How to Transform Consumer 
Opinion when Disaster Strikes / The 2003 
Cadbury India Worm Infestation

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Executive Summary

How can a company regain consumer confidence when disaster strikes its product? In 2003, Cadbury India faced a media onslaught and plummeting sales brought on by reports of worms in some of its chocolate bars. Even though the problem was isolated to storage at the retail level (out of Cadbury’s direct control), the company needed to respond to the crisis, and fast.

Cadbury’s greatest challenge was a lack of experience in dealing with a public opinion crisis. Their first response was to identify core principles that would guide their actions moving forward: place the consumer first; always tell the truth; and dare greatly, act quickly. To help rebuild consumer confidence in product quality, Cadbury took the voluntary step to enhance their packaging to help prevent any further infestation. Cadbury also rolled out a comprehensive media campaign that promoted transparency and trust. Behind each of these actions was a committed and empowered local management team. Within 8 months, Cadbury’s sales returned to pre-crisis levels.

Companies in emerging markets are vulnerable to many forces outside their control such as natural disasters, political events, or breakdowns in the supply chain. Cadbury’s experience offers valuable insight regarding how to quickly and effectively mitigate such crises, and ultimately rebuild consumer confidence and trust.

Background

Cadbury began its operations in India in 1948, where today the company’s name has become synonymous with chocolate. Cadbury India (“Cadbury”) commands a 70% share in the Indian chocolate market, and is a significant player in the chocolate category. Thirty million bars of Cadbury Dairy Milk chocolate bars are bought every month. In June of 2003, Cadbury was the only multinational to be identified as one of India’s Best Managed Companies by Business Today ¹, and Business World ranked Cadbury among the Best Workplaces in India. Cadbury’s strong relationship with its customers seemed unshakeable.

In addition to Cadbury’s success with Indian consumers, the company was effectively meeting expectations in a rapidly developing global economy in the early 2000s. Despite a slowdown in the fast-moving consumer goods (FMCG) sector in India, Cadbury was among India’s fastest growing companies. In 2003, the company’s cumulative third quarter growth rate in value terms was 15.1%, and its underlying operating profits were up by 15%. Cadbury India was undergoing plans to become a major sourcing hub for Cadbury Schweppes and a supplier of chocolates to the entire Asia-Pacific region.

¹ http://archives.digitaltoday.in/businessstoday/20030706/features7.html
In October 2003, worms were reported to be in a few Cadbury Dairy Milk chocolate bars in Mumbai. Problems with infestation during storage occasionally can occur in the chocolate industry throughout the world, if the product is not stored in ideal conditions. To be clear, infestation, though unpleasant, is not a food safety risk. And although Cadbury provided its then 700,000 shopkeepers with metal dispensers and coolers to keep the chocolate stored properly, it was simply not possible to ensure all retail outlets were handling the chocolate well.

At the time, this issue was further exacerbated by a recent incident in the soft drink industry that had heightened consumer consciousness and skepticism of multinational companies (MNCs). In August 2003, an independent consumer organization, the Centre for Science and Environment, tested a batch of PepsiCo and Coca-Cola soft drinks, and reported dangerously high levels of pesticide. PepsiCo and Coca-Cola at first attempted to deny the allegations, but consumer groups and political parties had already effectively raised the bogey of the “greedy MNC.” Indian consumers are known to be highly reactive to any allegations of foul play by large corporate players. The idea that MNCs have different standards for emerging markets and that the water they use is impure and harming people spread like wildfire, and sales of soft drinks plummeted. The soft drink incident succeeded in making Indian consumers ever more careful and vigilant with their purchases; and the discovery of worm infestation in Cadbury chocolates two months later occurred in this environment.

Forcing Event

The Infestation is Discovered
It was the busiest month of the year: October 2003. India’s big “festival of lights,” Diwali, was approaching and Cadbury’s chocolate sales were expected to peak. Sales during the last festival, Raksha Bandhan, had been better than expected, and the anticipation in the air at Cadbury’s headquarters in south Mumbai was palpable. Fresh stocks of chocolate bars were being shipped out to 650,000 outlets across all of India.

