

Johnson & Johnson's Tylenol Scare

In 1982 the pharmaceutical company Johnson & Johnson (J&J) **had** experienced a sharp increase in sales and earnings and everything was **working out** just fine for Chief Executive Officer (CEO) James E. Burke and President David R. Clair. The year before J&J was number 68 on the Fortune 500 list of the largest industrial companies in the U.S. with sales of \$5.4 billion. The majority of the revenues were generated from pharmaceutical, surgical and first-aid supplies. One the company's strongest products was Tylenol, an alternative drug to aspirin with lesser side effects.

However, in the autumn of 1982, J&J experienced a major crisis when **it** was discovered that numerous bottles of its Extra-Strength Tylenol capsules **had** been laced with cyanide. By the end of the crisis, seven people **had** died. How J&J **dealt with this situation** set a new precedent for crisis management. The company was lauded for its quick decisions and sincere concern for its consumers. **Despite** initial losses, J&J regained and exceeded its previous market share within months of the incident.

The crisis started on September 30, 1982, when 3 people were reported dead in Chicago because of cyanide poisoning. Cyanide is an extremely dangerous poison that can kill a person within 15 minutes and as it **turned out** the cyanide was contained in Extra-Strength Tylenol capsules. The police and medical examiners retrieved Tylenol bottles from the houses of the deceased persons and discovered 10 other capsules with lethal doses. Within **the next couple of days** another 4 Chicago-area residents **had** died from taking Tylenol capsules with cyanide. **It** was discovered fairly quickly that the cyanide contamination in the capsules did not occur in the manufacturing process, that the tampering must **had** happened in Chicago, and that **it** was likely that a customer **had** purchased a bottle of Tylenol and returned **it** with cyanide injected into some of the capsules.

When J&J was faced with the initial situation, **it had** to make some tough decisions that would severely impact the future of the company. Rather than think in financial terms, **however**, CEO James Burke immediately turned to the company's Credo. Written by Robert Johnson in 1943, the document defines the focus of the company as its customers. With **this** as its inspiration, Tylenol used the media to promptly begin alerting people of the potential dangers of the product.

J&J then made a decision that would set a new standard for crises involving product tampering. The company ordered a massive recall of more than 31 million bottles at a cost of more than \$100 million. **It** also temporarily ceased all production of capsules and replaced **them** with more tamper-resistant caplets. **This type of drastic response** **had** never been attempted, which prompted much criticism. However, J&J stood firm behind its decision - and for good reason. The company was able to "use the crisis to demonstrate to [its] customers [its] commitment to customer safety and to the quality of the Tylenol product." **In addition**, the company's willingness to be open with the public and communicate with the media helped the company maintain a high level of credibility and customer trust throughout the incident. Burke also maintained a high profile and repeatedly assured the public of the company's commitment to its customers' safety.

Directly following the incident, J&J's stock fell seven points, and it dropped from having 35 percent of the nonprescription pain-reliever market to having only eight percent of the market. **However**, **these tough times** would not last. The company aired commercials within days to regain the public's trust, and a month after the recall, the company embarked on an aggressive campaign to rebuild the Tylenol brand. In November, it promised to have the product back on the shelves in a new triple-tamper-resistant package -- the first of its kind -- by the end of the year. **It** offered incentives, such as a free replacement of caplets for the capsules and special coupons, to try to maintain its customer base. **These attempts** were successful, and by the following spring, J&J **had** regained its previous market share. But in early 1986, another poisoning occurred. A 23-year-old woman died after taking a cyanide-laced Tylenol capsule. J&J once again **had** to take action. The company quickly offered to replace all capsules with caplets (tablets in the shape of capsules). The effort cost J&J \$150 million. **Despite** the fact **this case** was soon identified as an isolated incident, J&J decided to permanently discontinue capsule products -- once again demonstrating its commitment to putting safety first.