CHAPTER TWENTY-TWO

Johnson & Johnson's Tylenol Scare—The Classic Example of Responsible Crisis Management

In one of the greatest examples of superb crisis management, James Burke, CEO of Johnson & Johnson, in 1982 handled a catastrophe that involved loss of life in the criminal and deadly contamination of its flagship product, Tylenol. The company exhibited what has become a model for corporate responsibility to customers, regardless of costs.

PRELUDE

It was September 30, 1982. On the fifth floor of the Johnson & Johnson (J&J) headquarters in New Brunswick, New Jersey, Chairman James E. Burke was having a quiet meeting with President David R. Clair. The two liked to hold such informal meetings every two months to talk over important but nonpressing matters that they usually did not get around to in the normal course of events. That day both men had reason to feel good, for J&J's sales and earnings were up sharply and the trend of business could hardly have been more promising. They even had time to dwell on some nonbusiness matters that sunny September morning.

Their complacency and self-satisfaction did not last long. Arthur Quill, a member of the executive committee, burst into the meeting. Consternation and anguish flooded the room as he brought word of cyanide deaths in Chicago that were connected to J&J's most important and profitable product, Extra-Strength Tylenol capsules.

THE COMPANY

Johnson & Johnson manufactures and markets a broad range of health care products in many countries of the world. Table 22.1 shows the various categories of products and their percent of total corporate sales. In 1981, J&J was number sixty-eight on the *Fortune* 500 list of the largest industrial companies in the United States, and it had sales of $5.4 billion. It was organized into four industry categories: professional, pharmaceutical, industrial, and consumer. The professional division included products

TABLE 22.1 Contribution to Total Johnson & Johnson Sales of Product Categories, 1983

Product Classification	Sales (millions)	Percent of Total Company Sales
Surgical and First-Aid Supplies	$1,268	21%
Pharmaceuticals	1,200	20
Sanitary Napkins and Tampons	933	16
Baby Products	555	9
Diagnostic Equipment	518	9
Tylenol and Variants	460	8
Other (includes hospital supplies, dental products, contraceptives)	1,039	17
Total	$5,973	100%

Source: "After Its Recovery, New Headaches for Tylenol," *BusinessWeek* (May 14, 1984), p. 137.

such as ligatures, sutures, surgical dressings, and other surgery-related items. The pharmaceutical division included prescription drugs, and the industrial area included textile products, industrial tapes, and fine chemicals.

The largest division was the consumer division, consisting of toiletries and hygienic products such as baby care items, first aid products, and nonprescription drugs. These products were marketed primarily to the general public and distributed through wholesalers and directly to independent and chain retail outlets.

Through the years, J&J had assiduously worked to cultivate an image of responsibility and trust. Its products were associated with gentleness and safety—for all customers, from babies to the elderly. The corporate sense of responsibility fully covered the products and actions of any firms that it acquired, such as McNeil Laboratories.

THE PRODUCT

The success of Tylenol, an acetaminophen-based analgesic, in the late 1970s and early 1980s had been sensational. It had been introduced in 1955 by McNeil Laboratories as an alternative drug to aspirin, one that avoided aspirin's side effects. In 1959, Johnson & Johnson had acquired McNeil Laboratories, and the company ran it as an independent subsidiary.

By 1974, Tylenol sales had grown to $50 million at retail, primarily achieved through heavy advertising to physicians. A national consumer advertising campaign, instituted in 1976, proved very effective. By 1979, Tylenol had become the largest selling health and beauty aid in drug and food mass merchandising, breaking the eighteen-year domination of Procter & Gamble's Crest toothpaste. By 1982, Tylenol had captured 35.3 percent of the over-the-counter analgesic market. This was more than the market shares of Bayer, Bufferin, and Anacin combined. Table 22.2 shows the competitive positions of Tylenol and its principal competitors in this analgesic market.

