

# **Why was the Snow polluted?**

—A blind spot for the Japanese top milk product company, Snow Brand—

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## **I. Introduction**

Tetsuro Ishikawa, the president of Snow Brand at that time, had to raise his voice. He shouted at the Osaka Plant manager at the press conference. “You, is that true?”

On July 1, 2000, Snow Brand Milk Products Co. Ltd., the top company in the Japanese milk product industry, held its 4<sup>th</sup> press conference about the food poisoning it caused on June 27th. This was President Ishikawa’s first appearance in public and he apologized for the failure along with accounting for the cause. He mentioned part of the production process was contaminated with the *Staphylococcus aureus* toxin but the reason for it was unclear. However, on the occasion, the Osaka Plant manager exposed the fact that contamination was due to the negligence of routine cleaning which had already been found on June 29th, two days after the poisoning happened. Neither the president nor the public relations manager who attended the press conference knew about the larger picture or the incident.

## **II. History of Snow Brand**

Snow Brand started in 1925 as a sales guild for dairy products in Hokkaido, the northernmost part of Japan. A big earthquake occurred two years before, in 1923, and it led to a supply shortage, and a large amount of foreign-made dairy products flowed into Japan due to the abolishment of tariffs by the Government. The origin of Snow Brand was to help dairy farmers in Hokkaido suffering from a fall in milk prices to become independent. Snow Brand’s crystal mark (logo), a logo familiar to the Japanese public was designed in 1926. The mark symbolizes

stark white and purity, and the Pole Star in the center of the mark signifies Hokkaido. Torizo Korosawa, one of Snow Brand's founders, advocated *Kendo-Kenmin*, which means dairy fertilizes earth and enriches people. This "spirit of establishment" has been the base of the corporate philosophy of Snow Brand.

After several changes to its name and organization, Snow Brand Milk Products Co., Ltd. was incorporated in 1950 and its business grew. However, Snow Brand caused a serious food-poisoning case in 1955. Over 1,900 students in nine elementary schools in Tokyo came down with food poisoning after drinking skim milk made at Snow Brand's Yakumo Plant in Hokkaido. Hemolytic staphylococcus was breeding in a portion of fresh milk made at the Yakumo Plant where germicidal treatment had been held up because of mechanical troubles and a power outage. Snow Brand's employees' response to the food poisoning was prompt and appropriate. Mitsugi Sato, the president at the time, immediately directed employees to stop distribution and ordered a recall of the products, published an apology in the newspapers, and took the lead in an investigation into the causes at the plant. In addition, he made apology visits to many of those who had been poisoned, to business partners, and to the dairy farmers. Other plants were also rechecked and drastic measures for preventing a recurrence of food poisoning were worked out. For example, departmental self-dependence of hygiene management and examination and reinforcement of the inspection process were implemented. Sato issued a document titled as "Announcement to all employees" regarding the Yakumo case and distributed it to all employees. It included these statements, "It takes long time to gain credit and no time to

lose it. Additionally, we cannot buy credit” (Sankei Shimbun Shuzihan, 2002, p. 44) and “It is only quality improvement that can result in regaining the honor lost due to quality contamination” (Sankei Shimbun Shuzihan, 2002, p. 45). It was also handed out to new employees from 1956 until 1985 during their hygienic management training.

After the food poisoning incident, Snow Brand afterwards started to pursue quality and credibility by developing technical capabilities and expansion of its plants by bringing the nationwide market into view. However, it also resulted in increasing the distance between Snow Brand and dairy farmers in Hokkaido who had been working together toward the progress of dairy food product manufacturing in Hokkaido. Before the 1960s in Japan, sales outlets of dairy food manufacturers that offered home delivery service supported the milk industry since milk is perishable and could not suitably be shipped in the distribution channel like other common foods. When Snow Brand expanded its market nationwide, its competitors had already set up their distribution networks. Snow Brand’s weak distribution network allowed it to ride the wave of marketing revolution by moving into supermarkets without disturbing the existing distribution channels. By taking the largest share in the supermarket and convenience store channels, combined with technological advancements, Snow Brand became the leading company in the market. Specifically, the outstanding technology of Snow Brand generated high-quality dairy food products and it succeeded in building an excellent brand image along with the perception of snow’s purity and fertile farmland in Hokkaido. Snow Brand remained at the top of the dairy food product industry for years. Nevertheless, the company had to deal with price competition,

international trends toward free trade, and increased demand for freshness by consumers.

### **III. Milk in the Japanese Market**

Milk has a special status in the Japanese product market. Because of its historical and social background, people from various age groups drink milk on a daily basis. Many consumers believe that milk is nutritious and healthy (Milk Museum, 2004). At the time of the food poisoning incident by Snow Brand, consumers did not imagine that milk could be bad for them.

