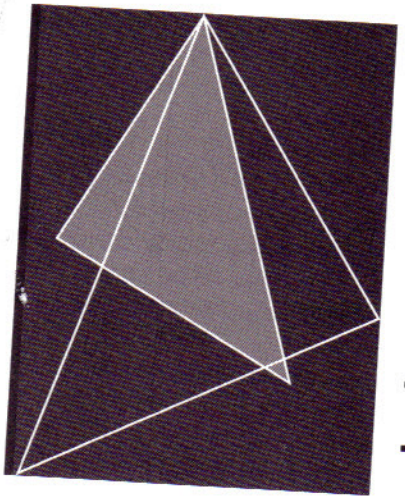

# The Tylenol Tragedies


## ABSTRACT

Both the academic community that teaches project management and practitioners of project management appear to be in agreement that the most critical phase of any project is planning. But what if a major crisis happens, especially one that could have an extremely serious consequence upon the financial health, image or reputation of the company? Based upon the seriousness of the crisis, there may not be sufficient time to prepare a statement of work, work breakdown structure, detailed schedules, a budget, or even any semblance of a project plan. Yet action must be taken as quickly as possible.

During the last week of September and the first week of October in 1982, seven people died ingesting Extra-Strength Tylenol capsules laced with cyanide. Four years later in 1986, the same situation of product tampering of Tylenol occurred again, this time with the death of only one person. During both crises, Johnson & Johnson set the standard on how crises should be managed. Academia has been teaching the Tylenol case study for over nineteen years as an example of morality and ethics in business and what constitutes effective corporate responsibility.

This case study focuses more on the project management decisions than on the business decisions. The case also identifies the lessons learned in project management and crisis project management.

## UNDERSTANDING CRISIS MANAGEMENT

For some time, corporations in specific industries have found it necessary to simulate and analyze worst-case scenarios for their products and services. These worst-case scenarios have been referred to as contingency plans, emergency plans, or disaster plans. These scenarios are designed around "known unknowns" where at least partial information exists on what events could happen.

Crisis management focuses on the "unknown unknowns," which are tragedies without precedent. Crisis management requires a heads-up approach with a very quick reaction time combined with a concerted effort on the part of possibly all employees. In crisis management, decisions have to be made often without even partial information and perhaps before the full extent of the damage is known.

In a crisis, events happen so quickly and so unpredictably that it may be impossible to perform any kind of planning. Statements of work, work breakdown structures, and detailed scheduling are nonexistent. Roles and responsibilities of key individuals may change on a daily basis. There may be very active involvement by a majority of the stakeholders. Company survival could rest entirely on how well a company manages the crisis.

## THE HISTORY OF TYLENOL

In 1982, Johnson & Johnson was a health care giant with annual sales of over $5.4 billion. Johnson & Johnson owned 150 companies, one of which was McNeil Consumer Products, the maker of Tylenol.

Beginning in 1960, McNeil had carefully promoted Tylenol to physicians, hospitals, and pharmacies as an alternative pain reliever for people who suffered from the side effects of aspirin. By 1976, McNeil began aggressively advertising Tylenol to the general public, building on its reputation as a "professional product."

With a massive advertising budget, Tylenol's market share dominated other nonprescription painkillers such as Anacin, Bayer aspirin, Bufferin, and Excedrin. By 1982, Tylenol commanded an astounding 37 percent share of the $1 billion plus analgesic market. So much advertising and marketing money was poured into Tylenol that none of the other makers of acetominophen pain relievers could threaten its dominance. Surprisingly enough, acetominophen is the only active ingredient in Tylenol, and any drug company could produce the product.

Tylenol accounted for 7 percent of Johnson & Johnson's worldwide sales and 15 to 20 percent of its 1981 profits. Even though the U.S. economy was in the midst of a recession in 1981, Johnson & Johnson's earnings were up 16.7 percent, and 1982 looked even better. McNeil executives were predicting that Tylenol could achieve a 50 percent market share within the next few years. Within the

previous years (during the recession), the stock had climbed from the low 20s to 46 the night before the poisonings. McNeil and Johnson & Johnson were certainly in an enviable position.

## THE TYLENOL POISONINGS

In September 1982, seven people died after taking Extra-Strength Tylenol laced with cyanide. All of the victims were relatively young. These deaths were the first ever to result from what came to be known as product tampering. All seven individuals died within a one-week time period. The symptoms of cyanide poisoning are rapid collapse and coma and are difficult to treat.

On the morning of September 30, 1982, reporters began calling the headquarters of Johnson & Johnson asking about information on Tylenol and Johnson & Johnson's reaction to the deaths. This was the first that Johnson & Johnson had heard about the deaths and the possible link to Tylenol.

The news quickly spread to the fifth floor of Johnson & Johnson's headquarters building in New Brunswick, New Jersey. The chairman of Johnson & Johnson was James Burke, 57, a thirty-year veteran of Johnson & Johnson. The news came as a shock to Chairman Burke. Despite the company's size, the news could have a huge, damaging impact on earnings.

Chairman Burke assigned David Collins, 48, to take charge of coordinating the company's response to the Tylenol crisis. Collins was a former general counsel and company group chairman. A month earlier he had been named to Johnson & Johnson's twelve-man executive committee and given the additional job of chairman of McNeil Consumer Products.

