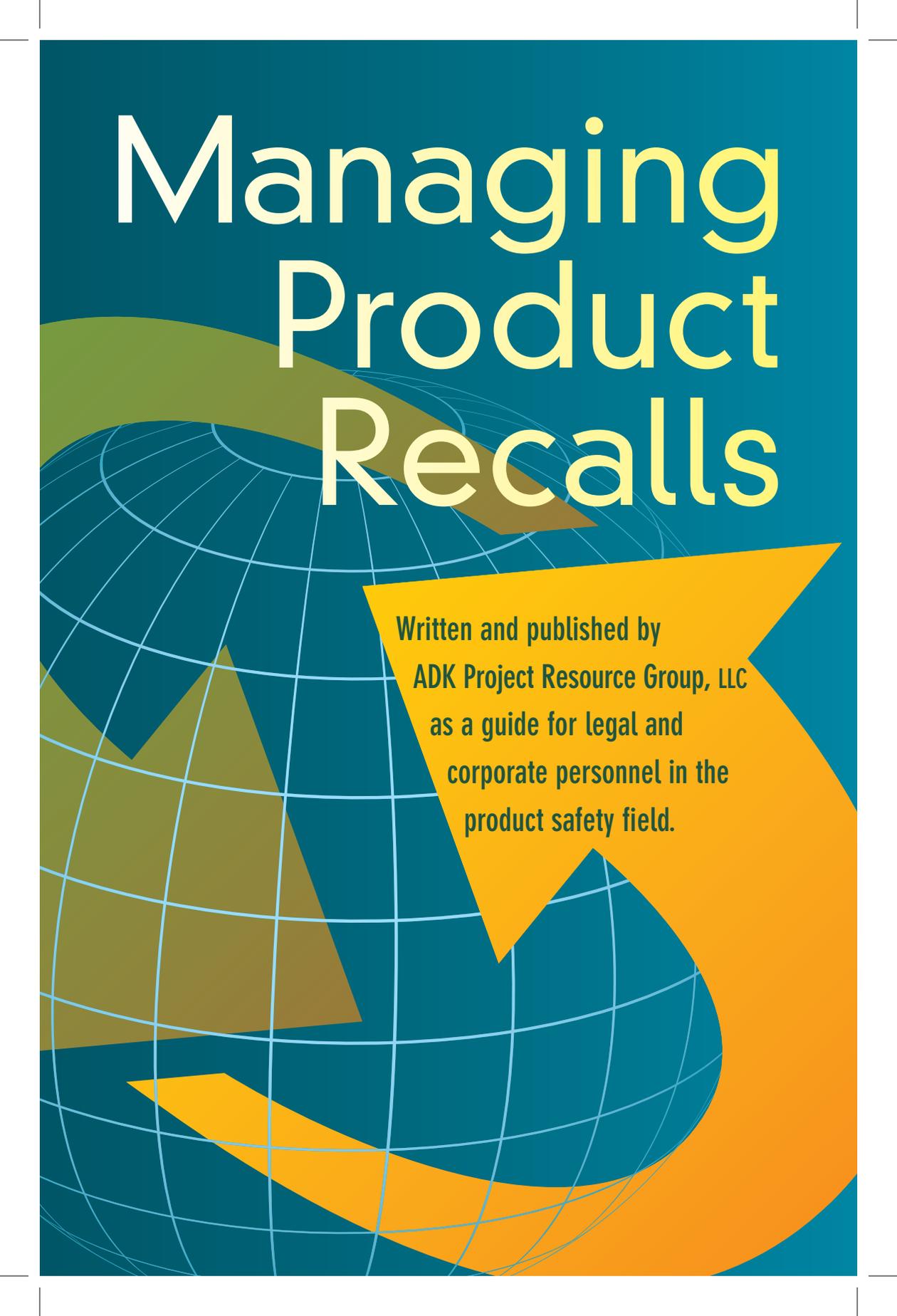
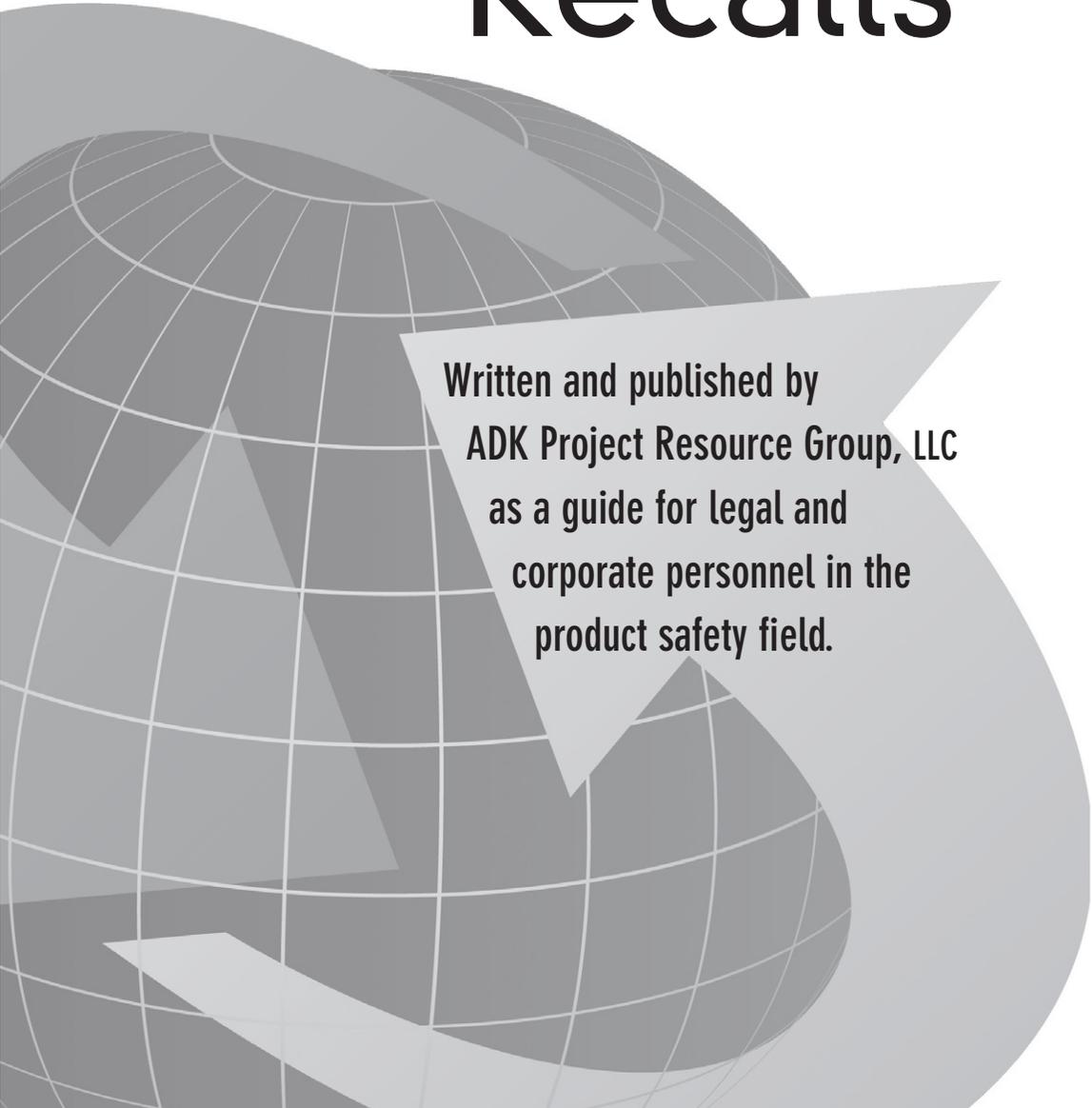


