Product Recalls -The Good, the Bad and the Ugly

Introduction

Managing a major product recall represents a significant test for any management team. Indeed, it is a twin challenge, comprising both the operational difficulties of tracing and handling affected products; and the task of communicating quickly and effectively with multiple stakeholder groups in an environment of confusion and ambiguity. Succeeding in either challenge in isolation is simply not enough.

Looking back over the last forty years, this article reviews some examples where companies have handled recalls very well and been lauded for their response. Equally, it discusses counter examples where companies have been punished severely for their failure to manage a recall. Along the way it identifies some general themes, as well as specific issues with electrical product recalls and where multiple organisations are involved.

Johnson and Johnson (1982)

We start by looking at Johnson and Johnson's handling of the **Tylenol** recall in 1982 which, even 40 years later, is often still cited as best practice in product recalls.

In September 1982, cyanide contamination in J&J's Tylenol painkillers led to 3 deaths in the Chicago area of the US. This was potentially a massive problem for both the company and US consumers, as Tylenol held a 35% market share at the time. Although the problem was local to the Chicago area, J&J quickly ordered a nationwide recall of 31m packs of Tylenol at an estimated cost of $125m. This was backed up by comprehensive communications with the public, including paid advertising.

Fortunately for J&J, it was soon established that the contamination of the product was a deliberate criminal act by somebody unconnected with the company. However, with a final death toll of seven people (all of them in the Chicago area), it was entirely possible that the brand would be damaged. J&J didn't immediately rush to start distributing Tylenol again; choosing instead to re-launch a few weeks later in new tamper-proof packaging to reassure consumers.

By being open and honest, and acting quickly to protect customers, J&J retained the trust of consumers throughout the crisis; and Tylenol quickly recovered its market share. Thus, the incident is viewed as a product recall success, but errors were made; most notably the initial statement that no cyanide was present in the manufacturing process, which had to subsequently be corrected after more careful analysis. It is also interesting to note that J&J's share price fell by over 40% in the year following the incident. Whilst the key lessons of speed of response and openness remain valid; simply replaying J&J's actions in the modern environment of 24/7 news coverage and social media may not guarantee a successful outcome.

Perrier (1990)

In February 1990 traces of benzene were found in Perrier water. A recall began in the US the next day but, puzzlingly, not in France and some other markets. The confusion was amplified by conflicting public statements being made in these different markets. In particular, remarks made in France that suggested that consumers in other countries were overreacting implied a lack of concern for customers. Finally, after four days, a global recall of 160m bottles of Perrier was initiated at an estimated cost of $200m. Ultimately nobody ever became ill from drinking the contaminated Perrier water so the situation was not irretrievable. However, in a final act of folly, Perrier relaunched the product in smaller (750ml) bottles whilst retaining the product's premium price: consumers reacted by turning to other brands.

This is almost the reverse of the J&J story, with Perrier appearing to be unconcerned with customer safety and slow to respond. This was compounded by the lack of coordinated global communications; and completed by the perceived arrogance of expecting customers to pay for the company's mishandling of the crisis. Perrier's market share never recovered, its share price fell by 30% in the year following the incident and it was subsequently acquired by Nestle.

Coca-Cola (1999)

In June 1999 reports emerged of over 200 cases of people becoming sick in Belgium and Northern France after drinking Coca-Cola. Coca-Cola immediately investigated and, within a week, had found two separate quality issues (one at a bottling plant in Antwerp and one at a bottling plant in Dunkirk), and withdrew some brands. However, the possession of this technical data proved a double-edged sword; as Coca-Cola's response became focused on arguing that the identified quality issues could not have caused the reported illnesses, rather than listening to consumer concerns. In addition, the tone of communications, coordinated centrally from the US headquarters, did not take account of local consumer experience of other recent food scares. Ultimately, both the Belgian and French governments demanded a recall of 17m cases of Coca-Cola at a cost of $103m to the regional bottling company (Coca-Cola Enterprises).

This example is an interesting counterpoint to the Perrier saga discussed above. The stories are similar in the sense that both companies were perceived to minimise customer concerns and to respond slowly. These sentiments were epitomised in the case of Coca-Cola by the fact that it took two weeks for the Chairman to arrive in Belgium in person. However, the stories differ markedly in the sense that Perrier suffered from the lack of a consistent global message; whereas Coca-Cola suffered from having a message that was entirely driven from the US and failed to take account of local issues. Clearly some balance is required between these two extremes. Coca-Cola reported a 31% drop in profits that year and the Chairman "resigned" in December.

