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MEASURING AND MAXIMISING THE IMPACT OF PRODUCT RECALLS GLOBALLY

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Foreword

This report provides a summary of discussions at the *OECD Workshop on Measuring and Maximising the Impact of Product Recalls Globally* organised by the OECD Working Party on Consumer Product Safety on 16 April 2018, as part of its 16th meeting. The report points to the initiatives implemented by government, businesses, and civil society to measure and enhance product recall effectiveness. It also explores ways to increase consumer reactions to recall notices, based on insights from behavioural economics.

The report was prepared by Chandni Gupta under the supervision of Brigitte Acoca, of the OECD Secretariat. The Working Party on Consumer Product Safety approved its submission to the Committee on Consumer Policy on 17 August 2018, which agreed to its declassification by a written process on 3 October 2018. It was prepared for publication by the OECD Secretariat.

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Executive summary

Product recalls are a crucial part of consumer product safety systems worldwide and an important corrective action for keeping unsafe products away from consumers. Data from country, regional, and international product recall databases, such as the OECD's *GlobalRecalls* portal, suggest that the volume of recalls has been growing steadily over the past decade, with millions of products being recalled each year. Many of these recalls are now taking place in an increasingly complex, global and digital marketplace, creating an exponential challenge for both businesses and governments worldwide.

While consumer response rates to product recalls vary, they generally remain low in most jurisdictions. To understand and address this issue, on 16 April 2018, the OECD Working Party on Consumer Product Safety (WPCPS) organised an *OECD Workshop on Measuring and Maximising the Impact of Product Recalls Globally*, which brought together representatives from OECD and non-OECD member governments, as well as businesses and consumer organisations. The workshop agenda is contained in Annex A of this document.

Following a brief welcome (Session I), the discussion, which was supported by a draft report on product recall effectiveness was divided into four main sessions aimed to explore:

- how the concept of "effectiveness" may be understood and measured (Session II)
- the role of online platforms in enhancing recall effectiveness (Session III)
- the most relevant factors that should be considered by governments and the companies affected by a recall to shape effective communication strategies and increase consumer response rates (Session IV)
- possible next steps for the WPCPS' project, including a focus on the role that may be played by the OECD to maximise the impact of product recalls worldwide (Session V).

This report provides a summary of the key points discussed under each of the sessions at the workshop.

1. Main points

The workshop highlighted a range of challenges and opportunities in achieving recall effectiveness. It also illustrated examples from both businesses and governments worldwide of taking proactive action to achieve positive outcomes in this space. Figure 1 illustrates some of the keywords, which featured persistently throughout the workshop's discussion.

Figure 1. Product recalls workshop – word cloud



Source: Word cloud compiled using WordItOut: https://worditout.com

No one approach to measuring recall effectiveness

A variety of factors needs to be considered when measuring recall effectiveness. While the number of units supplied is typically being used as a benchmark in many jurisdictions, in some cases, such factor may not help to accurately measure recall effectiveness. This would be the case where, for example, a recalled product was sold years before the recall announcement, and may no longer exist or be in use.

Effective partnerships generate effective recalls

In today's global and complex supply chains, the issue of recall effectiveness requires a multi-stakeholder and multilateral response. If businesses and governments see one another as partners, it can facilitate an open dialogue and greater transparency during a recall. With the rise of e-commerce, cooperation between governments and online platforms can assist in reducing the online presence of recalled products. Collaborating with influencers, such as brand ambassadors and media outlets plays a vital role in driving consumer reactions. Similarly, collaborations with consumer organisations and industry can reduce the challenges both consumers and businesses face during a recall.

Sustained, simplified and direct communication drives change

Communication cannot just take place at the time of a recall announcement; it needs to be maintained until the risk is adequately reduced and/or mitigated. Personalised, direct, concise and simple messages are vital to ensuring that consumers understand a recall message, the risk at stake, and the need for action. Governments can, in that regard, work with businesses to develop clearer content before recalls are publicised.

Technology facilitates creative interventions

With the rise of Internet of Things (IoT) technology-enabled devices, and growing consumer adoption of such connected products, businesses today have many more tools at their disposal to achieve better recall effectiveness, such as:

- simplify product registration processes
- fix some product defects remotely through software updates
- identify the need to recall the product
- contact consumers directly to alert them about a recall
- mitigate risk of harm by preventing consumers from using a recalled product.

Lack of behavioural insights research related to effective recalls

A wealth of behavioural insights literature has been developed to help understand the main barriers to consumer action. By contrast, only a few studies, mostly from the 1980s, focus on consumers' attitudes towards product recalls. To help gather a greater understanding in this space, behavioural research is being developed or planned in this area in some jurisdictions, such as Australia, Costa Rica, the United Kingdom, Canada and the United States.

Holistic and global considerations initiate action

Greater consistency between regulatory and self-regulatory frameworks is needed to assist businesses in conducting recalls across borders.

2. Sessions summary

Session I. Welcome

The Chair of the WPCPS, **Yasuko Iwai**, highlighted that with the establishment of the OECD *GlobalRecalls*[1] portal in 2012, the international product safety community signalled the importance of enhancing product recall effectiveness globally. She pointed to the need for greater cooperation among governments and businesses in today's global economy, where cross-border recalls are on the rise. Ms Iwai invited all participants to consider the following issues throughout the workshop discussions:

- How should the concept of effectiveness be understood? In addition to product price or return rates, what other factors should be considered?
- How could product recall monitoring be improved over time?
- What is holding consumers back from reacting to recall alerts?
- What should be done to improve recall communications with consumers?

