

# Crafting a Damage Control Plan: Lessons from Perrier

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*Companies as diverse as AT&T, Exxon, and Beech-Nut have discovered that when a crisis occurs, rarely are a corporation's contingency plans designed well enough to effectively deal with the situation. In this case study of the Perrier crisis, a better job by the company's crisis management team could have saved both the company's and the product's reputation.*

**T**he well-known product sold by Source Perrier S.A. was once synonymous with up-scale bottled water. Today, as a result of benzene contamination disclosures, if a consumer asks for a bottle of Perrier in a restaurant and is given a different brand, he or she will usually not send it back. So pervasive was the crisis that Perrier was forced to recall hundreds of millions of bottles and lost \$200 million. Of more far-reaching consequences is that Perrier lost its reputation as a generic brand. But of longer-lasting effect to Perrier was its loss of positioning in the marketplace.

Perrier's crisis illustrates a problem that has affected a number of companies. Perhaps the most well known was Johnson & Johnson's recalls of its Tylenol brand following contamination of the product. Prior to Beech-Nut Corp.'s latest encounter with product harm, its apple juice became the subject of inquiry after some bottles were found to be adulterated.

Corporate executives concerned with the complexity of modern business operations and the lessening of a central authority are making crisis management a priority. As a result, larger corporations are developing crisis management teams (CMTs), whose principal responsibilities are to attempt to locate the

source of a crisis, assess its intensity, evaluate the degree of harm done to the brand name, and suggest remedies for resolving the crisis. These CMTs are regarded as so important that they have become permanent parts of the structures of many corporations.

Despite the advantages of CMTs and the recognition of their importance, a major difficulty emerged during the Perrier crisis that indicates certain troublesome areas within the operations of the CMTs themselves. In Perrier's case, the management of communications broke down so that conflicting messages concerning the company's handling of the crisis confused the public and resulted in unintentional damage to its reputation.

What went wrong? The answer to this question is really the answer to two questions: What actually triggered the crisis that forced the recall? What mistakes were made in communications strategies after the recall?

In January 1990, a biology laboratory in South Carolina that had used Perrier in its experiments (it considered it less expensive than to carbonate its own water) found traces of benzene in the Perrier sample. During the standard chemical analysis, benzene was found to have seeped in through unknown means.

During the course of its testing, the laboratory technicians did not get the

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expected results they had obtained many times before. Normal scientific procedures and protocols suggested that something went wrong with the experiment itself. Since it was likely that someone had done something wrong during the course of the experiment, they retested their procedures. When they were convinced that they were facing something more than a procedural error, they considered the possibility that something went amiss with the equipment.

A careful check of the equipment showed no defect. They were back to square one. It was at this time that the technicians suspected there might be something wrong with the raw materials they were using. The fact that the Perrier sample was examined last was a result of the supreme assurance of purity the researchers had in the quality of Perrier. Although the amount of benzene

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was merely a trace amount (i.e., not sufficient to kill someone who drank it), the idea that Perrier might somehow be contaminated startled its manufacturers and made them overreact.

The company itself initially believed that a massive recall was necessary to ensure that the public's perception of the purity of the product was not compromised. The company regarded the trace elements of benzene as relatively insignificant compared with the public's

perception that it might be trying to hide something (even more so after US authorities' tests of Perrier confirmed the South Carolina laboratory's results).

The recall was made to protect the brand name and to forestall public criticism. But the additional problem the company faced was to communicate to the public that its actions were taken primarily to protect users of Perrier. Such a massive recall, or super effort as it is called by CMTs, was intended to calm the public's fears. What happened next, however, was that different company authorities gave mixed messages to the audiences they were trying to reach.

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## Confusion Compounds the Crisis

Perrier-North America, Perrier-France, and Perrier-UK acted as autonomous agencies with different strategies on how to handle the crisis. The first group to act was Perrier-North America, which recalled all 70 million bottles in the North American market and immediately announced that Perrier shipments to North America were the only ones affected. Perrier-France was swift to follow its North American counterpart when it too recalled millions of bottles only two days later. It announced that it isolated the problem to be exclusively with the bottling line meant for North American consumption.