The phone rang at 2:30 pm at Cadbury’s headquarters on October 3. It was a CNBC correspondent saying they had heard of infestation complaints being lodged with the Maharashtra Food and Drug Administration (FDA) and would like a statement from Cadbury. The FDA had announced to the media that based on consumer complaints it had
seized chocolate stocks, sent them for sampling, and was investigating Cadbury. The news was flashed on mobile phone networks, and CNBC was the first to carry the story. CNBC’s phone call to Cadbury was the company’s first news of the infestation. Cadbury had not heard anything directly from the FDA.

The Crisis Snowballs
The next morning, Cadbury made front-page news. The message across the media was clear: there were worms inside Cadbury chocolates. Over the next ten days, the media continued its onslaught; in three weeks, there were close to 1,000 adverse newspaper articles and about 120 TV clips in ten languages. The infestation incident became the subject of SMS jokes and warnings, cartoons and TV tickers. The tone of the coverage was extremely disparaging. The Cadbury team was not used to handling such an onslaught and did not know how to react. Was the infestation a stray incident, one that would receive momentary media attention and die out? Or would the negative press endure, shaking the company’s foundation?

Role of the Regulators
The interaction between the FDA and Cadbury during the incident was strained at best. Before the 2003 infestation, Cadbury’s relationship with the FDA was agreeable: all of Cadbury’s factories were certified and there had never been any food safety problems or complaints.

In October 2003, however, the FDA was riding the wave of public sentiment following the PepsiCo and Coca-Cola pesticide incident, and the local FDA Commissioner used the Cadbury infestation as another opportunity to be seen as a “savior of the masses.” The FDA authorities visited Cadbury’s factory in Thane, one storage depot and a few distributors, and froze stocks at the factory and depot. During the first two days immediately following the incident, the FDA Commissioner did not allow Cadbury’s team to meet him, although he continued to meet with the media. When Cadbury finally met him, the company was told that the laboratory reports would be available in two day’s time, but (again) the media was provided access to the report before Cadbury.

Three days later, the head FDA Minister visited Cadbury’s factory in Thane, along with a few media persons, and announced, “the hygienic conditions in the factory are more than satisfactory; it is impossible for infestation to occur during the manufacturing process.” When this was reported in the media, the crisis seemed to be over.

Suddenly, fresh cases of infestation were reported from the city of Nagpur in Maharashtra. The FDA Commissioner alleged that Cadbury was using political pressure on him to go easy. By the next day, the FDA Minister had changed his position, saying that it was not enough for hygiene to be observed only during manufacturing, and that Cadbury should accept responsibility for the storage of its products at the retail level as well.

Over the next month, FDA authorities continued to visit Cadbury’s factories in Thane and Induri, in the hope that they would find some evidence to strengthen a case against the
company under India’s Food Adulteration Act. Despite all their efforts, the FDA authorities never found a single cause for concern in any of the factories. Even though it was proven that the problem was isolated to the retail level (arguably out of the hands of Cadbury), the damage had been done.

**Impact on the Consumer**

The results of the widespread media coverage were instantaneous. In less than a week, sales volumes crashed by 30%. In the peak festival season, this was an unmitigated disaster. Cadbury quickly conducted a research survey among 200 consumers in 7 cities. It showed that consumers did not want to take a risk by buying Cadbury chocolates; 69% of consumers did not want their kids to buy it, 58% would not buy it for kids. The awareness of infestation was high in the states of Maharashtra and Kerala, and consumer behavior had been adversely affected in the cities of Mumbai, Kolkata and Cochin.

Politicians were also quick to capitalize on Cadbury’s vulnerability for political gain. On October 16, local members of a political party descended on the company headquarters with ink to throw on the walls, screaming anti-MNC, anti-Cadbury and anti-America\(^2\) slogans, all for the benefit of the media whom they had invited; and ultimately their consumer constituencies. Cadbury had been a part of the fabric of India for a very long time, so the anti-MNC sentiment was completely unexpected and left the company bewildered.

Within a few weeks of the initial incident, the perfect storm of media, regulators, and political parties had created an impression that each and every bar of Cadbury’s chocolate was infested. The damage to Cadbury’s public image was severe; Cadbury’s business and reputation were at stake, as was internal employee morale.

