

PRODUCT RECALL: EFFECT ON BRAND PERCEPTION

Dr.Pulidindi Venugopal*

Akul Soni,

Rohit Tiwari

Saurabh Gupta

ABSTRACT

A product recall is a request to return to the manufacturer, a batch, unit or an entire production run of a product, generally over safety concerns or design defects or labelling errors. All the firms' efforts concentrate to settle in the consumer mind permanently. The success of the marketer depends in forming the perception or changing the perception depends. There are three parameters that may affect consumer perceptions of companies/organisations at the time of product recalls. When information depicting that the company acted in a socially responsible manner was present, student or young consumers held more favourable feelings for the company. A government press release was viewed as more objective than a company advertisement describing the recall. Finally, the print media was viewed as more trustworthy and somewhat more objective than the sound medium. Managerial implications are provided. It also explores the costs involved in product recall by a company. The research paper provides an insight into the effect of product recalls on the brand perception by the people and the brand image in their minds by analysing two cases studies of major product recalls in the past: Dell laptop battery recall and Toyota car recall.

Keywords— Stimuli, Brand, Perception, Product Recall, Product Call Back,

* Professor from VIT University.

INTRODUCTION

Current era is of fast paced development with little or no scope for error and marketers too manufacture and produce products on a large scale are also concentrating on zero defects since any error in manufacturing could have a significant impact on the product. It is an ethical and moral duty of the manufacturing or producing company to discover, own up, correct and rectify these faults at the earliest possible so as to avoid any inconvenience to the customers and users. The actions of a company regarding announcement of product recalls and the subsequent actions that it takes in its response may make or break the brand image of the company. It leads to a change in the brand perception by the people.

The experimental study investigated and studied three parameters that may affect consumer perceptions of companies/organisations making product recalls. When information depicting that the company acted in a socially responsible manner was present, student or young consumers held more favourable feelings for the company. A government press release was viewed as more objective than a company advertisement describing the recall. Finally, the print media was viewed as more trustworthy and somewhat more objective than the sound medium. Managerial implications are provided.

PRODUCT RECALL

A product recall is a request to return to the manufacturer, a batch, unit or an entire production run of a product, generally over safety concerns or design defects or labelling errors that we will see shortly in below list of cases studied for vivid companies and product categories.

Product recalls are not uncommon event as evident from below given interpretation and best of the companies, industries and brand leaders get involved in this from time to time. When there is so much outsourcing to lower costs so that US and European CEOs can play golf and show company efficiency to shareholders, it gets worse.

Issues

1. The decisions have to be taken immediately on obtaining an enough number of initial complaints regarding safety concerned defects common to all users or accidents that might have taken place or there is serious design or component flaw in product which may create problem for brand image of company and drag them into litigations for expensive settlements and at some situations consumers' life will be at risk.
2. Do product recalls relate to negligence on part of manufacturers in supply of goods? Do they damage Brand image or enforce it by effective and quick replacement of defective product/ repair? We may also call it damage control.
3. What local governments do about these issues and what are laws and rules in across parts of world – (We shall take only USA and India in this article) about these issues of product flaws and safety issues - specially for drugs, children products, vehicles, household gadgets and food items. Of course in any product, safety concern may exist with clothing or even bibs used for children.
4. What about failure of service provider like advocates, lawyers, legal advisors, chartered accountants, doctors and others (Called service failure and service recovery processes), because in this case recall has no meaning..
5. What are consequences of defective product supplies and its cost of calling back?
6. WTO agreement has a chapter relating to Sanitary and Phyto-Sanitary (related to plant material sources) conditions for imported food and other related items, which is being criticized by India and many other developing countries as non-tariff barriers. But recent incidents seem to justify such controls especially in food products, drugs and electric goods and even textiles (flammable skirts scandal that took place a few years back exported from India to USA buyer) and those that come in body contact like Toy paints or decorative items and cosmetics, of course.
7. How the product recalls can be handled and is it possible to build in a system for possible product recalls like that for disaster management systems and Information system crashes in companies? How companies can ensure quick and safe recalls and ensure traceability of goods down the channel of distribution, the response time to recall and the reverse

logistics for customers returning goods and getting refund or replacement . Customers may ask for damages in courts (USA). The delay may be fatal for consumers in certain products like electric appliances, automobiles and food items/medicines. The recalls do have financial implications for companies and some may get doomed even.

8. Why these product quality failures (technical, functional or ingredients quality) occur or repeat and are these avoidable by process control models and advances quality control systems? Many failures are accounted for by poor design and ignoring safety aspects, like sharp corners in toys or loose parts or buttons on children garments which can be swallowed by kids.