Milk was introduced in Japan in the 7<sup>th</sup> century. Since only the aristocracy drank milk mainly for medical purposes, milk did not appear in the Japanese mass market till 1863. In 1871, the media reported that the Emperor drank milk twice a day; therefore, drinking milk became popular. In 1954, after World War II, the school lunch program was officially regulated by the government. Most Japanese children suffered from malnutrition at the time. Based on this program, all children in mandatory education schools were provided with lunches. The Japanese government included powdered milk into the school lunch program, provided by the U.S. government. In 1963, the school lunch program now included real daily milk and it became the fundamental drink for all children. The product volume of milk increased by 1,822% between 1948 and 1964. After they graduated from their mandatory schools, they continued to drink milk at home to maintain a healthy and balanced diet. The consumer milk market increased. The Japanese government also encouraged drinking milk by protecting the milk industry (Milk

Museum, 2004). In 1985, product volumes of milk exceeded 4 million kilolitre, and then it grew to 5 million kilolitre in 1994 (The Ministry of Agriculture, Forestry and Fisheries of Japan, 2003). (See Figure 1). After that, as demands for milk based on the school lunch program declined because of low birthrates, the product volume was decreased. However, in the 20<sup>th</sup> century, many people still include milk in their dairy diet (Milk Museum, January 1, 2004).

#### **IV. Sequence of the food poisoning event**

The Snow Brand Company received the first report about food poisoning on the morning of June 27, 2000. The West Japan Branch got a phone call from a consumer whose children showed significant symptoms after they drank Snow Brand's low-fat milk at dinner on June 26<sup>th</sup>. An employee of the company immediately visited the consumer's house and asked several questions. The employee did not think that Snow Brand's Milk was the source of the children's symptoms. He told the consumer that the company had received no similar reports. However, the employee, just in case, took the remaining milk cartons from the house to have them inspected (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

Osaka City Hall also received several reports from local public health centers about food poisoning symptoms, which were possibly caused by Snow Brand's low-fat milk. Based on a previous experience with a food poisoning outbreak caused by O-157 bacteria in 1996, officials from City Hall responded to the situation promptly and conducted an on-site investigation at

Snow Brand's Osaka plant on the afternoon of June 28<sup>th</sup>. While conducting their inspection, City Hall continued to receive complaints from consumers about possible food poisoning from Snow Brand Milk. At 11 p.m. on June 28<sup>th</sup>, employees at Osaka City Hall asked a representative of the Snow Brand West Japan Branch to conduct a recall of its products and make a public announcement to tell consumers about the food poisoning immediately; however, the Osaka plant manager thought that seven complaints out of hundreds of thousands of products was usual. He believed that a public announcement would just confuse the consumers (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

On the 28<sup>th</sup>, Snow Brand also held a general stockholder meeting at its headquarters in Sapporo, with the executives and many of the directors at this meeting. They were not told about the possible food poisoning and the inspection of the Osaka plant by Osaka City Hall until 1 a.m. on June 29<sup>th</sup>. At 8 a.m., Snow Brand's executives finally decided to voluntarily recall the products in Western Japan, but did not make a public announcement. Tetsuro Ishikawa, the president of Snow Brand who used to be the financial director of the company, was informed about the recall one hour later. After the stockholder meeting, Ishikawa visited several stockholders in Sapporo; therefore, he was not included in the decision making process. When the decision to make a public announcement was made, it was already 2 p.m..

At 4 p.m., Osaka City Hall held a press conference to report the food poisoning by Snow Brand's Milk. At 9:45 p.m., the general manager of the Snow Brand West Japan Branch called a press conference to explain its product recall. Approximately 58 hours had passed since the first

phone call reached Snow Brand (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

On July 1st, the number of food poisoning cases had risen to 6,121 in eight of the 47 prefectures (a prefecture is similar to one state in the United States.) in Western Japan. Snow Brand Milk Products Company held two press conferences on July 1<sup>st</sup>, 2000. The president, Ishikawa, attended the second press conference along with the Osaka plant manager to apologize to the public. In that conference, the plant manager disclosed that there were contaminants in the valves of the milk products line when the equipment was checked on June 29th. Ishikawa shouted at him, “Is that true?” The director of the public relations department also shouted at the plant manager in a loud voice, “Is it a fact or your guess?” Moreover, the contamination of the valves for the milk products line was confirmed before the first press conference that day: however, that fact was not reported at the conference. The Osaka plant was shut down the same day (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

On July 4th, the number of cases reported was 9,394. Snow Brand published its official announcement in newspapers, but the manufacture date of possible poisoned products was mistakenly reported in the announcement. In another press conference held on the 4<sup>th</sup> where a managing director replied to the questions about that mistake about the product date. “There is chaos in the company. It is very difficult to manage accurate information.” In addition, it was found that two other milk products caused the food poisoning as well. First, Snow Brand denied that, but the inspection by Osaka City Hall confirmed the product lines for those two products

were contaminated. Osaka City Hall ordered Snow Brand to recall those two products and strongly recommended a voluntary recall of all of the products, 56 items, produced at the Osaka plant. During the press conference, media reporters asked Ishikawa many questions. He replied saying, “I do not know details about the manufacturing. I feel displeased because information did not reach me.” Then, finally, Ishikawa shouted at the reporters, “I have not slept!!” His comments were aired on nationwide television (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

