

# Challenges of modern distribution

**Ella-Louise Ceraulo**, CTC Manager at the **Cornelius Group**, looks at how EU legislation has created new roles for distributors

There was a time when a chemical distributor could be considered simply a trader. A demand was identified, a supplier was found, material was purchased and sold. Life was simple. The reality now is that the world has become a smaller - but so much more complicated - place. A chemical manufacturer now needs distributors to offer more than a middleman service.

Customers not only want the right price but quality of supply. By this I mean consistent supply with no disruptions, just-in-time deliveries, security, legality and, of course, quality of product. To survive, the distributor has had to evolve. This article reflects some of the key changes that we have

seen affecting our business in the industrial, cosmetic, food, nutritional and pharmaceutical sectors.

## Quality challenges

The distributor/manufacturer relationship is vital to the quality of supply. Working together to provide the best service possible for the customer is essential. The distributor must act as a quality buffer for the customer, understand the supply chain and assess potential issues. He must be sure that he can form a good working relationship with the manufacturer and that the manufacturer will be flexible enough to meet the needs of the end customer.

As manufacturers outside Europe will often work to different standards and legislation, a European distributor needs to be careful to work only with companies that can meet the high standards that EU customers expect, communicating customers' needs clearly to the manufacturer. Cornelius selects suppliers who have these qualities and look to develop long-term business and goals together. We have implemented a robust audit system to highlight business risk and prioritise auditing of suppliers, putting in controls to protect its customers.

Our Cornelius China office has developed a network of reliable high quality Chinese suppliers. For example, we have QC tested several batches of food grade material from

our Chinese suppliers to the appropriate specification in independent labs to ensure the conformity of the ingredient to the standard declared. We strongly believe that low prices without convincing quality management systems or safe production facilities can in no way justify the corporate risk.

## Legislative challenges

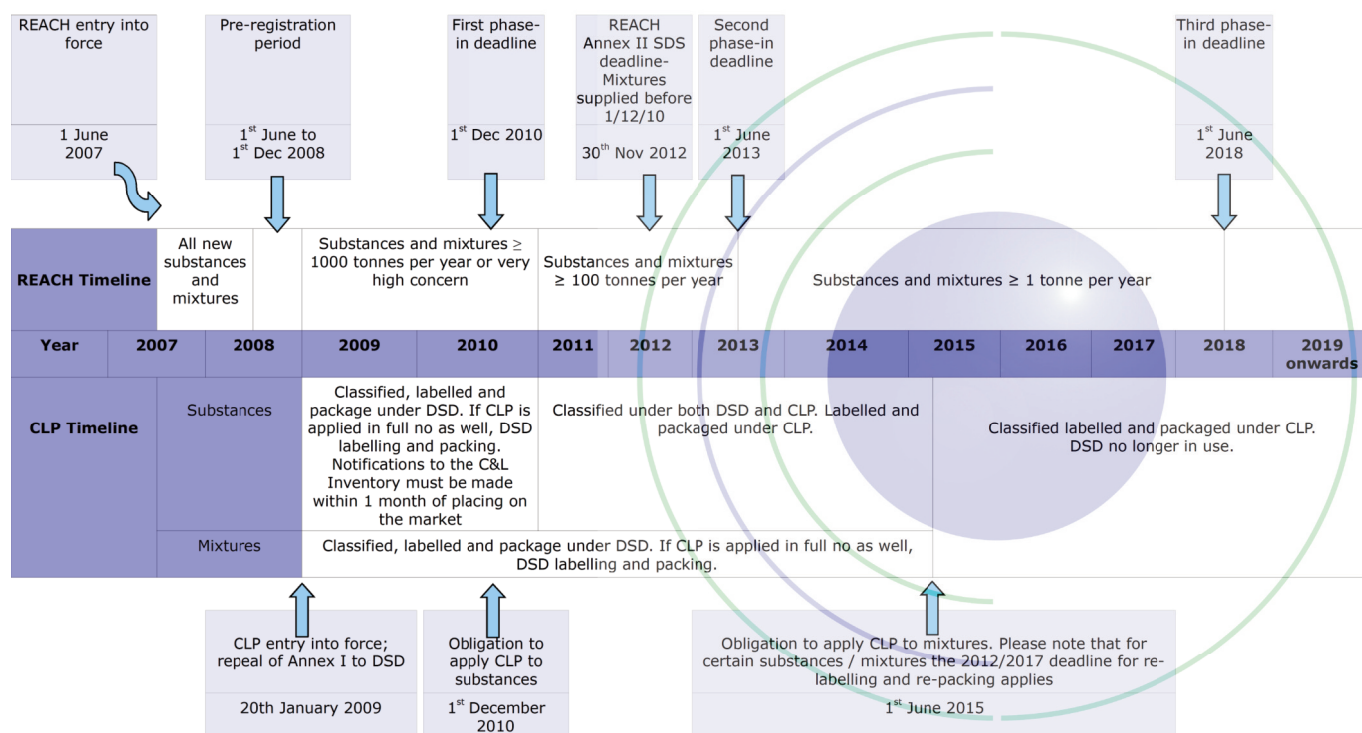
Two major pieces of EU legislation have hit the chemicals industry in recent years: the Registration, Evaluation, Authorisation and restriction of Chemicals (REACH, 1907/2006) regulation and the Classification Labelling & Packaging (CLP, 1272/2008) regulation.

