

# Jack In The Box E. coli Crisis of 1993

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A scanning electron micrograph (SEM) showing numerous rod-shaped Escherichia coli bacteria. The bacteria are greyish, cylindrical, and vary in length and orientation. Some are straight, while others are slightly curved or bent. The background is dark, making the bacteria stand out. The text "What is Escherichia Coli?" is overlaid in a red, italicized font across the center of the image.

*What is  
Escherichia Coli?*

How Jack Came Out of the Box...

# Back in 1951.

- First Jack in the Box was built in San Diego, CA
- Restaurant was opened in 1951 by Robert O. Peterson
- Primarily served the west coast of the United States
- First major chain to use a two-way intercom system
- First QSR to make drive-through services the focus of its operation



# The Beginning...



# Crisis Overview



# Crisis Overview

- On January 12, 1993, first outbreak of E. coli was reported in Seattle
- Cluster of children being treated in Seattle area hospitals suffering from abdominal cramps, bloody diarrhea and kidney failure
- Washington State Department of Health launched an investigation that traced the illnesses back to E. coli bacteria found in hamburger patties at Jack in the Box
- Idaho, California and Nevada reported cases of E. coli
- 73 Jack in the Box locations became linked to the E. coli outbreak



# Crisis Overview

- The bacteria sickened over 700 people in four states leading to 171 hospitalizations and four deaths
- The investigation identified five slaughterhouses in the US and one in Canada as possible sources of the bacteria
- Washington state law required that hamburgers be cooked to an internal temperature of at least 155 °F, but the FDA requirement was only 140 °F – Jack in the Box cooked its meat at 140 °F
- Further investigation revealed that Jack in the Box's parent company, Foodmaker, Inc., had been warned that its hamburgers were being undercooked





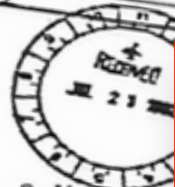
TO: MANAGER, OPERATIONS SERVICE AND MAINTENANCE, SAN DIEGO

### IN THE SUGGESTION BOX

Type of suggestion: (Check)

- Restaurant Procedure (POS, Admin, Maintenance, etc.)
- Quality Improvement (Procedure, Equipment, System)
- CHECK STANDARDS
- New Product
- OTHER

FROM: Wendy Cocharella  
 TITLE/POSITION: Shift Leader  
 RESTAURANT: JB466  
 PHONE: (602) 435-3178  
 DATE: 6/18/92



Describe change/new product idea: I think regular patties should cook longer they don't get done and we have customer complaints

Describe benefit/new product build: If we change this we will be making our burgers done and edible.

List any new ingredients or equipment: none just longer cook times

I hereby understand that all ideas and suggestions by me become the property of Foodmaster, Inc. and JACK IN THE BOX Restaurants and that, whether or not Foodmaster, Inc. uses or benefits from such ideas/suggestions, I will not receive and have not been promised any compensation whatsoever.

Wendy Cocharella  
Signature

6/18/92

ORIGINAL COPY TO: MANAGER, OPERATIONS SERVICE AND MAINTENANCE, SAN DIEGO

SECOND COPY KEPT AND BY RETIRED

REV. 8/88



FORM NO. 0168

A Division of  
 Foodmaster, Inc.  
 3000 Harbor Avenue  
 San Diego, CA 92121-0146  
 Betty Adams P.O. Box 90  
 San Diego, CA 92113-0090  
 619/573-2122



July 24, 1992

Wendy Cocharella  
 Shift Leader  
 JACK IN THE BOX #8466  
 3618 172nd. St. N.E.  
 Arlington, WA 98223

Dear Wendy:

We have received your suggestion regarding increasing the cooktime for our regular patties.

Your suggestion is currently being researched within the Corporate Office. You will again be notified with more detail as soon as a decision has been made regarding this suggestion.

We would like to acknowledge the time and effort you have taken to contribute to the success of JACK IN THE BOX by enclosing this pen/highlighter. Each person submitting suggestions is eligible to receive one gift per quarter with their first suggestion.