In addition to the personal qualifications of David Collins, there were several reasons why Burke asked him to take charge. First, Burke was a strong proponent of decentralized decision-making. Second, Tylenol was a McNeil product and Burke was hoping to insulate the parent company, Johnson & Johnson, from bad publicity. Third, Collins was the chairman of McNeil and, therefore, had the authority to commit McNeil resources to the crisis.

***Lessons Learned:*** The project manager assigned to manage the crisis must be high enough in the organization to possess the authority for the immediate commitment of corporate resources. Approval processes that must follow the chain of command can rob the project manager of valuable time and prolong the crisis.

Collins was asked by Burke to take a lawyer, a public relations aide, and a security person and fly immediately to McNeil, 60 miles away in Fort Washington, Pennsylvania, to handle things from there. It was important to Burke to isolate the parent company as much as possible from the potentially bad news that could possibly affect other Johnson & Johnson products. Burke was hoping that the news media would view Tylenol as a McNeil product, rather than a Johnson & Johnson product. Having the crisis managed from McNeil rather than Johnson & Johnson corporate certainly seemed the right thing to do at the time.

With very little information available at that time, and very little time to act, the crisis project was managed using three phases. The first phase was discovery, which included the gathering of any and all information from every possible source. The full complexity of the problem had to be known, as well as the associated risks. The second phase was the assessment and quantification of the risks and the containment of potential damage. The third phase was the establishment of a recovery plan and risk mitigation. Unlike traditional "life-cycle" phases, which could be months or years in duration, these phases would be in hours or days.

> ***Lessons Learned:*** Because of the potential lack of information available at the beginning of the crisis, an abbreviated life-cycle phase approach is often more appropriate to use. This provides at least some initial guidance for crisis management. It is highly unlikely that during crisis management, sufficient time will exist for formal planning, scheduling, and WBS construction.

By the time Collins arrived at McNeil, the switchboards were lighting up at both McNeil and Johnson & Johnson. At first the calls came from the newspapers, TV, and radio stations, some as far away as Honolulu and Ireland. But as the story started to break, even more calls began to pour in from pharmacies, doctors, hospitals, poison control centers, and hundreds of panicked consumers, many asking for clarifications (which Johnson & Johnson couldn't give), and many others making what turned out to be false reports of possible poisonings.

"It looked like the plague," remarked Collins. "We had no idea where it would end. And the only information we had was that we didn't know what was going on." Collins's first move was to call an old roommate of his from Notre Dame, a lawyer who handled some of Johnson & Johnson's business in Chicago, and ask him to get down to the Cook County Medical Examiner's Office, find out as much as he could, and call him back at McNeil. "I needed my own eyes and ears on the scene," he said.

However serene the impeccably landscaped McNeil plant grounds appeared to Collins as his helicopter touched down on the pad, inside, the natural order of

things was in turmoil. Harried managers were running back and forth between telephone banks and the office of McNeil President Joseph Chiesa, bringing in new reports of fatalities and other supposed poisonings. Each bit of information was scribbled with a laundry marker on drawing paper held by a big easel. As the reports accumulated, the sheets were ripped from the easel and pinned up on the walls. Soon the room was papered with a confusing mass of information with arrows drawn between them: victims, causes of deaths, lot numbers on the poisoned Tylenol bottles, the outlets where they had been purchased, dates when they had been manufactured, and the route they had taken through the distribution system—all the way back to the fourteen stainless steel machines in Fort Washington that encapsulated and spewed out pills at the rate of over 1,000 a minute.

From the start, the company found itself entering a closer relationship with the press than it was accustomed to. Johnson & Johnson bitterly recalled an incident nine years earlier in which the media had circulated a misleading report suggesting that some baby powder had been contaminated by asbestos. But in the Tylenol case, Johnson & Johnson opened its doors. For one thing, the company was getting some of its most accurate and up-to-date information about what was going on around the country from the reporters calling in for comment. For another, Johnson & Johnson needed the media to get out as much information to the public as quickly as possible and prevent a panic.

The dangers of trying to manage the news were firmly in mind when the company had to reverse itself on whether any cyanide was used on the premises. It was Collins's first question to McNeil executives when he got off the helicopter. He was told no, but later in the day he learned to his dismay that cyanide was in fact used in the quality assurance facility next to the manufacturing plant to test the purity of raw materials. The public relations department released this startling bit of information to the press the next morning. While the reversal embarrassed the company briefly, Johnson & Johnson's openness made up for any damage to its credibility—the last thing the company could afford to lose under the circumstances.

By the end of the first day, a Thursday spent largely sorting out facts from false alarms, Collins and the other McNeil executives felt strongly that the poisonings did not occur at their plant, either accidentally or intentionally. If someone had dumped a dose of cyanide small enough to escape detection into one of the drug mixing machines, the mixture would have been so diluted as to be nearly harmless, and the contaminated pills would have ended up all around the country, not simply on Chicago's West Side. Moreover, all the samples tested from the lot reported to have poisoned the first five Chicago victims turned out to be normal.

