Lessons in Crisis Management:

Tips for Success From the
Product Recall Market

Gallagher

Welcome to Spotlight — presenting insights, shifting perspectives and reframing evolving global trends.

Presenting the issues, opportunities and risks that are transforming the way we do business, from industry hot topics and emerging growth markets to perspectives on the big questions shaping our world today, this article provides actionable insights and analysis to inform strategic decision-making and power onward growth plans.

This whitepaper explores how product recalls reveal best practices in crisis management, showing how fast action, clear communication and transparency help protect consumer trust. Using real recall scenarios, it highlights strategies organizations can use to manage reputational risk and emerge more resilient after a crisis.

Key insights

1 In a world of frequent shocks and AI-driven disinformation, consumer trust is declining, and a single grievance can send share prices plummeting.

2 Product recall insurance was one of the first products to offer combined indemnification with reputational risk protection services.

3 Drawing on 30 years of tried and tested crisis management solutions, lessons from the recall market can be applied more broadly.

4 Businesses that manage recalls well share the same playbook: they act quickly, communicate clearly and reinvent, executing an effective crisis response to protect brand integrity.

A recall can erase decades of brand-building in hours, creating significant reputational risk. It can also be the moment a leadership team proves its mettle through effective crisis management. With disciplined preparation, clear communication and data-driven execution, high-stakes recalls become proof of resilience and strengthen reputation.

Throughout modern history, a handful of companies have stood out for their ability to proactively manage crises while keeping a cool head and safeguarding corporate reputations against reputational risk.

In the current age of polycrisis, the stakes are even higher, shaped by multipolar geoeconomic, regional and societal dynamics, and amplified by AI and the digital social web, which has redefined how events are perceived and escalated. With businesses increasingly feeling the ripple of these global risks, effective crisis management has become central to operating successfully in this environment.

With risk readiness being key in today's world, sectors with long-standing experience of managing high-stakes events offer useful lessons. Few industries manage operational and reputational turbulence as consistently as the product recall market — where quick decisions under public scrutiny can make or break a brand — and solutions like product recall insurance play a vital role in mitigating financial and reputational fallout.

"When the entire identity of a brand hinges on trust and consumer confidence, a single negative experience can permanently damage consumer trust," says Harry Allhusen, associate director of Product Recall Crisis Management at Gallagher. "In such a high-stakes environment, having the right crisis response strategy can make all the difference."

How does rising consumer mistrust create reputational risk for businesses?

In the modern marketplace, businesses are increasingly assessed by their conduct and crisis response and management, not just the quality of their goods and services. With the rise in stakeholder expectations, the impact of failure has intensified: there is now faster escalation and more public accountability than ever before.

Combined, these factors influence both the frequency and severity of product recalls, according to Bill Harrison, managing director of Product Recall at Gallagher. "A major concern for a company today, whether it's producing cars or soup, is diminishing consumer trust. People are less likely to buy your product if they fear it may be dangerous. And the expense and length of time necessary to rebuild that trust is a major financial and reputational risk."

The steady erosion of trust in institutions, media and brands has been one of the most consequential outcomes of the polycrisis period from 2020 to 2025, giving way to a more insular "trust my own, doubt the rest" mindset and ultimately, grievances.

According to the 2026 Edelman Trust Barometer, 57% of people surveyed report a moderate to high sense of grievance. Grievances may stem from the perception that government and businesses serve narrow interests, and ultimately, the wealthy benefit while regular people struggle. For people with an insular mindset, this mistrust cascades further — shaping how much they trust a business and even their willingness to support leaders or teams whose values differ from their own.

"Conflict in the workplace is on the rise because conflict in our world is on the rise, and everything cascades down," says Kathleen Schulz, global innovation leader, Organizational Wellbeing, Gallagher. "With so many conflicting political, economic and labor market issues impacting the state of our world right now, there's a lot of volatility, and we're seeing that play out within the workplace."

This point of contention — particularly pronounced in major economies, including Japan, Germany, the UK, the US and France — can lead to a "trust penalty" in the form of decreasing brand loyalty.

The product recall insurance market evolved to address the business risks underlying this very concern, namely, first-party product liability costs that traditional insurance did not cover. Triggers ranged from contamination and malfunction to regulatory non-compliance, often when public sentiment reached a tipping point. From the outset, these policies have almost always had a crisis response component woven in, an element that has grown more important over time.

