

GS Insight

A publication of Gibbs & Soell, Inc., Public Relations

Volume 7, Issue 5

Confusion Abounds In Cola Crisis

[Editor's Note: In the last issue of Insight, we looked at crisis communications, using the Titanic as a metaphor. In this issue, we examine the communication complexities of a recent crisis.]

Coca-Cola Company is recovering from what *The New York Times* called, "The Stomach Ache Heard Round the World." More than 60 children at schools in Belgium fell ill between June 8 and 15 after drinking cans and bottles of Coke and Fanta, a fruit-flavored brand owned by Coca-Cola. What followed was the biggest recall in the company's 113-year history. When it was all over, the bottling company estimated the crisis would cut its quarterly earnings by \$60 million.

Could things have gone better for Coke? Some think so. *The Times* criticized Coca-Cola for not measuring up to the gold standard of crisis management set by Johnson & Johnson during the 1982 Tylenol poisonings. That is indeed a tall order. The Tylenol poisonings were both random and fatal, making a wide-scale, pre-emptive recall of the product very prudent. In the Coke case, fortunately, the effects were not life threatening. While it is easy to criticize after the fact, a more useful exercise is to examine some of the complexities that may have influenced decisions as the crisis unfolded.

By nature, a crisis presents a confounding set of circumstances where decisions must be made under a media microscope, often with incomplete facts. Maintaining clarity when a company's integrity and reputation are at stake can be excruciatingly difficult as a crisis mounts. Outside counsel can help a company prepare for a crisis, gauge public opinion and respond to the media. How well could you find clarity given the following circumstances and influences?

To Recall or Not to Recall

All product scares are not created equal. Recalls and bans can be agonizing decisions made in consultation with, or

pre-empted by, health authorities. Recalls may be limited or wide-scale, and may include or be followed by a ban on sales. Much depends on how quickly the facts unfold and on the dynamics of the decision-making authorities.

In Coke's case, when children first became ill, company and health officials naturally would have wanted to be sure of the exact cause before considering a recall or ban. Students experienced dizziness, nausea and muscular tremors, and some were hospitalized overnight. But perhaps there was something else they had been exposed to, some other explanation. As additional cases of illness were reported in the days that followed, Coca-Cola pulled 2.5 million bottles from the shelves in the area.

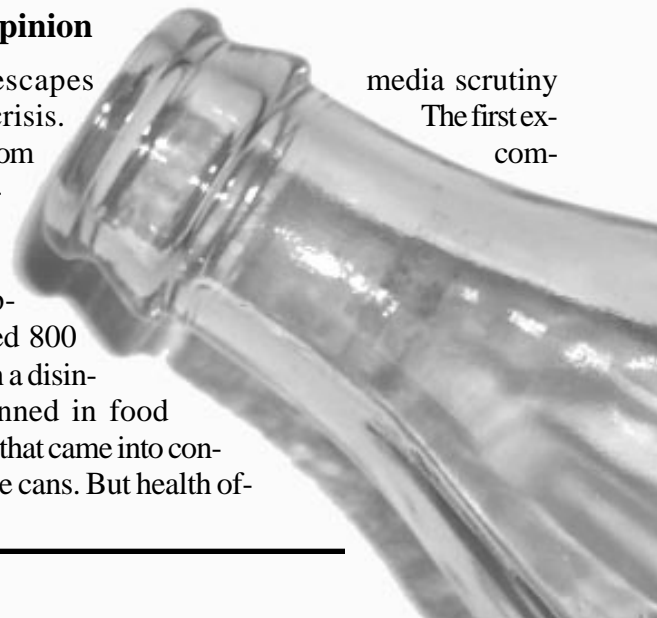
The Political Fishbowl

The timing was politically awkward. Belgian elections were only two days away when the children first became ill. Two previous government ministers had lost their jobs following an earlier, unrelated scare involving contaminated animal feed. The Coke crisis escalated quickly as incidents were reported at other schools. The Belgian government reacted by ordering two bottling plants closed for investigation. Belgium, Germany, France and The Netherlands banned Coke sales.

Public Opinion

Nothing escapes during a crisis. The first explanation from company officials was that a Dutch supplier treated 800 pallets with a disinfectant banned in food production that came into contact with the cans. But health of-

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officials continued to wonder if something else had made the students sick — and told the media so. European consumer groups told the media they were incensed that the company continued to insist that its products were safe even after people had become ill.

New Facts

Laboratory analysis of the offending product indicated that at least part of the problem was not outside the can, but inside. The carbon dioxide used in carbonating the drinks was tainted and caused an odor. When this news came out, about three weeks after the first incident with the children, company officials said the levels of gaseous contaminants were too low to cause illness.

Recent Sensitivities

Another fact uncovered about three weeks into the crisis was that there was an earlier case. A bar owner in Antwerp reported to Coca-Cola and Belgian health authorities in mid-May that four patrons had experienced similar symptoms after drinking off-smelling bottles of Coke. When the children became ill, officials may have discounted the earlier incident because it occurred in a bar. Or maybe the incident had not been properly communicated inside the organizations. In any case, it was not immediately brought to light when the children became sick, and so, tended to arouse suspicion later.

Past History

Whether in military battles or battles for public opinion, there is a natural tendency to evaluate strategy based on the experience of the last conflict. Perhaps it was the Pepsi experience that Coca-Cola had in mind when confronting the crisis in Belgium.

In June of 1993, Pepsi-Cola Company was rocked by a series of

“syringe-in-the-can” incidents across nearly two dozen states. But in Pepsi’s case, there was no illness, no product foul ups — only a bunch of copycats who hoped for 15 minutes in the limelight by “discovering” a needle inside their cans — an unused needle, it turns out — they themselves had inserted. (Reflecting on that experience, would it be hard to imagine a group of high school students feigning illness?)

The hoax cost Pepsi an estimated \$25 million. But following a preliminary investigation, the U.S. Food & Drug Administration (FDA) chose not to enforce a recall. (In Coca-Cola’s case, it appears government authorities beat the company to the punch in temporarily shutting down two plants and announcing a ban.) Pepsi worked closely with the FDA to help rule out the possibility of tampering from inside its plants. In fact, Pepsi demonstrated that it was virtually impossible to insert anything during high-speed bottling, and prepared a video to let viewers draw their own conclusions. Amazingly, as the video was being edited, a woman at a Colorado convenience store was caught on a store security camera tampering with an open can of Diet Pepsi. That, too, became part of the presentation.

In striving for clarity in a crisis, it’s critical to keep in mind that the public expects your company to take matters of public health seriously. Equally important, health authorities play a critical role in shaping the perceptions of your company’s response. The crisis landscape will always be dotted with landmines, so it is best to prepare for the possibility and try to scout ahead. Be aware of possible blindspots. And always stay focused on what matters most

— *trust.*

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