Enhancing recall processes

Many companies spend the first 48 hours following awareness of a problem scrambling to organise a recall team and gathering information to prevent the distribution of an affected product. The result is the recall issue continues to grow.

Are you prepared to protect your company and brand?

Rarely a week goes by without news that another food product has been recalled.

Over the last five years, hundreds of companies across the retail and consumer sector have recalled products, with direct costs typically ranging from US$10 million to US$30 million.[1]

In 2013 alone, the US Food and Drug Administration (FDA) recorded over 400 recalls.[2] And this figure could go even higher now the FDA has the authority to order recalls following the reforms of the Food Safety Modernization Act.

In a recent study by the Grocery Manufacturers Association 81% of companies rated the financial risk of a recall as 'significant' or 'catastrophic'.[3]

But the indirect impacts can be more severe. Regulatory sanctions and consumer reaction to news of a recall can result in lost revenues and substantial reputational damage.

The power of consumers combined with regulators' increased expectations has made recall management a strategic priority.

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What's stopping successful recalls?

Our experience indicates common reasons why companies struggle to execute recalls effectively, including:

1. Failure to assign responsibility and accountability to a senior executive
2. Inability to execute an integrated, cross-functional recall effort, due to different or competing objectives
3. Lack of experienced, knowledgeable and available people that can immediately assist with the recall and drive the required rigor and disciplined execution
4. Inability to rapidly ramp-up/down-call teams to respond to a surge in both customer and supplier inquiries
5. Incomplete knowledge of recall triggers, and difficulty obtaining the data and information regulators require
6. Poor engagement with insurance carriers, leading to cash flow difficulties
7. Inability to accurately track and manage the costs or scope of the recall, due to system and data challenges

These obstacles make it difficult to ramp up a recall operation swiftly and effectively. Taking definitive action within the first 48 hours following awareness of a problem is critical.

1 AMR Research, "Traceability in the Food and Beverage Supply Chain", 2008

2 FDA 2013 Recalls, Market Withdrawals & Safety Alerts http://www.fda.gov/Safety/Recalls/ArchiveRecalls/2013/ucm20035840.htm?Page=4

3 Grocery Manufacturers Association, "Capturing Recall Costs: Measuring and Recovering the Losses," 2011

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Recall management should be a continuous process that goes substantially beyond an annual mock recall traceability test. It should be embedded within each business function, not a one-time exercise carried out when a crisis occurs.

The best practice response

Companies can greatly improve their ability to manage recalls if they approach the process systemically and aggressively.

The foundation for success is a pre-determined 'pivot point' team, reporting to a c-suite sponsor and empowered to oversee the recall process. The team is responsible for driving cross-functional coordination and execution, deploying and managing resources, and providing transparency into progress, costs and accountable for performance.

Five pillars of effective recall management

Building on the foundation of the pivot point team are five pillars of effective recall management.

1. A holistic view of the 'recall system' that identifies all impacted employees, and clearly defines their tasks and responsibilities. In addition, the recall plans should be actionable, having enough detail to be executed effectively but not so much that rapid execution is impossible. Finally, the planning and process design should he updated frequently to account for changes in suppliers, manufacturing, distribution, customers and other factors.

2. Companies should be able to assess the scope of a recall, track and document recall activity, respond quickly and accurately to regulator or other external stakeholder requests for data, and track all recall costs and KPIs. This requires a robust information management capability, including the right systems and processes.

3. The recall team should be able to track the flow of product downstream and upstream, across the supply chain to allow for quick identification of products for recall. Upstream traceability can be a significant challenge due to the global nature and complexity of supply chains and procurement processes, including the continued growth of contract manufacturing.

4. In the event of a recall, companies should communicate effectively with relevant regulatory agencies (FDA, USDA, CPSC, etc.) and other key stakeholders, including employees, customers, suppliers, insurance carriers, investors, and the board. The recall team must determine what should be communicated, to whom, how, and when. The team should help to establish that all communications, including any public disclosures are consistent, coordinated and timely.

5. The company should have a strategy for addressing insurance recovery. Immediately after a recall, the company should communicate with its insurance carriers about the recall process and identify all possible claim elements. This will help to ensure that insurance recoveries are not jeopardised and will safeguard cash flow by enabling prompt insurance payments.

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