

CASE STUDY: INGREDIENT MANUFACTURERS AND THEIR PRODUCT RECALL RISK

APPENDIX - RECALL COST CALCULATIONS

USA Sugars

Type of Loss	Cost
Recall Costs	\$250,000
Replacement Costs	\$1,200,000
Loss of Profit	\$1,000,000
Brand Rehabilitation	\$50,000
Total Loss	\$2,500,000

Bakery

Type of Loss	Cost
Recall Costs	\$150,000
Replacement Costs	\$400,000
Loss of Profit	\$600,000
Brand Rehabilitation	\$150,000
Total Loss	\$1,300,000

Syrup Mfg

Type of Loss	Cost
Recall Costs	\$100,000
Replacement Costs	\$700,000
Loss of Profit	\$800,000
Brand Rehabilitation	\$10,000
Total Loss	\$1,610,000

Dairy Base Mfg

Type of Loss	Cost
Recall Costs	\$175,000
Replacement Costs	\$600,000
Loss of Profit	\$1,100,000
Brand Rehabilitation	\$10,000
Total Loss	\$1,885,000

Jelly Filling Mfg

Type of Loss	Cost
Recall Costs	\$80,000
Replacement Costs	\$500,000
Loss of Profit	\$600,000
Brand Rehabilitation	\$10,000
Total Loss	\$1,190,000

Beverage Mfg 1

Type of Loss	Cost
Recall Costs	\$250,000
Replacement Costs	\$450,000
Loss of Profit	\$400,000
Brand Rehabilitation	\$150,000
Total Loss	\$1,250,000

Beverage Mfg 2

Type of Loss	Cost
Recall Costs	\$275,000
Replacement Costs	\$500,000
Loss of Profit	\$400,000
Brand Rehabilitation	\$100,000
Total Loss	\$1,275,000

Yogurt Mfg

Type of Loss	Cost
Recall Costs	\$265,000
Replacement Costs	\$600,000
Loss of Profit	\$500,000
Brand Rehabilitation	\$90,000
Total Loss	\$1,455,000

Ice Cream Mfg

Type of Loss	Cost
Recall Costs	\$265,000
Replacement Costs	\$600,000
Loss of Profit	\$500,000
Brand Rehabilitation	\$90,000
Total Loss	\$1,455,000

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APPENDIX - RECALL COST CALCULATIONS (CONTINUED)

Smoothie Mfg

Type of Loss	Cost
Recall Costs	\$180,000
Replacement Costs	\$400,000
Loss of Profit	\$450,000
Extra Expense	\$150,000
Brand Rehabilitation	\$90,000
Total Loss	\$1,270,000

Snack & Pastry Mfg

Type of Loss	Cost
Recall Costs	\$265,000
Replacement Costs	\$400,000
Loss of Profit	\$300,000
Brand Rehabilitation	\$90,000
Total Loss	\$1,055,000

Total Loss	\$16,245,000
First Party Loss	\$2,500,000
Third Party Recall Loss	\$2,005,000
Third Party Replacement Costs	\$5,150,000 Split 70/30 between the GL Carrier and Product Recall Carrier
Direct Customer Loss of Profit	\$2,670,000
Other Third Party Loss of Profit, Brand Rehab, Extra Expense	\$3,920,000

Covered Product Recall Loss	\$8,720,000
Uncovered Product Recall Loss	\$3,920,000
Total Product Recall Loss	\$12,640,000
GL Loss	\$3,605,000