

STATE OF THE NATION 2021

PRODUCT RECALL

EMEA EDITION





The Sedgwick Brand Protection Recall Index remains an essential reference for manufacturers and retailers seeking impartial and reliable perspective on past, present, and future recall data and product safety trends throughout Europe.

Over the course of 2020, Sedgwick's Brand Protection experts have compiled free and insightful quarterly Index reports. This 2021 State of the Nation edition goes beyond our traditional quarterly reviews, bringing you not only information about the latest quarter, but also offering a year-in-review of recall data and trends from 2020 as a whole.

Furthermore, our analysis and predictions let you know what to expect in 2021 as regulators and business leaders alike look ahead to a post-pandemic world and a continuation of what has been one of the most turbulent eras for business.

We trust you will find our analysis and predictions insightful. Whether you read it cover-to-cover or focus on sections of particular importance to your company or industry, you're sure to learn a great deal about what is happening today and what is likely to happen next that will impact your business.

As we all know, the current pandemic sweeping the world will have a continued impact on all industry. The

magnitude of this is unknown, however some industries, particularly those with global supply chains and a heavy reliance on efficient manufacturing, will feel the effects more than others.

There really has never been a more important time for industries to be primed and ready for any recall or market withdrawal situations, and the below can serve as your guide to make sure you are best prepared.

One final note: this 2021 State of the Nation Recall Index focuses on European recall data and regulatory developments. If your business also includes operations outside of Europe, we encourage you to review our U.S. edition. Like this report, our U.S. edition shares and analyses data from the Consumer Product Safety Commission (CPSC), the Food and Drug Administration (FDA), the National Highway Traffic Safety Administration (NHTSA), and the U.S. Department of Agriculture (USDA), providing businesses with insights and guidance they cannot find elsewhere.

US edition available here: [LINK](#)

In an increasingly complex and regulated world, being prepared for risks is essential, having the capabilities to act quickly and effectively is critical. To find out more about our product recall capabilities, contact us today: [LINK](#)



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AUTOMOTIVE

2021 SNAPSHOT

After dominating the automotive industry in 2020, there is no doubt COVID-19 will continue to be front of mind for those working throughout the sector.

With vaccine rollouts building momentum across the globe, there will be hope that manufacturers can truly begin the road to recovery while focusing on some of the longer-term trends which had been pushed to the background in the last year due to the effects of the pandemic. At the same time, they must contend with Brexit and the implications on a variety of different aspects.

These trends will be of interest to those working in many areas of the automotive industry, from the supply chain to OEMs to aftersales specialists. And, of course, we will look at how everything the sector is dealing with could impact recalls – which in spite of coronavirus have not gone away.

“ Despite the pandemic, automotive recalls in 2020 remained relatively consistent with the figures seen in 2019. Only a 5 per cent drop was recorded (510 to 485 recalls). **”**

2020 OVERVIEW

Despite the pandemic, automotive recalls in 2020 remained relatively consistent with the figures seen in the previous year. The total number recorded across all four quarters was 485, representing just a five per cent drop on the 510 in 2019. The first three months - when the pandemic had yet to truly take a grip in Europe - did see the largest volume of recall activity, with 133 recorded. While numbers subsequently dropped, the fall was less than anticipated. In Q2, it fell to 125 and Q3 saw the lowest number of recalls with 109. There was then an increase to 118 for the final three months of the year.

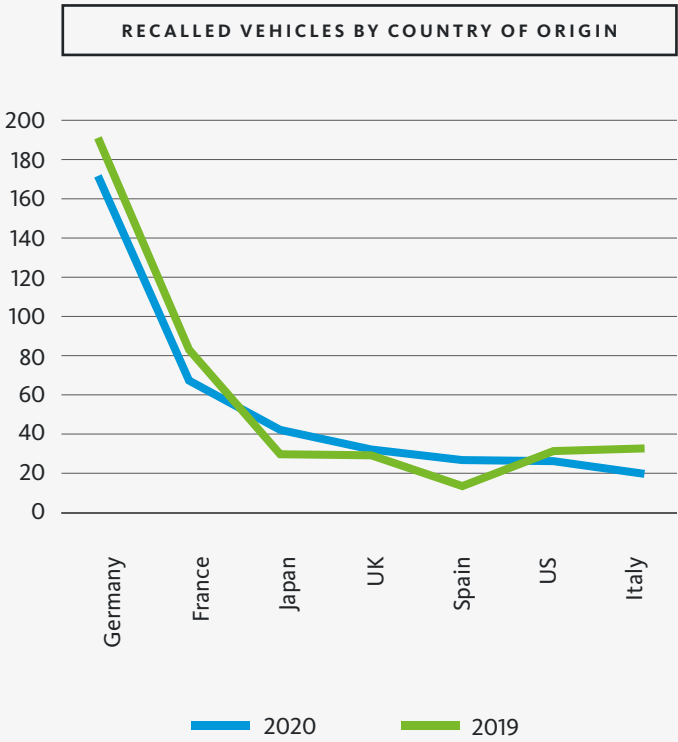
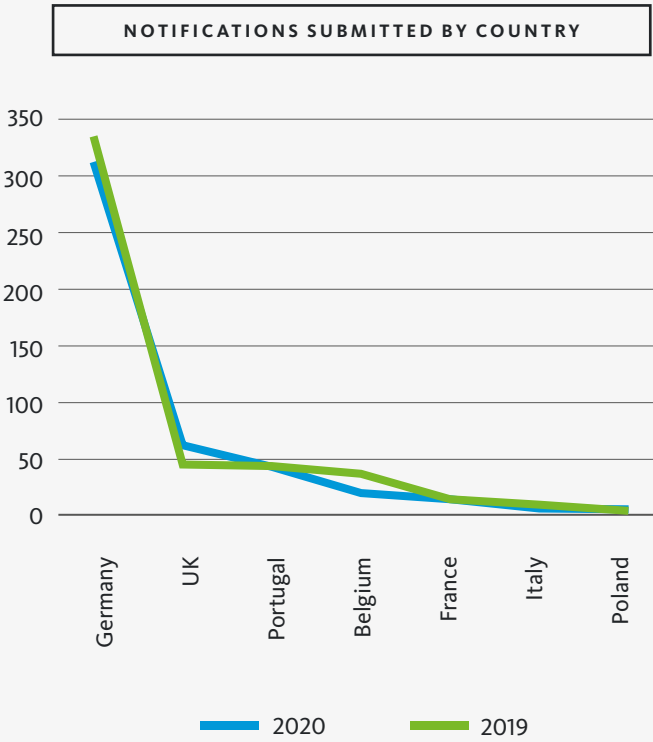
Across the year, Germany dominated in terms of notifications, with almost two thirds - 64 per cent - of all notifications being made by the automotive powerhouse for a total of 311. The UK was responsible for the second most notifications (62), followed by Portugal (43), Belgium (20), France (16), Italy (8) and Poland (7).

By comparison, just over one third - 35 per cent - of vehicles recalled originated in Germany. This was a small drop on 2019, with numbers going from 190 to 172. Japan

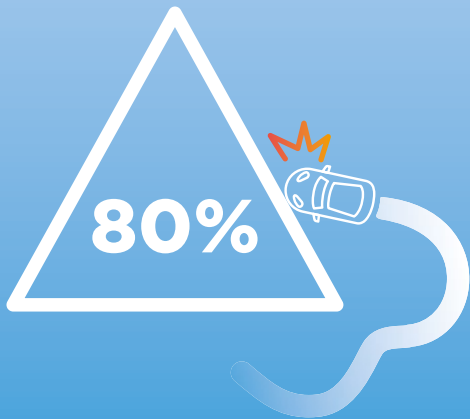
and Spain, by comparison, saw increases across Europe in the number of recalled vehicles manufactured in their country compared to 2019, with figures jumping from 29 to 41 for Japanese vehicles and 13 to 26 for Spanish vehicles.

Each quarter, we note that injuries is almost always the most common risk associated with automotive recalls and this trend was noticeable across each quarter of 2020. Of the 485 total recalls across the year, injuries were cited in 386 (80%). The next most common risk type was fire, cited in 58 recalls, followed by fire and injuries, cited in 28 recalls. This follows the trends identified in 2019.

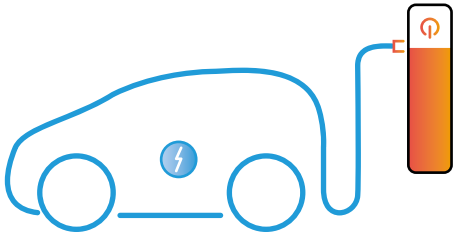
All in all, it was a fairly consistent year for recalls. That, on reflection, is unsurprising. The very nature of the products mean that manufacturers take their safety responsibilities incredibly seriously. While production was down, might we see the effects of this later down the line?



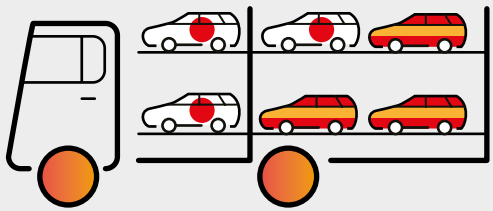
Injuries accounted for 80% (485) of automotive recalls in 2020. Followed by fire (12%), and fire and injuries (6%).



Despite the global decline in auto sales, EV market share almost doubled from 2.5% (2019) to 4.2% (2020), with units sold rising by 43% to 3M.



Source: The Guardian



Recalls of vehicles manufactured in Japan and Spain surged 41% (29 to 41) and 100% (13 to 26) respectively in 2020.



AUTOMOTIVE DEEP DIVE

The Year of the Pandemic

Whenever 2020 is mentioned in the future, it will conjure up only one thought for most people. COVID-19's impact has been historic and horrifying in equal measure, with few sectors escaping the outsized impact of a pandemic which caused not only a health crisis but also an economic one.

For the automotive sector, the impact of coronavirus began to be felt from the very beginning of the year. China – which plays a key role in the automotive supply chain – was the first nation to see the devastating effects of COVID-19. As a result, automotive manufacturers saw their supplies of vital components slow significantly. Of course, that represented the tip of the iceberg. When the virus began to spread in Europe across March and April, OEMs had next to no choice but to shutter their assembly lines and halt production. The consequences were predictably severe, with the latest available figures¹ showing the loss of production of four million vehicles, worth around €122 billion. In fact, the European Automobile Manufacturers Association (ACEA) says they expected car sales “to drop by a historic 25% in 2020”.

Since the depths of April, many manufacturers have seen some green shoots of recovery. However, that was derailed as we entered autumn, with many European nations experiencing the dreaded second wave which consequently led to lockdowns not dissimilar from those seen in the earlier parts of the year. They will hope that the current landscape, dark as it is, will give way to light by the second quarter of 2021 by which point the vaccine rollout should be bearing fruit.

In a recent report, McKinsey² says it expects the latest lockdown to negatively impact vehicle sales, “but to different degrees in the various countries and at a lower scale than in the first lockdown”. It also highlights that “overall consumer confidence and vehicle sales are at a much higher level upon entering the second lockdown”.

¹<https://www.acea.be/press-releases/article/covid-support-for-automotive-should-be-channelled-into-green-recovery-say-c>

²<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-second-covid-19-lockdown-in-europe-implications-for-automotive-retail>

The Long Break-Up

COVID-19 may have been the dominant trend affecting the automotive industry in 2020, but it was by no means alone. Brexit, which has been top of the agenda for many European manufacturers over the last few years, largely took a backseat for much of the year before making a return to the headlines as the year came towards a close.

On Christmas Eve, an agreement was finally reached between the EU and UK on future trading relations. After years of deliberation, there was a palpable sense of relief when news of the deal broke. The ACEA was quick to welcome the announcement, highlighting the devastating impact a no-deal Brexit would have had on the automotive industry. However, they were also quick to point out that significant challenges lie ahead, highlighting that “the deal struck by negotiators introduces much more red tape and regulatory burden for the industry”.

And yet, while relief was in significant supply pre-Christmas, there have been warnings of darker days ahead. The director of Germany's Centre for Automotive Research³ was bleak when it came to the future of the British auto industry, saying: “The Brexit deal can slow the crash, but after a brief recovery after Corona, Britain will have to reckon with a further creeping dismantling of its auto industry.”

Through all of these challenges, manufacturers continued to prioritise safety at every turn – something that must have been challenging due to the environment but something consumers would not have forgiven them for shirking.

³<https://www.forbes.com/sites/neilwinton/2021/12/28/europes-auto-makers-euphoric-after-brexit-deal-agreed-chaos-avoided/?sh=75d15c765b83>





LOOKING AHEAD TO 2021

COVID-19 Casts Long Shadow

While automotive manufacturers may wish otherwise, it is clear that COVID-19 will remain a clear and present danger for much of 2021. As huge effort is being exerted regarding the vaccine rollout, cases continue to be dangerously high. The expectation is that a corner will be turned soon and the worst put behind us, but the threat of new variants means it is unlikely that restrictions can be lifted in any meaningful manner until at least the second quarter of the year.

According to Independent Commodity Intelligence Services¹, “the automotive industry will start 2021 on rough terrain as the pandemic continues to be the dominant factor impacting businesses”. While there has been some hope of a rapid ‘V-shaped’ recovery, the article states that China is the only nation likely to experience such a resurgence, with demand increasing towards the end of last year. The European market, however, is expected to remain weak. The expectation is that the European sector will be down around 10 per cent in terms of vehicle production compared to 2019, suggesting there is some way to go before manufacturers can feel some relief. Boston Consulting Group² projects that sales in Europe won’t hit the levels seen pre-COVID until 2023 - at the earliest.

Unpredictability will continue to be a thorn in the side of manufacturers, with possible further waves of the pandemic causing short term shocks to the supply chain and impacting their ability to source or transport key parts.

Let’s Get Electric

While long on the agenda, the automotive sector is hurtling towards a future where the sale of petrol and diesel cars will not be permitted in many European nations. The UK – fresh from finally securing a free trade deal with the EU – has taken strong steps in this regard, recently outlining plans which would see only electric and hybrid vehicles permitted in terms of new car sales from 2030.

The EU may take an even stronger path. According to The Driven³, “the European Union is reportedly considering implementing stricter laws which would effectively amount to a 2025 ban”, pointing out that Norway already has a 2025 policy in place which is inclusive of hybrids and plug in hybrids.

These policy decisions are, of course, rooted in the climate change agenda which has taken on even greater importance. And with all eyes on COP26⁴ later this

“The European [automotive] sector will be down around 10 per cent in terms of vehicle production compared to 2019. With sales unlikely to hit pre-COVID levels until 2023.”

¹ <https://www.icis.com/explore/resources/news/2020/12/29/10590863/outlook-21-europe-automotive-industry-will-continue-to-be-haunted-by-pandemic-aftermath>

² <https://www.bcg.com/publications/2020/covid-automotive-industry-forecasting-scenarios>

³ <https://thedriven.io/2020/11/16/uk-and-europe-to-declare-war-on-new-petrol-and-diesel-car-sales/#:~:text=The%20Boris%20Johnson%2Dled%20conservative,2025%2C%20according%20to%20new%20reports>

⁴ <https://ukcop26.org/>



year, we would expect to see manufacturers continue to invest significantly in electric vehicles. It is worth noting that global sales⁵ of electric vehicles nearly doubled in 2020, despite the drop in car sales overall – and we would expect those figures to grow significantly again in 2021.

Of course, electric vehicles come with safety concerns too, which manufacturers must pay close attention to. For example, the cars are powered by lithium-ion batteries, and on occasion these can overheat and explode. High-profile examples could severely damage a brand's reputation, not to mention the reputation of electric vehicles in general.

Tesla was the biggest-selling manufacturer of electric vehicles in 2020, and part of the credit for that success has been their digital sales approach. We can expect to see many manufacturers look to establish a more direct link with consumers and further digitisation of the automotive sales journey – something which has become a necessity due to closures of many dealerships during the pandemic.

However, while this is an important task for manufacturers to take on, it is worth noting that a Deloitte⁶ study in consumer habits suggests that “a majority of customers would still prefer to acquire their next vehicle in person... as some aspects of the buying process remain difficult to digitise”. Manufacturers will have to juggle this carefully, while also paying close attention to the mobility shifts experienced during the pandemic (and whether these will continue when the worst is behind us), e.g. a move from public transport to individual modes of travel.

