

Q&A: Food Defense Strategies

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Interview with Don Hsieh, director of commercial and industrial marketing, Tyco Integrated Security

Food recalls are a threat to public health as well as a company's bottom line, and the impact of a recall can last for years after the event is over. Don Hsieh of Tyco Integrated Security discusses how companies can use food defense strategies to prevent recalls.

Q: What are some of the most common causes of food and beverage recalls?

A: The number of food recalls in the U.S. has dramatically increased — jumping four-fold over the number just five years ago. Reasons for this huge spike are plentiful, with most contributing factors relating to a food supply chain that is increasingly global and complex. Other major contributors include deficiencies in food production and monitoring processes, failure to maintain food processing facilities and equipment, non-compliance with Standard Operating Procedures, and the inability to track products through the supply chain.

Q: What are some direct and indirect ways that a product recall can impact a company's bottom line?

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A: Product recalls not only pose a serious threat to the health of consumers, but they can also be costly to companies. The average cost of a recall to a food company is \$10 million in direct costs, which typically includes notification of the recall to the supply chain and consumers, product retrieval, storage, destruction, unsalable product and the additional labor costs associated with the recall. This does not include indirect costs, which usually come from litigation, any agreed or mandated governmental oversight post-incident, lost sales and damage to a company's overall brand recognition — arguably the most significant costs to a company.

Q: What effects can a product recall have on a brand's reputation, and how long do these effects last?

A: When a product is recalled, a food company shouldn't only be concerned about the effects it will have on their profits, but also the brand's reputation. The power of social media and the 24-hour news cycle allow for consumers to hear about a product recall faster than ever. Today's companies need to be mindful that newsworthy stories, especially when they negatively affect the safety of consumers, will spread quickly and make it nearly impossible for companies to react to negative publicity in a timely manner.

A food recall can affect a brand's reputation for years following the recall. Once a recall has occurred, consumers are less inclined to purchase the affected brand in the future. In a Harris Interactive poll, 55 percent of consumers indicated they would switch brands temporarily following a recall, 15 percent would never purchase the recalled product again and 21 percent would avoid purchasing any brand made by the manufacturer of the recalled product. The bottom line is that companies will likely feel the impact of a food recall long after the incident is over.

Q: In the event of a recall, how should a company communicate with consumers?

A: When a food safety problem is identified in a product that has been distributed to consumers, it is extremely important that the supplier advise consumers immediately by issuing a formal consumer recall notice. A consumer recall notice must include information on the company recalling the product, the name of the product, what the product is and the reason why it is being recalled.

When a company decides that a product needs to be recalled, they must make sure the unsafe food is recovered from all points in the production and distribution network. It is critical to have an effective traceback system in place so that each company in the supply chain maintains records one step back of all products purchased upstream from their suppliers, and one step forward for all products supplied downstream. In the event that consumers already have the food product in their possession, they need to be notified as soon as possible in order to protect themselves. Timely communication to all federal, state, and local regulatory agencies; accurate media representation; and direct communications to affected consumers supported by a call center equipped with clear information and instructions on what the consumer needs to do are keys to an effective recall

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response.

Q: What food defense strategies can food companies implement to help prevent a product recall?

A: A single incident of tampering, tainting or contamination of a food product can have disastrous consequences on a brand, so implementing preventative measures is key. In most cases, food contaminations can be prevented by enforcing a comprehensive food defense strategy throughout the manufacturing process and across the supply chain. The effects of a strong food defense strategy include increasing consumer safety, protecting employees, reducing operational risks and protecting shareholder value. The Four A's of food defense are the core components of a proactive food defense program, that delivers the intelligence to help food companies and suppliers implement the preventive actions necessary to protect their brand:

- **Assess:** Vulnerability assessment of Critical Control Points
- **Access:** Allow only authorized staff access to Critical Control Points
- **Alert:** Continuously monitor the whole supply chain to alert appropriate individuals of intentional and unintentional instances of food adulteration
- **Audit:** Determine operational and regulatory compliance to best food defense practices and provide documentation of compliance to regulators

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