

Corporate reputation on the line: Cadbury's salmonella scare

**By
Marylyn Carrigan**

The last few years have been good for Cadbury Schweppes: in 2004 they were named Britain's Most Admired Company at the Management Today awards, where their CEO Todd Stizer commented,

"Cadbury Schweppes is a company built on a foundation of strong values. It has been nurtured by generations of principled leaders passionate about performance and stewardship in the broadest sense, and driven for over 200 years by hundreds of thousands of loyal employees dedicated to compelling product quality, customer satisfaction and community well-being."

2005 was the Centenary of the UK's favourite chocolate brand, Cadbury Dairy Milk, worth more than £320 million, and purchased by over 65% of the UK population. Cadbury Schweppes website (www.cadburyschewppes.com) reflects the positive values that the company has traditionally been associated with since its Quaker origins,

"Good business and good values go hand in hand at Cadbury Schweppes...we approach consumer issues with a commitment to put actions before words and to respect and protect the long history of trust we have with our consumers. "

However, 2006 saw the company's traditional ethical credentials seriously undermined by a breach of product safety and consumer care.

The first signs of trouble

Cadbury realised there might be a potential health safety problem with their chocolate products in January 2006, when they detected the rare Montevideo strain of salmonella in its chocolate crumb – a sugar, milk and cocoa mix. The cocoa mix was manufactured at their Herefordshire factory in the UK, and used as a base for confectionery products made at the Cadbury factories near Birmingham and Bath. Cadbury traced the salmonella contamination to a leaking pipe, but decided that the level of contamination in the affected products was too insignificant to pose a threat to the public.

In the production process, the crumb mixture is transported from the Herefordshire factory to a bulk silo at the company's Bournville site, and their factory near Bath. The Bournville silo was continually topped up with the mix from Herefordshire, which was then used as a raw ingredient in other products. According to Nick Lowe of the Birmingham City Council food safety team, all the crumb from Herefordshire was put into the giant silo at Bournville, so contaminated batches were mixed with other batches, exacerbating the problem. It would emerge later that this was not the first time that Cadbury's had been alerted to a potential problem in their production process. As far back as 2002 Cadbury discovered salmonella food poisoning bacteria in their Dairy Milk and Brazil Caramel – which were destroyed – but kept the information from the authorities until June 2006, having been unable to identify the source of salmonella in the factory.

The role of the authorities

The Food Standards Agency received a call at their London headquarters on Friday June 16 2006 from the Health Protection Agency who had concerns about an

outbreak of salmonella sickness among the public. Since March 1st 2006 the HPA had received an unusual number of samples from doctors of the Montevideo strain of salmonella. The cases were scattered geographically, rather than clustered (the typical pattern of food poisoning outbreaks), and most worryingly, half of the victims were very young children under the age of two. Three people, an infant, a child and an adult had been admitted to hospital. The HPA experts suspected that the source of the poisoning was a product with a national distribution that might be eaten by children.

Another issue was also bothering them; as the HPA tried to identify the cause of the infections, it began to query anonymous samples it was being sent from a private laboratory who were trying to confirm if material it had been sent was infected with Salmonella Montevideo. The private laboratory was working on behalf of a company, but refused to tell the HPA which one due to confidentiality protocols; that company turned out to be Cadbury. The HPA was forced to turn to the Food Standards Agency to use its powers to demand that the private laboratory reveal the identity of its client (Cadbury). It was only then, several months after realising that it had a problem, that Cadbury came forward to admit that the infected products belonged to them.

The first anonymous sample had arrived at the HPA laboratory in February, well before the first consumer became ill in March. Cadbury defended its decision not to disclose the contamination to the authorities by saying the levels of salmonella were so low it did not feel they constituted a health risk. However, this did not satisfy the authorities. The HPA stated,

“Processed ready to eat foods should be free from salmonella, and their presence, even in small numbers, results in food being of unacceptable or potentially hazardous quality.”

The Food Standards Agency said it was “very surprised” Cadbury did not notify it of the salmonella problem as soon as it was discovered in January. Under Article 19 of regulation 178/2002 of the 2004 European general food regulation, food safety authorities should be notified and a product recalled if a food producer “considers or has reason to believe” that the product “is not in compliance with food safety requirements.” Cadbury believed that its products did not pose a threat, so did not issue the recall notice. The FSA’s independent advisory committee on the Microbiological Safety of Food (ACMSF) said that Cadbury’s method of salmonella risk assessment could not be relied upon for foods such as chocolate. They believed that Cadbury used methods for product testing which the committee considered would underestimate the level and likelihood of contamination. In their view, the company’s risk assessment wrongly drew parallels between the threshold for salmonella infection and the threshold for infection by other micro-organisms. In fact, there is no minimum infectious dose for salmonella, and the committee believed that Cadbury’s testing methods were insufficiently up to date and insufficiently sensitive. The ACMSF argue that Cadbury made a mistake in assuming there was a safe level of salmonella in a product like chocolate when there isn’t, and only took action when pressured to do so by the Food Standards Authority when the contamination was revealed in June.