⁵<https://www.theguardian.com/environment/2021/jan/19/global-sales-of-electric-cars-accelerate-fast-in-2020-despite-covid-pandemic>

⁶<https://www2.deloitte.com/us/en/pages/manufacturing/articles/automotive-trends-millennials-consumer-study.html>

CONCLUSION

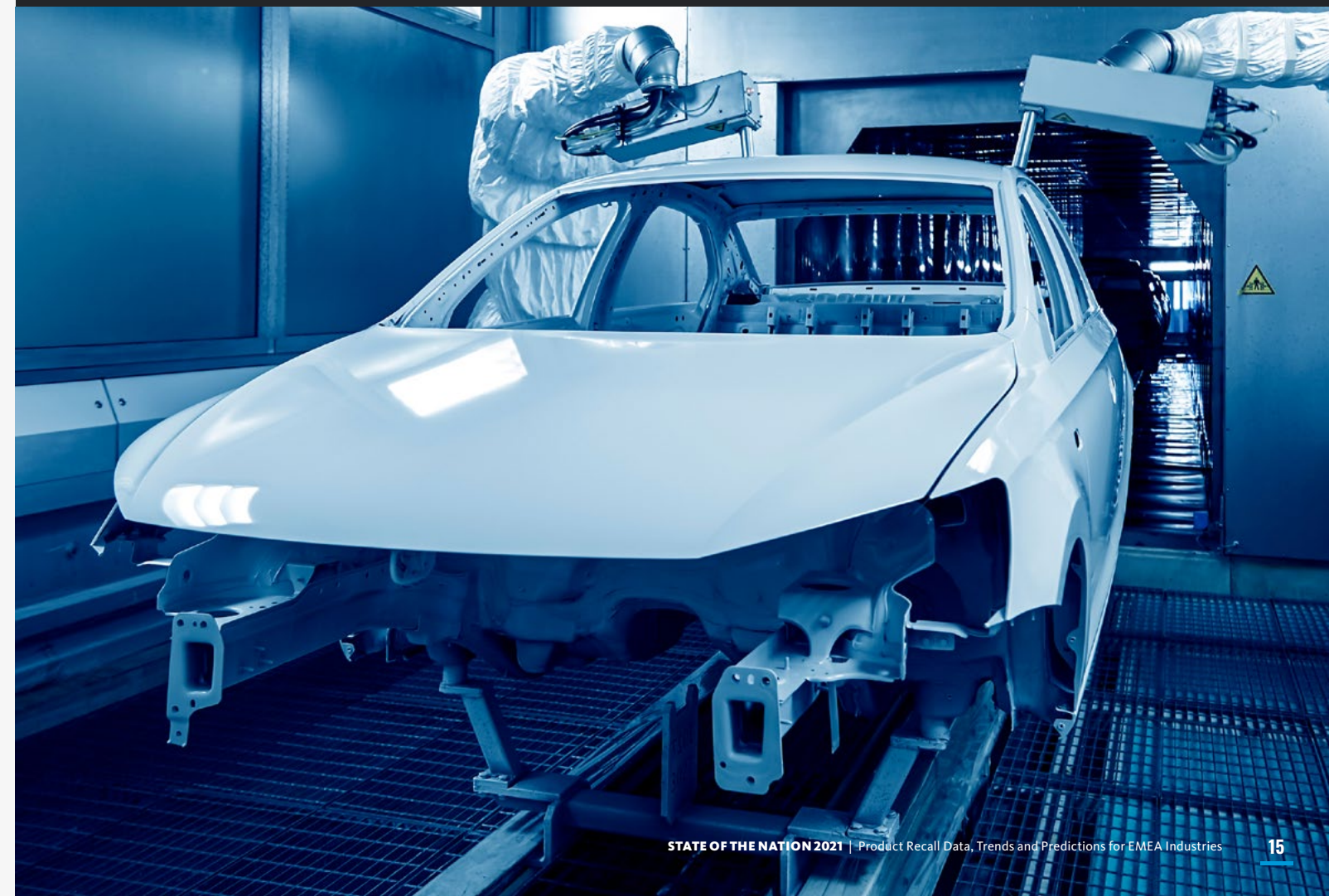
The automotive industry has always been resilient, and it has been tested like never before in 2020. While many will have been hoping for a fresh start in 2021, it is evident that – at least for some of the year – the pandemic will continue to have an enormous effect on operations and sales.

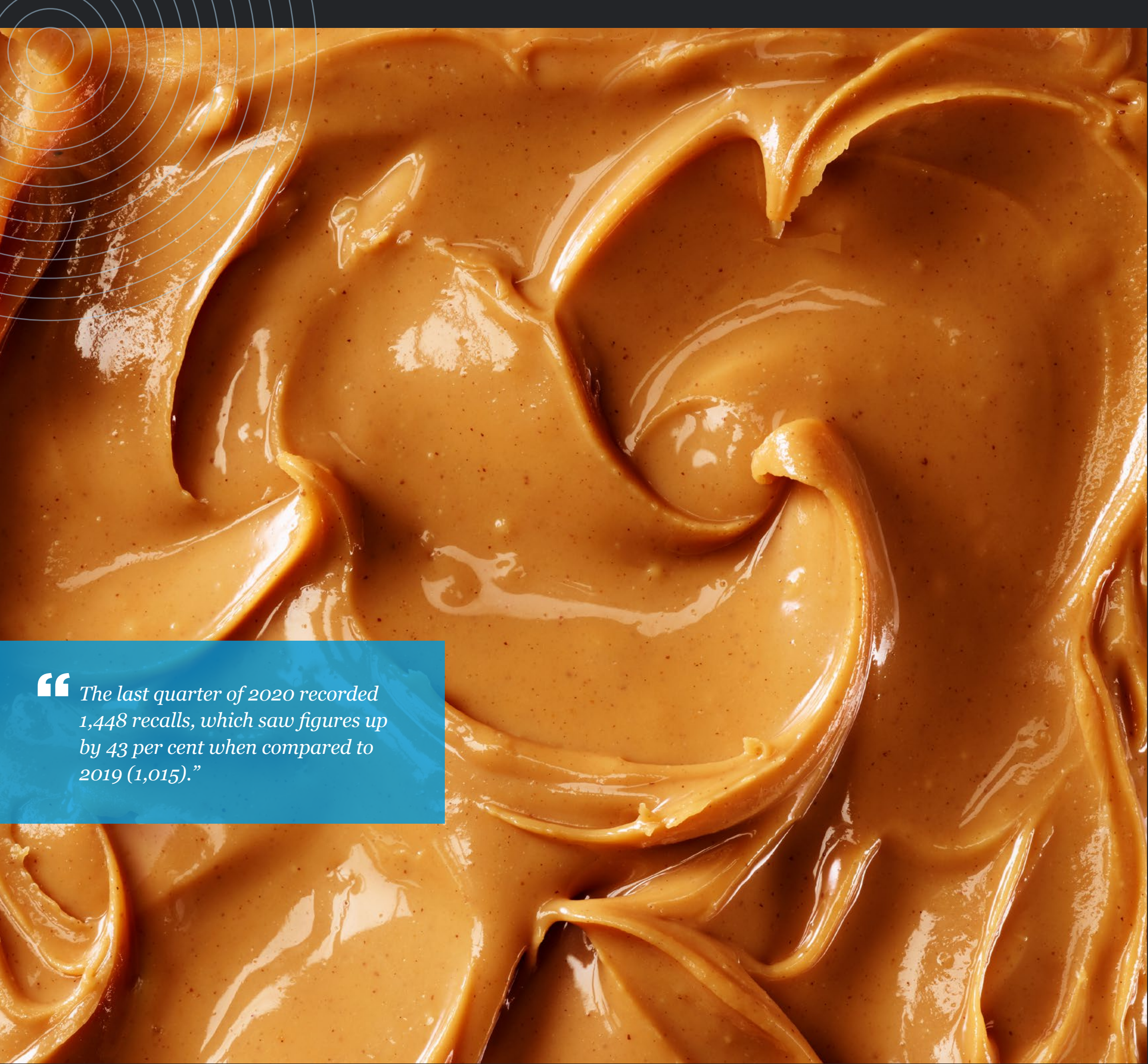
However, in adversity comes opportunity. Many of the larger manufacturers will be closely examining the evolving landscape to see how things have changed and planning for growth in the second half of the year and beyond.

Electric vehicles will become the core focus of manufacturers in the short term, as they prepare

for a very different future in 2025 and beyond. With numerous new product lines expected to be announced and rolled out this year, there is real pressure on manufacturers to get things right.

Fundamental to that is safety. While many consumers are ready to embrace electric vehicles, some are more reticent – and even though some will forgive safety issues if they are dealt with quickly and effectively, it may put others off and see them pursue options that don't include the use of a personal vehicle. To that end, honesty and transparency will be key, with recall strategies needed to be put in place as these new vehicles are rolled out into a rapidly evolving marketplace.





“ The last quarter of 2020 recorded 1,448 recalls, which saw figures up by 43 per cent when compared to 2019 (1,015).”

FOOD AND BEVERAGE

2021 SNAPSHOT

In this report, we've analysed European data and cross-referenced with wider industry activity to pull out key trends that we foresee shaping the food & beverage recall market in 2021. As we have witnessed this past year, unpredictability can indeed trump everything, however we have identified a set of trends rooted in insight that should help shape recall strategies and account for a variety of scenarios, including the pandemic.

For much of Europe, the impact of Brexit is already having a knock-on effect on supply chains, as new rules come into play and backlogs caused by hold-ups at borders demand new ways of transporting perishable goods. Elsewhere, the impact of COVID-19 is being scrutinised, as scientists investigate possible links between increased hygiene and a reduction in foodborne illness in 2020. We'll analyse these and more in the report.

2020 OVERVIEW

There's no denying that 2020 was a tumultuous year for all recall categories. Nevertheless, EU data collected from the Rapid Alert System for Food and Feed (RASFF) in the food & beverage category revealed that recall figures remained consistent with that of previous years, decreasing only slightly from 3,989 in 2019 to 3,737 in 2020.

After a dip in Q2 2020, recalls in this category steadily rose over the remainder of the year as food supplies evened out and supply chains restarted activity after periods of lockdown. The last quarter of the year recorded 1,448 recalls, which saw figures up by 43 per cent when compared to 2019 (1,015). This is owed in part to a 29 per cent spike in incidents involving nuts and nut products, with 417 products of this nature recalled, and the majority (72%) issued by the same supplier after a check of its own produce.

Throughout 2020, the prevailing reason for recall in the food and beverage sector was “official control on the market”, with 1,200 recalls of this nature, in which official controls are put on the European Economic Area (EEA) internal market by officials, to which manufacturers must oblige. Almost 300 of these were related to poultry and poultry products, the clear majority of which was chicken contaminated with Salmonella – one of the most common reasons for poultry recalls.

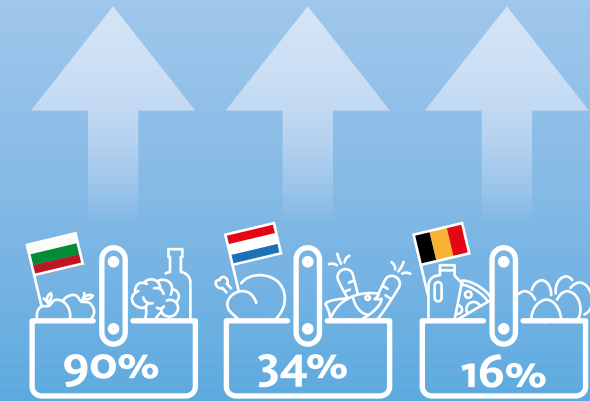
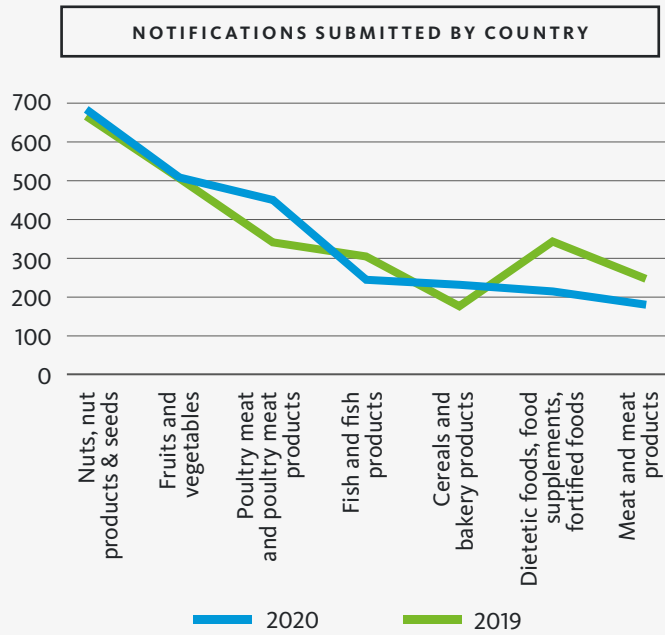
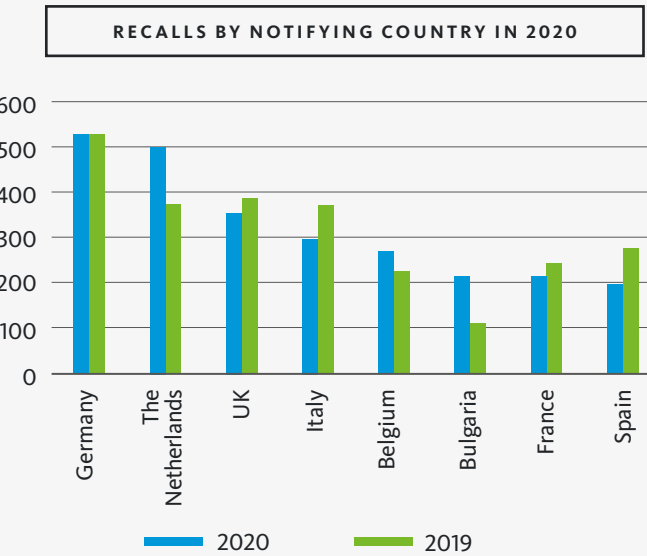
Where the recall reason is listed as “official control on the market”, the most common action taken is withdrawal from the market, affecting 29 per cent of products recalled. However, there are a myriad of

other actions taken, including a press release for public knowledge, destruction and recall from consumers.

Germany remained the top country for notifications throughout 2020 (525), the exact same number of recalls as 2019. Recalls from the UK also remained at a similar level (385 in 2019 compared to 354 in 2020). The most significant change was observed in the Netherlands, which saw an increase of 34 per cent from 374 recalls in 2019 to 500 in 2020. The majority of products recalled by this country were nuts, nut products and seeds, with the contamination of sesame seeds with ethylene oxide – a sterilisation gas banned in Europe – accounting for the spike in notifications.

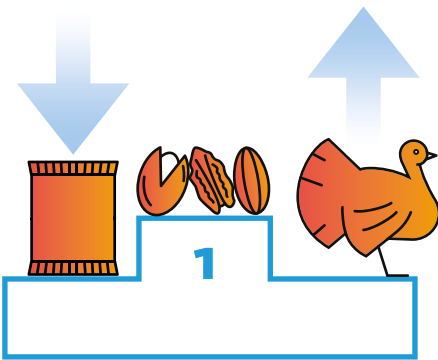
As was the case in 2019, withdrawal from the market remained the number one action taken during the food and beverage recall process, with 574 instances. This was followed by recall from consumers (442) and destruction (393).

Finally, 2021 is the year that will see Natasha's Law – which we have mentioned in previous reports – come into force, with changes to food labelling to be made in England, Wales and Northern Ireland from 1 October. The law follows the death of Natasha Ednan-Laperouse in July 2016, who had an allergic reaction to sesame seeds in a baguette that was not required to have allergen labelling. Recalls due to allergens have reduced in the past few years, and it is hoped the new law will drive figures down even further.

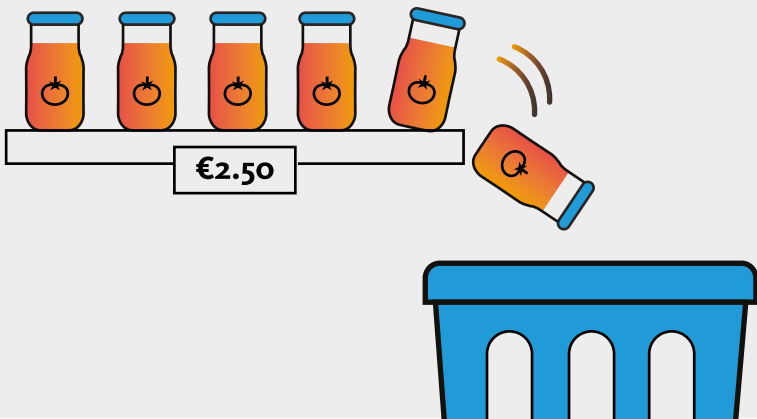


Recall notifications in **Bulgaria increased 90%** (from 113 in 2019 to 215 in 2020). Only 2 other countries experienced a YoY rise: **The Netherlands (34%)** and **Belgium (16%)**

For the second consecutive year, **nut products** and **seeds dominated recall activity**, accounting for 19% of all recalls. Poultry experienced the greatest increase YoY (33%), whilst dietetic foods reduced by 37%.



