

WITHDRAWING PRODUCTS FROM THE MARKET – A MAJOR COMPONENT OF COMPANY STRATEGY REGARDING CUSTOMER SERVICE

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ABSTRACT: *Among the major components of company strategy regarding customer service there is the withdrawal of products from the market. This process is considered today by many companies to be a necessary evil in their relationship with consumers, who know their rights regarding products that may present risks. The present paper seeks to outline the main aspects related to this process and to emphasize the fact that economic operators on the Romanian market have recognized the importance of voluntary withdrawal campaigns of non-conforming or risk-prone products from the market as an element of conforming to national law, but more so as an instrument in the competitive fight for attracting and inducing loyalty in the customer-base.*

KEY WORDS: *company strategy, customer service, withdrawing products from the market, reverse distribution.*

JEL CLASSIFICATION: *D11; D21.*

1. THE CONCEPT OF CUSTOMER SERVICE

Customer service consists of offering products to customers. In other words, the product or service will have no value if it does not arrive in the possession of customers.

In specialty literature there are numerous attempts at defining the concept of customer service. They emphasize multiple aspects of the concept, namely those of instrument, process, activity etc.

Some definitions have a very broad character and focus on the qualitative aspect of the activity. From this perspective customer service means creating in the

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mind of the customer the perception that your company is one with which business can be conducted easily.

Furthermore, customer service is considered today to be a reputable instrument of competition because the purpose of an integrated logistical system is to serve customers as well as or better than the competition. The competitive advantage offered by improving the level of the service is more durable than the advantage generated by a reduction in price. Competitors can mimic a price policy, but not always a servicing policy.

Customer service refers to guaranteeing the availability of products for the customers. It begins from the premise that the product's potential value becomes effective only in the moment when it enters the possession of the customer.

From another perspective, customer service is defined as an ensemble of interconnected activities. Therefore, customer service represents the chain of selling and customer demands satisfaction activities, which begins with receiving the orders and ends with the delivery of products to the customers, in some cases continuing with equipment maintenance services or other forms of technical assistance.

Other definitions emphasize concepts such as process and management of the supplying-delivering chain. Customer service therefore represents the process of offering significant benefits regarding added value, the supplying-delivering chain, in an efficient manner regarding costs.

2. MAJOR COMPONENTS OF CUSTOMER SERVICE

The elements comprising customer service largely depend on two elements: the particular characteristics of the company's customers' demand and the market segment to which it is addressed. However, regardless of the aspects taken into consideration by the company, the key elements of customer service are stock availability, the ordering cycle and the withdrawal of products from the market.

2.1. Availability of products in stock

Essentially, availability represents the probability of the existence of products in stock at the moment when they are requested by the customers.

The policy of the company regarding the stock of products is based on the estimated demand. In addition, the policy regarding stocks is differentiated depending on the product. In order to set the level of stock which the company will maintain for every product, the contribution to sales and the company's profits, as well as the peculiarities regarding the speed of circulation, are taken into consideration.

In order to satisfy the predicted demand, the company creates a base stock. Outside this stock, it is necessary to utilize a safety stock in order to guarantee protection against unexpected variations in demand or the uncertainty regarding the time needed to resupply from the supplier.

2.2. The duration of the ordering cycle

From the perspective of the customer, the ordering cycle represents the time between transmitting the order to the supplier and receiving the requested goods. For the supplier, the ordering cycle is triggered at the moment of receiving the order from the customer.

The ordering cycle includes all of the activities undertaken so that the ordered goods arrive in the possession of the customer. The main stages of the ordering cycle are the following:

- transmitting the order;
- processing the order;
- undertaking and assembling the order;
- procuring the necessary stock in the cases where the ordered products are not in storage;
- delivering the order.

2.3. The withdrawal of products from the market

Withdrawing products from the market is a case that logisticians occasionally face against. The causes which impose such an act include: faults in the products' quality; improper packaging and/or labeling; inadequate distribution methods, whose effects were losing control over the temperature, contamination of the products etc.