The Deputy Director of the OECD's Science, Technology and Innovation Directorate, **Dirk Pilat**, highlighted the need for multilateralism and multi-stakeholder cooperation, and the importance of understanding global supply chains to ultimately increase product safety. He encouraged participants to explore ways to capture more accurate, transparent, and comparable recall data to improve recall effectiveness. Noting the linkages between the WPCPS' product recalls work and the OECD's Going Digital[2] project, Mr Pilat pointed to a number of product safety challenges in e-commerce requiring attention. He referred to the OECD's 2015 International Product Safety Sweep[3], which revealed that a number of products recalled from the traditional marketplace were still available for sale online. Mr Pilat invited participants to engage in a dialogue with online platforms who have become major e-commerce channels and are well placed to help mitigate product safety harm for consumers. He finally commended the WPCPS for the improvement of the OECD *GlobalRecalls* portal, and called for additional contributions from OECD Members and non-Members.

The WPCPS Secretariat, **Brigitte Acoca**, introduced a draft report on product recall effectiveness prepared to support discussion at the workshop. She remarked that the growing volume of recalls and increased transparency around them in recent years had resulted in some sort of consumer *fatigue*, and low levels of consumer reactions. This was especially the case for recalls of low value products which, in most jurisdictions, triggered as little as 5% response rates. Noting that direct and multi-channel recall communications tend to generate higher reaction rates, Ms Acoca pointed to the difficulty faced by businesses in identifying those consumers affected by a recall, in particular when such consumers are outside of their loyalty and/or online purchase databases. New technologies, such as the Internet of Things (IoT) and blockchain, may, she noted, provide avenues for enhancing product tracking and traceability and the identification of those customers affected by a recall. Drawing attention to a lack of studies on factors preventing consumers to react to recall notices, Ms Acoca invited participants to consider conducting behavioural insights research in this area. The work could inform the development, in the long term, of best practice guidelines on ways to effectively frame and communicate recall notices to consumers.

Session II. Measuring and monitoring recall effectiveness over time

The moderator of the session, **Pinuccia Contino**, Head of the Product Safety and Rapid Alert System Unit within the Directorate-General for Justice and Consumers at the European Commission, remarked that recalls are among the most frequent measures implemented to address product safety concerns. She noted the unique triangular aspect of a recall process in which economic operators, authorities and consumers are involved, and while their drivers may be different, they share the same interest in the removal of unsafe products from the market. She also indicated that recall effectiveness remains a key priority for the European Commission. Box 1 provides a summary of the highlights from the session.

Box 1. Session II highlights

Various factors impact recall effectiveness measurement

A multitude of factors can affect product return rates and recall effectiveness measurement. These include the number of units sold, likelihood of number of units still in use, the price and lifespan of a product, as well as the level of safety risk associated with a product.

Direct, transparent and incentivised communications drive consumer actions

Clear, direct and personalised communication with consumers can achieve higher return rates. Being upfront about the issues and the urgency to act are crucial, especially for product recalls that involve severe injury risks. Communication strategies that aim to ensure consumers not only receive the information but also have an avenue (through, for example, consumer feedback systems) to provide insights into the challenges they face in participating in a recall. This can enable businesses to adapt their strategy accordingly and meet consumers' needs.

Embracing new technologies to achieve higher return rates

The use of new technologies, such as the IoT, can help detect the need for a recall at an early stage, identify and directly contact those customers affected by a recall, and/or mitigate risks remotely.

Government recall guidance to support businesses

Clear government recall guidance for businesses is essential in achieving effective recalls. This becomes more salient with a dynamic consumer industry with frequent newcomers that are often small-scaled and less experienced.

Session overview

Takashi Wada, Director of the Product Safety Division in Japan's Ministry of Economy, Trade and Industry, informed participants about pre-market regulation and post-market measures, of which managing product recalls is a significant part. He pointed to a risk assessment methodology developed to help industry assess whether a recall should be initiated, the degree of harm and frequency, as well as a Recall Handbook[4] to assist businesses in conducting a recall. Mr Wada noted that despite companies using various communication mediums, such as advertising, news releases and direct contact with consumers, some products that have been the subject of a recall over the past decade have still low return rates. Mr Wada remarked that the longer the period between when the product was sold and when the recall occurs, the fewer number of units tend to remain in the market and in the hands of consumers (a factor that should be taken into consideration when measuring recall effectiveness). He also noted that the Japanese Government is

currently part of a study group comprised of representatives from academia and the private sector who also discuss effective recall methods and ways to refer to practical return rates.

Vladimir Brajkovic, Development Manager at IKEA, shared the lessons learnt by the company on the recall of IKEA's MALM dresser. He explained that despite IKEA's Secure it[5] campaign to raise consumer awareness on anchoring and securing furniture to the wall, in June 2016, IKEA recalled 17.3 million chests of drawers in the United States and Canada following furniture tip-over accidents and deaths; and further launched a re-announcement of the recall in November 2017[6]. IKEA used a variety of communication channels ranging from toolkits, video messages and intranet posts for staff to in-store messages, advertising, dedicated recall page for consumers[7], media (traditional and social) and direct mail for consumers (IKEA sent more than 10 million emails to consumers to notify them of the recall). IKEA's efforts in communicating the recall have reached millions worldwide, including drawing consumers' attention to IKEA's recalls website[8]. Mr Brajkovic suggested that consistency in messages between regulators, businesses and media can help generate wider impact. He also called for the development of global standards on product recalls to assist businesses in delivering a consistent approach to compliance and remediation worldwide.

