

CASES

CASE 9-1 THERE'S A SYRINGE IN MY PEPSI CAN!

Large corporations are always potential targets for those who seek fame or fortune at the expense of those companies. In the summer of 1993, PepsiCo, makers of Pepsi-Cola and Diet Pepsi, among other beverages, found itself an unwilling subject in one of the most widespread news stories of the day, a story in which the PepsiCo was implicated in multiple claims of foreign objects being found in unopened cans of Diet Pepsi.¹

This confidence crisis put the international soft drink company before the public in a way no company wants to be viewed. But the ensuing activities of the Pepsi response team, and the U.S. Food and Drug Administration, calmed the crisis and won for the company the coveted "Best of Silver Anvils" in the 1994 Public Relations Society of America competition.

THE SITUATION

On June 9, 1993, Tacoma, Washington residents Earl (Tex) and Mary Triplett reported finding a used syringe in a half-empty Diet Pepsi can. They turned the can over to their lawyer who contacted the county health department.

The next day, local television station KIRO aired a report of this incident, citing a Sudafed tampering just 2 years previously, and the fact that needles aroused concerns

about AIDS. No other news medium covered the story that day.

The following day, June 11, a second needle claim was made in Washington, and the *Seattle Times* and other local media picked up the story, adding that in neither case had there been reports of injury resulting from the incidents.

On June 12, the Food and Drug Administration (FDA) did not recommend a recall, but did issue a five-state consumer alert, asking consumers to pour soft drinks, particularly Diet Pepsi, into a glass or cup before drinking it. The next day, a New Orleans man claimed to have found a syringe in a can of Diet Pepsi, and by June 14, 10 more claims were reported.

Wire services and national broadcast media picked up the story as more reports came in. The coverage was second only to the Supreme Court nomination of Ruth Bader Ginsburg, as people reported finding syringes, sewing needles, pins, screws, a crack cocaine vial, and even a bullet in Diet Pepsi cans.

By June 16, claims had been reported in 24 states, including one from a reporter for the *Milwaukee Journal* who said she had no plans to sue Pepsi after finding a needle in a can of Diet Pepsi. Meanwhile, the *Los Angeles Times* and CBS reported the needle found by the Triplett's may have belonged to

¹This case was prepared by University of Central Florida students Aimee Brownell and Troy Jewell under the supervision of instructor Frank R. Stansberry, APR, Fellow PRSA.

a diabetic relative. In one week's time, more than 50 incidents had been reported to the police, the FDA or the media. None, however, reported any illness or injury associated with the incidents.

THE FACTS

Throughout this 7-day nightmare, neither Pepsi nor the FDA could see any rational reason for the alleged incidents being reported. Soft-drink filling lines are high-speed, high-tech production lines in which empty, open aluminum cans are fed (upside down) down a conveyor at high speeds (1,200 a minute) to be filled. During this roller-coaster ride, the cans are cleaned with heat, water, and air before being inverted, passing through a closed filling filter/screen, and emerging filled and capped at the end. At no time is there an opportunity for foreign objects to find their way into the container, except during the brief time in the filling chamber. Further, the objects being reported are not those commonly found in a soft-drink plant or any other workplace.

The geographic spread of the reports was also difficult to understand. Canning plants are regional operations. The plant in Washington serves only five western states. Yet contaminants were being reported all across the county. These products were being produced by numerous canning operations so there was no direct link among them except for the brand of the product being produced, and the production process. Unless there was a concerted effort to tamper with Diet Pepsi, there was no reason to link the widespread reports to a single production problem. The FDA said continually it could find no connection from a production standpoint among the growing number of complaints.

PepsiCo, convinced its production operations were not at fault, decided against any recall of the products involved. PepsiCo

President Craig Weatherup, taking the "point guard" position on the response team, said repeatedly in interviews that "there is no health issue" around the reports, citing the lack of any illness or injuries associated with the reports.

In a *Wall Street Journal* interview, Weatherup said, "We've gone through every can line, every plant, numerous records. All the evidence points to syringes going into the cans after they were opened."