Sincerely,

*Randell J. Hopper*

RANDY HOPPER  
 Manager, Operations Service and Maintenance

RH:jed

Attachment

Enclosure

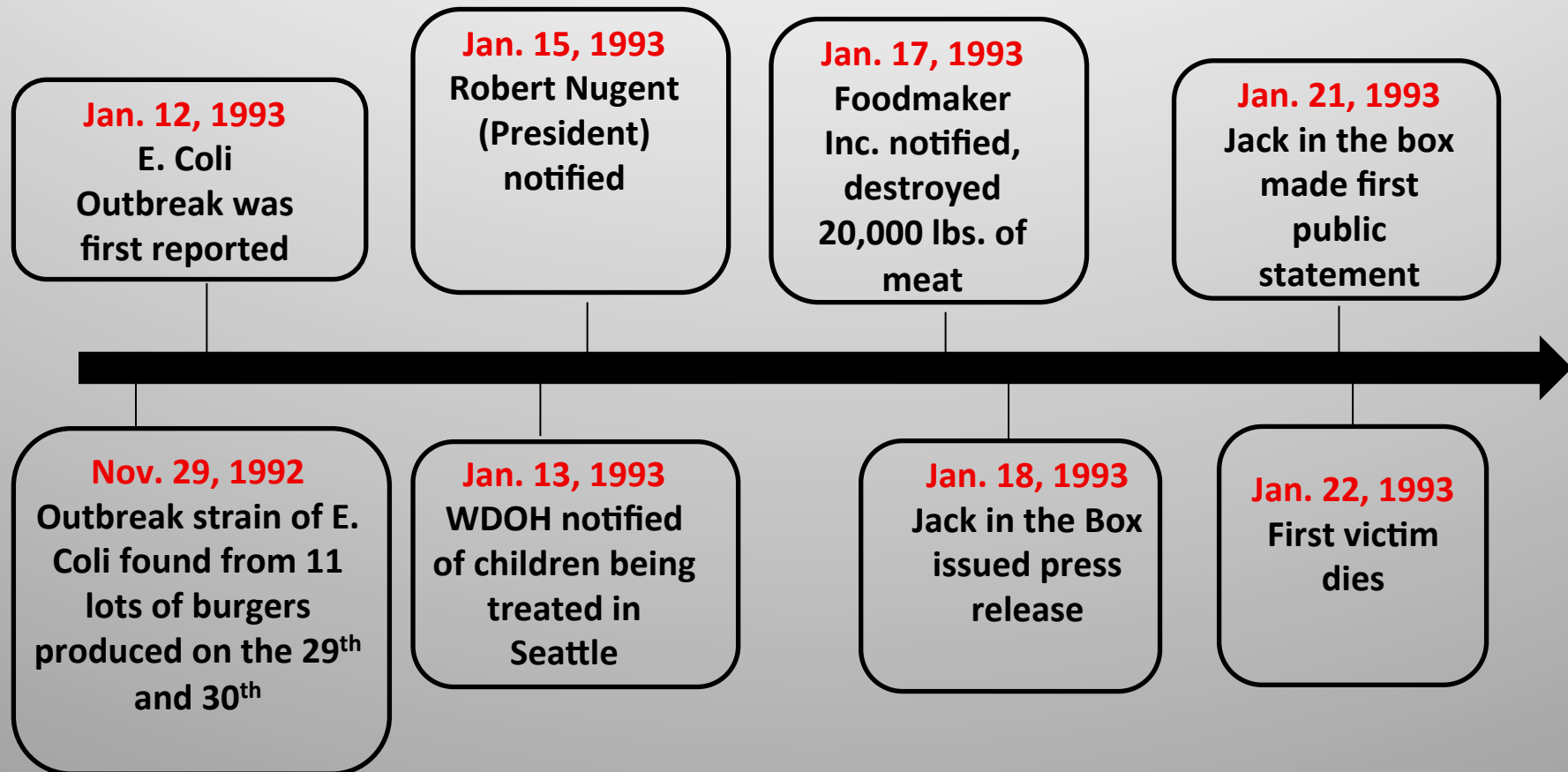
- cc: Jeff Miller  
 Stephanie Green  
 Vanessa Fanchin  
 Mike McQuitty  
 Janice Eubank, Restaurant Manager JB466  
 Ed Mulhausen - Northwest  
 Rex Lynch - Northwest

# Crisis Overview

- Settlements for individual and class-action claimants reached over \$50 million, the largest payment related to foodborne illness at the time
- In the year and a half following the outbreak, Jack in the Box lost approximately \$160 million both in court and from lost sales
- After the incident, Jack in the Box mandated that all nationwide locations cook their hamburgers to at least 155 °F
- All meat products produced in the US are now required to comply with HACCP regulations
- Following the outbreak, Jack in the Box hired microbiologist Dave Theno to lead their food safety turn around



# Timeline of Events



# Stakeholders

# Who's at Stake?

- Internal:
  - Employees
  - Stockholders
- External:
  - Victims
  - Consumers
  - Media
  - Local Community Members
  - Beef Industry
  - Quick Service Restaurants
  - United States Department of Agriculture
  - Food Safety and Inspection Service

# Media Coverage



# Extra, Extra, Read All About It!

- Widespread outbreak of media coverage following E. coli incident
- Before 1993, no one had heard of E. coli and the media was responsible for bringing it into the public consciousness
- Traditional coverage appeared in all top tier newspapers featuring updates of the coverage and victims
- Known as the largest outbreak of food illness to date
- Jack in the Box waited a week to talk to media
- Story was prevalent for weeks without any comment from Foodmaker Inc.
- Dealt with negative publicity from the media for a month
- Replaced public relations firm with former press secretary Joseph (Jody) Powell to change reputation



# He Said...She Said

"At the time I thought they [media] were being unfair. It seemed to me they were more interested in placing blame than in really understanding what happened here."

