

## **The Influence and Good Practice of Product Recall on Brand Image and Customer Perceived Product Quality**

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### **Abstract**

*The firms paid the much efforts to design the innovative products and sold to the market. Due to improper quality assurance, design defects or labelling defects, the products became unsafe to the customers. The unique corrective action is to recall the products from the market immediately. The product recall is always considered to have the negative impact to the brand image and customer perceived product quality. In the paper, we reviewed some cases of product recalls and how the good recall communication reduced the threats of recall. Then we analyze the influence of Product Recall on the Brand Image and perceived product quality. Lastly we suggest the good practice to the firm how the recall shall be handled.*

**Keywords** — Brand Image, Customer Perceived Product Quality, Recall, safety,

### **Introduction**

The number of product recalls has increased to significant percentages around the world in the past decade (Beanish and Bapuji 2008). The affected companies reported the loses in the short term sales, affecting the capacity for revenue generation and the ability to make a business profitable. As de Matos & Rossi (2007) highlight, the long-term marketing metrics, brand image and customer perceived product quality, are adversely impacted by product recalls. Indeed, the long-term effects may hinder business growth as well as continuity. As such, this paper aims to discuss the impacts that product recall has on brand image and customer perceived product quality in the Western and Eastern countries.

### **Causes and Reasons for Product Recall**

A product recall is considered as a reaction to a crisis, and it could mean that a product does not meet the established safety and quality standards. The domestic and foreign governments in the Western and Eastern countries use product recall as a tool for managing product quality. Additionally, the inspection of product quality ensured that counterfeit products did not enter the market as they would affect both product prices and market share. One of the main reasons for product recall is the production of defective products and allowed them to put into the market. In the context of drugs and products that are meant for human consumption, product recall could be caused by the production of unsafe products.

As such, the motivation for product recall is attributed to the violation of product safety standards and regulations. For most companies, recalling products is a better alternative as compared to lawsuits and losses that firms face when defect products are exposed. The causes of product recall are hence attributed to both internal and external factors (Liu & Zhao, 2015). One internal factor is when there arises a need for redesigning products. For instance, when a company introduces a new product in the market without advertising it, the products might fail in market penetration.

As a result, the firms decide to recall the new products and continue supplying the old brand before customers are away from the changes. The product recall is also used as an internal strategy to gain the respect of its potential customers and consumers. Indeed, a genuine product recall indicates that a company is concerned about the quality of its products and customer satisfaction. The firm could gain trust from customers, promoting its competitive advantage.

A product recall is also utilized as a defense mechanism by firms to protect their corporate technology. In cases where defective products are available in the market, the competitors have an opportunity of buying them and analyze to understand the processes involved in the production. As such, the corporate technologies are protected from exploitation by rivals, maintaining a competitive advantage. In the context of external factors that influence product recall, they are mainly attributed to compliance with the safety standards and quality policies. Given that the 21<sup>st</sup> century is characterized by technological advancement, the mainstream media plays a role in the supervision of quality products. At times, stories are covered on how certain products do not meet the required criteria, terming them as defective or of low quality. Such media coverage forces firms to act by recalling the defective products, aiming at saving the company brand and reputation.

The government authorities have an obligation of ensuring that companies with manufacturing plants in the country comply with the existing regulations. On the other hand, imported products are also required to meet established standards. In the United States, the consumer product safety commission (CPSC) is authorized to regulate the consumer products that could pose risks to consumers. The Food and Drug Administration (FDA) is responsible for foods, drugs and medical devices. In Canada, the government is responsible for issuing alerts to customers on products that are found to be defective or harmful.

In 2007, CPSC randomly drew the toys samples made in China from the market. They found that the total lead content of surface coating on the samples exceeded the limit and announced mandatory recalls the defective unsafe products immediately. Then, the new Consumer Product Safety Improvement Act (CPSIA) was established in 2008 and aims to enhance the safety of consumer products by implementing 1) mandatory third party testing; 2) established and adopted the standard methods for testing heavy metal or other toxic elements; 3) tracking label to improve the traceability of consumer products.

