

A Digital Food Safety Management System (FSMS) Can Help Prevent the Financial & Reputational Losses Related to a Foodborne Illness Outbreak

A serious foodborne illness outbreak can be business-ending, especially for smaller chains and independent restaurant operations. But even if a food safety incident doesn't put the brand totally out of business, it will leave them bleeding money. Such outbreaks incur a wide range of costs, including:

- Productivity losses from workers too sick to work
- Health department inspection fees and fines
- Hospitalization and healthcare costs
- Consumer litigation and legal fees
- Worker retraining costs
- Risk-related insurance premium increases
- Lost revenue due to lost customers



That last point may be the most important: **a good FSMS is critical to retaining customers in the first place.** No one goes back to a restaurant where they got sick, and neither will any of their friends, family members, or contacts who hear about the outbreak through channels like social media or the news. But it is the totality of costs that are truly devastating, and most foodservice operations likely

underestimate the sheer extent of costs they'd face in the aftermath of a foodborne illness event. A 2018 study published in the journal *Public Health Reports* simulated foodborne illness outbreaks of varying sizes to determine what costs they would incur.ⁱ

Researchers from the John Hopkins Bloomberg School of Public Health found that costs ranged from almost \$4,000 up to \$2.6 million,

depending on how many customers fall ill, the degree of impact on the organization, and the type of operation (fast food, fast casual, casual dining, or fine dining). See the chart on the next page.

"Even a small outbreak involving five to 10 people can

have large ramifications for a restaurant," says Sarah M. Bartsch, research associate at the Global Obesity Prevention Center (GOPC) and lead author of the study.ⁱⁱ In other words, even a smaller outbreak that results in only five consumers getting sick, with no loss in revenue, no litigation or legal fees, and no regulatory fines or penalties, can *still* result in thousands of dollars in costs.

Example Aggregate Costs of Foodborne Illness (Fast Casual Restaurant)

	Severity of Outbreak (No. of Customers Who Fall Ill)					
Outbreak Impact	5	15	50	100	150	250
Very Low Impact	\$6,330	\$6,504	\$7,183	\$8,113	\$9,121	\$11,085
Low Impact	\$37,750	\$37,940	\$38,579	\$39,592	\$40,571	\$42,470
Mod. Impact	\$146,248	\$152,214	\$173,027	\$202,886	\$232,542	\$292,467
High Impact	\$1,773,644	\$1,786,000	\$1,829,056	\$1,890,279	\$1,952,502	\$2,075,028

As the impact of the incident grows, the costs skyrocket.

Costs associated with a foodborne illness outbreak can skyrocket very quickly. With a 250-person outbreak and 100 meals lost per illness, for example, costs could be as much as \$2.2 million for a casual-dining restaurant, and \$2.1 million for a fast-casual restaurant, amounting to an estimated 101% of annual profits and revenue.

"Many restaurants may not realize how much even just a single foodborne illness outbreak can cost them and affect their bottom line," says Bruce Y. Lee, MD, MBA, executive director of the GOPC. "Paying for and implementing proper infection control measures should be viewed as an investment to avoid these costs which can top a million dollars. Knowing these costs can help restaurants know how much to invest in such safety measures."

Many owners and executives at restaurants and other foodservice organizations harbor a view of food safety that belongs to an era long past. "Thirty years ago, if you had a little problem, you were not going to get discovered," says David Acheson, former associate commissioner for foods at the U.S. Food and Drug Administration. "Now

the chances of getting caught are significant, and it can be the end of your company."ⁱⁱⁱ

These aren't even all the associated costs. Often, the greatest expense in the aftermath of a foodborne illness incident is in *marketing*, as the brand must pour resources into sustaining and reviving a battered reputation.

Many restaurants may also see a reduction in food safety claims and possibly insurance premiums thanks to a more effective FSMS, due either (or both) to better food safety practices and stronger documentation showing the foodborne illness claim was not due to the activities of the restaurant.

According to one study, insurance rates can increase by as much as 75% after a foodborne illness outbreak.^{iv} More specifically, while a

"very low impact" event might result in only a minor 5% insurance increase on top of a modest annual insurance premium of \$545 for a small restaurant operation, a large operation with a \$6,280 annual insurance premium experiencing a "high impact" event could see insurance rates nearly double.

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Bruce Y. Lee
Executive director of the GOPC

ⁱ <https://journals.sagepub.com/doi/10.1177/0033354917751129>

ⁱⁱ <https://www.sciencedaily.com/releases/2018/04/180416085950.htm>

ⁱⁱⁱ <https://fortune.com/longform/food-contamination/>

^{iv} <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5958383/>



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