Sydney Lucia, International Affairs Programme Manager at the US Consumer Product Safety Commission (CPSC) shared the outcomes of a workshop on product recalls effectiveness[9] organised by the agency in July 2017. She indicated that at the event, which was attended by stakeholders across the supply chain, participants discussed ways to explore and develop proactive and innovative measures that both the CPSC and stakeholders could take to improve recall effectiveness. Despite a high average return rate of 65%[10] in the country, participants discussed the need for a more accurate definition of what constitutes an effective recall. They also considered ways to measure recall effectiveness more accurately based on return rates and other factors, such as the number of product-related incidents post the announcement of their recall. Participants requested the CPSC to explore ways to directly contact affected consumers, identify creative incentives to motivate consumers to return a recalled product, differentiate and promote recall alerts on the CPSC's website by seriousness of a hazard, and develop and disseminate best practice guidance for recall management and consumer outreach. Ms Lucia noted that the US CPSC will notably focus on innovative registration methods that would facilitate direct consumer contact.

Dr Dochul Choi, Senior Vice President for Global Business and Technology Strategies at Samsung Electronics America, shared the results of the company's recall of its Galaxy Note7, which was conducted between September 2017 and February 2018. Over 4.6 million phones were affected by a battery defect which caused these phones to overheat and explode. Through Samsung's direct and sustained consumer communication programme, 90% of the phones were returned to the company within four months and a further 7% within 7 months. Such high level of response resulted from the sending of over 23 million recall alerts and push notifications to Samsung's customers, and a software update that reduced battery capacity to 0%. The phone was also not allowed on flights, which prompted further returns of the product. Since February 2018, there have been no further reports of incidents with the phone. Noting the crucial need for close communication with governments and consumers during a recall, Dr Choi highlighted that consumer incentives, such as coupons,[11] can help to motivate consumer reactions. He also insisted on the importance for companies to adhere to government guidelines for conducting recalls in each relevant jurisdiction.

Session III. The role of online platforms in improving recall effectiveness

The moderator of the session, **Thomas Berbach**, *Direction Générale de la Concurrence of de la Consommation et de la Répression des Fraudes*, France, noted the active role played by online platforms to enhance recall effectiveness through partnerships established with product safety authorities around the world, and the development of education programmes to manage cross-border product safety. Box 2 provides a summary of the highlights from the session.

Box 2. Session III highlights

Collaboration matters

Partnerships between platforms and product safety authorities can help to keep unsafe products away from consumers. The OECD global awareness campaign on the safety of products sold online (to be held from 12 to 16 November 2018), was pointed as a key opportunity for online platforms and jurisdictions to work together on a global scale.

An education role for online platforms

Online platforms can educate third-party online sellers about product safety requirements to prevent them from selling products that are recalled at domestic or global levels.

Clarity and consistency

As the online marketplace continues to grow, authorities need to consider new ways to identify and manage non-compliance. Clear and accurate information about a product, its associated hazards and remedies is critical for consumers and can help platforms identify products that should not be listed on their sites. Consistency in regulation can also assist platforms and other businesses in taking global action more swiftly.

Session overview

Kyung Chon Yun, Head of the Corrective Measure Team Department of Injury Information at the Korea Consumer Agency (KCA), shared KCA's experience on working with online platforms. He remarked that the number of recalled products removed from online platforms operating in Korea had increased in recent years[12]. He added that the agency regularly monitors various global recall information sources to identify products that are recalled overseas and sold *via* online platforms to Korean consumers. Using this data, the KCA works with several online platforms to remove such products from their listings, and requests them to share the results of their corrective actions, which are publicised on two government websites[13]. Mr Yun noted that collaborative approaches with online platforms, which include education of third-party sellers, are key to addressing the issue of non-compliant products on those platforms. He referred to a recall from 2016 of portable power banks posing fire hazards, during which 331 third-party sellers deleted 15 372 items after the KCA implemented an education exercise in partnership with online platforms. Mr Yun, however, called for more work in this area as recalled products continue to remain available for sale *via* online platforms.

Daniel Kingdon, Head of Compliance and Safety, EMEA, at Amazon, shared the company's experience with product recalls, including the partnerships established with various product safety authorities around the world to manage non-compliance on its websites and contact customers directly who had purchased recalled products. He indicated that Amazon has implemented internal systems to prevent recalled products notified

through RAPEX from being relisted on the website, including those that were never sold on its websites[14]. Once a product is recalled, Amazon removes the ability for a customer to purchase it. Mr Kingdon referred to the AmazonBasics portable power bank recall[15], through which the company sent messages to 400 000 customers globally and referred them to a micro site[16] to register and track the product recall. In Europe, at the time of the presentation, customers were continuing to register their recalled product, and after one month, 47% of customers had registered on the micro site with 97% of customers confirming that they still had possession of the product. To help improve recall effectiveness globally, Mr Kingdon proposed the following recommendations to both authorities and businesses:

- Recall notices should be accurate, with a minimum set of information about the product, and be supported by images and clear instructions on customer remedy. Amazon would be willing to assist with the development of a minimum standard.
- Product recall websites should be available in multiple languages.
- Where possible, authorities should consider adopting international standards on product safety to assist businesses in conducting consistent recalls globally.