Regardless, the company couldn't take the chance that the whole lot had not been poisoned and recalled all 93,000 bottles scattered across the country, an expensive process for which the telegrams to doctors, hospitals, and distributors alone cost a half million dollars. McNeil also suspended all advertising for Tylenol.

## AN IMPORTANT DISCOVERY

The first phase of the crisis ended early Friday morning when the company learned that the sixth victim had been poisoned with Tylenol capsules from a lot manufactured at McNeil's other plant in Round Rock, Texas. That proved the tampering had to have taken place in Chicago and not in the manufacturing process, because poisoning at both plants would have been almost impossible. The discovery was important for the company because it signaled the end of its initial helter-skelter involvement with fact gathering and the beginning of its effort to assess the impact the poisonings would have on its product. Also, Johnson & Johnson had to figure out what to do about it. But for Collins, who had gone to bed exhausted at a nearby motel at 2 A.M. only to be reawakened an hour later by a phone call reporting the Round Rock development, its significance—like so much else that first day—was not immediately apparent. "The fact the second batch came from Round Rock didn't say a damn thing to me," he admitted, "except that, oh Jesus, now I've got two lots to recall instead of one."[1] This was both bad and good news for Collins. The bad news, obviously, was that two lots had to be recalled. The good news, however, was that it now seemed unlikely that the tampering had occurred at McNeil.

Had the incident not been so extraordinary, Johnson & Johnson, ardent in its commitment to decentralization, would have expected McNeil Consumer Products to cope with the problem on its own. Reassuring as it was to have the resources of Johnson & Johnson at its disposal, McNeil executives didn't seem altogether thrilled by the new scrutiny they were getting from above. "Managing a crisis is one thing," said McNeil President Chiesa, "but managing all the helpful advice is another."

In Johnson & Johnson's eyes, the Tylenol crisis was a major public health problem—and a major threat to the company. Johnson & Johnson carefully restricts the company name to relatively few items, such as baby products and Band-Aids. "One of the things that was bothering me," said Burke, "is the extent to which Johnson & Johnson was becoming deeply involved in the affair. The public was learning that Tylenol was a Johnson & Johnson product, and the dilemma was how to protect the name and not incite whoever did this to attack other Johnson & Johnson products." According to company surveys, less than 1 percent of consumers knew before the poisonings that Johnson & Johnson was the parent company behind Tylenol; now more than 47 percent were aware of that fact.[2]

On the weekend of October 9th, Lawrence G. Foster, Johnson & Johnson's vice president for corporate public relations, told the chairman that the crisis had

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[1] Adapted from Thomas Moore, "The Fight to Save Tylenol," *Fortune,* November 29, 1982, pages 44–49, ©1982 Time Inc. All rights reserved.

[2] "The Fight to Save Tylenol," pages 44–49.

unquestionably become a Johnson & Johnson problem. The company was at risk. Financially it wouldn't topple—Tylenol accounted for only a small fraction of the profits—but there was an international reputation at stake.

On October 10th, Mr. Burke made up his mind. All 150 sister companies would pitch in; there would be no new name or second "fighting" brand. Tylenol would fight under its own flag. It was hell or high water.

The next morning, Monday, Mr. Burke and Mr. Clare, Johnson & Johnson's president, huddled for three hours and concurred on the strategy. Other top executives were notified that afternoon. "It would almost be an admission of some kind of guilt in my opinion to walk away from that name," Mr. Nelson agreed. "We'd be very foolish. And even if a third of this business never came back, we'd still have the top-selling pain reliever in the world. . . . It's better than a sharp stick in the eye."

On Tuesday morning, October 12th, at a meeting of fifty company presidents and corporate staffers, Mr. Burke declared, "This is an unequivocal decision."

Suddenly the corporation had some direction. Bleary eyes got a little brighter; snippy impatience was leavened with occasional humor. The executives even knitted themselves together with shared bromides, such as, "We're the guy who got hit by the truck," or, "Is there more upside than downside if we make this move?"[3]

Burke quickly decided to elevate the management of the crisis to the corporate level, personally taking charge of the company's response and delegating responsibility for running the rest of the company to other members of the executive committee.

The members of the executive committee responsible for developing strategies for the crisis project, as well as crisis decision making, were:

- James Burke, Johnson & Johnson chairman
- David Clare, Johnson & Johnson president
- George Frazza, general counsel
- Lawrence Foster, vice president of public relations
- David Collins, McNeil Consumer Products chairman
- Wayne Nelson, group chairman
- Arthur Quilty, executive committee member

***Lessons Learned:*** Based on the seriousness of the crisis, there could be multiple committees with the overseeing or strategy committee made up entirely of senior corporate executives.

[3] Adapted from Rick Atkinson, "The Tylenol Nightmare: How a Corporate Giant Fought Back," *The Kansas City Times,* November 12, 1982, page 3.

There were several reasons why Burke decided to take control of the situation himself. First, Burke believed that the crisis could become a national crisis with the future of self-medication at stake. Second, Burke recognized that the reputation of Johnson & Johnson was now at stake, even though all of the spokespeople up to this point had carefully been labeled as McNeil employees. Third, and perhaps the toughest decision of all, was Burke's belief that McNeil may not be able to battle the crisis alone.