For instance, in 2019, Indigo branded mugs that were made in China were found to be defective as they posed a laceration or burn hazard. Once the alert was issued through the government website, the importing company made product recalls as well as full refunds to the affected customers.

A product recall is also caused by the complexity of products and supply chain management. With an ever-rising competition, companies find it challenging to sell their products in some markets that have a particular preference. This is caused by an influx of new product designs that appear to be more appealing brands to potential customers and consumers. After the products stay for an extended period without being bought, companies are forced to recall them. In turn, they could be used as raw materials for the manufacture of other products with a new design. Ultimately, companies are required to conduct regular market research to avoid product stagnation. Indeed, the production of products ought to be guided by customer preferences and tastes while complying with the established safety standards.

### ***Product Recall Communication***

According to Kubler & Albers (2012), recall communication is a determining factor of the reactions of the consumers and customers. Kubler & Albers (2012) also add that recall communication may reduce creation of incidents. Nonetheless, the two researchers argue that firms develop fear that negative perceptions maybe created following provision of information. In most cases, product recall communication process adopts patterns of transparency, social responsibility, excuse notes, and identification help. The mentioned shape the typical communication patterns as well as recall messages that are utilized by firms. Ultimately, when firms are doing a voluntary recall, they must analyze the metrics and branding of a particular product (de Matos & Rossi, 2007). In turn, the management makes an informed decision on the communication technique that they should adopt, specific to a particular product. In doing so, the firm gains the advantage of controlling the market metrics of their products.

Additionally, researchers suggest that companies that communicate early concerning product defects and their recall are likely to face fewer negative responses as compared to slower companies (Kubler & Albers 2012) Such is attributed to consumers evaluating the corporate social responsibility that is practiced through a product recall. For instance, in situations where companies delay in communicating about defective products, customers develop a perception that the information is being kept away from them. More so, customers perceive that communication is delayed for self-advantages. On the other hand, companies that react fast are considered to fulfill their social responsibility (Chang & Chang 2014). The suggestions are in line with studies that emphasize in their findings that the social responsibility of the recalling company influences the degree of adverse impacts.

Overall, companies should plan on a communication strategy that allows them to communicate early to their customers regarding product recalls. According to de Matos & Rossi (2007), negative customer perceptions and effects on a brand are influenced by uncertainties regarding the personal consequences that result from a product failure. Hence, in as much as communicating product recall is essential for promoting social responsibility, the degree of communicated transparency should be considered. By exercising moderate transparency, companies provide information that does not scare the consumers, maintaining their brand. As Kubler and Albers (2012) highlight, providing information regarding higher risks may reduce casualties by ensuring customers do not purchase the products. Nonetheless, a high level of transparency may result in a company losing some of its customers due to fear that the products could still pose risks to them. Kubler and Albers (2012) argue that customers should always be provided with the required information, whereas the firm observes transparency.

In some Western countries, such as Germany, where the automotive sector is robust, communication of product recalls about cars is used as an opportunity to demonstrate brand service. As Rhee & Haunschild (2006) noted, car manufacturers offer the affected customers an opportunity to experience a new car model. Such is done through free test drives while the customers wait for their cars to be upgraded or repaired. Indeed, communication on recall is utilized as a promotion tool for new products that seek to penetrate the market. When a significant portion of the affected customers has the experience, they develop a sense that they are valued as test driving new car models appears to be compensation for the inconveniences caused. Such communication is beneficial to a company, and it influences positive reactions and perceptions.

Bortoli & Freundt (2017) suggested that not only the causes and elements of product recall affect perceptions and brand, but also the media channel that is utilized for communication. Companies are obligated to carry out individual quality assessments and communicate about product recalls from the appropriate channels. Currently, consumers have higher trust in public media than corporate communication. As a result, companies should focus on communicating product recalls through the use of public media channels rather than corporate press releases. Furthermore, customers are less suspicious that information could be kept away from them when a public media source is utilized. This is attributed to the fact that public media outlets execute private analysis and coverage of the products at risk, verifying information before it is published or aired. For companies, communicating about product recall using this technique is an asset for maintaining a brand image as well as influencing positive customer perceptions.