"Today, the financial implications of a recall have changed — from a focus on preventing injury to also preserving reputation," says Adam Nisenson, managing director overseeing Product Recall Strategy at Gallagher. "That's why it is important to identify and define the associated risks."

How social media creates a snowball effect

In 2016, a series of smartphone overheating incidents quickly morphed into a media storm for one tech manufacturer. Videos of burning phones and reaction commentary from influencers went viral, turning a product safety issue into a global reputational crisis for the company.

Despite formal recalls, replacements and clarifications, consumers continued to believe the devices were unsafe because the digital narrative had outpaced the technical explanation. It showed that in a society that "lives" online, the first story to spread is often the loudest.

In effect, social media has rewritten the rules of communication. A single alarming post can become a frenzied story that reaches millions before a company has had a chance to draft its first holding statement. So, when a recall is announced, the public reaction can be one of the knee-jerk panics.

"People jump straight to 'Oh my gosh, they're intentionally poisoning us,'" says Nisenson. "That's not the reality, but this lingering distrust, fueled by social media, is a significant challenge for companies and plays a major role in shaping consumer behavior and the associated reaction/response."

"Many consumers hesitate to return to a previously recalled product," he continues. "Some forget, others wait for reassurance, and many simply don't want to take the risk until they're convinced the shelves are safe again."

Amid the various sources of disinformation, pranks can have significant repercussions, even when they're staged. Videos of disgruntled employees pretending to contaminate or mishandle products can impact sales, regardless of the truth, notes Eddie Kurshumlija, director of Product Recall Crisis Management at Gallagher. "Even if nothing happened to the product itself, consumers may misinterpret performance for reality."

"These fast-moving reputational shockwaves can trigger a similar public response as verified contamination," he adds. "Resulting in panic, distrust, withdrawals and lost sales."

Lack of ethics, transparency and sustainability in global sourcing is another cause of reputation events, even where there is no contamination. When consumers discover that tomato sauce marketed as authentically Italian is made from a product grown in China, it is seen as a breach of trust. Even more problematic is the potential for human rights violations in the "country of origin."

Effective crisis response in action: The companies that got recalls right

Quality controls have come a long way today. Businesses can detect, trace and isolate risks with greater precision and thus prevent more harm than they did a decade ago. Yet paradoxically, the cost of recalls has never been higher — both literally, as claims numbers underscore, and figuratively, as consumer sentiments highlight.

Businesses that successfully navigate recalls while retaining trust and reputation during a crisis often follow the same playbook:

• Acting quickly.

• Communicating transparently.

• Returning to market with improvements.

Why the first 48 hours matter for crisis management

The timing of a recall can shape the entire narrative. When a company moves early, the recall becomes less about failure and more about responsibility.

One defining example comes from the early 1980s, when a major US healthcare manufacturer removed millions of units of an over-the-counter drug from shelves nationwide after evidence of external tampering was discovered. The withdrawal was voluntary — there were no regulatory mandates for a recall — and the brand swiftly reintroduced the drug with tamper-proof packaging.

In a more recent example, a popular home furnishing retailer issued a voluntary recall of millions of children's dresser-and-drawer units after identifying a potential tip-over hazard. Again, no regulatory order was issued, but the company acted proactively, redesigning its security mechanisms and launching a public awareness campaign on safe anchoring.

In both cases, while the recalls were costly, complex and not mandatory, the decisive actions reinforced the brand's reliability. Consumers viewed their actions as evidence of responsibility — a rare outcome in large-scale recalls involving sensitive defects.

Earning confidence through clear communication

Communications determine whether stakeholders view recall events as a breach of trust or a demonstration of accountability. Organizations that communicate clearly and continuously, even when the full picture has yet to unfold, are more likely to be seen as trustworthy at the end of the crisis.

One example of this comes from an automotive manufacturer that faced multiple reports of unintended acceleration linked to several vehicle models. Instead of disputing claims or waiting for regulatory conclusions, the company's leadership delivered a public, unambiguous acknowledgment of the issue. They outlined the risks, explained interim safety steps that drivers could take and committed to a corrective action plan — all while continuing to investigate the root cause.

The company's willingness to speak openly and accept responsibility without defensiveness was widely credited with limiting long-term damage to its brand and corporate reputation.

