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Image Restoration in the Healthcare Industry: Merck's Use of Communication Strategies in the Vioxx Case

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ABSTRACT

This study analyzes Merck's responses to the crisis involving one if its products, Vioxx, an arthritis and pain-relief medication that was pulled from the market when a study found a higher rate of heart attacks and strokes in patients using the drug than those in a placebo. The study illustrates the use of communication theory and image restoration strategies by utilizing Benoit's (1995) Image Restoration Typology. The study uses a critical analysis methodology to examine the communication strategies employed by Merck in order to attempt to restore its image. The authors look at excerpts from media stories, carefully examine the language used by company representatives in response to the crisis, and categorize the corporate communications into various strategies as defined in the crisis communication literature. Corporate responses are critical in determining what amount of damage is done to the firm's image during a crisis.

Keywords

Merck, Healthcare, Corporate Communication, Crisis Management, Image Restoration, Benoit

INTRODUCTION

Image management is essential to corporations and other organizations, particularly in crisis situations. According to the IRS, billions of dollars are lost to fraud each year in the healthcare industry. Fraudulent practices include: false billings, nursing home fraud, chiropractic fraud, durable medical equipment fraud, staged accidents, pharmaceutical diversion, and patient referral schemes (IRS, 2009). The National Healthcare Anti-Fraud Association estimates that $60 billion per year is lost to healthcare fraud (Brown, 2009). Other scandals involve the pharmaceutical industry, which has faced numerous crises surrounding harmful effects of drugs approved by the FDA. One such crisis involved Merck's arthritis drug Vioxx, which was pulled from the market in September, 2004 due to evidence that the drug increased the risk of heart attack and stroke.

The first purpose of this paper is to discuss the importance of corporate reputation management when crisis situations threaten the company's image. The second purpose is to illustrate the use of communication theory to analyze corporate responses to crises. We use Benoit's (1995) Image Restoration Typology to analyze Merck's responses to the media following allegations that Vioxx posed a health threat and that Merck knew about this risk when the drug was first marketed.

We selected the pharmaceutical industry for two reasons. First, the KPMG Integrity Survey for 2008-2009 finds that 73% of employees in healthcare and 70% of employees in pharmaceuticals and life sciences reported/witnessed misconduct at the workplace. When asked to report on the seriousness of the misconduct, 57% in healthcare and 51% in pharmaceuticals and life sciences reported/witnessed instances of misconduct that would result in a loss of public trust (KPMG, 2009). Second, Mehrban (2010, p. 1) indicates that there has been a "visible increase in the scrutiny of pharmaceutical and biotech companies by both federal and state enforcement agencies…."

Merck and Company

Merck and Company, the world's second largest pharmaceutical company, introduced Vioxx in May 1999. Along with its competitor Celebrex, Vioxx is a pain relief medicine used to treat arthritis inflammatory pain. These two medicines, categorized as Cox-2 inhibitors, were scientific breakthrough drugs because while their pain relieving attributes were similar to aspirin and ibuprofen, they showed a lower risk of causing gastrointestinal troubles, including ulcers. These drugs were hugely successful, earning more money in their first year on the market than any other medicine before them (Peterson, 2000).

Research studies, which continued after Vioxx was on the market, revealed an alarming result; Vioxx increased the risk of heart attacks and strokes by up to two to three times (Weitz and Luxenberg, 2010). As a result, Merck & Co. voluntarily recalled Vioxx on September 30, 2004. At the time of the recall, Vioxx was used by approximately 2 million people and was the source of 11 percent of Merck's revenue. Merck's stock price plunged and they lost $28 billion in market capitalization (The Associated Press, 2010).

Thousands of lawsuits, brought by patients, their survivors and shareholders have been filed against Merck. Merck has reached a settlement which requires $4.85 billion payment to patients who were harmed or killed, $12.15 million payment for plaintiff's attorney fees, and many organizational restructuring activities which monitor product safety (The Associated Press, 2010).

CORPORATE CRISIS AND REPUTATION MANAGEMENT

Corporate communication during a crisis reflects the firm's strategic management of the situation and is critical in determining how much, if any, damage is done to the firm's image. Because stakeholders attribute some responsibility to the organization or industry in which the crisis exists, communications must explain the facts of the crisis and provide the feeling that steps are being taken to ensure that the crisis won't happen again (Fortunato, 2008). By strategically managing the crisis situation through reliable, credible, and transparent communication, a corporation addresses stakeholders' anxieties, manages its corporate image, and restores its reputation (Geppert and Lawrence, 2008).

Communication is a goal-directed activity that involves a purpose. One of the central goals of communication for the corporation is to maintain a positive public image (Benoit, 1995). A reputation may be damaged intentionally or unintentionally through word or deed. When this happens the communicator is faced with the problem of negative public image. According to Valentine (2007, p. 38), a damaged reputation can "translate into decreased brand value; lowered share price; lost customers, partners, and strategic relationships; and difficulty in recruiting and keeping top employees."

Benoit creates his theory based on the assumption that, due to this potential negative image resulting from a damaged reputation, the communicator is motivated to restore its image as one of the central goals of its communication to the public. Benoit's typology provides a useful framework to understand and analyze how a company responds to stakeholders about issues that are indicators of a pre-crisis situation, which could lead to fraudulent activity or other severe business risks (Cowden and Sellnow, 2002). Seeger, Sellnow, and Ulmer (2003, p. 109) study pre-crisis communication, and note that the pre-crisis period is characterized by "missed warnings, failed interpretations, and/or failure to act on warnings." Ineffective management of these warning signs can result in a movement from the pre-crisis to the crisis stage, resulting in losses for stakeholders.

