

When the whole is greater than the sum of its parts: chunking versus slicing product recall

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Abstract

The growing number of product recalls represents an ongoing challenge for managers. Existing studies on the impact of product-harm crises strictly focused on the consequences of recalls but little attention has been paid to how the firm implements the recall. Our goal is to fill this gap by looking at two different recall strategies: announcing one large recall (chunking recalls) versus announcing several smaller recalls caused by the same product-harm crisis (slicing recalls). Using the National Highway Traffic Safety Administration (NHTSA) data from 2006 to 2017, we find that, on average, it is advantageous to use a chunking strategy. The exception is extremely large recalls, for which the slicing strategy proved less detrimental to firms' market value. In addition to making theoretical and managerial contributions to the product-harm crisis literature, our study also offers practical guidance to managers on how to announce negative corporate news to the public.

Keywords: *product recalls; corporate communications; marketing-finance interface*

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