

McDonald's crying over spilled coffee

In 1994 Stella Liebeck, a New Mexico grandmother, ordered a coffee at a McDonald's drive-through restaurant. Minutes later, sitting in her car in a car park, she accidentally spilled the coffee – heated, in response to customer preference, to a scalding 180°F – and suffered severe burns requiring surgery. A crisis was about to unfold.

When McDonald's refused to take responsibility for paying the woman's medical bills, she went to an attorney and sued the company. At the trial the jury found McDonald's liable and awarded \$200,000 in compensatory damages (less \$40,000 for negligence on Liebeck's part) and a massive \$2.7 million in punitive damages because of what they saw as McDonald's unacceptably dismissive attitude.

One might have expected the bad publicity to ruin McDonald's, but instead newspapers leapt to the company's defence, declaring what nonsense the court's verdict was. 'America has a victim complex,' announced the *San Francisco Chronicle*. The punitive damages were later reduced by the judge to \$480,000 and, while awaiting the appeal, the parties made an out-of-court settlement for an undisclosed sum. But by then the 'three million dollar coffee-spill' had already passed into corporate legend.

a = 8, an = 3, the = 14; total = 25

Mercedes on a roll

In the automotive industry the trend for many years has been towards a smaller, more economical vehicle. So in the autumn of 1997, Daimler-Benz introduced a new economy model, the Mercedes 'A Class'. It was a car designed to compete with the ever-popular Volkswagen Golf. But just before the November launch, disaster struck.

A Swedish auto magazine had conducted what they called an 'elk test' on the new car. The test is standard in Sweden to make sure cars can steer to avoid large deer crossing the road. But at just 60kph the 'A Class' overturned, injuring both the test drivers. A storm immediately blew up in the press and on TV, as buyers waiting to take delivery cancelled their orders. For Mercedes it was not only a financial but an image crisis too.

Daimler responded quickly, adding wider tyres, an electronic stability mechanism and stronger anti-roll bars – all at no extra cost to the customer. A highly successful advertising campaign and public support from Niki Lauda, ex-formula one racing champion, helped to restore consumer confidence in the 'A Class' but at a cost of hundreds of millions of dollars.

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