François Martins, Manager for Government Relations and Public Policy at MercadoLibre, spoke about the role the online platform plays for product safety and recalls. Mr Martins remarked that MercadoLibre is currently present across 18 Latin American countries, hosts third party merchants only and does not own any products. He stated that while, like eBay, MercadoLibre started as an auction site for second hand products, today most of the products listed are new. MercadoLibre's terms and conditions contain detailed information on products that cannot be sold on the website and provides some support to suppliers when applying remedies. Recognising, however, that many third party sellers may not read such information, MercadoLibre partners[17] with various authorities and industry organisations, especially for the purposes of information sharing. Educating sellers has been a key part of the company's compliance programme, which has led to a decrease in judicial cases from 20 per 100 000 items in 2008 to 4 in 2014.

Session IV. Enhancing consumer reactions to recall notices: Insights from behavioural economics

The moderator of the Session, **Neville Matthew**, General Manager at the Consumer Product Safety Branch of the Australian Competition and Consumer Commission (ACCC), invited discussion on understanding consumer behaviour and developing more effective communications with consumers. He noted that as consumers may perceive risk differently, motivating them to act can be a challenge. Box 3 provides a summary of the highlights from the session.

Box 3. Session IV highlights

Skewed perception of risk drives inaction

If the hazard of a recalled product is not made clear, consumers are less likely to take action.

Simplicity matters: content and participation

While previous sessions focused on information simplicity, this session highlighted the need for simplicity of the recall process. Consumers are less likely to engage if participation is challenging.

Messages travel further with influencers

Influencers play a key role in spreading messages and can assist in motivating consumers to take action. Connecting influencers with a message on social media, using brand ambassadors and advocacy agencies can all help a recall alert resonate with consumers.

Multi-channel communications ensure consumer coverage

When a variety of communication channels are used during a recall, it is more likely to facilitate a wider reach of the message. Communication strategies that are consumer-centric can enable businesses and governments to reach the right audience, with the right content at the right time.

Session overview

Neville Matthew shared the experience of the ACCC, noting that language used in a recall notice can affect consumers' perception of risks. He referred to the Takata airbag recall[18], which was launched in 2008 in a number of jurisdictions worldwide and is ongoing, including in Australia. Noting that some companies often use vague and verbose content to downplay risk and minimise liability, he indicated that many consumers did not heed the message until the airbag recall became mandatory in the country in 2017. He suggested avoiding certain terms, such as “voluntary" [recall], which can imply that a recall is optional. He indicated that the ACCC does not publish a recall until content is clear, concise and simple. He remarked that a variety of communication methods have proved effective in Australia, including social media, in-store notices and news releases. He however noted the need to be selective with which recalls to publicise *via* news releases to avoid recall *fatigue*. He also highlighted the significance of sustained communication programmes to boost recall effectiveness. Pointing to the Infinity cable[19] and Takata airbag recalls, he noted that a spike in remediation rates occurred each time a major communication programme was implemented.

Fizza Jabbar, Assistant Economist at the Department for Business Energy and Industrial Strategy in the United Kingdom, presented a theoretical overview into behavioural insights and its possible application to product recalls. Barriers such as information overload, framing and endowment effects, inertia, over-optimism and present bias, can all influence consumers to remain at status-quo. She noted that if recalls contain too much information or consumers feel overwhelmed with it (*information overload*), they may completely disengage, especially if they are time poor. She also highlighted that consumers are influenced by how information is presented (*framing*) and that when consumers face complex choices, they may choose to ignore the message entirely (*inertia*). Ms Jabbar also noted that consumers tend to be loss averse (*endowment effect*), make inconsistent choices over a period of time (*present bias*) and are generally over-optimistic about the likelihood of experiencing a negative outcome (*over-optimism*), so giving up a product, even when it

is recalled, can be a challenge. She noted that using salient words to grab attention can help create urgency towards a recall, and confirmed that the term "voluntary" [recall] often causes confusion. Keeping recall messages and processes simple, placing important information first, using images, considering inclusivity of social norms in the messages, and using direct communication can nudge consumers to take action.

Jon Elliot, Head of the Scientific and Technical Advice Unit within the Office for Product Safety and Standards at the Department for Business, Energy and Industrial Strategy in the United Kingdom, discussed the use of behavioural sciences studies within the country's policy work. As highlighted by previous speakers, he remarked that product recall effectiveness is not limited to an announcement and management of a recall, but also needs to be considered throughout the lifecycle of the product. Referring to the Intervention Ladder developed by the Nuffield Council on Bioethics[20], he noted that effectiveness is dependent on all the policy actions that governments and businesses take for the design, manufacturing, marketing and use of the product. A recall notice will not be effective if customers are unaware of the makes and models of the products in their homes, have not registered the product, no longer have access to the instruction manual, or if model numbers are hidden in cavities of the product. Mr Elliot noted that the behavioural concepts outlined in the UK government's MINDSPACE Report[21], can be applied to addressing various behavioural biases that influence consumer resistance to act. He added that the UK Government would soon launch a behavioural science study in in the area of product safety, including product recalls.

