



Protecting your brand from food recalls impacting e-commerce channels



Until the COVID-19 pandemic, far fewer consumers thought of groceries when they considered online shopping. But the food e-commerce channel – which has been growing steadily for years – rocketed in 2020.



E-commerce grocery platforms have now become commonplace. Consumers are shopping online, picking up their orders from the store, or even using third-party vendors to have their groceries delivered directly to their door. One projection by Insider Intelligence even predicts that online grocery shopping will be adopted by 55 percent of U.S. consumers by the end of 2024.

It will be an entirely new game for food companies throughout the supply chain – presenting new risks and potential exposures that could lead to an increase in consumer complaints, complicate food safety investigations and even invite regulatory scrutiny.

When it comes to recalls, companies must be prepared for future changes in recall obligations in the e-commerce age.

Mismanaging a recall can have serious consequences for a company's brand and bottom line, including:

- Regulatory fines
- Civil lawsuits
- Criminal prosecutions
- Loss of customer trust and loyalty
- Charge backs and other fees incurred from retailers

With so much at stake, it is important that companies understand the most common causes of recalls within their industry, keep up-to-date with the changing regulatory environment and prepare for the likelihood of a recall by developing a comprehensive plan.

Recall risk landscape



Naturally, recalls of food products sold via e-commerce channels have followed consumer adoption trends.

Food recalls impacting products sold via e-commerce channels accounted for an average 8 recalls per year – or 1.4 percent of all U.S. Food and Drug Administration (FDA) food recalls – from 2015-2020, with 47 companies impacted. Food supplements and candies were the leading product categories, accounting for nearly half of all recalls announced over the five-year period. Of all recalls from 2015-2020, 87.5 percent were due to bacterial contamination or undeclared allergens.

Wherever they are sold, food and beverage products with a lengthy shelf life still dominate current online food sales. However, online sales of fresh produce, meat and dairy are on the rise as well. While consumers may be more tuned in to these recalls, they come with their own challenges. Fresh goods, especially meat and dairy, must be delivered in specialized packaging to maintain safe temperature control. Lack of proper ice packs and insulation is the equivalent to improperly cooking ready-to-eat items and will likely result in unsafe food and a potential recall situation.

As consumers continue to embrace online food shopping, recall communication may become an even greater challenge for food manufacturers. To the extent consumers turn to small independent shops or third-party resellers operating through larger e-commerce sites, recall notification may be a challenge. Some online retailers lack the staff, knowledge and inventory systems needed to effectively execute a recall once notified. Still, others may have no direct relationship with the supplier or manufacturer and therefore never learn about the recall.

But in neither case – or any other – are companies up and down the supply chain any less liable in the eyes of regulators or the plaintiffs' bar.

Recall management

While food recall obligations are the same, the tactical execution of e-commerce recalls requires a different approach. This is a lesson that even traditional brick-and-mortar grocers well-versed in recall management are still learning in the hybrid sales model that became popular during the global pandemic.

When a food recall is announced, even established brands can feel like they are facing a bet-the-company crisis. That's because the task of managing the details of a recall situation is dramatically different from a company's regular day-to-day operations.

The truth is an effective product recall quickly removes impacted products from shelves and restores consumer confidence. If not executed properly, however, the event can expose companies throughout the supply chain to potential litigation and brand damage. To compete in this ever-changing environment, companies utilizing e-commerce sales channels need a combination of unparalleled experience, field-based services and data-driven technology.

As supply chains and industry regulations increase in complexity, recalls remain prevalent. Companies facing recalls will need to effectively execute critical recall tasks such as:

- **Satisfying complex regulatory compliance obligations.** Companies must understand the regulatory environment, effectively communicate the recall to those affected, choose the right remedy and close out the recall as quickly as possible. Since e-commerce sales can easily span many states and even cross borders, there can be complex regulations involved. It is important for companies to have a solid understanding of this patchwork of regulations or rely on experienced recall partners who do. Taking these steps in advance will help ensure the recall is executed compliantly. Investing in specialized insurance can help defer the costs associated with complex recalls, including logistics and crisis communications assistance. Many standard liability policies already have recall endorsements, but they often fall short of covering the expenses, giving policy holders a false sense of security.

- **Identifying and notifying affected parties throughout the entire supply chain.** In theory, identifying and sending notifications to those affected should be a simple, more direct process when it comes to phone and online sales. To complete a purchase, an email, phone number and mailing address are typically provided. Companies that offer direct sales through their own website or call center will typically have this data readily available. However, if it is not in a useable format, it poses a significant challenge.
In other cases, companies may sell products through third-party websites that have not yet put the proper mechanisms into place to effectively manage the notification process. Direct notifications are dependent on the ability to track products back to the affected lot and code numbers. If there is a gap in that information, direct notifications are more difficult and may require outside assistance to help avoid brand damage, fines and costly litigation.
- **Coordinating seamless communication with all parties through a multi-channel communication center.** Companies must be prepared to manage the response from worried customers. Consumers who buy food products such as groceries, meal kits and supplements online are more likely to prefer dedicated recall websites and email communications than phone calls. Those who are more likely to order by phone, such as the elderly, will likely prefer to speak to a live agent about their recall questions. Whatever the method, the company should tailor their response to their customers' needs to reduce frustration. That means ensuring there is enough capacity to avoid website crashes and enough agents to respond quickly.
- **Evaluating claims and executing remedies.** When evaluating claims, companies should consider whether offering reimbursement and other remedies that go beyond standard reimbursement would help protect the brand.