Perrier-UK said simply that it did not know the cause of the contamination and would not make any public announcements until the cause was determined. Perrier-UK recalled and recycled 40 million bottles, to the approval of many environmentalist groups, and took out full-page ads informing the public that there was no immediate danger for consumers of Perrier. What distinguished Perrier-UK from both Perrier-France and Perrier-North America was the existence of a CMT that had been formed in 1985 to deal with just such a

problem. The CMT had long dealt with contingency planning and had developed various courses of action based on various crisis scenarios.

Realizing that Perrier's image was its most important marketing asset, the Perrier-UK CMT's principal responsibility was the protection of that image. The CMT consisted of an advertising executive, a public relations executive, the head of Perrier-UK's marketing division, and the individual responsible for organizing the team. In regard to any aspect of the crisis, those persons and only those persons would communicate with the press, the regulatory agencies, stockholders, or even employees of the company itself. In this way, clear and consistent messages could be ensured.

If Perrier-France had followed the example of Perrier-UK, there would never have been a need for a retraction of its initial statement regarding the cause of the crisis. As it turned out, the explanation given by Perrier-France had three serious consequences for the organization: (1) it was wrong, (2) the company had to admit it was wrong, and (3) the company suffered a loss of credibility.

The public's apprehension increased because it could not be sure whether Perrier's latest explanation pointed to the real cause of the contamination. The latest explanation may have been merely one in a series of explanations. Moreover, since Perrier kept six months' reserve in storage facilities, it had to refilter hundreds of thousands of gallons of its spring water. It not only lost its current production due to the recall, it also lost a half year's reserves to meet the fluctuation in seasonal demand.

When the real cause of the disaster was discovered to be in the filtration system, the damage had already been done. The maintenance personnel who had oversight of the filters neglected to change them; benzene residues along with a host of other natural gases were left in the liquid. In a press conference held in Paris on February 14, 1989, Perrier's president announced a worldwide

recall of the product while still downplaying the severity of the problem. Instead of allaying fears, the Paris pronouncement increased suspicion.

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## Perrier's Mistakes

A crisis by its nature requires an unusual degree of effort to discover its cause. During the course of ordinary scientific investigation, scientists may assume that the instruments they are using and the procedures they are follow-

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ing can be relied on with a high degree of confidence. Unfortunately, the confidence shown in the purity of Perrier resulted in hiding the real cause of the crisis.

Had an investigation been carried out into the systematic procedures used by Perrier, the spring water itself would have been shown to be the real cause of the contamination. Yet the product itself was the last thing to be examined in the laboratory. But in a time of crisis, the unexamined acceptance of givens can be disastrous. It is ironic that the image of purity that Perrier had sought so diligently to establish had reached into the laboratory and colored the perceptions of the lab technicians making the inquiry.

One explanation is that the time constraints of a crisis require that it be terminated immediately to stem market share erosion. Simultaneous investigative techniques may seem wasteful in the short run, but they are essential in effective crisis management. The time delay in standard practices can prove lethal under crisis conditions.

Had Perrier done simultaneous testing, it would have eliminated the bottling-line contamination hypothesis at the same time it discovered that the filtration system was at fault. The initial announcement (that the contamination was in the bottling facility) would never have been made nor needed to be retracted.

Every crisis management strategy is at heart a series of communications strategies with the public as the principal audience. In the case of Perrier, having multiple voices all speaking at once lead to a corporate Tower of Babel, whose echoes reverberated for months after the onset of the crisis.

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The UK CMT was the only group to say nothing about the cause of the contamination except that an in-depth investigation was being undertaken. Perrier-France and Perrier-North America made public pronouncements designed to quiet public concern, which backfired when they had to make retractions. The strategy of nonattribution of cause, especially when that cause remains unknown, is far better than pointing to a reputed cause that may

subsequently embarrass the company.

