



Retail Supply Chain Update

August 28, 2020

Stocked out: Why cleaning product supply chains struggle to meet demand

- The disinfectant and cleaning product supply chain relies on a just-in-time approach, making it difficult to radically move the output meter in a short timeframe.
- The Environmental Protection Agency relaxed its regulatory requirements to make it easier for manufacturers to get products out quickly. Companies can temporarily skip EPA approval to switch supplies for some inert and active ingredients and do not need EPA approval for manufacturing facility and formulation changes.
- Still, if companies turn to new suppliers to procure needed ingredients, they have to ensure they're not getting counterfeit or unsafe products. That was an issue with methanol-based hand sanitizers coming from Mexico.
- Clorox brought on 10 new suppliers to help expand capacity, raw material access and production. "We're not satisfied with our service levels right now, and we have the absolute highest urgency to improve," incoming Clorox CEO Linda Rendle said on an earnings call.
- In addition to getting ingredients, getting containers is a problem, said Patrick Penfield, professor of supply chain practice at Syracuse University. "The plastic container manufacturers can't supply that off the bat," he said. They need plastic storage molds, pumps and lids.
- Disinfectants typically arrive by ship and must be cleared by the EPA and U.S. Customs, said Bochnek.
- "Any time you put something on the water, you're talking four to five weeks at least," Penfield said.
- Then after arrival, some ships anchor offshore waiting to unload and may need another week for overland transport to the Midwest, Bochnek said.
- With supply chain constraints from raw materials to transport capacity, the lead time for disinfectant ingredients doubled or tripled, even for those sourced and produced in the U.S., Penfield said. Prices will rise as a result of the demand and difficulty sourcing.
- Most manufacturing plants for cleaning products are automated, said Penfield. To increase capacity, they have to buy specialized equipment. Equipment orders take six to 12 months to bring online.
- Once the virus is under control, manufacturers could end up stuck with equipment they don't need. "That's the issue they're struggling with. They want to make an investment to be heavily automated, but you have to think three to four years down the road," Penfield said.
- In the meantime, some manufacturers increase capacity by adding night and weekend shifts, running continuously. But that still only addresses a portion of the demand.

COVID-19 Update: FDA Warns Consumers About Hand Sanitizer Packaged in Food and Drink Containers

- The U.S. Food and Drug Administration (FDA) is warning consumers about alcohol-based hand sanitizers that are being packaged in containers that may appear as food or drinks and may put consumers at risk of serious injury or death if ingested. The agency has discovered that some hand sanitizers are being packaged in beer cans, children's food pouches, water bottles, juice bottles and vodka bottles. Additionally, the FDA has found hand sanitizers that contain food flavors, such as chocolate or raspberry.
- "I am increasingly concerned about hand sanitizer being packaged to appear to be consumable products, such as baby food or beverages. These products could confuse consumers into accidentally ingesting a potentially deadly product. It's dangerous to add scents with food flavors to hand sanitizers which children could think smells like food, eat and get alcohol poisoning," said FDA Commissioner Stephen M. Hahn, M.D. "Manufacturers should be vigilant about packaging and marketing their hand sanitizers in food or drink packages in an effort to mitigate any potential inadvertent use by consumers. The FDA continues to monitor these products and we'll take appropriate actions as needed to protect the health of Americans."
- In one recent example of consumer confusion, the FDA received a report that a consumer purchased a bottle they thought to be drinking water but was in fact hand sanitizer. The agency also received a report from a retailer about a hand sanitizer product marketed with cartoons for children that was in a pouch that resembles a snack. Drinking only a small amount of hand sanitizer is potentially lethal to a young child, who may be attracted by a pleasant smell or brightly colored bottle of hand sanitizer.