WEATHERING THE STORM

THE IMPACT OF RECALLS ON BRAND EQUITY

nielsen + Monitor 360

REPAIRING YOUR BRAND AFTER A PRODUCT RECALL

Recalls, even those with only minor impact on the consumer, can seriously affect consumer sentiment and damage a company's reputation and the brands in its portfolio. Based on Nielsen's 2016 Annual Reputation Quotient report, which surveyed more than 23,000 U.S. adults, product recall was among the top five situations that damage corporate reputation, after dishonesty, illegal activity or a security breach.

Recovering from a product recall event requires a foundational understanding of your corporate reputation and the equity position of product brands vs corporate brands, as well as an understanding of your consumers deeply-held beliefs before and during the recall.

To facilitate that recovery it is imperative to:

- Acquire fast and accurate marketplace insights
- Understand salience and impact on brand equity
- Identify impact on corporate reputation drivers to prioritize actions
- Capture language to help frame and contextualize response
- Understand and navigate vulnerabilities introduced into reputational landscape

The strength of the brand experiencing the recall, along with consumer perceptions and beliefs about that brand, show us that some brands might be better equipped to rebound from a product recall than others. In a joint effort, Nielsen and Monitor 360 have worked together to analyze just that. While this study focused mainly on food-based recalls, the themes uncovered about brand equity strength and resilience are applicable across multiple industries. Strong brands are more likely to be able to "absorb" a negative event like a recall, assuming they handle the situation in a proactive way. Understanding the "why" behind consumer perceptions, and how the recall could affect brands over the long-term can offer the best guidance to course-correct and rebound sales quickly.

UNDERSTANDING THE FOOD RECALL NARRATIVES THAT IMPACT BRAND PERCEPTIONS

Capturing and analyzing the underlying beliefs and assumptions, or narratives, that drive post-recall consumer behavior can help explain consumer reactions. These narratives are critical to effectively prepare for and mitigate long-term brand damage.

Monitor 360 analyzed over 15,100 consumer responses to 17 major food recalls on social media from January 2015 to May 2016[1]. Nine unique narratives were uncovered about food recalls that reflect overarching consumer beliefs, each with a measurable impact. Monitor 360 displays these impact scores via a Narrative Impact™ number, which measures the prominence of a narrative relative to the broader conversation on a given topic or product.

Each of these nine narratives are derived from social and traditional media source data, and represents unprompted viewpoints expressed by consumers. The Narrative Impact Scores in a recall will determine both the actions that the company should take, as well as give an indication of how likely the brand is to rebound.

NARRATIVE TITLE	NARRATIVE IMPACT
THANKFUL AND WAITING	31%
STEP UP FOOD SAFETY	15%
REAL FOOD ISN'T RECALLED	15%
CUSTOMERS SHOULD USE COMMON SENSE	13%
PROFIT OVER PEOPLE	8%
GLAD I SWITCHED TO ANOTHER BRAND	7%
ONE MORE REASON TO BOYCOTT	4%
AFRAID AND ABANDONED	4%
BRING OUR PRODUCTION HOME	4%

To learn more about what each of these narratives mean, turn to page 11

After these nine narratives were uncovered, Nielsen and Monitor 360 looked at three key recalls that had occurred over 18 months using Monitor 360's Narrative signature™[2] tool. This analysis showed no correlation between the severity of a recall and the type of narratives consumers express about it. For example, a recall that lasted several months with severe consumer effect actually received positive consumer reactions, while much smaller and less consequential recalls drew harsh responses. But this is not to say that it's a shot in the dark when it comes to knowing consumer reaction around a recall before it happens. Instead, it reveals that pre-existing narratives about a brand play a critical role in how consumers respond during a recall, and are intimately tied to brand equity.

Understanding Brand Equity

Brand equity is a key measure of long-term brand strength. It is developed over time through many brand impressions and interactions, and is activated when a brand aligns with consumers' needs and values. This then triggers a series of behaviors like preference, loyalty and sales.