REACH has been described as the most important piece of EU legislation for 20 years. In the past, new substances had all too often been developed and put on the market in large quantities with insufficient information on the effect they posed to human health and the environment. REACH has put the onus on the industry to create dossiers on chemicals, with data sufficient for full awareness of the hazards materials may pose. This shake-up has forced EU distributors to take control of their supply chains.

In the first wave of registrations under REACH, the European Chemicals Agency (ECHA) has confirmed, 3,400 substances were registered by 1 December 2010.



**Ceraulo – World has become smaller and more complicated**



**Figure 1 - Legislative timeline for REACH & CLP**

However, over 100,000 EINECS-listed substances still need to be registered in the years to 2018. EU distributors need to be sure that materials being imported are REACH pre-registered and to be aware of the tonnage limit which will form the deadline for full registration - 2010, 2013 or 2018.

Cornelius can confirm that all of the materials it sells that fall under the REACH legislation have been confirmed to be pre-registered, with the manufacturers' full intent to register. Our bespoke CRM systems have allowed us to contact all customers requesting Use Descriptors and pass these back up to the manufacturers to ensure these are included in the REACH registration dossier.

There will be a change to product safety data sheets (SDSs), as they need to be in the REACH Annex II format, with a deadline of 1 December 2010 for substances and 30 November 2012 for mixtures. Distributors need to be prepared for this. We have also been monitoring materials containing Substances of Very High Concern, which risk becoming unavailable in Europe, and we can confirm that none of our products are expected to be withdrawn from the market.

CLP came into effect 1st December

2010 and has caused a shake-up in the classification of goods hazardous for supply. This legislation seems to have passed some companies by. Even some of our customers are unaware of the changes, because all of their attention has been focused on REACH.

Many goods will now be classed as hazardous which formerly were not. The calculations for classifying mixtures have changed and there has been a change in the flashpoint for deciding if a material is flammable, coming into line with the ADR transport regulations.

The EU chemical hazard classification system now looks dramatically different. Pictograms have changed to squares on a point, 'R' phrases are now Hazard Statements, Safety Phrases are now Precautionary Statements. Hazardous substance labelling now needs to be in the CLP format, though there is a period of grace for product already produced and labelled in warehouses in the EU. SDSs need to be rewritten to include the new classifications though the CLP deadlines do not appear to have been set with consideration for the REACH Annex II requirements!

Figure 1 provides a timeline outlining the deadlines for REACH &

CLP. As European distributors, we need to play a key role in the communication of these changes, particularly to the non-EU suppliers. Article 1(b) and (c) of the CLP regulation imposes certain obligations on companies in the supply chain.