*Robert Nugent, President of Jack in the Box*

"Foodmaker did the right things and did them swiftly...But when it came to communicating with the public, Nugent proved amazingly inept." *Robert Goff, Forbes Reporter*

"We had developed an attitude about PR that was something like, 'Keep our mouth shut and if you want to talk with the press, have them call us.'" *Robert Nugent, President of Jack in the Box*

"Jack in the Box got off to a bad start because they first said they had no comment... Then, they attempted to pass the blame to Vons [meat supplier]. I would have advised them to step right up and accept responsibility. But they were acting from a legal standpoint of not wanting to accept the fault."

*Michael Brennen, Vice President of DeLauney Phillips Inc*



# Reputation Impact

# Long Term Impact

- Microbiologist, David Theno, became the vice president of quality assurance and product safety for Jack in the Box
  - Established the fast food industry's first Hazard Analysis Critical Control Points (HACCP) program, which attempts to ensure food safety at every point at which bacterial contamination can occur
- Jack in the Box regained credibility by referring reporters to the company's food-safety innovations by Theno
- The company transformed the crisis into an opportunity to remake its corporate culture
- Jack in the Box survived the crisis and is considered to be a leader in food safety in the fast-food industry

# Short Term Impact

## Short Term

- E. coli outbreaks drew consumers away from dining at Jack in the Box
- Company experienced more than 30 percent drop in stock during time of crisis
- In January of 1993, stock prices were at \$13.625
- Early February stock prices were down to \$9.50
- In April, restaurant sales average improved from -37% in February to -9.7% in April.

# Assessment



# What went wrong? The Blame Game.

- Jack in the Box emphasized they were not solely responsible for the outbreak and shifted blame to other parties
- Waited two days before they removed the meat from the restaurants
- Three days after press release, Jack in the Box pointed their fingers at the meat supplier
- Approached media without having all of the information
- In the beginning, blamed the meat company and did not take any personal blame
- Blamed customers, saying they could have gotten it from any other fast food restaurant
- Warned by employees first and didn't take action



# What went right?

- Called microbiologist, David Theno, to become their vice president of quality assurance and product safety within a few days of the outbreak
- Eventually took partial blame for the outbreak
- Replaced public relations firm with former press secretary Joseph (Jody) Powell to change reputation
- Compensated victims



# Strategies and SCCT

- Crisis falls under Coomb's 'accidental' category, because it was unintentional and happened during the course of normal organizational operations
- Strategies and Situational Crisis Communication Theory Concepts:
  - **Scapegoating** – Jack in the Box blamed different parties for the crisis including the FDA, meat supplier and the victims
  - **Excusing** – Claimed they were not in violation of the meat cooking standards from a federal standpoint, even though they violated the state laws
  - **Compensation** – Paid for all health bills associated



# Recommendations

# Recommendations for Managing Crisis More Effectively

- Hire someone like David Theno beforehand to ensure the safety of their food was guaranteed by both the FDA and Washington state standards
- Do not push blame to different parties until known cause for outbreak is released
- Approach media quickly with known facts to develop a positive relationship at the first sign of crisis
- Issue an apology to the public as soon as possible



# Crisis Response Strategies

- Evaluate reputational threat to crisis then develop appropriate response
- Use Coomb's "Rebuilding Posture" techniques to effectively combat the crisis
- Communicate to all stakeholders involved
  - Share relevant information with employees, stakeholders, consumers, victims, etc.
- Apology
  - Apologize to Jack in the Box victims immediately after hearing of E. coli outbreaks and be transparent with the media and victims
- Compensation
  - We agree with Jack in the Box's approach to paying for all medical bills associated with the E.coli outbreaks
  - We also support their donation of money to help with E. coli research





Where are they now?

# Current Standing

- As of 2000, Jack in the Box still hadn't recovered to pre-crisis sales revenue
- In 2005, they announced plans for a nationwide expansion by 2010
- Today, Jack in the Box has 2,200 locations catering to the west coast of the United States
- Operate in 21 states
- Revenue of 2.25 billion
- +22,000 employees
- Jack in the Box has not had an outbreak since 1993



# Discussion Questions

- What could Jack in the Box have done differently to lessen the overall impact of the E. coli crisis?
- Was Jack in the Box's response done in a routine manner?
  - Do you believe they were effective or ineffective?
- How would the E. coli crisis be different today with the influence of social media?
- What are some positive outcomes for the food industry that came from Jack in the Box's E. coli outbreak?

Questions?

# References

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