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JOHNSON & JOHNSON: THE TYLENOL TRAGEDY

In early October 1982, executives at the McNeil Consumer Products division of Johnson & Johnson were confronted with a major problem. Seven people had died after having taken Extra-Strength Tylenol brand capsules that proved to have contained cyanide.

During the few days following the deaths, the company had recalled Extra-Strength Tylenol capsule stocks from retail outlets, and had offered consumers an exchange of bottles of Tylenol capsules for Tylenol tablets (not directly involved in the poisonings). The recalled and exchanged capsules were estimated to have a retail value of some $80 million.

Tylenol was the leading brand of pain reliever in the U.S. marketplace. Tylenol's share of that approximately $1 billion product category was estimated at 37%. Anacin (American Home Products), Bayer (Sterling Drugs), Bufferin (Bristol-Myers), and Excedrin (Bristol-Myers) each was estimated to have a 10%-15% share, with other brands sharing the remaining 15%-20% of the market. The Tylenol line (capsules and tablets, regular and extra-strength) was estimated to account for about $500 million in annual sales, about 8% of J&J sales. Industry experts noted that the brand's share of the company's profits was much greater.

As the first week following the initial death ended, only some short-term effects of the tragedy were known. The longer-term impacts remained a matter of considerable speculation.

The following events had taken place:

- Investigation by law enforcement agencies pointed to the poisoning as the work of outsiders at some point in the distribution process, rather than something that occurred during the internal production process. However, no individual(s) had been apprehended.

- All the cyanide-related deaths had taken place in the Chicago area. A separate strychnine-contamination incident had been reported in California.

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- Several local and national governmental units had initiated legislation prospectively requiring tamper-resistant packaging for over-the-counter medicines.

- The Proprietary Association, a group of over-the-counter drug companies, met to discuss more secure packaging for non-prescription remedies.

- Some observers -- including the Food and Drug Administration Commissioner -- were quoted as saying they doubted that packaging could be made absolutely tamper-proof.

- Although retailers removed Tylenol from their shelves, some left the space open (rather than filling it in with other brands) and some put labels over shelves with Tylenol tablets noting that tablets were not affected -- indicators of the trade's confidence in the brand and the company.

- Early reports of retail sales following the tragedy suggested that some consumers were avoiding the product category while others bought other brands.

- A $15 million damage suit against Johnson & Johnson and the Jewel Food Stores (where the affected capsule was purchased) -- the first such legal action -- was filed in Chicago by a family in which a death occurred.

- No competitors of Tylenol had overtly undertaken changes in their marketing activities.

- Johnson & Johnson stock had plunged from over 46 at the time of the announcement of the first death to under 39, before rising to 42 5/8 during a generally "up" market.

Among the questions being raised about the incident were these:

- What does "responsible corporate behavior" constitute in such a situation?
- Under what conditions, if any, would past Tylenol consumers be likely to return to using the brand?
- Would the Tylenol capsule product alone be affected -- or the brand's tablet product as well?
- Would a much wider group of over-the-counter drug products be affected by consumer concern over the Tylenol situation?
- What medium-to-longer term actions should McNeil Consumer Products Co./Johnson & Johnson be taking or considering?
- Is there a role for industry-wide action -- among pain-relievers or all OTC products? How, if at all, would such action benefit Johnson & Johnson?
- What (further) government actions could be expected? Would they help the company?
- What insights for the short-term and long-term futures of the Tylenol brand name and Johnson & Johnson could be drawn from such past incidents as the cranberry cancer scare of 1959, the Rely tampon situation, the Bon Vivant botulism deaths, and other product-related dangers or deaths?
- Under what conditions would a "return to the marketplace" or a re-launch of Tylenol make sense?