



Johnson & Johnson's Tylenol Scare

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In 1982, [Johnson and Johnson](#) 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 Johnson and Johnson 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, Johnson and Johnson regained and exceeded its previous market share within months of the incident.

Reacting to the News

When Johnson and Johnson 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. It dispatched scientists to determine the source of the tampering.

*"We believe our first responsibility is to doctors, nurses and patients, to mothers and fathers and all others who use our products and services."
- Johnson & Johnson's Credo*

Setting a New Standard

Johnson and Johnson 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.⁶ 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, Johnson and Johnson 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."⁷ 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.

Regaining Lost Ground

Directly following the incident, Johnson and Johnson'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.⁸ 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. The company's attempts were successful, and by the following spring, Johnson and Johnson had regained its previous market share.⁹ When another poisoning involving a New York woman occurred four years later, Johnson and Johnson once again had to take action. "Because the company had been through it before - the tampering, the tragedy, the scrutiny of news organizations - its executives knew how to handle it."¹⁰ Despite the fact this case was soon identified as an isolated incident, Johnson and Johnson decided to permanently discontinue capsule products - once again demonstrating its commitment to putting safety first.

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