The fourth reason was the need for a Johnson & Johnson corporate spokesperson. James Burke was about to become that corporate spokesperson. This was one of the few times that a CEO had appeared on television. Burke's first decision was to completely cooperate with the news media. The general public, medical community, and Food and Drug Administration were immediately notified.

There was some concern that pulling the capsules off of the shelves would provide instant gratification to the killer, resulting in the tampering of other Johnson & Johnson products. Also, there could be a whole series of "copycat" tamperings that could affect the entire industry.

There was also a discussion over offering a reward for information leading to prosecution of the killer. At first, they settled for a $1 million reward leading to the culprit's conviction. However, the FBI feared that this would result in more blind leads than the agency could handle. The reward was then reduced to $100,000 and announced at a news conference.

***Lessons Learned:*** When managing a crisis project, especially during the early phases, effective communication is critical. All communication channels must remain open, free of political intervention, and hopefully based upon trust and honesty. Failing to do this could result in "burning bridges" with information sources such that repairs cannot be made prior to the closure of the crisis. The project manager assigned to the project must possess strong communication skills and foster a culture of trust with all of the stakeholders.

***Lessons Learned:*** The company spokesperson must be a professional communicator who understands how to represent both the crisis project and the company.

Instead of providing incomplete information or only the most critical pieces and stonewalling the media, Burke provided all information available. He quickly and honestly answered all questions from anyone. This was the first time that a corporate CEO had become so visible to the media and the public. James Burke spoke with an aura of trust.

Tylenol quickly captured the nation's attention. Queries from the press on the Tylenol story exceeded 2,500. Two news clipping services generated in excess of 125,000 clippings. One of them said the Tylenol story had resulted in the widest domestic coverage of any story since the assassination of President John F. Kennedy. Associated Press and United Press International gave it second place as the impact story of 1982—only coverage of the nation's economy ranked higher. The television and radio coverage was staggering.[4]

Before the first week came to an end, more than 100 state and federal agents were spread across the Chicago area in a painstaking effort to reconstruct the route of the poisoned capsules. The route of the contaminated Tylenol capsules was as follows:

- The capsules were manufactured in Fort Washington, Pennsylvania, and Round Rock, Texas.
- From the plants, McNeil then shipped the capsules to thirty-five states, including Illinois.
- In Chicago, McNeil delivered the capsules to almost a hundred wholesalers, some of whom would keep them in the warehouse for a few days.
- Sometime in August, the wholesalers sold the Tylenol capsules to retail outlets.

The investigators believed that the tampering occurred after the capsules reached Illinois. This was based upon the theory that potassium cyanide is corrosive and would eventually destroy the gelatin shell. Investigators began experimenting with potassium cyanide and its decomposition to see if they could pinpoint the precise point in time when the tampering occurred.

Other investigative teams were focusing on possible disgruntled workers or former employees in one of a number of companies that physically handled the product along its route. The initial conclusion was that the poisoning was a willful act and not a manufacturing accident.

While the first phase had been one of problem identification and containment, the second phase was one of communication. Burke allotted the next week to

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[4]Lawrence G. Foster, "The Johnson & Johnson Credo and The Tylenol Crisis," *New Jersey Bell Journal*, Vol. 6, No. 1 (Spring 1983), page 3.

establishing a good working relationship between the company and the police and health authorities investigating the crime. On Monday, he went to Washington to meet with the FBI and the Food and Drug Administration. Burke had begun to advocate a recall of all Extra-Strength Tylenol capsules but—in a surprising role reversal—both the FBI and the FDA counseled him against recalling the drug precipitously. "The FBI didn't want us to do it," explained Burke, "because it would say to whoever did this: Hey, I'm winning. I can bring a major corporation to its knees.' And the FDA argued a recall might cause more public anxiety than it would relieve."

On Tuesday, however, following what appeared to be a copycat strychnine poisoning with Tylenol capsules in California, the FDA agreed with Burke that he had to recall all Tylenol capsules—31 million bottles with a retail value of over $100 million. "Often our society rails against bigness," Burke said, "but this has been an example where size helps. If Tylenol had been a separate company, the decisions would have been much tougher. As it was, it was hard to convince the McNeil people that we didn't care what it cost to fix the problem."[5]

There were several options available to Burke and the strategy committee. Some of the options included:

- Tell the Johnson & Johnson story in hopes that the public would be sympathetic and Tylenol could recover quickly.
- Take aggressive action in a search for the killer, placing all blame elsewhere.
- Replace the capsules with another type of product (i.e., caplets).
- Recall only those batches that were contaminated.
- Recall all Extra-Strength Tylenol capsules.
- After recall, relaunch the product under the same name but different packaging.
- After recall, relaunch the product under a different name and different packaging.

Deciding which option to select would certainly be a difficult decision. Looking over Burke's shoulder were the stakeholders who would be affected by Johnson & Johnson's decision. Among the stakeholders were stockholders, lending institutions, employees, managers, suppliers, government agencies, and the consumers.

*Consumers:* The consumers had the greatest stake in the crisis because their lives were on the line. The consumers must have confidence in the products they purchase and believe that they are safe to use as directed.

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[5] "The Fight to Save Tylenol," page 48.

