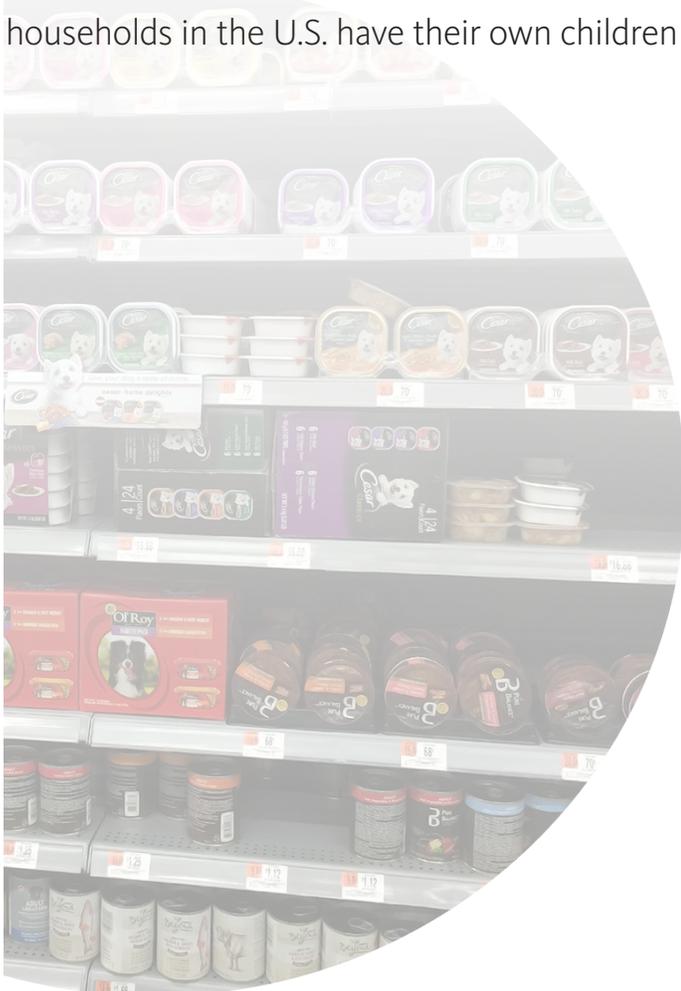




Protecting your brand from pet-related recalls



Pets are included in family portraits, receive gifts for birthdays and holidays, and have even escorted their human companions down the marriage aisle. Most pet owners – or pet parents, as many prefer to be called – will tell you pets ARE family. In fact, families with pets outnumber families with children. Two-thirds of U.S. households own a pet, while just 40 percent of family households in the U.S. have their own children living at home.



In recent years, consumer trends have grown alongside pet ownership, creating new product categories that present unique risks. Manufacturers of pet care products and toys must be aware of potential hazards associated with biting, pulling, scratching and chewing behaviors of pets. Similarly, as pet owners consider raw or “better-for-you” food options, manufacturers must be wise to consider the health and safety risk associated with the processing, packaging and consumption of these new food products.

With 80 percent of pet owners reporting they care for pets as they would their children, it’s no wonder that when a recall occurs, human emotions rise. When managing that recall event, companies must recognize not only the potential health and safety risks, but also the fear and concern felt by pet owners. Companies should be ready to respond quickly and effectively – or face serious backlash from the press and public.

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



Several high-profile recalls of pet foods and veterinary products that caused illness and even deaths in recent years put pet food safety in the spotlight. In the last six years, recalls have continued to plague the industry.

After a three-year high 100 recalls in 2019, veterinary recalls dropped to just 53 events in 2020. The reduced activity was likely in large part a result of a shift in regulatory priorities in response to the global COVID-19 pandemic. But these numbers are expected to rebound to normal levels.