THE PERCEPTIONS

"All the evidence" was lost on the news media and the consuming public, however. "When the national media juggernaut gets hold of something, and you're it," PepsiCo Vice President of Public Affairs Becky Madeira told a PRSA workshop a year later, "it's a public trial, and it's not much fun. This was a crisis without precedent."

Fueling the controversy were the continued reports of new contaminants found in Diet Pepsi. In city after city, residents came forth to press their claims of having found foreign objects in their cans of Diet Pepsi. Time after time, the familiar Diet Pepsi logo (being advertised at the time with the popular Ray Charles jingle punctuated by "Uh Huh") was being seen in the media with either an alleged contaminant object or a facsimile.

Weatherup continued the counter-attack, saying he was "99.99 percent sure" the incidents were not related to anything under Pepsi's control. But sales slipped. Weatherup, in a follow-up report after the crisis had been put to rest, said, "The week of the hoax, sales dipped only 3 to 4 percent . . ." but 3 percent of Diet Pepsi's sales still represents millions of dollars. The perception crisis was real, indeed.

Adding to the difficulty in containing the spreading number of incidents was a 10-year pattern of substantiated and unsub-

stantiated product tamperings—some with fatal consequences. In 1982 (and later in 1986) deaths were reported from Tylenol capsules laced with poison (See Case 6-3). In 1986, rat poison was found in Contac (and other) products; glass fragments were discovered in Gerber baby food; and two people died in Washington after taking cyanide-laced Extra-Strength Excedrin. And there were the deaths of two people in Washington from ingesting Sudafed. The consuming public had reason to be concerned, as did Pepsi. With the number of soft-drink alternatives available, some consumers were opting for the competition.

THE PROBLEM

The problem for Pepsi was how to stem the reports, show the safety of its products, and win back the customer loyalty, which had made Diet Pepsi the number two diet drink in the country.

Timing was important because the reports were mounting before the wildfire of news reports. "Speed is essential," said Madeira, "but so is accuracy. It is very dangerous to attempt to explain the cause of the crisis without facts that are corroborated from outside experts. In our case, the expert was the FDA."

The most important question was "Is there a health risk?" The FDA took the lead in answering this question, and almost immediately determined that, in the two Seattle-area reports, there was no health hazard or risk.

A second question involved the presence of syringes and needles in or around the filling process. Again, the FDA became the intervening public and determined, after an exhaustive examination of Pepsi's procedures and facilities, that the high speed and integrity of the filling lines made it impossible for any such object to find its way into the canning process. There was no internal

tampering. Whatever was turning up in the cans had been placed there after the cans were opened. FDA Commissioner David Kessler agreed that there was no health risk from the tamperings and, most probably, no relationship between the alleged tampering reports popping up coast to coast.

The facts obviously weighed heavily in Pepsi's favor—the randomness of the reports, the security of the filling line process, the dubious nature of all the claims, the variety of objects being reported, and the fact that needles and syringes are never found in production-line situations under normal conditions. No one said there were any health issues resulting from the tamperings. There was no reason to think any of the reports had merit.

Perceptions, fueled by media reports, however, were just the opposite. Consumers in nearly two dozen states were lining up to claim contaminants were found in Diet Pepsi cans. Diet Pepsi cans were on television as much as Jay Leno—nightly. In fact, Leno and his peers were having a field day with the issue, poking fun at the difficult situation in nightly monologues. Editorial cartoonists also joined the spoofing by suggesting that everything from a power drill to the famous "missing sock" was turning up in Diet Pepsi cans. For a seemingly endless 96 hours, the Diet Pepsi scare was the nation's top news story. Something had to be done, and the Pepsi team mobilized and swung to the offensive.

THE PUBLIC RELATIONS IMPACT

When the story first broke on June 9, Pepsi let the local bottler, Alpac Corporation, handle the media inquiry. Operating under the premise that the plant was secure, Alpac also had to investigate any possible way an object *could* have been introduced during the filling process. Working with local health officials and the FDA, Alpac assisted in the

investigation and found nothing that would implicate the filling line.

