



Manufacturing Perspective:
Sourcing Dietary Supplements
in a Changing World

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Despite the challenges caused by the global pandemic and supply chain disruption, the dietary supplement industry reached new heights over the last few years. The importance of supplements to personal health along with the expanding trust the customers have in the supplement industry allowed the industry to record strong profits and exceptional growth.

The remarkable part of this story is that this all occurred during a period of innumerable challenges particular to the industry. For instance, while most people are aware of the supply chain bottlenecks, this disruption was compounded for the industry by the combination of unplanned market growth, labor issues, and ingredient availability from Asia. Everyone has horror stories of resourcing, inferior products and unkept promises despite best intentions. Looking back, the Brand Owner's choice of manufacturing partner to help navigate these challenges was never more critical than during this time.



The industry is now entering a new phase with an uncertain economy, which will pose additional strains on these relationships. Everyone is aware of the inflationary pressures in the market and how take home dollars are being stretched around the world. While the industry has always been seen as “recession proof” since people traditionally increased supplement usage to offset expensive medical treatment, these truisms occurred in a time before Obamacare, virtual medicine and On-line marketplace dominance. As these changes and others have dramatically changed the healthcare landscape since the last economic downturn, it's clear the industry is entering uncharted waters.

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Across the industry it can be seen that many Brand Owners are now approaching the next 6 months cautiously – reducing inventories, extending lead times on orders and postponing new product launches. This is going to have a ripple affect across all aspects of the industry, as manufacturers will do the same with their raw material orders. This will impact suppliers around the world as farmers, refiners and importers will also back off on production. However, what happens if market conditions change and there is a rapid increase of demand? Or if history holds and growth continues despite a challenging economy? Or if the see-sawing market continues to disrupt planning? Careful planning between the Brand Owner and their manufacturing partner will be the only path for continued success during these times.



Most importantly, Brand Owners need to look at their Manufacturing and Supply Agreements with their manufacturing partner. It is critical these address such challenges, where everyone can make sure the key raw materials are sourced correctly and be available if the market demands exceed forecasted expectations. The unavailability of a single component or testing standard will be enough to stop production of a supplement.

For new product development where a CDMO and Brand Partner are intertwined, a strategic sourcing plan needs to be developed and refined. This may involve buying and storing adequate amounts of either critical raw materials or components with long lead times well in advance of product launch. If those considerations aren't addressed, materials may become impossible to find or source and thus compromise the entire launch.

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Whether a traditional contract manufacturer or a CDMO, ramping up production to meet an upswing in demand isn't a simple task. Between material and labor availability, what was once an 8 week lead time for product could very well jump to 16 weeks or more. Thus, before major decisions are made either way, consideration needs to be made for a balance between inventory, allocated capacity and scale by the Brand Owner to ensure their manufacturing partner remains engaged to mitigate any issues beforehand.

For instance, while it is hard to forecast demand 6 months out, Brand Owners would be wise to place orders for a portion of their future requirements in order to keep the supply chain active. With that window, the manufacturing partner can work with their supply chain to get ahead of any challenges – traditional or unexpected – and be at the front of the line for when a solution appears. This forecast model is much preferred rather than going from a cold start. This also provides the Brand Owner with an ability to move up/out orders without compromising the manufacturer's ability to deliver products when needed.

This fine balance is critical to be worked out with the Brand Owners and their CDMO regarding finished product inventories during product launches as well. There needs to always be a ready stock available of critical raw materials, packaging components and testing abilities. As with any product development and launch, the worst thing that can happen to both parties is the demand for product exceeds expectations and neither party can react in a timely manner.

With the economy moving into uncharted territory, the critical relationship between the Brand Owner and manufacturing partner has never been more important. The shared visibility into supply chain challenges, and the steps taken to mitigate those challenges, will ultimately determine which Brand Owners thrive, and which simply survive this changing market.

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