Importers are required to ensure that goods have been classified for CLP, with appropriate SDSs, labelling and packaging. Manufacturers and importers of substances are obliged to notify ECHA of such classifications and label elements if these have not been submitted to ECHA as part of a registration under REACH. Only an EU importer can notify to ECHA, so distributors for non-EU manufacturers are likely to be involved in providing notifications and should not assume that this is being done by the Only Representative.

Although the CLP Regulation covers chemicals that fall within the scope of REACH, we must also not forget that some hazardous chemicals that do not fall under REACH, for example flammable food materials, must still comply with the CLP regulations.

Cornelius has tackled these challenges in order to give our customers confidence in continued supply and help our suppliers. We

have invested in staff training and software, allowing us the flexibility to create our own compliant documents. We are actively making our own notifications to ECHA and our experts now often guide our suppliers in classification of products and paperwork requirements.

## Added value services

Offering added value in the supply chain is essential. We are seeing an increasing number of end product manufacturers looking to reduce their supplier base. For a manufacturer with worldwide manufacturing sites, European legislation may appear confusing and present a problem. Sourcing materials worldwide using a European-based distributor experienced in all the facets of European legislation may be a welcome alternative.

The Cornelius Technical Centre's regulatory expertise and REACH/CLP support has allowed us to remove the burden of being an importer from customers who may have previously imported goods direct. In addition, its labs can prepare demonstration samples and offer formulation support, innovations and suitability testing, which offers added value to manufacturers and customers alike.

We are always looking for new, inventive ways to promote our products. In 2009, for instance, Cornelius was the first distributor in the UK cosmetics industry to have delivered the 'virtual exhibition', at a time when customers were reluctant to travel to large exhibitions due to cost and time implications.

Also back in 2009 Cornelius invested in the project aimed at implementing a business development and marketing capability across the business, developing both the existing

and new international markets sales and marketing strategies. As a result of the project, a clear marketing strategy was devised, allowing the company to grow and diversify despite the recent recession. We believe that our enhanced marketing capability has enabled us to develop even stronger relationships with our global principals.

## Ethical supply

Industry in general has become more aware of the impact we make on the environment, employees and society. This can be seen at supermarkets, where there has been an explosion in availability of ethically sourced & Fair Trade products. There is a growing trend towards consideration of Corporate Social Responsibility (CSR). Cornelius's own strategy for CSR encompasses five strands: employees, the local community, the supply chain, the environment and external stakeholders.

The company uses this strategic framework to ensure that it provides a rich environment for its employees, where they can flourish in a safe environment, supports the local community, where it can, through the actions of our organisation and its employees, manages its supply chains to the highest standards of safety and quality, minimises its impact on the environment where possible and operates to the highest business standards and ethics with all our stakeholders.

We not only believe that this is the right culture to have within our organisation, but also that it brings with it a level of sustainability to the company, which benefits all. This aspect of our culture continues to develop and shape our organisation.

While searching cosmetic shelves,

many consumers opt for 'natural' formulae. In the DIY store, they would rather avoid picking up the tin with a scary dead fish or a 'harmful' label. This commercial pressure, coupled with legislation change such as VOC level restrictions, has acted as a positive driver for change in the chemicals industry.

We have grown our portfolio of naturally derived materials and lower toxicity alternatives. As many customers want naturally sourced materials to fulfil the requirements of Ecocert and the Soil Association, we have to tackle issues like our impact on deforestation. Palm oil products particularly pose many questions, with many customers seeking Roundtable on Sustainable Palm Oil certification.

In the food sector, labelling laws differ greatly across the world. When dealing with food grade materials manufactured outside the EU, great care is needed to monitor materials which may potentially be of genetically modified origin (GMOs). Our industry needs to have systems in place to warn customers of the potential presence of GMOs.

We also need to be aware of any changes in the manufacture and feedstock materials in food products as a change that may not be significant in, say, the USA may have huge labelling repercussions in the EU. All this leads to the need for distributors to have strong relationships with their suppliers to allow for full and open transfer of information.

In conclusion, distributors face a lot of challenges and responsibilities, both legal and ethical, for the products they supply. This makes us an essential part of the supply chain, adding value to both the manufacturer and customer.