Product recall

On June 23rd 2006 Cadbury, which sells £1 billion of chocolate a year, announced a product recall of seven lines in the UK, including Cadbury Dairy Milk, Cadbury Dairy Milk Caramel and their Dairy Milk Button Easter Egg, amounting to 1 million bars of chocolate. By this point over 50 cases of salmonella Montevideo infection had been

reported between May and June, an increase of over 200% compared to the same period the previous year. Birmingham City Council's food safety team confirmed it was testing over 30 Cadbury brands other than those recalled because, according to the FSA, "the crumb goes into a very large number of Cadbury products." By July, experts from the FSA, the environment department Defra, and the local authorities investigating announced that "Cadbury products were the most likely source of a salmonella bug that made 37 people ill, with three, including a baby requiring hospital treatment." Part of the evidence came from interviews with 15 people who fell ill, of whom 13 reported eating Cadbury products.

The suspicion that the salmonella bug might be present in those bars may prove expensive for Cadbury; up to £20 million in lost sales and damage to its brand reputation according to analysts at Cazenove. Consumer confidence in the company has been weakened and a cloud lies over the launch of Cadbury Melts, scheduled for August 2006, given that the company now faces a consumer backlash after it became apparent that Cadbury had been aware of the contamination since January. Another victim of the food scare has been Cadbury's high profile sponsorship of the soap opera 'Coronation Street', as the food giant pulled its sponsorship adverts amidst the crisis.

On July 22nd 2006 Cadbury stated that they had already changed their "protocol because we understand that the consumer's desire for no risk at all is paramount. Any product showing any traces of salmonella will be destroyed."

Conflicts and challenges

One can identify the dilemma that Cadbury faced on discovering the predicament with their products, given that they were in for a tough time commercially whatever they did. Had they reported the problem in January 2006 the FSA would have immediately requested a product recall just in time for the company's main sales period leading up to the chocolate frenzy that accompanies Easter in Britain. Having undertaken the recall so many months later, Cadbury stands accused of cynically manipulating for profit an obvious risk to public health. Was their delay naïve or duplicitous? Food safety experts point out a wealth of scientific evidence about the dangers of salmonella in chocolate, even at trace levels, and that the bacterium is a known contaminant throughout the early parts of the chocolate production process. Professor Hugh Pennington from Aberdeen University stated that, "The fat in chocolate actually preserves the salmonella from the normal intestinal defences, so you don't have to eat very many salmonellas to get infected." In Cadbury's defence they argue that legislation left it up to manufacturers to determine testing protocols, and that its testing had been based on sound science, and they'd acted in good faith. In light of the FSA's intervention they now agree that future procedures would be improved, and that they do not challenge the views of the expert committee advising the FSA. They added that they welcome their guidance and advice, and would move to a protocol in which they will destroy any product evidencing contamination, regardless of the level.

Past experience

Product recalls will always attract media attention, particularly when public safety is at risk. How those recalls are handled are an important factor in maintaining public trust and a good corporate reputation. Perrier suffered a similar public humiliation several years ago when traces of the carcinogenic element benzene were discovered in their popular bottled water. Weeks of corporate blunders, misinformation and secrecy surrounding what turned out to be contamination caused by dirty filters at the

plant, failed to bolster consumer confidence in the brand, and Perrier sales never fully recovered. The company had a long standing reputation for secrecy and security likened by the Financial Times in 1990 to “Willy Wonka’s Chocolate Factory”, and this reinforced the negative image of corporate concealment over the crisis. Commentators in International Management magazine were highly critical,

“Perrier’s handling of the disaster was uneven at best, ranging from head-in-the-sand refusal to talk...bursts of pique...evaded questions...rearranged truth...every day another article ...disclosed new facts and refuted what had been said the day before.”

In an article written at the time of the Perrier crisis, it was stated that when it comes to corporate reputation, consumers seem willing to forgive companies that act with extra caution in correcting their mistakes. However, the failure to come forward from the beginning with a policy of candour may have cost Perrier credibility in the long term. Cadbury seem not to have learned from the lessons of the past. Commenting on the Cadbury contamination, Kath Dalmeny, policy expert at the campaign group the Food Commission said “It seems Cadbury has been arrogant enough to rely on its reputation to get through a crisis rather than taking immediate action.” An article in Marketing Week notes, “food producers are under scrutiny to protect the integrity of trusted brands. Honesty, particularly in the food industry is at a premium – consumers rely on brands, and if brands are shown to be withholding the truth they risk losing credibility.” However, Cadbury argue that they have been manufacturing chocolate for more than 100 years and always treated public wellbeing as its “highest priority.”

Questions:

- 1. Identify the main stakeholders who are potentially affected by the discovery of salmonella in Cadbury’s chocolate products.**
- 2. This is not an ‘unthinkable’ accident, as any food production has the potential to become contaminated, whether deliberately (e.g. high street terrorism) or accidentally (employee negligence). In your view what were the main conflicts and challenges that Cadbury faced? Do you believe they acted ethically?**
- 3. With the benefit of hindsight, how do you think Cadbury’s could have reacted to the crisis to protect their reputation as a good corporate citizen? What should they do now to repair the damage caused by the salmonella poisoning to their reputation?**

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