Osaka Prefecture Police conducted an investigation on the grounds of professional negligence resulting in food poisoning. A police executive commented, “Each person at Snow Brand told a different story. It seems that they do not share information among the plant, the branch and the headquarters. Accurate information from the production front-line may not be reported to the executives” (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

On July 5th, the number of cases finally exceeded 10,000. The next day, Ishikawa announced his resignation. During the press conference, he said, “I sincerely apologize that Snow Brand jeopardized its consumers and society,” and “this incident happened because of our overconfidence in our policy and product quality.” Ishikawa replied to the questions about the crisis management of Snow Brand by saying, “We have a crisis management manual, but in reality, it was difficult to follow the situation based on the manual.” He also admitted that part of the reason may have been due to the company’s conceit as the top selling brand. On the other

hand, he insisted that the problem was only at the Osaka plant, and did not affect all Snow Brand plants and products. Ishikawa asserted, “We are sure about the quality of our other products” (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

On July 10th, however, Osaka City Hall confirmed that Snow Brand’s Osaka plant recycled its returned and outdated products to manufacture new products. Although technically this practice was not the source of the food poisoning, this finding damaged the entire image of Snow Brand’s products (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

On July 11th, at 11 p.m., Snow Brand announced its decision to voluntarily shut down its 21 plants nationwide. In dual press conferences, originally scheduled for 5p.m. and conducted at 11 p.m. at the Western Japan Branch and Snow Brand headquarters in Tokyo (Hokkaido Shimbun Shuzaihan, 2002), reporters’ questions were answered. However, at the conference in the West Japan Branch, a spokesperson from Snow Brand replied to questions suggesting that reporters ask for details from the headquarters in Tokyo. On the other hand, at the Tokyo headquarters’ conference, a spokesperson suggested that reporters ask for details from the Western Japan Branch. Criticism by the media heated up because of Snow Brand’s disorganized media relations (Ono, 2001).

In addition, since the media could not get a timely response from the company or even fundamental explanation, the reporters tried to collect information from other sources, such as those who had been poisoned, Osaka City Hall or the Osaka Prefecture Police. Both accurate and inaccurate information was reported by the media and led to employee confusion regarding the

internal communication from the company (Ono, 2001). As a result, the employees of Snow Brand did not have the same level of information as the consumers, retailers and media (Takahashi, 2000). The tone of media coverage changed. It became sloppy, careless and insincere. The media started to report the organizational problems of the company, not just the technical mistakes of the company (Ono, 2001).

On August 4th, Kouhei Nishi, who had worked in the company's sales department, became the president. In a press conference, he explained the company's rebuilding plan. Nishi used a different approach with the media and included many visual aids to explain the plans well to the media (Sankei Shimbun Shuzihan, 2002).

Despite Snow Brand's hopes, on August 18th, Osaka City Hall pointed out that one of the sources of the food poisoning came from the Taiki plant in Hokkaido. City Hall officials concluded that the contaminated milk products were manufactured with powdered milk made at the Taiki plant. The Taiki plant was the flagship plant of Snow Brand. The next day, the Hokkaido government conducted an on-site inspection of the Taiki plant. The inspectors found that there was an electric power outage accident on March 31st, 2000, because freezing snow fell on the electric powerhouse for the plant. During the electric outage, raw milk material for the powdered skim milk remained on the line for three hours. At the time, staphylococcus aureus bacteria proliferated, and enterotoxin grew in the milk. However, the plant produced powdered milk as usual after the electric outage. Although plant workers found that the high bacterial count exceeded the company's own safety standards during the quality examination, the plant

employees shipped the powdered milk to the Osaka plant. It is common knowledge for someone who has studied food sanitation that staphylococcus aureus bacteria could proliferate during an electric outage in food plants, but the staff of the Taiki plant had not realized that risky connection between the electric outage and the proliferation of staphylococcus aureus bacteria until the Hokkaido government and the Hokkaido Prefecture Police confirmed the linkage. On August 23rd, Snow Brand held a press conference and admitted the contamination of the powdered milk made in the Taiki plant. Hokkaido Prefecture Police had started an investigation of the Taiki plant on the grounds of professional negligence resulting in milk poisoning (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzaihan, 2002).

On September 26th, Snow Brand submitted its business reconstruction plan, but the company was forced to revise the plan several times. Snow Brand's fiscal earnings were expected to show a deficit on March 31, 2001. The number of food poisoning cases was 13,000 in 15 prefectures. Snow Brand's milk poisoning incident was recorded as the worst case of food poisoning in Japanese history (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzaihan, 2002). (See Chart 1, Figure 2.)