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TABLE 22.2 Market Shares of Major Brands—Over-the-Counter Analgesic Market, 1981

Brand	Percent of Market
Tylenol	35.3
Anacin	13.0
Bayer	11.0
Excedrin	10.1
Bufferin	9.0

Source: "A Death Blow for Tylenol?" *BusinessWeek* (October 18, 1982), p. 151.

Total sales of all Tylenol products went from $115 million in 1976 to $350 million in 1982, a whopping 204 percent increase in a highly competitive market. As such, Tylenol accounted for 7 percent of all J&J sales. More important, it contributed 17 percent of all profits.

Then catastrophe struck.

THE CRISIS

On a Wednesday morning in late September 1982, Adam Janus had a minor chest pain, so he purchased a bottle of Extra-Strength Tylenol capsules. He took one capsule and was dead by midafternoon. Later that same day, Stanley Janus and his wife also took capsules from the same bottle—both were dead by Friday afternoon. By the weekend four more Chicago-area residents had died under similar circumstances. The cause of death was cyanide, a deadly poison that can kill within fifteen minutes by disrupting the blood's ability to carry oxygen through the body, thereby affecting the heart, lungs, and brain. The cyanide had been used to contaminate Extra-Strength Tylenol capsules. Dr. Thomas Kim, chief of the critical care unit of Northwest Community Hospital in Arlington Heights, Illinois, noted, "The victims never had a chance. Death was certain within minutes."[1]

Medical examiners retrieved bottles from the victims' homes and found another ten capsules laced with cyanide. In each case the red half of the capsule was discolored and slightly swollen, and its usual dry white powder had been replaced with a gray substance that had an almond odor. One of the capsules had 65 mg of cyanide—a lethal does is considered to be 50 mg.

The McNeil executives learned of the poisonings from reporters calling for comment about the tragedy—calls came from all the media, and then from pharmacies, doctors, hospitals, poison control centers, and hundreds of panicky consumers. McNeil quickly gathered information on the victims, causes of deaths, lot numbers on the poisoned Tylenol bottles, outlets where they had been purchased, dates when they had been manufactured, and the route they had taken through the distribution system.

1. Susan Tifft, "Poison Madness in the Midwest," *Time* (October 11, 1982), p. 18.

After the deaths were linked to Tylenol, one of the biggest consumer alerts ever took place. Johnson & Johnson recalled batches and advised consumers not to take any Extra-Strength Tylenol capsules until the mystery had been solved. Drugstores and supermarkets across the country pulled Tylenol products from their shelves; it soon became virtually impossible to obtain Tylenol anywhere.

Those tracking down the mysterious contamination quickly determined that the poisoning did not occur in manufacturing, either intentionally or accidentally. The poisoned capsules had come from lots manufactured at both McNeil plants. Therefore, the tampering had to have happened in Chicago, since poisoning at both plants at the same time would have been almost impossible. The FDA suspected that someone unconnected with the manufacturer had bought the Tylenol over the counter, inserted cyanide in some capsules, then returned the bottles to the stores. Otherwise, the contamination would have been widespread, and not only in the Chicago area.

At this point, Johnson & Johnson was virtually cleared of any wrongdoing, but the company was stuck with having one of its major products publicly associated with poison and death, no matter how innocent it was. Perhaps the task of coping with the devastating impact of the tragedy would have been easier for Johnson & Johnson if the perpetrator were conclusively identified and caught. This was not to be, despite a special task force of 100 FBI agents and Illinois investigators who chased down more than 2,000 leads and filed 57 volumes of reports.[2]

COMPANY REACTION

Johnson & Johnson decided to elevate the management of the crisis to the corporate level and a game plan developed that company executives hoped would ensure eventual recovery. The game plan consisted of three phases: Phase I was to figure out what had actually happened; Phase II was to assess and contain the damage; and Phase III was to try to get Tylenol back into the market.