The plant was opened to the media and the plant owner, manager, and quality assurance manager were made available to the press. All they were able to say at the time, however, was that the situation was unusual and that they would do everything they could to cooperate with local authorities to find the cause of the crisis.

But even these findings did not stem the tide of complaints filtering in or the growing media interest in the problem. Pepsi was going to have to get involved at the national level; the problem was more than Alpac's to solve.

Crisis coordinator Madeira identified four primary publics to be addressed:

- The news media
- Customers (those who purchased the product for retail sale)
- Consumers
- Employees and local Pepsi-Cola bottlers

The **public affairs department**, which Madeira directed, had a team of six media relations specialists prepared to respond to media inquiries and to provide regular updates of facts and developments. *One Clear Voice* was the key approach. A second team wrote and produced video news releases, audiotapes, press releases, charts, and diagrams of the production process and photos for external and internal distribution.

Consumer Relations had 24 people manning the 24-hour toll-free hotlines, taking calls from consumers, hearing reports and comments, and monitoring public opinion as it developed.

Scientific and Regulatory Affairs assigned technical and quality assur-

ance specialists to work with the FDA and local health departments to evaluate and track each complaint.

Sales and marketing personnel were responsible for maintaining relationships with its customers—supermarkets, restaurants, convenience stores, and others who sold Pepsi products to the consumer.

Manufacturing experts assisted the FDA and developed simple, easy to understand explanations of the filling line process for the news media and the public.

The **legal department** was involved at all stages of the reporting and communication process.

The entire effort was kept in-house as opposed to bringing in an outside crisis communication consultant.

Pepsi's response centered on four principles:

- **Put public safety first.** Look at the problem through the perspective of the public and address their concerns.
- **Find the problem and fix it.** Pepsi was convinced the problem was not within its production facilities, so it worked with the regulatory authorities to demonstrate the security of their plants, and to investigate and respond to all complaints.
- **Communicate frequently, quickly, and regularly.** Use both broadcast and print communication tools. Be honest, available, and informed about what the media needs and be prepared to meet those needs.
- **Take full responsibility for resolving the crisis.** Pepsi realized quickly that this was a problem

that the public expected it to help resolve. Pointing fingers at consumers or ducking responsibility was never an option even though most on the crisis response team felt the reports of foreign objects were hoaxes.

The chief weapon in the defusing of the crisis would be a compelling video news release showing exactly what happens on a can filling line and how difficult it would be to introduce any foreign element into a can during this process.

Television had brought the crisis into 100 million American homes and television would be Pepsi's best opportunity to expose the folly of the reports. On June 15, 6 days after the Triplets said they found the syringe, Pepsi presented a dramatic look at an ordinary can filling line. The same consumers who had seen the Diet Pepsi cans with syringes now saw millions of the blue and red cans whirring by at the rate of 1,200 per minute. Image confronted image—and news programs picked up the video news release (VNR) in such numbers that soon nearly 300 million viewers had seen the footage.

That initial VNR and three subsequent ones presented the company's position that its production lines were safe and secure. Diet Pepsi was safe when it left the plant. Weatherup, continuing his role of spokesperson, appeared on a dozen major TV shows and the Pepsi public affairs team had conducted nearly 2,000 interviews within the week.

"Our strategy was to reassure the public that this was not a manufacturing crisis," said Madeira. "What was happening was not occurring inside our plants."

The strategy worked, assisted by some excellent support from the FDA and some good luck. A third Pepsi-Cola VNR contained images from an in-store surveillance camera that showed a woman trying to stick

a syringe into a Diet Pepsi can while the cashier was not looking. Tampering with the food supply is a felony and the woman was arrested. When the arrest was made, the VNR was released and the hoax began to crumble.