A practical checklist for corporate reputation management

"Once a false story takes wind on social media, it can spread quickly and become difficult to control," notes Stephen Elms, head of the corporate advisory division for the Food Production sector at Gallagher Australia.

In today's hyperconnected environment, the greatest test of resilience is not just managing "facts" but withstanding distortions of misinformation and disinformation.

Misinformation

Often spreads unintentionally because of false or inaccurate information.

Disinformation

On the other hand, it is designed to mislead — created and spread to manipulate opinions and decisions and, in the long run, damage reputations.

Regardless of the definition, organizations must anticipate and stress test against both misinformation and disinformation.

- **Threat modeling:** Identify the various ways misinformation could target your organization. Assessing the likelihood and impact of attack vectors, such as doctored images, fake press releases and impersonation of executives, increases preparedness.

- **Detection and monitoring:** Consistently monitor mentions of your brand and leadership across media channels.

- **Use AI to run simulations:** AI-based models can track and flag misinformation across multichannel media, analyze the associated reach and sentiments around such incidents and score the said risks, ultimately creating a baseline for your crisis response strategy.

- **Employee and spokesperson readiness:** Ensure internal teams know how to respond quickly and consistently. Create clear communication strategies and engage legal, PR and risk teams.

- **Verification protocols:** Validate information before reacting or amplifying. Implement a fact-checking workflow to verify the credibility of the source, cross-check with internal data and confirm with trusted third parties.

- **Measurement and learning:** Benchmark against industry best practices and update stress test scenarios quarterly.

Rebounding with recall-proof strategies

When faced with mandatory recalls, businesses that take a proactive approach and invest in robust structural changes are those that fare best. A major Canadian packaged-foods producer that faced a widespread listeria contamination provides a masterclass in corporate reputation management.

The outbreak itself triggered a mandatory recall of multiple product lines, a high-profile public health crisis and intense media scrutiny. Instead of taking the backseat amid the backlash, the organization adopted a comprehensive rebound strategy, including:

- A swift, full recall well beyond regulatory minimum requirements.

- Transparent, CEO-led apology and frequent communication about the scope of contamination, investigation progress and corrective measures. A swift, full recall well beyond regulatory minimum requirements.

- Tangible structural quality improvements in the form of a safety-protocol overhaul and integration of advanced testing and traceability systems to prevent recurrence.

- Interactive media campaigns and follow-up apologies on anniversary milestones, underscoring the message of "never forget, never repeat."

- Positioning themselves as industry safety advocates by investing in a national education and outreach program on food safety improvements.

"Crisis consultants can play an important role in crisis communication," says Allhusen. "They not only help manage the situation but also ensure that outward messaging is precise and effective in the event of an incident. This is critical to mitigate potential losses and protect the brand's reputation."

What successful recalls tell us about preparing an effective crisis response

When a recall occurs, businesses are under pressure to withdraw products quickly, prioritize customer safety and de-escalate the situation, all while preparing to return to business as usual with credibility intact. Pre-loss preparation is what helps organizations convert recalls into brand-strengthening opportunities.

Product recall policies are embedded with a pre-incident loss control element which helps organizations proactively run crisis simulation tests. These exercises are designed to replicate the pressure and uncertainty of a real incident, guiding teams through the discovery, investigation and response phases.

"If a company has never experienced a recall, they may have theoretical plans in place, but until an actual recall occurs, it's difficult to fully prepare," says Kurshumlija. "Crisis simulations may be the closest thing to mimicking an actual recall."

The success of this pre-loss approach has been steadily rolled out to encompass other property and casualty classes of business, such as cyber insurance, political violence and directors & officers. The aim is to build resilience, minimize the extent of losses in the event of the worst-case scenario and safeguard against brand reputation risk.

> The aim (of proactive preparation) is to build resilience, minimize the extent of losses in the event of the worst-case scenario, and safeguard against brand reputation risk.

Regular stress tests help companies build muscle memory to ensure that, during a crisis, their response is swift, coordinated and credible — and protects consumers, stakeholders and the businesses themselves.

Businesses are under pressure to withdraw products quickly, prioritize customer safety, de-escalate the situation and return to business with credibility intact. Organizations that treat recalls as opportunities to strengthen their relationships with stakeholders can even emerge with a strengthened brand and customer loyalty.