The company that had always tried to keep a low profile now turned to the media to provide it with the most accurate and current information, as well as to help it prevent a panic. Twenty-five public relations specialists were recruited from Johnson & Johnson's other divisions to help McNeil's regular staff of fifteen. Advertising was suspended at first. All Tylenol capsules were recalled—31 million bottles with a retail value of more than $100 million. Through advertisements promising to exchange tablets for capsules, through 500,000 telegrams to doctors, hospitals, and distributors, and through statements to the media, J&J hoped to demystify the situation.

With proof that the tampering had not occurred in the manufacturing process, the company moved into Phase II. Financially it experienced immediate losses amounting to over $100 million, the bulk coming from the expense of buying unused Tylenol bottles from retailers and consumers and shipping them to disposal points. The cost of sending the telegrams was estimated at $500,000, and the costs associated with expected product liability suits were expected to run in the millions.

2. "Tylenol Comes Back as Case Grows Cold," *Newsweek* (April 25, 1983), p. 16.

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Of more concern to the management was the impact of the poisoning on the brand itself. Many predicted that Tylenol as a brand could no longer survive. Some suggested that Johnson & Johnson reintroduce the product under a new name to give it a fresh start and thus rid itself of the devastated brand image.

Surveys conducted by Johnson & Johnson about a month after the poisonings seemed to buttress the death of Tylenol as a brand name. In one survey 94 percent of the consumers were aware that Tylenol was involved with the poisonings. Although 87 percent of these respondents realized that the maker of Tylenol was not to blame for the deaths, 61 percent said they were not likely to buy Tylenol in the future. Even worse, 50 percent of the consumers said they would not use the Tylenol tablets either. The only promising result from the research was that 49 percent of the *frequent* users answered that they would eventually use Tylenol.[3]

The company found itself in a real dilemma. It wanted so much to keep the Tylenol name; after all, the acceptance had been developed by years of advertising. Now, was it all to be destroyed in a few days of adversity? On the one hand, if J&J brought Tylenol back too soon, before the hysteria had subsided, the product could die on the shelves. On the other hand, if the company waited too long to bring the product back, competitors might well gain an unassailable market share lead. The marketing research results were not entirely acceptable to Johnson & Johnson executives. One manager expressed the company's doubts: "The problem with consumer research is that it reflects attitudes and not behavior. The best way to know what consumers are really going to do is put the product back on the shelves and let them vote with their hands."[4] But what was the right timing?

Johnson & Johnson decided to rebuild the brand by focusing on the frequent users and then to expand to include other consumers. It hoped that a core of loyal users would want the product in both its tablet and capsule forms. In order to regain regular user confidence, J&J ran television commercials informing the public that the company would do everything it could to regain their trust. The commercials featured Dr. Thomas Gates, medical director of McNeil, urging consumers to continue to trust Tylenol: "Tylenol has had the trust of the medical profession and 100 million Americans for over twenty years. We value that trust too much to let any individual tamper with it. We want you to continue to trust Tylenol."[5]

Johnson & Johnson also tried to encourage Tylenol capsule users to switch to tablets, which are more difficult to sabotage. In an advertising campaign it offered to exchange tablets for capsules at no charge. In addition it placed 76 million coupons in Sunday newspaper ads good for $2.50 toward the purchase of Tylenol.

Finally, it designed a tamper-resistant package to prevent the kind of tragedy that occurred in Chicago. Extra-strength capsules were now sold only in new triple-sealed packages. The flaps of the box were glued shut and were visibly torn apart when opened. The bottle's cap and neck were covered with a tight plastic seal printed with the company name, and the mouth of the bottle was covered with an inner foil seal.

3. Thomas Moore, "The Fight to Save Tylenol," *Fortune* (November 29, 1982), p. 48.

4. *Ibid.*, p. 49.

5. Judith B. Gardner, "When a Brand Name Gets Hit by Bad News," *U.S. News & World Report* (November 8, 1982), p. 71.

Both the box and the bottle were labeled, "Do Not Use If Safety Seals Are Broken." This triple-seal package cost an additional 2.4 cents per bottle, but Johnson & Johnson hoped it would instill consumer confidence in the safety of the product and spur sales. In addition the company offered retailers higher-than-normal discounts—up to 25 percent on orders.

