



Brand Crisis Management

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Tylenol. Major League Baseball. Martha Stewart. IBM. Firestone. WorldCom. Oprah Winfrey. Enron. O.J. Simpson. Even the Federal Government. What do all of these well-known “brands” have in common? The answer is that at one time or another, each of them was buffeted by crises of varying complexity and severity. In each case, the brand was involved in a situation that left its consumers asking, “how can this be?” In each case, the brand’s owner handled the crisis with a degree of competence and perspicacity that yielded a final result ranging from startling success to abject and total failure. For instance, few of us would even pause nowadays before popping a Tylenol capsule to relieve a headache after a long day of sitting through presentations. Yet few would invest their money in the next corporate venture of Kenneth Lay or Andrew Fastow, and we will never again see O.J. Simpson racing through an airport on our television screens.

A brand name serves as more than just an identifier of the product. It is in fact the repository of years of effort directed towards establishing the integrity of the product. COCA-COLA tells consumers much more than simply that they are drinking a sweet carbonated beverage made by the Coca-Cola company. It also tells consumers that the product is safe; that it will taste like the last COCA-COLA they drank; it may also evoke in the consumer a comforting feeling of continuity or even nostalgia. Of course, COCA-COLA is an exceptionally strong

brand, but this serves to make the point clear—a brand name is not a label, it is a symbol.

To paraphrase a wise sage of some unknown years ago, “stuff happens.” It’s that simple. In this day and age of complex, multidimensional corporations that manufacture and market a diverse range of products, brand crisis is almost inevitable. At some point, your brand will likely be faced with some crisis that threatens its integrity to some degree. If that crisis is handled poorly, decades of investment in cultivating the brand name can vanish in an instant. Depending on the nature of the underlying crisis and the company’s failed response to it, trying to resurrect the brand after the damage is done will be something akin to trying to get the egg off the kitchen floor and back into the shattered shell.

The risk of damage to a brand resulting from a crisis is particularly acute in this age of the 24-hour news cycle. Mark Twain said it over a century ago but it is truer now than it was then—“A lie can travel halfway around the world while the truth is still putting on its shoes.” While we may not necessarily be talking about “lies” in the proper sense of that word, in the world of the Internet and the 500-channel cable package, which beams potentially dozens of 24-hour news-channels into homes across the country, a company can find itself playing catch-up with a mischaracterization or poor issue framing before it even finds its shoes. The structure and personality of our media-culture can turn a smoldering crisis into a raging inferno in the blink of an eye.

These risks are a concern for all companies regardless of the product connected with the particular brand. But they are especially relevant for those companies whose brand covers a product which is particularly susceptible to crisis damage, because public trust is extremely important. These include airlines, pharmaceuticals, automobiles, and food products. If the public comes to believe that the branded product may be unsafe and do them actual physical harm, the resulting damage can be extreme.

Even the most successful companies and products are susceptible to brand damage resulting from some crisis. This has been a fact of corporate life from time immemorial. What sets those companies and brands that survive apart from those that do not is how they react to, and how they manage, the given crisis. Proper crisis management can save a seemingly doomed brand and, in the case of Johnson & Johnson’s handling of the Tylenol-cyanide murders, which is discussed later on, actually redound to the company’s favor. Effective crisis management can engender a feeling of community and partnership between the company and the consumer—a sort of feeling that “we’re in this together and

we'll get through it together.” On the other hand, poor crisis management that makes the public suspect it is being lied to, or that the crisis itself is caused by the company's lack of competence or even lack of concern for the public's safety, can stain a company and its brand forever. Union Carbide's handling of the poisonous gas disaster in Bhopal, India, and Exxon's handling of the *Exxon Valdez* oil spill in Prince William Sound, Alaska, come to mind.

The three most important aspects of crisis management are planning, planning and planning. Somebody once said, “Planning is bringing the future into the present so that you can do something about it now.” Anticipating a crisis, and constructing an effective crisis management procedure, long before its occurrence seems even possible, can make all the difference. It wasn't raining when Noah built the Ark. There are two key steps that a smart company should take during today's calm to be prepared for tomorrow's storm. They are to form (1) an overall crisis management culture; and (2) a crisis management team.