**Response**

In the first ten days after the news of the infestation broke, Cadbury was a beleaguered company, reacting to every media report and every action of the FDA.

After Cadbury’s meeting with the FDA Commissioner, the Cadbury leadership met with the media for the first time to explain the company’s position. Cadbury’s leadership team decided to embrace the truth about the infestation and understood from consumer research feedback that their message must be very clear. Cadbury therefore developed three key messages to respond to consumer concerns:

1. Infestation was a storage problem;
2. It was safe to eat Cadbury chocolates; and
3. Consumers must exercise the same care in purchasing a chocolate as they would when buying any food item.

\(^2\) In India then, people would sometimes erroneously equate all MNCs to America.
Cadbury identified its four basic stakeholders: the consumers, its employees, the media, and the government authorities (i.e. the FDA). Cadbury understood that the relationship with the FDA would improve easily because the company was strictly adhering to food safety laws. Attention from the media would also fade over time because the media would inevitably lose interest and find other stories to cover. Cadbury therefore needed to focus its efforts on improving employee morale (because employees are the best ambassadors for the company), and most importantly, winning back its consumers.

Dealing with the crisis required *internal as well as external* actions. Every step moving forward was focused on promoting Cadbury as a company you can trust.

**The Internal Response**

The Cadbury India leadership team decided it was necessary to lay down *three guiding principles* that would direct the company’s actions when tackling the crisis:

1. Consumer first
2. Truth always
3. Dare greatly, act quickly

Before addressing the consumer, however, it was essential for Cadbury to reinstate the belief of each and every employee in the company for which they worked. Letters from the Managing Director were sent out to all the employees. The doubts in the minds of the sales team were removed by asking them to go into their markets, buy chocolates worth up to Rs 1000 and see for themselves if any bars were infested. None of the sales people found infested chocolate bars and were thus able to convince themselves there was nothing wrong with their product and that Cadbury had nothing to hide. Furthermore, a series of town hall meetings were held with the senior managers and employees to ensure the employees were kept informed of the proactive steps being taken to manage the media, help the retailers, and ensure future occurrences of such incidents were kept to a minimum. Regular email updates were also used to communicate the senior management’s point of view and to ensure consistency of messaging.

**The External Response**

Cadbury’s external response to the crisis included changing the product packaging, implementing a comprehensive media campaign, and reaching out to its retailers.

During the crisis Cadbury monitored consumer opinion across the major cities regularly and identified four kinds of consumers:

1. Loyalists, who were staunch supporters of the brand in spite of the incident and its coverage;
2. Fence-sitters, in whose minds a basic trust in the brand existed, but some doubts had been raised;
3. Pseudo-rejectors, who were not sure of the Cadbury brand – sometimes defending, sometimes rejecting it; and
4. Rabid rejectors, those who had already judged and condemned the brand.
Managing the opinions of the latter three consumer segments required different actions and types of communication. The fence-sitters would need to be reassured; pseudo-rejectors needed tangible action for the doubts to be erased; and rabid rejectors required a combination of tangible action, increased transparency, reassurance from sources other than the company (i.e. the media), and of course, time. Cadbury believed the rabid rejectors to be the most crucial segment: if the company could turn their opinion around, the other segments would follow.

The first tangible action taken by Cadbury was to strengthen Cadbury Dairy Milk’s packaging. The packaging changes would reduce dependency on proper storage conditions as much as possible. Cadbury introduced “purity-sealed” packaging: an inner layer of foil with an outer metallic “flow wrap” for small packs of chocolate; and a reinforced heat-sealed polyfoil with an outer “band wrap” for the large packs. A purity-sealed logo was created and displayed on all wrappers and advertisements. The new purity-sealed packaging was launched in January 2004 and involved a significant investment of GBP 1.5 million. Furthermore, the new production process was implemented in an unprecedented eight weeks (instead of the usual six months).

Cadbury’s second important response to the crisis was the implementation of the Project Vishwas (“Project Trust”) campaign. The goal of Project Vishwas was to win back the confidence of the consumer. Retailers and consumers were reached nationally through the press advertisement, “Facts about Cadbury,” released in 55 publications in 11 languages. The advertisement presented facts about Cadbury’s manufacturing and storage facilities and highlighted corrective steps being taken by the company.