BRAND PERCEPTION

Brands hold a unique significance that may vary from one individual to another. It also varies on the past experience a person has had with the brand. To one, a brand may have an emotional attachment. To another, it may mean a symbol of luxury. To others, it may refresh an enriching experience they might have had in the past. Brands are looked at from different angles by different people. They may be perceived as a symbol of trust, loyalty, happiness, boldness or luxury.

It has been observed in the past that product recalls do affect the brand perception of the customers and consumers towards the brand. Much of this work has been conducted by Mowen and his colleagues.

Mowen (1979) in one study manipulated:

- a. Whether or not the company was known to consumers,
- b. Whether or not the Consumer Product Safety Commission (CPSC) directives were given to the company prior to the recall,
- c. Whether or not other companies had experienced a similar product problem.

The results revealed that the company familiarity and the CPSC action influenced how responsible people felt the company was for the defect. Moreover, a company which was well known was perceived as less responsible for a defect than a company which was unknown.

A survey was conducted by Mowen, Jolly, and Nickell (1980) to obtain consumer reactions to recalls which had recently occurred. A stepwise regression was employed to examine the possible effects of the recall on perceptions of the companies. The best predictors of the subjects' favourability towards the company were:

- a. The subjects' perceptions of the perceived danger of the defect,
- b. The subjects' perceptions of a company's social responsibility,
- c. The company's perceived responsibility for the defect was the best predictors of the subjects' favourability toward the company.

In another study, Mowen and Ellis (1981) conducted an experiment in which three variables were manipulated:

- a. The injury resulting from the defective product,
- b. The length of time it took the company to decide to make the recall, and
- c. The number of previous recalls made by the company.

Each variable was found to influence subject perceptions of the company and their intentions to purchase a replacement product.

The theoretical rationale for the studies by Mowen and his colleagues was attribution theory (Kelley 1967). Indeed, the work of attribution theorists suggests that product recalls, like other types of negative information, can severely damage a company's corporate image.

For example, Mizerski (1975) found that subjects tended to attribute favourable information about a product to external causes (i.e., that a person likes products like that), and unfavourable information to internal causes (i.e., it's the company's fault it makes a poor product). People appear to weight negative information more heavily than positive information.

Similarly, Kanouse and Hanson (1972) proposed that people are cost oriented in their evaluations and place greater weight on negative information than on positive content.

The findings of Mizerski (1975) and Kanouse and Hanson (1972) have important implications for companies recalling products. Because the news of a product recall is a type of negative information, consumers are likely to weight the information more heavily than advertising

revealing product strengths. Thus, companies have a need to mitigate such potential negative information.

One approach could be to inform consumers of the socially responsible actions of the company in recalling the product. As Mowen, Jolly, and Nickel (1980) found, companies perceived as more socially responsible are liked more. One approach to creating such an impression could be simply to tell consumers that the company is acting in a socially responsible way during the product recall. Thus, one purpose of the present research was to test whether information on the socially responsible nature of a recall influences consumer liking for a company.

BRAND IMAGE

Many researches show that recalls contested by manufacturers have a significant negative impact on manufacturers' image, as well as on consumers' loyalty and purchase intentions.

On the other hand, voluntary recalls or improvement campaigns have a significant positive impact on the manufacturer's image, as well as consumers' loyalty and purchase intentions.

Product recalls have continued to increase over the last two decades more particularly in automobile industry. In USA the number of vehicles recalled in 2004 reached approx. 29 million, exceeding the recorded number of 24.6 million in the year 2000. This constitutes a colossal expense for automobile.

PRODUCT RECALL BY DELL

This case deals with the recall of almost 4.1 million laptop batteries. During May-June 2006 some cases of laptops catching fire due to excessive heat generation caught the eyes of few cyber media journalists. They effectively published this sensitive issue and finally got the manufacturers attention.

The problem was that the lithium ion batteries used in these laptops were of substandard quality. Because of this if the laptop is over-heated it may catch fire. There were a few incidents of laptops catching fire, a popular one in which a laptop inside a conference hall caused panic.

The models that were affected were Dell XPS, Inspiron, Latitude, and Precision. All of these were very popular models.

The cyber media kept pushing the manufacturers and helped U.S. Consumer Product Safety Commission (CPSC) to conduct an investigation. Dell closely followed the investigation and even helped with its technical resources. The problem was being caused by some metal particles trapped inside the battery that caused the overheating.

Following the identification of the main cause, Dell launched a website “dellbatteryprogram.com” to ensure easy outreach to the customers. And within a short while huge number of consumers affected with the problem registered for a replacement.

Dell got mixed response for this issue, although a larger portion believed that it the whole event improved Dell’s image. The unhappy bloggers were stating the ill behaviour of the company’s Chairman Michael Dell. According to them, he didn’t announce the recall when he was asked for the developments which escalated the consumer’s fears. On the other hand, the happy bloggers and customers praised Dell’s effort. The image of Dell became as a company that puts customer safety and satisfaction first.