Katie Greenwood, Director at the Risk Assessment Bureau of the Consumer Product Safety Directorate at Health Canada, spoke about Canada's experience in enhancing consumer reactions to recall notices. She noted that in 2016, Health Canada's recall website[22] was viewed approximately seven million times and its recalls app has been downloaded over 70 000 times. However, the most common feedback the agency receives on the app is related to the need for more interactive tools such as push notifications and the ability to check whether a product has been recalled. She also remarked that while several drivers need to be present for consumers to take action on a recall (e.g. value for money, product lifespan and personal experience), the action itself should be easy and convenient. Ms Greenwood shared that Health Canada aims to ensure that each recall notice contains clear and simple language[23] and images, and that all recall notices are shared *via* social media. She remarked that use of influencers *via* social media has assisted in increasing consumer engagement. She referred to a hockey mask recall carried out in December 2015 during which the tagging of a popular hockey show on Twitter, raised the visibility of the recall with a targeted consumer group. To increase consumer engagement, the agency, in partnership with its Treasury Board, is developing an interactive[24] product safety website for consumers, and is involved in the development of a social media data analysis project aimed to assist with product safety prioritisation.

Cynthia Zapata, Director at the *Dirección de Apoyo al Consumidor, Ministerio de Economía, Industria y Comercio* in Costa Rica, shared the agency's insights into recalls communication. She remarked that a new executive decree, which gives powers to the agency to ask suppliers/traders to provide detailed reports[25] on a safety problem, has helped to determine the scale of the recall, including product location. Similar to other jurisdictions, the agency works with recalling companies to confirm the scope of a recall and ensures that information provided is clear and adequate for consumers. She noted that generally, recalls of children's items or recalls where a company is able to contact consumers directly *via* loyalty or registration programs, have a higher return rate. She indicated that high return rates may also be achieved through wide media coverage,

including social media where influencers can help reach out to young consumers in particular. This was the case in 2015 during the recall of a Beats Pill XL Speaker[26], which achieved a 60% return rate in the country. She indicated that the agency recently launched a consumer website with a dedicated section for product recalls[27], and signed an agreement with the University of Costa Rica to conduct a study on behavioural insights.

Justin MacMullan, Director of Advocacy at Consumers International (CI), shared the results of a survey indicating that a majority of CI members feel that the content of recall notices, which is often vague and technical, is unlikely to motivate consumer reactions. He highlighted the importance of using multiple communication channels and noted that relying solely on social media may impede outreach to vulnerable consumers. He further remarked that despite the benefits of direct communication, consumers are generally hesitant to register their contact details for product recalls due to concerns that their information may be shared or used for other purposes. He suggested that businesses should clarify that product recall registration processes are separate from direct marketing initiatives. He added that self-service product registration can be a challenge and that if the process is tedious to complete, consumers will most likely procrastinate. He noted that good examples of registration processes include images showing the exact location of a product number or model and are easy to follow. He also suggested that businesses should make recall participation as simple as possible for consumers by offering services such as toll free numbers, free postage, local collection points and full refunds, at both domestic and cross-border levels.

Nancy Cowles, Executive Director at Kids In Danger (KID), a US consumer organisation, shared the perspective of recalls effectiveness through the lens of parents and carers. She noted that data in the United States generally shows an average of 30% participation rate for recalls, which further drops to 10% in the case of children's products, indicating that many recalled children's products may still be in use. She referred to the results of a research project developed by KID and the Institute of Design in Chicago showing that a lack of direct and sustained communication, clarity on risk, and unappealing remedies (e.g. consumers have to apply the fix themselves) are possible factors contributing to low return rates. In addition to simplicity, the presence of core motivators, such as fear and concern (i.e. framing what may happen if a product is not returned), can assist in driving action. Ms Cowles also noted a general sense of information overload for consumers, and suggested that use of technology and implementing similar strategies used by businesses to cut through information overload for marketing purposes could also be applied to motivate consumer reactions. This had been the case in the Fisher-Price Soothing Motions Seat recall[28] where over 63 000 units were impacted, of which 46 000 were with consumers. Using a Bluetooth app linked to the device, the company notified consumers of the recall and remotely disabled the product, resulting in a 14%[29] return rate within two months of the recall announcement.

Will Creswell, Deputy Director at the Office for Product Safety and Standards at the Department for Business, Energy and Industrial Strategy in the United Kingdom, referred to the jurisdiction's best practice guidance for recalls[30] which recommends use of direct communication with consumers. He referred to the recall of a tumble dryer which had been manufactured over 11 years prior to the recall announcement, and impacted 5.3 million units presenting fire risks. Despite concerted and sustained efforts over two years, the recalling company, which lacked consumer data, was able to fix as much as 37% of the dryers. By contrast, in the case of a recall of a heating element where 99% of customer data had been captured at point of sale, the recalling company was able to establish contact with

84% of customers within five months. Mr Creswell concluded by saying that the department was developing a recall website for UK consumers.