# Managing Product Recalls



Written and published by  
ADK Project Resource Group, LLC  
as a guide for legal and  
corporate personnel in the  
product safety field.

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# Contents

<i>Introduction: The Challenge of Product Recall Management.</i> . . . . .	4
1: Designing Product Recall Campaigns . . . . .	8
2: Preparing Notice Materials. . . . .	10
3: Setting Up Consumer Registration Options . . . . .	12
4: Developing a Service Center Network. . . . .	14
5: Managing Call Centers . . . . .	16
6: Managing Consumer, Dealer & Other Data . . . . .	18
7: Overseeing the Recall Remedy . . . . .	20
8: Analyzing & Evaluating Product Recall Programs . . . . .	22
9: Managing Product Collection & Destruction. . . . .	24
10: Reporting Campaign Results. . . . .	26
11: Overseeing Global Recalls . . . . .	28
12: Product Recall Financial Management. . . . .	30
<i>About ADK Project Resource Group.</i> . . . . .	32

*Introduction:*

## **The Challenge of Product Recall Management**

**W**hen a product must be recalled two forms of disruption occur: the management of and implementation of the recall campaign.

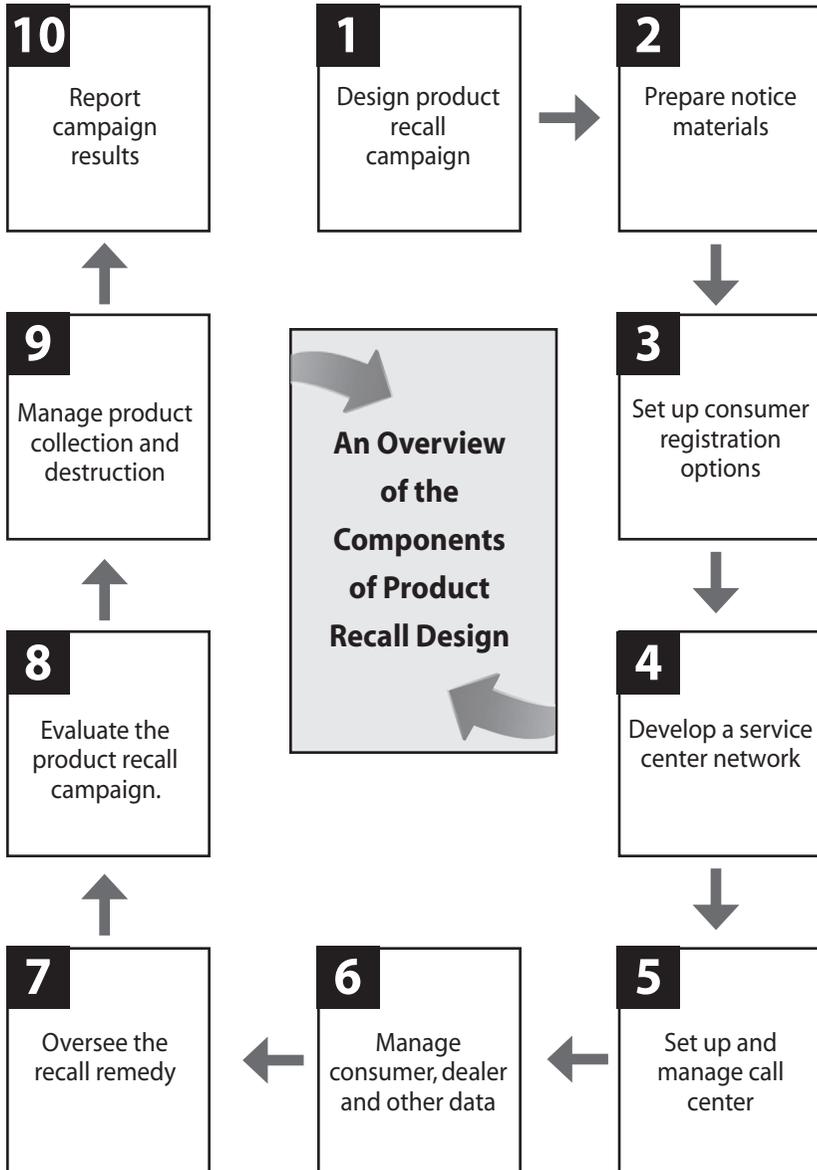
These disruptions can threaten operations, add cost, divert attention from other priorities, and increase risk. Overall, a recall can cause companies to lose focus on critical long-term priorities.

