



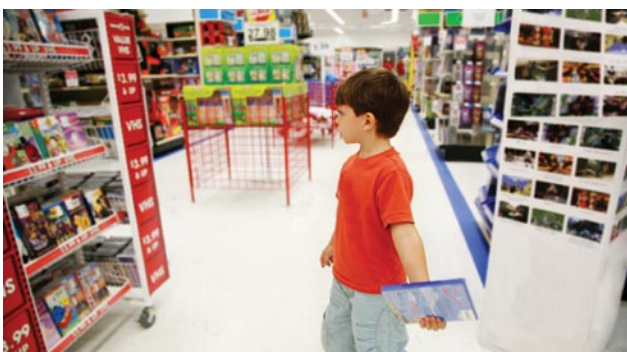
## Avoiding the Recall Nightmare – Store Ops Perspective

Early this year, the FTC (Federal Trade Commission) issued a safety recall on a popular table-top grill. In contacting retailers at nine in the morning, the FTC asked for proof that the product was pulled from shelves by 4 p.m. that very afternoon. Daunting, but occurrences like this are extremely common. In just the past two months, there were more than 70 federal or industry mandated product



recalls. From automotive and consumer electronics, to food, health and toys, retailers in nearly every industry were responsible for informing their customers of the recalls and removing those products from shelves.

While certainly not all were safety risks requiring immediate action, in the current state of retail communications and execution management, even less urgent recalls can be extremely difficult to complete, especially across thousands of retail locations. And retailers ultimately face the liability and legal issues if their consumers aren't safe.



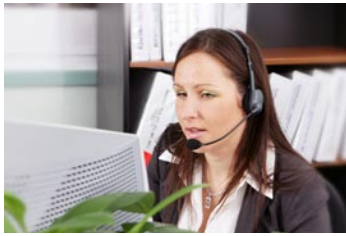
With an organized response plan and coordination across the organization, retailers can avoid those issues and keep up with all recall demands.

Product recalls required of thousands of store locations are often a highly manual, people- and time-intensive process that can easily break down. In most instances, a federal agency or manufacturer contacts the retailer's headquarters, informing them of the issue and setting a deadline for removal of the product. Once receiving notice, the information is passed on to the retail outlets.



Because most retailers don't have a structured system in place, the information may go out via fax, phone, e-mail or the company intranet. With this scattered approach, there's no guarantee that every store will receive the notice in a timely manner, so headquarters must then follow up with each location to ensure action is being taken. The stores may then assign workers to remove product from the floor, and the manufacturer either arranges for pick-up, or the product is shipped to the distribution center. Adding to the complication and confusion, feedback is rarely built into the process, so compliance is at best unknown, at worst unenforced and incomplete.

However, recalls require awareness, action, communication and confirmation, and retailers can take steps and make investments that prepare them for the myriad recalls that occur throughout the year. First, streamlining the entire process can greatly reduce the time taken to complete a recall. For example, a recall order for refrigerators often travels from headquarters to the store manager, who must then pass the information to the appliance department manager, who in turn assigns the task of removing the fridges to stock and floor employees. Instead, if communication flows directly to the appliance department, which should have recall tasks pre-assigned, needless steps can be cut out of the process.



Next, it is critically important to have real-time visibility into each element of the process, especially in cases where regulatory agencies require proof that the recall is complete. If companies can see when a request was made, how and to whom it was assigned, and if the process has stalled, they can recover from problems or delays at the store level. Additionally, when a documented feedback loop is built into the process, it becomes much easier to keep regulatory agencies and manufacturers abreast of progress.

Finally, task or store execution management solutions can bring automation to the entire recall initiative. These applications house communications, tasks and performance monitoring, and provide complete visibility across the organization. When a recall occurs, instructions

can be immediately passed down to all stores and targeted to the correct departments, and the task of removing items is quickly assigned. Within the application, headquarters can see when items are removed from the floor. The results of a coherent recall plan, supported by store execution management, are striking. For example, a large electronics retailer was recently forced to pull an expensive, yet defective, appliance off the floor. Ten of the company's stores utilized an application to track the recall, and within three days, all appliances were pulled and headquarters knew the progress in each of those stores. By contrast, it wasn't clear even three months later whether the remaining stores had ever completed the recall.



While the recall process is in many ways similar to implementing a promotion or removing expired product, the implications of missing or failing in a recall are quite different and can be much more drastic and damaging. From regulatory fines, to lawsuits and bad publicity, stalled or failed recalls can cost retailers and manufacturers millions of dollars in sales and customers. But with a solid plan in place that streamlines, automates and provides visibility into the recall process, retailers can stay on top of the multitude of recalls that will undoubtedly, if unexpectedly, occur.