The act of withdrawing causes a flow of products from downstream to upstream and information streams in both directions within marketing channels. Besides recycling waste, withdrawing products causes the object to undergo a process called *reverse distribution*.

Products with faults in their quality impose adopting adequate measures in order to eliminate the negative impact on the customer/user and company that is selling. Depending on the product, one of the following modes of action is resorted to:

- ✓ refunding – repayment of a sum representing the price, in exchange for the qualitatively faulty product;
- ✓ replacement – replacing the product with another from an adequate lot;
- ✓ repairing – rectifying the product's defect;
- ✓ total withdrawal – complete removal of the product from distribution channels.

The option of withdrawing the product from the market is specific to cases where the product generates large risks relating to safety in consumption/use. Withdrawal of products is not a component of servicing which contributes to a growth in the company's competitive advantage. Not fulfilling the customers' expectations has the effect of losing their loyalty, and its absence can drastically affect the company's image and its long-term sales.

The withdrawal process entails *notifying* the levels within the distribution channels, where the product is located. The means of notifying depend on the level of withdrawal. In the case of major customers, a special approach is recommended, namely directly contacting a manager of the withdrawing company. Notifying can be done through: (i) letters, (ii) advertisements, (iii) posters at selling points, (iv) fax, (v)

telephone, (vi) visits of commercial agents or the company's representatives, (vii) press releases etc. It is recommended that the notification includes:

- a mean of attracting attention;
- elements for identifying the supplier;
- a clear description of the product, possibly an illustration;
- a code or an identifying series of the lot that has defects and risks;
- a simple presentation of the defect and risk;
- any restrictions regarding use or storage;
- specific instructions regarding necessary actions;
- a telephone number for obtaining information;
- a way for the owner to report the amount of product they possess.

Withdrawing products involves an ensemble of logistical activities related to transport, storage, handling etc. Unlike the case of distributing products to customers, logistical withdrawal activities need to fulfill a number of demands:

a. storage. It is recommended that withdrawn goods be isolated from the rest of the products. This way their reintroduction into the normal flow of products towards the clients can be avoided. Lacking a storage space which can be assigned to this purpose, it is preferable to resort to public storage spaces. In the case of placing inside an owned storage space, the space assigned for withdrawn products will be kept to a minimum, so as not to affect the flow of products which are not the object of the retrieval operation. Returned products should receive special codes, so as not to be mixed up with the other products in the deposit.

b. stock management. In cases where withdrawing a product is necessary, logisticians should be capable to determine the quantities located within different points of the distribution system. Furthermore, they should keep strict notes of the withdrawn products. They have the duty of knowing, at any moment, the quantities of retrieved products, within stock, at the level of every utilized storage space, either private or public.

c. transport. It is necessary to select the most appropriate means of transport. Attaining the highest possible degree of use of the means of transport's capabilities is a primary objective. Like storage, the services of specialized operators can be used. The company that withdraws the product from the market will give those who transport precise instructions, referring to the means of taking over and returning the products.

d. handling. A low number of withdrawn product handlings is recommended. Adequate means of handling are recommended, depending on the type and state of the product.

Withdrawal from the market often generates important costs. It is estimated that, in the case of withdrawal and reverse distribution, costs are 2-3 times larger than those specific to normal distribution. The causes are manipulation of a small quantity of products and the necessity of quick resolution. The main categories and differently-priced elements, determined by the withdrawing process, are the following:

- *communication costs* – the company's employees movements, telephone calls, message and postal services etc.;
- *documentation costs* – receipts, currency, plans, instructions, permits etc.;
- *replacement costs* – producing and installing the product, labeling, instructions, transport, packaging, storage, testing and retesting, identifying the

product, identifying the selling and transport packaging, temporary personnel, billing, additional employee programs;

- *product acquisition costs* – locating all articles, determining the product's stock, withdrawing the product from the customer, packaging and unpacking, labeling, removal or retaking, instructional booklets, refunds, repurchase of the product, compensations for losses caused by use, storage.