When a company decides to do a product recall, it faces the daunting challenge of making decisions that are strategic and complex, under time constraints and often in conflict with running the business on a daily basis.

While companies have the experience, resources, and management know-how to operate their business successfully, a recall is different. Rather than sending products from the company to consumers, the company must create a system to recall products from consumers back to the company.

### **Risks of Dislocations and Distractions**

Two forms of dislocation and distraction occur at this time. One is the management and oversight of the recall campaign, including its design, staging and organization. Personnel must be pulled from all parts of the company and then managed in order to design and prepare for the campaign. This requirement draws personnel from operations and production, sales and marketing, finance, and customer service, creating gaps within the company's day-to-day operation. The demands of a recall can place stress on the stability of a company.



The second form of dislocation is the day-to-day implementation of the product recall. Consumer contacts, notifying and working with wholesalers, retailers, and affected customers, providing for repair or replacement of the recalled product, plus numerous customer service issues, are all characteristic of the daily demands of a recall. In some instances it may even be necessary to create a customized network of service providers that can go into the homes of consumers and correct the problem on-site.

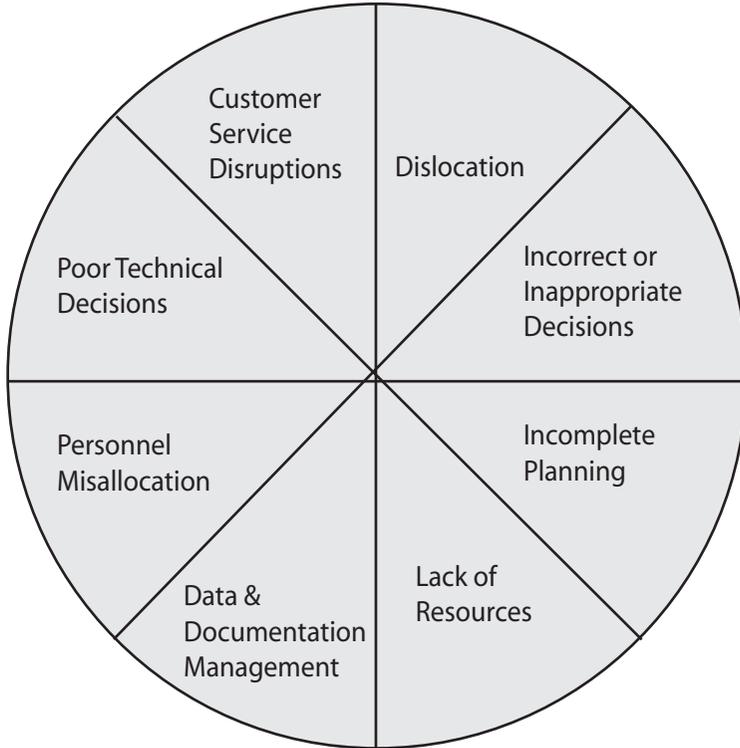
### **The Risks of Uncharted Waters**

It's easy for mistakes to occur in unfamiliar territory. A firm might pick the wrong technical solution for solving a problem, creating other problems and even the need to recall again. A firm may not do the right job of documenting a recall, making it harder to defend itself in any litigation that may occur. The company may not have the right database system to be able to track all consumers who received notice of a product recall, even when consumers claim in litigation that they were not informed.

These are some of the risks that companies face in the unique environment of designing and implementing a product recall. Some companies elect to face these risks by confining recall activities to internal management within the company; other companies decide to outsource all or some of the components of a recall program to professional service providers. Some companies may feel confident about their capabilities, but want third party verification from a credible source that could be useful in subsequent litigation.

Recognizing that no single solution is right for every company, the project management professionals at ADK Project Resource Group have put together this guide to help companies, with the assistance of their legal counsel, understand the scope of product recall programs and the options available to them with respect to in-house management and outsourcing of product recall campaigns.

## The Wheel of Recall Risk



The goals of managing any product recall are to:

- Run an efficient, effective program,
- minimize internal disruption,
- correct as many recalled products as possible,
- protect a company's customer relations, and
- put the company in the best legal and economic position to manage risk that goes along with any recall.

The goal of this resource guide is to introduce you to the components of a product recall as the first step in making informed management decisions.

## *Chapter 1:* **Designing Product Recall Campaigns**

**A** complicated journey requires a road map. So does a product recall campaign. As with any campaign, a plan setting forth how the campaign will be organized and managed is required. This plan takes on greater significance in a product recall because of the safety and litigation issues. A well-planned recall serves a company and the public in several ways.

A plan will guide company personnel and their actions, while serving as means for senior management to exercise oversight. A typical recall plan will set forth how consumers and the distribution chain will be notified, how consumers will register for the recall, how remedies or refunds will be handled, and how reporting to the government will be done. In more complicated programs there may need to be special field service centers set up to service or visit consumer locations. Product collection and disposal may involve special considerations.



