

# The no-fly list

How Travel Restrictions During COVID-19 are Affecting the Supplement Industry

By Margie Zable Fisher

As the supplement industry relies on China for many of its supplies, the COVID-19 outbreak had a major impact on the industry. Not only did factory shutdowns due to the virus lead to a reduction in supplies but also shipments from China to the U.S. slowed dramatically.

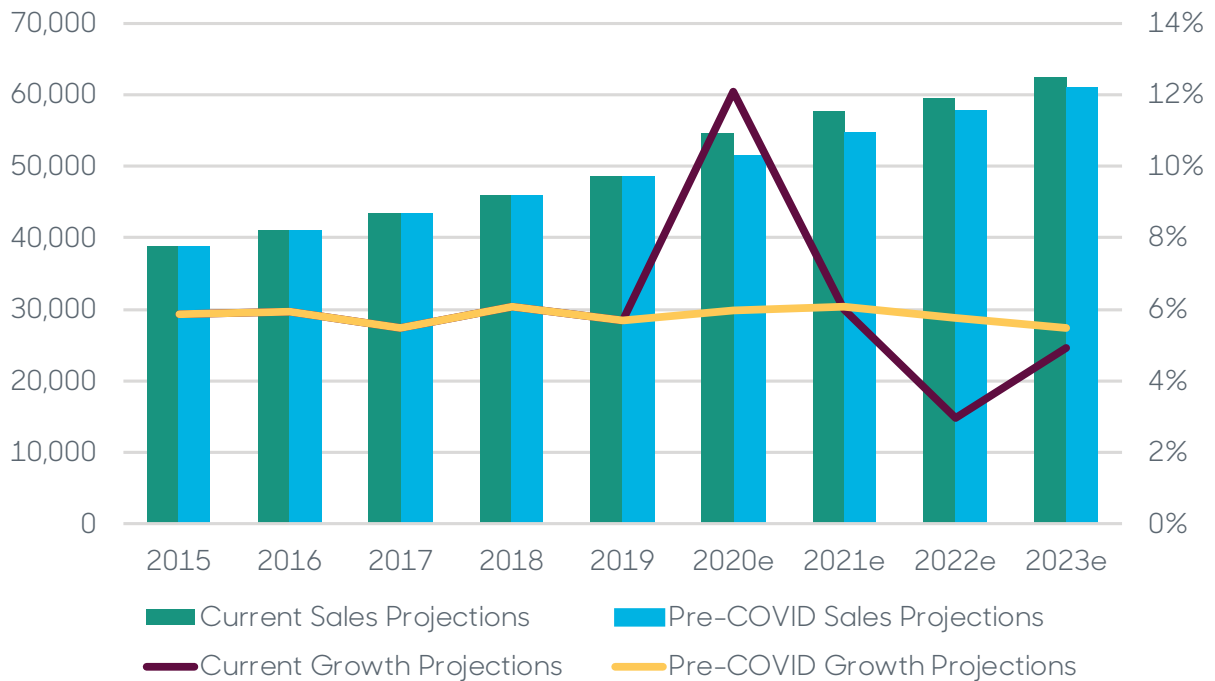
When Chinese factories started re-opening, the U.S. was deep into its own lockdown—a lockdown that drove demand for supplements into bursts of double and triple-digit growth. (NBJ estimates this growth will shake out to an overall 12.1% industry growth for 2020.)

Amidst all this activity, travel came to a halt. In early February 2020 after the State Department issued a warning to Americans not to travel to China due to COVID-19 risk, American, Delta, and United airlines canceled flights from the U.S. to China. Additional cancellations and corporate travel bans fell in line, and the trade of supplements ingredients became a largely virtual practice—affecting the entire supply chain, as well as the Standard Operating Procedures (SOPs), of every company in the supplement industry.

## NBJ Takeaways

- » As travel bans shut down many standard business practices, credible suppliers got creative with virtual inspections
- » The absence of in-person events is among the deepest challenges
- » Learning to shift away from travel may have some lasting reductions of environmental impacts

### SUPPLEMENT INDUSTRY PROJECTIONS, CURRENT VS. PRE-COVID, 2015-2023E



Source: Nutrition Business Journal (\$mil, consumer sales)

## FDA inspection changes

On March 10, the FDA announced that it would “postpone foreign inspections through April.” At the time of this writing, the agency still hasn’t resumed in-person inspections, although an April 3 statement announced the use of remote inspections. Those inspections consist of an electronic review of import documents required by the Foreign Supplier Verification Programs for Importers of Food for Humans and Animals (FSVP) rule.