## **V. Problems**

### **Business problem – Snow Brand as a gigantic top brand**

Snow Brand was a giant in the Japanese Milk Product Market. Although the market was

very competitive, the brand image of Snow Brand was well established, and it strongly supported the company's sales. The brand image was composed of two main factors, a high level of manufacturing control process and its birthplace, Hokkaido.

Marketing research shows Snow Brand's high level of manufacturing control processes. The product blind recall survey by Hokuren, which is an association of Hokkaido Agricultural Cooperatives, indicated that Snow Brand placed second in any area in Japan. In each area, the first place company varied, but Snow Brand always came in second. A director of Hokuren pointed out that this stability was the strength of Snow Brand. He insisted that it was very hard for the milk product companies to provide such a high quality product in such a wide area. An executive of Meiji, one of Snow Brand's competitors, observed that 70% of respondents in a marketing survey indicated that Snow Brand Milk was the best when they knew the products' name. On the other hand, 70% of respondents indicated that the Meiji product as the best when they did not know the products' name (Sankei Shimbun Shuzihan, 2002).

Another component of Snow Brand's strong brand equity was its birthplace, Hokkaido. In contemporary Japanese society, Hokkaido is regarded as a beautiful, broad, exotic northern place, which is one of the largest Japanese islands. Hokkaido was famous for its agriculture and fisheries. Hokkaido is also a very popular destination for domestic tourists. Like Florida in the United States, Hokkaido has a high recognition factor. Since the livestock industry is one of the representative industries of Hokkaido, milk products made in Hokkaido or the companies from Hokkaido are attractive to consumers in nationwide markets. As explained in the previous section,

Snow Brand was born in Hokkaido, and that fact is widely recognized by consumers. Snow Brand utilized the brand equity of Hokkaido well to strengthen its marketing position.

Snow Brand became a giant brand; however, the company suffered from several problems because of its strong brand equity.

### *Competition as a top brand*

Snow Brand owned its distribution company and earned a good reputation through good responses and flexibility in the market. Utilizing that distribution system, Snow Brand established its channels in supermarkets (Kaneda, 2000). In the 1970s, milk products companies jumped into tough competition to gain shares of distribution channels in supermarkets, when the number of supermarkets bloomed. After successfully winning the competition, Snow Brand rapidly increased its sales. In 1996, the share of distribution channels for milk products held by Snow Brand were 82.3% for supermarkets, 8.6% for retailers which mainly delivered products door to door, and 9.1% for school lunch programs. Among the top three makers of milk products, Snow Brand, Meiji and Morinaga, Snow Brand was slightly higher in terms of sales volume supported by their sales in supermarkets. On the other hand, maintaining its share of sales in price competitive mass merchandise channels put a lot of pressures on Snow Brand. It is necessary for manufacturers to keep providing enormous volume of products and discounting the trade price to maintain an advantage over the competition. Without following a low margin, high volume policy, Snow Brand could not maintain its share on shelves at supermarkets. This policy overwhelmed

the production process. In 1999, Snow Brand fell into second place in the milk market. It was the first time in history for Snow Brand to be beaten by its competitors. Snow Brand became very aggressive in order to regain to the top position, and the quality control was gradually forgotten (Hokkaido Shimbun Shuzaihan, 2002; Sankei Shimbun Shuzihan, 2002).

### *Inertia at the top*

In 1999, Snow Brand was the largest milk product company in the industry with 6,678 employees. Snow Brand had been the long-term defending champion in the market, even though the competition was tough (Inoshita, & Hasegawa, 2000). This may have fueled overly optimistic thinking among its employees regarding the business. Many of the employees were aware of the company's history, but did not understand the challenge of starting a business in the market. They just knew their company was a strong establishment with a beautiful brand image and well-known products. Arrogance in the company could be one of the reasons why Snow Brand ignored the most fundamental rules for food product safety (Sankei Shimbun Shuzihan, 2002).

## **Communication problem**

### *Physical factors*

It is said that the delay of the initial response to this milk poisoning was due to the absence of executives who were attending a shareholder's meeting in Sapporo (the capital of Hokkaido) on June 28th, the day after the occurrence of the event. According to the Public Communication