For the third year in a row, **“withdrawal from market” was the top action** for food and drink recalls **(15% in 2018, 13% in 2019, and 15% in 2020).**





FOOD & BEVERAGE DEEP DIVE

Brexit Fallout

There have already been instances of food shortages, price rises, and delays at borders across 2020, with the impact felt across international supply chains. The final quarter of the year, as the deadline loomed, saw days-long queues at ports caused by a combination of Brexit and COVID-19 – with hundreds of thousands of pounds and Euros of food spoiling in the lead up to the festive season. With a deal now agreed, producers have some reassurance, however post-deal paperwork continues to cause delays.

Earlier in 2020, fresh fruit and vegetables were left to rot in fields because foreign labourers who would usually bring their harvest in were unable to travel. This is something we expect will continue in the 2021 harvest season – a combination of both Brexit regulations and COVID-19.

However, according to Ian Wright¹, Chief Executive of the Food and Drink Federation, automation will increase in the post-Brexit environment of 2021. Due

to the pandemic, consumers are eating in more often than ever, but there hasn't been a trend of hospitality workers moving into food manufacturing to cope with this demand. With consumers relying more heavily on supermarkets and home deliveries – and with a shortage of workers - automation of the food process is one way to fulfil increased orders and demand.

According to FoodBev², drones have begun pollinating crops, AI has been used already in farming and other technologies have been used to boost food security.

Using automated technologies should limit fault or defect in products, leading to fewer recalls in the long term. However, as the world adapts to involve technology more in the supply chain, we can expect to see damages and faults in the short to medium term as machines are tested and adjusted.

Health is Wealth

One trend born during the pandemic is an increase in eating for both physical and mental health, optimising diets to boost mood and immune systems. According to a Mintel report³, Google searches of phrases such as “food” and “immune” and “system” together have surged since the beginning of March as people look for ways to boost their immune systems in response to the COVID-19 virus.

This led us to re-examine a worrying trend observed in 2019 where we saw a rise in recalls of dietetic food. Thankfully, the figures show that this did not continue

into 2020, and it seems people are opting for diet changes or vitamin supplements as opposed to diet pills or processed slimming foods – which can be dangerous. This is something we'll continue to monitor.

With 2021 the International Year of Fruits and Vegetables, it remains to be seen whether there will be any significant change in recall notifications of fresh fruit and vegetables. As of 2020, fruits and vegetables were the second most likely foodstuff to face recall, with over 500 instances – behind only nuts and nut products.

¹<https://www.foodmanufacture.co.uk/Article/2021/01/04/Food-trends-for-2021>

²<https://www.foodbev.com/news/top-three-sustainability-food-trends-for-2021/>

³<https://www.mintel.com/food-patent-watch>

LOOKING AHEAD TO 2021

The Impact of COVID-19 on Foodborne Illness

In the year that COVID-19 dominated headlines, one positive to arise is increased food hygiene, including washing produce more thoroughly. This has interested researchers at the National Food Institute in Denmark, who are testing a hypothesis that an increased focus on hand hygiene in production stages, including food preparation, will lead to a decrease in foodborne illness. The results are not yet available, but it will make for an interesting comparison to the recall figures when the study completes later this year. We also expect this to create some buzz around the annual World Food Safety Day on 7 June, during which it is likely conversation will focus on the “global burden of foodborne diseases”.

Natural Highs

A number of recalls of CBD oils across 2020 caught our attention, with countries across Europe, including the Netherlands, Denmark, Switzerland, Germany, placing recalls – all countries that lead the European CBD market. These recalls were due to the unauthorised novel food ingredient cannabidiol (CBD) in CBD products offered online for sale.

Many countries have seen sales of CBD products grow as consumers seek natural ways to manage a range of mental and physical health problems. According to Orian Research Group², Europe is the second largest CBD market after North America, and products with less than 0.2 per cent Tetrahydrocannabinol (THC) are generally legal in most European countries, although various country-specific guidelines continue to muddy the waters and will perhaps result in confusion and recalls of products that fail to meet local regulations.

We expect recalls of CBD products to increase over 2021 as currently companies are not required to seek

authorisation to bring products to market, however The European Commission (EC) recently announced it will be suspending applications while it determines whether or not certain CBD products should be labelled as narcotics instead of the novel food item category that they currently fall under. As well as this, the rising popularity of CBD products means that the market is very lucrative – which could attract unscrupulous sellers.

Planet-Friendly Packaging

When it comes to packaging, new and more sustainable packaging methods are being adopted – including bottles made from recycled paper and compostable materials. According to McKinsey, manufacturers will have “to proactively embrace sustainability issues as consumer demands and regulatory requirements multiply”³. However, it is often at the packaging stage that contamination can occur, and manufacturers looking to trial new methods must ensure that new materials meet strict health and safety standards to prevent this. In the past year, 59 recalls (2%) were directly linked to packaging defects, including faulty seals and leaks, and industrial contaminants, including the presence of dangerous chemicals transferred from materials such as maize and bamboo. Both are widely used as sustainable alternatives. Although this accounts for a relatively low proportion of recalls, it’s something we may see more of in 2021 as the use of materials such as bamboo grows.

Conscious Consumerism

According to a study from a Belgian supermarket chain published in November 2020, 3.2 per cent of the European population follows a vegan diet – representing 2.6 million people⁴. This is a figure that has doubled in the past four years and shows no sign of slowing with more people than ever before looking to add more plant-based foods to diets. A record 500,000 people signed

up to take part in Veganuary 2021, according to the Veganuary founder, including 125,000 people in the UK, 150,000 in Latin America, 80,000 in the US and 50,000 in Germany – record numbers for the yearly initiative.

It is clear that there is a wave of conscious consumers looking to eat more sustainably, and as such we can expect the traceability and origins of produce to be put into the spotlight in the coming years, as people seek to understand the impact of what they’re eating.

This may result in increasing numbers of quality assurance schemes being put in place to guarantee the traceability and quality of certain foodstuff – a number of schemes are already prevalent across the EU in areas such as red meat production.

Audits to increase amid changing regulations

In 2020, the Global Food Safety Initiative (GFSI) published its latest benchmarking requirements with regular unannounced audits becoming mandatory once every three years. The GFSI maintains food safety standards for manufacturers as well as farm assurance standards, which may impact recalls in one of two ways. In the first situation, we may see a spike in instances as more regular auditing reveals substandard practices. Alternatively, a second scenario that may arise is a decline in recalls on products that have made their way to market, due to regular auditing impacting positively on safety standards earlier in the supply chain.

¹ <https://www.foodsafetynews.com/2021/01/food-safety-for-europe-and-asia-in-2021/>

² <https://www.visualcapitalist.com/european-cbd-landscape-in-2020/>

³ <https://www.mckinsey.com/industries/paper-forest-products-and-packaging/our-insights/the-drive-toward-sustainability-in-packaging-beyond-the-quick-wins>

⁴ <https://vegan.com/blog/vegan-nutrition-study-2020/>

CONCLUSION

Events in the past year have exposed flaws in international supply chains, with shelves being emptied and supplies of items imported from global countries dwindling. Because of this, we've seen a rise in local shopping trends that may positively impact recall figures in 2021, as items produced locally are far more likely to meet individual country standards.

One thing is for sure, the food and beverage sector has changed over the past year. As the vaccine is rolled out and the world hopes for a return to normality later in 2021, trends such as conscious consumerism, eating for health and sustainability are firmly here to stay, and it is important for anyone responsible for recall strategies to consider the new opportunities and risks presented by this seismic change.

The above information should serve as a guide to businesses when planning and evaluating recall strategies. We can't forget that recalls are commonplace and if effective strategies are at hand, brands can come out the other end with minimal reputational damage and minimal disruption to consumers.

Recalls provide an opportunity for companies to reconnect with their consumer base and build better loyalty - even advocacy. As damaging as a recall may be, it also presents a significant - yet mostly hidden - opportunity if correctly planned for and executed properly.

“ With the rise of ‘conscious consumers’ looking to eat more sustainably, we can expect the traceability and origins of produce to be put into the spotlight in the coming years.”



PHARMACEUTICAL

2021 SNAPSHOT

Over the past year, the COVID-19 crisis has left no industry untouched. For pharmaceuticals, the very nature of the sector means the virus will continue to shape activity long after other industries have recovered, in areas including manufacturing supply chains, the development of long-COVID treatments and the fast-tracking development of new drugs. That is without considering the impact of Brexit and existing pharmaceutical challenges, such as meeting sustainability targets and dwindling investment in R&D.

We'll examine each of the above areas that are likely to dominate pharmaceutical trends for the year ahead, and what that might mean for the European recall tables.



“With global research paused and efforts switched to the fight against coronavirus, 2020 recalls dropped 40 per cent year-on-year.”

2020 OVERVIEW

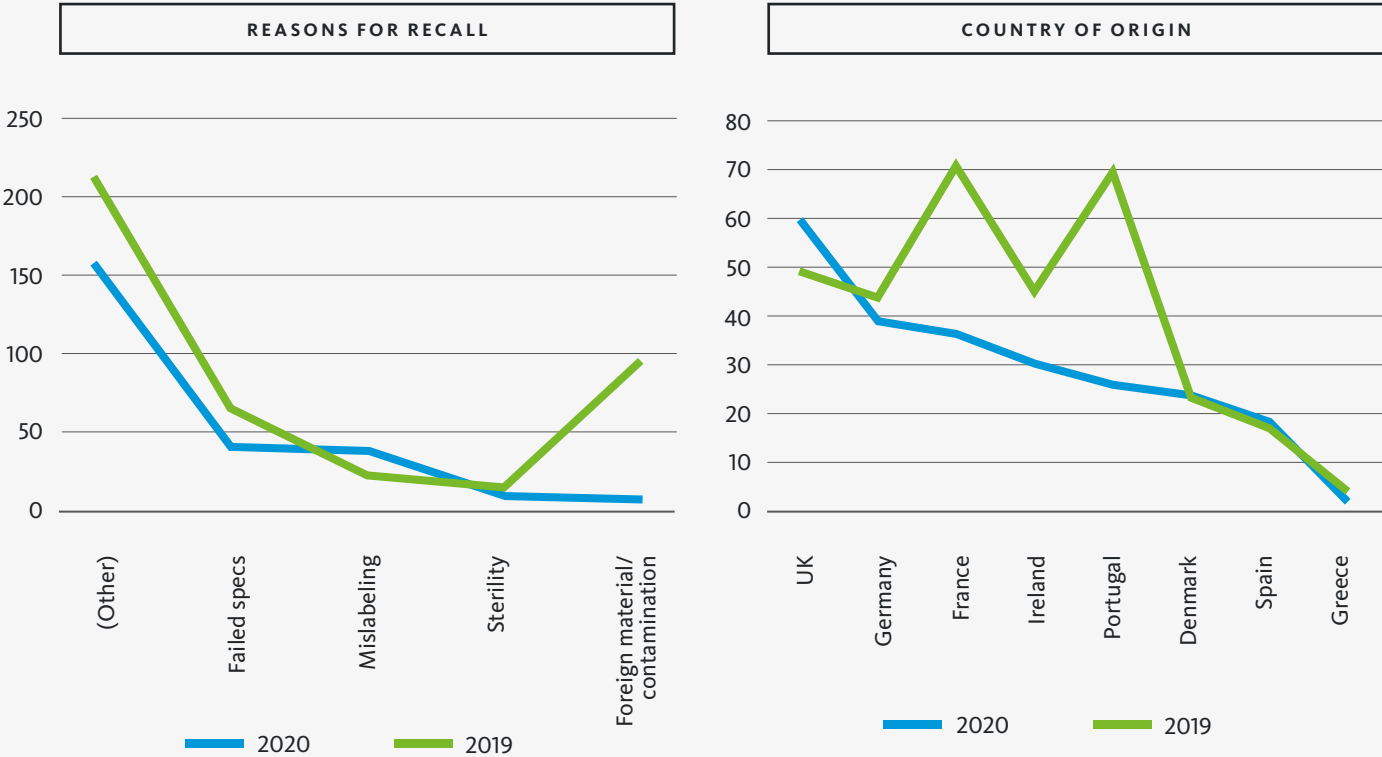
Compared to 2019, pharmaceutical recalls across 2020 dropped 40 per cent from 417 to 251. This reduction, which saw recalls reduce year-on-year in every quarter, can be partly attributed to global research being paused and efforts switched to the fight against coronavirus. In addition to this, the European Medicines Agency (EMA) issued new guidance around auditing and regulation, which may have resulted in fewer drugs being approved due to audit hold-ups, and trusted that manufacturers had suitable quality systems in place to ensure drug efficacy.

Unsurprisingly, the largest drop in recalls coincided with the widespread outbreak of COVID-19 around the world in the second quarter of the year, with 43 recalls observed. Activity across the final two quarters of the year saw a steady increase in recalls, with figures returning to almost pre-COVID numbers.

The most common reason for recall is cited as “other” (154) – where the recall reason is not identified. This was followed by failed specifications (40), mislabelling (39), sterility (10) and foreign materials/contamination (8).

In 2019, the most common reason for recall, except for “other”, was foreign materials and contamination which accounted for 94 recalls. This has dropped dramatically in 2020, with only eight recalls of this nature – the least common reason in the rankings. While the reason for this drastic drop is unknown, it could be related to a reduction of on-site audits due to the pandemic, improved safety procedures implemented by manufacturers after a surge in recalls of this nature in 2019, or a reduction in drug exports due to pandemic-induced delays from manufacturing powerhouses such as China.

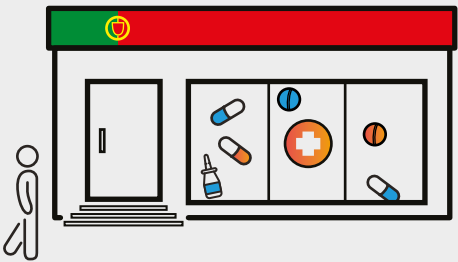
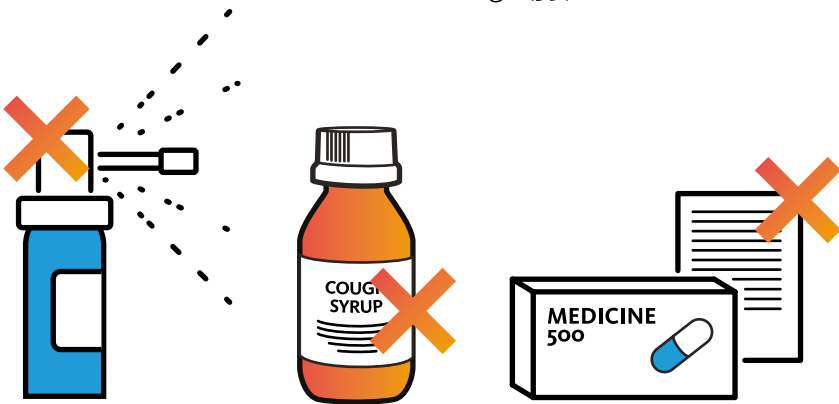
According to the data, pharmaceuticals produced in the UK were most likely to be recalled, accounting for almost a quarter (60) of total European pharmaceutical recalls in 2020. From the data we can see that this was driven by mislabelling issues of UK products, which accounted for 38 per cent of all UK recalls. This is a commonly cited reason for recall, as just one small error can be potentially dangerous to the end user.



Annual pharmaceutical recalls fell 40% from 2019 (417 to 251 in 2020).



Almost two-thirds (154) of pharmaceutical recalls in 2020, were classified as “other”, followed by “failed specifications” (40) and “mislabelling” (39).