Regulatory agencies are expected to prioritize on-site inspections where environmental swabbing and product sampling can identify potential contamination concerns, both among bacteria associated with foodborne illness and other potential toxins or contaminants. When bacteria or contaminants are identified, recalls often follow. But contaminants aren't the only area of concern. In fact, the veterinary industry faced recalls for nearly 80 unique causes over the past 5 years – almost twice the number of specific causes attributed to recalled food for human consumption. So, while the general categories of quality and contamination concerns are the leading causes of veterinary recalls, the number of ways these recalls could occur is increasingly challenging for companies to manage.

For example, consider the U.S. Food and Drug Administration's (FDA) involvement in research related to diet as a potential cause of non-hereditary Dilated Cardiomyopathy (DCM) in dogs. To the extent there is a dietary characteristic definitively linked to DCM, recalls will follow. While the FDA has not taken a firm stance on any brands, food or formulations in particular, veterinarians and pet owners alike are growing wary of grain-free options. That level of public concern and fear will make it harder for companies to effectively manage and recover from a future recall.

Pet food and other animal feed products are subject to both federal regulations and state laws. Like food meant for humans, the FDA requires that pet food products be "safe to eat, produced under sanitary conditions, contain no harmful substances, and be truthfully labeled." However, there are fewer regulations when it comes to animal foods. For example, no specific rules are in place regarding the labeling of organic foods for pets.



Recall management

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 need a combination of unparalleled experience, field-based services and data-driven technology.

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.
- **Identifying and notifying affected parties throughout the entire supply chain.** Companies must alert distributors, wholesalers, retailers, customers and other stakeholders to ensure affected product is no longer sold. Depending on the level of severity, a news release may also be required to notify the public. A combination of notification services, contact center support and an agile, global product removal team make the difference between a successful recall and a brand in crisis.
- **Coordinating seamless communication with all parties through a multi-channel communication center.** Once the recall is announced, it is critical to have an effective means of responding to consumer questions, including a well-staffed contact center and a dedicated website. A third party may be required to assist with this, depending on the scope of the issue. Customers should be advised of what action they should take and informed of what the remedy will be, such as a reimbursement or refund.
- **Evaluating claims and executing remedies.** When evaluating claims, companies should consider whether offering reimbursement for veterinary visits and other remedies that go beyond standard compensation would help keep them out of the doghouse with customers. The publicity surrounding such claims can damage an otherwise respected brand, particularly when pet parents take to the internet to voice their frustration over the situation. Entire blogs and Facebook groups are dedicated to pet food safety issues – some of which have thousands of “likes” or “follows.” The FDA does not have the authority to enforce such requests, so such action is optional on the part of manufacturers. However, many companies have faced lawsuits from pet owners whose animals became ill from recalled pet food, and some of those companies ultimately chose to settle claims.
- **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.
- **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.

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.** Companies should determine the process for identifying the root cause of the issue. Companies must also have a detailed plan for determining the nature of the health hazard, with guidelines for actions and remedies necessary depending on the severity of the risk.
- **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 food 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, nor their pets 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.** Determine how to effectively remove products throughout the supply chain in a way that minimizes risk to manufacturers and retailers around the globe. Consider reconciliation, storage and disposal requirements once the product is retrieved.
- **Process for identifying and providing recall remedies.** When it comes to recall remedies, companies have several options available. A full refund or coupon for replacement is a common option. Be prepared for when a health issue arises, as many consumers will appeal for reimbursement of veterinary-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

A recall involving man's best friend can be a company's worst nightmare.

But companies are bound to experience one eventually, and while the costs associated with a recall can have a major impact on bottom lines, the costs of poor recall management are far greater. In addition to developing a plan, companies should consider investing in insurance to protect the organization in the event of a recall. While many standard liability policies already have a "recall" endorsement, they often fall short of covering the wide range of expenses incurred, including logistics and crisis communications.

The steps involved in recall planning may sound overwhelming, but dealing with a recall on the fly is even more daunting. Recall ready companies are able to respond quickly and efficiently – something consumers expect when their beloved pets are at stake.