Ford-Firestone (2000)

Increasingly, delivering successful products and services require close collaboration between partners, so the case of Ford and Firestone is a very relevant story for our times. The glare of publicity caused by a recall will put any such collaboration under strain.

Problems with tread separation on the Firestone tyres fitted to Ford Explorers had been reported in hot climates since 1989; and the tyres began to be replaced in a number of overseas markets in 1999. Despite this, and stories of similar incidents in the US, Ford and Firestone declined to take any action in their biggest market. The National Highway Traffic Safety Agency (NHTSA) in the US launched an investigation in May 2000 following 27 injuries and 4 deaths. By late summer, media reports were attributing 75 or more deaths in the US to the tread separation issue on Ford Explorers.

Whilst, at this stage, Ford and Firestone agreed that action was required; it quickly became clear that they were not aligned on how to respond. Ford were keen to replace the tyres quickly, but Firestone did not have the production capacity to do this immediately. More importantly, the two companies appeared to be trying to pass the blame onto each other: Ford focused very specifically on the incidence of tread separation; whilst Firestone argued that this was only one factor in the overall safety of the design of the Explorer, that Ford had specified this specific tyre and that no actual defects had been found in the tyres. These problems were compounded by poor communications: the CEO of Bridgestone (owner of Firestone) said nothing publicly until September and, when he did, appeared defensive. He stepped down as CEO the following month. Meanwhile, Ford's CEO said he was "too busy" to attend congressional hearings into the problem

In May 2001, Firestone formally (and publicly) ended their relationship with Ford after nearly 100 years of collaboration. Ford responded acrimoniously; and simultaneously extended the recall to cover 13 million Firestone tyres. Unsurprisingly, this undignified spat severely damaged both firms' share prices; and Ford's CEO stood down a year after Bridgestone's in October 2001.

This case study illustrates a number of pitfalls in a scenario such as this, but two specific mistakes stand out. Firstly, the story clearly highlighted that Ford and Firestone were not sharing safety information in the manner customers reasonably expected for two firms that had been working together for so long. Secondly, neither company appeared to take ownership of the problem, focusing instead on trying to minimise their own culpability. Consumers are not interested in the fine detail of who was responsible for what mistakes in the past; they are looking for clear, customer-focused leadership and will punish all the parties involved if they don't see that.

Whirlpool (2015 Onwards)

Recalls of electrical goods are particularly problematic: estimates suggest that, in most cases, only 10- 20% of the products involved are ever fixed or replaced. The long-running saga of Whirlpool tumble-dryers provides an extreme example of this.

In November 2015, Whirlpool announced a recall of various Hotpoint, Indesit, Creda, Ariston, Swan and Proline brand condenser and vented tumble dryers manufactured between April 2004 and September 2015. This was because of an identified risk of fire caused by fluff coming into contact with heating elements.

Nobody could have imagined that six years later the story would still be running. Six months later the story was in the news again when the Local Government Association released figures that there had been an average of three tumble-dryer fires a day in England and Wales over the period 2012-14. Obviously, these were not all Whirlpool appliances; but it reignited interest in the story and the allegations that it was taking the company up to 11 months to make the necessary repairs, leaving customers at risk.

Whirlpool was back in the news in June 2018, when the UK Government announced that it believed that up to 500 000 of the faulty dryers may still be in use in the UK. The Government also estimated that the fault has caused 750 fires over an 11-year period! Then, in December 2019, an unrelated recall of 500 000 Whirlpool washing machines encountered “technical problems” with the recall website; bringing into question if Whirlpool had really learned from the experience of the last four years. We had personal experience of such communication problems when Beko announced a recall of fridge-freezers following a spate of fires in 2011. Concerned customers, who were unable to contact Beko by phone or on-line, visited our website in the thousands; and a few even called our office!

As of October 2021, the situation appears to have improved somewhat. The UK Government’s *Office for Product Safety and Standards* (OPSS) reported that a further 140 000 customers had contacted Whirlpool since June 2019; although that potentially leaves over 300 000 affected products still to trace. The OPSS also reported that the average time to resolution is now 42 days.

This final example starkly illustrates the challenges around identifying the owners of recalled products and motivating them to take action that are very specific to electrical goods. However, the issues around ensuring effective communication with customers apply in all sectors.