Three key metrics go into determining a brand's equity scores: consumer familiarity with a brand, consumer perception of the quality of the brand and consumer likelihood to purchase the brand in the future.

[2]Narrative signature™ measures a brand's association with a belief by calculating how frequently a company is associated with a narrative relative to the total number of times that company appears in the data set.

A product recall can impact each of these measures. Factors to consider include the publicity of the recall, speed of reaction to the recall by the company and product availability as a result of the recall.

In order to continue to understand equity and Monitor 360's narratives, Nielsen took a look at the three key recalls mentioned above using the lens of brand equity[3] over time (both before, during and after the recall).

Below are three scenarios of consumer reactions and brand equity positions, which demonstrate how managing brand equity and understanding the consumer narrative assist in responding to product recalls.

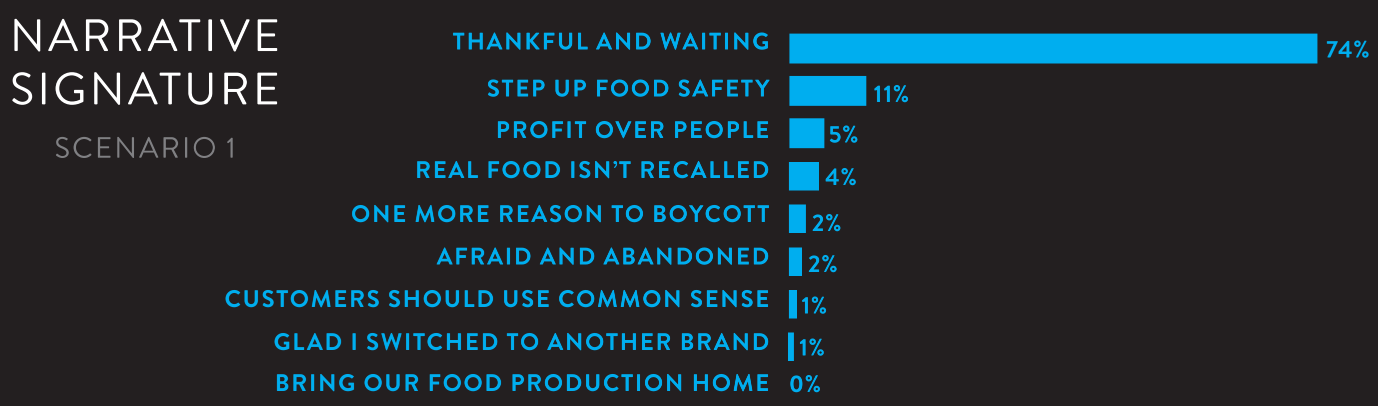
Recall Case Scenarios and Outcomes.

SCENARIO 1: LOYALTY LIFESAVER

What Happened: A manufacturer issued a recall driven by a health concern. While the concern was contained within a certain production location, the manufacturer voluntarily recalled its entire product line as a measure of precaution. This recall was national in scale and prolonged over several months. The manufacturer exercised extreme caution and communicated publically about their plan of action.

Narrative: Despite the extent of this recall, the brand's highest narrative association—shown in the graph below—was the positive "Thankful and Waiting" narrative. Consumers thanked the company for caring enough about its customers to issue a recall, and promised to forgo other brands while they waited for the manufacturer to return to the shelf.