### ***Effects of Product Recall on the Brand Image***

As Eilert (2013) noted, the firms spent a significant amount of resources on building strong brand images as well as their reputation. Indeed, brands are primarily affected in the event of a product recall. First, when a recall is prompted by a degree of harm present in products, there is realized a negative effect on the brand. In a case where one firm manufactures a variety of products, the recall of one type of product has an overall impact on the company's brand. As a result, once the management decides to communicate on the product recall, the focus is directed towards maintaining the brand image. This is mainly attributed to the fact that a brand image is associated with other factors, including market share, brand equity, and competitive advantage. In a recent case where general motors company recalled several vehicles in the United States, it was noted that the public and customers associated the brand with defective products. In turn, it resulted in the company losing its reputation.

Additionally, the speed of product recall is central to determining effects on brand image. In a company that is characterized by high brand equity compared to its competitors, speed is crucial as the longer the recall process, the more the brand image is negatively affected. Moreover, a slow process allows the spreading of harmful and wrong information, affecting a firm's market expectations. As a result, the companies should appear as being responsive and active in resolving the situation. Nonetheless, Liu & Zhao (2015) argue that firms should delay the process whenever high equity brand products are involved as it is difficult to control the effects. More so, strong brands tend to withstand negative publicity in the circumstance of a product recall, reducing the effects associated.

Timing and method utilized for communication also influence the effects of a product recall on a brand. In instances where the corporate media is used to disseminate information, a poor brand reputation could arise as a consequence. Furthermore, brand importance in influencing a company's revenue dictates the reputation that the company is likely to get. When the recall is done on a product that has less impact on the brand, there are little or minimal effects as compared to when the product has a higher impact. Product recall offers a competing company an opportunity to capitalize on the weaknesses of the affected firm, further affecting its brand image. As Eilert (2013) suggests, competitors are opportunistic and use a recall situation to gain a brand advantage. Ultimately, the affected firm may suffer from a poor reputation and lose its competitive advantage. Nonetheless, a recall situation is, at times, an opportunity to further strengthen the brand image of a company. It depends on the decisions that are made involving communication and the degree of transparency that is practiced (Kübler & Albers, 2012).

When timely information is provided to the customers through the use of public communication channels, it shows that a company complies with the established standards that guide the safety of products. In turn, the company maintains a good reputation among its customers. Further, the brand image is improved, allowing products from the company to penetrate in new markets. Additionally, customers develop trust in the company, as it is willing to share information with them, indicating that they exercise corporate social responsibility. Overall, the brand is affected positively by making the customers feel that they are valued, and they remain a priority for the company.

### ***Effects of Product Recall on Customer Perceived Product Quality***

Once a product recall is communicated, customers question the quality of products that they have been purchasing before the situation. In the context of products that are used for human consumption, customers perceive that the information was being kept from them, putting them at risk. More so, in the case where the information originated from an investigating source, other than communication from the organization, customers lose trust in the products associated with the organization. Even in situations where only one type of product is harmful, all other products receive a collective treatment, and they are said to be harmful too. The general perception is that employers lack an appropriate quality management team, signaling the provision of low-quality products. The negative word of mouth between customers allows them to choose other options of products with the perception that they are safer.

The product demand size is also reduced following the perception that the products do not meet the required standards. Bortoli&Freundt (2017) state that product recall is a crisis that is associated with a lack of trust. As a result, customers lose confidence in the products that are in the market, reducing their demand. Additionally, the market size also declines, reducing the revenues generated. For instance, following the massive vehicle recall by Toyota in 2009, the company reported a drop of 5.2% sales in the United States in the 2009/2010 financial year (Eilert, 2013). Further, in cases where government agencies take long to conclude investigations, the adverse effects may be of a long-term nature. It makes it difficult for companies to recover, as customer perceptions are primarily affected.

On the other hand, if the situation is handled effectively, it could affect customer perceptions on quality positively. It can be achieved by ensuring that the degree of transparency is high, providing customers with all the necessary information (Kübler & Albers, 2012). As a result, the customers treat the recall as a case of human error that led to the production of defective products. Moreover, providing information reduces the chances of creating wrong perceptions. Whenever the information provided is accurate, customers become aware of which products are defective; hence they can purchase others from the same company. Indeed, transparency acts as a technique that avoids the manipulation of customers into believing wrong information regarding the quality of products (Byun & Dass, 2015). More so, companies can use the recall as an opportunity to improve on quality management and communicate to the customers the changes in management as well as product redesigns that could implement to solve the defects.