*Stockholders:* The stockholders had a financial interest in the selling price of the stock and the dividends. If the cost of removal and replacement, or in the worst-case scenario of product redesign, were substantial, it could lead to a financial hardship for some investors who were relying on the income.

*Lending institutions:* Lending institutions provide loans and lines of credit. If the present and/or future revenue stream is impaired, then the funds available might be reduced and the interest rate charge could increase. The future revenue stream of its products could affect the quality rating of its debt.

*Government:* The primary concern of the government was in protecting public health. In this regard, government law enforcement agencies were committed to apprehending the murderer. Other government agencies would provide assistance in promoting and designing tamper-resistant packages in an effort to restore consumer confidence.

*Management:* Company management had the responsibility to protect the image of the company, as well as its profitability. To do this, management must convince the public that management will take whatever steps are necessary to protect the consumer.

*Employees:* Employees have the same concerns as management but are also somewhat worried about possible loss of income, or even employment.

Whatever decision Johnson & Johnson selected was certain to displease at least some of the stakeholders. Therefore, how does a company decide which stakeholders' needs are more important? How does a company prioritize stakeholders?

For Jim Burke and the entire strategy committee, the decision was not very difficult—just follow the corporate credo.

For more than forty-five years, Johnson & Johnson had a corporate credo, shown in Appendix A, which clearly stated that the company's first priority is to the users of Johnson & Johnson's products and services. Everyone knew the credo, what it stood for, and the fact that it must be followed. The corporate credo guided the decision-making process, and everyone knew it without having to be told.

When the crisis had ended, Burke recalled that no meeting had been convened for the first critical decision: to be open with the press and put the consumer's interest first. "Every one of us knew what we had to do," Mr. Burke

***Lessons Learned:*** Some sort of structured decision-making process should be in place during crisis management. Whatever process is used should be readily understood and acceptable to all parties involved in the crisis. Corporate credos or corporate standard practice manuals can make the decision-making process easier.

commented. "There was no need to meet. We had the credo philosophy to guide us."

By mid-week, an extortion note threatening a second wave of poisonings turned up at McNeil. "Imagine our reaction," explained Collins. "We get this note that says send $1 million to a bank account number at Continental Bank in Illinois. We had to laugh. This guy's gotta be an idiot. We're still not convinced he did it."

Through advertisements promising to exchange capsules for tablets, through thousands of letters to the trade, and through statements to the media, the company was hoping to demystify the incident. "There was a lot of noise out there, most of it associating Tylenol with death," said Chiesa. "We wanted to clear up any misunderstanding, to make sure everyone had all the facts we did, that the problem was limited to one area of the country, and only a few bottles of Tylenol capsules were contaminated."[6]

Advice was pouring in by the sackful. A Pittsburgh man offered some new names for Tylenol—perhaps Lespane or Apamin or Painex. There was a suggestion from Atlantic City that Tylenol be canned like chili. An Ontario couple sent $10—which was returned—as a contribution to the reward.

A psychic in Schenectady, New York, breezily notified the company that the killer was a Chicago pharmacist "dressed in a white smock, buttoned up to the neck, and white trousers." A boy sent a $5 billion extortion note, carefully composed of letters clipped from the newspaper, and included his home address. The Colorado School of Mines offered to extract cyanide from any contaminated capsules so thoroughly that they could still be marketed. Thanks anyway, the company politely replied.

Mr. Burke argued that:

> There are some very real problems with all the suggestions put forth. "Tylenol II: Change the color from red to green because red is stop, green is go; change the name.
>
> The public collectively just isn't easy to fool. When the public is watching carefully, they make incredibly smart decisions. They're just so much smarter collectively than we are individually."[7]

## WORST-CASE SCENARIO

From the start, Burke squelched one obvious option: abandoning Tylenol and reintroducing the pain reliever under a new name. Despite the long odds many outside marketing experts gave against a complete comeback, and despite the fact

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[6] "The Fight to Save Tylenol," page 48.

[7] "The Tylenol Nightmare," page 3.

that sales of Tylenol products initially dropped 80 percent, company executives said they never had any question about whether to bring back Tylenol. Said Wayne Nelson, Collins's predecessor at McNeil, who was now a company group chairman, "Even in our worst-case scenarios where we get back only half the base we had before, it would still be the market leader."

By the second weekend, Burke had moved on to the third phase: rebuilding the brand. "We were still in a state of shock," explained Burke. "It's like going through a death in the family. But the urgency of bringing about Tylenol's recovery makes it important we move out of the mourning stage faster than usual."

## GOOD NEWS, BAD NEWS

It seemed clear that the company would have to come up with a new tamper-resistant package, as would the rest of the drug industry. But how consumers ultimately felt about the product—and what conflicts the poisonings posed in their minds—would be the determining factor in the comeback. Burke called in Young & Rubicam, Johnson & Johnson's oldest advertising agency, to begin polling consumer attitudes. Initially he wanted to know how the public was reacting to the crisis, but he also knew the surveys would be indispensable in building a database for what was obviously going to be, as he put it, "a very complicated communications problem."

One of the more astonishing things learned from the first surveys was that an overwhelming number of people—94 percent of the consumers surveyed—were aware that Tylenol had been involved with the poisonings. The implications of that figure, when coupled with other data, were both good and bad.