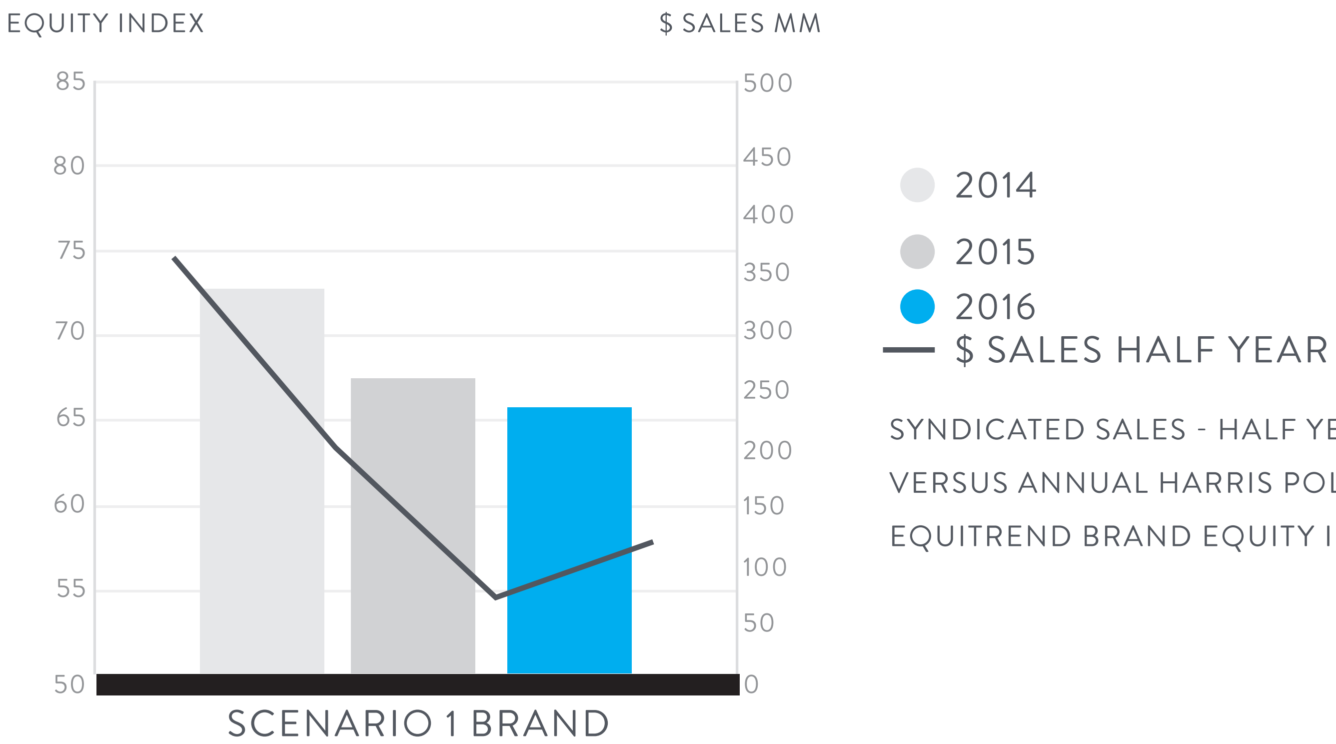
[3]Brand equity data referenced from the Harris Poll EquiTrend annual syndicated brand tracking study.



To learn more about what each of these narratives mean, turn to page 11

Brand Equity and Sales: This manufacturer's brand equity ratings had been strong over time, ranking in the top third of all human food brands measured in the Harris Poll EquiTrend®. During the course of the recall, brand equity scores declined significantly. However, because the brand was coming from a position of strength, the Brand Equity score continued to rank in the top third of all human food brands despite a temporary dip during the recall. Consumers continued to report stable brand trust scores and indicated they felt the brand was "holding steady" in terms of momentum.

Nielsen was also able to monitor the impact of the recall on sales. Of course, sales declined severely when the brand was unavailable during the recall period. However, after a year of slowly returning product to the shelf, weekly sales were almost 80% of their pre-recall levels.



