Toy recall of 2007 hurt innocent companies, shows research

December 2 2009, By Ken McGuffin

(PhysOrg.com) -- The well-publicized toy recalls of 2007 took potentially harmful toys off the shelves and affected the companies that made them.

But a new study also shows that even companies not targeted by the recalls got hurt in the resulting consumer backlash, sometimes worse than the offenders. Meanwhile offending companies did not generally see other product categories affected.

In 2007, the U.S. Consumer Product Safety Commission recalled 276 toys and other children's products - more than an 80% increase over the previous year. Almost all of the recalls involved toys made in China and many involved paint with elevated levels of lead.

The study looked at the effects that the recalls had on sales of Infant and Preschool toys during the subsequent Christmas season. The authors found that Christmas sales for similar products by manufacturers named in the recalls were down by about 30% compared to other products that these manufacturers sold. But, these manufacturers' sales of toys that were sufficiently dissimilar to those named in the recalls did not seem to be affected. In other words, consumers did not "punish" offending manufacturer more generally.

"This may be because, in this industry, consumers do not recognize manufacturers as well as they recognize brands and trademarks. For example, consumers may identify brands such as Barbie and Hot Wheels

without recognizing that both of these are, in fact, made by Mattel," says Mara Lederman a professor at the University of Toronto's Rotman School of Management and one of three study co-authors

Perhaps most interestingly, the study finds that companies who did not have any recalls got hit too - their 2007 Christmas season sales were down about 25% compared to 2005. This suggests that these recalls influenced consumers' expectations of toy safety, in general.

"In this industry, one firm's offence seems to penalize other players," says Lederman. "This may be happening because the recalls involved a common practice (manufacturing in China) or because brands and trademarks are commonly shared across different manufacturers and toys. One implication of this is that companies may have an interest in enforcing stricter industry-wide standards."

The paper received financial support from the AIC Institute for Corporate Citizenship at the Rotman School of Management.

The complete study is available at:
www.rotman.utoronto.ca/newthinking/toyrecalls.pdf .

Provided by University of Toronto (news : web)

Citation: Toy recall of 2007 hurt innocent companies, shows research (2009, December 2) retrieved 24 April 2024 from https://phys.org/news/2009-12-toy-recall-innocent-companies.html

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