Division, at that time, Snow Brand had four branches (Hokkaido, Eastern Japan, Central Japan, and Western Japan) and six regional offices (Hokkaido, Tohoku, Kanto, Chubu, Kansai, and Kyushu) belonging to each branch. For instance, the Western branch contained two regional offices (Kansai and Kyushu) and two quality assurance centers (Kansai and Kyushu); moreover, the Kansai regional office had area marketing and sales divisions with respect to each market: milk, dairy food, frozen food, ice cream, and baby food. Each regional office had a customer service division responsible for certain areas. At the time of the incident, information channels were extremely complicated within the company. An official at the Osaka City Public Health Office stated that, “We couldn’t understand which office was in charge because of getting faxes from both the Tokyo headquarters and the Western Branch” (Inoshita & Hasegawa, 2000, p. 63). Takafumi Isomura, Mayor of Osaka City at that time, complained that Snow Brand’s announcements were incoherent (Hokkaido Shinbun Shuzaihan, 2002). For example, when the press required Snow Brand to hold a news conference, the responses of Snow Brand were: “We can’t figure out whether the skim milk was made in the Taiki Plant (Tokyo headquarters)” or “We cannot deal with the issue of Taiki Plant since it is under the control of the dairy production division at the Tokyo headquarters (Western Branch)” (Sankei Shimbun Shuzihon, 2002, p. 23). When the president of Snow Brand at the time, Tetsuro Ishikawa, was informed of the valve contamination in the Osaka Plant at the press conference, this was clear evidence of the confusion in the information channels. (See Figure 3. Figure 4).

### *Structural factors*

Generally in Japan, personnel are moved between divisions every two to four years in order to foster executive trainees as generalists in business. The Japanese tradition of lifelong employment allows for this rotation system. For example, it is not unusual for cadres to transfer from sales to public relations, and then to the legal section. New recruits who are expected to be executives in the future are also required to train for approximately six months, which allows them to understand the overall business. For instance, a newspaper writer would receive on-the-job training and would be expected to deliver the newspaper. In this way, cadres get to grasp their company's main and related business, to share the basic knowledge about them, and to build a personal connection for information exchange within their organization. This rotation system contributed to the high growth of Japanese companies after World War II. However, this system has disadvantages. It is difficult to train specialists and thus the management cannot obtain professional advice (Inoue, 2003). Therefore some Japanese firms have begun to train professionals due to the competition in the global market. At Snow Brand, according to a former employee, personnel exchanges between different departments were seldom done because of the rationale that the staff should display its originality in each profession (Sankei Shimbun Shuzaihan, 2002). This may result in overvalue of an employees' profession, ignorance of their outside domain within the company, and loss of organizational flexibility. While generalist-oriented personnel strategy anticipates sharing information through experience and networking, specialist-oriented strategy needs more internal communication, such as training,

education, and information exchange, for figuring out the organization and sharing of knowledge and information.

Some point out the lack of the sales experience of President Ishikawa, whose only experience was in financial affairs, as the reason for a sequence of failures in response to the food poisoning. In 1986, Snow Brand also stopped the tradition of handing out Sato's "Announcement to all employees" to new-comers. Consequently, "the lessons of Yakumo" were not utilized and all of Snow Brand's employees became overconfident and dependent on technology. After the 2000 food poisoning incident, Snow Brand decided to start dairy practical training for new employees because it realized that employees needed to have basic knowledge related to hygiene management and production processes (Sankei Shimbun Shuzaihan, 2002).

### *Cultural factors*

The fundamental causes of the food poisoning incident were that the plant manager and manufacturing chief in the Taiki Plant did not follow basic food safety rules established by the company and shirked the responsibility of disposing of the tainted dry milk. This led to the reuse of the tainted dry milk, covering-up of the facts, and intentional record alteration. The media leveled accusations against Snow Brand for its lack of flexibility due to its corporate culture. Favors were exchanged between the employees to improve their communication. The lack of flexibility and the exchanging of favors which created a better working environment may be related to Japanese general cultural aspects, such as collectivism, high levels of Uncertainty

Avoidance, tendency of large Power Distance and emphasis on harmonization (Hofstede, 2001). Then, emphasizing of using non-verbal communication, people encouraged maintaining harmonious interpersonal relations and group solidarity and discouraged self-assertions (Japan: An Illustrated Encyclopedia, 1996). Warnings, concerns, or negative comments against the organization are perceived as a violation of harmonization, and this superior manner results in organizational inflexibility. The behavior of the staff in the Taiki Plant previously mentioned can be considered part of uncertainty avoidance. Favor exchanging is what has become of collectivism where a group is given priority to an individual. Although they normally do not emerge, these organizational dispositions of Snow Brand seriously affect its business once a problem happens.

It would be fair to say that the food poisoning would not have spread and the number of people poisoned could have been minimized if Snow Brand's communication process worked. What were the fundamental mistakes in terms of its communication? What kind of organizational culture should the company have? What did the company not prepare for the crisis?

## **VI. Questions**

1. Were there any mistakes in Snow Brand's reaction to the first phone call on June 27th? If so, what were they?
2. What were some of the main mistakes that Snow Brand made in preparation for its public announcements?
3. Why was Snow Brand unable to hold successful press conferences?
4. What were some of the problems caused by the behavior of Snow Brand's executives?
5. What were Snow Brand's failures in terms of media relations?
6. Based on the five crisis stages that are detection, prevention/preparation, containment, recovery, and learning (Fearn-Banks, 2002), what should Snow Brand have done with regard to the incident and what should it do in the future?