Benoit's Theory of Image Restoration

Researchers have developed several image restoration strategies based on social legitimacy theory, which argues that an organization's continued existence is contingent on its ability to receive support or approval from stakeholder audiences. Benoit's (1995, 1997) typology is used most often by communication researchers to analyze strategic responses to legitimacy issues. Caldiero (2005, p. 4-5) writes: "Benoit frames his theory in terms of communication and, more specifically, goal achievement. If those goals include not only image repair, but also relationship repair, then Benoit's work can be helpful when assessing public response campaigns…Unlike other scholars who have created typologies of rhetorical responses to crisis, Benoit's 14 categories and sub-categories provide a simpler lens through which to examine image repair campaigns."

Benoit's typology identifies five image restoration strategies: 1) denial, or refuting that the company had any part in the crisis, 2) evasion of responsibility, where the firm attributes the crisis to actions of another party, 3) reducing the offensiveness of the act, in which the firm tries to make the crisis seem less threatening, 4) corrective action occurs when the firm implements steps to solve the problem and prevent a repeat of the crisis, and 5) mortification, where the firm takes responsibility for the crisis and apologizes. Table 1 below provides a detailed summary of Benoit's five categories which include 14 unique communication strategies.

Category	Strategy	Description/example
Denial	1. Simple denial 2. Shifting the blame	1. Refuting outright that the organization had any part in the event 2. Asserting that someone else is responsible
Evasion of Responsibility	3. Scapegoating 4. Defeasibility 5. Accident 6. Good intentions	3. Blaming the event on provocation of another 4. Not knowing what to do; lacking knowledge to act properly 5. Claiming the event was "accidental" 6. Claiming the company had good intentions
Reducing the Offensive Act	7. Image bolstering 8. Minimization 9. Differentiation 10. Transcendence 11. Reducing the credibility 12. Compensation	7. Using puffery to build image 8. Stating the crisis is not bad 9. Indicating that this crisis is different from more offensive crises 10. Asserting good acts far outweigh the damage of this one crisis 11. Maintaining the accuser lacks credibility 12. Paying the victim, making restitution to set things to where they were before the event
Taking Corrective Action	13. Corrective action	13. Taking measures to prevent event from reoccurring
Mortification	14. Mortification	14. Admitting guilt and apologizing

Table 1. Benoit's Image Restoration Typology (Erickson, et al. 2010)

DATA AND METHODOLOGY

In the following section we analyze Merck's responses to media questions following allegations that Vioxx had dangerous side effects. We use a critical analysis method to study communication strategies employed by Merck and its management to attempt to repair its tarnished image. Critical analysis of strategic communication has been used by many scholars, including Benoit (2006); Benoit and Czerwinski (1997); Benoit and Henson (2009); Blaney, Benoit, and Brazeal (2002); Coombs (1995); Hearit (1995); Huang and Su (2009); and Seeger et al. (2003). A variety of texts have been evaluated using critical analysis, including speeches, advertising, newspaper articles, and public relations announcements.

Wall Street Journal and *New York Times* excerpts from 2004, which exemplify Merck's responses to Vioxx being withdrawn from the market, were analyzed using Benoit (1995). Merck used a wide variety of communication strategies to address questions that arose concerning the crisis. The following section provides a summary of Merck's responses and a brief analysis of responses.

Analysis

In September of 2004, Merck announced a worldwide withdrawal of Vioxx based on results of trials indicating that individuals taking Vioxx were more likely to experience cardiovascular problems than those not taking the medication. We analyzed 21 excerpts that included 24 responses from October 1, 2004-December 21, 2004 and analyzed these responses using Benoit's (1995) Image Restoration Typology. Merck used strategies intended to reduce the offensiveness of the crisis in 18 of its responses. The most commonly used strategy was that of image bolstering (10 instances), where Merck used phrases such as "serving the best interest of patients" (Merck yanks arthritis drug Vioxx, 2004) and "putting patient safety first" (E-mails suggest Merck knew Vioxx's dangers at early stage, 2004) to try to rebuild its reputation. Merck used a strategy of reducing the credibility of the accuser three (3) times in response to the Congressional investigation surrounding the side effects of Vioxx. Image bolstering and reducing the credibility of the accuser are both strategies that attempt to reduce the offensiveness of the crisis. The combination of these two strategies is a classic case of a company trying to restore its image by making itself look good (bolstering) or by making its accusers look bad (reducing credibility). There were five (5) instances of the use of minimization, where the company tried to diminish the financial implications of the crisis by stating for example, "we were financially strong before the crisis and we'll be financially strong after" (Martinez et al., 2004). Merck used evasion of responsibility strategies in five (5) responses. Defeasibility was used three (3) times, primarily when Vioxx was first pulled from the market and the company indicated that it was "stunned" by the results of the study indicating the side effects of the drug (Berenson et al., 2004). This implies that the company lacked the knowledge or ability to understand the implications of the study. The company also used good intentions twice when it talked about the study of the effects of Vioxx and stated "we did our best to think of the most comprehensive study we could have done" (Berenson et al., 2004). Finally, Merck stated that it "acted responsibly and appropriately as it developed and marketed Vioxx" (E-mails suggest Merck knew Vioxx's dangers at early stages, 2004), an example of simple denial. This strategy is only appropriate if the firm is truly blameless. If the firm uses a denial strategy and later is found to have blame in the crisis, its reputation can be irreparably damaged.

Future Research

There are three distinct stages to Merck's crisis. The first occurred in 2000, when concerns about Vioxx's side effects first surfaced. The second stage was in 2004, when the drug was pulled from the market and the third was at the end of 2009, when the courts settled the case and payments to plaintiffs were ordered. We will continue this research by analyzing excerpts from each stage of the crisis and compare the effectiveness of the company's responses during each of the crisis stages.

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