

TOP TEN CONSIDERATIONS FOR SELECTING A CONTRACT MANUFACTURING PARTNER

It starts with an idea for a new or improved product. After some deliberation, you decide it is time to make that product a reality. Whether you're striking out on your own, are preparing for a crowdfunding campaign, have backing from investors, or are an established OEM, you will be hard pressed to find a relationship more important than the one with your contract manufacturer (CM). Cutting corners may initially save money, but factor in time, the need for a resourceful partner and the inevitable product changes, and soon you are well beyond your initial budget. Here are just ten points to consider before deciding on a CM.

TOP TEN CONSIDERATIONS

1. **Explore your options** – Are the CM's you've identified for possible partnership able to meet your development and production needs? Do they only handle a low-volume, high-mix production profile? Or are they flexible enough to handle high-volume? Not all CM's are the same; you must be sure to partner with one who will take into account cash-flow considerations that may be detrimental to your business.
2. **Check references** – Any good CM should be able to provide you solid references that can speak to their working relationships, design abilities and product delivery.
3. **Cultural compatibility** – Does your potential contract manufacturer understand your organization and your needs to fit your company culturally?
4. **Supply chain network** – Be sure that your CM has a solid supply chain network and is willing to negotiate prices based on keeping your best interests in mind. Sometimes it will make sense for you, as the owner of the product, to manage the purchasing. But there may be occasions where it is best left to the CM to negotiate on your behalf as they may already have supplier relationships in place and can leverage all the business they bring to that supplier. Likewise, having someone in-house dedicated to supply chain management may not be best for your company as you can often find cost savings in letting your CM manage the process.
5. **Location, location, location** – Depending on the size of your project, you may want to consider the location of your CM. Shipping costs are directly proportionate to the distance between you and your CM, so selecting a partner overseas may not always be the best option. In general, the closer you are geographically to your CM, the more reasonable your shipping costs will be.
6. **Estimate total cost of ownership (TCO)** – Carefully evaluate the real TCO associated with the manufacturing process including all associated expenditures: cost of capital (do you have to pay upfront for material? how does that impact your cash flow?), and associated travel expenses if you are evaluating an overseas manufacturer.

7. **Future-proof your product** – Be sure that you work with a CM that is ahead of compliance issues, potential part obsolescence, and has back-up plans in place to avoid sole sourcing of components. Also, be sure you are on the same page when it comes to component substitutions: do you want them to clear it with you first or are passives okay?
8. **Determine process in advance for any ECOs** – How agile and flexible will your CM be to any engineering change orders that may arise? Unforeseen issues may develop and learning how your CM has handled them in the past is a good indicator of how they will handle issues in future. Don't be afraid to ask questions.
9. **Test and then test again** – Once you've got the product in your hands, your CM should work with you to run it through extensive tests to verify the design.
10. **Be sure that all critical points are covered in your agreement** – From the ECO process to delivery expectations, be sure that your agreement with your CM leaves you feeling that they are taking your investment and future seriously.

You need to safeguard against any unexpected complexities that may arise over the course of your project, and be sure that your CM partner will be there to address it without adding extra cost. That means doing your homework and finding a partner you can trust. Don't be afraid to ask questions and be sure that all of your concerns are addressed before signing the contract. Keep in mind, a superior production process means fewer surprises and better products in the long run.

ABOUT RELIANCECM™

RelianceCM, is a Corvallis, Oregon based company that provides contract manufacturing to the high-tech, consumer product, transportation, medical, industrial product and cleantech industries. Since 1988, RelianceCM has been providing engineering, manufacturing and fulfillment solutions to customers in the U.S.

CONTRACT MANUFACTURER CHECKLIST

- Their production profile matches your needs.
- They provide solid references.
- They understand my organization and are a cultural fit.
- They have an established supply chain network.
- They are geographically close to me.
- The TCO fits with my current business plan and budget.
- They are ahead of compliance issues and have a plan to avoid part obsolescence.
- They have a clear plan for ECOs.
- They have a defined test and re-test process.
- All critical points are covered in our agreement.