The good news, said Burke, was that 87 percent of the Tylenol users surveyed said they realized the maker of Tylenol was not responsible for the deaths. The bad news was that although a high percentage didn't blame Tylenol, 61 percent still said they were not likely to buy Extra-Strength capsules in the future. Worse, 50 percent felt that way about Tylenol tablets as well as capsules. In short, many consumers knew it wasn't Tylenol's fault but said they were not going to buy it anyway, revealing a fear associated with the name that was not likely to dissipate soon.

The most heartening piece of information in the surveys—and the one on which the company based its comeback strategy—was that the frequent Tylenol user seemed much more inclined to go back to the product than the infrequent user. The message: the company can forget about making new converts in the next year or two. Instead, it would concentrate on bringing back to the fold the loyal customers of the past.

"People forget how we built up such a big and important franchise," said Burke. "It was based on trust. People started taking Tylenol in hospitals or because their doctors recommended it. In other words, they were not well and in a highly emotional state." The contrary view, it can be argued, is that those same people who originally bought Tylenol because they didn't want to take a chance on aspirin's side effects are the last people who would want to take a chance now with the emotionally charged brand name.

The competition was not standing idly by. American Home Products had increased production of its acetaminophen, Anacin-3, at both its plants from two to three shifts on a round-the-clock basis. Bristol-Myers did not discuss any marketing plans it had for its acetaminophen, Datril, except to say that demand was up considerably and the company was looking into new packaging for all its analgesic products.[8]

## THE RACE BEGINS

It would not be easy designing a new tamper-resistant package. There were a thousand tasks, and each time one was completed, two others seemed to spring up in its stead. Nothing was more crucial than the new packaging, and the chairman headed the task force on tamper resistance himself. Everyone in the industry realized that the first product on the market to be sheathed in some kind of anti-tampering protection would reap enormous psychological benefits. And that meant dollars—each share of the analgesic market was worth $15 million to retail sales.

A small team was formed at McNeil, quickly christened Machiavelli & Co., which tried to outwit the dozen or so tamper-resistant methods available. "Tylenol had been on TV right alongside a skull and crossbones." Mr. Clare said, "so we knew whatever the rest of industry was going to do, we had to do more."

After a mad scramble among the drug companies for machines and material, McNeil settled on a triple seal: A glued carton; a shrink sleeve on the bottle neck; and foil covering beneath the cap. It was decided that the first "put ups," or shipments, would be Extra-Strength Tylenol capsules in bottles of 50, the most popular size.

By this time, the engineers and executives were beginning to think of the whole ordeal as a kind of over-the-counter space race. Production went to three shifts, seven days a week. There were agonizing logistical roadblocks—the shrink sleeve, for instance, had to be mounted by hand, despite a search through Asia and Europe for enough machinery.

Carton machinery had to be reconfigured to glue rather than fold boxes. New graphics had to be designed. They wanted to call the anti-tampering device the

[8] "The Fight to Save Tylenol," page 49.

Tylenol "safety seal," but first they had to hunt down the man who owned the trademark to that phrase and license it from him for $2,000 a year.[9]

> ***Lessons Learned:*** Under the pressure of the crisis, very little time existed for planning. The only viable way to plan effectively, if at all possible, is with rolling wave planning. Hopefully, this can be achieved with minimal risk and minimal scope changes.

David R. Clare, president of Johnson & Johnson and chairman of its executive committee had these comments:

> There probably are as many emergency plans worked out and ready to go within the Johnson & Johnson organization as there are in any other company that tries to prepare for unforeseen emergencies. But the events surrounding the Tylenol crisis were so atypical that we found ourselves improvising every step of the way.
>
> I doubt that even now we could devise a plan of action to deal with all aspects of the Tylenol situation. Events happened so quickly and so unpredictably that it would be impossible to anticipate the critical decisions that had to be made.[10]

Estimates on the extra cost ranged from a penny to 4 cents a bottle. But somehow no one had thought about whether to pass it along to the customer until Joe Chiesa, the McNeil president, suddenly announced on a television talk show late one night that the company would eat the price increase. The Johnson & Johnson executives were stunned. Of course! Brilliant!

"If he hadn't made that judgment, I think we would have horsewhipped him," Mr. Burke quipped.

The packaging frenzy came to a climax on Thursday afternoon, November 4th. Mr. Burke, Mr. Frazza, and Mr. Collins swooped down to Washington in the company chopper for an emergency meeting with Richard Schweiker, secretary of Health and Human Services, and Dr. Hayes of the Food and Drug Administration (FDA). In mid-meeting, the chairman pulled out samples of the newly packaged capsules.

Both Mr. Schweiker and Dr. Hayes had trouble getting the bottles open. The secretary turned to Mr. Burke and said, "Everybody else is going to have a package. You've got an armored tank."

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[9] "The Tylenol Nightmare," page 4.

[10] "The Johnson & Johnson Credo and the Tylenol Crisis," page 2.

Amid this small triumph there were dozens of other critical decisions to make. No mine field was more hazardous than advertising. If the product wasn't aggressively peddled, the market would wither away permanently. But if the company was perceived as pushy or manipulative, consumers would balk at returning to the fold.

