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Supply Chain Crisis Impacting Beauty Companies Big And Small: 'It's The Great Equalizer,' IBA Says

by [Ryan Nelson](#)

The Independent Beauty Association's Akemi Ooka, head of global supply chain resources, and new board chair Elizabeth Corrigan sat down with HBW Insight to discuss ongoing supply chain challenges, how the trade association's members are adapting, and prospects for relief ahead.

At the end of August, there were some 40 vessels awaiting entry to the ports of Los Angeles and Long Beach, CA, the first- and second-busiest container ports in North America, due to bottlenecks formed over 18 months of COVID disruptions to shipping, transportation, warehousing, and labor.

By mid-September, the number of ships anchored off California's shores had exceeded 70, according to leadership at the Independent Beauty Association.

"And that's half as many as are anchored outside of the ports of China. There is an even worse backlog there," said Elizabeth Corrigan, founder and CEO of The Complete Package, whom IBA announced as 2021-2022 board chair at the end of August. (Also see "[Independent Beauty Association Adds Global Supply-Chain Expertise; Cosmetics Appointments In Brief](#)" - HBW Insight, 19 Sep, 2021.)

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in supply chain."

HBW Insight spoke with Corrigan on 5 October, along with IBA's Akemi Ooka, former VP, product, at J.R. Watkins, who joined the trade association in September as head of global supply chain resources. Both said supply chain issues around the globe had only gotten worse in recent weeks due to port shutdowns and limited workforces, with continued challenges and high costs associated with raw material availability, labor, and logistics.

Rampant inventory stocking to avoid later problems, while perhaps prudent, isn't helping with supply chain congestion.

Ooka noted, "I don't think anybody foresees relief until probably well into 2022."

According to Corrigan, lengthening delays mean that companies now are trying to forecast their supply needs roughly four months out – for example, placing orders at the start of October to be stocked through the Chinese New Year in February 2022.

"We have to plan for a four-month transit time, which is just killing forecasting ability and the ability to manage your appropriate safety stock levels and to cover any kind of accelerated growth," Corrigan said.

And explosive, unleashed growth is exactly what's happening in the beauty industry around the world as lockdowns ease, retail channels reopen, and consumers return to work and social activities wanting to look, smell and feel their best.

Corrigan summed it up, "We are in this imperfect storm that companies need to manage daily."

Barring major disruptions on par with, for example, the historic freeze that gripped Texas in February, leading to plastic shortages, or the Suez Canal blockage in March, some are optimistic that a lull following the Chinese New Year could enable snarls in the supply chain to be worked out.

Others are less confident, Ooka said. She called COVID-19 the ultimate wild card. "Are there going to be more variants? Is there going to be broader vaccination available? I think the hope is that we'll see things taper off, but no one knows."

One thing is certain in IBA's view, following the group's in-depth strategic review in 2020 prompted by the pandemic. "If there was ever a time our membership needed us, it's right now in supply chain. The timing is right on all fronts. It's unfortunate because it's creating a lot of pain and disruption in our industry, but we will be able to say that we are that go-to solution for our members," Corrigan said.



AKEMI OOKA JOINED IBA IN SEPTEMBER
AS HEAD OF GLOBAL SUPPLY CHAIN
RESOURCES.

'Everybody's In Line'

IBA's more than 600 member companies range in size, and today's supply chain is a problem for virtually all of them.

For small and mid-sized enterprises, contracting for limited supplies can be exceedingly challenging.

"Smaller companies don't always have the voice, don't always have a seat at the table to get the attention. Often the big guys are the ones who get that. To the extent that money can solve any problem, those with deeper pockets" tend to win out, Ooka said.

On the other hand, SMEs can have some advantages over large competitors, she suggested.

"To support large brands, [suppliers] really need large volumes," Ooka said. "In the last year, for example, where plastic resin has gone on allocation, manufacturers have had to determine how to distribute that allocated material to produce their customers' orders. They have to ask themselves, 'Is it better to use my allocation to support a full order for a customer that has a lower volume or a partial order of a customer that has a really big volume?'"

In many instances, suppliers are better able to fulfill the smaller volume orders.

Further, SMEs "tend to be a little more nimble. They have more flexibility and can take more risks. So there's an advantage that smaller companies have in this kind of environment to make fairly quick changes. They don't have a lot of bureaucracy to work through," Ooka said.

Corrigan agreed that large firms have a bigger ship to navigate, but also command leverage that smaller companies lack. As for SMEs, greater agility can be a significant asset.

Often, "they're able to shop out potentially smaller, excess quantities, whether it be a stock

bottle, raw material overstocking, something like that, because the smaller companies can make that change without the extraordinary timeline is that is required within a larger organization,” Corrigan said.

Overall, though, the supply chain crisis is weighing hard on companies big and small.

Per Corrigan, “Everybody's in line for a container, everybody's in line for a booking, everybody's in line at this point for air shipping, which I never thought I would say. It's the great equalizer.”



IBA CHAIRWOMAN ELIZABETH CORRIGAN

Improving Visibility

While all are strained, companies are adapting to the challenges in different ways.

In addition to increasing project lead times, Ooka said, “they’re definitely qualifying alternative materials and thinking through stock solutions that can be swapped in that are fairly invisible to the consumer to give them a little bit more cushion.”

Many companies are choosing to hold inventory to insure against shortages. “And that has to be a business choice for each company because you're just tying up working capital with inventory sitting in your supply chain. But I think companies are getting more granular about what type of inventory they need and

where in the supply chain they need to carry it,” Ooka said.

Further, cosmetics businesses are taking closer looks at their cost structures and having difficult conversations about increasing prices, a practical necessity in many cases to make up for margin loss.

Ooka noted, “The other thing they're doing is really looking at their customer base. So just like the suppliers are looking at their customers and figuring out who they can serve, the brands are doing the same thing and having much more detailed customer segmentation conversations. Who are our strategic customers, why are they our strategic customers, and what does it really take to serve them?”

In some instances, that exercise can lead to SKU simplifications and sharpened focus on strategic products.

“There’s much more attention being paid to that than maybe there has been. In the past it was,

‘Let's throw it against the wall and see what sticks,’ and now it's too expensive to do that,” Ooka said.

IBA is still building out its global supply chain resources under Ooka, but already is providing members with educational support, tools and services to help them negotiate the crisis.

“There are a lot of small brands that just kind of walked into this, and now they're swept up in this really unprecedented situation and don't know what to do or where to go. So we're working with companies seeking greater supply chain visibility and how we can help them achieve it,” Ooka said.