Recall management



- **Managing recall logistics and product reconciliation.** It is important to quickly coordinate shipment returns from distribution centers and remove affected products from store shelves. In doing so, the instructions for handling recalled products must be crystal-clear. Otherwise, companies can end up throwing other profits down the drain by removing non-recalled products with similar packaging or different batch, lot or code numbers. A field force can also help keep this type of shelf sweeping from occurring. Companies must also consider how they will handle, document and sustainably dispose of any returned product so it is never combined with unaffected product, inadvertently reentering the marketplace.

For companies who don't sell their products exclusively through their own website, there is another challenge – monitoring sales through third party vendors or unscrupulous online retailers that may resell products knowing they are under recall or without bothering to check. Clear and concise language in each announcement is critical for reaching as many affected consumers as possible.

- **Conducting on-site effectiveness checks and monitoring compliance with product handling requirements through quality audits.** As affected product is removed from the market, effectiveness checks should be performed to validate the process and ensure data is accurately collected for regulatory reporting

Scrambling to keep the public up to date while overseeing these details can be a logistical whirlwind. That's why it's important to have a recall plan already in place. When company departments, distribution partners and consumers are educated in the proper order, it's easier for brands to ride the wave of a recall and avoid any extra public scrutiny.

Manufacturers and retailers can ensure the quick removal of all affected products from stores by proactively defining a recall management process before events occur. Organizations that take swift action in putting their recall plan into effect are best positioned to mitigate risk and prevent irreparable brand damage.

Recall planning

Creating and maintaining a recall plan– and then testing that plan with mock recalls– should be a top priority.

The plan should include:

- **A designated recall management team with specific responsibilities.** This will help hold individuals accountable for their role in effective recall execution.
- **Consumer complaint evaluation and investigation process.** As with traditional sales, e-commerce food companies must act quickly at the first reports of a problem. Often, these reports come from customers who may notice an ingredient that isn't declared on the label, a foreign object such as metal or plastic, or an illness they believe resulted from the product. This can be more challenging when the issue is first disclosed in a public review, comment on social media or addressed to a third-party e-commerce retailer. Companies must have processes in place for investigating these reports. Not every complaint will have merit, but patterns may emerge or testing may confirm the issue. At that point, there should be a clear procedure for determining how many products and lot numbers are potentially affected. Companies should be able to trace the source of the issue, whether it was a direct contamination at the plant or a supplier issue.
- **Process for accurate recall scoping.** Companies need to be prepared to quickly and accurately identify where the product is being sold and how to get it off shelves, out of homes and back to the company for storage and ultimate destruction.
- **Notification procedures for informing regulatory agencies involved and partners upstream and downstream.** It is important to consider the pressures and challenges facing retailers, who may feel compelled to respond to product shortages, recalls and other supply related issues by reallocating shelf space or discontinuing a product line entirely. Failure to take this into account when working with your customers may keep your products off store shelves. If the product is sold direct to consumer, companies should be prepared to handle the complexities of an e-commerce recall.
- **Consumer engagement plan.** Communicating with consumers under normal business conditions is more challenging than ever before. But when safety concerns make headlines, these challenges increase exponentially. Intense media coverage often leads to a deluge of calls, even from customers who have not purchased or consumed the product in question. Plan now for how to provide immediate, concise and helpful information to consumers and customers across all communications channels. The ability to do so will build rapport and trust with customers while significantly reducing potential miscommunication and opportunities for error.
- **Reverse logistics and product handling process.** One reason customers choose e-commerce is for convenience. In order to protect brands and raise response rates as much as possible, companies must make acting on the recall as convenient as possible as well. Just as it is important to tailor the response to the form of communication customers are used to, whether online or by phone, customers who received items via a delivery service should have an option to return by mail or have a field force retrieve items from their homes.
- **Process for identifying and providing recall remedies.** Consumers should also be offered an appropriate remedy in a timely manner. Too often, companies try to cut corners and reduce costs by providing only a coupon. Consumers who buy through e-commerce have many options – in some cases, even more than those who shop at traditional brick and mortar stores. In order to retain those customers, companies must go the extra mile. Companies should also be prepared for when a health issue arises, as many consumers will appeal for reimbursement of medical-related costs.
- **Detailed method for closing out the recall.** This depends on detailed data for regulatory reporting. Too often companies need to expand a recall after an initial announcement. These organizations have a much harder time recovering from the regulatory, retailer and consumer fallout. But effective recall planning – from initial investigation through to event close-out – can mitigate these risks.

By starting with a robust recall insurance policy and a comprehensive recall preparedness strategy, companies big and small are better suited to handle these complex scenarios. Delivering high-quality products is easier when the proper regulatory reporting data is organized and ready at a moment's notice.

Conclusion

Brands that are willing to tackle recall management plans before problems arise are better equipped to navigate the challenges with confidence.

In the food industry, recalls come with the territory, so it's often not a matter of if that storm will hit, but when. Having expert advice throughout the entire process can help mitigate risks to consumers and companies alike.

With a robust recall insurance policy and a comprehensive recall preparedness strategy, companies big and small can handle the choppy waters of these complex scenarios.

