



Odwalla, Inc. (A)

TEACHING NOTE

Purpose of Case Study

1. To enhance understanding of managing a public relations crisis.
2. To help students understand the role of media in focusing public attention on negative issues.
3. To help students understand how to restore the confidence of stakeholders after it is diminished.
4. To give students an appreciation for the importance of effective communication, both internally and publicly, to the long-term success of any business.

Identify the Business Problem

The business problem here is two-fold: Odwalla must regain public confidence in its products; and, Odwalla must reevaluate the production process that allowed the E. coli contamination to occur.

Forecast the Most Desirable Outcome

The most desirable outcome is that Odwalla will survive this crisis without losing a large portion of market share and will be able to *safely* produce premier natural juice products that the public will pay a premium to buy.

This teaching note was prepared by Cynthia Maciejczyk under the direction of James O'Rourke, Concurrent Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Identify the Critical Issues

These are the main issues involved in this case:

- Managing the company's public response to the crisis;
- Assessing the damage done to the company's reputation;
- Reevaluating the company's stance on pasteurization process (in view of its commitment to an "all-natural" product);
- Reviewing company's core values to see how they may have contributed to the development of the crisis;
- Regaining public trust in the company and its products;
- Managing costs involved in the crisis response.

Stakeholder perspectives include:

- Consumers;
- Retailers;
- Vendors, suppliers;
- Shareholders;
- Odwalla Employees;
- Seattle-King County Department of Public Health;
- Washington State Department of Health;
- Rival juice makers;
- Organic food industry.

Identify and Discuss Possible Solutions to the Problem

1. Order an immediate recall of all juice products containing apples. This shows the consumers that the company is aware of the problem and that Odwalla is trying to ensure their health and safety by recalling all products that may be tainted.

2. Cooperate fully with the government agencies investigating the outbreak (Seattle-King County Department of Public Health, Washington State Department of Health, USFDA). Odwalla could choose not to cooperate but this would certainly make it difficult for the company to maintain its positive public image as a people-focused, socially conscious company.
3. Reevaluate the production process. Odwalla juices are not pasteurized, allowing for the possibility of dangerous bacteria in the products. How can Odwalla prevent future outbreaks of this kind?
4. Reevaluate core values of the company. The company is committed to using minimal production processes to deliver superior taste and nutritional value. Is it feasible for them to stick to this core value in light of the E. coli outbreak?
5. Pull a team together to find out as much as possible about all victims of the outbreak. Who are they; what was the impact on their health?
6. Develop a communication strategy that addresses the health and safety concerns of the public as well as informs all stakeholders what Odwalla is doing to address the problem.
7. Meet with company employees to address their concerns and communicate the company's public relations strategy.

Explain How to Communicate the Solution

Sound public relations communication strategies will help address the issues. In particular, Odwalla must show the public that it is concerned about the health and safety of its consumers. By developing a clear communication strategy for the media, the officers of the company can convey how they are dealing with the crisis to their stakeholders: consumers, the public at large, their retailers, the government agencies involved, the company's shareholders, and the company's employees.

Strategies may include a press release, talking with the local and national media, point-of-sale information brochures, letters to the victims of the E. coli outbreak, company memos to employees describing the company's response to the crisis (group meetings), posting information to the company's Web site, e-mailing or writing to shareholders, memos to retailers, to name a few.

Odwalla did order an immediate recall of all juice products containing apples and carrots (which were handled on the same production line). The company earned high marks from the media for its quick and candid public response to the problem. An article published in the *San Francisco Chronicle* on November 2, 1996 by staff writer Kenneth Howe stated that many "in the public relations community credit Odwalla with moving quickly to institute a voluntary

recall, cooperating with the Food and Drug Administration and offering to pay the medical expense of victims affected by contaminated Odwalla products.”

Teaching the Case

One week prior

Distribute the case at least one lesson before you intend to discuss it in class. Tell the students that you will focus on several issues during the discussion of the case, including the following:

- Managing a public relations crisis;
- Dealing with negative media representation;
- Identifying the key issues of the case;
- How the core values of this company may have contributed to the crisis;
- Identifying the major stakeholder groups in this situation.

First 30 minutes of the class

Spend the first 5-10 minutes of the class session briefly recapping the facts of the case. Then, for the next 20 minutes, have the students identify the issues listed above.

Some points for student consideration may include:

The public's likely response to the health report linking the E. coli outbreak to Odwalla apple juice.

The company's core values and their impact on the production process. Can the company continue to produce its products without performing some sort of pasteurization process?

The media's role in publicizing the health crisis. How can Odwalla use the media to their advantage in this crisis?