Many who had made claims against Pepsi began to recant their stories for fear of prosecution. In states across the country, arrest after arrest was made and reported by the media. Those who tried to profit at the expense of "big business" were located and apprehended. The media had gotten the message and were eager to highlight the consequences faced by the perpetrators. Weatherup continued his offensive and, as the number of arrests increased, claimed vindication for the Pepsi products.

By June 21, Pepsi was being defended and applauded in editorials and columns around the country and the FDA announced happily that "the hoax is over." A year later, 54 people had been prosecuted by the states in which they resided for their roles in the hoax, and all had been convicted. The *Milwaukee Journal* reporter had also recanted her claim but lost her job.

In newspapers across the country, Pepsi ran a clever ad stating "Pepsi is pleased to announce . . . nothing." The crisis was over.

SECOND GUESSES

Monday morning quarterbacks had a field day with the hoax and its many elements. Most of the second-guessing involved the timing of Pepsi's rebuttal. "I don't understand why Pepsi didn't explain everything on the first day," said Don Smith, the city editor of the *Seattle Post Intelligencer*, who was skeptical about the reports from the beginning. In spite of his misgivings on timing, Smith's evaluation of the Pepsi response was "they did fine."

Steven Fink, a Los Angeles-based crisis communication consultant, told the *Toronto*

Globe and Mail that Pepsi had two crises—one of reality and one of perception. “The crisis of perception is that the company is not protecting the safety of their consumers . . . If the public has the perception that the company was playing fast and loose with their safety, this will hurt the company in the long run.”

The lack of a recall spurred some critics, too. Tylenol’s swift (and expensive) recall of its products in 1982 left the impression that a recall was the linchpin of any product safety issue. Pepsi, however, saw no health or safety concerns resulting from its problems and opted against a product recall.

“The cost of a recall is a valid corporate concern,” said Mayer Nudell, a crisis management consultant, “but they [Pepsi] have to weigh the short-term implications for the bottom line against the long-term corporate image and therefore market share and public receptivity and everything else. Very often, it’s that long-term image that corporations sometimes lose sight of.”

While Pepsi eschewed the recall, several retailers grew uneasy with the escalating furor and pulled the product from their shelves. Sheetz, a convenience store company with 250 stores in four mid-Atlantic states, pulled 16-ounce bottles of Diet Pepsi off its shelves after a West Virginia man reported finding a syringe. Other grocers and convenience stores from Iowa to Oklahoma followed suit. Kroger, the nation’s largest food chain, offered customers a full refund on Pepsi products if they were uneasy after hearing the news reports.

Madeira concedes things might have been handled better, but points out “time

was the enemy. It took us time to conduct the investigation in the plants, await FDA conclusions, and then get the information together to answer all the questions. The dynamics changed every hour. There is no standard crisis communication formula where you pull out your crisis readiness plan and implement it. You have to adapt your plan and process to the circumstances. In this case, this wasn’t a product or public health crisis, it was a media problem. The more you saw that visual of the can and the syringe, the greater the concern became.”

Looking back, she admits Pepsi did not expect that this would be a national story. “We have things that happen locally, and you do your job locally, and it’s over and done with,” said Madeira.

While that wasn’t the case, few will argue with the success of the response. Sales dipped but soon recovered. Pepsi’s positive relationships within the FDA paid huge dividends. In addition to using the FDA experts as counselors during the crisis, Pepsi was able to benefit from those same experts being powerful opinion leaders by speaking as third-party endorsers of the company’s lack of culpability.

Pepsi’s strong understanding of the news media and the experience built up over the years also contributed to the success. Even though Pepsi was the victim of a week-long media feeding frenzy at its expense, Madeira and her staff worked with reporters in getting the situation turned around. “Your only defense when your company is on trial in the media,” she said, “is to be a participant in that trial.” ■