SYNDICATED SALES - HALF YEARS VERSUS ANNUAL HARRIS POLL EQUITREND BRAND EQUITY INDEX

Strategic Considerations: Strong brand equity can help a company weather a recall and avoid long-term damage. The trust built over time can make customers more likely to believe that the event was an honest mistake that is being fixed, rather than something endemic to the product itself. In scenario 1, the company drew upon that good will – while communicating honestly about what happened – to connect with positive narratives, preserve the brand's equity and help sales rebound. It should be noted, however, that recalls like this require the difficult task of building durable brand equity ahead of a recall in order to ensure resiliency and avoid negative narratives that can arise when equity is low.

SCENARIO 2: QUALITY COUNTS

What Happened: A manufacturer voluntarily issued a partial recall of a brand driven by the possibility of foreign objects in the food. The recall was regional in scale and caught prior to any reported consumer impact. The company issued a press release about the recall, and received widespread news coverage as a result.

Narrative: This relatively small recall touches off a narrative that admonishes the manufacturer's overall food quality, resulting in a narrative that questioned the company's overall quality. As a result, this brand had the highest association with the narrative "Real Food Isn't Recalled," shown below, which criticizes the company for producing "processed food full of chemicals." This overwhelmingly negative reaction shows how even a minor recall can bring forth latent beliefs formed about the brand prior to the recall.

NARRATIVE SIGNATURE

SCENARIO 2

To learn more about what each of these narratives mean, turn to page 11

Brand Equity and Sales: The specific brand associated with the recall had relatively strong equity, however its parent company did not. While the brand equity score on the whole was not impacted for the individual brand, there was an impact on a supporting metric, brand trust, where consumers indicated a significant decline in trust in the brand.

Many times, consumers are unaware that a brand is owned by a larger entity. But, the press surrounding the recall associated the brand with its parent company, which could have been the cause of the negative narrative and decline in trust. Consumers are also increasingly doing their homework, researching companies before doing business with them or purchasing their products, and taking action based on what they learn about the company's reputation.

Source: Harris Poll Reputation Quotient study

Because the recall was so small in scope, there was a dip in sales for the specific product during the recall. But, that decline was buoyed by other products in the line, keeping overall sales impact relatively flat during the recall.

Strategic Considerations: Recalls of any size or type can bring beliefs and associations about a product to the surface. Companies must be ready to counteract these narratives before they can take root. To counter negative narratives during a recall, a company can reframe them by highlighting stories about the benefits of the product, and in this case, highlighting the individual identity of the recalled brand and leveraging the equity of the product brand or corporate brand, depending on historical equity.

SCENARIO 3: LOCATION, LOCATION, LOCATION

What Happened: A manufacturer issued a voluntary recall of a specific product due to a manufacturing issue which could have posed a health risk to consumers. The recall was national in scale and was communicated in the press. This particular manufacturer had issued recalls in the past, some of which had been widely publicized in a negative manner.

Narrative: While this manufacturer is an American company, this recall caused consumers to question the location of production and perceived inadequacies in food safety regulations. Consumers responded by expressing the negative "Bring Our Food Production Home" narrative, blaming the manufacturers overseas production facilities as the reason for the recall and for a broader lack of food safety standards displayed by the company in the past. They also tied their sentiment to another narrative, "Glad I Switched to Another Brand," expressing that the recall reinforced their decision to continue buying from the competition.

