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## *Perrier issues a worldwide recall order*

It was a leading symbol of the age. Throughout the 1980s, Perrier, the sparkling mineral water originating from a spring in the south of France, was often the beverage of choice for health-conscious baby boomers. But the odourless and virtually tasteless liquid became tainted with scandal last week when Paris-based Source Perrier SA announced that it would withdraw and destroy up to 160 million bottles of its bubbly product around the world. The company's problems began on Feb. 10 after Health and Welfare Canada and the U.S. Food and Drug Administration (FDA) said that food inspectors in North Carolina had found, in random tests, 13 bottles contaminated with traces of benzene, a clear, naturally occurring gas that has been linked to cancer in tests with laboratory animals. Initially, the recall was confined to 72 million bottles in Canada and the United States, but when traces of benzene also showed up in Perrier in Europe, Perrier chairman Gustave Leven announced the worldwide withdrawal. Said Leven: "Half measures were not possible."

The recall will cost Perrier more than \$40 million. And the company, which boasts in its advertisements that "It's perfect, it's Perrier," will launch a massive publicity campaign to quickly convince consumers that its sparkling water is indeed perfect again. If not, Perrier, which dominates the competitive bottled-water market and registered net profits of \$86 million for the first six months of 1989, could lose its lead to its aggressive competition. Said Al Ries, chairman of Trout and Ries Inc., a marketing strategy firm in Greenwich, Conn.:

"When a brand is consumed daily, out of sight is out of mind." And Frank de Vries, president of the Toronto-based Perrier Group of Canada Inc., said details of the ad campaign, which were still being worked out, would be announced once the company had a firm date for new shipments of benzene-free Perrier.

Perrier, which sells one billion bottles worldwide annually, initiated the recall after testing in the United States indicated that there were between 12.3 and 19.9 parts per billion of benzene in some samples. Both the FDA and Health and Welfare prohibit more than five parts per billion. Frederick Zimmer, managing director of Source Perrier, said that the problem occurred when filters, which are normally replaced every six weeks at the Perrier spring, were inadvertently not changed for four months. Production of nearly six million bottles a day resumed after the filters were changed, and company officials said that the French ministry of health has certified that the spring is not contaminated. The spring, in the small town of Vergèze, was formed almost 140 million years ago, and its natural carbonation resulted from ancient volcanic eruptions.

At week's end, Perrier shares closed at \$324, after dropping down to \$298 at midweek from \$357 before the recall announcement. But, for the self-declared perfect company, the biggest financial gamble lies ahead, as it spends millions of dollars to convince consumers that their favourite liquid status symbol is still safe.

**BARBARA WICKENS** with correspondents' reports

The article EM9024 reprinted above is used in Figure 11.7a of the STAT 221 Course Materials. A related article is EM9034: *Product removal costs cut profit, Perrier says*.