### **RISK POTENTIAL**

- ✓ A program design that contains deficiencies can detract from the effectiveness of the campaign.
- ✓ Recall plans could end up being the subject of subsequent litigation.
- ✓ Not understanding the impact of decisions on internal resources, such as personnel and technology, can create further disruption in a company.



Several things make a product recall different than most other company programs:

1. Most recall programs must be developed with the approval of a government agency.
2. Companies must decide on the level of disruption that is acceptable in determining whether recalls should be managed in-house or through outside contracted organizations.
3. In cases where there is a serious life threatening danger, there is also time pressure associated with the launch of a recall.

Some companies develop a set of options that include a systematic examination of various notification and media approaches, along with their estimated reach, effectiveness, and cost for remedies under consideration. As with any plan there should be metrics to manage by, and the ability to modify the plan based on new circumstances as the campaign develops.

### **Features of Campaign Design**

- Effective planning requires developing an overall recall strategy and time line.
- Attorneys can advise on various regulatory issues, such as form of notification, approved remedy, and reporting requirements.
- Senior management decisions will include determination of what in-house company resources will be used versus outside contracted resources.

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*In many cases, if the company leaders had realized the full impact the recall would have on their organization, they would have made different decisions in the planning stage.*

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## *Chapter 2:* **Preparing Notice Materials**

**F**or many recalls there are prescribed methods for communicating with consumers and the distribution chain. News releases and notification letters must explain the nature of the potential product hazard and the type of injury that has or could occur. Consumers must be provided with multiple means of responding to a recall notice.

As media technology has evolved, so has the variety of options available for consumer notification and registration. Companies may have more extensive databases of customers, making contact easier to achieve. Internet sites are frequently used as ways for consumers to learn about a recall or to register their products for correction. The dramatic increase in news channels and special interest publications has expanded the opportunities to reach consumers.



### **RISK POTENTIAL**

- ✓ An inadequate or cumbersome registration process can result in reduced registrations.
  - ✓ Direct mail lists that are not properly handled may require the production and postage expense of a repeat mailing.
  - ✓ Documentation of mailing that is not properly maintained could result in lack of ability to provide evidence that the consumer was mailed to.
- 

An additional factor for companies to consider is that notice materials generally must be approved by governmental authorities. Regulators will examine notice materials to satisfy themselves that they accurately explain the product hazard and communicate what consumers can do in response to the situation.

For some manufacturers there is also a requirement to develop a broad communication strategy to involve and inform wholesalers and retailers who may have active roles in the recall program. In these instances, the timing and release of information must take into account the participation of retailers, and their need for advance notice so that they can prepare their own organizations for the recall.

Notice materials generally include press releases, letters, visual aids, posters, advertisements, video news releases, Web sites and other general materials. All notices must include instructions for how the customer should respond or participate.

### **Features of Campaign Notice and Communication**

- ❑ Direct mail letters and diagrams need to explain the issue to wholesalers, retailers, and consumers, while presenting the options for participation.
- ❑ Video news releases for broadcast media are sometimes, but not always required.
- ❑ Release of notice materials must be carefully coordinated to assure effectiveness.

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*Duplicate notices to the same customer are not only costly, they can be confusing to the customer or, at worst, send the message that the company is disorganized or careless.*

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## Chapter 3: Setting Up Consumer Registration Options

Registration is the critical link in the effectiveness chain of a recall. While a company can plan its campaign and distribute clear information about the potential product hazard, these activities are for naught if consumers fail to register. In this regard, simpler is better.

Company plans are judged by regulators, in part, by the simplicity of consumer registration. This includes providing consumers with alternative forms of registration. The more opportunities consumers have to easily register for a program, the more effective a campaign can be. Furthermore, in discussions between company officials and regulators about winding down a campaign, consumer registration data will be



### RISK POTENTIAL

- ✓ If personnel are not properly trained in customer communication and give out inaccurate or misleading information, this becomes a liability to the company.
- ✓ When an inadequate number of personnel is assigned to handle registration, the result can be a backlog or inability to respond on the company's part. This can result in consumer complaints to a government agency.
- ✓ When campaign technology does not provide for efficient management of consumer registration information, this can create a lack of ability to deal effectively in providing product correction.



one important metric. There are no stated percentages, but a campaign with higher registration rates will be in a better position to demonstrate its effectiveness than the campaign with lower rates.

For some recalls, a dealer or retailer network is integral to the registration process. Where this occurs the manufacturer or distributor of the product must get data for consumer registrations in a timely fashion so as to be able to include this information in reports that are required by the appropriate government agency.

Where branded products are involved, there is further value in making consumer registration as simple as possible. Consumers may be more understanding about errors in production or design than they are about getting a runaround in registering for a program or getting a timely product replacement. Companies should see this as an opportunity to bond with customers during a challenging situation. Done well, a relationship can be strengthened through a well-handled product recall. Done poorly, a relationship can be put in jeopardy.

Options for registration can include a postcard response to a direct mail notice, a toll-free call to the company call center, or online registration at an Internet site. In some cases, consumers needn't register in advance, but can simply take their recalled product to a retail location to receive the appropriate remedy. Companies need to clearly instruct on registration options.

### **Features of Consumer Registration**

- ❑ Consumers must have correct mailing address, Internet site address, or toll-free number to use for registration.
- ❑ Consumer expectations must be set by the company to avoid needless and expensive follow-up contacts by consumers wondering about the status of their recalled product.
- ❑ Any personnel having contact with dealers or consumers must be trained using an approved script in order to assure that correct and consistent information is being distributed.

