Why Supply-Chain Snags Might Make Hand Sanitizer Even Harder to Find

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Key insights:

As any entrepreneur will tell you, the success of a new brand has a lot to do with timing. And Brian Bushell's timing could hardly have been better.

For well over a year, Bushell had been planning to add a grapefruit-scented hand sanitizer to By Humankind, his boutique line of personal-care products that launched in 2019. As the founding CEO of hipster cupcake phenom Baked by Melissa, Bushell had plenty of business experience, but he didn't really need it to realize that, with hand sanitizer sales surging by 313% in early March alone, this was a fortuitous time to be selling the stuff.

"[This] is a product we've been developing for quite a while—long before this whole COVID thing started," Bushell said. "But we hit the gas on it, given the demand."

Yet, as things turned out, it was a different aspect of Bushell's business plan that's likely to make an even bigger difference for his company. The brand mission of By Humankind, which debuted its sanitizer this week, is to help decrease the amount of plastic waste in the world. It means, among other things, that his hand sanitizer comes in aluminum canisters.

And these days, that's a good thing because plastic bottles are getting especially hard to find. In fact, plastic bottles

have joined a roster of essential materials needed to make hand sanitizer—including alcohol, gel polymers and even towelettes used for antibacterial wipes—that are increasingly hard to source, prohibitively expensive or both.

Right now, the consumer hand-sanitizer segment is contending, quietly, with a sticky situation: While ordinary Americans are scrambling to find sanitizers on store shelves, the makers of those sanitizers are in a scramble of their own—for the raw materials to make the germ-killing elixir in the first place.

“That’s what’s happening, and that’s the major issue we’re dealing with,” said Rakesh Tammabattula, CEO of QYK Brands, maker of Glowy and Dr. J’s Natural brands. “Most manufacturers are just worried about how to continue producing,” he added.

How cheap ingredients suddenly got pricey

Three months since health authorities confirmed the first case of COVID-19 in the U.S., consumers have inured themselves to the fact that hand sanitizer isn’t available online or at the local chain store and won’t be for the foreseeable future. What’s less obvious is that the same demand for sanitizer that’s producing those shortages at the retail level, coupled with the corresponding need from institutions like police departments and hospitals, has created a chokehold that reaches all the way back up the line to the start of the supply chain itself.

That snag is most apparent with alcohol, which is the active and predominating ingredient in most hand sanitizers. (The National Institutes of Health recommends an ethanol or isopropanol concentration of at least 60% for a product to be effective against the virus.) One of the factors that made hand sanitizer such a viable business in the first place is that alcohol is cheap. Or, at least, it was cheap. Prior to the coronavirus crisis, alcohol could be had for a nickel or less per pound. As of March 19, however, the price had soared

to 85 cents, according to figures from the Independent Commodity Intelligence Service (ICIS).

That level of demand has put enormous pressure on midsize companies like QYK Brands which, as a U.S. company, also must adhere to Food and Drug Administration guidelines and use only United States Pharmacopeia-grade alcohol. (The distilleries that have jumped into the fray in recent weeks to make hand sanitizer are doing so because, on March 20, the FDA announced it would take no action against companies like breweries and distilleries whipping up their own batches of sanitizer.)

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