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## Product Recalls Can Increase Brand Loyalty When Handled Responsibly, Study Finds

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*Research reveals why Tylenol recalls succeeded where Toyota's stumbled*

PHILADELPHIA, Nov. 18, 2010 /PRNewswire/ -- Consumers are understanding and appreciative of product recalls that protect public safety, actually increasing their loyalty to brands that handle them honorably and responsibly, according to a study released today.

The study, conducted by The Relational Capital Group, Candice Bennett & Associates and Dr. Nicolas Kervyn, a social psychology researcher at Princeton University, evaluated the impact of recent product recalls, congressional hearings and negative publicity on ten national brands – Tylenol, Advil, Toyota, Honda, Goldman Sachs, Morgan Stanley, Bank of America, JPMorgan Chase, AIG Insurance and Travelers Insurance.

"Product recalls create rare and powerful moments of truth for companies and brands through which loyalty can actually be strengthened and enhanced," said Chris Malone, Chief Advisory Officer of The Relational Capital Group. "The way they're handled leaves a deep and lasting impression on consumers, for better or for worse."

The study found that 91 percent of consumers agree that "despite modern technology and honorable intentions, even the best-run companies and brands can make mistakes that lead to product recalls." In addition, 93 percent of respondents agreed that "when mistakes happen that lead to product recalls, it's an opportunity for a company or brand to show their true colors, and demonstrate whether they care more about consumers or their own profits." Moreover, 87 percent agree they are "more likely to purchase and remain loyal to a company or brand that handles a product recall honorably and responsibly, even though they clearly made mistakes that led to a safety or quality problem."

### Toyota Stumbles, While Tylenol Succeeds

However, consumers reported very different views of how recent Tylenol and Toyota recalls have been handled. In the wake of Toyota's troubling accelerator recalls, only 62 percent of respondents indicated that Toyota has handled its recalls honestly and responsibly. As a result, consumers reported Toyota purchase intent and brand loyalty at levels 18 percent below those for Honda, a brand it previously outsold for the better part of a decade.

In contrast, 88 percent of consumers indicated that Tylenol has handled its recalls honorably and responsibly, and have rewarded its maker with brand loyalty that is now 3 percent above that of Advil, while purchase intent levels remain equivalent for each. This despite the fact that Tylenol products have remained off retail shelves for months while its manufacturing facilities are upgraded to prevent future product quality issues.

"It's clear that despite some missteps, the Tylenol recalls have been handled well enough to preserve consumers' trust, and thus their purchase intent and brand loyalty," said Dr. Kervyn.

### Recent Spate of Recalls Tests Consumer Trust and Attention

On balance, the generally poor handling of high profile product recalls recently has tested consumer confidence in companies and brands. In fact, a strong majority of consumers (72 percent) agreed that "the recent string of product recalls in 2010 is evidence that more companies and brands care only about their profits and don't care as much about the safety of consumers." Further, a slight majority of 54 percent indicated that "the number of high profile product recalls in 2010 is evidence that the federal government is doing a better job of monitoring companies and protecting consumers." Moreover, an equivalent 54 percent of respondents agreed that "there have been so many product recalls in the past year, you have started to become a bit numb and indifferent to them since there are too many to keep track of."

"The message for business executives is clear: honesty and transparency in protecting public safety will be quickly rewarded with lasting consumer trust and loyalty," said Malone. "Conversely, efforts to limit legal and financial liability at the expense of consumers' best interests will be harshly punished and invite lasting government regulation."

### About The Study

This study was conducted September 24-28, 2010. The data was gathered by Candice Bennett & Associates, an independent market research firm, with study design, analysis and results interpretation by The Relational Capital Group. The study examined the product recall, congressional hearing and negative publicity awareness and attitudes of a demographically balanced sample of 1,000 U.S. adult consumers for ten national brands, as well as their purchase intent and brand loyalty toward each. The brands examined included Tylenol, Advil, Toyota, Honda, Goldman Sachs, Morgan Stanley, Bank of America, JPMorgan Chase, AIG Insurance and Travelers Insurance.

### About The Relational Capital Group

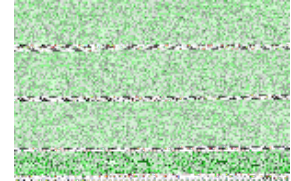
The Relational Capital Group is a research-based, brand loyalty and relationship marketing firm that helps organizations build and strengthen the brand relationships that drive their growth and profitability. They are recognized as world-class experts on the principles, process and science of consumer-brand relationships. The firm is located in Philadelphia, PA. For more information visit <http://www.relcapgroup.com>.

### About Dr. Nicolas Kervyn

Dr. Kervyn earned his masters and doctoral degrees in psychology from the Catholic University of Louvain and is currently a research fellow at Princeton University. He has published several research papers on warmth and competence, social perception and group stereotypes.

### About Candice Bennett & Associates

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