## *Chapter 4:* **Developing a Service Center Network**

**I**n some instances, companies need to establish a network of service centers to work with consumers, freeing up internal service centers to handle ongoing normal operations.

While not appropriate for some companies, such networks can help separate the dislocation caused by a product recall from their ongoing business activities. This can actually be a service to consumers, as independent networks can often gear up to work on a specific product correction and develop proficiency that rivals internal service center operations.

A further advantage of developing a service center network is that it can be geographically disbursed and extend the reach of the company



### **RISK POTENTIAL**

- ✓ When a network company fails to respond to a customer assignment, an alternative company needs to be identified and dispatched quickly.
- ✓ If a network company fails to submit proper documentation and affidavit of completed work at consumer location, recall documentation is compromised.
- ✓ When an improperly registered consumer has a network technician dispatched, this results in adding expense outside the scope of a recall program.



far beyond its own service center locations. In developing a service center network, there must be clear criteria for participation, including bonding or licensing, if appropriate. Service centers must express an interest in participation in the recall, and should be told exactly what is expected of them and how they will be compensated.

Companies need to be prepared to pay service company invoices in a timely fashion, or their participation and interest could wane. Company personnel may also need to participate in training sessions at the start of a recall to assure that service center personnel are qualified to deal with the product correction.

In some cases, companies may want to spot check service center locations to confirm that company standards are being maintained by the service center company in a manner consistent with expectations. A service center network should be staffed with qualified technicians to handle the job of product correction.

### **Features of a Service Center Network**

- ❑ Special criteria, such as bonding or licensing, needs to be established in order to assure that contractors are qualified to be part of the network.
- ❑ Network companies need to commit to a specified level of service to the recalling company's customers.
- ❑ The system of dispatching network technicians and paying for their services needs to be efficiently and correctly administered.

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*Putting together the right service center network can save a recalling company money. Equally important, it can re-establish or even save customer relationships.*

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## *Chapter 5:* **Managing Call Centers**

**B**y regulation, consumer product recalls must provide a toll-free number to affected consumers to use for registering in a recall program. Many companies have their own call centers for handling customer service and sales. Some companies may choose to have these centers service the consumers participating in their product recall.

Other companies decide to use third party call centers which may have larger staffs capable of handling some of the spikes that occur in product recalls. In either case, companies are responsible for how operators handle consumer calls, and the accuracy of information presented to



### **RISK POTENTIAL**

- ✓ Should telephone personnel provide inaccurate information, such mistakes may provide grounds for legal action.
- ✓ If call center staffing resources are handled incorrectly, the result can be extra expense for the company and poor service to consumers.
- ✓ When insufficient technology capability results in a crippled data management system, this can detract from a company's ability to register or track consumer participation.



consumers.

Training becomes a very important aspect of call center operations in a recall. A well-trained work force can contribute to a more effective recall program. A poorly trained work force can add confusion to a recall, as well as expose the company to greater risk. An investment in training can often return large dividends.

Another critical component of call center operations is data management. Most professional call centers operate in an online environment, with operators entering data into a master database. From this central database, consumer activity is tracked, reports are issued, and financial projections can be made. In some cases, due to the internal demands placed on IT departments, companies chose to outsource call center work to third parties whose primary business is to handle such requirements.

Whether companies use their internal call center or a third party, they still will be responsible for properly carrying out a product recall.

### **Features of Call Center Management**

- ❑ Training manuals must be prepared, including approved scripts for telephone personnel.
- ❑ Staffing schedules should take into account the pattern of call volume that can be expected to occur.
- ❑ Call center technology should assure that data can be captured and managed to meet the needs of the company.

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*A recalling company can expect to hear from a government regulator if consumers begin complaining that their calls are not being answered by the company.*

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## *Chapter 6:* **Managing Consumer, Dealer & Other Data**

**A**s illustrated in the call center chapter, data management is an important aspect of a recall. Companies will need to have a data management strategy incorporated into their recall plan. For one thing, consumer registrations may come from multiple sources such as call centers, Internet sites, dealer locations, and direct mail response. All of this data must be integrated into a master database maintained by the company or its outside service provider.

Data management is vital throughout a product recall campaign. It begins with compiling the list of companies and individuals to receive notice. Consumer registration becomes part of the master database.



### **RISK POTENTIAL**

- ✓ Disruption resulting from the assignment of IT department resources can impact ongoing company operations and priorities.
  - ✓ If the strategic importance of data for recall management and liability purposes is not properly understood, it can result in the company's vulnerability to government or consumer action.
  - ✓ Inaccurate or misunderstood data may result in costly decisions being made that could otherwise be avoided with a correct analysis and interpretation.
- 

If service centers are part of a program, assigning, dispatching, and tracking the product corrections they report is essential data to maintain.

Customer remedies generally must be tracked and reported to governmental authorities. Financial data is often integrated into the database. Where product collection and disposal are sensitive issues in a recall, they must be tracked. Finally, data must be easily accessed as it may be important to any subsequent litigation related to the product or its recall. Customized computer programming support is often called upon due to the special circumstances of a product recall.

### **Features of Data Management**

- ❑ Recalls require the assignment of a technology specialist to oversee all programming requirements, including data capture, storage and maintenance, and reporting.
- ❑ A data flowchart should be part of the recall design and plan so that all data needs are factored into the recall program.
- ❑ Accurate data is essential so that senior management has a true picture of how the recall campaign is proceeding, and subsequent strategic decisions are fact based.