Mr. Burke and his executives watched nearly six hours of taped consumer reactions to Tylenol. They commissioned survey after survey of public sentiment. The polls showed that one American in five still didn't know the tampering had occurred outside the plant, but they also showed that millions would be willing to take Tylenol capsules again if the bottles were made tamper-proof.

The campaign began to take shape. Three commercials were filmed, all geared at luring back former users since the surveys indicated that consumers who had never taken Tylenol before were a hopeless cause for now. A print ad was drafted for release November 21st that said, "The Makers of Tylenol want to say 'THANK YOU, AMERICA' for your continuing confidence and support."[11]

## THE MARKETING WAR

The makers of Tylenol embarked on an extremely delicate mission of psychological warfare. Timing was crucial. If Johnson & Johnson brought Tylenol back before the hysteria had subsided, the product could die on the shelves. If the company waited too long, the competition could gain an enormous lead.

Sophisticated though the consumer surveys were, they didn't give a clear answer on timing. "The problem with consumer research," said an impatient Joe Chiesa, "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."

With carefully measured public-service-like ads vowing to regain consumer trust, the company had set a discreet tone for its new campaign. Said Collins, "We're coming back against a tragedy, so there's no way we can come riding in on elephants, blowing horns and saying here we are."

Perhaps even more important was the effort that most of the public would never see. At the end of October, a month to the day after the crisis began, Burke mobilized 2,259 salespeople from all of Johnson & Johnson's domestic subsidiaries to persuade doctors and pharmacists to begin recommending Tylenol tablets to patients and customers. It was the same road the makers of Tylenol had taken when they began marketing the product twenty-two years earlier. Tylenol was not out of the game, but it was back at square one.[12]

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[11] "The Tylenol Nightmare," page 4.

[12] "The Fight to Save Tylenol," page 49.

Everything was in place. Return to the marketplace would be announced in a New York news conference on Thursday, November 11th, and transmitted by satellite to thirty cities. Then Mr. Burke would fly to San Diego for a "high road" speech to a convention of editors, stressing that "We don't want to let the bastard (the killer) win."

The rest would be up to the consumer. And the courts would decide whether Johnson & Johnson should have foreseen the lunatic in Chicago. The question persisted: Should the packages have been tamper-resistant?[13]

From the day the deaths were linked to the poisoned Tylenol until the recall on Thursday, November 11th, Johnson & Johnson had succeeded in portraying itself to the public as a company willing to do what was right, regardless of cost.

Serving the public interest had simultaneously saved the company's reputation. That lesson in public responsibility—the public relations—would survive at Johnson & Johnson, regardless of what happened to Tylenol.

## THE TYLENOL RECOVERY

From crisis to comeback, the following is just a partial list of activities undertaken by the company:

- McNeil established toll-free consumer hot lines in the first week of the crisis to respond to inquiries related to the safety of Tylenol. Through November, more than 30,000 phone calls were handled through this medium.
- A full-page ad was placed in major newspapers across the country on October 12th, offering consumers the opportunity to exchange capsules for tablets.
- In October, Johnson & Johnson communicated by letter on two separate occasions with its domestic employees and retirees, keeping them updated on important information and expressing thanks for continued support and assistance. In part, the communication urged employees and friends of Johnson & Johnson to request that Tylenol tablets be returned to those local drug stores and retail outlets where they had been removed.
- A sixty-second spot was broadcast in October and November featuring Dr. Thomas Gates, medical director for McNeil, alerting consumers to the impending return of the Tylenol capsules in tamper-resistant packaging. An estimated 85 percent of all TV households in the United States saw the commercial an average of 2.5 times during the first week of airing.
- Members of the Corporate Relations Department of Johnson & Johnson visited more than 160 congressional offices in Washington to accomplish

[13] "The Tylenol Nightmare," page 4.

a number of goals related to the Tylenol comeback. These included voicing support for federal criminal legislation making product tampering a felony and endorsing public service announcements by the Food & Drug Administration on tamper-resistant packaging. Resolutions were under consideration in Congress to commend the FDA, the industry, and Johnson & Johnson for the prompt and effective response to the Tylenol crisis.

- Johnson & Johnson executives made personal appearances or were interviewed for such print and video feature presentations as *Fortune, The Wall Street Journal, 60 Minutes, The Phil Donahue Show, ABC Nightline,* and *Live at Five* (New York). A number of additional executives were briefed for interviews on Tylenol that were being requested by TV and radio talk shows.
- Four videotaped special reports on the Tylenol crisis and comeback were prepared and distributed or shown to employees and retirees. The tapes, which lasted more than three hours, covered all important aspects of the evolving Tylenol story and treated at length the November 11 teleconference and the appearance of James E. Burke, chairman of the board, on *The Phil Donahue Show.*
- The Johnson & Johnson quarterly report in October informed stockholders of the impact of the Tylenol capsule withdrawal.
- A four-minute videotape was prepared for use by television programs covering tamper-resistant packaging. The footage depicted the production of Tylenol in the new tamper-resistant packaging and established the important triple-seal features as the standard for the industry.
- As a matter of policy, all letters directed to Johnson & Johnson and McNeil on Tylenol from consumers were answered. By late November, the company had responded to more than 3,000 inquiries and letters of support.[14]

By Christmas week, 1982, Tylenol had recovered 67 percent of its original market. The product was coming back faster and stronger than the company had anticipated.

