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Indie Beauty

Everything You Need to Know
About Working With Contract
Manufacturers

How to Guide



Contents

Our indie beauty contract manufacturing guide will give you industry insights on:

The Pro and Cons of Contract Manufacturing (CM)

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“The outsourced infrastructure of a brand is quite literally the foundations of a brand’s health, and their growth is built on it.”

Rachel Whittaker, Founder of beauty logistics strategy provider, Indie Beauty Delivers.

“It’s an investment in the future.”

“Indies who have some form of plan, have a sense of urgency and a level of quality and detail; those who have a vision of how they are going to take their product to market are the most prepared and successful when engaging in a contract manufacturing relationship,” expressed Miles Kaegi, Co-founder of indie contract manufacturer, Packaging On Demand.

“It is becoming more and more common for indie brands to start to outsource, and as a result, they are quickly seeing good growth,” shared Lorraine Dallmeier, environmental scientist and Director of Organic Cosmetic Science School, Formula Botanica.

“It can be a phenomenal relationship for your indie brand to really take it up a level.”

“Accessing the knowledge and expertise of a contract manufacturer that can leverage best-in-class manufacturers, high-touch innovation and speed-to-market will become an invaluable advantage to accelerate the growth of your indie brand,” emphasised Bonnie Beer, CIO, KDC/ONE.



Introduction

Indie brands looking for support with their first pilot, launch roll-out or additional product lines are enlisting CMs to help transform their beauty concepts into developed formulations and finished products.

The introduction of an ingredient supplier to the indie and CM relationship can enrich the process and provide access to knowledge and expertise on best practices, timing and delivery; insights on cutting edge formulations and ingredients; and samples for indies and CMs to try first-hand, in real-time, in the manufacturing environment.

As navigating the CM and ingredient supplier landscape is often challenging, we've put together this guide to give you the need to know about contract manufacturing, and to support you in creating and sustaining a thriving indie beauty brand.



The
Pros
and
Cons
of
Contract
Manufacturing
(CM)



*Is Contract Manufacturing
Right for You?*



The two big questions to ask before making the decision to team up with a CM is: “Why am I considering partnering?” and “When is the best time to partner?”, Lorraine Dallmeier, environmental scientist and Director of Organic Cosmetic Science School Formula Botanica, reveals.

Lorraine shares her experiences and know-how on what influences the answers to these “why?” and “when?” questions:

1.

You need to scale up because you are in the very fortunate position that your brand is doing well, and you have to keep up with demand.

2.

You need support, as you may not have the knowledge or the capacity to manufacture your formulations.

3.

You have to outsource to avoid breaking the law. In the EU, for example, there are certain countries that have regulations in addition to those set out in the EU Cosmetic Regulation. In the US, some states have additional requirements to those in force in the Federal Food, Drug, and Cosmetic Act (FD&C Act) and the Fair Packaging and Labeling Act (FPLA). A CM will understand (or research to find out) the specific requirements for the market you are operating in, or looking to enter, and can guide you through the required regulatory processes.

“There’s always going to be a tipping point for indie brands, and it’s probably one of those three situations,” Lorraine explains.

The CM relationship is not a one size fits all approach. Instead, CMs can work with indies to varying extents to develop their product portfolios.

These different ways of working with manufacturers come with different pricing.

“Indies need to ask manufacturers to explain all their service levels and prices in order to make the best decision possible,” Rachel relays.



CMs can engage in private label manufacturing, whereby they produce the end-to-end solution for you. This option is popular with startup indies who are looking for complete support on product ideas; as well as access to laboratories for formulation development; regulatory and testing checks to confirm quality and control; and manufacturing, packaging facilities and equipment.



CMs can be enlisted to use various parts or components of the product that have already been produced by another company. The CM can place these into the manufacturing process and manage their implementation when creating the finished product. Quality control via testing is a crucial part of the process, which allows CMs to ensure all the component parts function together and are market-ready.



CMs can provide a specific service or labour network. This is a popular option for small indies, who can access the CM's production team when needed and in a way that best suits their business, maximising efficiency and effectiveness.



CMs can also offer their manufacturing equipment or entire facility so you can undertake pilot testing and production runs.

“In my experience, many founders make decisions about outsourced options based on cost and their current situation. During their initial launch where time and money are short, they are normally looking for fast, cheap solutions,” Rachel relays.