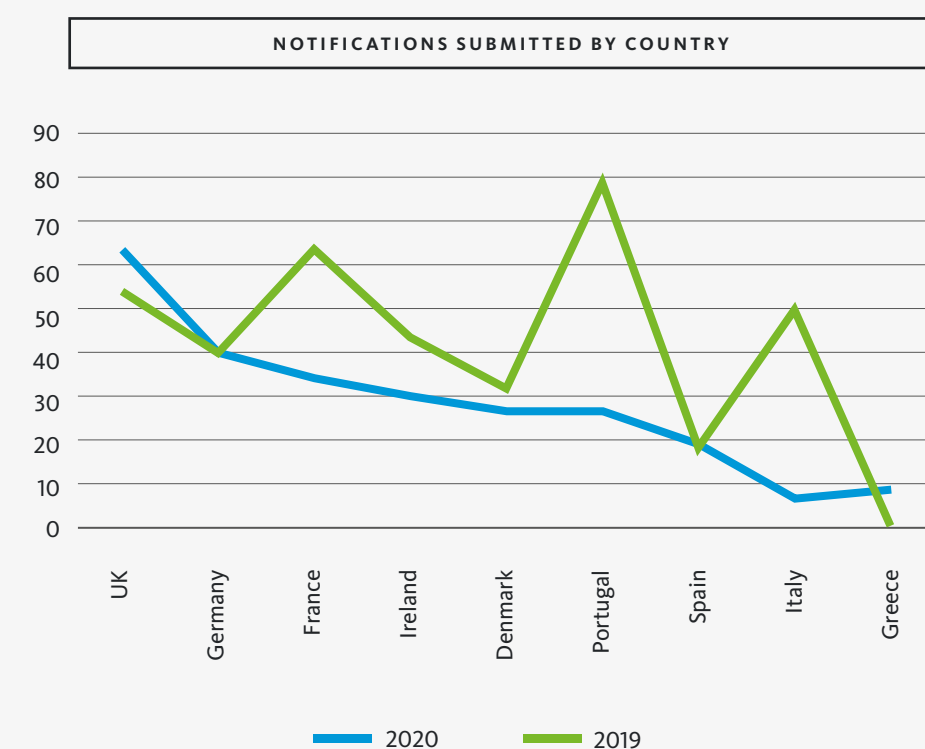
Portugal saw the greatest annual decline in activity with notifications and originating products falling 67% and 63% respectively.

“According to 2020 data, pharmaceuticals produced in the UK were most likely to be recalled. The UK was also the country placing the highest amount of notifications in 2020.”

The UK is also the country placing the highest amount of notifications, submitting 63 over the past year, compared to 54 in 2019.

At the other end of the scale, recalls of pharmaceutical products produced in Portugal decreased from 70 in 2019 to 26 in 2020. Similarly, notifications placed by Portugal itself also decreased, from 79 in 2019 to 26 in 2020 – a decrease of 67 per cent year-on-year.

Elsewhere, notification submissions from Italy reduced significantly in 2020, with the 50 logged in 2019 dropping to just six in 2020. Other notable instances include a decrease in recalls of pharmaceutical products produced in France, reducing year-on-year from 71 to 36. It remains to be seen if this is a direct result of the pandemic, or if health & safety and testing procedures have seen improvements following a spike in recalls in 2019.



PHARMACEUTICAL DEEP DIVE

Regulation Relaxations

During the peak of the virus outbreak, regulations were changed across Europe to reflect the exceptional circumstances that the world was plunged into.

Guidance issued by the UK's Medicines and Healthcare products Regulatory Agency (MHRA) stated that “when an on-site audit is not practical... An off-site, remote or “paper-based” audit may be justifiable... on a case-by-case basis.”

With the vaccine created and deployed in record time, the pharmaceutical industry and the development of drugs has irrevocably changed, with cross-border collaboration and testing efforts overhauled in light of the crisis. The removal of red-tape, while still allowing for stringent safety procedures to be met, may result in a permanent change in existing drug development models, and also recalls.

Since March 2020, over 1,000¹ organisations supporting clinical trials as a sponsor, collaborator, or contract research organisation (CRO) have announced disruption to trials, which may affect the roll out of future life-saving treatments. However, we expect levels to return to pre-COVID numbers in 2021 as the hope for recovery edges ever closer – indeed, the recall figures for the end of 2020 are already reflecting this recovery.

Stalling Supplies

2020 was the year that pharmaceutical companies saw real problems with supply chains, creating enormous pressure for vital treatments to reach patients at a time of global crisis. The pandemic shone a light on global reliance on offshore manufacturing for drugs – the two biggest exporters being China and India, who placed limits on exports in the peak of the pandemic². These exposed vulnerabilities are likely to increase calls for closer to home manufacturing, creating local supply chains and reducing global reliance.

As well as issues with supplies, as we've seen in the data, issues with the quality of manufacturing have resulted in unsafe drugs being recalled³. While these are not new issues for manufacturers, the pandemic has brought them into the public eye more than ever, which may increase government action. Creating manufacturing hubs that abide by local country-specific regulations may result in a reduction of recalls in Europe in the longer

term, and according to articles in Pharm Tech⁴ and the Financial Times⁵, there is a major push towards a dual model of pharmaceutical production, based across both Europe and Asia.

November 2020 saw the European Commission (EC) publish its Pharmaceutical Strategy, a step towards addressing strategic vulnerabilities that risked Europe's ability to secure the supply of key medicines for patients, which seeks to help protect supplies by strengthening Europe's supply chain.

This is without considering Brexit, with the UK agreeing a last-minute deal in December. This may yet see delays in products originating from the UK arriving into other countries. With the UK topping the list of countries with pharmaceutical products recalled in 2020, this could present a significant problem.

¹<https://www.clinicaltrialsarena.com/comment/clinical-trials-disruptions-growing/>

²<https://www.theguardian.com/world/2020/mar/04/india-limits-medicine-exports-coronavirus-paracetamol-antibiotics>

³https://www.contractpharma.com/contents/view_experts-opinion/2020-06-29/the-covid-19-pandemic-sheds-light-on-the-over-reliance-on-offshore-drug-manufacturers/

⁴<https://www.pharmtech.com/view/reinvesting-in-european-manufacturing>

⁵<https://www.ft.com/content/80aa4836b-ca25-48e0-996d-458186e968dc>

LOOKING AHEAD TO 2021

Artificial Intelligence

One of the key trends impacting the pharmaceutical industry in 2021 will be artificial intelligence, with Boston Consulting Group predicting that expenditure on AI related tools will rise in seven segments of the healthcare chain; remote prevention and care, diagnostics support, treatment pathways, drug discovery and development, operations, sales and marketing and support functions¹.

With the challenge to create a COVID-19 vaccine completing in record time, the precedent has been set for future vaccine delivery, and, as stated in E-Health², from 2021 onwards we expect to see a faster time-to-market for drug discovery. Also, increases in drug repurposing, AI algorithms, big data and new technologies that reduce time-dependent tasks will help us get there. In a time when R&D budgets are being cut, we expect to see a rise in investment into technology that will ultimately drive costs down.

Recalls are expensive, with worldwide spending in the pharmaceutical industry reaching \$100 million a year linked to labelling issues alone³. This is consistent with the recall data, with mislabelling issues consistently being named as one of the leading causes for pharmaceutical recalls. Increasing investment into digital systems could see recalls of this nature decline, as up to 90 per cent of errors can be linked to human fault⁴.

Any organisation adopting new technology must also adopt robust procedures in the unfortunate case that something does go wrong and items face a recall scenario. AI can be a helpful tool in monitoring and tracking drug shipments, and we may begin to see a change in the way global recalls are processed – positively impacting health & safety and helping protect brand reputation if handled well.

Precision Medicine

Precision medicine - that is, medication tailored to a specific diagnosis - is growing, and with-it production lines of pharmaceuticals are shrinking. The Global Precision Medicine Market is expected to grow at a CAGR of 9.9 per cent from 2021-2026 to reach \$105.6 billion by 2026⁵.

This is paving the way for smaller production facilities producing high-spec drugs and in 2021, we're expecting to see more of this. When we look at the recall figures, more than 450 medications have been withdrawn over the past 25 years because of adverse reactions⁶, driving the need for precision medicine and in turn reducing recalls of this nature and improving patient safety.

Precision medicine has returned to the public interest with its potential in treating long-COVID sufferers, the full health effects of which is not yet known. There are already hundreds of trials underway worldwide with a specific focus on lung and respiratory complications caused by the virus, so we may see the use of this type of medicine increase in months and years to come. This is a once-in-a-lifetime opportunity for pharma companies to rebuild public trust, with the 2019 Edelman Trust Barometer finding only 57 per cent of the UK public had faith and trust in the sector⁷. We'll be watching the recall tables closely to check for any decline in recalls due to adverse reactions.

Sustainability

Sustainability is a subject appearing across the board, and pharmaceuticals is no different. In the lead up to the COP26 conference in Glasgow in November of this year, and the initial firefighting of the virus now over, we expect that companies will be looking to set and meet global sustainability targets and reduce pharmaceutical waste, particularly with regards to single-use plastic.



The desire to live more sustainably was ignited over the pandemic, with the world becoming more switched on to the impact of single-use plastics, the lifecycle of packaging and limiting CO2 emissions. In fact, most Europeans actually think climate change is as important as the COVID-19 pandemic, research shows⁸.

In 2019, experts found that Big Pharma companies create 13 per cent more carbon emissions making medicine than car makers – with drug manufacturing facilities pumping greenhouse gases directly into the atmosphere⁹. The research stated that by 2025, the overall pharmaceutical sector would need to reduce its emissions intensity by about 59 per cent from 2015 levels – some companies are already there, and notably they are all among the largest. There is an immediate need for more research into how more pharmaceutical companies can adopt greener practices, and a roadmap of support laid out as to how to get them there, as this issue is not going to go away.

Some ways that the challenges are being met include the greater adoption of new bio-based PET and bioplastics

made from sources such as starch, glucose, vegetable oils and cellulose. The challenge in the past is that medicines must be safely stored in sterile conditions, and contamination can be extremely costly, not to mention dangerous. Any new material used must be rigorously tested and meet the same standards as what was used before.

One beacon of light comes from scientists at Bath's Centre for Sustainable and Circular Technologies, who have made a sustainable polymer using the second-most abundant sugar in nature, xylose, found in wood. The most exciting prospect is that the polymer is flexible, meaning it can be tailored and used for a variety of industries, including healthcare.

Of course, as is always the case with innovation, we recommend manufacturers remain vigilant as they venture on sustainable journeys and have fully developed recall strategies in place to ensure both reputational and consumer protection should the worst-case scenario occur.

¹ <https://www.tribecaknowledge.com/blog/5-pharma-trends-for-2021-disruption-and-transformation-in-the-covid-era>

² <https://ehealth.eletsonline.com/2020/12/five-trends-to-watch-out-for-in-the-pharma-industry-in-2021/>

³ <https://linchpinseo.com/trends-pharmaceutical-industry/#trends-in-pharmaceutical-industry-shaping-the-industry-in-2021>

⁴ Pharmachem Skillsnet

⁵ <https://uk.finance.yahoo.com/news/global-precision-medicine-market-2021-115100130.html>

⁶ <https://linchpinseo.com/trends-pharmaceutical-industry/#trends-in-pharmaceutical-industry-shaping-the-industry-in-2021>

⁷ <https://www.raconteur.net/healthcare/pharmaceuticals/covid-trust-big-pharma/>

⁸ InSites Consulting

⁹ <https://theconversation.com/big-pharma-emits-more-greenhouse-gases-than-the-automotive-industry-115285>



“Recalls are expensive, with worldwide spending in the pharmaceutical industry reaching \$100 million a year, linked to labelling issues alone.”

CONCLUSION

It's been a huge year for pharmaceuticals, and one we could not have predicted when we released our previous State of the Nation annual report in early 2020.

While the year began in a similar vein to 2019, it ended with an industry irrevocably changed, in areas including drug development and roll out, ways of working, artificial intelligence and sustainability. We also expect supply chains to come under scrutiny to best protect against medicine shortages in the future.

In a year that created so much flux, one thing that has stayed the same is the need for robust recall strategies. It can be difficult to keep up with the pace of change, but one area that must not be overlooked to cut corners is recall preparedness.



“Recalls in the medical device category decreased sharply in 2020 compared to 2019 (down almost 28%). Quality issues were the most common listed reason throughout the year.”

MEDICAL DEVICE

2021 SNAPSHOT

Quality, quality, quality. This word will dominate the recall data tables for medical devices in 2021. And with the new European Medical Device Regulations which are due to come into play in May this year, the industry is set for a period of monumental change.

This is consistent with the findings from Europe's data on category recalls, with quality issues being the most common reason for a recall throughout 2020. In fact, Josh Turpen wrote in a Med Tech Intelligence¹ article that by moving too fast in the product development process, many med tech companies have made mistakes along the way.

New regulations will focus on patient safety, traceability and transparency which will push forth the need for accountability right across the entire supply chain.

That said, it is important to take a short look back at 2020 to retrace the steps the industry made last year and how those moves impacted the European recall tables so that we can proof point how our predictions, based on a foundation of data, insight and experience, will help you avoid and, if need be, manage a major recall process in 2021.

¹<https://www.medtechintelligence.com/column/the-top-trend-for-medical-devices-in-2021-putting-quality-first/>

2020 OVERVIEW

The volume of recalls in the medical device category decreased sharply in 2020 compared to the previous year – down almost 28% from 2,841 to 2,061. Quality issues were the most common listed reason for medical device recalls throughout the year, albeit down by 58% on 2019.

Germany was the top country for notifications, submitting 780, down from 906 in 2019. The UK also showed a massive drop in notifications, submitting only 25 across the entire year – down 94% on 2019. Recalls of UK-made devices were also down by 74%.

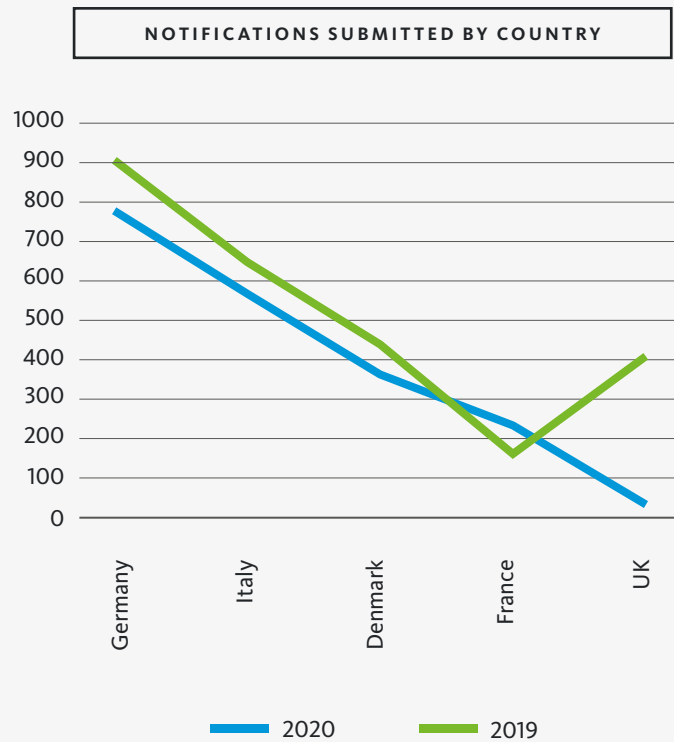
We reported throughout 2020 that countries including the UK and US embarked on separate missions to manufacture ventilators and other medical devices for their own citizens, which resulted in a reduction of trade volumes with other European partners. This is largely the reason why we have seen such a stark reduction in medical device notifications and recalls by and from the UK.

Of the total recalls submitted, 795 were flagged as “other” under the reason for recall – this meant that almost 40% had no listed reason.

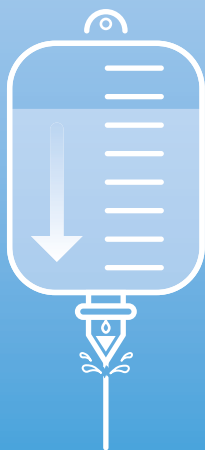
Understandably, Germany topped the tables for most likely to be recalled for quality issues (261), followed by Italy (139). However, as Germany is one of Europe’s largest manufacturers, these results do not mean that devices from Germany are most likely to be of poor quality. For clarity, the European medical technology industry employs more than 675,000 people and Germany has the highest absolute number of people employed in the medical technology sector.

According to MedTech Europe¹, there are almost 27,000 medical technology companies in the continent most of which are based in Germany, followed by the UK, Italy, Switzerland, Spain and France.

