

# NUMBERS IN SAFETY

## Effectively Navigate Evolving Regulatory Terrain to Target Markets Poised for Growth

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A series of high-profile product safety issues in 2007—known in retrospect as “The Year of the Recall”—spurred Congress and state regulatory agencies to implement sweeping changes that have revolutionized safety awareness and compliance within the printed products industry. The reverberations from that flurry of legislative activity continue to affect and influence all sectors of the industry even today.



Screen printing on caps and hats is popular and effective for promotional campaigns.

Manufacturers, distributors, and marketers of printed products have experienced significant upheaval with regard to regulatory compliance as statutory and administrative safety requirements have increased in complexity and in stringency. At the same time, regulators expect and require more from the printed products industry, demanding awareness and compliance on a broader scale than ever before, and assigning each entity in the supply chain specific roles and responsibilities. The flagship legislation resulting from “The Year of the Recall”, the Consumer Products

Safety Improvement Act of 2008, defines many distributors and suppliers as manufacturers under the law, greatly enhances safeguards for children’s products, and makes many previously voluntary standards mandatory.

For the printed products industry this has meant increased monitoring of lead in substrates, lead in paint and surface coatings, and the presence of certain phthalates in children’s products. For all product categories, it has meant the introduction of robust product tracking systems and ongoing certification of compliance with rapidly evolving safety standards.



A commitment to safety benefits companies, workers and customers.

A decade out from 2007, how has the landscape changed, and how successfully has the industry achieved and maintained active compliance? Moreover, are there ways in which aspects of the tighter regulatory environment actually create opportunities for growth, as consumers and government agencies demand more from the printed products industry in terms of social, environmental, and product responsibility?



## Develop and Implement Proactive Compliance Strategies

The first step toward ensuring regulatory compliance is to maintain continuous and ongoing awareness of applicable standards within the product categories that affect your operations. Because many regulations are phased in over time, manufacturer requirements and allowable levels of various substances may be subject to changes that could impact manufacturing processes, material sourcing, and product labeling and distribution. Additionally, many distributors and manufacturers perform work in several different product categories, which can yield a daunting array of regulatory challenges.



Remember that regulatory compliance is never optional.

This complexity has led to a sharp increase in full-time compliance officers at manufacturing and distributing entities within the printed products industry. The legal environment since the introduction of the CPSIA reinforces that federal and state product safety regulatory compliance is not optional, and that penalties for non-compliance may be significant. Compliance officers track regulatory requirements for a company's specific operations, ensure timely compliance, and keep abreast of industry and agency developments. In large corporations, regulatory compliance teams frequently participate in a variety of administrative

and legislative lobbying initiatives in an effort to stay out ahead of federal, state, and municipal regulatory trends.

Effective product safety compliance starts with informed corporate policy, and extends through intelligent product design and manufacturing specifications. Comprehensive product testing and tracking, and well-defined corrective action procedures are also required by regulatory authorities and increasingly expected by consumers.

At the corporate level, product safety is essentially part of effective market surveillance and robust risk management. At the design and manufacturing level, product safety is a matter of consistent, specific product specifications, thorough certification and product testing, and proactive corrective and remedial action. At the distribution level, product safety entails effective tracking programs and the implementation of appropriate documentation protocols. A proactive product safety compliance strategy will combine all of these elements.

Tracking labels, required for all children's products since 2009, are an effective tool for distributors and greatly enhance product recall effectiveness. Tracking labels must be permanent; adhesive labels and "hangtags" are not acceptable under the CPSIA. The CPSIA also specifies the information required on tracking labels and these guidelines are available from the Consumer Products Safety Commission, the agency with authority to enforce the act. Another valuable resource for the printed products industry is the Promotional Products Association International, located in Irving, Texas, the world's largest and oldest international not-for-profit promotional products association.

The challenge of maintaining active compliance has even created a new regulatory compliance management niche industry, in which companies utilize technological solutions to monitor the regulatory terrain applicable to specific market activity,



implementing periodic audits and surveys to facilitate effective compliance within production environments.

### Important Implications for the Textile and Apparel Printing Industry

No market sector is more affected by developing regulatory requirements than textile printing and apparel decoration. One of the largest and potentially most lucrative product categories, printed apparel is subject to a broader range of standards and statutes than other printed products. It is also, as the PPAI notes, “clearly an area in which the distributor is often responsible for making material changes,” creating uncertainty as to which entity is considered a manufacturer under the law. Frequently, alteration of garments legally transforms the distributor into a manufacturer, with increased responsibilities for safety compliance.



Printed apparel is subject to a broader range of regulations.

Small textile printing shops that design, print, and market t-shirts, sweatshirts, caps, and other limited-run promotional apparel are essentially regarded as manufacturers under the law, and may face the same compliance issues as large contract printers and distributors. The key to effective compliance is proactive monitoring of the regulatory environment. This includes both timely implementation of new standards and an ongoing awareness of prevailing regulatory trends.



Decoration of garments is considered manufacturing activity under the law.

When a distributor sources from an apparel supplier, contracts with a third-party decorator to apply ink or thread to a garment, and sells the product, the garment is considered to have been altered and will require secondary tracking labeling. It is important to remember that a secondary tracking label is still required for all embroidered items even though most embroidery threads are currently exempt from testing. These secondary tracking labels must include the decorator’s information; the year, month, state, and city of the application of the decoration; the distributor’s batch or internal tracking data and contact information.

