

Crisis marketing strategy: the case of johnson and johnson case study examples

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Brief summary

Until 1982, Johnson & Johnson, a US based multinational firm dealing in medical items and packaged consumer goods had enjoyed amazing profits from their leading product Tylenol. In October that year, Robert Andrews, the public relations officer received a call from a journalist working for Chicago News. The journalist wanted to get a statement from the firm over seven deaths that had occurred in Chicago following the consumption of poisoned Tylenol. Apparently, the journalist was breaking the news to the company. They had not heard about the incident. Tylenol, arguably, the most successful over-the-counter drug in the United States back then, accounted for 19% of the company's profits. In the incident, reports said that the killer Tylenol contained well about 65 milligrams of cyanide, 10000 more times what is enough to end human life. The organization was not responsible for the poisoning as investigation revealed signs of malice.

Prior to the poisoning, the organization controlled 37% of the market. The percentage dropped a great deal after the incident with the firm's share coming down to just 7%. Clearly, the incident posed the most difficult dilemma for the organization. The chairperson of the organization to come up with the way forward convened a seven-member team. The strategy team came up with a decision that was in line with the company policy. The decision they unanimously agreed on was to recall all products under the name Tylenol, a decision that costs the organization \$ 100000. In addition to this decision, the organization put on halt all its advertisements. Essentially, the organization accepted responsibility, even when they were certain that they were not responsible. This was in line with their policy - protecting the

customer first, and the property second. After the incident, 87% of consumers surveyed and established that, indeed, Johnson & Johnson was not responsible for the incident. Sadly, though, 67% said that they would not consume Tylenol anymore. Even worse, 50% said they would not consume Johnson & Johnson products. The re-introduction campaign was quite costly after 1986.

Central business problem with their strategy

The strategy adopted by Johnson & Johnson had some negative consequences. Apparently, accepting responsibility and deciding to withdraw the products was a good idea considering that it improved the public image of the organization and brought it out as a firm that is concerned about the wellbeing of the customer. Unfortunately, this was a costly decision.

Considering that, the organization was a 5.4 billion a year giant, the loss associated with withdrawal of the products of the organization was quite a blow. Even so, from the eyes of a marketer, it was the right decision. Johnson & Johnson's decision can be justified from a corporate image point of view and from a moral standpoint. From a marketing point of view, the organization's corporate image was at stake and any decision they took after the incident was crucial.

In my judgment, based on the principles of marketing, the decision taken by Johnson & Johnson was brilliant because, first, ignoring the incident, denying responsibility would have worked against the company, especially considering that media was at the center of the saga. Secondly, failure to recall the drugs could have made the organization appear like a profit driven

firm that does not prioritize the customer. Thirdly, consumer confidence is of essence. Without consumer confidence, the organization cannot thrive in the market. Withdrawing the drugs was the most effectual way of restoring consumer confidence. Although re-introducing the product was and can be the most difficult of efforts, the organization managed to gradually regain the confidence of the customers through promotions and proper communication. Communication is the heart of marketing. Worth mentioning is the actuality that the manner in which Johnson & Johnson embraced communication was extremely effective. The use of newspapers and a toll-free number to communicate with its customers was a brilliant decision. Additionally, the decision to use discounts, for example, introducing a coupon of 2.5 dollars off every purchase was a good way of keeping consumers close.

The central problem with the decision is the actuality that it was associated with loss of profits and market share. Looking at it critically, either option could have to losses but this option had lesser consequences as buying back customer confidence and loyalty is not difficult. In fact, the decision by Johnson & Johnson affected significantly on other organizations. Essentially, the decision to adopt a triple seal tamper resistant packaging, motivated many organizations to follow suit. Factually, Johnson & Johnson's decision was unprecedented, as the organization became the first to comply with the requirements of compliance to the tamper-free seal requirement. The organization set pace for other players in the industry.

Identification and Analysis of Options to Solving the Dilemma

There were many options available to the strategic team concerned with the withdrawal of the product. The first option was to do what they did - withdraw the product, restore consumer confidence and re-introduce the product. The second option would have been to apologize to the public, and ignore the withdrawal option. Thirdly, the organization could have denied responsibility altogether and blamed it on malicious people or even competitors. Analyzing these options will reveal the most appropriate option for the long term good of the organization. First, the decision to withdraw, and accept responsibility even when they were not responsible, gives the organization a good image, as it appears caring and accountable. This is a good alternative, speaking from the marketing perspective.

The second alternative does not appear so appealing to the marketer, since it would have led to loss of market share following loss of consumer trust and confidence. The third option is the worst, viewed from the eyes of, not only a marketer, but also all stakeholders. The option would have brought out the organization as an insensitive, profit-oriented business that has nothing to do with what customers view it as. Strategy and public image go hand in hand, meaning that any decision affecting strategy affects public image as well. The intensive marketing efforts exhibited by the organization in the reintroduction campaign, was a good strategy in regaining market share.

Recommendation

While the decision taken by the organization was potent, I would recommend that, in addition to what was done, the organization consider rebranding.

Rebranding entails changing such things as packaging, the name and even the label associated with the product. As much as this may appear inconsequential, it will have a strong impact on the manner in which the clients perceive the product. This is a matter of psychology and the organization will create a different perception in the minds of the consumers. Apparently, as much as people will know it that, the contents have not changed at all; they will be psychologically set that there is a big difference between what is in the market currently, and that, which was in the market previously. In addition to rebranding, I would recommend intensive marketing of the new-faced product. With offers and promotions, the organization should be able to pick up well.

Summary

As can be expected of any scandal involving the product of a company, the 1982 incident was a big drawback to the Johnson & Johnson organization. It was a drawback in the sense that it led to a serious loss of market share from 37 percent to just seven percent. This incident plunged the strategic team into a serious dilemma considering that the particular product accounted for 19 percent of the company's profits. The team made a decision that many have considered controversial to this day. Arguing that the decision caused losses to the organization, critics think that there were better alternatives. On the contrary, other people think there was nothing better than the decision taken by the organization. The other options the organization had to consider included such things as ignoring the saga and denying responsibility. Such decisions lack potency in the moral and

marketing senses.

In my recommendation, I think that in addition to withdrawing the product and reintroducing it amid improved public relations and enhanced communications, the organization should have considered rebranding.

Rebranding, which may imply renaming and changing the overall outlook of the organization, would then be accompanied by intensive marketing and enhanced communication. Rebranding would have given a new face, which would have initiated psychological perceptions that the product is different, yet as powerful as the old one. In conclusion, I think the organization's decision was also a valid approach.