Consumers who said they had thrown away their Tylenol after the scare were given a toll-free number to call, and they received $2.50 in coupons too—in effect, a free bottle, since bottles of twenty-four capsules or thirty tablets sold for about $2.50.

Over 2,000 salespeople from all Johnson & Johnson domestic subsidiaries were mobilized to persuade doctors and pharmacists to again begin recommending Tylenol tablets to patients and customers. This was similar to the strategy initially used when the product was introduced some twenty-five years before.

The Outcome

Immediately after the crisis, J&J's market share plunged from 35.3 percent of the pain reliever market to below 7 percent. Competitors were quick to take advantage of the situation. Upjohn Company and American Home Products Corporation were seeking Food and Drug Administration permission to sell an over-the-counter version of ibuprofen, a popular prescription pain reliever. Upjohn also granted marketing rights for its brand, Nuprin, to Bristol-Myers Co., maker of Bufferin, Excedrin, and Datril. Upjohn's prescription brand, Motrin—a stronger formulation than Nuprin—was generating some $200 million in 1982, making Motrin the company's biggest-selling drug. And lurking in the wings was mighty Procter & Gamble Company (P&G), the world's heaviest advertiser. P&G was launching national ads for Norwich aspirin and was test-marketing a coated capsule containing aspirin granules.

Yet, there were some encouraging signs for J&J. When *Psychology Today* polled its readers regarding whether Tylenol would survive as a brand name, 92 percent thought Tylenol would survive the incident. This figure corresponded closely with the results of another survey conducted by Leo Shapiro, an independent market researcher, just two weeks after the deaths occurred, in which 91 percent said they would probably buy the product again.

Psychology Today tried to get at the roots of such loyalty and roused comments such as these:

> A twenty-three-year old woman wrote that she would continue to use Tylenol because she felt that it was "tried and true."
>
> A sixty-one-year old woman said that the company had been "honest and sincere."
>
> And a young man thought Tylenol was an easy name to say.[6]

Such survey results presaged an amazing comeback: J&J's conscientious actions paid off. By May 1983, Tylenol had regained almost all the market share lost the previous September; its market share reached 35 percent, which it held until 1986, when another calamity struck.

6. Carin Rubenstein, "The Tylenol Tradition," *Psychology Today* (April 1983), p. 16.

New industry safety standards had been developed by the over-the-counter drug industry in concert with the Food and Drug Administration for tamper-resistant packaging. Marketers under law had to select a package "having an indicator or barrier to entry, which if breached or missing, can reasonably be expected to provide visible evidence to the consumer that the package has been tampered with or opened."[7] Despite toughened package standards, in February 1986, a Westchester, New York, woman died from cyanide-laced Extra-Strength Tylenol capsules. The tragedy of three-and-a-half years before was being replayed. J&J immediately removed all Tylenol capsules from the market and offered refunds for capsules consumers had already bought.

Now the company made a major decision. It decided no longer to manufacture any over-the-counter capsules because it could not guarantee their safety from criminal contamination. Henceforth, the company would market only tablets and so-called caplets, which were coated and elongated tablets that are easy to swallow. This decision was expected to cost $150 million. The president explained: "People think of this company as extraordinarily trustworthy and responsible, and we don't want to do anything to damage that."[8]

By July 1986, Tylenol had regained most of the market share lost in February, and it now stood at 32 percent.

THE INGREDIENTS OF CRISIS MANAGEMENT

Johnson & Johnson was truly a management success in its handling of the Tylenol problem. It overcame the worst kind of adversity, that in which human life was lost in using one of its products, and a major product at that. Yet, in only a few months it recouped most of its lost market share and regained its public image of corporate responsibility and trust. What accounted for the success of J&J in overcoming such adversity?