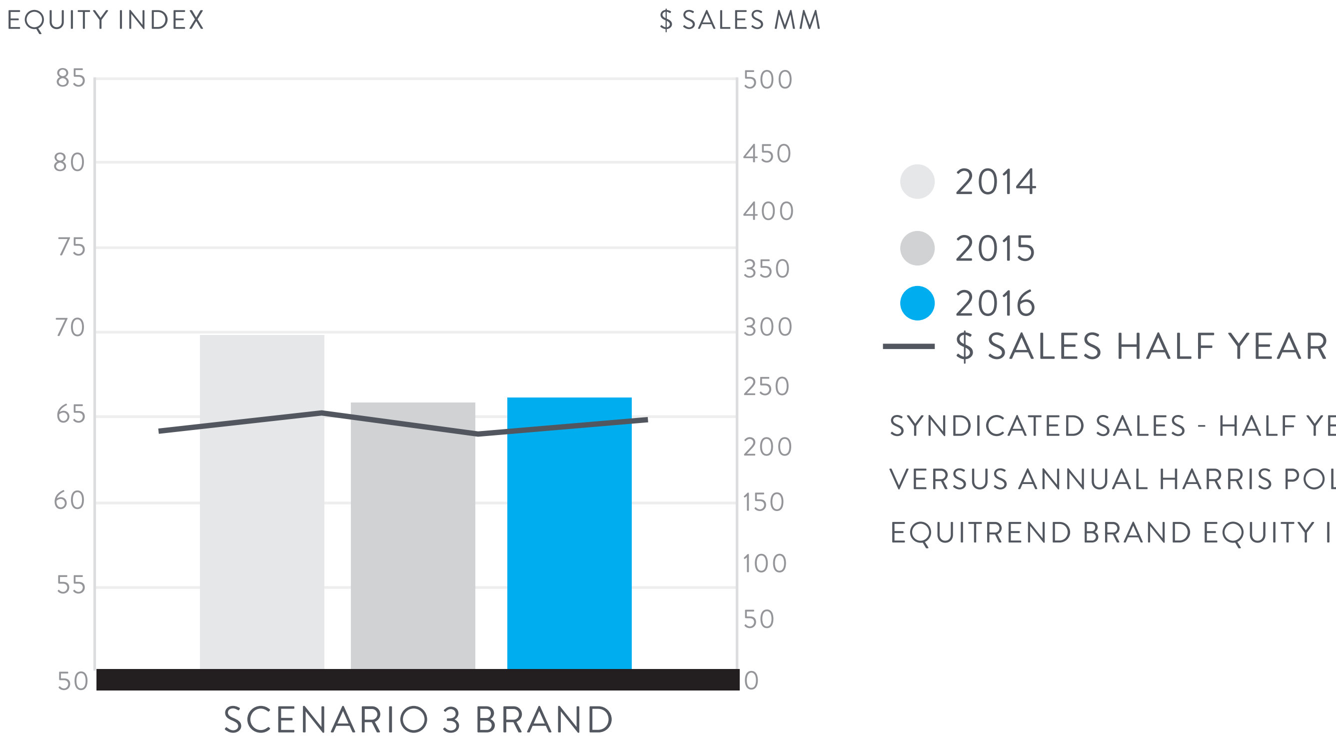
NARRATIVE SIGNATURE

SCENARIO 3

To learn more about what each of these narratives mean, turn to page 11

Brand Equity and Sales: When compared to all human food brands measured in EquiTrend, this brand's equity was ranked in the top third of all measured brands in 2014. Due to the recall, however, the brand has since seen significant declines and currently ranks near the average of all human food brands. Over the past three years there have been multiple recalls for the brand, and during that time there has been an erosion of brand trust, along with negative perception of brand quality and low purchase consideration.

This brand has endured multiple recall events over the past four years, and sales show the ebb and flow of consumer withdrawal at the point in time of recall, and then a slow regaining of footing.



SYNDICATED SALES - HALF YEARS VERSUS ANNUAL HARRIS POLL EQUITREND BRAND EQUITY INDEX

Strategic Considerations: Recalls can bring negative narratives about issues that are seemingly unrelated to the recall to the forefront, particularly if recall events continue to plague the brand. Companies can mitigate the impact of these narratives before and after a recall by emphasizing high quality standards, regardless of production location. Of course, repeat recalls, even if unrelated, can hold a brand back from expansion or competing against other brands.

CONCLUSIONS

No manufacturer wants to endure the strain that a product recall can have on their bottom line, as well as their brand position. When a recall does occur, there's a range of potential consumer narratives, many of which are driven by perceptions about a company's brand, product, or operations that existed before a recall happened.

