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Contingency Strategy – Taco Bell/Johnson & Johnson

by Kenneth B. Lerman

My wife, Geri Appel, asked yesterday what would I do if I were the President of Taco Bell, given their E. Coli outbreak in New Jersey. Geri asked this of me for several reasons. First I have a strong background in foodservice and restaurant management – Taco Tico, Pizza Hut, Kwan Court, H. J. Heinz, etc. Second I was at Johnson and Johnson (Baby Products) in 1979 when all J&J companies were developing contingency plans that involved product recall. You might remember the Tylenol product recall and how it was handled. More on the J&J product recall in a moment.

What would I do if I were President of Taco Bell (PepsiCo)?

Common sense says do what is right. Own up to your mistakes. Don't dwell on them. Move forward and build on every challenge overcome. Be kind. Be fair. Be honest at all times. Finally, treat others as you would wish to be treated. This is how I would have handled Taco Bell's recent E. Coli outbreak. You might have come up with better and more. Please email me your thoughts.

Immediately your customers must be assured that they are safe (if they are) and are not in harm's way. I'm surprised that a PepsiCo division does not have a contingency response and plan prepared and ready to go. Perhaps they do but decided against utilizing it. If they didn't have a contingency plan they probably do now throughout all their foodservice companies – Pizza Hut, Long John Silvers, A&W, KFC and Taco Bell.

Here is what I would have done. The day following the outbreak, I would have been on national TV, radio and in the newspapers with this statement:

"Taco Bell has experienced an E. Coli outbreak in several of its New Jersey locations. Immediate and thorough inspections have revealed this outbreak is limited to green onion contamination in 3 New Jersey restaurants. All Taco Bell produce in all Taco Bell restaurants has been inspected and has no contamination.

"Taco Bell employs 22,000(?) careful employees in all of its 2,000(?) restaurants. Our suppliers are the finest U.S. suppliers. Our inspection procedures are leadership standards throughout the entire U.S. Foodservice industry. It is perfectly safe to enjoy the excellent taste and quality of all Taco Bell products. You have our word on it and the word of the entire PepsiCo Corporation. Our word is good.

"To help overcome your concern, the day after tomorrow, Tuesday, December 12th, all Taco Bell locations across the U.S. will be offering at no cost to you, our newest Chalupa product. We hope you will visit only one Taco Bell on Tuesday and refrain from taking unfair advantage of this extraordinary offer. This is Taco Bell's way of keeping your trust in

the finest quick service Mexican food in America.

We are grateful for your support and wish you the happiest Holiday Seasons."

Back to Johnson & Johnson, Tylenol and McNeil Labs in 1982. Jim Burke, then the CEO of Johnson & Johnson came on television, radio and the newspaper within hours of the Tylenol crisis.

He apologized for the anxiety this might have caused anyone. He briefly reviewed the quality standards Johnson & Johnson is well known for, and the trust the entire medical and hospital communities had in the Johnson & Johnson family of companies.

He then went on and spoke to every home in the U.S. who had kept Tylenol in their cupboards. He asked them to discard their Tylenol. He went on to give a phone number consumers could call where operators were waiting to take their name and mailing address. Consumers were told J&J would mail them a check for \$2.50, no questions asked. Burke said that he hoped the check would be used to buy Tylenol. He closed by quickly reviewing the 100 year plus heritage of Johnson & Johnson's leadership and support of healthcare throughout the world. Significantly more was done including a low pricing strategy.

In the analgesic category (headache and pain remedy) Tylenol Brand Managers worked hard to gain a .1% market share gain every two months (as measured by A.C. Nielsen Company shelf movement). Management of the entire Tylenol product recall earned an immediate surge in consumer sales and gained (I believe) a full 2.0% market share increase over the next two years.

Much of the strategic planning and marketing I use today, in consulting with my wonderful business owner clients, is founded on what I learned as a Brand Manager with Johnson & Johnson Baby Products. I'm glad and my clients are glad.

I hope to see all WIBA Business Owners at my January 24-26, 2007 WIBA morning seminars entitled, "Increased Competitiveness and Profitability through 2010."

Wishing you the finest of New years in 2007.

I am for business,

Ken Lerman

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