William Macleod, Vice Chair of the OECD's Business and Industry Advisory Committee, stated that no one size fits all when defining the effectiveness of a recall as a variety of characteristics such as price, lifespan, recall timing can impact a product's unique rate of return. He remarked that in the Takata airbag recall case, in early 2017 in the United States, the level of consumer awareness of the recall, which was initially at 60%, had dropped to 30% by the end of 2017. Mr Macleod noted the influencing role played by media in highlighting the issue at specific periods of a recall. Referencing food-related recall statistics from the United Kingdom, he stated that 87% of consumers did not sign-up to any form of food recall alerts[31], which highlighted a lack of consumer interest in taking proactive action, and amplified the need for effective communication at the time of a recall. He also remarked that effectiveness can improve with connected consumers and that when more is known about those consumers affected by a recall, including how and where to reach them, the more effective recalls will be. He however cautioned that action depends on the consumer but that consumers in general are willing to take big risks, making it more vital for this to be taken into consideration during the development of a recall communication strategy.

Session V: Next steps

Participants discussed a possible way forward for the project. Based on the discussion, at its 17th meeting in November 2018, the WPCPS will be invited to consider the following possible next steps:

- Development of a behavioural insight research programme focused on product recalls. The work would be informed by general research on behavioural insights and consumer policy carried out by the Committee on Consumer Policy.
- Development of "best practice" guidelines on ways to frame and communicate recall notices to consumers. Such global guidance would be informed by the results of the ongoing revision of the International Standards Organization (ISO) standard for consumer product recalls (ISO 10393).

In preparation for the discussion at the WPCPS November meeting, the OECD Secretariat will conduct a stocktake of research programmes, which are currently being planned or developed in various jurisdictions. Information to support the stocktake will be collated via a questionnaire[32] for the WPCPS. The OECD Secretariat, with support of the WPCPS, will also prepare a stocktake of recall guidance currently available in jurisdictions on conducting and managing product recalls.

Annex A. Workshop agenda

I. Welcome (10:20 – 10:40)

- **Ms. Yasuko Iwai,** Chair of the Working Party on Consumer Product Safety
- **Mr. Andrew Wyckoff**, Director for Science, Technology and Innovation, OECD
- **Ms. Brigitte Acoca**, OECD Working Party on Consumer Product Safety

II. Measuring and monitoring recalls effectiveness over time (10:40 - 12:00)

Measuring product recall frequency and assessing their effectiveness over time is not an easy task. Product recalls rates, as well as recall correction rates (understood as the number of products returned by consumers and retailers following the release of a product recall notice) vary widely from country-to-country, and can fluctuate by industry sector and product category. In some countries, correction data are not available as: many cases are not reported by consumers; suppliers do not share recall effectiveness information with the authorities; and a recall, which may have been regarded at some point as effective, may, over time, be affected by additional serious injuries or deaths.

Such a challenge may be explained by the fact that not all countries have developed a methodology to assess recalls effectiveness, and the concept of "effectiveness" itself is understood differently within and across countries, among authorities and businesses. Moreover, while most agencies worldwide can mandate a product recall if a company does not take action on its own, not all countries require suppliers to report on the effectiveness of their recalls. The panel will be asked to consider the following questions:

- How should the concept of "effectiveness" be defined, and which methodology is, or should be used to assess it? What challenges has your agency/organisation encountered in developing or implementing a methodology?
- What is the average correction rate to a product recall? How does this vary by product category (e.g. what product categories tend to trigger the highest and lowest response rates)?
- In addition to recall correction rates, what other key factors should be considered to assess recall effectiveness?
- Which criteria may be used to prioritise monitoring actions over time?
- What can regulators and businesses do to enhance recall effectiveness measurement and monitoring? To what extent is the OECD *GlobalRecalls* portal a useful tool?
- Please provide any recent examples of actions by your agency/organisation to co-operate with domestic and/or foreign agencies to monitor recall effectiveness.

Moderator: **Ms. Pinuccia Contino**, Head of Unit, Product Safety and Rapid Alert System, Directorate-General for Justice and Consumers, **European Commission**

Panellists

- **Mr. Takashi Wada**, Director of Product Safety Division, Ministry of Economy, Trade and Industry, **Japan**
- **Mr. Vladimir Brajkovic**, Development Manager, **IKEA**, Sweden
- **Ms. Sydney Lucia**, International Affairs Programme Manager, Consumer Product Safety Commission, **United States**
- **Dr. Dochul Choi**, Senior Vice President for Global Business and Technology Strategies, **Samsung Electronics America**

III. The role of online platforms in improving recalls effectiveness (12:00 - 13:00)

The proportion of consumers buying products online, especially from online platforms, has increased over time. In the EU, in 2016, for example, out of the 2 044 notifications reported by the RAPEX contributors, 244 concerned products sold through online platforms.

To manage these risks, a growing number of platforms have established partnerships with product safety authorities worldwide to share information about recalled products and report on the removal of such products from their listings. In a number of countries, product safety authorities have co-operated with several online platforms to prevent sales of recalled products. This panel will be invited to discuss and describe:

- The initiatives undertaken by online platforms to protect consumers from unsafe products, including education and awareness programmes targeting both third party sellers and consumers.
- The co-operation programmes in place among product safety agencies and online platforms to enhance product recall effectiveness.
- Ways in which online platforms have addressed product safety challenges across borders, including when a product is banned in one country but authorised in others.

