

The cost of a recall

Figures are based on industry examples for a mid-sized processor

Cost	Low \$	High \$	Comments
Value of recalled products and customers' lost profits while off sale	10K	15M	Difficult to quantify, but it can easily escalate to very large figures.
Value of unaffected products that are returned or implicated due to poor traceability	0K	10M	In a recall other products are returned that are completely OK. This may be due to poor traceability in the supply chain resulting in the need to "over-recall" or it may be some consumers trying to return "good" products under cover of a recall – "buyer's remorse."
Point of sale notices	30K	100K	Notices are often shown on store notice boards or in store windows. These are not very effective as they are largely ignored, but they do demonstrate that you are making the effort to contact your consumer. Costs will probably involve a charge back from your retail customer.
Publication of recall notices in the press	20K	200K	You should investigate how to do this in advance. The figures here assume single country incident.
Public relations advice	10K	80K	Charges from consultants who are specialists in crisis PR can easily run into tens of thousands of dollars.
Consumer care lines	10K	300K	Cost of setting up a free phone number. This should be investigated in advance.
Remediation	25K	750K	Vouchers, replacements, etc. This is variable and depends on volume of products affected and complexity of the remediation process.
Retailer administration charges	10K	200K	Removing stock from shelves, notifying the store network and other activities related to withdrawing products from the shelves of major retailers.
Shipping and additional logistics charges	15K	800K	Collecting products from stores or consumers, related reverse logistics and other freight and distribution charges.
Disposal	10K	200K	Disposal may be low or high cost depending on the reason for the problem and the type of product. If certified destruction is required due to toxic components, this can easily reach tens of thousands of additional dollars.
Warehousing	0K	150K	Rental of third-party storage space to house returned products. You may need multiple locations across a larger geographic area.
Value of loss of contract to supply	0K	2M	This could be hundreds of thousands or millions of dollars.
Specialists (laboratories, consultants)	1K	80K	Depending upon the test required, lab costs may be low or high. Microbiological tests are only a few dollars per sample while detection of a trace contaminant (e.g., dioxin) can be \$1000 – \$1500 for a 3-day turnaround.
Cost of production stoppage / shutdown	75K	150K	If a production line or lines have to be shut down, the daily costs quickly mount up to hundreds of thousands and ultimately millions of dollars.
Repair / correction	0K	150K	If the products are not disposed of, they may be fixed. This is more likely with a non-food item but may still run into tens of thousands of dollars.
Replacement costs	0K	1M	This is effectively the same as the cost of lost sales because you have to make the product again. It is not necessarily a new cost unless production has to be outsourced due to the recall.
Packaging design or wording changes	20K	200K	Changes to correct inaccurate or incorrect wording or design
Post recall advertising – brand recovery	10K	2M	Additional promotional activities may be required to promote your product or your brand to entice customers to return.
Fines and penalties	0K	5K	Fines can be costly in terms of both money and reputation. Fines may also be imposed by retail customers.
TOTAL INITIAL COSTS	300K	40M	

Source: RQA Consulting; www.rqa-group.com.