

Jack in the Box—Recovering from a Mega-Crisis*

Earlier in the chapter, we stated that one definition of a crisis was any event that jeopardizes the existence of an organization. Jack in the Box Inc. is an appropriate example of “how not to” and “how to” handle a crisis of this magnitude. In this case, we will look at a brief profile of the company and how the company handled a major crisis both initially and over the longer term.

In 1951, Robert O. Peterson, the owner of a chain of successful local restaurants, developed a drive-through restaurant called Jack in the Box. Located primarily in California, Texas, and Arizona, Jack in the Box restaurants featured a smiling clown named Jack, who greeted motorists ordering through a two-way speaker device encased inside Jack’s head.

During the early years, Jack in the Box business operations were conducted under various names and structures, including Foodmaker, Inc. In 1968, Jack in the Box was acquired by the Ralston Purina Company as a wholly owned subsidiary. Jack in the Box’s management performed a leveraged buyout in 1985, and the company went public 2 years later with a common stock offering of 4.6 million shares.

In late 1988, Jack in the Box management took the company private once again. The company initiated a recapitalization program in 1992 and went public with a common stock offering of 17.2 million shares.

In October 1999, the company changed its name from Foodmaker, Inc., to Jack in the Box Inc. The company’s NYSE stock ticker symbol also changed from FM to JBX. On the first day of trading under the company’s new name, Jack, the company’s fictional founder, rang the closing bell at the New York Stock Exchange.

Known as a trendsetter and innovator, Jack in the Box has created some of the most powerful ideas and distinctive menu items in the quick-serve industry. It introduced the industry’s first breakfast sandwich as well as the first prepackaged portable salad.

Today, Jack in the Box tailors its menu primarily to adult tastes and features one of the most varied and high-quality menus in the fast-food industry. The company continues to explore new food trends, including ethnic and regional foods, snacks, and healthy offerings—all aimed at satisfying changing consumer demands.

In 1993, a major crisis hit Jack in the Box. Hamburger meat was contaminated with the bacteria *E. coli*, resulting in over 600 Jack in the Box customers becoming ill and three deaths. In handling this crisis, Jack in the Box made a number of mistakes, including moving too slowly to recall the product and not managing the company’s reputation with the media and consumers.

*Information derived from www.jackinthebox.com/pressroom/index.php?section=6.

Further, Jack in the Box initially and perhaps inadvertently tried to blame its supplier (a scapegoat) rather than address the problem. After these initial mistakes, Jack in the Box did a number of things to handle the crisis much better. First, it agreed to pay all medical bills without question. And second, after the loss of customers and revenues, it instituted a new recovery plan to win back the consumers' and investors' confidence.*

In 1994, Jack in the Box implemented the fast-food industry's first comprehensive Hazard Analysis & Critical Control Points (HACCP) system for managing food safety and quality "from farm to fork." This HACCP system includes a microbial meat-testing program, as well as a series of inspections that monitor restaurant activities daily to ensure safe food.**

Then, in 1995, Jack in the Box turned to marketing to help reintroduce itself and target a new market segment. In January of that year, Jack was reintroduced as the company founder, "spokesman," and icon in a new advertising and marketing campaign. Targeted at young adult males, the ads help build brand awareness and showcase product initiatives. Independent consumer research shows that the Jack ad campaign is more memorable than ads of competitors who have a greater share-of-voice. Nearly 4 years after the campaign launch, consumer research confirmed that the ads were still considered fresh and memorable. Furthermore, consumer research found that they are highly effective and have been successful in building brand equity for Jack in the Box restaurants.

In his bid for the White House during the 1996 presidential elections Jack was the top vote-getter in a national independent Virtual Vote poll, beating out Bill Clinton, Bob Dole, and Dogbert (a popular cartoon character).

Over 11 million antenna balls in Jack's likeness were sold in 5 years. In the ad campaign, the balls act as Jack's sales force in the field, promoting the Sourdough Jack burger to fast-food lovers everywhere.

Although the company is now considered the industry leader in food safety, Jack in the Box continues to support tougher legislation to mandate food safety systems throughout the industry. Company executives have testified before state legislative committees, the U.S. Department of Agriculture and other food industry organizations in support of state and national laws aimed at enhancing the safety of the nation's meat supply.

The company also partners with national consumer organizations to educate the public about the best techniques families can use to protect themselves against food poisoning, since most outbreaks occur in the home.

All Jack in the Box restaurant management personnel go through ServSafe®, a rigorous nationally recognized food safety training and certification program. Jack in the Box is a member of the Industry Council on Food Safety, a coalition of the National Restaurant Association charged with

*From www.foodquality.com/jjcov99.html.

**Colorado State University Cooperative Extension, "Safe Food Rapid Response Network" *Safe Food News* 1, no. 3 (Spring 1997).

demonstrating the industry's commitment to safe food service through food safety training.

Jack in the Box has completed a dramatic turnaround from both the consumer's and financial communities' perspectives. As many articles have recently stated: "Jack is back."

Case Discussion Questions

1. Make a list of what you believe would be the top five crises a fast-food chain might encounter.
2. What steps would you take to train your employees to deal with a major crisis?