We can identify five significant factors:

1. Keeping communication channels open
2. Taking quick, corrective action
3. Keeping faith in the product
4. Protecting the public image at all costs
5. Aggressively bringing back the brand

Effective communication has seldom been better done. Rapport must be gained with the media, to enlist their support and even their sympathy. Alas, this is not easily done, for the press is inclined to sensationalize, criticize, and take sides against the big corporation. Johnson & Johnson gained the needed rapport through corporate openness and cooperation. In the disaster's early days it sought good two-way communication, with the media furnishing information from the field while J&J gave full and honest disclosure of its internal investigation and corrective actions.

7. "Package Guides Studied," *Advertising Age* (October 18, 1982), p. 82.

8. Richard W. Stevenson, "Johnson & Johnson's Recovery," *New York Times* (July 5, 1986), pp. 33–34.

Important for good rapport, company officials need to be freely available and open to the press. Unfortunately, this goes against most executives' natural bent so that a spirit of antipathy often is fostered.

When product safety is in jeopardy, quick corrective action must be taken, *regardless* of the cost. This usually means immediate recall of the affected product, and this can involve millions of dollars. Even if the fault lies with only an isolated batch of products, a firm may need to recall them all since public perception of the danger likely will transfer to all units of that brand.

Johnson & Johnson kept faith with its product and brand name, despite the counsel of experts who thought the Tylenol name should be abandoned because public trust could never be regained. Of course, the company was not at fault: There was no culpability, no carelessness. The cause was right. Admittedly, in keeping faith with a product there is a thin line between a positive commitment and recalcitrant stubbornness to face up to any problem and accept any blame. But J&J's faith in Tylenol was justified, and without it the company would have had no chance of resurrecting the product and its market share.

Johnson & Johnson strove to protect its public image of being a socially responsible and caring firm. The following Information Box discusses *social responsibility* and presents the J&J credo regarding this. It was interesting to note that this credo was still prominently positioned in company annual reports ten years later. If there was to be any chance for a fairly quick recovery from adversity, this public image had to be guarded, no matter how beset it was. With the plight of Tylenol well known, with corrective actions prompt and thorough, many people were thus assured that safety was restored. We should note here that for the public image to be regained under adverse circumstances, the corrective actions must be well publicized. Public relations efforts and good communication with the media are essential for this. And, again, it helps when the fault of the catastrophe is clearly not the firm's.

A superb job was done in aggressively bringing back the Tylenol brand. In so doing, coordination was essential. Efforts to safeguard the public image had to be reasonably successful, the cause of the disaster needed to be conclusively established, the likelihood of the event ever happening again had to be seen as virtually impossible. Then aggressive promotional efforts could fuel the recovery.

Johnson & Johnson's efforts to come back necessarily focused on correcting the problem. Initially it designed a tamper-resistant container to prevent the kind of tragedy that had occurred in Chicago. Extra-strength capsules were now to be sold only in new triple-sealed packages. When another death occurred in 1986, the company dropped capsules entirely and offered Tylenol only in tablet form.

With the safety features in place, J&J then used heavy promotion. This included consumer advertising, with the theme of safety assurance and company social responsibility. J&J offered to exchange capsules for tablets at no charge. It offered millions of newspaper coupons good for $2.50 toward the purchase of Tylenol. Retailers were also given incentives to back Tylenol through discounts, advertising allowances, and full refunds for recalled capsules with all handling costs paid. These efforts, directed to consumers and retailers alike, bolstered dealer confidence in the resurgence of the brand.

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INFORMATION BOX

SOCIAL RESPONSIBILITY AND THE JOHNSON & JOHNSON'S CREDO REGARDING IT

We can define social responsibility as the sense of responsibility a firm has for the needs of society, over and above its commitment to maximizing profits and stockholders interests. The following credo of J&J illustrates the wide circle of corporate social responsibility that more and more firms are beginning to accept.