Moderator: **Mr. Thomas Berbach**, Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes, **France**

Panellists

- **Mr. Kyung Chon Yun**, Head of Corrective Measure Team Department of Injury Information, **Korea Consumer Agency**
- **Mr. Daniel Kingdon**, Head of Compliance and Safety, EMEA, **Amazon**
- **Mr. François Martins**, Manager for Government Relations and Public Policy, **MercadoLibre**
- **Ms. Brigitte Acoca**, on behalf of **eBay**

Lunch break (13:00 - 14:30)

IV. Enhancing consumer reactions to recall notices: Insights from behavioural economics (14:30-16:45)

a. Understanding consumer behaviour and response rates (14:30-15:45)

Despite the growing number of product recalls worldwide, only a few studies to date have explored consumer behaviour and reactions to product recall notices.

According to behavioural insights research, consumers tend to be confident that products sold in physical and online shops are safe, and are generally unaware or uninterested in the product recalls system in place in their country. Consumers generally do not read product safety instructions, and even when they do, they usually fail to act upon them. The degree to which consumers react to recall notices depends on a number of factors, such as the value and lifespan of a product, ways in which consumers are contacted, the level of severity of the hazard, and the remedies offered to consumers.

As highlighted in the OECD Consumer Policy Toolkit, and recent CCP work on improving online disclosures with behavioural insights, consumers' judgements and decisions are often subject to behavioural biases and heuristics that may hinder the effectiveness of information disclosures.

Providing consumers with appropriate and timely information about a product recall is thus key to removing dangerous products from the market, preventing product-related injuries, and maintaining consumer trust. This panel will be invited to explore the following questions:

- Has any research (academic, agency or business research) been (or will be) developed in your country to understand consumers' attitudes toward product recall notices? Have any behavioural experiments been undertaken?
- What holds consumers back from reacting to product recall notices? Please provide examples focusing on factors such as behavioural biases, product price, lifespan, and/or the remedies offered.
- How can such consumer biases be best addressed?
  - Are there any legal requirements in your jurisdiction on the type of information that should be included in a recall notice?
  - How should information be framed to entice consumers to react?
  - Which types of behavioural "nudges" may be used to motivate consumer reactions?
- Please provide examples of recall notices that have triggered a successful correction rate or that have proved unsuccessful.

Moderator: **Mr. Neville Matthew**, General Manager, Consumer Product Safety Branch, Australian Competition and Consumer Commission

Panellists

- **Mr. Neville Matthew**, General Manager**,** Consumer Product Safety Branch**, Australian Competition and Consumer Commission**
- **Ms. Fizza Jabbar,** Assistant Economist, Department for Business, Energy and Industrial Strategy, **United Kingdom**
- **Mr. Jon Elliott**, Head of Scientific and Technical Advice Unit, Office for Product Safety and Standards, Department for Business, Energy and Industrial Strategy, **United Kingdom**
- **Ms. Katie Greenwood**, Director, Risk Assessment Bureau, Consumer Product Safety Directorate, **Health Canada**
- **Ms. Cynthia Zapata**, Director, Dirección de Apoyo al Consumidor, Ministerio de Economía, Industria y Comercio, **Costa Rica**
- **Mr. Justin MacMullan**, Director of Advocacy, **Consumers International**
- **Ms. Nancy Cowles**, Executive Director, **Kids In Danger (US)** (by video)

Coffee break: 15:45-16:15

b. Communicating more effectively with consumers (16:15-17:00)

Some studies have shown that direct and personalised notifications sent to those consumers who own a recalled product are the most effective way to inspire action. This implies that the contact details of the consumers concerned are known to the supplier, which is generally

the case when, for example, consumers have provided such information through loyalty programmes, product registration schemes, or *via* e-commerce purchases. In many instances, however, consumers may not be contacted directly. This may be the case, for example, when consumers have paid cash, or their contact details have changed, or they have purchased a recalled product on the second-hand market.

- What are the most effective communication tools (e.g. news releases, email, phone call, social media) for alerting consumers to a product recall? Are there benefits from pursuing multiple communication channels?
- Are there any legal requirements in your jurisdiction on how a company should advertise or communicate a recall?
- What should product safety agencies do to help companies affected by a recall reach out to consumers and attract their attention?
- How can new technologies be used to force consumer reactions to recall alerts?

Moderator: **Mr. Neville Matthew**, General Manager, Consumer Product Safety Branch, Australian Competition and Consumer Commission

Panellists

- **Mr. Neville Matthew**, General Manager**,** Consumer Product Safety Branch**,** Australian Competition and Consumer Commission
- **Mr. Will Creswell**, Deputy Director, Office for Product Safety and Standards, Department for Business, Energy and Industrial Strategy, **United Kingdom**
- **Ms. Katie Greenwood**, Director, Risk Assessment Bureau, Consumer Product Safety Directorate, **Health Canada**
- **Ms. Cynthia Zapata**, Director, Dirección de Apoyo al Consumidor, Ministerio de Economía, Industria y Comercio, **Costa Rica**
- **Mr. Justin MacMullan**, Director of Advocacy, **Consumers International**
- **Ms. Nancy Cowles**, Executive Director, **Kids In Danger (US)** (by video)
- **Mr. William Macleod**, Business and Industry Advisory Committee to the OECD

V. Nexts steps and closing remarks (17:00- 17:20)

- The **moderators of Session II, III and IV** will be invited to briefly summarise the key outcomes of their respective panel discussion.
- **Ms. Yasuko Iwai,** Chair of the Working Party on Consumer Product Safety, will then invite all participants to explore the following questions:

- What role may the WPCPS play to help enhance:
  - Recall effectiveness measurement, and assessment?
  - Consumer reactions to product recalls at domestic and global levels?
- Should, for example, guidance on ways to frame and communicate recall information to consumers be developed by the WPCPS?
- Should any behavioural research or experiment be developed by the WPCPS to inform such guidance? If so, how?
- Other?