Throughout 2020, most European countries reduced the demand for production of non-COVID-19 related products – which saw many buyers look to alternative manufacturers and locations to produce other non-COVID related products and devices.



¹<https://www.medtecheurope.org/wp-content/uploads/2019/04/The-European-Medical-Technology-Industry-in-figures-2019-1.pdf>



Recalls in the **medical device category decreased 27%** in 2020 (2,061) compared to 2019 (2,841).

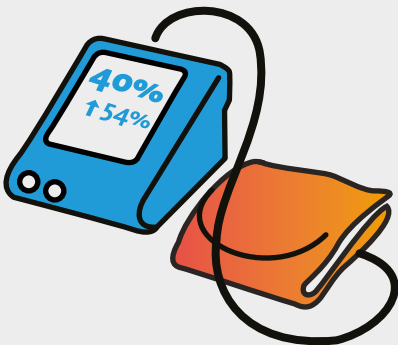
COVID-19 has put unprecedented strain on European healthcare systems. Robotics and IoT will transform medical device manufacturing as we know it.



The global market for **Augmented / Virtual Reality** in healthcare is **expected to grow to \$11.4B** by 2025*.

* Source: Penrod

Most medical device recalls in 2020 were classified as "other". Accounting for 40% of the total, this represents a 54% increase from 2019.



MEDICAL DEVICE DEEP DIVE

In addition to quality being the number one priority for end users and the regulators who validate the safety of devices, the technology and its evolution will be a key driver of all trends across the industry in 2021.

Team Linchpin¹ cited in a recent paper that a number of trends which will shape the industry this year including enhanced cybersecurity, wearable fitness tech and VR. They had many more than this but the two that resonate strongly with us are wearable fitness/health tech and VR/AI which will undoubtedly run into software problems.

Clarkson Consulting² reported that telehealth and remote medicine will continue to gain traction in response to the pandemic, which could also give rise to software issues, resulting in a sharp increase of notifications and recalls in the sector – all of which will come under quality risks in the recall tables.

VR/AI

Automation, telehealth, AI and VR are set to become an even bigger part of how robotics and the Internet of Things will transform healthcare and medical device manufacturing as we know it. Penrod³ says that, like wearable health devices, AI technology is advancing rapidly and is being used to diagnose diseases and conditions, helping to create efficiencies in the lab and the examination room.

In February 2021, National Health Service England (NHSE) mandated AI-powered analysis to treat coronary heart disease, meaning that all English hospitals will adopt AI powered analysis to fight the disease. This mandate will not come into force until 1 April, but when it does it is thought that it will help improve patient care and reduce costs to the public health service. This advancement in the use of AI is being subsidised by the

NHSE's Innovation and Technology Payment Programme (ITP) for a third year.

The ITP supports the NHS to adopt new innovations by removing financial and procurement barriers surrounding new medical technology. This competitive process is designed to allow innovations and technologies that have already proved their effectiveness to be rolled out on a national scale. It continues the work of the NHS Innovation and Technology Tariff (ITT) 2017/18 programme which was launched in April 2017 to remove the hassle experienced by clinicians and innovators in getting the technology to market.

In November 2020, the European Commission launched its Next-Generation of IoT environments project, which will champion intelligent, autonomous and human healthcare solutions. With the help of AI and IoT technologies, it said that patients with cardiovascular disease will be treated remotely – a direct solution to the problems faced while supporting patients during the pandemic.

The COVID-19 crisis has put unprecedented strain on our healthcare systems which has highlighted the need to develop new autonomous tech that can manage and treat patients remotely and safely.

This new project, comprising 13 partners from 9 countries, is designed to enable autonomous IoT systems to allow patients instant healthcare advice, negating the need to transfer large volumes of data to one place.



This is tied closely with the development and rollout of wearable health devices.

Experts believe that now is the time to look beyond connecting different wearable devices by adding intelligence, autonomy and security to IoT. And with these advancements comes a changing threat to manufacturers, the healthcare providers who sanction them and of course the patients themselves.

Cyber Security

The world of healthcare has embraced digital technology with great gusto with the aim of delivering better patient care with a streamlined approach to operations. However, as we use more digital tech, the risk of a cyber-attack increases. By its nature, healthcare data is the most sensitive to data breaches because it's the most personal aspect of the human existence.

Patients need to know that what they say to their GP is private and expect that level of integrity to cascade to every medical interaction they have throughout their lives – including modern technology. However, patient data has become a valuable commodity that can stimulate the medical technology market – therefore it is highly susceptible to cyber-attacks.

There have been many large-scale data breaches over the last five years, during which millions of people's highly sensitive information has been accessed. Unfortunately, the COVID-19 pandemic fuelled the threat. This will undoubtedly lead to recalls in medical device technology as we advance through 2021. Issues around software are already featuring on the recall tables, however, with the industry showing no signs of slowing down with its plans to digitise whenever and wherever possible, we are certain we will see a sharp rise in security related software recalls.

¹<https://linchpinseo.com/trends-medical-device-industry/>

²<https://clarkstonconsulting.com/insights/2021-medical-device-trends/>

³<https://penrod.co/5-medical-device-marketing-trends-to-keep-an-eye-on-in-2021/>

LOOKING AHEAD TO 2021

There will be two major developments in the medical device technology industry in 2021 that will have a direct impact on your business and products:

1. **New European Medical Device Regulations which are due to come into play in May**
2. **And expectations of impervious quality control procedures – covering software and hardware – across your supply chain**

On 26 May 2021, the Medical Device Regulation will become gospel following a lengthy transition period. What this means is that any business who manufactures, distributes or sources medical devices should be primed and ready to operate under the new regulations.

For manufacturers, this means a full check of their product portfolio to determine if any devices need to be reclassified. The main difference between the old directive and the new regulations is the increase in determining risk classes.

What is interesting about the new regulations is the “sell-off” provision. This is designed to limit the time which devices are compliant with the old directives and have already been placed on the market. However, any device still in the supply chain which has not reached its end user by May 2025 will no longer be marketable and must be withdrawn. In essence, it means that those products already in the supply chain under the old directive will be free from the added scrutiny of the new regulations, meaning it is unlikely we will see a seismic

upward swing of recalls relating directly to the new regulations.

What we will see however, is a decline in product launches in a bid to be certain that they meet new regulation standards. It is the companies who are “green” to the market who may, through no fault of their own, lack experience in quality and regulatory expertise that will see their products recalled in 2021. This will include wearable technology. And while the piece of kit itself, is a medical device, the software that works in conjunction with the product is not – but will be by May 2021.

Quality control – software and hardware

Under the new EU Medical Devices Regulations, both the hardware and software combined make it a medical device, and while regulators won’t be able to recall an algorithm, they will recall the product which houses it.

The lines are blurred. Software that is so advanced that it does not require support of a medical practitioner, becomes a device with a medical purpose and that device would require the proper regulation. Rigorous quality and purpose testing will be crucial to businesses as they set about carving their route to success in the medical device industry. Impervious quality controls are the rule, not just a nice to have in the modern world of medical device technology.





“ Unlike 2020, a slow down of new products reaching the market in 2021 is predicted. Fewer mistakes - resulting in fewer recalls - will be made because of the impending MDR regulations.”

CONCLUSION

Quality issues are again going to feature often on the recall tables as more businesses focus on what they need to get right ahead of the new European Medical Device Regulations coming into force in May. Software developers must work incredibly hard to understand and navigate their way through the regulatory maze, paying close attention to the processes they need to have in place to ensure their new partnerships, clients and indeed the end users can reap the rewards from using their ground-breaking technology.

There will be a slow down of new products reaching the market, unlike what we saw in 2020 when new technology was quick to market during the pandemic. It is our belief that fewer mistakes will be made in 2021 because of new regulations, resulting in fewer recalls of what we normally see on the tables. That said, with the lines between wearable health devices and medical devices becoming more blurred, we will likely see an upsurge of products in the medical recall tables that would have - only a short time ago - found themselves on the European Commission's consumer electronics Safety Gate recall tables.

ELECTRONICS

CONCLUSION

No sector could possibly be untouched by COVID-19, which has managed to affect almost everyone and everything in 2020. As companies look to 2021 and what lies ahead, they will undoubtedly hope that the worst of the virus is behind us.

But some manufacturers have benefited from changes in consumer behaviour brought about, at least in part, by the pandemic. How will they adapt as the very worst of the crisis begins to ease off?

We'll examine some of the key trends facing this diverse industry, from further issues with the supply chain to shifts in production locations to evolving consumer demand. At the same time, we'll shine a spotlight on the all-important issue of safety and explore the recall trends of 2020 and what to expect in a brand-new year.



“2020 saw a significant jump in electrical appliance recalls compared to 2019, with a 23 per cent increase being recorded.”

2020 OVERVIEW

2020 saw a significant jump in the number of electrical appliance recalls compared to the previous year, with a 23 per cent increase being recorded. With 225 recalls being recorded in total, the rise from 183 in 2019 may not seem large on paper but suggests increased use of these appliances, potentially linked to more people spending time at home.

Interestingly, the numbers rose from quarter to quarter - with 44 in the first three months, followed by 46 in Q2, then 53 in July, August and September before a much more significant jump to 82 in the final quarter of the year.

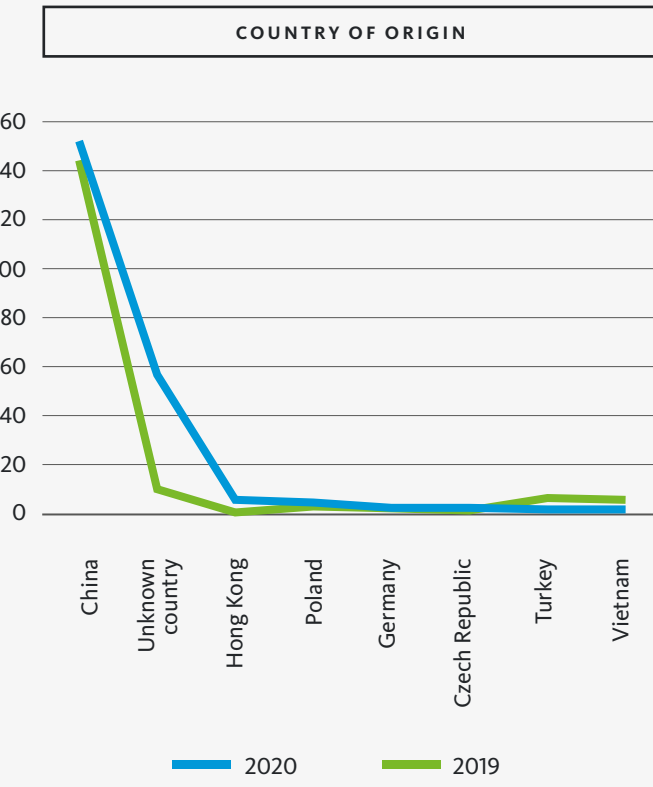
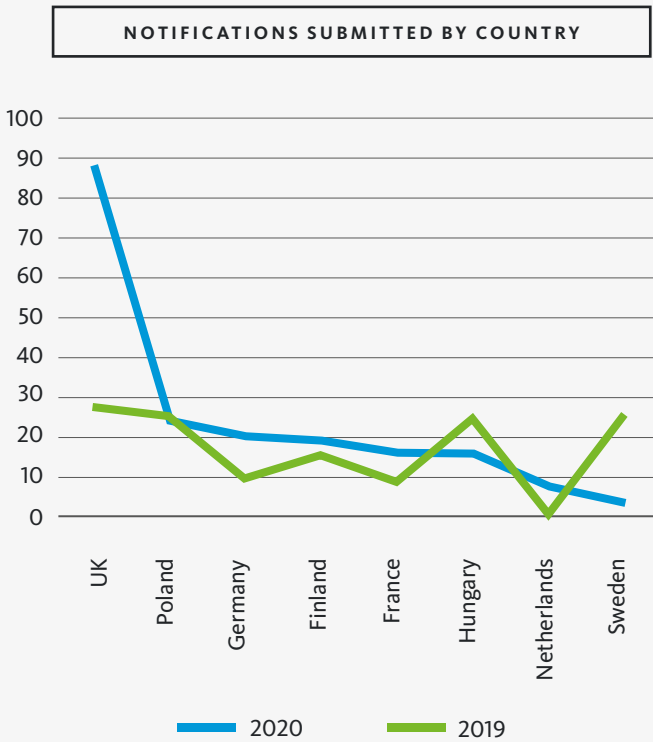
The most cited reason for recalls of electrical appliances was a fault in a circular saw blade, which was listed in nine of the 225 total recalls.

In terms of notifications, the UK was the top notifying country by far. In total, the UK submitted 88 recall

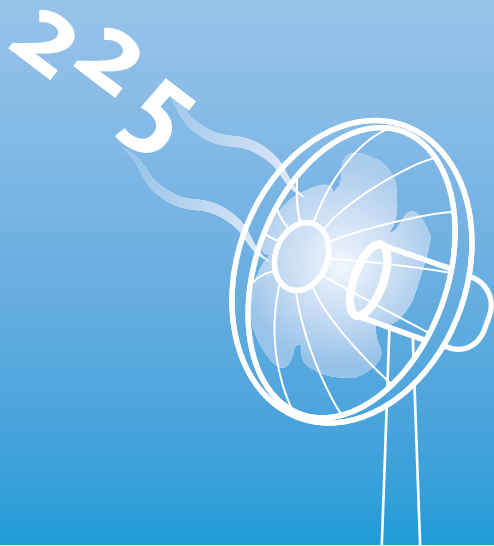
notifications, which represents 39 per cent of the overall number. By contrast, the UK only made 28 recall notifications across all of 2019.

More than half of the notifications made by the UK came in the last three months of 2020 - and other nations saw similar stories with Germany (20) and France (16) doubling their volume of recall notifications compared to 2019. Poland, which took second spot in the notification rankings this year, stayed largely steady in terms of raw numbers while Sweden was notable for recording an 88 per cent reduction on the previous year.

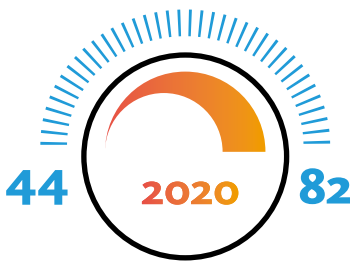
As is always the case, products made in China remain the most likely to be recalled. The Far East nation massively outstrips other countries, with their products representing over two thirds of all recalls in the sector. Compared to 2019, when 144 recalls were linked to Chinese products, in 2020 the number rose slightly to 152.



2020 saw a 23% jump of consumer electronic recalls, from 183 (2019) to 225 (2020).



Recalls of electrical products climbed steadily throughout 2020: 44 (Q1), 46 (Q2), 53 (Q3), 82 (Q4).



Whilst USB chargers remained the most commonly recalled electrical item in 2020, circular saw blades experienced the highest growth. Cited 16 times, this represents a 1,500% increase on 2019.

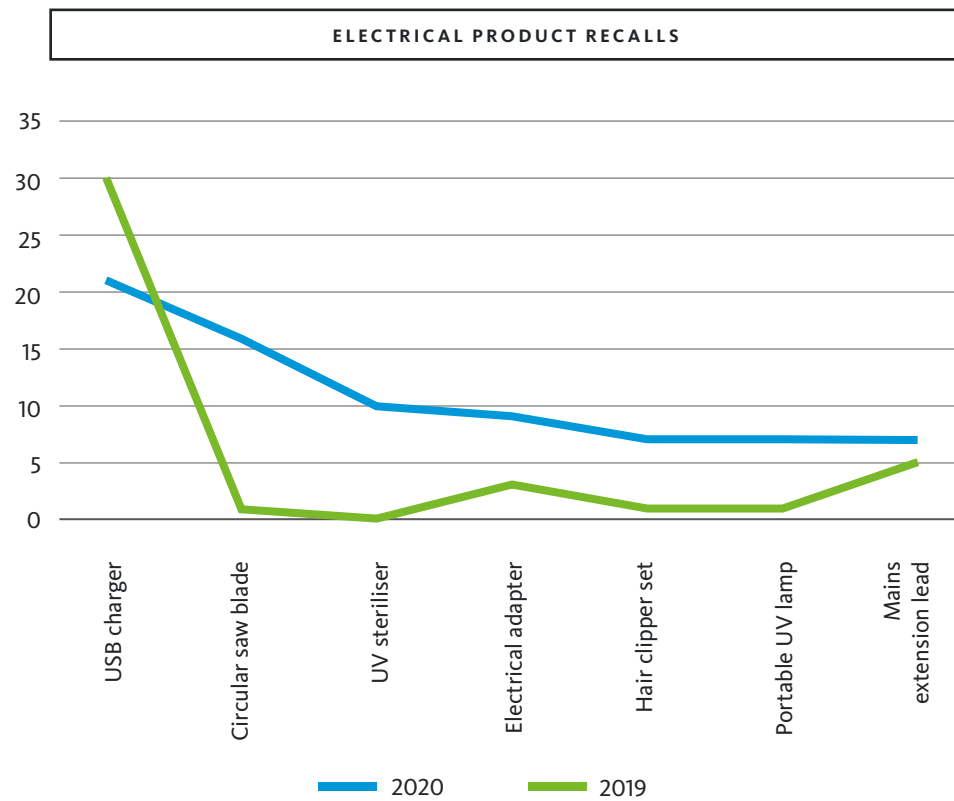


Highlighting the danger of counterfeit or untrustworthy products, a quarter (57) of products recalled came from an unknown country. Meanwhile, Hong Kong - which wasn't linked to any electrical appliance recalls in 2019 - saw five of its products recalled this year.