When faced with an event that introduces reputational risk, it is essential to understand the landscape in order to execute an informed, appropriate corporate response to protect a company's reputation. Having a full understanding of that landscape must include the consistent monitoring of brand equity and resulting impact on sales. Brands with strong everyday equity allow for some leeway with consumers. Monitoring brand equity is critical in order to keep a pulse on consumers' views of and interactions with brands, so that consumers will remain loyal – in both positive and negative circumstances.

Additionally, doing the work to identify, quantify and leverage consumer perceptions and narratives both before and after recalls can lessen the impact overall. Knowing your consumers' deeply held beliefs about your brand gives you an understanding of the "why" behind consumer behavior, enabling you to strategically repair your brand and build resiliency in the long-term.

COMMON CONSUMER BELIEFS THROUGH NARRATIVES

Monitor 360 developed these nine narratives based on an analysis of 15,100 online interactions around 17 major brand recalls from January 2015 to May 2016. Below are summaries of each narrative, sample statements that may fall within each narrative and an overall impact score.

NARRATIVE	NARRATIVE SUMMARY	NARRATIVE IMPACT SCORE
Thankful and Waiting	When consumers fall in the "thankful and waiting" narrative, they feel upset about a product being recalled, but are thankful that the company has taken a proactive approach to consumer safety. The overall thought is that "everyone makes mistakes" and the recall shows that you put people over profit. Consumers now are waiting on bated breath for the return of their beloved product so they can enjoy it again. Example statements of consumers who fall into this narrative include: *It's devastating that you had to take your product off the shelf but thank you for caring enough to be open about it and make it right for your loyal customers. I know you'll fix the problem and be back stronger than ever. But hurry!*	**31%**
Step Up Food Safety	Consumers who fall into this narrative are a bit jaded about recalls – they feel like they see a new one every day and are unsure of who to trust. They also may have lost faith in food safety precautions and feel they're playing Russian roulette with their safety. Their disappointments are projected not just upon government agencies like the FDA, but also the products that they have seen as failing to meet their ethical standards. This consumer group will be vocal to others when a product is recalled, impacting brand loyalty. Example statements of consumers who fall into this narrative include: *I see a new recall for another food product practically every day. Where are government regulations and self-policing? Both the FDA and food companies need to step up and do their jobs so American families can have dinner without worrying about getting sick.*	**15%**

NARRATIVE	NARRATIVE SUMMARY	NARRATIVE IMPACT SCORE
Real Food Isn't Recalled	This narrative is born out of the "real food" trend. Consumers in this narrative feel that "real food" isn't processed, and therefore is less likely to be recalled. This group is inherently against pre-packaged foods and prefers more fresh items with "pronounceable" ingredients. Their narrative is driven by their belief in organic foods, and recalls only confirm their distrust of pre-packaged foods. Example statements of consumers who fall into this narrative include: *I'm amazed people still buy this processed junk and feed it to their kids. The metal/plastic/bacteria that caused the recall probably isn't even the worst ingredient in this stuff. People should save their money instead of buying prepackaged foods like this that aren't meant for human consumption anyway.*	**15%**
Customers Should Use Common Sense	Another negative narrative around recalls focuses on common sense. This narrative feels that recalls may be overdone and consumers are desensitized to them as a result. They can empathize with companies that have voluntary recalls, but feel that consumers "lose" when this happens because companies may raise prices to make up for losses during the recall. Example statements of consumers who fall into this narrative include: *I understand recalling food that could harm people or make them sick, but we've gone overboard with recalls. Not every piece of packaging is a choking hazard. Companies issue voluntary recalls to protect themselves from lawsuits but consumers are the real losers because companies raise product prices to cover expensive lawyers and consultants they hire during a recall.*	**13%**
Profit Over People	Consumers within this narrative feel companies value their bottom lines more than their most valuable asset – their consumers. They feel that their loyalty has been betrayed as a result of a recall (often believing that the company has stalled or waited to issue a recall at the consumers' expense). They feel companies have a legal responsibility to police themselves and recalls should be considered willful neglect. They turn to their fellow consumers and government regulators to hold companies responsible for their behavior. Example statements of consumers who fall into this narrative include: *This company knowingly placed its loyal customers at risk by completely ignoring food safety practices and waiting until the last minute possible to issue a recall. Companies have a legal responsibility to police themselves and this kind of reckless behavior should be considered willful neglect. Consumers and government regulators must hold this company responsible for its behavior so it and others realize they can't continue to put their bottom line over peoples' lives.*	**8%**

