

The risk of listeriosis lingers

By [Catia Folgore](#)

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Product-related risk is one of the biggest perils facing businesses today, with significant amount of increased recalls revealing the potential for larger and more complex losses in the past decade, according to the '[Product Recall: Managing The Impact of the New Risk Landscape](#)' report.



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The automotive industry is the most impacted by product recalls; followed by the food and beverage sector, of which locally was dealt a heavy financial blow by the recent listeriosis outbreak.

The outbreak that has claimed over 200 lives continues to pose a serious health risk. It has prompted major product recalls resulting in huge sales and reputational or brand value decline. These losses may be the largest generator of liability losses. The cost to prevent and control food pathogens in addition to product recall costs poses a profitability risk to the entire local food and beverage industry. Recall claims are a major contributor to insurance claims, alongside product liability claims.



Woolworths recalls rice product amid Listeria concerns

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The trends

Product recalls have risen steadily in the past decade. At Allianz, we are seeing record levels of recall activity in size and cost today. Some of the contributing factors behind this are: tougher regulation and harsher penalties; the rise of large multi-national corporations and complex global supply chains; growing consumer awareness; impact of economic pressures in research and development (R&D); production and even growth of social media.

Undeclared allergens (including mislabeling incidents) and pathogens are a major issue, as is contamination from glass, plastic and metal parts. Malicious tampering and even extortion incidents pose an increasing threat, as well as the growth of “food fraud”, which has become a major issue resulting in reputational damage and major losses, as seen in the horse meat scandal in Europe four years ago.

Product mislabeling is not a uniquely European problem. In South Africa, some major supermarkets were involved in several meat mislabeling scandals in 2013. Several food outlets were also implicated for hygiene breaches. All these isolated incidents collectively make up the losses in the local food and beverage industry.



Food and beverage industry faced with mounting risks

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What can the food and beverage industry do to manage recalls?

Pre-event planning and preparation can have a big impact on the size of a recall and the financial and reputational damage sustained. As part of a holistic risk management programme, specialised product recall insurance can help businesses recover faster by covering the costs of a recall, including business interruption. It also provides access to crisis management services, and consultants, which can test a company’s procedures and offer global support in areas such as regulatory liaison, communications, product traceability and tampering investigations and even genome sequencing and DNA testing to understand a product contamination

There is now much more attention on how companies deal with defective or contaminated products, how responsive they are and how resilient their safety systems are. More than ever consumers are also part of the agenda and are driving company behaviour by making their choices subject to how companies deal with crises. A company that embraces crisis management, and makes it part of its DNA, is far less likely to suffer a major incidence.

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