

Rule The Rules: Take Control Of Regulatory Compliance Requirements

Regulatory compliance is not episodic or part of a process.
Learn why compliance is no longer optional.

by Sue Welch

To truly improve the safety and quality of goods and minimize the cost, delays, and risk associated with noncompliance, meeting applicable rules must be incorporated into the very inspiration and design of products that retailers deliver and be a core consideration across their entire supply chain. As regulations continue to evolve and become more stringent, compliance is no longer optional; it requires more than just following of various checklists. In the process of bringing merchandise to market, retailers and their partners must work collaboratively to guard against the risk of terrorism, ensure illegally sourced materials are not used in merchandise sold, and guarantee children's goods are free from harmful substances.

Trio Of Regulations, Trio Of Responsibility

At present, "10+2", CPSIA, and The Lacey Act are three of the most common regulations affecting retailers. Recent tragedies illustrate the increased risk of terrorists using our global transportation network to breach security and deliver weapons to the United States. To counter this threat, the introduction of a new Importer Security Filing (ISF), known as the "10+2", has been initiated. 10+2 compliance presents a challenge to retailers: Products cannot be shipped unless the correct information is filed by a specific deadline. Capturing the right information at the right time is complicated by manufacturers, vendors, and buyers working across multiple geographies, time zones, and languages.

The Consumer Product Safety Improvement Act (CPSIA) focuses on consumer safety and, in particular, child product safety. The impact in lost sales and the subsequent negative publicity that can ensue after retailers remove hazardous or dangerous products from their shelves can be significant. Brand loyalty and the image of "trusted retailer" can evaporate overnight. Under the act, importers and manufacturers must make Certificates of Conformity available to their distributors and retailers. These certificates show that the products have been tested and meet the CPSIA requirements. Without the certificate, it's likely product shipments will be refused. As with 10+2, capturing, managing, and sharing key information between trading partners is critical.

The last of the regulations is the Lacey Act. This focuses on conserving and protecting the world's natural resources by targeting unscrupulous businesses that illegally source materials for use in manufacturing consumer products.

Even excepting illegal behavior, honest companies who operate without the appropriate information on their sourced materials can fall into the trap of unknowingly engaging in prohibited conduct. Recent amendments to the Lacey Act have established requirements for importers and exporters to make specific declarations regarding the content of the materials used in certain products or their components.

What To Do?

The common thread among these regulations is the need to not only maintain important information about products, their manufacture, and their movement, but also share that information in a timely manner across your entire supply chain — and your suppliers' as well. So what can a retailer do?

The short answer has two parts: First, create a robust set of internal processes focusing on obtaining the necessary information for compliance, manage that information, and share it whenever necessary.

Second, move away from the costly-to-maintain "point solutions." To be truly effective at managing regulatory compliance, retailers require technology that supports online collaboration, data capture, automated validation, and visibility. By using a full merchandise management backbone to replace the many bits and pieces of "Lego blocks" information, retailers can significantly reduce labor costs associated with compliance, minimize errors that can cause expensive delays in the clearance of goods, and decrease penalties.

In the retail world, time truly is money, and an unexpected — but avoidable — delay can mean the difference between a profitable season and a financial mess. When you add the need to be a responsible citizen of the world, protect customers, and prevent terrorism, it is clear that a piecemeal approach to growing regulatory compliance is not the answer. The choice is straightforward: Maintain the status

quo and risk the risk, or take control of your processes and systems and rule the rules. ■

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