

*The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar*

Product Recall Delays and Product Cycles

by

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Date: 11 October 2019 (Friday)
Time: 2:30pm - 3:30pm
Venue: M802, Li Ka Shing Tower
The Hong Kong Polytechnic University
(Conducted in English)

Abstract:

When a safety defect occurs, manufacturers often use product recalls to mitigate potential consequences. Although consumers expect on-time recalls for product defects, our observation with respect to recalls in the automobile industry suggest that firms may severely delay their recall decisions. In particular, when a firm receives complaints/notifications of a potential defect, the firm makes the following decisions in a recall process: how long an investigation takes (which can, at times, be manipulated), and when to issue a recall. In this paper, we construct a stylized model for a profit-maximizing manufacturer by endogenizing a product's sales pattern into these decisions, and then study how firms make recall (delay) decisions. We find that when a firm cannot manipulate its investigation time, it is more likely to delay a recall when the defect is noticed at an early stage of the product cycle. However, when the firm can manipulate its investigation time, it is likely to try to hide by prolonging the investigation time. Next, we make suggestions to mitigate the delay and/or the delay duration.

Bio:

Professor Hsiao-Hui Lee is a Professor in the department of Management Information Systems at the National Chengchi University. She received her Ph.D. in Operations Management from the Simon School at Rochester University, where she examined issues in service and healthcare areas using stochastic models. Her current research interests switched to empirical operations management in the context of supply chains, innovation, and sustainability. Her work has been published on leading journals such as *Management Science*, *Operations Research*, *M&SOM*, *POM*, *ISR*, and *Review of Economics and Statistics*.

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All are welcome!