PRODUCT RECALL TOYOTA

The Toyota Company suffered from three different but related recalls from end of 2009 to start of 2010. A total of 9 million cars were recalled worldwide.

The first recall was due to an out-of-place driver’s side floor mat incursion into foot pedal. This can cause pedal entrapment leading to unintended acceleration. The second recall notice was also due to the unintended acceleration but this time the cause was mechanical sticking of accelerator pedal. This was brought into light after some crashes, and the reason for these crashes not being floor mat incursion. The third recall was not related, it was due to anti-lock-brake software.

The amount of cars recalled during first recall was 5.2 million and for the second it was 2.3 million. Total 37 deaths were caused due to the faulty accelerator pedal. This event forced for an investigation by the National Highway Traffic Safety Association (NHSTA).

After the research done by NHSTA in collaboration with NASA, the results showed that the problem was not electrical. It was mechanical sticking which was caused only by driver's error.

The vehicles affected by the first two recalls were:

- Toyota Camry
- Toyota Corolla(model-2009-2010)
- Toyota Highlander(model 2010)
- Toyota Matrix(model-2009-2010)
- Toyota RAV4(model-2009-2010)

This recall generated a lot of media coverage, and received extensive criticism by commentators stating that Toyota is emphasizing on profit and not paying proper attention to safety.

In January 2010 Toyota recalls the 2.3 million vehicles to fix gas pedals and software updates that clearly had grave safety and quality implications not associated with the earlier recall. 1.7 million Vehicles were subject to both recalls.

Toyota Sales Impact January 2010 Toyota share of U.S. market in 2009 18.4% Total US light vehicle sales grew 6.3% vs. January 2009 Due to the recall: Toyota suspended sales of 8 models for the last 5 selling days of the month 8 models represented 60% of 2009 sales Toyota sales dropped 16% vs. January 2009 Toyota's share slipped over 5 points to 13.5% Camry, the number one nameplate for the last three calendar years, fell to 5th. Consumer Sentiment Clearly Toyota owners are far more confident in their vehicles safety than non-owners. The same study also finds that 74% of Toyota owners have not lost confidence in Toyota vehicles. Among non-owners 57% have not lost confidence.

According to a Rasmussen poll released on February 8, 2012, Toyota is viewed favourably by 59% of Americans, with 22% viewing very favourably. 29% people voted against Toyota.

COST INVOLVED

This article tries to look at huge buckets of costs common to all recalls and discern if the cost alone would give a manufacturer incentive to increase or reduce recall effectiveness. There are various costs involved in conducting a product recall. Many of these costs vary largely depending

on factors such as the type of product being recalled, the cost and price-point of the product, the number of units recalled, the geographic location of the companies involved and even the demographics of the end-user.

Direct Costs:

First, there is the cost of implementing the recall. This includes such costs as administration, shipping items back from retailers and consumers, and the cost of fixing or disposing and replacing the product. Each of these costs is positively correlated with recall effectiveness. That is, the more successful a recall is in locating items, the higher the cost to manufacturers. This correlation means that there is an incentive for manufacturers to slow, hide, or not fully advertise a recall.

Indirect Costs:

Indirect costs are the additional financial impacts beyond the direct costs of the recall that would not have occurred but for the recall. One such cost is government fines.

SOLUTION

Proactive strategies are the best solution to avoid a loss in consumer loyalty to the manufacturer during a recall crisis. On the other hand reactive strategies have a negative effect on the image of the manufacturer on the customers.

CONCLUSION

Product recalls are widely spread across various industries and organisations, services firms from medicines to food products to automobile to household gadgets. Product recall does not have anything to do with normal producers warranty processes. The recalls sometimes indicate poor product design and quality assurance failure promised by company when processes are go occasionally out of control or in some situation recalls can take place when some outsourced vendor makes mistakes or product was not tested proper manner by company and launched in market. Recalls take place when large number of consumer's safety is at risk in any manner or major flaw takes place.

The strong government participation, consumer movement and tough legislations are driving forces behind several product recalls by famous companies and brands who can't afford to risk serious financial beating in costly litigations and loss of goodwill in market .Product identification and traceability issues are being tackled by companies with advanced technologies and by State and quality enforcement bodies as described above better for company and cheaper. Reverse logistics have to be built in distribution plans for possible recalls. Like Disaster management- similarly Companies should have express plan for possible product recall. For automobiles the exercise is a lot expensive and cumbersome besides drugs and food products. It is found that less or Insufficient supply chain presence effects planning reliability especially in the automotive industry. According to A.T. Kearney, supply chain inefficiencies can waste up to 25 percent of a company's operating costs.

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