USB chargers remained the most recalled electrical appliance, albeit dropping from 30 instances to 21 in 2020. The fact the number of recalls related to this product dropped while overall electrical appliance recalls rose may be due to people being largely stuck at home, therefore less likely to buy additional chargers for a secondary location like a workplace.

Interestingly, circular saw blades - which were linked to just one recall in 2019 - leapt to the second most common product to be recalled, being cited 16 times. Just as this may point to an increase in demand for home DIY, so too may the jump in hair clipper sets (from one in 2019 to seven in 2020) hint at the heightened demand for personal grooming equipment.

Finally, and unexpectedly, electric shock was the leading cause of concern, being noted in 50 per cent of all recalls affecting the sector.



“ Highlighting the danger of counterfeit or untrustworthy products, a quarter of products recalled came from an ‘unknown’ country.”



ELECTRONICS DEEP DIVE

Sunlight – The Best Disinfectant?

As noted in the previous section, the impact of the pandemic meant people were spending more time at home – hence the increase in products linked to DIY and personal care. But while people were stuck in one place for much of the year, the fear of catching the virus has naturally been a constant throughout the pandemic.

One notable resulting trend was an increase in the sale of UV sterilisers. These were the third most recalled product last year, surging from zero recalls in 2019 to a total of 10 in 2020. While the year will rightly be remembered for society pulling together against COVID-19, as always there was a small minority who saw the pandemic as a money-making opportunity.

Marketed as a way to eliminate particles of the virus from items like bank cards and mobile phones, the reality is that using UV products can be unsafe. This is particularly the case when it comes to UVC, and – as highlighted by the BBC¹ – its efficacy against coronavirus is uncertain. Regardless, the advice is that use of such products requires specialist training, which most

consumers do not have. That does not stop those who are looking to profit from flooding the market with such devices, particularly within unregulated marketplaces. And with most people choosing to shop online in 2020, that risk heightened.

As is often the case in this sector, one of the biggest risks facing consumers is cheap, counterfeit products – and unscrupulous manufacturers who are willing to cut safety corners to try and make money, regardless of consequence.

Estimates suggest that “the global electronics industry experiences losses of approximately \$100 billion each year²” due to the sale of counterfeit electrical goods, a staggering figure. For businesses, it is a struggle to stop counterfeit products entering the marketplace – with that particular battle perhaps being better fought by authorities across the globe – but they can stem the tide by highlighting to consumers the health and safety risks associated with counterfeit products. One other area where manufacturers can improve is by keeping a closer eye on their own supply chain, to reduce the possibility of counterfeit components being used in otherwise legitimate products.

With UV sterilisers in particular, we would expect to see the number of recalls linked to this product type fall as the COVID-19 situation improves across Europe. However, it's sudden rise up the rankings shows how quickly counterfeiters move to capitalise on consumer trends.

Home is Where the Heart is

COVID-19 is not just a health crisis. The economic consequences of the pandemic have also been devastating. Across Europe, figures³ from August showed that a record 5.5million people had lost their jobs, while others were furloughed, often on reduced wages.

On the other hand, many people found themselves in more fortunate positions – able to save money due to working from home, spending less on meals out and, of course, on travelling to work and abroad for holidays.

And with people staring at the same four walls for much of the day, 2020 saw a renewed focus on home improvements. However, a consistent theme was that consumers were focusing their spend on items they ‘needed’ rather than ‘wanted’. That had a knock-on effect for consumer electronics, with many people instead focusing on household items like fridge freezers or washing machines rather than non-essential electronic items like new TVs or home computers.

That has had a sizeable impact on the consumer electronics market, with an article in Electronic Products & Technology⁴ citing a report that says total revenue will amount to \$213.8billion for the year, down \$14.2billion. It's not only what people are buying that has changed - it's how they are buying it. According to the same report, the European consumer electronics segment saw 29 per cent of its total sales occur online in 2019, but by 2023 that is expected to rise to 37 per cent.

¹ <https://www.bbc.com/future/article/20200327-can-you-kill-coronavirus-with-uv-light>

² <https://smartprotection.com/en/brand/counterfeit-electronics-send-shockwaves-on-black-friday/#:~:text=The%20global%20electronics%20industry%20experiences,sale%20of%20counterfeit%20electrical%20goods.&text=Brands%20selling%20smartphone%2C%20laptops%2C%20cameras,all%20suffered%20the%20negative%20effects>

³ <https://www.ft.com/content/180775b9-38c1-4511-812f-c84eafe0ab5>

⁴ <https://www.ept.ca/2020/12/pandemic-hammers-europes-consumer-electronics-sector/#:~:text=According%20to%20data%20presented%20by,amid%20the%20COVID%20D19%20outbreak>

LOOKING AHEAD TO 2021

From the Far East to Eastern Europe

In the year ahead, close attention will be paid to shipping costs. From November 2020 to January 2021, the FT¹ says that “the cost of shipping a 40-foot container from Asia to northern Europe has increased from about \$2,000... to more than \$9,000”. The reason for this, says Lars Jensen of SeaIntelligence, is one of demand - with a deficit of containers available and consumer demand beginning to increase.

Unfortunately, it is likely to be consumers who bear the brunt, with manufacturers passing on the costs. The combination of quality and price has put Asia at the top of the electronics supply chain leader board for some time, but the eye-opening fallout from COVID-19 may have left some manufacturers wary of putting all their eggs in the Far East basket.

Those fears over further supply chain disruption, combined with high freight costs, has led to predictions of European manufacturers diversifying their supply chain and bringing it closer to home. EC Electronics² predicts we will see production shift to Eastern Europe due to the lower cost of transporting across the continent, saying that while the location is “not as cost effective as China, the lower freight costs can balance out any price increases for goods.” However, EC Electronics also cautions against a complete move out of Asia, highlighting the need for companies to maintain a well-balanced supply chain.

Of course, no such decision is a simple one. As ING says, “components cross borders multiple times before reaching the point of assembly into a final product”, ultimately making it harder for supply chain diversification to occur.

With so many recalls in the electronics sector being attributed to products manufactured in China, it will be worth watching to see if there is a change in the coming months and years – if so, it will suggest that some companies have made supply chain adjustments.

Battle for Gamers to Dominate Consumer Electronics

The console wars recommenced in 2020, with Microsoft and Sony launching the next generation of their Xbox and PlayStation consoles respectively. And while the gaming machines were launched to much fanfare at the tail end of the year, supply has been incredibly tight, with European sellers seeing stock disappear within minutes – or even seconds – of going live.

The demand, of course, for these consoles remains huge, particularly with continued lockdown measures meaning people are still spending most of their days at home. That presents a huge challenge to the behemoth companies, who have faced criticism for a perceived inability to deliver on consumer demand.

Analysis by GlobalData³ highlighted that the terms ‘supply’ and ‘shortage’ were up 180 per cent in Sony and Microsoft’s 2020 filings - which the company says is a ‘staggering change’. Their report reserved criticism for the manufacturers, saying: “It is no surprise that the market is seeing console shortages. With a combination of strong pent-up demand, pandemic-triggered production and supply chain disruption... there were a lot of hurdles to jump”.

As a result of a slower than expected supply of consoles, the pressure is on both Sony and Microsoft to ramp up production throughout 2021 to help quell some of the unrest coming their way from consumers across Europe.

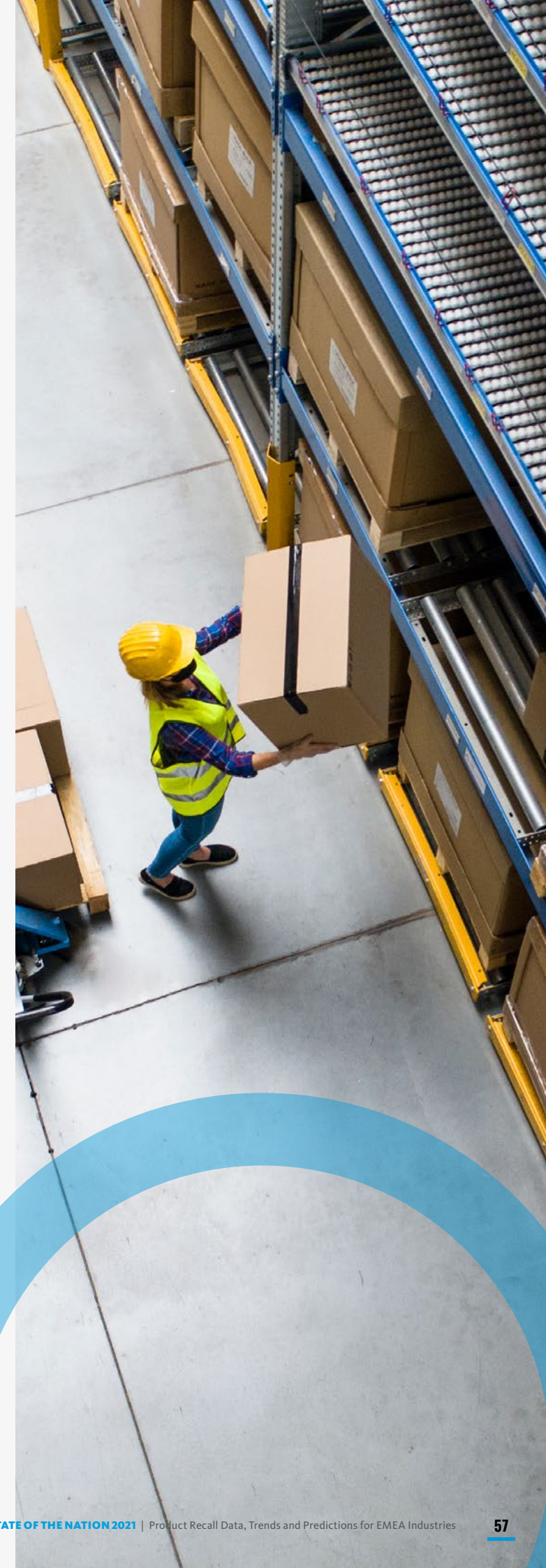
Beyond gaming, other consumer electronics will hope to see a resurgence in 2021 following a less than stellar 2020. McKinsey⁴, who think 2021 will be a year of transition, says that “as consumer confidence returns, so will spending, with “revenge shopping” sweeping through sectors as pent-up demand is unleashed”. Manufacturers of big-ticket items which fell down the shopping list last year, including smartphones, TVs and computers, will hope to be part of the spending spree.

¹ <https://www.ft.com/content/ad5e1a80-cecf-4b18-9035-ee50b6adfc6>

² <https://ecelectronics.com/news/international-electronics-supply-chains-what-lies-ahead>

³ <https://www.globaldata.com/supply-shortage-discussions-180-sony-microsofts-filings/>

⁴ <https://www.mckinsey.com/featured-insights/leadership/the-next-normal-arrives-trends-that-will-define-2021-and-beyond>



CONCLUSION

The electronics sector spans a wide cross-section of products, from tools to toys and from washing machines to wearables. In 2020, COVID-19 upended the industry – sending sales of some items soaring while sending others spiralling. As we move forward, we would expect to see those segments which suffered in 2020 rebound, particularly in the latter half of the year as consumer confidence grows due to the vaccine rollout and a much hoped for return to normality.

And while brighter days are nearing, manufacturers will be learning some key lessons from the pandemic and putting in place steps to avoid exposure to further unforeseen events. The supply chain is likely to be the key focus. With so much emphasis on the Far East, we would expect manufacturers to look to diversify their supply chain – investing in factories closer to home, albeit not necessarily in their own country. That, however, has a consequence for consumers who may see the price of products rise in the short term as adjustments are made.

One unexpected bonus may be that of safety. If OEMs can be closer to their supply chain in terms of geography, then it will be easier to identify potential pitfalls and avert issues before they reach the marketplace. Recalls, though, will be inevitable – and with online sales predicted to grow in the coming years, governments across Europe must work together to eradicate the risk of dangerous and counterfeit products reaching our shores.

“In 2020, COVID-19 upended the industry – sending sales of some items soaring while sending others spiralling.”





TOYS

2021 SNAPSHOT

This year is going to be an eventful one for toy manufacturers and their supply chains with major Hollywood studios looking to make significant inroads to their backlog of international releases. Similarly, the growth of Disney+ streaming will see movies reaching wider audiences, resulting in an upsurge in demand for the characters.

Out of all the industries impacted by the pandemic, the toy industry has remained resilient, just as it did during the economic downturn in 2007. At home learning has played a key role in its success during 2020, with parents across the world depending on toys for learning through play – a phenomenon which has been a constant in Europe for many years but has been elevated as crucial right now during the pandemic.

Learning through play is used in education and psychology to describe how a child can learn to make sense of the world around them. And with a renewed focus on how the pandemic is affecting children's mental health, education providers, medical practitioners and parents are expected to invest more time, resource and spend on toys that will support children's social development during unnatural lockdowns where they are cut off from social groups.

Before we go into the big key trends for toys in 2021, it is important to take a look back at 2020 to understand how this came to be and of course which toys were recalled during this time. Doing this gives us an insight into which toys are likely to reach the recall tables in the year ahead and of course what you, as a manufacturer or retailer, can do to protect your reputation if a recall happens and, in some cases, how to avoid them completely.

“As predicted, the most recalled toy in Q4 2020 was a “wooden toy”, in line with changing consumer awareness of the damage plastic waste is doing to the planet.”

2020 OVERVIEW

Over the course of 2020, there were a total of 602 recalls notified, down 6.6% on 2019 (645). As expected, toy recalls in Q4 were significantly higher than previous quarters with 262, following a similar upward trend as noted in Q4 2019 (224).

Interestingly the most common toy recalled in Q4 was a “wooden toy”. The reason we feel this is significant is because this time in 2019, we projected that demand for wooden toys would increase in line with changing consumer awareness of the damage plastic waste is doing to the planet and said that while the change may not happen straight away, it was certainly worth revisiting in a year. This formed part of our Q4 Recall Spotlight of 2018.

Choking was the most common risk type in Q4 2020 accounting for 74% of the total.

