



MINISTRY OF CONSUMER AFFAIRS
MANATŪ KAIHOKOHOKO

A GUIDE FOR IMPORTERS AND RETAILERS

CARRYING OUT A PRODUCT RECALL

BUSINESS NOTES

May 2008

WHY SHOULD YOU CONSIDER A RECALL?

Safety

Unsafe products can injure or kill. Acting quickly to recall faulty products can prevent this happening. The Consumer Guarantees Act 1993 requires that products be safe.

Good public relations

A quick, effective recall will show customers you care and may help protect your company's reputation. It will also be viewed positively by government agencies such as the Ministry of Consumer Affairs, the Commerce Commission and the courts, which have a role in overseeing safe products.

Cost effectiveness

Dealing quickly with a problem product is often cost effective. Coping with dissatisfied and often irate customers can take up a lot of resources. These customers will also talk about their experience to friends and family and you may well lose sales. These costs can often be greater than the costs of a well-planned product recall.

Compliance

Most recalls are initiated by manufacturers or importers. Recalls may also result from an investigation by the Commerce Commission, or they can be ordered by the Minister of Consumer Affairs under Section 32 of the Fair Trading Act if:

- › the product does not comply with a mandatory product safety standard
- › the product is considered likely to cause injury and the supplier either hasn't recalled the product or the Minister is not satisfied with the recall.

The Minister may also impose conditions on the way a compulsory recall is conducted.

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When is a recall necessary?

When you become aware that a defect makes a product unsafe you need to consider a recall. To decide the extent of your action you must consider the degree of danger involved, the likelihood of injury, and the number of faulty products that have been sold.

Gather information about the defect, about how many faulty products were made and where they were sent. Talk to customers about what went wrong and arrange testing of the product.

The fault might be with the product itself – a design or construction defect – or with the packaging or instructions. It might arise because of the way the product is used – for example, failing when the product is heated or used in cold temperatures.

The product might fail a mandatory product safety standard. There are, at the time of writing, mandatory standards for children's toys and children's nightwear and limited daywear, household cots, pedal bicycles, baby walkers and cigarette lighters. There are also three consumer information standards covering fibre content and care labelling and country of origin labelling. Additional mandatory standards may, from time to time, be approved by the Government.

The Minister of Consumer Affairs also has the power to ban unsafe goods by issuing an unsafe goods notice in the Government Gazette. An unsafe goods notice can specify a particular product or class of products. Currently, there are unsafe goods notices in force banning toys with unsafe levels of lead, no holes tongue studs (or similar), hot water bottles that do not meet the British Standard, pistol crossbows, and candles that contain lead. The ban on pistol crossbows and candles that contain lead are permanent. Unsafe goods notices can also be replaced by mandatory safety standards.

The recall should aim to recover as many faulty products as possible, as quickly as possible. It should also aim to minimise the cost and inconvenience to customers and the company. An action checklist is provided on pages 6 and 7.

HOW TO RUN A PRODUCT RECALL

Before the recall

Stop further production and sales. It is important that you do not add to the problem. Alert your supply chain and have the product withdrawn from sale. If in doubt about the extent of the problem, increase the model and batch range.

Plan the recall. A badly organised recall can be a nightmare. Nominate one person to co-ordinate the recall and notify the relevant government agency. They may be able to help make your recall action more effective and less costly. If you are involving others in the operation of the recall (for collection, repair etc) make sure they have the information, skills and facilities required.

Provide the right information

Your recall will not succeed if you do not reach the target audience. Prepare and undertake a publicity programme to alert product users to the recall. Make sure everyone in the supply chain is well informed.

During the recall

You need to monitor what is happening and keep account of where the faulty product is ending up. Destroy the faulty products or store them securely until they can be fixed. Record who returned the products and when, and keep track of how many items are still outstanding.

After the recall

You need to know that the problem will not resurface. Evaluate the success of the recall using the record of returns. If the recall has not achieved a satisfactory return rate develop new publicity strategies. Identify which groups of buyers and which regions have low return rates. Choose suitable methods to inform these groups.

How the Ministry of Consumer Affairs can help

The Ministry can help you undertake a product recall by:

- › providing advice on the best type of publicity for the recall
- › checking draft advertisements and media releases
- › providing contact names, addresses and fax numbers for media releases
- › issuing a supporting media release
- › providing contacts in organisations that could help publicise your recall.