Besides direct costs, withdrawing products generates *indirect costs*, which are losses in sales, the deterioration of the brand's and the company's image, the costs of redesigning the product. *The real cost* of a withdrawal can be determined from the perspective of sales which should have been made in order to obtain the necessary sum in order to cover the withdrawal costs.

Withdrawing products from the market involves logistical as well as marketing efforts. The efficiency of a withdrawal plan depends on the degree of collaboration between the different levels of the marketing channels.

3. WITHDRAWING PRODUCTS FROM THE MARKET IN ROMANIA

In Romania, through the Consumption Code (Law nr. 296/2004 regarding the Consumption Code, republished in the Official Monitor Part I nr. 224 from the 24th of March 2008) it is specified the fact that economic operators have the general obligation to put on the market “only safe products or services, which correspond to their prescribed or declared characteristics”.

This means that, in order to fulfill their legal obligations and to protect their own customers, producers and/or suppliers have to resort to measures for correcting product non-compliance or for removing products that pose a risk (depending on the identified risk level for the consumer): withdrawal, return, correction, replacement, destruction and/or compensating the affected customers.

Withdrawing a product is defined as “any measure with the aim of preventing the sale on the market of a product in the distribution chain”, and recalling is defined as “any measure with the aim of returning a product which had already been made available to the final user”. Both measures apply in the case when the product which is about to be sold or which is already on store shelves is non-compliant and/or is potentially dangerous to the consumer.

In addition, Law nr. 245/2004 regarding the general safety of products, republished in the Official Monitor Part I nr. 360 from the 9th of May 2008 – which transpose the Directive of Council 2001/95/CE regarding the safety of products – mentions the fact that bringing back a dangerous product from the consumer, which the producer or supplier had already supplied to the consumer or made it available to them, must be seen as “the last means of resolution, when other actions are not sufficient for preventing the risks involved”.

The measure has, depending on the case, a voluntary (“in the case the producer deems it necessary”) or obligatory (“when they are required by the competent authority to take this measure”) character.

In Romania the competent authority that supervises the act of withdrawing products from the market is the National Authority for the Protection of the Consumer

(Autoritatea Națională pentru Protecția Consumatorilor (ANPC)), a public institution subordinated to the Government which “coordinates and makes Government strategy and policy in the domain of consumer protection, acts for the prevention and combating of practices that endanger the life, health, safety and economic interests of consumers”.

The ANPC is tasked with identifying non-compliances of products and services with an impact on consumers and, implicitly, with taking corrective measures in order to remove the products that pose a risk; in order to accomplish this, the ANPC conducts inspections (given by the office or as a result of complaints or referrals by the consumers) in the headquarters of economic operators, but also directly in outlets or border points where the products enter.

It is important to remember that, besides these inspections, the ANPC verifies the measures taken by the economic operators up to achieving compliance, including the means through which the measures which refer to withdrawing non-compliant products, that pose a risk to consumers, are undertaken.

For economic operators that take the voluntary measure of recalling or withdrawing products from the market, the ANPC provides them with a notification form which entails the completion of six sections, containing details regarding:

- (1) the authorities and companies that will receive the notification form (with identifying their role after selling the product);
- (2) the producer/representative that completes the form;
- (3) the products involved (also including their description or photograph);
- (4) the danger and possible damage done to health/safety and an estimation of the risk, as well as the risk evaluations already undertaken (including the record of accidents, if such is the case);
- (5) the corrective actions already undertaken;
- (6) other companies within the supply chain which own the affected products.

Most of the time, to this notification form sent by the ANPC there are annexed documents attached, through which the consumers are informed directly, like a notification letter sent to the customers or the text of press releases regarding voluntary withdrawal/recalling campaigns.

All necessary information regarding withdrawal/recalling campaigns are accessible by the consumers through the ANPC’s official website, at the INFO Consumers/Voluntary product recallings, available at www.anpc.gov.ro.

