

Identifying the Costs of a
Food Recall

Why Investing in Food Safety is Worth it

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The recall process in the food manufacturing industry is **a highly expensive one.**

averaging more than \$10 million in costs to cover activities such as communicating the recall across the supply chain, retrieving and handling the recalled product, investigating the event and implementing corrective actions to prevent recurrence.

Of course, this average doesn't address the possibility of litigation costs, decreased sales, reputational damage or brand crisis management, which can add up to millions -- even billions -- more. Because the public has become much more informed and aware of food safety events, a single breach of trust could result in resounding losses to your brand.

It is important to understand the true costs associated with managing a food safety recall, including expenses like:

- Direct Costs
- Compliance Penalties
- Litigation
- Lost Sales
- Brand Deterioration

Immediate, Direct Costs

A recall can be a company-defining event. The vast majority of recalls are voluntary and a reflection of conscientious behavior by the retailers, wholesalers and producers -- but that doesn't mean you won't incur serious expenses. The most obvious, immediate and direct ones include:

- Pausing production to carry out recall response initiatives
- Alerting necessary parties within and outside the organization, including regulatory agencies and relevant retailers
- Managing the logistics of removing affected or mislabeled products
- Examining the source of the recall, including issues with supplies, equipment, processes or contamination prevention plans
- Remediating the identified problems to prevent similar occurrences
- Planning for expanded human resources to handle recall tasks in addition to routine operations

Again, these expenses could equate to millions of dollars from your bottom line, but the truth is they may be the most minor of your concerns in the face of a food recall.

Compliance Penalties

As you likely know by now, there's monumental shift happening in the regulatory arena. FSMA has enacted strict laws that place a greated emphasis on proactive and preventative approaches to food safety. A proactive recall plan is one of the required preventive controls. In addition, the USDA has been focusing on strong enforcement of its guidelines for years.

For manufacturers, this means adjusting processes and procedures to comply with legal requirements for monitoring, testing, documentation, risk assessment and more. It is not enough for companies to have a plan for taking corrective action on contaminated products; they must also have a strong preventive plan in place to identify pathogens in the product environment before they affect the product an/or leave the facility. If your company undergoes an FDA or USDA audit investigation that reveals noncompliance with government-mandated prevention efforts, you could be looking at significant consequences like criminal fines and forfeitures to the U.S. government.

[FSMA laws and USDA regulations](#) stipulate that depending on the nature of the violation, and whether the food is adulterated or misbranded, the FDA or USDA may consider regulatory actions like:

- Issuing advisory letters
- Initiating court actions, such as seizure or injunction
- Implementing administrative detention to gain control of adulterated or misbranded products
- Mandating a recall of adulterated food
- Suspending a facility's food registration to prevent the shipment of food

Lawsuits and Litigation

According to the CDC, 48 million people get sick from foodborne illness each year, 128,000 are hospitalized and 3,000 die. If your organization is sued on the basis of a contaminated or unsafe product, you can expect to deal with attorney fees, court costs and settlements. In the worst cases, you may even need to pay damages to harmed consumers.

Yes prosecutions are rare. But they are a reflection of a failure to protect consumers, as well as potential negligence or (in the rarest cases) malicious intent. The financial effects of these reputational scars of well beyond obvious litigation expenses.

Lost Sales

Once a recall is initiated, a series of actions unfold that drastically impact your income. Manufacturers halt production, and retailers pull products from their shelves. Worse, a loss in consumer trust can initiate a long-lasting sales depression. Your customers want to know that they products they're buying are safe. In response to a recall, they may change their purchasing, food preparation and consumption practices, or they may avoid the product for months or years after the recall has happened.

Brand Deterioration

Recalls are happening more frequently today than ever before, for reasons including stricter compliance regulations and supercharged government testing regimes using novel technologies like next-generation whole genome sequencing. This increased focus on testing by the government that improvements will be made to yield an even safer food production environment.

Nonetheless, recalls are alarming to your customers, and the last thing you want to risk is their trust in your brand. At the end of the day, your brand is your primary asset. It is a representation of who you are, how you do business and what your stand for. When recalls happen, customers lose faith in your brand -- which comes with a hefty price tag for your company. If your brand deteriorates due to consumer mistrust, you're risking business failure.

“There was a time when negative incidents involving food or beverage products tended to be isolated to a very regional audience, but that era no longer exists. Why? Our food travels around the globe, and so do the stories about food safety issues. Now, stories of companies that don't take food safety issues seriously are shared instantly across social networks, and sharing virtually frictionless. **It takes only the click of a 'like' button to repeat news of a contamination across yet another social media platform growing from nationwide to worldwide news instantaneously.**”

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Unfortunately for the food industry, stories exposing scandals are a proven way to catch the public's eye. Therefore any news of a recall receives immediate and aggressive media coverage from both traditional and social media platforms. In the event of a recall, publicity is inevitable -- and it's expensive that spans every aspect from public relations management to eroded sales.

How to Mitigate Costs

Now imagine a solution that can help prevent the above costs from occurring. With the advancement in food safety technology, that dream is now a reality.

Food safety is a critical brand protection function and therefore a driver of business profitability. Therefore, the more powerful your solutions to ensure food safety, the more your company stands to gain in terms of ROI.

Without the advantage of high-quality food safety software, you're risking a number of major costs to your business outlined above. Consider the following cost-saving advantages that come from implementing a food safety software solution:

- Automatic scheduling of preventative controls and testing to keep compliance and contamination prevention activities on track
- Accelerated collection of data, plus automated assessment and reporting of trends, challenges and results
- Quicker identification of and response to issues that necessitate corrective actions
- Strengthened communication between departments to speed up the relay of information and reduce duplicate or unnecessary effort
- Ability to verify food safety performance and effectiveness so that operational improvements can be made as required

With an investment in food safety software, the big return is clearer, more holistic picture of your food safety approach, which enables your company to function based on tangible information. You can pinpoint challenges or mistakes more quickly and use powerful insight to overcome and fix them, saving you a great deal in terms of expensive risk factors and added costs that can occur due to a food recall.

Don't Wait Until it's Too Late

Avoid food recall costs by implementing a food safety software and experience better management of your food safety program through powerful scheduling, visual monitoring, accurate analysis, automated reporting and more.

[GET STARTED](#)