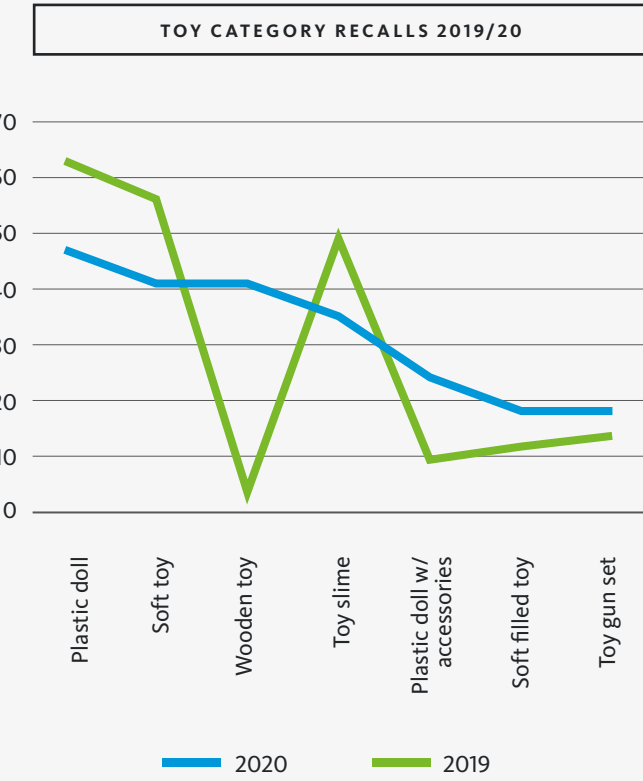
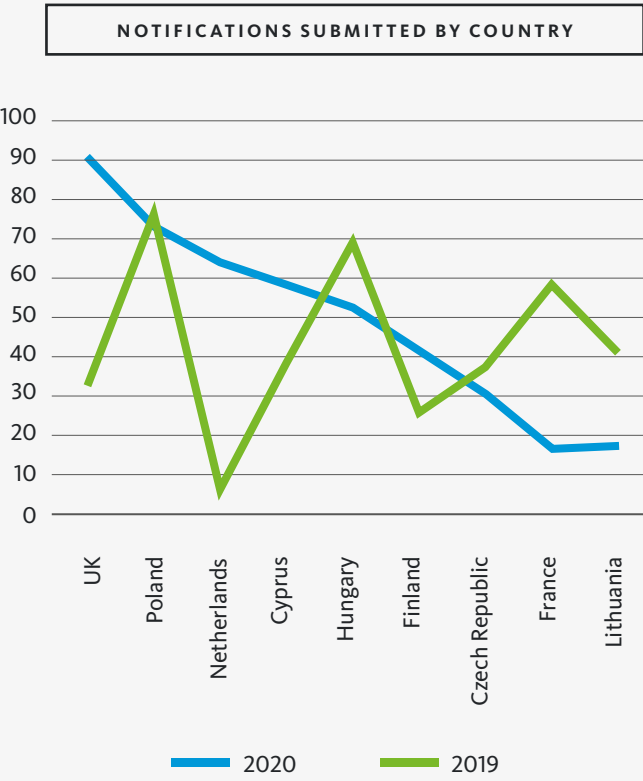
Looking at the year in its entirety, the United Kingdom was the country which notified most, totalling 91, compared to only 32 in 2019. Imports from China continued to cause a problem for the UK with 79% of

its total originating from the country (78% in 2019). The Netherlands, which notified only five toy recalls in 2019, submitted 64 in 2020. And it was the Netherlands who had the issue with the wooden toys, which represented 56% of its total notifications.

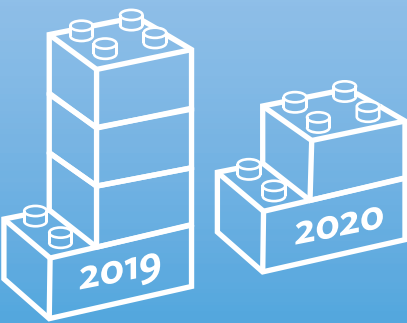
In contrast to the Netherlands and the UK, notifications from France more than halved in 2020 – down from 56 in 2019 to 26 in 2020.

As expected, toy slime and plastic dolls made an appearance on the tables with plastic dolls remaining the most recalled toy product for the year (47) down 25% on 2019. Recalls of toy slime were down by 28.5% and all were notified for chemical risks.

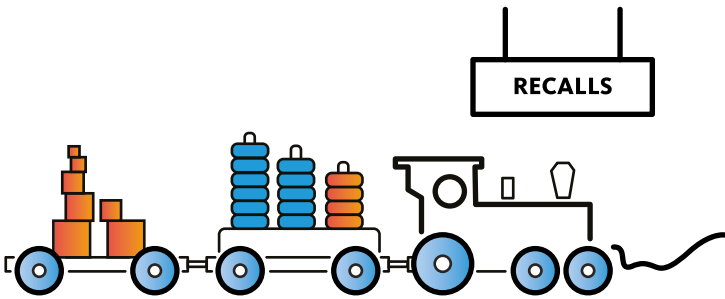
Chemical risks, while down by 17.2% YoY, remain a cause for concern because they correlate with upcoming buying trends (namely plastic dolls and characters) and with the likes of Disney+ and Hollywood preparing for a bumper year of movie releases, we expect to see a surge in demand for these types of toys.



Compared to 2019, **total annual Toy recalls fell 6.6%**, whilst like-for-like **recalls in Q4 2020 increased 17%**.



Wooden toys were the **most recalled item** of the sector in Q4, increasing 1,267% from just 3 (in Q4 2019) to 41 (in Q4 2020).



The **UK was the top notifier** of toy recalls in 2020 with 91 (an increase of **184% on 2019**).



TOYS DEEP DIVE

We know that Hollywood and Disney+ are going full throttle in 2021, which is to be expected after the demise of the traditional cinema experience. According to MOVIEWEB.com¹, children across Europe managed to enjoy six anticipated family films before we plunged into lockdown. And it wasn't until July that we saw any green shoots for the cinematic experience, but it was limited at best with many parents deciding against taking their children to the movies for fear of exposing the family to the virus unnecessarily.

COVID-19 had a substantial impact on the film industry, had a mirrored impact across all art sectors. As movie theatres closed, so did pretty much everything else that had anything to do with family entertainment outside of the home.

The global box office dropped by billions of dollars, and streaming became more popular due to circumstance. The Eight Hundred was the highest-grossing film of 2020, earning \$468 million world-wide. This is the first time since 2007 (global recession) that the top grossing film of a given year has earned less than \$1 billion.

A worthy comparison in children's films is this: the opening of Captain Marvel in March 2019 earned over \$153 million, while Onward grossed \$39 million in 2020. The importance of sales in merchandise – namely toys – related to these movies is critical, and 2020 crippled both.

As we move into 2021, and the big companies hit the reset button, children will ramp up the pester power, which will result in a surge in spend on characters from these new family films. With this will come a swell of counterfeit merchandise which countries, manufacturers and retailers will need to watch out for because it is in this space that we are likely to see issues relating to product safety. And if they don't measure up to trading standards in Member States and of course the United Kingdom, these consignments will be stopped at customs, refused entry and in many cases destroyed. The knock-on effect of this happening is that customers will be let down, as will the retailers, but it will also cast a shadow on the buying experience for many parents who will approach with caution once stories begin circulating in online forums and mainstream news titles about faulty, substandard or dangerous products.

¹<https://movieweb.com/movies/2020/children/>



LOOKING AHEAD TO 2021

Over the course of 2021 there will be three key trends to think about:

1. **A renewed passion for baby dolls, in line with Baby Born's 30th birthday celebrations**
2. **Learning through play, complementing the work education providers and medical practitioners are doing to support children's positive thinking during lockdown and recovery**
3. **Diversity, equity and inclusion toys that foster inclusivity in children**

Let's explore each one.

Passion for Baby Dolls

Baby Born and its undeniably catchy jingle will once again be among the most sought-after toys for children. Unlike years gone by, Baby Born will have a whole new appeal to many eco-conscious parents with the brand set to launch a new line of dolls complete with sustainable packaging.

In an article by ToyNews¹, creators confirmed that they have a renewed focus on how its products and packaging can be more sustainable to protect the future for the children who will play with them now - an inspiring approach. From early 2021 they are introducing plastic-free packaging across all core products and new lines and will roll it out across the entire product range.

This chimes with many companies in the FMCG sector and is in direct response to the wishes of their buyer market – nodding to the fact that it reflects what parents and children want from them.

This is a company with good intentions and is acting on them, however, the downside here is that unfortunately, copycats will be waiting in the wings to produce a similar product which they will try and bring to the market at the very same time, designed to entice consumers to

choose a similar product that will help them save some cash. And with plastic baby dolls being the most recalled product in the toys category since records began, it is going to cause problems for retailers who don't have rigorous supply chain monitoring systems in place, and the consumer who will look to online shopping platforms like Amazon for competitive pricing and convenience.

Learning Through Play

The importance of play has been studied by psychologists and scientists for over 100 years and has proven to help with children's cognitive development. However, many studies suggest that indoor play can be disadvantageous to children's growth.

Education providers and medical practitioners are actively encouraging children to spend more time outdoors both for physical and mental health reasons. This is nothing new. But what does this mean for those manufacturing and selling children's toys during and after a pandemic? The answer is that children have been forced to remain indoors for several months now, and with spring on the horizon, and with little to no understanding as to when the lockdown will end and life will go back to normal, parents will continue to invest in play equipment for the garden that will support children with their mental and physical wellbeing.

We have talked in detail about wooden toys making a comeback, and that will continue well into 2021 with families creating outdoor play areas including wooden garden houses, climbing frames, swings and more.

The surge in demand for these items will reach its peak in summer, but we can expect to see a sharp rise as early as February/March, as families prepare for another summer in the garden. Manufacturers and retailers should remain poised for a rise in demand, but they must also be careful of making swift changes to their supply chains to keep pace with demand, as this is where the risk of a recall sits. It is crucial that you consider every move you make, as it could be the difference between you making a healthy profit, or a substantial loss.



Diversity, Equity and Inclusion

This is not exclusive to your industry. Most industries are looking closely at their DEI practices and how their products reflect their ambitions in this area.

The importance of embracing DEI is crucial to the success of any brand, business or product because it results in a better experience for everyone – namely customers and staff. But it also plays an important role in a business's overall financial health. Forbes² ran an article on this very subject in February 2019, saying that cultivating a diverse employee population where everyone feels able to bring their best selves to work is not only the right thing to do but it's also better for business. This is also true when it comes to products.

In a report by Linchpin³, it said that diversity does not only apply to visuals, and more games are being adapted

for blind players, much like the card game Uno, which is now printed in braille. Lego is now offering audio guides. And it is this innovative and inclusive approach that is going to transform both the toy market and the lives of the children who will rely on it.

That said, DEI is a serious subject and any NPD should be tested and researched rigorously before it is brought to market. Similarly, if you don't walk the walk at board level, then you really should consider whether you are ready to move forward with products which support DEI. And while there is no column in the data tables to reflect DEI toys, we believe it is only a matter of time before we begin to see toys making the tables because they are not fit for purpose because they are offensive or portray an inaccurate representation.

¹<https://www.toynews-online.biz/2020/12/10/doll-sector-trends-will-play-key-roles-in-2021-and-beyond-says-zapf-creations-uk/>

²<https://www.forbes.com/sites/rebekahbastian/2019/02/25/corporate-dei-initiatives-are-good-for-everyone-including-you/?sh=5d21886566c3>

³<https://linchpinseo.com/trends-shaping-the-toy-industry/>

CONCLUSION

It can be easy to get swept up in positive global trends that could see you make a positive return in the short term, but it is crucial that you know without any shadow of doubt that your supply chain and business operations are in step – because as recall experts and consultants who have worked with global manufacturers and their supply chains for over 20 years, we know the potential pitfalls that lie ahead.

There's a lot to gain in 2021 with the likes of the movie industry primed to provide, but vigilance will be key, not just for you, but for your entire customer base.

“The importance of embracing Diversity, equity and inclusion is crucial to the success of any brand, business or product because it results in a better experience for everyone.”

CLOTHING

2021 SNAPSHOT

The aftermath of the pandemic may be felt in the global fashion industry until at least 2022, with many fashion houses and high street retailers citing their supply chains have been decimated over the last ten months.

A new report published by McKinsey¹ in late December said that declining sales, shifts in consumer behaviour and disrupted supply chains mean that fashion companies will suffer a 90% decline in economic profit, following a 4% rise in 2019.

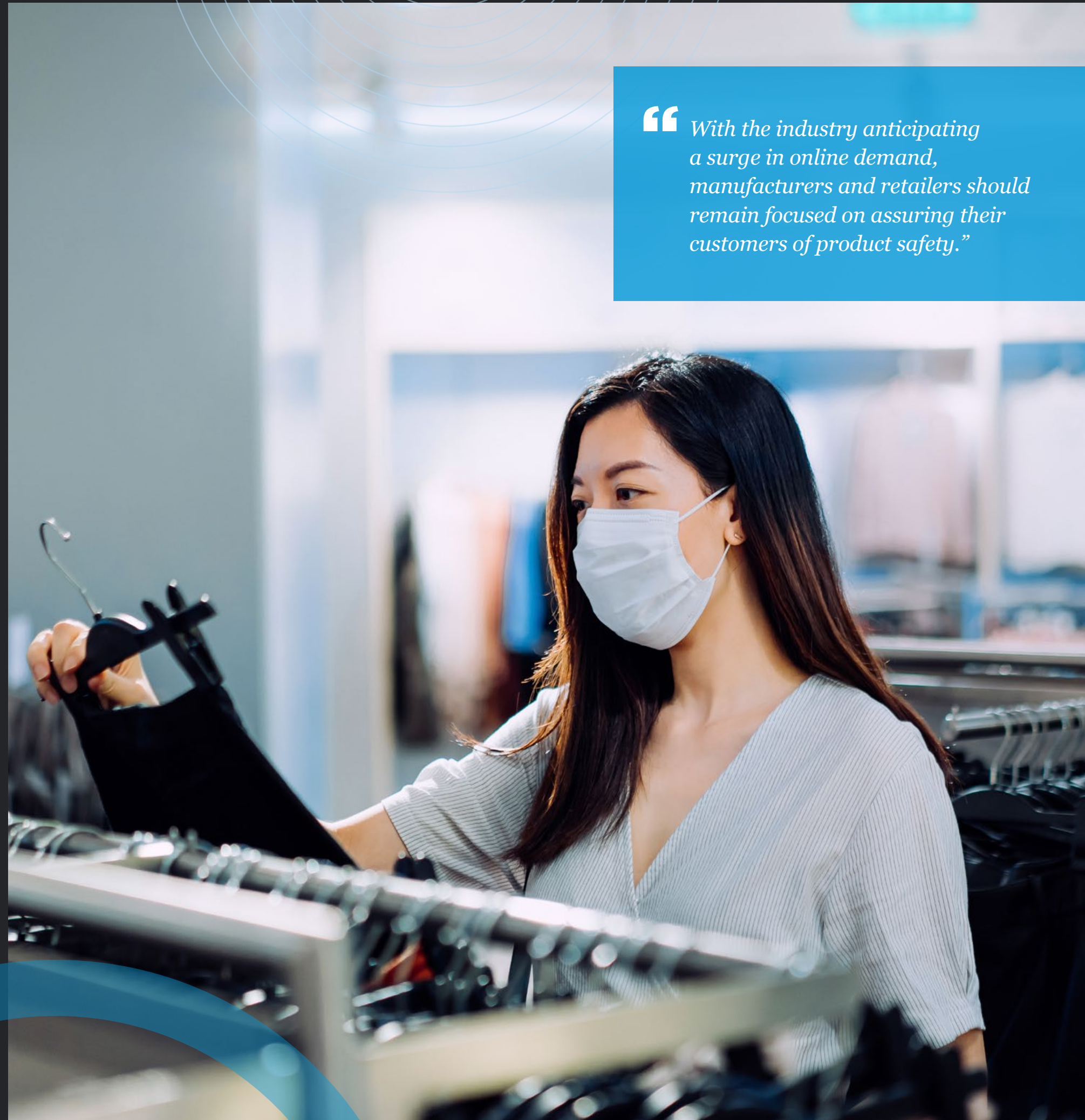
That said, online sales have grown exponentially; a trend that is unlikely to go away as Europe embarks on another year of uncertainty. This is a silver lining for the clothing industry, but it comes with issues that consumers won't fully understand or see coming, including problems that arise from supply chains under severe pressure because markets are in different stages of lockdowns, limiting timely supply and production.

Consumers are aware, however, of humanitarian issues related to unfair treatment of low-paid workers across the fashion value chain and we suspect this renewed solidarity for these workers will continue well into 2021 and beyond.

There was a major exposé on one of the world's powerhouse producers which fed into the narrative around fair working conditions for labour forces, and we'll examine this in greater detail later in the report. First though, we must take a short look back at 2020 to understand how recall data from last year will help Europe plan for the year ahead.

¹https://www.just-style.com/analysis/10-trends-set-to-shape-the-fashion-industry-in-2021_id140207.aspx

“ With the industry anticipating a surge in online demand, manufacturers and retailers should remain focused on assuring their customers of product safety. **”**



2020 OVERVIEW

Although last year may seem to be an aberration, there are major learnings we can all take from 2020, which will help us carve out a road to recovery in 2021/22 – especially around recalls.

In 2020 there were 142 recalls in the clothing category, down 17.4% on 2019 (172). This is not a particularly sharp decline and the types of items recalled were like previous years – namely children’s items.