QUESTIONS FOR DISCUSSION

1. Discuss the implications of Pepsi's strategy, specifically
 - a. Putting public safety first
 - b. Taking full responsibility for solving the problem
 - c. Using the media to present its case
2. Differentiate between "solving the problem" and "solving the situation."
3. Evaluate Pepsi's decision not to order a product recall. What are the plusses and minuses of such a decision?
4. What options did Pepsi have on June 10, 1993? Did the company select the correct course of action? Why or why not? What other choices could the company officials have made?
5. Discuss the role of the FDA in addressing/solving the situation. Was Pepsi's use of the FDA beneficial? Why? How?
6. Could this "crisis" have been avoided? How? Shortened? How?
7. Did the news media behave responsibly in reporting this story? Cite examples to support your answer.
8. Discuss the communication tools employed by Pepsi in solving the problem. Specifically evaluate the role of VNRs.
9. What was the "turning point" in Pepsi's resolution of this problem? Cite examples to support your answer.
10. When "perception is reality, facts notwithstanding," how can a company such as PepsiCo create new perceptions? Did the company succeed? Cite examples from the case to support your answer.

After 3 months, your “department” consists of you and a secretary. Your outlook is bright, however. You report directly to the president, and she wants to be publicly known and highly regarded in the community and in the industry. To be of maximum help, you have done your homework by checking on the reputation of Reliable around town and in the industry. In the home community, Reliable and its president are not universally known, but employees, neighbors, and the people at the Chamber of Commerce feel that Reliable is well-managed, makes good products, and is a civic-minded neighbor. A few people did say that there have been a few accidents involving employees; it seems a rather dangerous place to work.

One morning, when the president is on her way to the state capital, you get a call from a reporter at the local daily newspaper. He says that an ambulance driver told him a Reliable employee had been killed a few minutes earlier, when some pipes rolled off a pile while a truck was being loaded in the shipping yard. The reporter asks for details.

You tell him you will check it out at once and get back to him. You call the safety supervisor. He blows up and insists that no details be released to any outsider until all the facts can be determined, the employee’s family notified, the insurance company alerted, and the company lawyers informed. He says for you to hold off until the president returns the next morning. You agree on the priority of the employee’s family, but explain that you cannot prevent the newspaper from publishing anything they have gotten elsewhere, whether it is accurate or not.

The safety supervisor says to take it up with the personnel director. You call her. She says they have someone out at the employee’s home now, but she agrees with the safety supervisor that situations like this have all sorts of possible problems, with a chance of backlash. She thinks an unplanned response without the president’s knowledge would be dangerous. She wants no part in it.

There are a number of alternatives open to you, but not much time to choose among them. What would be the best course to follow now? Everything considered, what immediate initiatives—if any—would you take?

What further issues can be anticipated as a result of the crisis? How would you recommend dealing with them?

PROBLEM 9-B What to Do When an Employee’s Problems Affect the Company

You have been called in to offer public relations advice to an appliance service company involved in a crisis. ABC Appliance Repair, a local company with 10 employees, has become enmeshed in an employee’s legal problems. One of the employees was accused of raping a young woman on the local college campus. The owner of ABC Appliance Repair is a boss who treats his employees like family. He didn’t think twice about putting up bail to get his employee out of jail. Unfortunately the media got wind of the circumstances and it made the front page of the next morning’s newspaper: “ABC Appliance Repair Pays to Free Alleged Rapist Employee.”

The owner calls you, angry at the way the newspaper presented the case and afraid he will lose customers. He doesn’t know what to do: Should he call the media and fight

back? Take out an ad and plead his case? He believes in his employee and would pay the bail again if he had to. Maybe, though, he wouldn't have talked so freely with the reporter.

The case will be going to court in about a month. The employee, in the meantime, is coming to work. Already, however, the company is receiving calls from irate members of the community complaining about his actions. He's afraid of what this might do to his business. Two scheduled clients have called to cancel. It may get worse when his employee goes to court—especially if the media continues to follow the story.

To whom does he need to communicate? Prioritize his publics and identify how to reach each one. Then put together a plan (strategy and tactics) that will deal with the current crisis ABC Appliance Repair is facing.

What would you recommend the owner do about the media? Should he respond? If he does, what might happen? If he doesn't, how else can he communicate his message?