Johnson & Johnson's Credo[9]

We believe our first responsibility is to the doctors, nurses, and patients, to mothers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly, and safe. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development, and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided, and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

INVITATION TO DISCUSS

"Such statements are only pious platitudes. Social responsibility requires more than lip service." How would you answer this?

UPDATE

Johnson & Johnson has been an enduring growth company, with sales reaching $36 billion in 2003, and profits $6.6 billion. It ranks as the largest and most diversified health care company in the world. Its products now range from blockbuster prescription

9. From a company recruiting brochure and annual reports.

drugs, to professional products such as sutures, surgical accessories, and catheters, to a wide list of consumer products such as Tylenol, bandages, and toiletries.

With this broad product mix, how important is Tylenol to J&J today? In 1997, $1.3 billion, or almost 6 percent, came from Tylenol. (In 1982, at the time of the contamination, Tylenol contributed 8 percent of the $5.9 billion total company sales.) J&J heavily promoted Tylenol to maintain this prominence. In 1997, for example, the company's domestic ad budget for Tylenol was estimated at $250 million, more than Coca-Cola spent for Coke.[10]

WHAT CAN BE LEARNED?

Any company's nightmare is having its product linked to death or injury. Such a calamity invariably results in fear and loss of public confidence in the product and the firm. At worst, such disaster can kill a company, as happened with some canned-food firms whose products were contaminated with the deadly botulism toxin. The more optimistic projections would have a firm losing years of time and money it had invested in a brand, with the brand never able to regain its former robustness. In the throes of the catastrophe, J&J executives grappled with the major decision of abandoning the brand at the height of its popularity or keeping it. The decision could have gone either way. Now with hindsight, we know that the decision not to abandon was unmistakably correct, but at the time it was recklessly courageous.

Faced with a catastrophe, a brand may still be saved, but cost might be staggering. J&J successfully brought back Tylenol, but it cost hundreds of millions of dollars. The company's size at the time, over $5 billion in sales from a diversified product line, enabled it to handle the costs without jeopardy. A smaller firm would not have been able to weather this, especially without a broad product line.

Whenever product safety is an issue, the danger of lawsuits must be reckoned with. In the absence of corporate neglect, the swift constructive reaction, and the fact that the company could hardly have anticipated a madman, J&J escaped the worst scenario regarding litigation. Still, hundreds of millions of dollars in lawsuits were filed. Such suits accused J&J of failing to package Tylenol in a tamper-proof container, and the legal expenses of defending were high. The threat of litigation must be a major consideration for any firm. Even if the organization is relatively blameless, legal costs can run into the millions, and no one can predict the decisions of juries.

Copycat crimes are a danger. Although other firms in an industry stand to gain an advantage in a competitor's crisis, they and firms in related industries need to be alert for copycat crimes. By November, a month after the deaths, the Food and Drug Administration had received more than 270 reports of chemicals, pills, poisons, needles, pins, and razor blades in everything from food to drinks to medications. Fortunately, no deaths resulted from these incidents. But FDA Commissioner Hayes worried: "My greatest fear is that because of the notoriety of the case and the financial damage to the company, someone else will take out his or her grudges on

10. Thomas Easton and Stephen Herrera, "J&J's Dirty Little Secret," *Forbes* (January 12, 1998), p. 44.

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a product and do something similar."[11] Actually, the Tylenol case was not the first time products had been deliberately contaminated. Eyedrops, nasal sprays, milk of magnesia, foods, and cosmetics have all been targets of tampering. An Oregon man was sentenced to twenty years in prison for attempting to extort diamonds from grocery chains by putting cyanide in food products on their shelves.

A firm can come back from extreme adversity with good crisis management. Certainly, one of the major things we can learn from this case is that it is possible to come back from extreme adversity. Before the Tylenol episode, most experts did not realize this. The general opinion was that severe negative publicity resulted in such an image destruction that recovery could take years. The most optimistic predictions were that Tylenol might recover to about a 20 to 21 percent market share in a year; the pessimistic predictions were that the brand would never recover and should be abandoned.[12] Actually, in eight months, Tylenol had regained almost all of its market share, to a satisfactory 35 percent. For such a recovery, a firm has to manifest unselfish concern, quick corrective action, and unsparing spending, and it must have a good public image before the catastrophe.

