totaling \$100 million, in order to protect not only their image but also consumers. With the media on their side they were able to play up being victimized, which gave them a higher chance to recover. Executives at Johnson & Johnson also showed that public relations did contribute to the company, and ultimately helped save the company from going under. Johnson & Johnson could have made a horrible mistake if they had not listened to their public relations department, which told them to speak to the media immediately. By putting together a public relations campaign that focused on consumers and was committed to their interest, trust was soon re-built and Tylenol gained acceptance again.

While many look at this case as being a near perfect example of how to handle a crisis, some experts disagree. Critics of this case suggest that the nation-wide recall did not occur quickly enough. Executives at Johnson & Johnson did wait eight days to pull all 31 million capsules from the market and experts say that would never work in today's

fast-paced, Internet driven society. Also, critics state that everyone knew Johnson & Johnson was not the culprit. It was made clear by the media that they were the victim, which is not usually the case with a company in crisis. Critics claim it is much easier to be the victim and ask for help and forgiveness, instead of being labeled the evil villain. Lastly, critics believe that Johnson & Johnson was lucky that creating the tamper-proof seal was relatively cheap and easy to produce.

It seems recently that Johnson & Johnson has let all their hard work go to the wayside over the years, and are not reacting to consumer and FDA complaints accordingly. Once again, the company is facing a recall and is removing products from stores shelves at a glacial pace. As they did in the 1982 cyanide case, the company is focusing on removing specific lots that have been affected by 2,4,6-tribromoanisole chemical (Kavilanz), which produces a musty smell and has caused diarrhea and nausea in consumers. The recall began on December 18, 2009 and has continued well into 2010 affecting numerous Tylenol products. Johnson & Johnson is receiving critiques for not reacting quickly enough with the recall, yet again. The current problem is not as severe as the 1982 incident. That case took only a few days to employ a nation-wide recall, whereas this case has taken over a year and only particular lots have been recalled. However, as they did in the 1982 case, the maker of Tylenol is offering a refund or replacement for any recalled products and have set up an email address and toll free number on their website. As of today, Tylenol claims that they are taking measures to help ensure that these quality control problems will be a thing of the past.

Even with this bump in the road, throughout the years Johnson & Johnson has lived up to be a trusted, family oriented company that consumers rely on for everything

from painkillers to band-aids. This company handled the crisis that could have been detrimental to the company and product, Tylenol, without compromising their longstanding moral and ethical beliefs about business. Throughout the years many public relations experts have looked to this case as a prime example of why public relations are such an important part of any corporation. There are a few doubts as to how this case was handle, but hindsight is always 20-20. Without this case corporate public relations and crisis management would not be in the same place it is today. Johnson & Johnson broke ground with this case and showed others that it is possible to survive a crisis without crippling the company or its integrity.

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