

Battery Recall by Dell & Superior Welch Corporation – Challenges of Product Recall

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Introduction

In August 2006 computer giant Dell computers announced to recall 4.1 million batteries from its customers due to safety concerns. According to the PC maker these lithium ion batteries were made by Sony and were installed in its notebook from April 2004 to July 2006. As per [Dell research](#) there were six instances in the first six months of 2006 where these batteries have caught fire. Even though there were no instances of personal injuries but Dell decided to recall it in larger interest of the customer. (Dell Official Website, 2006)

Dell said that these problems in the batteries were not due to lithium base but due to manufacturing defects in the batteries manufactured by Sony, the battery supplier to Dell. The product recall comprises 18 percent of total Dell sales in the given period. According to the company's estimates the total recall cost was approximately 300 million. (Damon Darlin, 2006) The big questions now are –

- [Was it worth to announce the product recall?](#)
- What are the potential benefits of the product recalls to the company.
- How the product recall will affect the operations of the company.
- How it will affect the other players in the industry.

Is it Necessary to Recall the Product from the Market

The foremost question the company has to ask – Is recalling the product worthwhile. Recalling the products is not only about bringing back the product from customers but it is

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an acceptance on part of the company that it has made a mistake (Gorchels, Linda 2003).

This mistake can be due to manufacturing defects, designing defects or packing irregularities, which in one case or another can be harmful to the user of the product.

Dell recalled batteries were susceptible to catch fire under hot condition, which not only put the notebook in jeopardy but also the health of the customer. When the matter is of customer health it is vitally important for the company to recall products as both the federal agencies and courts tend to punish the company excessively. Secondly injuries to even one customer can bring fear among the other customers regarding their safety and the safety standard of the other products of the company. For example Battery explosion may lead other product users like PC users to perceive that the products of the company are susceptible to health risk as they either have manufacturing defects or are of inferior quality. (Department of Trade and Industry, 2000)

Such perception can put the entire future of company in jeopardy and evaporates the hard earned brand equity.

[Lessons for Superior Welch Corporation \(SWC\)](#)

As SWC is exploring new markets for expansion it is necessary for it to recall the products. One it will protect the dilution of company's brand equity and secondly establish the company as someone which can go the distance to protect the interest of it customer safety.

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Potential Benefits of Product Recall

The media manager of Maria Carey first wanted to hide the news of her breakdown but when it was revealed it led to thousands of sympathy messages. This sympathy brings in millions of new followers as they identified with her. Similarly when a company recalls its product it says to its customer that we made a business mistake but we are ready to incur the cost for your safety. This approach not only enhances the moral stand of the company on the issue but also protect it from being a cheat or inferior quality peddler in the industry. To convey this message the Dell spent over \$100 million to enhance customer service and help the customers in changing its products. (Damon Darlin, 2006)

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Most companies don't openly recall product because they believe that accepting mistakes mean that the company is prone to such mistakes. This view point not only alienates customer but in the digital economy keeping these customers under carpet is an arduous task. Apple Ipod Nano initial screen defects were down played but when people opened blogs to make the fellow users aware of it. The company has to come up with official announcement of fixing the problems.

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Lessons for SWC

SWC products are heavily pushed in the market place so there is always a chance that sales force tend to neglect the apparent defect. But if the company provides an outlet of getting it fixed, it will not only provide a window for unsatisfied customer to get their product fixed but also reduce the dissonance level in the mature market. In new markets the service readiness to solve such problem may act as a differentiator if the industry is not at such an advanced stage. Finally European Union has numerous rules compare to United States and their customer and environment safety regulations are significantly stringent that to of United States. In such an environment the company should do thorough research regarding product design and manufacturing.

How Product Recall Affects the Operations of the Company

Dell battery recall was 18 percent of the total sales of the company in the given period. (Damon Darlin, 2006) Thus bringing in back the defected batteries includes providing information to the customer in such a way that it doesn't spread panic, secondly collecting them through mails or by hand and finally replacing them. These activities require additional resources and can put a question mark on company's future plans.

To manage such a situation, a company should take a phased recall for example Dell has to recall the batteries installed in the notebooks sold from April 2004 to July 2006. It can develop a recall strategy based on instances. Suppose it can recall batteries installed

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between April and September in the first go, if there are no complaints so far regarding the batteries sold after September.

Lessons for SWC

SWC is making the transformation from a sales oriented company to customer service oriented company. In such an environment the company should take a phased recall strategy thus not putting too much stress on growth resources.

How will the [Product Recall Affects other Players in the Industry](#)

It may sound like a bonus opportunity for the competition but as the Dell case showed it many ways it is not. Especially if the recaller is the market leader and source it from a third party vendor in supply chain. In Dell case the defected supplier was Sony and defect was due to manufacturing defect in Sony plant. (Damon Darlin, 2006) As Sony is the second largest producer of batteries in the world after Sanyo most of the other computer majors also installed its batteries in their systems. Dell recall put pressure on other players to take similar action thus while Dell has opportunity to plan its recall other companies may not.

Lessons for SWC

SWC is also sourcing lots of material from the East Asia so it has to be especially careful regarding it. Secondly it also has to be very careful regarding its own design. As

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happened in the Mattel recall case, most Chinese manufactured the good were perfectly as per Mattel's specifications but the design of Mattel had a fault.

Conclusion

Product recall presents a dilemma where a company has to choose between hoping for the best or take proactive actions. If such a product recall is not successive in terms of number of products or over the period of time, customers usually take it as an earnest effort to correct mistake. But if it goes too far then the brand equity of the company is in serious dangers. Before recalling a company should communicate the message to the customers and make them believe that it is only a minor problem and it gives highest priority to customer safety.

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