Cadbury also brought in a brand ambassador to reinforce the credibility that the company had demonstrated through its repackaging efforts. Amitabh Bachchan, a legendary Indian film star, was chosen (at a significant cost) because he embodied the values of Cadbury as a brand and connected with all of India: mothers, teenagers, children, media persons and business partners. In a consumer study, the Indian Prime Minister Atal Bihari Vajpayee and Amitabh Bachchan were found to be the two most credible people in India!

Bachchan announced Cadbury’s new packaging through a testimonial advertisement on TV called ‘Sincerity.’ Most importantly, the ad acknowledged and accepted the problem. Bachchan
spoke straight into the camera and described how he visited the Cadbury factory to first convince himself of the quality of Cadbury chocolates before agreeing to become a spokesperson. He then described the actions Cadbury had taken in introducing new packaging. A second TV advertisement ‘Charm’ showed Bachchan playing with his granddaughter, who is wary of eating the chocolate he offers her, stating she has heard there is “something in it.” Bachchan assures her of the safety of the product. The second advertisement also refused to skirt the issue, and dealt with infestation fears directly and honestly.

In addition to rolling out the Bachchan TV ads, a media conference was organized in Mumbai to launch the new packaging. This was followed with press conferences in cities worst affected by the crisis: Pune and Nagpur in Maharashtra and Cochin in Kerala. In these conferences, media persons were encouraged to compare the old and new packs with an innovative comparison kit and experience the significant changes in packaging first hand. An audio-visual message from Bachchan was beamed to build credibility and excitement. To advertise the new packaging in the city where the crisis began, Mumbai, Cadbury launched a school outreach program across 100 schools, using the platform of the Bournvita Quiz Contest (a popular children’s TV quiz show sponsored by Cadbury). Road shows were conducted across the states of Maharashtra and Kerala.

Given that much of the damage had come from television coverage, a video news release with packaging and factory shots was given to television channels to control the visual messaging. Simultaneously, senior Cadbury spokespersons continued with the Editor Outreach program that had been initiated in November 2003.

Cadbury’s third major response included the implementation of a retail monitoring and education program to address storage problems. Distributors and shopkeepers were supported with posters and leaflets to help improve their storage conditions as well as share Cadbury’s point-of-view with their customers. Cadbury also distributed more metal dispensers and coolers to its retailers. A response cell with a toll free number and e-mail was put in place to give shopkeepers a means to directly contact the company with any issues they faced. On the response cell’s first day, the unit received 158 calls and 60 emails. These actions helped reinforce the company’s commitment to quality and reaffirm retailers’ confidence and proper storage practices.

Finally, even as Cadbury was in the throes of the crisis, the company believed it was necessary to assure its consumers and retailers that it was business as usual at Cadbury. Cadbury increased its spending on all other chocolate brands (e.g. Perk, Five Star), and re-launched its chocolate product, Temptations.

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3 School Contact Program discontinued since 2006-07 basis Kraft Foods Policy on Marketing to Children
4 Refers to background briefing sessions between the company and editors to provide a perspective on the issue
Evaluation

As a result of the actions taken by Cadbury, there was significant upward movement in ratings amongst consumers on parameters like company image, responsiveness of the company, and intention to buy Cadbury chocolates. By June 2004, intention to consume and gift Cadbury had returned to pre-incident levels. Consumer confidence in the brand was back.