“Taking responsibility does pay off. If you don’t deal with the issue, what can be a small flare-up grows into a major fire – or crisis situation that can ruin your reputation, and possibly your whole business.”

Public Relations consultant quoted in ‘Crisis Busters’ Management, October 1999

PUBLICISING YOUR RECALL

Recalls are usually publicised through direct contact with customers, or through newspaper advertising. Other options are:

- › signs in shops where the product was sold
- › notice on your website or websites where the product was offered
- › publicity in specialist magazines likely to be read by people who bought the product
- › a media release, as well as paid advertising radio or television advertising
- › advertising in retailers’ mailers delivered directly to households
- › contacting purchasers of products directly if their details are available.

Whatever form the publicity takes, it must be directed towards the people who will be using the defective product. If the product was sold nationwide, the recall action needs to be nationwide. If distribution was limited, or can be pin-pointed, then the recall action can be of a smaller scale.

What to say

Any publicity for the recall must clearly identify:

- › the product, including its name, make, model, colour, batch or serial number
- › the problem with the product, including whether it has breached product safety standards, and the effects resulting from this problem
- › the immediate action to take, such as cease use, safe storage instructions
- › the dates the product was on sale
- › how to get a refund, replacement or have the product repaired
- › where to return the product
- › a contact phone number for further information, preferably toll free.

The publicity should also include a drawing or photograph of the product.

PREPARING A PRODUCT RECALL NOTICE

How to say it

Advertisements should:

- › be written in easy to understand language
- › be no smaller than 36 column centimetres
- › be in serif font, at least 10 point
- › have critical information in bold
- › have a headline in upper and lower case, not all upper case
- › use black text on white foreground
- › have a column width of between 20 and 60 characters
- › be justified (left and right)
- › include a border around the advertisement.

Recall letters that go directly to consumers should be posted in envelopes to distinguish them from advertising flyers and increase the chances of them being read.

An example of a recall notice is given on the right. The notice could appear in a newspaper, mailer, shop sign etc.

As a guide, the Ministry of Consumer Affairs would expect a recall notice to include the following information.

Large lettering to indicate the nature of the notice

PRODUCT RECALL

Shaggy Dog Hand Puppets

Batches 1000–2001 sold at **ABC Toy Shops** between April and May 2006. The batch number is printed on the label.



Shaggy Dog's eyes may drop off. Young children could inhale or choke on these pieces.

Children should stop playing with them immediately.

This batch of toys does not comply with the Toy Product Safety Standard. Please return them to any ABC Toy Shop for a full refund.

For more information please call

0800 XXX XXXA
BC TOY SHOPS LTD
10 Mall Way
AUCKLAND
www.ABCtoyshops.co.nz

What

Where and when sold

Problem and Effect

Urgency

Standard

Where to return and refund

Contact details

Slashed border to distinguish notice from other advertisements

MEDIA CONTACTS

Below is a list of media contact details. But you should also consider whether a newsletter or speciality magazine (eg sports, children's, gardening) may provide better access to your customers.

Newspaper

Fairfax Media

PO Box 2595
Wellington

Tel 04 496 9800

Fax 04 496 9841

NZ Herald (APN Holdings)

PO Box 32
Auckland

Tel 09 379 5050

Fax 09 373 6421

Radio

Radio New Zealand

PO Box 123
Wellington

Tel 04 474 1999

Fax 04 474 1459

Radio Network

Private Bag 92198
Auckland

Tel 09 373 0000

Fax 09 367 4802

Television

TVNZ

PO Box 3819
Auckland

Tel 09 916 7000

Fax 09 916 7325

TV3

Private Bag 92624
Auckland

Tel 09 377 9730

Fax 09 302 2311

Prime

PO Box 9059
Auckland

Tel 09 579 9999

Fax 09 579 8355

Details correct at May 2008.

ACTION CHECKLIST

Recalling an unsafe product

- › **Nominate one senior person to co-ordinate the recall**

Ensure all communications and information are centrally managed, so that actions and responses are consistent. A co-ordinator should have the authority to make on-the-spot decisions when an unplanned event occurs.

- › **Identify the model/s and batches that are affected**

Be precise in your communications and certain of the exact extent of the problem. If in doubt, extend the recall model and batch range.