Simulating a recall: A pre-incident planning checklist

Discovery of the issue

The simulation begins with identifying how the issue was first detected. This stage underscores the importance of monitoring multiple channels of risk detection.

Key questions include:
- Was it reported by the government authorities?
- Was it highlighted in the media?
- Was it raised by a customer working with food safety officials?

Tracing the source

Participants then locate affected products, particularly those tied to contaminated batches, to assess the scope — and source — of exposure (internal/through the supply chain/through external sources).

Operational checks

Teams evaluate critical details such as:
- How many batches were produced?
- When was the equipment last cleaned to eliminate residue?
- What retrieval steps are necessary to safely remove products from circulation?

Communication strategy

As a major cornerstone of the crisis response strategy, the simulation prepares teams to engage with diverse stakeholders, including customers, regulators like the FDA, financial partners, shareholders and employees.

The three ingredients of effective crisis communication

Silence may buy time, but it rarely buys trust. Building credibility in the eyes of customers begins with transparent and timely communication, especially when leaders can correct, protect or make a difference for their stakeholders.[1]

"When customers learn of a fault from external parties, they may infer concealment or hesitancy as dishonesty. They also may be more likely to accept an exaggerated narrative," notes Nisenson.

Communicating at the right time, therefore, is as essential as the messaging itself. This is precisely where having the right policies and risk partners can help. Crisis consultants and communications experts can tailor statements to address the issue directly, ensuring that the right message is conveyed through the most effective media channels.

In particular, there are three ingredients of an effective crisis communication strategy:

1. **Establish a primary source of communication:**
    Ensure that brand communication is the primary source of information. Additionally, it is essential to maintain consistent narratives across all channels.

2. **Adopt an inside-out communication strategy:**
    Decentralized communication, both internal and external, has become the frontline of corporate reputation management. A proactive partnership with PR teams can bring coherence and craft a unified narrative.

3. **Keep the communication authentic:**
    A credible response is human-centered. Consumers want to know that the company understands the inconvenience or harm caused and is committed to making things right.

Winning back trust: When brand restoration takes more time

Despite best efforts to control the narrative, adverse publicity may outlast the moment, especially in the echo chambers of social media. This is why recall programs include adverse publicity provisions to help restore confidence, notes Kurshumlija, adding that a well-crafted policy focuses on "providing clients with the support they need to regain their market position after a recall."

This responsibility also applies when consumer trust continues to drop during or after an incident and brand rehabilitation becomes critical. Policies often allocate funds for promotional strategies, which, paired with support from public relations experts, can help rebuild trust.