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## **Appendix**

Chart 1: Sequence of the food poisoning event

Figure 1: Drinking Milk Product Volume

Figure 2: Snow Brand Stock Price & Volume

Figure 3: Snow Brand Organizational Structure

Figure 4: Japan Map

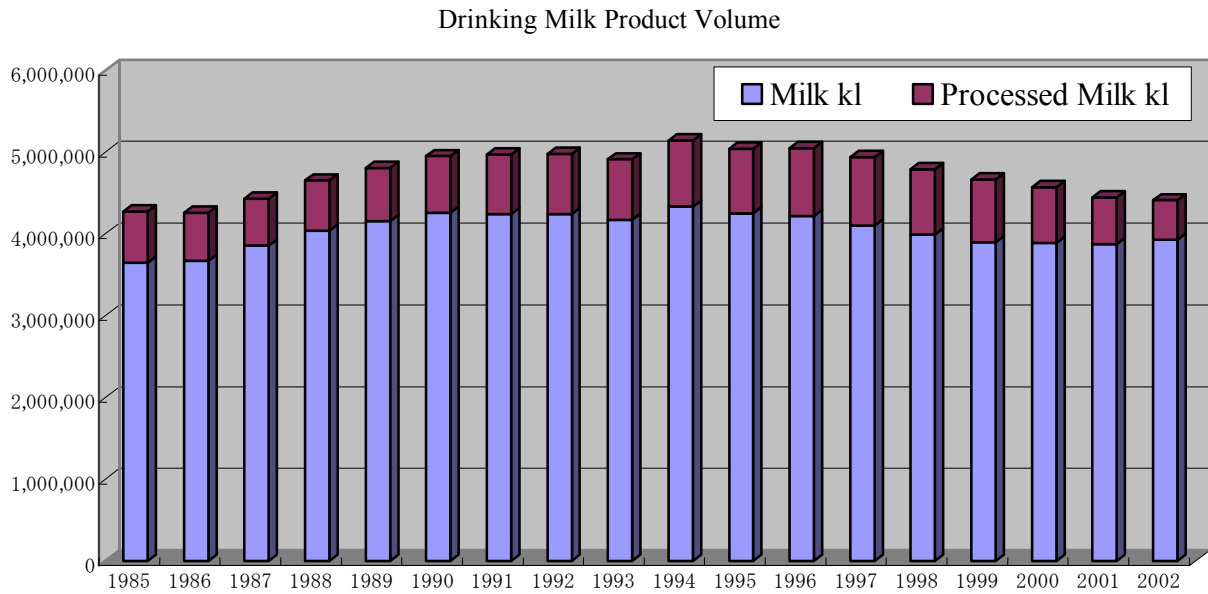
Figure 5: Financial Highlights (Consolidated)--Snow Brand Milk Products Co.,  
Ltd., and its Consolidated Subsidiaries

**Chart 1: Sequence of the food poisoning event**

<b>June 27</b>	a.m.	<ul style="list-style-type: none"> <li>● First phone call from a victim’s family reached Snow Brand West Japan Branch</li> <li>● Osaka City Hall received several reports about food poisoning</li> </ul>
<b>June 28</b>	a.m.	<ul style="list-style-type: none"> <li>● Snow Brand general stockholders meeting at Sapporo, Hokkaido</li> </ul>
	p.m. evening	<ul style="list-style-type: none"> <li>● On-site investigation of Osaka plant by Osaka City Hall</li> <li>● Osaka City Hall asked Snow Brand to conduct a recall</li> </ul>
<b>June 29</b>	8 a.m.	<ul style="list-style-type: none"> <li>● The recall of the production was decided in Sapporo</li> </ul>
	2 p.m.	<ul style="list-style-type: none"> <li>● Executives decide to make a public announcement</li> </ul>
	4 p.m.	<ul style="list-style-type: none"> <li>● Press conference by Osaka City Hall to report the food poisoning case of Snow Brand</li> </ul>
	9:45 p.m.	<ul style="list-style-type: none"> <li>● Press conference by Snow Brand West Japan Branch</li> </ul>
<b>July 1</b>	a.m.	<ul style="list-style-type: none"> <li>● Snow Brand confirmed the existence of contaminated valve in Osaka plant on June 29, but did not report it at the first press conference.</li> </ul>
	p.m.	<ul style="list-style-type: none"> <li>● The CEO, Ishikawa, attended the second press conference of the day.</li> <li>● Osaka Plant was shut down</li> <li>● 6,121 victims were reported</li> </ul>
<b>July 4</b>		<ul style="list-style-type: none"> <li>● Snow Brand published an official announcement in the newspapers</li> <li>● All products made by the Osaka plant were recalled</li> <li>● 9,394 victims were reported</li> </ul>
<b>July 5</b>		<ul style="list-style-type: none"> <li>● Number of victims exceeded 10,000</li> </ul>
<b>July 6</b>		<ul style="list-style-type: none"> <li>● The CEO, Ishikawa, resigned</li> </ul>
<b>July 11</b>		<ul style="list-style-type: none"> <li>● Snow Brand announced 21 plants nationwide were shut down</li> </ul>
<b>Aug. 4</b>		<ul style="list-style-type: none"> <li>● The new CEO, Nishi, takes over. He held a press conference and explained the rebuilding plan of the company</li> </ul>
<b>Aug. 18</b>		<ul style="list-style-type: none"> <li>● Taiki plant in Hokkaido was pointed out as one source for food poisoning</li> </ul>
<b>Aug. 19</b>		<ul style="list-style-type: none"> <li>● Hokkaido government and Prefecture police conducted an on-site investigation of Taiki plant</li> </ul>