Initially, attorney Kevin Bell was concerned. “The FDA basically said, ‘You’re going to have to monitor yourself for a while—we don’t have time for you. That could have been a free-for-all for everyone to take advantage of,’” the **Arnall Golden Gregory, LLP** partner says. Looking back on the last six months, Bell believes much of that prediction came true, “Normal bad actors got worse, and good actors stayed the course. Those companies willing to cut corners did so, and the companies who would never tolerate that hunkered down and did more testing.”

Michael McGuffin, president of the **American Herbal Products Association**, sees it differently. “Manufacturers don’t have one set of rules when the FDA shows up versus when they’re not coming,” McGuffin says. “The SOPs are the same.”

The FDA, however, plays only a small part in the supplement industry’s supplier vetting process, he notes. “Prior to the pandemic, many manufacturers had employees who spent a lot of time on airplanes or had agents in foreign countries.” Agents in foreign countries can move more freely and conduct inspections depending on local restrictions, but on-site visits by brands, at least for now, are not an option.

## Vetting vendors

“We’ve been in business for over 50 years, and many of our suppliers are family farms and wildcrafters that have cultivated crops for us for generations,” says George Pontiakos, COO at **Martin Bauer Group**, noting that even with such strong supplier relationships, it’s still important to check on their activities. “We visited them at least once a year, prior to the pandemic.”

*“Normal bad actors got worse,  
and good actors stayed the course.  
Those companies willing to cut  
corners did so, and the companies who  
would never tolerate that, hunkered  
down and did more testing.”*

– Kevin Bell, Arnall Golden Gregory, LLP

His team is now doing virtual audits on Zoom or Microsoft Teams in nine different languages. “We watch a video of someone on site using a cell phone and walking from the front door of the building and signing in, as if we were there in person,” Pontiakos says. “Our colleague uses standard protocols—from the receiving dock to the shipping dock and from seed storage locations to cultivation machines throughout the company. We also ask for a walk through of plant, field, and soil analysis.”

In April, **NSF International** hosted a webinar (still available at [nsf.org](http://nsf.org)) for companies wondering how to set up a virtual audit, a system that includes assessments, documents to review, and subject matter experts to interview.

The virtual audit is important, but testing is critical, says Jim Griffiths, senior vice president of international and scientific affairs, **Council for Responsible Nutrition (CRN)**. It’s also getting more rigorous. “Companies are now testing every lot, instead of skipping some,” he says.

After the virtual audit, Pontiakos says, his company receives a sample via FedEx in order to conduct in-depth testing. “We inspect a sample crop of each lot macroscopically, microscopically, and organoleptically.” The company also uses analysis equipment to determine plant genesis, Pontiakos says. “Goldenseal is in demand and is expensive, and barberry root looks similar.”

Since many companies rely on outside testing, it’s not surprising that testing companies are seeing an increase in demand and sales. “We’re getting more Certificate of Analysis requests from farmers who are

new to the industry or supplying additional ingredients to meet demand,” says Elan Sudberg, CEO of **Alkemist Labs**. Those certificates are required by ingredient suppliers to verify that vendors are providing the stated identity and quantity of ingredients.

## New product innovation

“There’s a rhythm to the supplement industry,” says Bell. “The ebb and flow of learnings and conversations from each trade show are a big part of new product innovation.”

With in-person trade shows canceled, that rhythm has been disrupted. “The lack of travel is definitely affecting new product innovation,” says David Trosin, managing director of health sciences certification at **NSF International**. “I think of every event I haven’t attended this year—around the world—and those essential conversations among people in the industry that aren’t happening.” He also points out that **SupplySide West**, one of the canceled events, is where many new products are rolled out.

There are some creative ways, however, that the industry has managed to continue innovating.

“We’ve seen some ingredient suppliers getting a Zoom call together with 10 or 15 members of a product development team at a brand,” says Jon Benninger, vice president and market leader for **Informa Markets’ SupplySide**. “The supplier would send each person a prototype, and the technical director would walk them through it.”