NARRATIVE	NARRATIVE SUMMARY	NARRATIVE IMPACT SCORE
Glad I Switched to Another Brand	As the saying goes, "you can't please everyone." This narrative captures consumers who have switched from the recalled brand to a competitor, prior to when the recall even began. A recall only confirms their belief that they "made the right choice" by changing to a competitive brand. Example statements of consumers who fall into this narrative include: *Now I remember why I never buy your brand. I'm a loyal customer of your competitor because its products taste better and I know they're safe to feed to my kids. This recall confirms why I trust and will continue to buy them so I don't have to worry about making my children sick with your second-rate products.*	7%
One More Reason to Boycott	Similar to the above narrative, this group sees a recall as another reason to dislike the recalled brand. This narrative group is likely to not only buy a competitor, but vocally boycott the recalled brand for other purposes – whether that be political reasons or animal/labor rights. They see a recall as an opportunity to advance their anti-brand platform and add fuel to their boycott. This group may be small, but their end goal looms nonetheless – to put the recalled brand out of business. Example statements of consumers who fall into this narrative include: *This recall is just another reason to boycott this company and all of its products. I've been boycotting its products for years and this recall only adds to my disdain. There are many other honest companies out there that one can patronize instead. Hopefully this recall will bring attention to all of this company's ills and finally put it out of business.*	4%
Afraid and Abandoned	This narrative captures two common reactions to a recall – fear that a recall could happen again, or not be effective, as well as the feeling that they've been abandoned by the brand. This group wants to trust the recalled brand again, but feels they have unanswered questions around safety and course-correction moving forward. Consumers in this narrative may have reached out to the recalled brand for more information, but feel that they either haven't heard from the brand, or the answers left something to be desired. Making customer service a priority is important for this narrative, both in assuaging their fears and regaining their trust. Example statements of consumers who fall into this narrative include: *My family and I recently consumed your recalled product and we're freaking out and we need answers. I've tried contacting you multiple times but you're not responding or providing any information. There are thousands of families like us who have given you a trusted spot in our kitchens and you can't even respond to questions about whether or not your product will make us sick. You need to make customer service your top priority or you'll never gain back my family's trust.*	4%

NARRATIVE	NARRATIVE SUMMARY	NARRATIVE IMPACT SCORE
Bring Our Production Home	The final narrative is centered around national pride and in-country sourcing. Consumers in this narrative feel that goods that are made outside of their home countries is a negative. A recall just proves that production shouldn't be done overseas. They may even go so far as to question whether the recalled product is "real" or if the company is lying about ingredients or something else beyond the reaches of a recall. Example statements of consumers who fall into this narrative include: *I bet this product was made in a country that doesn't have food safety regulations. I wouldn't be surprised if this product isn't actually real food – it's probably a bunch of cheaper substitutes mixed together and re-packaged. Recalls like this wouldn't happen if all of our food was made in the United States where there are real food safety regulations. Companies need to put consumers first and move their production back home so people don't have to worry about getting sick from foods they should be able to trust.*	**4%**

ABOUT MONITOR 360

Monitor 360, the global leader in Narrative Analytics, enables companies to discover, interpret, and shape customer narratives about their brand, products, and competitors. The company is headquartered in San Francisco, with offices in Washington, D.C. For more information, visit Monitor-360.com.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population.

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