Generally, the greatest regulatory burden falls to manufacturers and distributors of children’s products. The regulatory landscape for adult garments is largely unaffected by recent reviews and overhauls. But even here it is important to note that numerous factors contribute to the effective legal definition of a “children’s product”. In certain instances the content of a decoration or design may determine this important designation.

To ensure compliance, particularly where textiles and apparel may be considered children’s products under the CPSIA, it is vital to work with a screen printer who has tested all inks for children’s



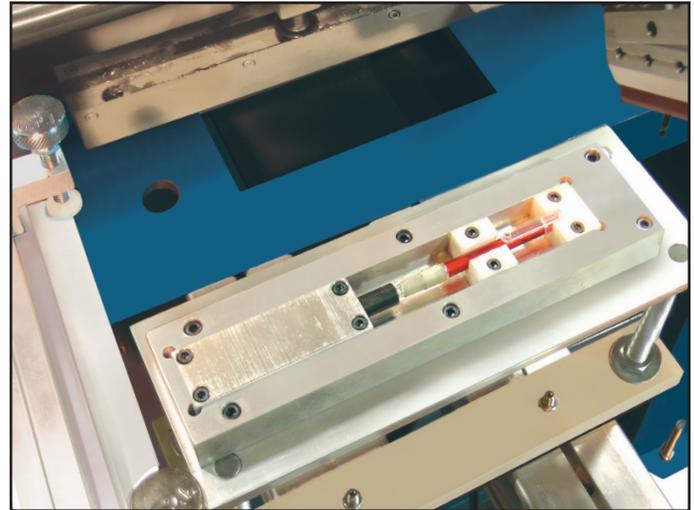
garments. Printers and distributors may rely on ink suppliers' tests and component testing rules, but should always perform third-party tests on their finished products. The PPAI publishes regularly updated guidelines and best practices for garment printers to consult.

The undeniable effectiveness of printed textiles and garments for promotional campaigns and the well-established profitability of children's products combine to create a coveted and reliable target market for manufacturers and distributors of printed products. To exploit these marketing opportunities fully it is essential to understand and observe product safety regulations and requirements.

### **Leverage Safety Awareness and Regulatory Compliance to Increase Revenues**

Although increased regulation is commonly viewed by manufacturers and distributors of printed products as a burden to be avoided and a cost to be minimized, there is also considerable evidence that the implementation of a new regulatory structure under the CPSIA has created marketing opportunities and actually spawned new markets as safety awareness becomes more important to consumers and product and recall information becomes widely available online.

Various government and private sector databases give consumers quick and easy access to a wide range of information that was not readily available before the enactment of the CPSIA, and since 2007 social networks have become ubiquitous and indispensable tools for consumer awareness. Furthermore, increasing globalization has meant that product distribution systems have become complex and multi-lateral, often encompassing numerous and overlapping jurisdictions. Finally, online commercial activity has irrevocably complicated and stratified production, storage, and distribution models.



Pens, pencils and markers can be screen printed cost effectively for promotional campaigns.

Perhaps as a response to this apparent complexity, statistics and anecdotal evidence consistently demonstrate a steady increase in consumer preference for products that overtly make safety features and proactive compliance central attributes of their marketing. Numerous studies have shown that consumers prefer products perceived as "safer" or safety regulation-compliant and will pay a premium for these items.

These trends are particularly strong in Europe, where safety regulation is generally more comprehensive and forward-looking, and frequently presages US market developments. But they are also clearly observable among the highly-prized young-families-with-children demographic, who tend to prioritize safety and online awareness in their purchasing decisions.

Beyond the reliable tendency for younger consumers to be more interested in product safety, various institutional markets have come to expect and demand rigorous safety standards and proactive compliance from their suppliers. In this context strong and demonstrable product safety standards become effective sales tools to ply larger customers for whom liability limitation is an issue and purchasing priority.



These identifiable tendencies are clear indications that safety awareness and regulatory compliance can be used to target lucrative new markets and customers, transforming a perceived regulatory burden into an effective 21st-Century marketing strategy. As the PPAI reminds its members, “We are in the brand protection business.” Compliance with federal and state regulations is not optional, but it can be a strategic advantage to your business and a means to increase your value to your customers. Leveraging your responsibility for regulatory compliance to target new markets and enhance your brand identity with desirable demographics is simply good business.

## Safe Assumptions

The Year of the Recall permanently changed the regulatory landscape in the US, and the realities of globalization in manufacturing and commerce have exported the new standards worldwide. Companies must navigate consumer protection laws, a range of local environmental regulations, and highly variable standards and practices governing the quality and safety of printed products, with children’s products especially closely regulated and monitored.

More stringent safety standards and greater information and supply-chain transparency are undoubtedly on the horizon, and none of these

regulations is likely to be scaled back. The growth of consumer awareness databases and burgeoning social media platforms ensure that products perceived as safe and regulation-compliant will continue to achieve increasing sales and build the strong consumer loyalty typically associated with more reputable brands.

In this rapidly evolving environment it is vital that printed product manufacturers and distributors keep up to date on applicable existing regulations and potential regulatory developments and trends. Beyond simple compliance, it is an effective way to protect their investment and promote their brand. Increasingly, consumers and institutional customers demand assurances that their suppliers comply with product, environmental, and social safety standards and statutory regulations, and are willing to pay a premium for such products.

This confluence of evolving regulatory factors and changing consumer preferences can be intimidating to manufacturers and distributors of printed products, and it undoubtedly poses a variety of operational challenges. At the same time, a comprehensive, responsible, and proactive approach to safety compliance represents an avenue to sales growth and the development of attractive new markets and positive brand identification.

