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## **Importing the Right Way - The China Recalls**

by John Catalano

I say that if you are not importing today, you are losing margins to your competitors who are importing. And if you are not exporting, you are losing perhaps half of your potential sales.

We've all been reading the recent news on the recalls on products from China. It seems that a new product gets added to the list every week. Lately, we've seen recalls on tires, toys containing lead paint, seafood, pet food ingredients, disposable chopsticks, toothpaste and even SpongeBob SquarePants products! My gosh, is nothing sacred?

People have a right to be nervous, especially when it comes to food, pets and children. It's no wonder that everybody now reads the country of origin on product labels in grocery stores – you never know what you're getting! Can China recover from these recent incidents? Do you think the label Made in China will ever be as respected as Made in Japan?

I'd like to share a few insights from my 15 years of Asian manufacturing, marketing, importing and exporting to help make your business more profitable. My approach may surprise you.

As a business product manager, it is now more important than ever to make sure you are doing things right. This includes identifying reliable vendors/partners, minimizing costly expenses, smoothing the import process and prepare for unknowns.

It is important to make sure your partners know from the start that you deal in world-class products, then act like it.

In reality, today's recalls are not China's problems. Yes, the vendors are likely guilty of cutting corners. But the substandard products should have never reached our shores, let alone our shelves. These are domestic procurement problems: quality control skipped a beat somewhere along the line. The cheating vendors simply are not being made aware of, supervised or held up to inspections and standards.

The truth is that the recalls are a very, very small part of China's exports. Exports for the first half of this year to \$547.6 billion, which is a 27.6 increase over the 2006 first half. So far the value of items directly affected by recalls is about \$700 million. That is less than 0.1 per cent of last year's total exports and an even smaller fraction of this year's estimated \$1.2 billion total. In fact, toys, the main segment affected, account for less than 2 per cent of China's exports.

Importers would do good to follow the Tylenol model. In 1982, someone in the Chicago area laced some Tylenol capsules with potassium cyanide. Johnson and Johnson, the makers of Tylenol, issued warnings to hospitals and recalled all Tylenol products within 6 days of the initial reports. A few days later, it was discovered that only capsules were tainted, so the company offered to replace all capsule with solid tablets to all customers.

They also took several steps to change the packaging, which is why we now have triple-sealed medicines.

Johnson & Johnson's handling of the Tylenol scare is now regarded as a model of crisis management. Before the tampering, Tylenol sales were 35% of the market, in days during the scare the market share dropped to 8%, but within a few years it had earned over a 50% market share.

By being pro-active, China could clear its name. But more importantly, the American companies who's names are on the products need to move quickly to make the public feel their store shelves are safe. And fix their quality control.

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