<table>
<thead>
<tr>
<th>Perception of ‘Cadbury’:</th>
<th>TIME AFTER THE CRISIS</th>
<th>+/- change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trusted company</td>
<td>39%</td>
<td>49%</td>
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<tr>
<td>Sells products of highest quality</td>
<td>47%</td>
<td>56%</td>
</tr>
<tr>
<td>Related to the infestation:</td>
<td></td>
<td></td>
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<tr>
<td>There is an issue with chocolates</td>
<td>83%</td>
<td>74%</td>
</tr>
<tr>
<td>Will stop consuming chocolates altogether</td>
<td>17%</td>
<td>12%</td>
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<tr>
<td>On steps taken by the company:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness of the steps taken by the company</td>
<td>31%</td>
<td>46%</td>
</tr>
<tr>
<td>Awareness of packaging change</td>
<td>32%</td>
<td>58%</td>
</tr>
<tr>
<td>Appropriateness of steps taken</td>
<td>--</td>
<td>86%</td>
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<tr>
<td>Behavioral change parameters:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willing to buy Cadbury Dairy Milk for their</td>
<td>42%</td>
<td>78%</td>
</tr>
<tr>
<td>children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention to purchase Cadbury Dairy Milk</td>
<td>--</td>
<td>80%</td>
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<tr>
<td>among those aware of the problem</td>
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</tbody>
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Ref: TNS track of consumer confidence on Cadbury in Mumbai, Delhi, Chennai, Lucknow and Kochi

When the new packaging was launched, a total of 378 newspaper articles in over 11 languages covered the new packaging. After the crisis, leading business magazine Business Today, which had described the incident as “an unedifying instance [of responding] to the worms crisis by pointing a finger at the dismal storage conditions at the retail level,” changed its stance. The article lauded the company’s efforts and concluded, “invariably, this [infestation] is the result of improper storage and handling at the level of the retailer … [Cadbury] can (and should) take heart from the fact that the media (and consumers) forgive and forget quite easily.” Media perceptions about the company had changed. Cadbury had recovered its reputation.

Several enduring changes were made in Cadbury India’s internal and external practices regarding food safety as well. Cadbury learned (the hard way) that being prepared for similar events in the future would be well worth the investment, and the company put in place a permanent media relations and Corporate Affairs Cell. Cadbury also increased the amount of engagement with its non-consumer stakeholders (i.e. government agencies, retailers, and the media). Prior to the crisis, Cadbury management thought that if the company was doing

5 http://archives.digitaltoday.in/businesstoday/20031109/edit.html
everything right regarding its manufacturing process, it didn’t need to engage proactively with its stakeholders.

All in all, was Cadbury simply lucky that its response to the worm infestation crisis worked out so well? Luck could have been a part of it. More likely, Cadbury’s commitment to honesty and the company’s tremendous investment (in terms of money and time) in the new packaging, media campaign, and retailer outreach program led to Cadbury’s success.

The primary challenge Cadbury faced was a lack of experience in knowing how to deal with the media onslaught and subsequent crisis in consumer confidence. Until October 2003, Cadbury was a low-profile company. Nobody thought in their wildest dreams that the consumer response to the 2003 infestation would become so big as to threaten the foundations of the company. Cadbury was comfortable in responding to the concerns of the government authorities because the company was confident in its food safety practices. Cadbury’s response to consumers, however, was developed through “learning by doing.” Because of the immediacy of the crisis, the Cadbury leadership team had to make quick and decisive actions; it had to “sink or swim.” The key decisions made by the leadership team were the commitment to honesty and the refusal to neither deny the worm infestation nor place blame solely on the retailers.

Behind the success of the concrete steps taken by Cadbury (i.e. rolling-out new packaging and the Project Vishwas media campaign) was a committed and empowered local leadership team. Decision-making was kept centered in India, and the Mumbai team only brought in individuals outside of India on an as-needed basis—regarding specific expertise or as sounding boards. Most importantly, Cadbury’s team understood that lessons learned and changes made during the crisis would benefit the company in the long run. According to Cadbury India’s Managing Director, “I always tell the team: it’s not about falling down, it’s about how you get up. Either we can fall down and blame the rest of the world, or we can say: everyone falls down, and we’ll get up and show people that we can run even faster now.”

Conclusion

The lessons learned in this case apply not only to agribusinesses, but to all companies doing business in emerging markets. Emerging markets are less structured and more chaotic, making it very difficult to fully control the supply chain. To address crises effectively when they arise, companies should follow shared guiding principles such as: Consumer first; Truth always; and Dare greatly, act quickly. Tangible actions must be taken to demonstrate the company’s commitment to solving the problem, as illustrated in the success of Cadbury’s new packaging and Project Vishwas media campaign. It is also important for the local team to be empowered. Local team members are the best judges of what should happen and their decisions must be supported by readily available capital from company headquarters. Ultimately, people make the difference.