There are several important elements to cultivating an effective crisis management culture. A smart company will work to develop an overall corporate strategy that creates goodwill, credibility and trust with consumers when times are good. McDonald's might be one example of a company that seems to have done this, Google might be another. Such a corporate policy may insure that the public, at least at the outset of a crisis, is willing to give the company and the brand the benefit of the doubt.

The company should make all efforts to identify any conceivable crisis that may arise, ranging from the most obvious to the random and seemingly unlikely. View the glass as half empty and be sure to find the clouds behind every silver lining. A crucial part of the planning process is imagining the worst. For instance, a company that produces frozen pizzas should be prepared to confront any crisis from food poisoning caused by its product to labor unrest to environmental damage caused by one of its facilities. These threats should be organized and evaluated through a brand threat audit. This audit might also include an evaluation of the company's present ability to respond to the particular crisis at the management, staff, facility and resource level. Targets should be set to improve these levels and the company should then work to narrow the difference between the two.

The company should work to assemble an overall crisis management infrastructure. This involves bringing together a crisis management team, planning and rehearsing the response to the threats set out in the audit, involving the CEO and other high ranking officers, and constantly updating all critical

information. It is especially crucial that the CEO be integrated into the crisis management infrastructure. The CEO will set the tone for the company and will likely be the company spokesman during the crisis. The CEO's full integration is therefore critical, because if the public sees a clearly uninformed and unprepared CEO they are likely to believe that the crisis is not being handled properly and may in fact be partially due to corporate incompetence. *See* "Brownie, you're doing a heck-of-a job." (President Bush's comment about FEMA head, Mike Brown, following Hurricane Katrina just days before Brown resigned in the wake of widespread criticism of FEMA's poor performance). One important element of the infrastructure is the creation of specialized communications centers, such as phone banks or a dedicated crisis website, which could be rolled out the instant a crisis arises. These communications centers would be geared towards providing information to the public and press.

An effective crisis management culture must also give employees the confidence to stick to the predetermined plans rather than deviate from the corporate message or react spontaneously. This will insure that the company speaks with one voice during the crisis. Speaking with a unified voice will avoid confusion and delays. One way to do this, aside from detailed planning and training, is to set a crisis management statement, which would be a statement from the corporation to its employees that sets the benchmark for how the company will respond to any crisis. It should stress honesty, concern and compassion for the public, and accessibility. The crisis management statement will give employees something to rally around during troubled times as well as help repair the brand's reputation.

The foundation of effective crisis management culture is the crisis management team. This team will serve as the shock troops to be deployed at the outbreak of a crisis. The team should include the CEO and senior executives, legal counsel, public relations and marketing personnel, and media consultants. The CEO should serve as the team spokesman and several other high ranking officers should also be prepared to serve as spokesman. This will help assure the public that the corporation as whole is giving its full attention to the matter. In addition, as alluded to, the CEO and all high ranking corporate officers must be intimately involved in all crisis management planning. This will insure the ability to make prompt decisions during the crisis. It is also imperative that all members of the crisis management team know each other. This will help them work more efficiently together as well as build team spirit. Finally, the crisis management team should be responsible for creating and updating a crisis manual for each of the crises set out in the threat audit. This manual should include everything from

the timeline and procedure for reacting to the crisis to contact information for relevant employees, media outlets and state and federal agencies.

There are of course countless examples of both effective and ineffective brand crisis management. Probably the single best example of effective brand crisis management is Johnson & Johnson's handling of the cyanide tainted Tylenol crisis.

In Chicago in 1982, an unknown person tainted Extra-Strength Tylenol capsules with cyanide, causing the deaths of seven people. Tylenol was perhaps Johnson & Johnson's most famous and trusted brand. Suddenly, Chicago police were roaming the streets with bullhorns warning people not to use Tylenol. The national news media was advising consumers to stay away from the pain reliever. At the time, advertising experts were predicting that Johnson & Johnson would never sell another product under that brand name. As it turned out, however, rumors of Tylenol's death were greatly exaggerated.

To show consumers that it was more concerned with their safety than the bottom line, Tylenol immediately advised the public not to take any kind of Tylenol product until the source of the tampering could be determined. It also voluntarily recalled about 31 million bottles of Tylenol—every single capsule in circulation, representing a retail value of more than \$100 million—and immediately stopped advertising the brand entirely. The result was universal praise from media analysts. In addition, as Tylenol capsules were the only ones found to be tampered with, Johnson & Johnson exchanged the capsules for Tylenol tablets, which were considered safe.