- › **Immediately cease production or distribution of the product**

Do not add to your problems by increasing the faulty product pool.

- › **Find out when the affected product was produced and where it was distributed**

Understand the extent and scope of the recall task.

- › **Notify distributors, wholesalers, agents, and retailers quickly, and fully**

Ensure your supply and distribution chains are clearly informed about the problem and the proposed solution. Where local outlets are being asked to repair or replace a product, make sure they have the skills and facilities to do this.

- › **Directly notify relevant Government departments of the recall**

There are a number of agencies interested in removing unsafe products from the marketplace. These are listed on page 7.

- › **Set up an advice centre using a freephone facility**

Telephone contact is a simple method of obtaining information, clarifying any consumer issues, and reminding callers of the processes for putting the matter right.

- › **Prepare full information and brief advice centre staff on their tasks**

Your frontline representatives must be made fully aware of all the details concerning product identity and the recall arrangements.

› **Make arrangements for providing refunds, replacing or repairing the recalled product**

A product returns centre, preferably using local agents, will enable all faulty products to be accounted for and stored for repair or destruction. Using agents will help ensure only the correct product is returned, or is repaired locally.

› **Directly notify any buyers for whom records are kept**

The Ministry strongly urges all manufacturers, importers and retailers to keep accurate records of products sold. Retailers should keep an accurate customer register (or set of warranty cards) for all expensive items, such as lawn-mowers, cots, and prams etc. In this way you will find it considerably easier to complete a successful product safety recall – or even to keep in touch with customers when modifications, accessories, or new models are released.

› **Prepare and undertake a publicity programme to ensure all users of the product are aware of the recall**

Identify likely readership for specialist magazines, and prepare an eye-catching recall advertisement.

› **Arrange to destroy the faulty products, or to store them securely until they can be made safe**

A successful recall can be undermined if the returned product is not carefully handled separately from the regular stock, and stored in a completely separate area.

› **Keep a record of items returned – record who returns the products and the date**

An accurate record of numbers and geographical locations can be valuable in assessing how effective the recall has been, and whether further, more focused publicity may be necessary later on.

› **Keep a count of how many are still outstanding**

Continued support for repair or replacement may be necessary, well beyond the recall programme's formal completion.

› **Evaluate the success of the recall using the record of returns**

Stay in there for the long-haul.

Agency

Type of product

Ministry of Consumer Affairs

General products

Ministry of Agriculture and Forestry

Food, animal remedies, pesticides and fungicides

Civil Aviation Authority

Aircraft and accessories

Ministry of Health

Medicines, medical devices, toxic substances

Land Transport Safety

Motor vehicles and fittings, including seat-belts, child Authority restraints, vehicle LPG and CNG equipment, bicycle and motorcycle helmets

Maritime safety authority

Boats and accessories

Occupational Safety and Health Service,
Department of Labour

Workplace furniture, equipment and tools,
explosives and dangerous goods

New Zealand Food Safety Authority

Food

Energy Safety

Electrical and gas appliances

Note: The Commerce Commission is responsible for the enforcement of Product Safety Standards, Consumer Information Standards, and Unsafe Goods Notices, and any compulsory recall required under the Fair Trading Act. The Commission can be contacted by phone: 0800 94 36 00 and by email: contact@comcom.govt.nz

Visit their website: www.comcom.govt.nz

PREVENTING A RECALL

A recall procedure should only be a back-up tool in a business's compliance programme. It is there to be used if the rest of the quality assurance programme fails.

Recall action can be avoided if you:

- › insist on compliance with the relevant national voluntary standards and regularly audit this compliance
- › ensure compliance with mandatory product safety standards and regularly audit this compliance.

Standards New Zealand, your trade organisation, or the appropriate government agencies can give advice on the relevant standards.

Related Ministry Resources

Consumer Guarantees Act –
A Guide for Retailers

Handling Customer Complaints –
A Guide for Business People

Consumer Guarantees Act –
A Guide for Tradespeople and Service Providers

Consumer Guarantees Act –
A Guide for Manufacturers and Importers

Ministry of Consumer Affairs

P O Box 1473

Wellington

Phone (04) 474 2750

Fax (04) 473 9400

www.consumeraffairs.govt.nz

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