Notes

[1] The OECD *GlobalRecalls* portal is available at: https://globalrecalls.oecd.org.

[2] Information on the OECD's *Going Digital* project: www.oecd.org/going-digital.

[3] See the OECD report on *Online Product Safety Trends and Challenges* available at*:* https://www.oecd.org/internet/consumer/Online%20Product%20Safety-%20Trends%20and%20chanllenges.pdf.

[4] The Recall Handbook published by the Japanese Government is available at: www.meti.go.jp/product_safety/recall/handbook2016.pdf (Note: the Handbook is only available in Japanese).

[5] Information on the IKEA Secure it campaign is available at: www.ikea.com/gb/en/ikea/secure-it/.

[6] IKEA's re-announcement of the original recall may be found at: www.ikea.com/us/en/about_ikea/newsitem/112117-MALM-and-Chest-of-drawers-Recall.

[7] IKEA's recalls web page is at: www.ikea.com/ms/en_US/ikea-chest-and-dresser-recall/index.htm.l.

[8] IKEA has its own recalls website where it promotes recalls related to its own products, which, at the time of the MALM recall announcement, received 189 million hits (see: www.ikea.com/gb/en/this-is-ikea/newsroom/product-recalls).

[9] The US CPSC's workshop website on product recalls effectiveness is available at: www.cpsc.gov/Recall-Effectiveness.

[10] Ms Lucia cautioned that such a high return rate may not only include B2C but also B2B return rates, which are generally high.

[11] Samsung offered coupons to affected consumers amounting to USD 100 to exchange and purchase a new Samsung phone and USD 25 to purchase a new phone from another company.

[12] In 2015, the KCA organised 25 units of recalled products to be removed from online platforms; in 2016, the figure increased to 57 and then in 2017 it almost doubled to 106.

[13] The websites used for publicising recalled product information in Korea are at: www.consumer.go.kr and www.ciss.go.kr.

[14] This feature is currently being piloted with the RAPEX website.

[15] Information about AmazonBasics portable power bank recall is available at: www.cpsc.gov/Recalls/2018/amazon-recalls-portable-power-banks-due-to-fire-and-chemical-burn-hazards-recall-alert.

[16] An example of the Amazon Portable Power Bank micro site for the recall is available at: https://amazonpowerbank.expertinquiry.com.

[17] Some partnerships established by MercadoLibre also include formal agreements, such as MoUs.

[18] More information on the mandatory recall of the Takata airbags in Australia is available at: www.productsafety.gov.au/recalls/compulsory-takata-airbag-recall.

[19] Over 4 000 km of sub-standard electrical cable was imported into Australia and installed in thousands of homes and businesses. The cable was recalled due to the risk of becoming brittle within

six to seven years in high heat, thus increasing the risk of electrocution and fire: www.productsafety.gov.au/news/infinity-electrical-cable-recall-act-now-before-it-s-too-late.

[20] The Intervention Ladder by Nuffield Council on Bioethics is a procedural illustration of how specific public health policy interventions can affect people's choices: http://nuffieldbioethics.org/report/public-health-2/policy-process-practice.

[21] MINDSPACE is a report from the Institute for Government in the United Kingdom, which explores the application of behavioural change theory to public policy (see: www.instituteforgovernment.org.uk/publications/mindspace).

[22] Health Canada's recalls and safety alerts website is at: www.healthycanadians.gc.ca/recall-alert-rappel-avis.

[23] Recall notices in Canada are required to be at a Grade 8 reading level, which is equivalent to a language skill level of a 14 year old.

[24] Interactive elements will include features such as giving consumers the ability to share their incident report on social media, follow the report and receive feedback on it.

[25] Reporting includes clear indication of the product, its risk, hazard and amount of the affected product available in the marketplace.

[26] The speaker was recalled due to overheating and fire risk (see: www.apple.com/support/beats-pillxl-recall).

[27] The Product recalls page on consumo.go.cr is available at: www.consumo.go.cr/noticias/Retiro_de_producto.aspx.

[28] In October 2017, the Fisher-Price Soothing Motions Seat was recalled due to its motor housing overheating posing a fire hazard (see: www.cpsc.gov/Recalls/2017/fisherprice-recalls-infant-motion-seats-due-to-fire-hazard).

[29] The return rate was at 20% in June 2018 as per data from Fisher-Price *via* KID.

[30] The UK's best practice guidance on product recalls is available for Standards Institution's website, at: purchase on the British https://shop.bsigroup.com/ProductDetail/?pid=000000000030359024&_ga=2.148032945.784134925.1528904681-1229503735.1527752967.

[31] More information on the review of the food withdrawal and recall system in the UK food retail sector is available at: www.food.gov.uk/sites/default/files/media/document/fsa170913.pdf.

[32] The questionnaire was sent to the WPCPS on 29 June 2018.