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CRISIS MANAGEMENT

Why Tylenol Got a Pass and BP Didn’t

by Chris Malone

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Almost simultaneously, Tylenol and BP earlier this year faced bruising public crises. Yet in July, at the depth of both calamities, a nationally representative study of more than a thousand U.S. consumers found the Tylenol brand largely unharmed while BP was widely distrusted.

Tylenol — despite multiple product recalls, FDA criticism, and mistakes in handling its crisis — scored twice as high as BP on characteristics like “honest and trustworthy” and “acts in the customer’s best interests.”

Why the difference? **Consumers instinctively judge brands in much the same way they judge other people.** That’s the conclusion of the study cited above, conducted by my firm in collaboration with Drs. Susan T. Fiske and Nicolas O. Kervyn, renowned researchers at Princeton University on what social psychologists call the “warmth and competence model.”

To survive, humans developed a keen ability to judge other people in terms of their intentions or “warmth,” and on their ability to carry out those intentions, or their “competence.” Studies in 36 countries have defined the attributes of warmth and competence to include, among other traits, the trustworthiness and selflessness that Tylenol aced and BP flunked. The degree to which consumers identify warmth and competence traits with brands strongly predicts intent to purchase, likelihood to recommend, and brand loyalty.

Because these basic judgments are so deeply rooted in human instinct, insincere attempts to create the perception of trustworthiness or selflessness won't work. Instead, companies must consistently demonstrate their honest and selfless intentions, no matter how much it costs in the short term.

Johnson & Johnson, Tylenol's maker, has long acted on a companywide credo that puts customers first. That's what made the company's behavior in the face of Tylenol product-tampering deaths in 1982 the textbook case of selfless crisis management. The continuing good will from that episode helped the brand remain undamaged even by a series of uncharacteristic missteps last winter and spring, as its McNeil Consumer Healthcare unit initiated a string of ever widening product recalls.

But after a stinging FDA report, the company returned to its selfless ways. It voluntarily closed its plant in Fort Washington, Pennsylvania, although the plant's products generate $650 million in yearly sales. While the company goes far beyond what is required to remedy the situation, most of the recalled products will be off store shelves for nearly a year.

Just before we conducted our study, there occurred two additional recalls and a hearing before a House committee. Yet consumers appear to have deemed Tylenol's production problems to be a short-term lapse in competence, rather than a fundamental shift in its longstanding warm intentions.

BP, by contrast, with its past safety violations, had no store of good will on which to draw. In 2005 an explosion at its Texas City, Texas, refinery killed 15 workers. In 2006 a ruptured pipeline spilled 200,000 gallons of crude over Alaska's North Slope. Despite public pledges to do better, charges of BP safety violations continued.

When the Deepwater Horizon rig exploded on April 20, killing 11 workers, the company repeatedly asserted that Transocean, the rig's owner, was responsible for the accident. It minimized the estimate of the amount of oil flowing into the Gulf. Testifying before the House Energy and Commerce Committee, then-CEO Tony Hayward once again deflected responsibility. Meanwhile, the company was still unable to stop the leak, calling into question BP's fundamental competence.

Despite a costly ad campaign insisting that the company would make the situation right, its actions clearly suggested that it had been dragged kicking and screaming every step of the way. The $20 billion compensation fund the company has set aside is a far bigger financial hit than J&J's $650 million, but BP's fund was established under heavy pressure from the White House, while J&J voluntarily embraced its loss.

Instead of taking selfless actions like shutting down and inspecting all of its deep-water wells or appointing an outsider of unquestioned integrity to undertake an investigation, the company repeatedly behaved in ways that we all fundamentally recoil from, in people and in brands. No wonder consumers in our study reported purchase intent and brand loyalty for BP gas and convenience retail locations to be less than half that for Tylenol, and 40 percent lower than for Shell stations.

Companies like J&J, who understand how consumers judge brands, can build intense customer loyalty that withstands even the most difficult crisis. Consciously or otherwise, they know that brand relationships at their root are like human relationships – so they act accordingly.

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