Return convenience following the recall of products also influences customer perceptions on the other products from the same company. As Liu & Zhao (2015) suggest, product recalls should be used as opportunities to demonstrate service capabilities. By showing that the company cares, it becomes difficult for customers to believe in the wrong information. Furthermore, refunds and incentives can be provided to the affected customers, assuring them that the company is not only interested in making profits but also in the manufacture of quality products. More so, it promotes customer satisfaction allowing the companies to manage their perceptions regarding the quality of products. Ultimately, the perceptions of product quality are embedded in the services afforded to the customers, as well as compliance with established standards.

### ***Recommendations and Solutions***

The findings that product recalls are on a rising trend requires organizations to come up with strategies that reduce causes of the recalls. First, the hiring of a skilled quality management team is essential. As such, tasks for the team include monitoring the processes involved in the manufacture of products. In turn, any inefficiencies that could lead to compromising the quality of products is identified at an early stage. Moreover, random inspections on products can be executed before they are distributed to the market. With the right samples, the team can identify defects before the products reach the market, providing an opportunity for the necessary improvements to be made. Additionally, the team should conduct market research to identify trends in customer preferences and tastes. It ensures that product designs match the preferences, and redesigns are made in time other than waiting for recalls.

Policies and guidelines for safety and quality standards are essential in eradicating product recall (Byun & Dass 2015). In as much as guidelines are in place in the Western and Eastern countries, compliance is mainly overlooked. In countries like those in Europe and America, compliance with the existing rules is mandatory, and government agencies are responsible for monitoring the compliance. On the other hand, most of the substandard and counterfeit products are noted to originate in the Eastern countries like China. In such a case, it shows that some countries are unwilling to comply with the established guidelines.

So as to reduce such cases, penalties, fines, and legal suits should be imposed on the companies that are identified avoiding compliance. Companies that are involved in repeated cases should have their products banned from market access, reducing the number of unsafe and defective products. In cases where the preventive approaches are not applicable and reactive solutions to a recall crisis are required, communication strategies should be considered as the first option. As Kubler & Albers (2012) note, the communication process involved in handling a product recall crisis determines the reactions and perceptions of the customers. Organizations should opt for the use of public media channels as compared to the corporate press briefing. In doing so, the customers trust the information provided to them as the public media channels conduct private investigations before reporting. Moreover, timing on communicating about product recall is essential as it determines when customers have access to information.

As the management prepares on when to make the communication, the brand image and corporate social responsibility should be considered. Byun & Dass (2015) suggest that whenever communication is done timely, the company may only suffer losses in the short term, providing an opportunity for recovery (de Matos & Rossi, 2007). The degree of transparency should also get considered during the communication process. For products with a high brand identity, transparency can be moderate, protecting critical information. Nonetheless, in cases where the brand is not well established, a high level of transparency should be maintained. In turn, it acts as a strategy to convince people that their interests are of concern, promoting the brand image of the company (Kübler & Albers, 2012). Furthermore, the company maintains its reputation and recovery from the product recall is much more comfortable.

### **Conclusion**

In summation, the crisis of product recall has been prevalent in the developed regions, mostly in the Western and Eastern countries. The crisis is caused by both internal and external factors that influence a company. Some of the internal factors are the need to make product improvements by redesigning them, as well as a defense mechanism to protect a firm's technology. At the external context, a product recall is done as a means of compliance with the established safety and quality regulations. In most of the Western and Eastern countries, government agencies are responsible for the establishment and monitoring of the standards and guidelines. Product recall communication is identified as an influencing factor that determines the reactions of customers and consumers. The channel of communication used as well as its timing are factors worth considering during product recall. Product recalls affect the brand image of the involved company. More so, recalls influence customer perceptions on product quality. Whenever the perception is negative, and the brand image is also affected, the company loses its market share and brand identity. Ultimately, proper communication and quality management are required for implementation to reduce product recalls and their associated effects.

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