

STRATEGIC PRODUCT WITHDRAWALS:  
AN EXAMINATION OF PRODUCT RECALL REQUIREMENTS

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INTRODUCTION

Product recalls seem to occur with familiar regularity in the United States. Some recalls can be traced to the terrorist acts of persons tampering with products in stores (U.S. News & World Report 1986; Advertising Age 1986). Recalls are also due to companies' production and design errors (Automotive News 1986; Viscusi 1985).

Regardless of the cause of recalls, they can be quite expensive to conduct, especially if the firm has not planned in advance for such a contingency. Marketers should develop programs for the immediate withdrawal of their products should such a move become necessary.

A LEGAL PERSPECTIVE ON RECALLS

Recalls have occurred since about 1900, although these product withdrawals received little publicity and were strictly voluntary on the part of the companies involved (Levenson 1979). Over the next 85 years, recalls have become more commonplace and a number of federal agencies have emerged to monitor product withdrawals.

The Food and Drug Administration (FDA) was established in 1906 and was additionally empowered with the passage of the Food, Drug, and Cosmetic Act in 1938. The FDA can seize faulty products or obtain court injunctions to prevent goods from being distributed. Since the FDA's court requests are almost always granted, FDA recall experience should be studied by firms which could come under their scrutiny.

The National Highway Traffic Safety Administration (NHTSA) was organized in 1966 with its own recall powers. Instead of having to get court approval like the FDS, the NHTSA can order a recall based on its own review of a situation. Since the NHTSA can force a recall, companies usually recall their products "voluntarily" when so urged by the NHTSA. The effectiveness of NHTSA-sponsored recalls has been debated (Tobin 1982); moreover, auto manufacturers may encounter product liability exposure because of the recall process when previously uninformed consumers find out about product defects (Reaves 1983).

The Environmental Protection Agency (EPA) can also mandate recalls by auto manufacturers based on its administrative authority. Thus, the EPA is similar to the NHTSA in that it does not have to go through the courts to recall products.

The Consumer Product Safety Commission (CPSC) is dependent upon marketers to report dangerous products. The CPSC has experienced varied rates of success for product recalls (Tobin 1982). In addition, CPSC recalls, like NHTSC actions, can

lead to product liability litigation for involved companies.

The Federal Trade Commission (FTC) is the most recent federal agency with recall powers (Krulwich 1984). The FTC's recall history is brief and may expand substantially. FTC activities should thus be studied carefully by marketers.

RECALL STRATEGY

Marketers must be highly concerned with product quality to minimize product recalls. By offering reputable goods the company will avoid most recall situations. The firm must also be prepared in advance to initiate a product withdrawal. Recalls carried out spontaneously will be costly and unreliable compared to planned recall programs.

The firm must therefore assign recall planning responsibilities to a team of executives. As a part of this plan, a program for tracing products currently in the marketplace must be developed. And a communications strategy for contacting consumers must also be devised.

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