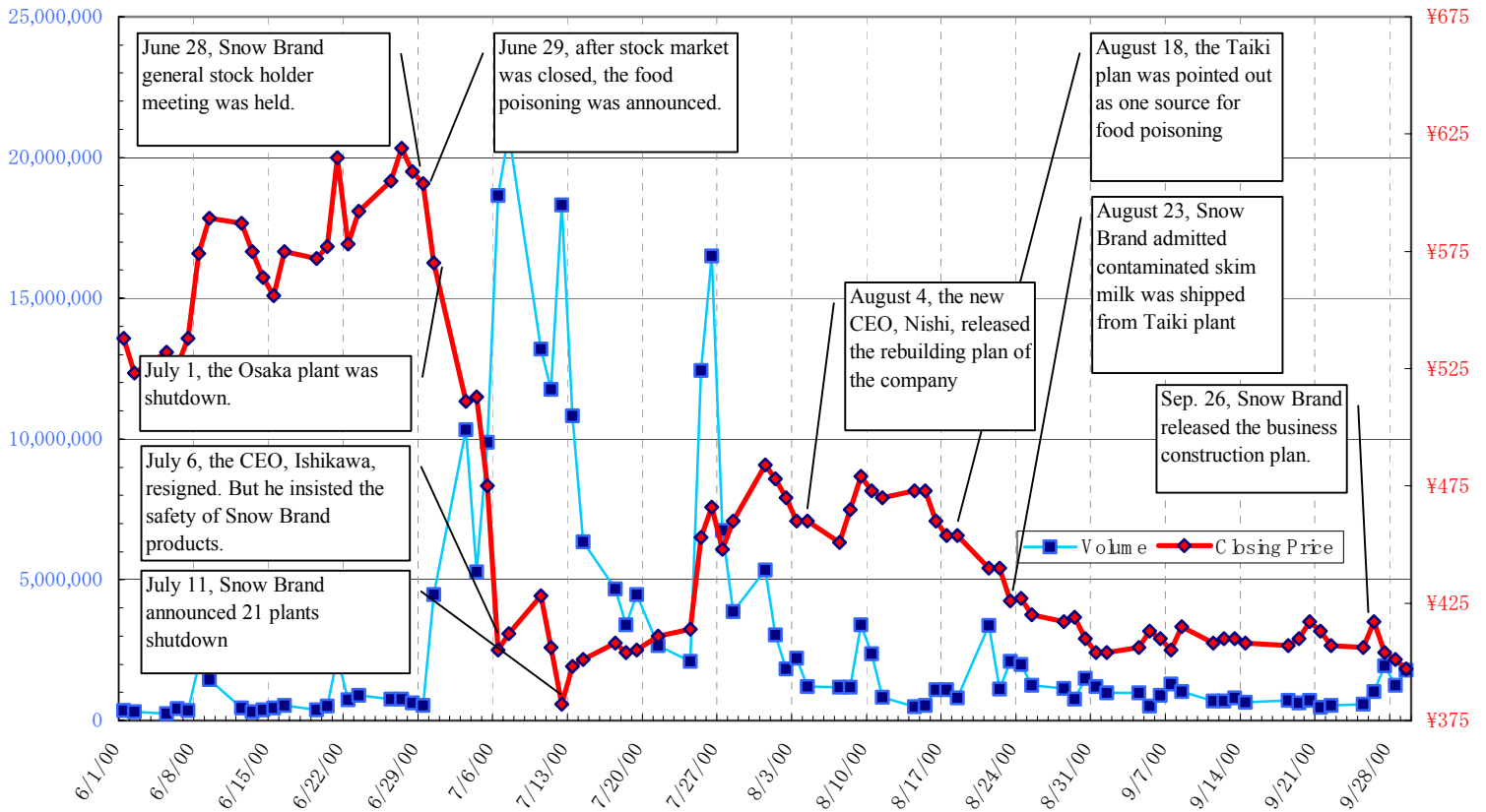
<b>Aug. 23</b>	● Snow Brand admitted contaminated skim milk was shipped from Taiki plant before the food poisoning outbreak
<b>Sep. 26</b>	● Snow Brand released the business reconstruction plan
<b>March 31</b>	● Snow Brand reported fiscal deficit