Next, identify the stakeholders in this case and their separate interests and concerns:

Retailers. Odwalla's retailers are *Consumers*. The consumers of Odwalla juices are most likely well educated people who care about their health and the health benefits of the products they consume. This group also doesn't mind spending a bit more for high-quality, “fresh,” and natural products, such as Odwalla's juices. However, they are likely to react strongly to the news that their juice may be contaminated. They will pay attention to the news stories and expect information from the company.

Retailers are also very important to Odwalla's distribution scheme. Odwalla depends on its retailers to stock fresh product every day. As such, it is important for Odwalla to maintain goodwill with its retailers to protect this relationship. One way to preserve this goodwill is to keep them informed of all relevant developments in a timely manner.

Odwalla Employees. The company's employees also factor in this crisis. If Odwalla does not have the financial resources to ride out the storm or if it mishandles the crisis, the employees will lose their jobs. They have a vested interest in doing what they can to help out. They will also want to know what the company's plans are.

Shareholders. This group will be concerned about the financial well-being of the company as it steers through this storm. Management needs to keep this group informed so that shareholders will not panic and sell. As reported at the time, there was a 34 percent drop in the price of Odwalla stock on the announcement of the E. coli outbreak.

Seattle-King County Department of Public Health, Washington State Department of Health, and the U.S. FDA. Although not mentioned specifically in the text of the case, the U.S. FDA will perform an investigation at the manufacturing plant to see if it can determine how the juice was contaminated with e.coli. Once the investigation is completed the FDA will release a report to the general public.

Rival juice makers. Odwalla's competitors will be watching closely to see how Odwalla handles this crisis. Many will seek to capitalize on Odwalla's misfortune (particularly those companies that already pasteurize their own products) and others (Odwalla's rivals in the "natural" juice market) will feel the heat of this situation from their own customers. Many consumers of rival natural juices will stop drinking them because these juices also are not pasteurized. These companies will also be concerned about the fallout of the FDA investigation (e.g., stricter processing regulations, perhaps mandated pasteurization).

Organic food industry. The organic food industry in general will be watching this case because the results of the FDA investigation and the public outcry over the safety of the food supply may affect sales in this industry.

Last portion of class

Summarize student responses. Ask students for their communication plan. What would they do in Odwalla management's shoes?

Issues to consider include:

Strategic communication objectives. What are Odwalla's strategic business objectives and how can they be linked directly to the communication objectives?

Audience analysis. Who are we most concerned about reaching? Why do we want to communicate with them? What outcome do we hope for when we reach them?

Message Construction. What do we want to say to each of these audiences? Will our message differ from one set of stakeholders to another? How simple or complex should the message be?

Medium Selection. How should we try to reach these stakeholders? Should we consider electronic means? How about print means? Should we telemediate our message through the press? Should we try to communicate directly with one or more of the stakeholder groups?

Measurement of outcome. How will we know if we have succeeded? What criteria should we use to determine success? If we're not successful, what should we consider changing first: medium, message, audience, or objectives?

Last 5 minutes of class

Conclude the discussion.

The key to this case, as with nearly all other management communication cases, is to let the students speak freely, but guide their comments toward the problem facing Odwalla and the communication issues the case presents.

Timetable of Events

This timetable of events is included for your reference. A list of discussion questions follows.

Date	Events
September 1980	Odwalla founded by three long-time friends to make and market fresh squeezed orange juice. A backyard shed served as the first production facility. The company is founded on the principal of “nourishing the whole body” and exhibits a people-centered approach to business.
1991	Sales are approximately \$9 million.
1993	Odwalla goes public.
1996	Sales reach \$59 million, a growth of approximately 40 percent over five years. Product line has diversified to include more than 20 flavors of juice, smoothies, and vitamin packed health drinks sold throughout a seven-state territory. The company's reputation for freshness and quality is solid throughout its territories.
October 30, 1996	Seattle-King County Department of Public Health and the Washington State Department of health report an outbreak of E. coli (H1057-H7) infections that are directly linked to the consumption of Odwalla apple juices and mixes.

Questions for Discussion

These questions are for use in class and may help provide a deeper level of understanding-they will be most helpful after the case has been digested by the students and some initial revision of the case has taken place. Discussion questions should focus on communication issues involved in the case.

1. What is the best way to communicate with the different stakeholders?
2. What is Odwalla's responsibility to the consumers who were afflicted with bacteria? How should management go about communicating with these people?
3. When Odwalla comes up with a plan to address the safety of their juice products, how should this plan be communicated to the public? To their retailers?
4. How would Odwalla benefit by taking a leadership role within the industry on the issue of ensuring product safety? How would this fit in with the company's overall communication strategy for this crisis?