> "The approach of engaging such experts can vary. Larger firms often have in-house dedicated PR teams; others may have to partner with external firms," says Elms. "Regardless, the first step to address brand reputation is to engage with such experts proactively and identify strategies to manage the harm."
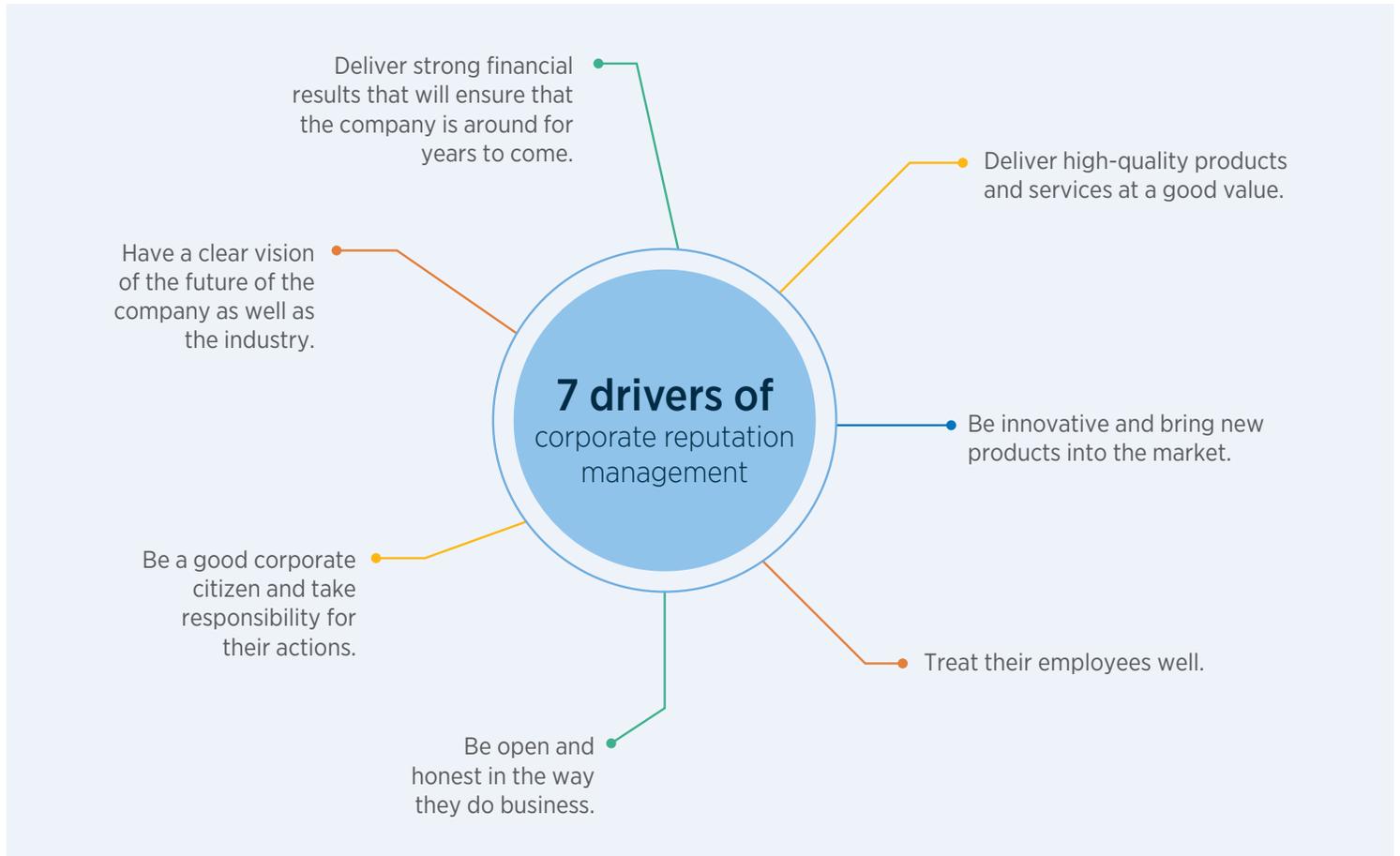
Strategies to navigate the recall imagery could include promotional campaigns (e.g., "buy one, get one free" offers), distributing additional merchandise and even targeted social media strategies.

These touchpoints matter now more than ever: consumers are far more willing to revisit a brand when reassurance comes from familiar, credible voices they already trust online.

And when institutions communicate with consistency and transparency, even typically guarded or grievance-driven audiences become noticeably more open to reengagement.[1]

---

[1]"2026 Edelman Trust Barometer," *Edelman*, accessed 27 Feb 2026.

The seven drivers of corporate reputation management

Deliver strong financial results that will ensure that the company is around for years to come.

Deliver high-quality products and services at a good value.

Have a clear vision of the future of the company as well as the industry.

7 drivers of corporate reputation management

Be innovative and bring new products into the market.

Be a good corporate citizen and take responsibility for their actions.

Treat their employees well.

Be open and honest in the way they do business.

As Warren Buffett famously observed, it can take 20 years to build a respected brand and reputation and just minutes to lose it. The operating environment has shifted in ways that magnify scrutiny, present more frequent shocks, and enable bad news to spread at the click of a button. This means that every recall incident has become a test of integrity carried out in public view.

In that context, effective crisis management during a recall determines whether a company preserves confidence, restores momentum and learns at scale. Leaders can anchor their playbook around four decisive elements — detecting risks early, disclosing the narrative in a timely fashion and defending the brand with the right strategies.

The safeguarding of trust and reputation is possible when corrective actions are sustained and communicated effectively. "By demonstrating that the situation is under control and being handled responsibly, businesses can mitigate the damage of a recall and reduce the overall impact on their reputation," says Kurshumlija.

Keep up to date with the latest news
and insights; visit **AJG.com/insights.**

AJG.com   **The Gallagher Way.** Since 1927.

Gallagher