

Snow Brand milk products

Poisoning a brand

Among the most dreaded situation for any food brand, an outbreak of food poisoning ranks pretty high. For Snow Brand, Japan's premier dairy foods company, 2000 was the year when that nightmare came true, in the most disastrous way.

After consuming milk or related products made by Snow Brand, 14,800 people, mostly in western Japan, suddenly came down with food poisoning. The problem was traced to bacteria on the production line of Snow Brand's Osaka factory that processed low-fat milk. As soon as the news hit, the brand was in crisis. To make matters worse, the company broke every PR rule in the book and initially sought to downplay the incident. The overall impression Snow Brand gave was of being more concerned for the brand's tarnished image than for the victims of the outbreak.

Perhaps the worst mistake the company made was the effort to limit the extent of the product recall it would have to make. The Osaka city public health centre had issued a recall order for two products, and strongly suggested that Snow Brand voluntarily recall other products. The company dug in its heels until the city officials pressed the point. Then Snow Brand reluctantly agreed to the recall, on the condition that the company could be seen to be doing it voluntarily. But this didn't happen. In the event, the health authority publicized both the recall and the request.

In addition, Snow Brand is also believed to have withheld information about the exact nature of the incident. In what must have been a moment of desperation, Snow Brand initially claimed that the device where the contamination was found was used rarely. In fact it transpired it was used almost every day. The company also claimed that the area of contamination was 'about the size of a small coin' – but subsequent examination found it to be much bigger than that. The public perception – fuelled by the media coverage – was that the food poisoning was an inevitable result of a company suffocating itself with corporate arrogance.

To gain a flavour of the media coverage, it is worth looking at how the *Japan Times* reported the news that even more products were being recalled (this article appeared on the front page): **Japan's Snow Brand milk recalls more products as scandal widens** The tainted milk scandal at Japan's biggest dairy goods maker Snow Brand Milk Products Co escalated last Thursday as the company recalled products made by a plant not previously linked directly to the incident.

A company spokeswoman said some 125,000 packages of milk and dairy products made by a plant in central Japan were found to contain powdered skimmed milk that had been produced at a northern Japan facility plagued by a bacteria scare. The recall comes after more than 14,800 people, mostly in the Osaka area in western Japan, fell ill in late June after drinking Snow Brand milk in one of Japan's most widespread food poisoning outbreaks. The company said it had not received any complaints relating to the yoghurt, flavoured milk and other dairy products targeted by the latest recall, adding that 95,000 of the packages would no longer be on store shelves because they had passed their permissible sale date. The northern Japan plant at the centre of the scandal was shut by Snow Brand on Sunday and ordered to remain closed indefinitely by local health authorities, after a toxin from staphylococcus aureus bacteria was found in preserved samples of the plant's powdered skimmed milk made in April.

A spokesman said on Wednesday the bacteria may have entered the milk as a result of a three-hour power failure on March 31 which left raw milk standing in high temperatures. Some of that milk made its way into products at a plant in Osaka that was the source of the mass food-poisoning. Snow Brand's shares were hit hard by the scandal, falling nearly 40 per cent. They have since recovered modestly and on Thursday ended up 0.23 per cent on the day at 427 yen. Last Wednesday, the company said it posted a parent net loss of 11.2 billion yen for the April–July period due to the scandal, which forced it to temporarily close all 21 of its milk-producing plants in Japan.

As a result of the incident, sales for the company took a nosedive and Snow Brand's president, Tetsuro Ishikawa, closed eight of his factories. Before the food poisoning, Snow Brand had a market share of 45 percent. This dropped to under 10 percent and the brand has still to recover back to its pre-2000 levels. The incident also took a personal toll for Tetsuro Ishikawa, who had to be admitted to hospital as a result of stress. Later he resigned and apologised to the media.

Lessons from Snow Brand

Respond quickly. Snow Brand's initial response to the crisis was too slow as the company was reluctant to issue a full product recall and to communicate with the press.

Don't sound selfish. When Snow Brand eventually did talk to the media, it focused on the financial consequences for the company, rather than the suffering of its food-poisoned customers.

Be prepared. The company was ill-prepared when it made public statements and did not have all the information.