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*Data capture and management is one of the most important considerations in running a recall campaign because of its relevance to reporting, as well as any subsequent litigation.*

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## *Chapter 7:* **Overseeing the Recall Remedy**

**A** recall must include a remedy for the product. This could include a repair, replacement, or refund option. Companies or their attorneys will negotiate an agreed upon remedy with the appropriate government agency. This will include how the consumer will actually receive the remedy. Options may include taking the product to a service center or retail location, having a service technician correct the product at its location, or sending the product to a designated address.

In some cases consumers may get issued replacement products. In other cases a rebate or refund will be offered to the consumer. Regardless of the remedy decided upon, the company must be prepared to handle



### **RISK POTENTIAL**

- ✓ If a consumer feels that the remedy is not being offered according to the notice provisions they may complain to the government agency.
- ✓ If an incident occurs after a consumer has registered and been qualified as being eligible, but the system has failed in the delivery of the remedy, the company may be vulnerable.
- ✓ If the company lacks documentation for its handling of an eligible consumer's registration, it may be more difficult to respond to questions, concerns, or even litigation.



the requests that are made by consumers. In large product recalls this can result in backlogs of service requests. It will benefit the company to have thought through all the ramifications of providing a particular remedy to eligible consumers. This includes offering the remedy in a timely fashion to maintain consumer confidence in the company and to move consumer attitudes towards use of the product rather than irritation with the manufacturer due to the inconvenience of the recall.

It is also important to update the master database of the program with remedy information. This will include a consumer's registration date as well as the date that the remedy was finally completed. This information will be useful in preparing progress reports for the government, as well as for forecasting purposes by the company. In addition, this information may be called upon if there is subsequent litigation.

Setting up the system for administering the remedy can be complex. The company must be prepared to document the fact that a specific consumer has been offered and has requested the remedy, as well as the fact that the remedy was indeed provided.

### **Features of Recall Remedies**

- ❑ Planners must anticipate a variety of consumer situations and circumstances so that the company's actions are appropriate.
- ❑ Customers must feel that the company is concerned about their safety and the correction of the product.
- ❑ A remedy system that is documented should be in place so that it can be tested and confirmed as being in compliance with government requirements.

---

*Companies need an appealing remedy to encourage the highest possible level of consumer participation.*

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## *Chapter 8:*

# **Analyzing & Evaluating Product Recall Programs**

**C**ompanies may want to analyze the effectiveness of their program, and modify the recall based on a third party assessment. One of the most important pieces of planning information a recalling firm can have is the number of product owners and users who are likely to take advantage of the remedy offered.

An estimate of projected total effectiveness and its periodic updating as the recall is implemented can be essential to a company in demonstrating that its recall has complied with relevant regulatory benchmarks. Such assessments may be useful in litigation, as well as in determining when a recall should be closed out.



### **RISK POTENTIAL**

- ✓ An analysis that does not successfully stand up to challenge can create doubts about the overall management of the recall campaign.
- ✓ An objective analysis must be actionable and useful as a tool in making decisions if it is to be cost effective.
- ✓ The credentials of a consulting firm offering analysis and assessment should be confirmed to make certain that company standards and expectations will be met.



Such data can be important for a firm's budgeting and financial planning, as well as for purposes such as preparing financial statements and reports filed with the SEC. Studies that can show rigorous analysis are particularly valuable to a company as a strategic investment.

As with any company campaign, a mid-course analysis and modification can be useful in several ways. The analysis may identify trends and data that suggest specific courses of action. Data revealed by the analysis may shed light on activities that, when modified, can save a company from considerable costs.

### **Features of Product Recall Analysis and Assessment**

- ❑ An assessment can be important for a firm's budgeting and financial planning.
- ❑ Formal filings with regulatory agencies, including the SEC, can be tailored to reflect actual data and the company's forward planning.
- ❑ A well-planned analysis can become a useful document when the company seeks government approval for closing the active portion of the recall campaign.

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*Companies will make better decisions and have better results if they analyze and evaluate their progress midway through a campaign.*

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## *Chapter 9:* **Managing Product Collection & Destruction**

**S**ome recalls require a formal plan for the collection of recalled products and their ultimate disposal. There may be environmental issues associated with disposal. As a result companies may find that several government agencies have an interest and regulatory role in this aspect of the recall.

Companies may need to develop a product collection strategy that includes multiple collection centers around the country. In some cases these centers may be owned or managed by waste management companies or other product collection sites. Companies need to have a system for tracking products identified as eligible for collection or destruction. When they are received at the collection center the master



### **RISK POTENTIAL**

- ✓ Products re-entering the consumer market through a black market may continue to be liabilities to the company.
- ✓ Lack of documentation of receipt of recalled products can place the integrity of a product recall under question.
- ✓ Refunds or replacements may not be issued to consumers in a timely fashion following the receipt of the recalled product at a product collection center, resulting in complaints by consumers with the government or additional expense due to repeated consumer calls to a call center.



database needs to record this. If refunds or other actions are dependent upon the return of products to a collection site, then these actions need to be triggered within a reasonable time following receipt of the recalled product at the collection site.

Companies may also need to make certain that there is a form of documentation or certification that products assigned for destruction were actually destroyed. As such, security at a collection site may be an issue that needs addressing. In some cases, a hazardous consumer product under recall may have the appearance of being a safe product, while having an inherent defect.

There are some cases where these unsafe products were taken from a product collection site and allowed to re-enter the marketplace where they were resold to unsuspecting consumers. This can create an ongoing threat to public safety, as well as a continued risk for the recalling company. Accordingly, there should be some consideration to a security plan at collection sites.

### **Features of Product Collection and Destruction**

- ❑ Collection centers located around the country may be certified and engaged for product collection.
- ❑ A system for confirming receipt of recalled products and reimbursement or replacement is integral to many recall programs.
- ❑ Tracking of individual products can be accomplished so as to strengthen a company's documentation of the collection of recalled products.