Contingency planning can aid crisis management. Although not all crisis possibilities can be foreseen, or even imagined, many can be identified. For example, contingency plans for worse-case scenarios can be developed for the possibility of food and medicine tampering or the loss of major executives in an accident of some sort. Sometimes in such planning, precautionary moves may become evident for minimizing the potential dangers. For example, with food and medicine tampering, different containers and sealed bottle tops might virtually eliminate the danger. And with executive accidents, many firms have a policy that key executives not fly on the same flight or ride in the same car.

Concern for ethics and social responsibility can pay dividends. On September 21, 1999, the *Wall Street Journal* reported the results of a nationwide survey of 10,830 people conducted on-line the previous month by Harris and the Reputation Institute. It was a public opinion study designed to determine how major U.S. corporations ranked as to reputation and corporate image.[13]

J&J ranked number one. Coca-Cola came in number two. But Exxon, a decade after the huge oil spill in Alaska (described in Chapter 15), had not shaken the negative image. Respondents cited J&J's heritage as the premier maker of baby products, as well as its handling of the Tylenol crises of 1982 and 1986 as influencing their opinions.

Even after seventeen years, the superb handling of the Tylenol crisis was still remembered and appreciated by the general public. Let's hope that J&J does nothing to tarnish that fine reputation.

CONSIDER

Can you think of other learning insights?

11. "Lessons That Emerge from Tylenol Disaster," *U.S. News & World Report* (October 18, 1982), p. 68.
12. "J&J Will Pay Dearly to Cure Tylenol," *BusinessWeek* (November 20, 1982), p. 37.
13. Ronald Alsop, "The Best Corporate Reputations in America," *Wall Street Journal* (September 23, 1999), pp. B1 and B6.

QUESTIONS

1. Did J&J move too far in recalling all Extra-Strength Tylenol capsules? Would not a sufficient action have been to recall only those in the Chicago area, thus saving millions of dollars? Discuss.
2. How helpful do you think the marketing research results were in the decision on keeping the Tylenol name?
3. "We must assume that someone had a terrible grudge against J&J to have perpetrated such a crime." Discuss.
4. "J&J's 'recovery' has to be attributed to the fact that some evil person was to blame, and not J&J. The situation would not have worked out so well if J&J had major culpability." Discuss.
5. Assuming that J&J was at least partially to blame in not having adequate security, for example, should it have revised its crisis plan, and if so, how? Support your position.
6. "The Tylenol episode represents great crisis management. Ethics and social responsibility was hardly a factor. The company acted in its own best interest by taking advantage of the situation to cast an aura of great concern for its customers, but the bottom line was still the only concern." Do you agree with the curious statement of company self-interest under the guise of great concern for customers?

HANDS-ON EXERCISES

1. Assume this scenario: It has been established that the fault of the contamination was accidental introduction of cyanide at a company plant. Now, how will you, as CEO of J&J, direct your recovery strategy? Give your rationale.
2. Assume this scenario: It has been established that the fault of the contamination was deliberate introduction of cyanide by a disgruntled employee. This person had a serious grievance about sexual harassment, and such grievances in the past had always been downplayed. The publicity about this has leaked out. Now, as CEO, what would you do?

TEAM DEBATE EXERCISE

Debate both sides of the burning issue at the height of the crisis of keeping the Tylenol name and trying to recoup it, or abandoning it. Do not use the benefit of hindsight for this exercise.

INVITATION TO RESEARCH

Can you find any instances of J&J not always having been a good citizen with superb customer concern? If so, investigate and draw conclusions about J&J's enviable position as a role model. Are there any other learning insights?