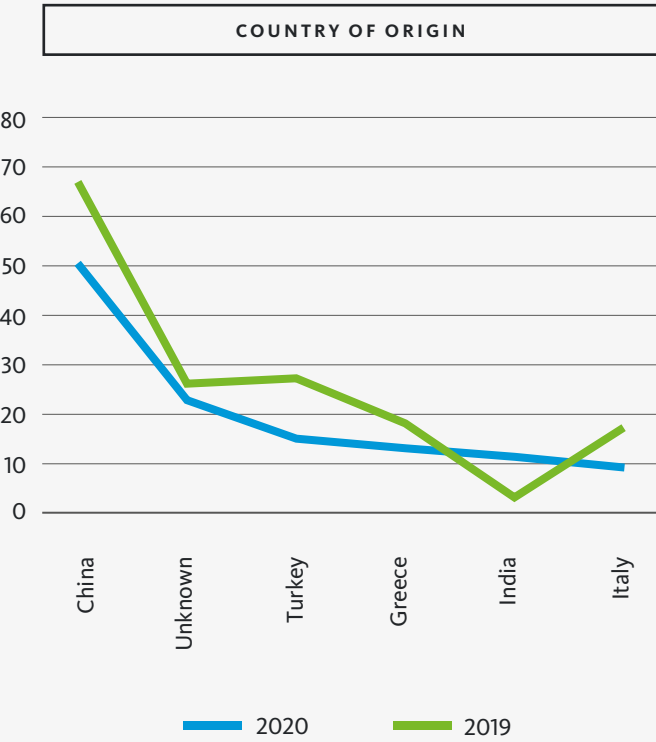
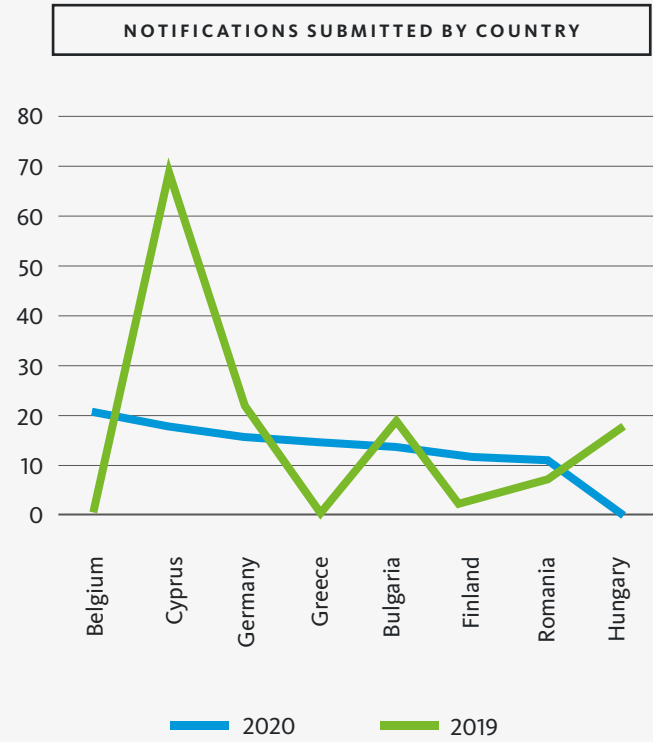
Interestingly, clothing recalls were low until we hit Q4. This period saw 57 separate notifications - down slightly on 2019’s 64 items in Q4 – representing 40% of the year’s total. We know that many countries were slower to report in 2020, which could be due to slower administration processes in line with national lockdowns and furlough schemes which were rolled out across the continent.

The most recalled items in 2020 were children’s sweatshirts (9) and children’s clothing sets (9). However, the notifications that interested us most were for spectacle frames (8) which peaked in the tables in Q2. Our team wrote a detailed blog about this at

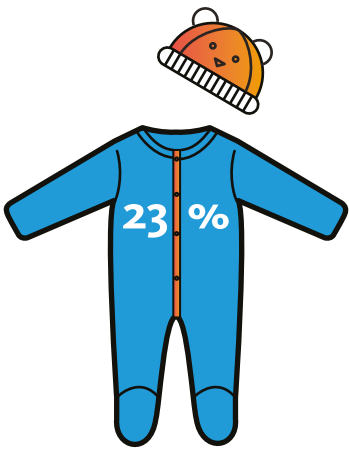
the time, stating the potential hazards around nickel contamination which could trigger an allergic reaction. We homed in on these because they related to high end, authentic sunglasses which we have never seen on the recall tables. That said, they didn’t reappear again over the course of 2020 and we do not anticipate seeing a spike in recalls like this in 2021.

We compared seven countries and found that Belgium notified most (21) representing 15% of total recalls. However, it was Cyprus who experienced the biggest fluctuation, notifying 18 times compared to 70 in 2019 – 32 of which were for children’s sets.

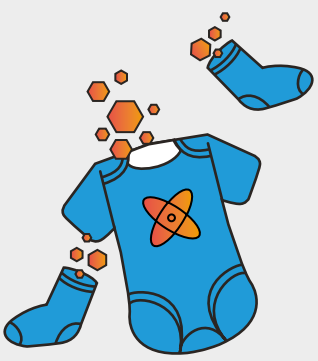
The common denominator in clothing recalls is children’s items and that is likely to remain the same as we move into 2021. That said, with supply chains struggling to cope with demand and the industry anticipating a surge in online demand, manufacturers and retailers should remain focused on assuring their customers that their supply chain is fit for purpose – both in terms of product safety and of course human rights obligations.



Clothing recalls remained low throughout the first 9 months of 2020 (averaging 28 per quarter). Q4 saw this figure **rise to 57** (40% of the annual total)



Children’s clothing was the **most recalled** in the sector, accounting for 23% of 2020 recalls. This comes despite a 76% decline in “children’s dresses” YoY (from 29 to 7).



Chemical faults were responsible for the greatest number of recalls in 2020 (30%), **increasing 34%** from 2019.

CLOTHING DEEP DIVE

As with 2020, we fully expect clothing originating from China to remain the most likely to be recalled. The reason for this is because that has been the case for some time. Apparel from China represented the lion's share of recalls in 2020 (36%), and in 2019 (39%).

In contrast though, notifications related to clothing from India are on the rise – 11 in 2020, compared to just three in 2019. It remains to be seen whether this is a trend that will continue, however we will keep an eye on this as the months progress and update you as and when it becomes clear.

Products from unknown countries remained consistent – 23 in 2020 versus 26 in 2019.

As predicted in our previous reports, chemical faults are on the rise and we expect this to continue well into 2021 until the industry takes charge of its use of chemicals during manufacturing. There were 43 separate notifications for this risk, up from 32 in 2019 – when chemicals was the third most common reason.

Vogue Business¹ wrote on 7 January 2021 that the industry is working towards a circular business model,

but recycling could carry risks unless the industry deals with the chemicals used in production.

Chemicals and their impact on the consumer and the environment will remain in the headlines and front of consumer minds until it is addressed, and so too will the human cost.

One of the major industry apparel news stories of 2020 was an investigative report on the half a million Chinese workers who were reported as being forced to pick cotton in the Xinjiang region which supplies a fifth of the world's cotton. Many retailers and manufacturers are choosing to boycott the area.

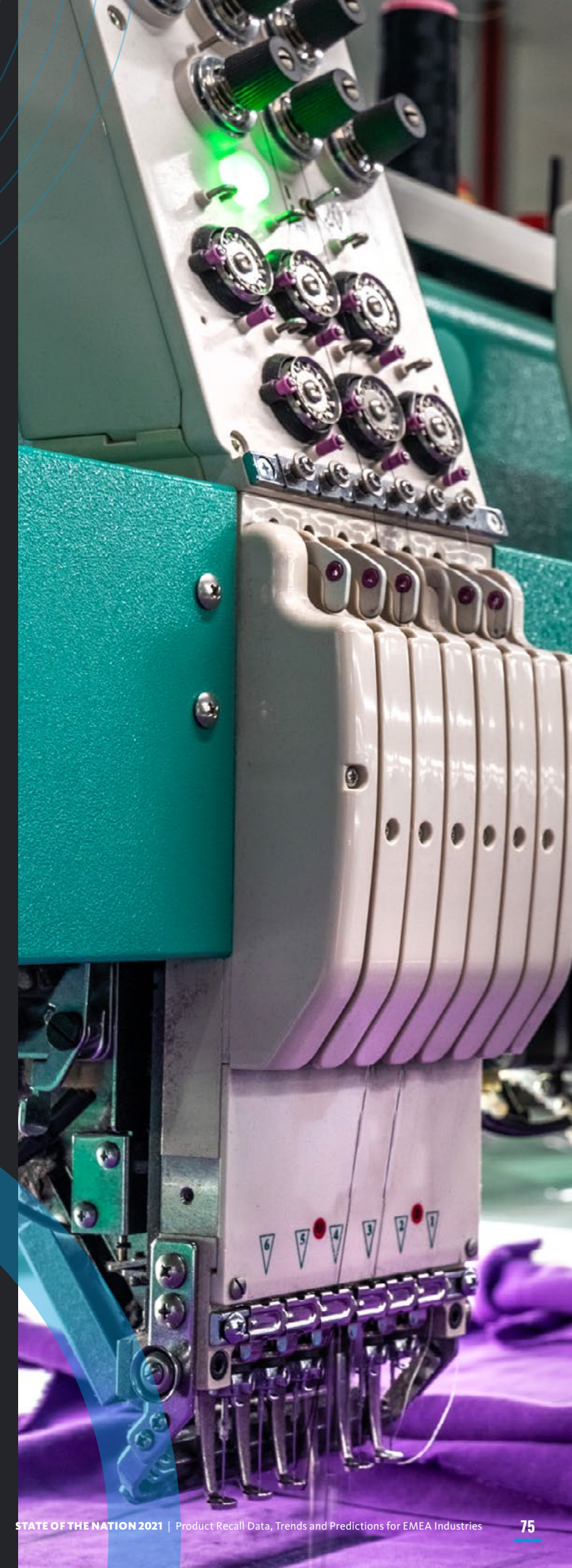
An article published by the BBC² reported that UK firms doing business in China will face fines if they can't show their products aren't linked to forced labour in the region. And campaigners are pushing for the law to go further.

Many large high street chains have signed onto a call to action on human rights in the region. The call to action was created by a coalition of civil society organisations and labour unions who want to end abuses against Uighur people.

Similarly, the US banned all cotton and tomatoes from the same area which could see major global companies rework their multinational supply chains to which China responded, demanding that Washington lift the ban because it was “the lie of the century.”³

In December 2020, The European Union condemned the human rights situation there and adopted a resolution which could see it follow in the footsteps of the US and the UK. These bans will of course have a direct impact on supply and demand in 2021.

¹<https://www.voguebusiness.com/sustainability/the-hidden-obstacle-to-circular-fashion-chemicals>
²<https://www.bbc.co.uk/news/business-55638566>
³<https://apnews.com/article/race-and-ethnicity-global-trade-forced-labor-china-asia-pacific-5363044fb748abe9a06403196939fea>





LOOKING AHEAD TO 2021

Over the course of 2021 there will be two key global movements to think about:

- 1. **The stratospheric rise of online shopping across Europe and North America**
- 2. **Human rights and good corporate citizenship practices among retailers**

Let's explore each one.

E-commerce 2021

The number of digital buyers across the world climbs every year. In 2019 an estimated 1.92 billion people bought goods online. And E-commerce is the fastest growing segment of the retail market in Europe and North America.

In a report published by the Centre for Retail Research¹, it stated that the coronavirus pandemic has brought forward higher levels of online sales (that were expected in 2021, or 2025 in some cases) to 2020. As a result, it is expected that total combined e-commerce sales across the UK, Germany, France, the Netherlands, Italy and Spain will subsequently dip in 2021 to £281.1 billion (down 4.4% from £294.2 billion in 2020).

This projection was made in July 2020, a few months before many European countries were plunged into their second national lockdowns. As the pandemic continues to engulf countries across Europe, it is likely that online sales in 2021 will continue on the same upwards trajectory as 2020.

Online shopping has been a gift to millions during the pandemic and for the businesses who simply would not have survived without it. In a report by Internet Retailing² it said that more than 85,000 businesses launched online stores or joined online marketplaces from March until July 2020. This followed reports that over 750,000 businesses had to close their doors under COVID-19. Businesses diversified to survive.

Consumers are aware of the potential pitfalls of buying online – namely fraud resulting from making payments to unsecured web pages and indeed counterfeit goods. It is the fake goods that would result in a recall. This is not just an issue for the consumer, it's a problem for the retailer too, because the pandemic has stretched supply chains, pushing them to look outside their comfort zones to meet demand.

“ More than 85,000 businesses launched online stores or joined online marketplaces from March until July 2020. This followed reports that over 750,000 businesses had to close their doors under COVID-19.”

¹ <https://www.retailresearch.org/online-retail.html>

² <https://internetretailing.net/covid-19/covid-19/85000-businesses-launch-online-shops-as-bzc-and-bzb-e-commerce-surge-in-lockdown-21639>



Good Corporate Citizenship

Practice what you preach will be a key theme for 2021. Already this year, the likes of Disney took the decision to update its Jungle Cruise ride because it has negative depictions of indigenous peoples following long standing accusations of racism.

An article published by The Independent Newspaper³ on 28 January said that the ride first opened at Disneyland in 1975, and was described as a scenic and comedic boat tour of exotic rivers across Asia, Africa, and South America. However, it has long been criticised as racist and culturally offensive. Yet, it has taken 46 years for the company to address it.

Disney Plus now shows a warning for six movies that contain stereotypes.

Looking at the fashion industry, over the course of 2020, many critics voiced the need for change, saying that underrepresentation, tokenism and overt racism have been recurring themes in the industry for some time. An article in Raconteur⁴ highlighted that this lack of racial diversity in fashion has real costs too, with many brands taking a hit for getting it wrong. Brands have been boycotted and suffered recalls as a direct result. The importance of getting this right could not be higher. Fashion companies, retailers and any business involved in the supply chain cannot afford to make mistakes that offend and alienate audiences right now. And it is only a matter of time before we start seeing more recalls reach the European tables for getting it so very wrong.

³<https://www.independent.co.uk/news/world/americas/disney-jungle-cruise-racist-ride-b1793077.html>

⁴<https://www.raconteur.net/hr/diversity-inclusion/diversity-fashion/>

CONCLUSION

While the fashion industry will face significant challenges to regain margins lost in 2020, it will benefit from acting upon positive corporate social responsibility. As one of the world's most influential industries, it has an opportunity to make real positive changes that will benefit wider society and they will be applauded for it, resulting in positive financial growth.

However, with these opportunities comes risk. As we have outlined above, preaching and doing are two very different things and many companies have experienced a backlash for getting it wrong, or for not living by their

corporate values – procuring textiles or materials from areas where human rights have been sacrificed for financial gain.

We have said that we anticipate a change in the recall tables relating directly to online shopping habits and indeed where items are offensive to minority groups. It should be noted that we are not saying that this will happen overnight, however, it is only a matter of time before these risks to morality make their way onto the Commission's radar and you need to be prepared for that.



ABOUT SEDGWICK BRAND PROTECTION

When your reputation is on the line, we put our 20+ years of global experience on 5,000+ recalls affecting 500MM+ units to work for YOU. No one knows more about the recall and regulatory process than we do.

Through that lens, we've seen industries evolve based on changing legislation, advancements in technology, shifts in consumer preferences and behaviors, and the growing complexities brought about by the transformation of supply chains.

But we haven't just watched it, we've been part of it. We've helped companies around the world prepare for and adapt during some of the most challenging events in their history.

So while we predict continued change in 2021 (and beyond), it's nothing we haven't seen or dealt with before. In fact, it's often that these events, even what feels like a devastating product recall, offer opportunities to demonstrate trustworthiness and to build greater customer loyalty.

Sedgwick's extensive brand protection resources, combined with our unmatched experience handling thousands of recall and remediation events, give us a unique perspective on the risks, challenges, and often overlooked opportunities associated with all types of reputational threats.

Sedgwick brand protection's quarterly Recall Index reports guide businesses to make better decisions when it comes to recall, by providing detailed industry analysis underpinned by data. Previous reports are available for you to download:

Q3 2020 European edition: [download here](#)

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Website: sedgwick.com/brandprotection

Telephone: +44 3333 000 901

Email: brand.protection@sedgwick.com



STATE OF THE NATION 2021
PRODUCT RECALL - EMEA INDUSTRIES

Website: sedgwick.com/brandprotection

Telephone: +44 3333 000 901

Email: brand.protection@sedgwick.com

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