

# Comprehensive Recall Protection, Inside And Out

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In today's business climate, in particular for many industries that serve consumers directly — think automakers, consumer packaged goods manufacturers, or pharmaceutical firms — operate under the assumption that they'll be subjected to a recall incident at some point. They can do everything possible to keep quality top-notch, or to keep suppliers in check, but they also spend a great deal of time planning for what is often inevitable. How will they pinpoint the problem and ensure that it is fixed as quickly as possible? How will they deal with the media? How will they deal with worried or frustrated customers?



And while many companies in various industries have asked and answered those questions and many more, there are plenty who have not. Florian Beerli, SVP of the ACE Group's product recall underwriting unit, says he has seen awareness of recalls, and the subsequent planning process, change in the last few years, but the progress often hasn't been enough. He says, "I think there's still a lot of manufacturers out there who think, 'I've never had a recall. It's not going to happen to me.'"

Beerli equates a recall even to a major and unpredictable natural disaster, such as an earthquake. He says, "There's no frequency, but there's severity. A product recall can put a business out of business. It's happened before, and it will happen again. Or it can have an impact on loss — not only on loss of profit, but also decreasing sales." That doesn't even take into account the potential loss of credibility, which is something U.S. automakers, for example, suffered from after a spate of high-profile recalls.

Florian Beerli What then, should a manufacturer think about first when trying to work

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up a recall contingency plan? To Beerli, there are two key areas, both of which are out of a company's control: first, mistakes that employees might make, intentional or not, on the plant floor; and second, the relationship between suppliers, particularly if those are overseas. In many cases, it's better to plan for what a business can't have direct oversight over rather than focusing on the low-hanging fruit.

Beerli says, "How do you manage your suppliers? Do you have a vendor approval program in place? Not many companies have them. That's where we see the potential. Recalls happen. They will always happen. Our focus is: Are you trying to do everything to prevent the recall?"

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