Perrier-UK's strategy did not try to underplay the seriousness of the crisis; instead, it maintained everything was being done to ensure the continuing purity of the product. However, the UK CMT's message was inconsistent with the pronouncements of Perrier-France and Perrier-North America. Therefore, it is essential for a corporation caught in the midst of a crisis to coordinate its activities so that it speaks with one voice and not a chorus of conflicting voices.

Perrier is large enough to have autonomous subdivisions, as do most international corporations. The segmentation of regional autonomies is desirable to maintain local control of disparate operations. But in a crisis, the coordination of public pronouncements mandates that a single focus of authority generate uniform public messages. This would have been the case if Perrier-France and Perrier-North America had CMTs in place before the crisis began. Unfortunately, the British CMT was the only one in existence within Perrier International.

Multinational corporations should create individual CMTs to cover local events; under large-scale crises, these CMTs would keep in constant contact to ensure the coherence and consistency of the messages presented. Perrier should have had the three CMTs working together at the time of the Paris pronouncement. The unified efforts of the CMTs could have been sent directly to Perrier's president. He could then evaluate the position he wanted Perrier to take. The three CMTs would have acted as a support system for top management.

In the course of ordinary operations, the CMTs would confer at central headquarters to discuss a series of scenarios and possible organizational responses to overcoming them. This would provide a common framework and consistent mode of thought among the local teams. Each team would not merely but share a common frame of reference but

a common body of information that would give all the teams state-of-the-art preparedness.

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## Structural Breakdowns and How to Prevent Them

Perrier's management control structures allowed the organization to operate its ordinary business practices with remarkable success. Those structures, however, when confronted with the crisis, acted more as a security blanket for the corporation than a mechanism for controlling extraordinary events. Structure by its nature becomes rigid and, like an oak in a storm, breaks when the pressure becomes too great. The function of a CMT is to supply a suppleness, which allows for a gradual bending to relieve tensions.

The structural hierarchy of Perrier's management broke down, starting with the operating chiefs of each division. The command-communication structure terminated at the locus of regional authority. A further step to include the president of Perrier in the structure could have precluded discordant pronouncements.

To add flexibility in a structure so necessary to the successful handling of crises, we would suggest that in the case of multinational corporations, a central CMT be formed with direct communication inputs from satellite CMTs (i.e., regionally based CMTs). Investigative committees formed from the engineering and technical staff of the CMTs would be sent out to try to isolate the cause of the damage. Their information would be sent to the central CMT for further evaluation.

If Perrier had had this structure in place at the time of the crisis, the central CMT would have been able to determine whether the problem was isolated in the North American operation, the UK operation, or both. The satellite inputs would have acted as a

check on each other and allowed the central CMT to determine whether its problem was local, national, or international. Such a procedure would have prevented Perrier from making the announcement that the problem was in its North American bottling operation (a statement that was promptly retracted by the company's president).

To avoid retractions and to minimize embarrassment to the company, evidence based on preliminary findings should remain within the CMT and not be made public. After the central CMT determines the real nature of the crisis, it can then present its information to the CEO. In this way, carefully orchestrated messages to the press and governmental agencies can be presented with a high degree of assurance that they will contain accurate and comprehensive explanations for the cause of the crisis. This will further allow the CEO to explain the action required to bring the crisis to a conclusion. The focus of authority, personified by the CEO, will allow the public a much higher degree of confidence in the successful resolution of the crisis.

Another element that should be mentioned in any crisis is the possibility of product sabotage. Although this was not the case with Perrier, it was a possibility. As things stood with the company, there was no existing mechanism for determining whether the organization was confronting sabotage or not.

The quick response time of satellite CMTs and the unification of efforts at a time of crisis will lessen the consequences of corporate inaction or, worse, corporate overreaction. Overreaction can be due to a corporation's recognition of its responsibility to a public, one that may be clamoring for explanations. But when corporations act too hastily to meet the public's demand for information, this may compound the crisis by adding an element of diminished corporate credibility. And when the real cause of the crisis is determined, the public may be inclined to reject it. ■

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