Pontiakos says that his company offers “tea cupping,” or virtual tea tastings. “We

*“This is a really familial industry, one I’m proud to be a part of. We have a bunch of great people, many of whom are dear, dear friends.”*

– David Trosin, NSF International

send out samples to 10 or 15 people, and they are at their kitchen counters, boiling water to the same temperature. Then we talk about the teas on a Zoom call.”

There is one interesting bright spot, Griffiths notes. The increase in Zoom meetings with suppliers “allows R&D folks who couldn’t attend trade shows to participate in discussions and make recommendations that they were never able to do in the past.”

### Mergers and acquisitions

“Even during the pandemic, there is a lot of investor interest in the supplement industry,” Benninger says. “The industry is doing well financially, and we have been able to hold virtual pitch events through the **Nutrition Capital Network**.”

The August 2020 issue of *NBJ* offers a deep dive into the current state of industry mergers and acquisitions during the time of coronavirus.

### Trade no-shows

“I built my career off of expos,” says Duffy MacKay, senior vice president at **CV Sciences**. “At trade shows, I met the attorneys, packagers, and suppliers I could do business with.”

Says Trosin, “This is a really familial industry, one I’m proud to be a part of. We have a bunch of great people, many of whom are dear, dear friends.”

The plethora of in-person trade shows helped industry members create deep friendships and business relationships. With no travel in sight, industry leaders have developed ways to connect virtually.

Virtual trade shows and industry meetings are taking place, and industry players are stepping up the use of technology to make

the experience even better. Informa, which produces the Expos and SupplySide shows and is *NBJ*’s parent company, launched the “Inside the Bottle” virtual summit on August 11, 2020. “It was fantastic,” says Trosin. “The experience was like Zoom and LinkedIn had a baby. In addition to learning, I was also able to connect with others through the platform.” NBJ Summit moved online as NBJ Digital Days in July, and Informa is also launching the ongoing Spark Change digital event to showcase new product innovation alongside conference programming and networking.

Karen Howard, CEO and executive director of the **Organic and Natural Health Association**, travelled to many trade shows prior to the pandemic. “When the Natural Products Expo was canceled, I wanted to find a way to recreate the conversations we had at the bar,” she says. “The ones that led to new ideas and connections through serendipity.”

Howard launched “Thirsty Thursdays” in April. She invited members of her association to take part in a “Happy Hour.” First, participants would state their names, companies, where they were located, and what they were drinking. Then a subject matter expert would provide a five-minute lecture. The rest of the time the group would ask questions and discuss the information. Says Trosin, “Every Thursday at 5 p.m., I looked forward to spending time with 15 to 30 people in my industry. It was nice to see people’s faces and connect with each other.”

To fill the trade show gap, Pontiakos and the sales team found ways to maintain a personal touch. “We offer ‘Lunch and Learn’ events and have Jimmy Johns delivered to customers’ homes,” he says. “We also schedule virtual dinners and sit

back and talk about how we’re all managing through this.”

### Benefits of travel restrictions

There’s almost always a silver lining to every dark cloud, and travel restrictions in the supplement industry are no exception.

“My travel schedule was nothing short of insane,” says Trosin. “I logged over 200,000 air miles last year.” Now that he’s working from home, “I’m exercising, losing weight, and eating better.”

“Our employees are happier working from home,” says Pontiakos. “They’re saving money on gas and daycare and have a better quality of life. We’re going to continue working remotely even after COVID-19.”

McGuffin calls the pandemic a moment to take stock on sustainability. “We’ve heard and seen over the last couple of years a big increase in sustainability and environmental responsibility. The pandemic shined a light on our industry. Do we really need to do this much travel? If we can use virtual tools more often, and travel less, we will have a much lower carbon footprint.”

Several industry insiders suggested that the pandemic provided a wake-up call about the necessity of building flexibility and resilience into the supply chain.

“For so long the industry has focused on making the supply chain efficient, with just-in-time and low inventory, and one or two suppliers,” says Benninger. “Now companies are considering expanding their supplier base, including sourcing domestically.”

“A smart ingredient supplier would already be looking for tax incentives for manufacturing here, maybe in Nevada or Texas,” says Bell. “Even if 20% of supplies were domestic, it would ease the stress of getting everything from overseas.”

The final word comes from Trosin. “All of these new ways of doing things might allow us to pump the brakes on something that wasn’t profitable or effective and re-evaluate how we go forward,” he says. “Whether that means less travel, ways to connect with others virtually, or supply chain diversity, it gives us a chance to improve our businesses.” 🌱