**Figure 1: Drinking Milk Product Volume**



Source from The Ministry of Agriculture, Forestry and Fisheries of Japan, 2003. Gyunyu Nyuseihin Toukei [Milk product statistics.] Retrieved January 1, 2004, from <http://www.maff.go.jp/www/info/bun05.html>

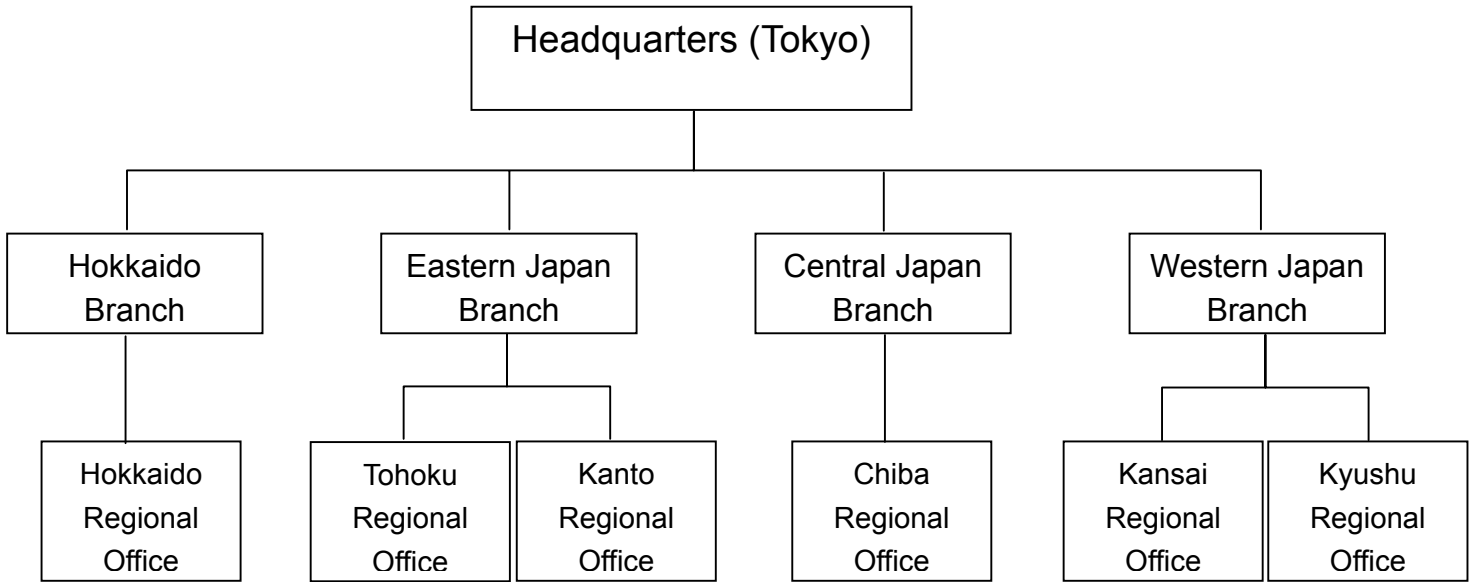
**Figure 2: Snow Brand Stock Price & Volume**



Source: Toyo Keizai Inc., 2003.Kigyu JhoHo 2262, Yukijirushi [Corporate Information 2262, Snow Brand]. Retrived January 1, 2004, from <http://profile.yahoo.co.jp/biz/independent/2262.html>

Note: A Complete chart is in attached Excel file.

**Figure 3: Snow Brand Organizational Structure**



*Source: Snow Brand Public Communication Department*

Figure 4: Japan Map



**Figure 5: Financial Highlights (Consolidated)--Snow Brand Milk Products Co., Ltd., and its Consolidated Subsidiaries**

(Millions of Yen)	Years ended March 31				
	2003	2002	2001	2000	1999
Net Sales	¥727,071	¥1,164,716	¥1,140,763	¥1,287,769	¥1,263,727
Cost of Sales	¥584,170	¥929,072	¥914,475	¥980,912	¥958,383
Net Income (loss)	¥-27,091	¥-71,741	¥-52,925	¥-28,545	¥3,079
Total Assets	¥284,910	¥581,356	¥567,914	¥576,766	¥543,122
Stockholders' equity	¥34,396	¥30,371	¥64,506	¥118,608	¥139,807
Number of Employees	4,591	12,404	15,326	15,127	15,343

Notes: Snow Brand Milk Products Co., Ltd. conducted a stock binding (reverse stock split), binding two shares into one share of common stock, on August 1, 2002. The following per share figures are computed as if the stock binding (reverse stock split) had been conducted on April 1.

Source: Snow Brand Milk Product Co., Ltd. (2003). *Annual Report 2003*. Retrived January 1, 2003, from <http://www.snowbrand.co.jp/ir/index.htm>