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*Once unsafe products have been collected, it's important they are destroyed or recycled so that they do not re-enter the marketplace and create an ongoing problem.*

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## *Chapter 10:* **Reporting Campaign Results**

**T**here are various metrics for recalls. Some have to do with the level of response to a notice campaign. Some have to do with the number of eligible products actually identified and registered for the recall. Other metrics have to do with analyzing the effectiveness of the recall in completing the remedy chosen by the company. There is also a financial metric in which the cost per unit recovered is important as a reflection of a company's sound financial management. And there may also be a social metric which could include an assessment of injuries prevented as a result of a recall.

Product recall campaign reporting has to do with the hard numbers of the recall campaign. How many notices were sent out? How many readers, viewers or listeners were exposed to the recall message? How



### **RISK POTENTIAL**

- ✓ Inaccurate data will create questions about the overall conduct of the recall campaign.
  - ✓ A company may draw the wrong conclusions from its analysis of data and make more costly decisions than necessary.
  - ✓ Incorrect formulas in a reporting program can yield incorrect reporting data and be very costly to a company.
- 

many consumers responded by calling a toll-free number or registering at an Internet site? How many of these responding consumers actually had eligible products that were part of the recall? And finally, how many eligible units were actually recovered as a result of the recall program?

Companies use these reports to make strategic decisions about future campaign activities, and to consider additional ways to reach and register eligible consumers. Government regulators review these reports to determine how effective the recall campaign is.

The ability to capture the relevant data and report it in a meaningful fashion is crucial to campaign success. The nature and structure of campaign reports is decided early on as part of the campaign design. Sufficient programming resources need to be assigned to assure that campaign reports are produced easily and accurately during the campaign. Beyond serving as a campaign “temperature check” campaign reports can also be useful as part of a company’s litigation strategy.

### **Features of Product Recall Campaign Reporting**

- ❑ Metrics are important to management for any major activity involving corporate resources, and that includes product recall campaigns.
- ❑ A decision by a governmental agency to close a recall will depend, in part, on data contained in campaign reports.
- ❑ A company may decide to revise its recall strategy based on campaign reports that suggest changes in strategy.

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*Accurate campaign reports are essential to effective recall implementation and government evaluation of the recall campaign progress.*

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## *Chapter 11:* **Overseeing Global Recalls**

**A**s a result of recent trends in the global economy, product recalls are taking on a more global character. This occurs in two ways: An increasing number of products are entering foreign markets from the place of manufacture, and more products are distributed in multi-country markets than ever before.

Companies in the second category may find themselves needing to issue recall notices not just in the United States, but in European, Asian, South American, and Middle Eastern or African markets. This can place a strain on company resources. Often companies find themselves fabricating temporary solutions. These solutions have to do with the operation of the recall, language factors, and financial management. Legal counsel can advise recalling companies of various regulations that may pertain.



### **RISK POTENTIAL**

- ✓ Lack of a global strategy can result in a more costly, less effective program on a country-by-country basis.
- ✓ Companies lacking an in-country recall program may discourage consumer participation and increase risk for the company.
- ✓ Lack of financial controls on a multi-country level can add significant costs to the recall campaign.



At the operation level of the recall campaign, some companies identify local resources who can assist, or alternatively, assign responsibility to in-country offices of the recalling company. This represents a *local control* approach.

At the language level, it's important that recalling companies accommodate consumers wanting to register for the recall in their own languages. Using local suppliers is often a solution to language issues. A third approach to operating a global recall is working with suppliers that are global in nature and can bring their own resources to bear around the world. This can be attractive when addressing the matter of repair or replacement of the recalled product.

At the financial level, recalling companies need to have the capacity to provide for payment or consumer refunds in local currency. In these instances, having banking relationships in the countries where the recall is conducted can be advantageous.

### **Features of Global Recalls**

- ❑ Global recalls require another level of strategy that incorporates multi-country resources at the disposal of the recalling company.
- ❑ There are operational, language and financial aspects of a global recall that should be understood in order to plan ways to address local populations.
- ❑ Using suppliers that have global operations themselves can be advantageous.

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*The ability to deploy product recall activities in multiple countries simultaneously can save a company money and time. Global markets increase the importance of being able to manage a recall in many countries at the same time.*

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## *Chapter 12:* **Product Recall Financial Management**

**A**s with any special project, product recalls require financial planning. This is particularly true with recalling companies that have special reporting obligations to shareholders or regulatory agencies.

There are several advantages to having appropriate financial controls around a program. First, if insurance coverage is applicable, recovery will be enhanced by sound financial controls. Second, the company may experience efficiencies that are only possible when there are sound financial controls. Third, where suppliers to the recalling company may have a financial responsibility for the product hazard, settlements are easier to manage when there are sound financial controls.



### **RISK POTENTIAL**

- ✓ Without financial controls, costs can quickly spiral out of control.
- ✓ Without proper documentation, insurance recovery or settlements with suppliers that may bear some responsibility for the recall can be compromised.
- ✓ Lack of financial controls can impact the effectiveness and efficiency of a recall campaign.



An important facet of financial controls have to do with payments to consumers or to contractors who assist in managing the remedy for the recall program. There needs to be stated criteria for eligibility by the consumer, and for rates to be paid to contractors assisting in the remedy. Costs can quickly spiral out of control unless these issues are planned up front. The recalling company has the option of managing the financial aspects of a recall within its own finance department, or outsourcing the responsibility to an appropriate third party.

### **Features of Product Recall Financial Management**

- ❑ Companies needing to do recalls should develop a financial strategy for the recall campaign as part of the overall campaign design.
- ❑ Maintenance of accurate records is important for insurance claims or recovery from a supplier that may bear financial responsibility for the product hazard.
- ❑ Sound financial controls can result in a more efficient recall campaign.

