

# Sustainability, Ethics and Supply Chain: an IFEAT Takeaway

Regulatory compliance and costly documentation, raw material costs, and increasingly demanding customers present the flavor and fragrance industry with myriad supply chain stresses—not to mention the growing importance of ethical practices.

As noted in a supply chain analysis co-authored by Vincent Keller of Firmenich and Randy Burgess, an Ottawa-based supply chain journalist, “Extensive commercial collaboration up and down the supply chain, as well as between production facilities and distribution channels are critical business issues. Companies in the space also have a reverse pyramid of supply and demand requirements from normal industry. Rather than requiring a great many raw materials to produce a few finished products, the industry requires comparatively few raw materials that are common to many products.”

In a presentation at the 2012 symposium of the International Federation of Essential Oils and Aroma Trades (IFEAT) in Singapore, Trevor Rahill (Focus International LLC) said, “Excess and redundant inventory permeates the ingredients industry.” By his measure, this excess impacts 15–25% of inventories.

Meanwhile, he warned, the longer the supply chain, the more industry faces speculation, “hoarding” and tie-ups of resources.

Rahill also tackled redundancies in operations. Companies in the flavor and fragrance industry spend too much money on things that do not provide a competitive advantage, he claimed. These items include payables, accounting, IT and procurement. In his estimation, the industry would benefit from a “horizontal outsourcing” of noncompetitive activities to save costs. These collaborative networks, of which some IFEAT attendees were skeptical, could be a true benefit to industry, Rahill concluded.

Last fall, Art Schick, vice president, purchasing at PepsiCo Worldwide Flavors, told *P&F* magazine, “I really want the industry to take ownership for materials and the businesses they operate. It’s not someone else’s responsibility. It’s theirs.”

At IFEAT, Schick presented “Sustainability and Survival,” offering a consumer packaged goods (CPG) company’s perspective



on sustainability and ethical supply chains. Showing a slide of recent major CPG scandals, he pointed out that most involved problems with suppliers.

Schick offered a number of key takeaways for the ingredients suppliers in the room, including the fact that legal does not always equal ethical. While a supplier might comply with the legal framework of the country in which it is operating, at times ethical practices will demand a higher level of compliance. CPGs will expect these higher levels to be met.

“Own your industry and supply chain,” he told the IFEAT delegates.

During a Q&A, IFEAT executive committee member and Hussein Fakhry (A. Fakhry & Co.) countered that, assuming all stakeholders—ingredients suppliers, flavor and fragrance suppliers, and CPGs—are on the same page regarding ethics, sustainability and the need to fund those initiatives, “Where is the problem?” If all players involved indeed embrace sustainability, why then are suppliers finding push back and price-cutting pressures from customers?

Stephen Weller (International Fragrance Association) pointed out that sustainability is no longer a unique selling point; today, it’s a must. Perhaps, he concluded, this will help build cooperation among stakeholders.

Schick, while acknowledging the role of brokers in the industry, stressed there were dispensable middlemen in the supply chain. At the same time, he said price stability is as important or more important than level of price.

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