Among the key components of the McNeil/Johnson & Johnson Tylenol comeback campaign were the following:

- Tylenol capsules were reintroduced in November in triple-seal, tamper-resistant packaging, with the new packages beginning to appear on retail shelves in December. Despite the unsettled conditions at McNeil caused

[14] "The Tylenol Comeback," A Special Report from the Editors of *Worldwide,* A Publication of Johnson & Johnson Corporate Public Relations, undated. Reprinted from Johnson & Johnson *Worldwide,* Vol. 17, No. 5 (December 1982).

by the withdrawal of the Tylenol capsules in October, the company, with its new triple-sealed package, was the first in the industry to respond to the national mandate for tamper-resistant packaging and the new regulations from the Food & Drug Administration.

- In an effort to encourage the American consumer to become reaccustomed to using Tylenol, McNeil Consumer Products Company provided the opportunity of obtaining free $2.50-off coupons good toward the purchase of any Tylenol product. Consumers simply phoned a special toll-free number to be placed on the list of those receiving the coupons. The same offer was made on two separate occasions in November and December through high-circulation newspapers containing the $2.50 coupon. McNeil estimated that these two programs would stimulate millions of trials of Tylenol before the end of the year.
- McNeil sales people were working to recover former stock levels for Tylenol by implementing an off-invoice pricing program that provided the buyer with discounts linked to wholesale purchasing patterns established prior to October. Discounts went as high as 25 percent.[15]

Three years later, by 1985, the company had recovered virtually its entire market share, outselling the next four analgesics combined. The company had spent more than $175 million to survive and conquer what was potentially one of the biggest disasters in the drug industry. This included more than $60 million in one year's advertising to reintroduce its new Tylenol. The Tylenol disaster had far-reaching effects in that virtually all nonprescription drugs, as well as many other products, are now packaged in tamper-resistant packages.

Some people believed that James Burke almost single-handedly saved Tylenol, especially when Wall Street believed that the Tylenol name was dead. Burke courageously made some decisions against the advice of government agents and some of his own colleagues. He appeared on a variety of talk shows, such as *The Phil Donahue Show* and *60 Minutes.* His open and honest approach to the crisis convinced people that Johnson & Johnson was also a victim. According to Johnson & Johnson spokesman, Bob Andrews, "The American public saw this company was also the victim of an unfortunate incident and gave us our market back."

Both Johnson & Johnson and James Burke received nothing but accolades and support from the media and general public for the way the crisis was handled. A sampling of opinion from newspapers across the United States includes:

- *Wall Street Journal:* "Johnson & Johnson, the parent company that makes Tylenol, set the pattern of industry response. Without being asked,

[15] "The Tylenol Comeback."

## THE CORPORATE CULTURE

The speed with which a company can react to a crisis is often dependent upon the corporate culture. If the culture of the firm promotes individualism and internal competition, employees will feel threatened by the crisis, become nonsupportive, and refuse to help even if it is in their own best interest. Such was not the case at Johnson & Johnson. The culture at Johnson & Johnson was one of cooperation. Employees were volunteering to assist in any way possible to help Johnson & Johnson and McNeil out of the crisis.

On November 11, 1982, Mr. Burke announced that Johnson & Johnson would give consumers a free $2.50 coupon good toward the purchase of any Tylenol product. The free coupon could be obtained by calling an 800 number, which Mr. Burke gave out at a teleconference for the media, portions of which were rebroadcast on local TV and radio news shows.

Within minutes after the conference closed, a telephone center that had been set up at McNeil headquarters in Fort Washington, Pennsylvania, was swamped with calls—and would continue to be inundated for the next two weeks.

In fact, the number of calls proved to be much more than McNeil management had anticipated. The day after the teleconference, Peter Scarperi, vice president of finance and a member of the management board, appealed to McNeil employees to pitch in and handle the phones on a volunteer basis—on the weekend. How fast was the response? "Within an hour we had all the people we needed for nearly the entire weekend," said Mr. Scarperi.[17] During the eleven-day period following the announcement, McNeil received 136,000 calls. By the first week of December, there were over 210,000 calls by consumers.

Emblematic of the responsiveness, determination, and spirit characterizing the manner in which the crisis and the recovery program had been handled—both inside and outside the company—is the story of McNeil's employee buttons. The following is reprinted from *TYLINE,* a McNeil employee publication:

> Like everyone, (McNeil employee) Tony McGeorge wanted to be of help any way he could. "It was so frustrating not to be able to do more," he said. "So I headed up an ad hoc employee morale committee (with Logan P. Hottle, director, professional sales staff), and we came up with a suggestion for the button."
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> The button, of course, is the thumbs-up "We're coming back" badge worn all over McNeil. The committee received approval for the idea late one Friday afternoon. They called an outside manufacturer and described how the button should look. . . . The manufacturer called his production facility in California at 5:30 P.M. Eastern time.

[17] "The Tylenol Comeback."