Table 1. The number of voluntary product withdrawal/recalling measures in 2015-2018 in Romania

Measure	Year			
	2015	2016	2017	2018
<i>Recalling campaign</i>	86	156	139	161
<i>Voluntary withdrawal</i>	4	6	4	5
Total	90	162	143	166

Source: <https://anpc.ro/categorie/44/retrageri-voluntare-de-produse>

A short analysis of this available information, which covers the period of time of 2015-2018, shows us that, as can be seen in Table 1., each year Romanian economic

operators have taken withdrawal/recalling measures of non-compliant or health and integrity-threatening products from the market.

The figures vary year by year. The largest amount of voluntary measures announced on the ANPC site was registered in 2018, almost double of that registered in 2015 (Figure 1). It can also be said that the large number of recalls of products or only of constituent parts of them compared to the voluntary measure of withdrawing products from the market. At the level of 2015, from the totality of measures only 4,44% represent voluntary withdrawals, in 2016 only 3,7%, in 2017 only 2,79%, and in 2018 only 3,1%.

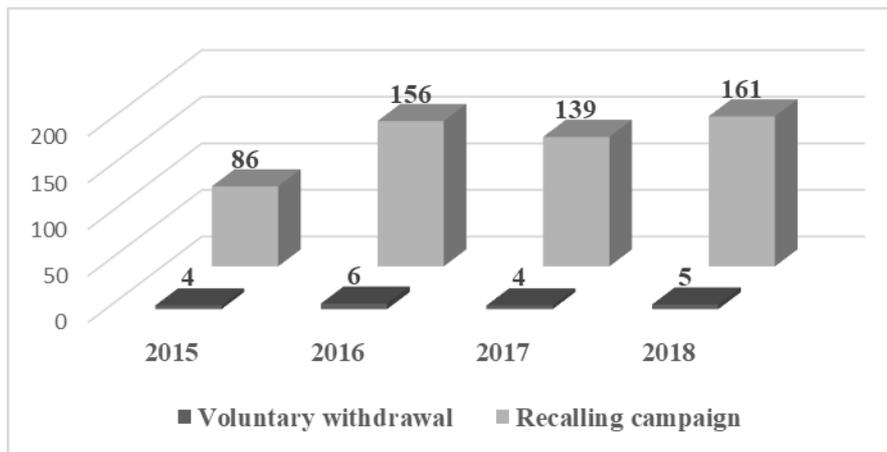


Figure 1. The number of voluntary product withdrawal/recalling measures in 2015-2018

Withdrawing products from the market was notified to the partners in the distribution chain, depending on the case, either by the producer or by the distributor of the products in Romania.

It is worth noting the fact that in every year the largest number of recalling campaigns was for products from the automobile industry and are concerned with repairing, replacing or total recalling of some components or spare parts of automobiles or motorcycles. The case of the amount of campaigns that announce on the ANPC site the recalling of this type of products from the total number of campaigns, for each year of the period of time in question, is the following:

- 2015 – 96,51%;
- 2016 – 97,43%;
- 2017 – 98,56%;
- 2018 – 95,65%.

CONCLUSIONS

In recent years a number of elements have determined on an international level a growth in the capability of companies to withdraw from the market products that pose a risk to their customers. Among these elements there are: the adoption of

legislation regarding consumer protection, an increase in the degree of consumers' knowledge regarding their rights, an increase in the power of regulating institutions, an increase in the penalties for companies which do not respect the legal provisions, but also an increase in the complexity of products, which increases the chance of failure and the progressive growth of customer expectations. Romania has transposed and adapted in its national legislation the European directives as well, as well as the international practices in the realm of consumer protection. More than that, the ANPC has consolidated its duties and has made available to all economic operators within the country instruments through which they can inform their business partners, and especially their customers, of the voluntary measures they undertake regarding the withdrawal from the market of products that pose risks.

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