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*A well-managed recall program requires financial controls and accurate data. For some companies, money has a way of falling between the cracks during the early, less structured phases of a recall program.*

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*About*  
**ADK**  
**Project Resource Group, LLC**

**A**DK Project Resource Group, LLC was established to assist companies and their lawyers in responding to the need to design and implement product recalls. The company is staffed by project management veterans with experience in project management, in general, and management of product recalls in particular. ADK Project Resource Group works with companies and their lawyers by providing a full turnkey service in product recall management, or by offering individual component services such as notification, call center, or customer remedy management.

Through its relationship with supplier/partners, ADK Project Resource Group is able to identify needed resources such as call centers, direct mail firms, fulfillment companies, and waste disposal sites to organize



**RISK POTENTIAL**

- ✓ Recalling companies may ‘miss’ some of the critical factors in designing and implementing recalls, thereby creating greater expense and risk for themselves.
- ✓ Companies choosing to use in-house resources may not properly forecast the “real” cost of such decisions on the company’s operations and business strategy. Distraction and dislocation can severely affect the bottom line.
- ✓ Companies may select suppliers that lack the skill, technology, or experience of working in the unique environment of a product recall.



and then coordinate all of the activities required to design and run a product recall. We understand the recall environment and can provide confidence to recalling companies in risk-filled situations that need professionalism to get a recall off the ground.

ADK Project Resource Group adds value through our expertise in managing product recalls, and our ability to obtain qualified services at economical rates. Our principals have experience in working with many different government agencies overseeing product recalls, and an understanding of compliance matters. Firms use our services in order to outsource the management required to operate product recall programs, which can be complex and unusual events for the recalling company. Another important value we bring to our assignments is the ability to minimize the disruption that such programs can cause to the ongoing operations of a company.

### **Features of Using ADK Project Resource Group, LLC**

- ❑ Recalling companies are assured that they have experienced personnel who understand how to run product recalls and reduce risk.
- ❑ ADK Project Resource Group is often able to get *best prices* among suppliers by setting up a formal bidding process, thereby creating savings for the recalling company.
- ❑ Recalling companies are able to keep their focus on their core business by outsourcing the management and implementation of product recalls.
- ❑ Clients only have to deal with one ADK Project Resource Group manager rather than the personnel of multiple companies needed for recall implementation.

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*For more information or a confidential review of your situation:  
Please call (314) 361-4464  
or email [info@adkprg.com](mailto:info@adkprg.com); Subject: Confidential*

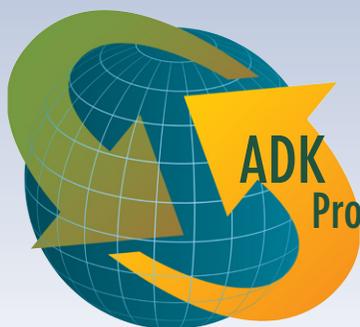
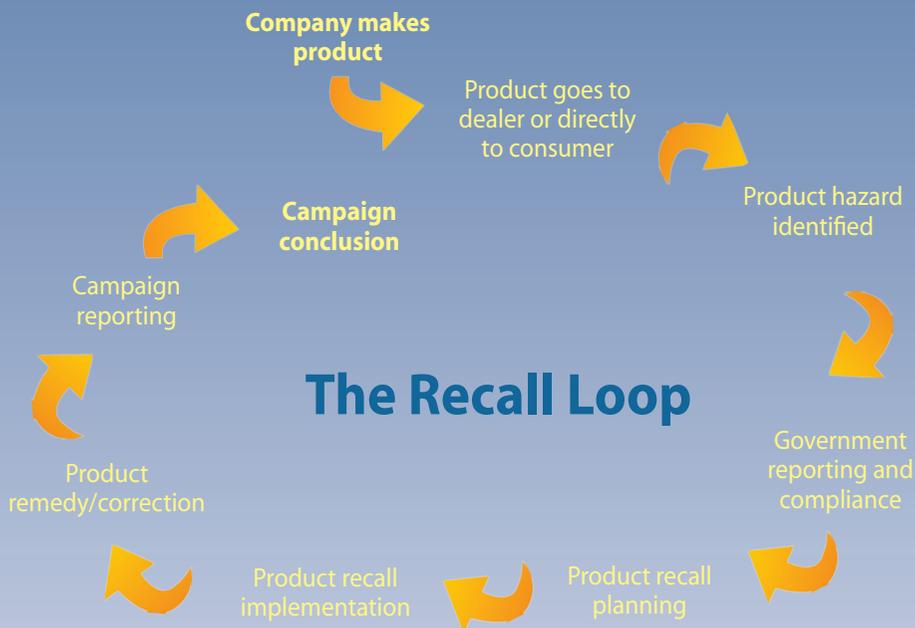
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*From time to time we publish informative materials and case studies about product recalls. If you would like to receive further information, add additional contacts to our list, or learn more about ADK Project Resource Group, please email us at [info@adkprg.com](mailto:info@adkprg.com) or visit [www.adkprg.com](http://www.adkprg.com)*

# It's the Call That No CEO Wants to Get...

*"There's been a problem with a product.  
We need to do a recall."*

*Managing Product Recalls* is a primer for how to think about and conduct product recalls. Where companies may excel at manufacturing and getting products *to* the consumer market, they lack methods for getting products back *from* consumers. Careful planning and decision making may help turn the dislocation of a recall into an efficiently-managed event that can reduce risk and protect customer relationships. *Managing Product Recalls* provides perspective on the *Recall Loop*.



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