Once the public had been reassured that Johnson & Johnson had done everything in its power to insure their safety, the company set out to reestablish the trust the public had in the safety of the Tylenol brand. The key element of this process was Johnson & Johnson's development of taper-resistant / child-proof packaging. This packaging was introduced less than four months after the deaths. At the time, most over-the-counter medications could be opened by anyone. Today, the packaging developed by Johnson & Johnson is practically the standard. As a result of Johnson & Johnson's swift and effective crisis management, which stressed public safety and transparency instead of corporate profits and damage control, Tylenol is today one of the leading brand names in pain relievers.

Another good example of effective crisis management is the Odwalla ("Ode-walla") E-coli outbreak. Odwalla is a juice company that markets its products to

health conscious consumers. In 1996, the company enjoyed sales which rose by about 30% every year and approached \$90 million, as well as a strong brand name with enormous customer loyalty.

In October of that year, however, Washington State health officials discovered a link between several cases of E. coli and Odwalla's fresh apple juice. One child died and more than 60 people became sick after drinking the juice. Sales plummeted by 90% and customers filed more than 20 lawsuits.

Odwalla acted immediately. Stephen Williamson, Odwalla's CEO, ordered a total recall of all apple juice products at a cost to Odwalla of \$6.5 million. The recall was completed within 48 hours. Williamson also gave countless interviews, expressing sympathy for the victims and their families, and promising that the company would pay all medical costs. Williams also conducted regular company wide conference calls, which gave employees a chance to ask questions and insured that employees were all on the same page. In addition, within 24 hours, the company had an explanatory website up which was advertised extensively in the print and TV media.

In response to the actual problem of contamination, Odwalla, which had previously produced only unpasteurized juice, decided to introduce a process called "flash pasteurization" which would guarantee that E. coli would be destroyed.

Although some claimed that the company had been aware of the risks of non-pasteurization but chose to ignore them, by and large the overwhelming public perception was that Odwalla was a member of the community that was devastated by the harm its brand caused and did everything it could to inform and protect the public. Odwalla made a rapid recovery and just a year after the crisis it was voted "Best Brand in the Bay Area" by *San Francisco Magazine*.

On the other end of the spectrum is Snow Brand Milk Products. In 2000, an outbreak of food poisoning was traced to one of Snow Brand's factories which produced low-fat milk. At the time, Snow Brand was Japan's premier dairy food company. Today, because of its fumbling of the crisis, it is still struggling to recover.

Over 15,000 people, mostly in western Japan, suddenly came down with food poisoning. The problem was eventually traced back to bacteria on the production line of the Snow Brand factory. The bacteria was located in a valve which, although it should have been cleaned regularly, was severely contaminated. An inspection of the factory condemned the hygiene standards as appalling.

Snow Brand set out to save its reputation instead of its consumers. It gave the impression of being more concerned with its own reputation than the retching victims of its contaminated product. For instance, the company attempted to limit the extent of the recall it would have to make. After government officials pushed the company, Snow Brand reluctantly agreed to a full recall, but actually requested that the recall order not be announced so the public would think it was voluntary. The city published both the order and the request.

Snow Bird also attempted to bury certain damning information about the incident. It claimed that the contaminated valve was rarely used and the area of contamination was quite small. In fact, as the public learned, the valve was used every day and the area of contamination was quite large.

All of this was enthusiastically covered by the Japanese media. As a result, Snow Brand's sales are near terminal and consumer confidence is a distant memory. The company reported a net loss the following year of roughly \$430 million. Snow Bird's chief failing was that it was more concerned with its profits than the lives of its previously loyal customers. In addition, its attempt to cover up the origins of the crisis, as well as its accompanying fabrications, were viewed as reprehensible by the public.

In closing, some type of brand crisis is virtually inevitable. Destruction of the brand is not. The key is to plan ahead by formulating an effective crisis management strategy that is based on the principles of honesty, transparency, and compassion and concern for the consumer. An effective strategy based on these values will minimize the damage to the brand and help the brand survive and eventually rebound.