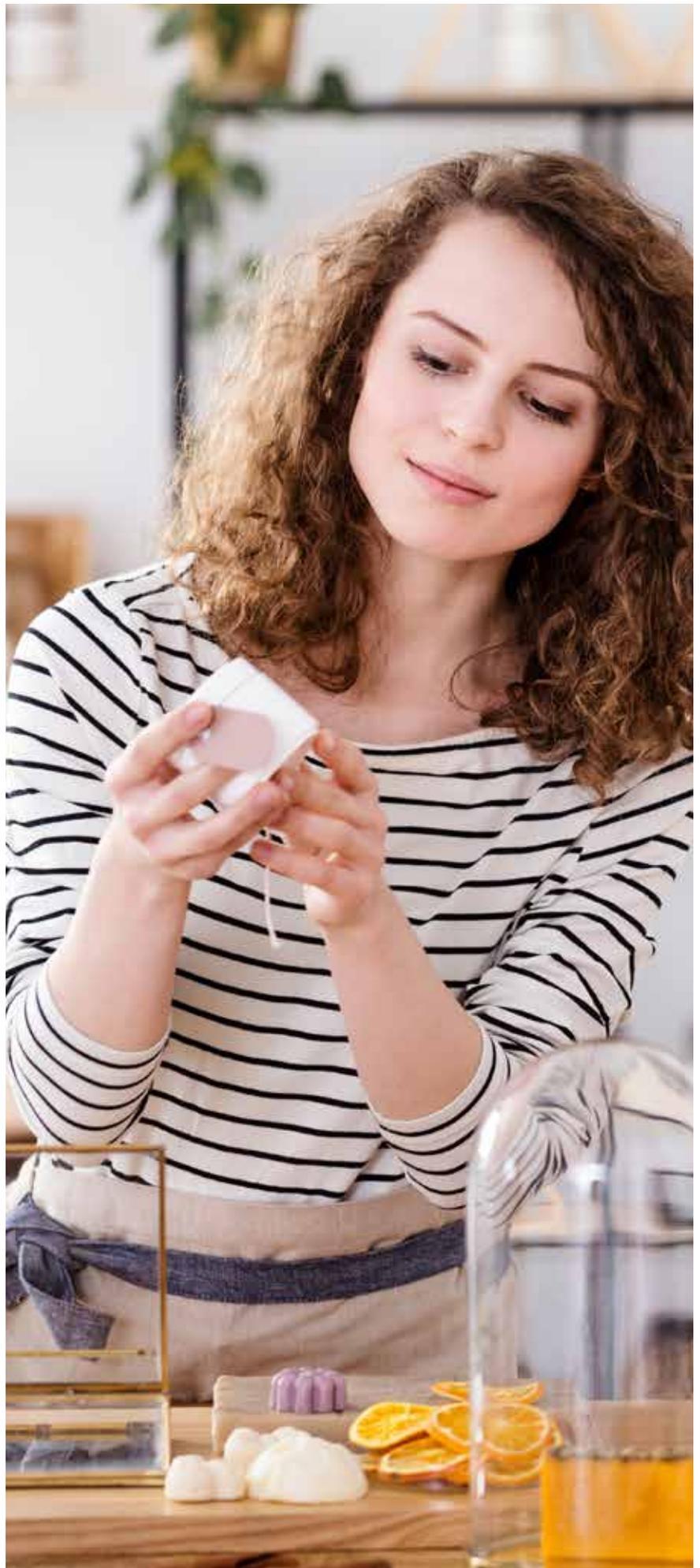
Commenting on how outsourcing is *“bringing expertise into your business”*, Rachel highlights that *“any outsourcing should be viewed as building a brand’s own team, experience and potential”*.

With present needs and longer-term strategies in mind, *“the decision on who to go into partnership with needs to be taken very seriously”*, explains Rachel.



Some brands want to sit in the smaller end of the enterprise bracket, where they want to start a brand that will support them and their family, and they don't want to take it that much bigger. In those particular situations, it may be more cost-effective to manufacture in-house and set up a small lab, where you can turn out a few thousands or tens of thousands of units per year.

For indies that are considering whether CM is the right option for them and their brand, Lorraine's advice is to *“decide what sort of business you want to create”*.





Alternatively, if you're going for the global brand model, and a lot of indie beauty brands are, then you may want to get your ducks in a row and immediately outsource CM.

“It really depends on how big you want to take your brand, because if you don't have the intention to aim for global domination, then you don't want to find that you've got 100,000 units of lotion in your garage,”
Lorraine warns.

A blue-tinted photograph of a factory floor. In the foreground, a large, square metal part with a circular hole in the center is visible. In the background, there are various pieces of machinery, including what looks like a drill or a similar tool. The overall scene is industrial and brightly lit.

When
Might
Contract
Manufacturing
be
Right
for
You?



You're launching

For startup brands looking to get their first production run underway, CM enables you to save costs and limit resources — which is even more crucial if you are yet to secure your first sale. Through teaming up with a CM, you can retain the working capital in the business by lessening production costs.

Developing initial product ideas, understanding formulation requirements, acquiring and housing equipment, and managing the manufacturing process is a complicated and often overwhelming prospect for many brands.

You're a small-to-midsized indie

CM can remove the need to find, invest and manage infrastructure, tools and the labour required to scale up internally.

As you grow, you are presented with several options for manufacturing your personal care ranges. At this stage, it's important to consider if your existing CM can still accommodate you, whether you need to move to a different CM to best handle your production, or once established and have regular cash flow, whether in-house production is the best choice for your brand.

You're focusing on product quality

Rather than dedicating cost, time and resources to practising manufacturing processes and perfecting formula, CM allows you to access available and advanced production technology to maximise quality and production efficiency.

You're experiencing cash flow problems

If you are faced with financial difficulties, CM can save time, money and energy as you navigate your way through cash flow issues — without halting production goals.

The beauty of the CM partnership you enter into is that it can be a permanent, ongoing relationship or a temporary, one-off agreement that enables you to complete a single production run.





You're building your brand

For indies developing awareness and brand storytelling capabilities, CM can free up the amount of time you spend engaging in a trial and error production approach. With the help of your CM, you can understand where the science, law and creativity align, so you can produce a marketable and saleable finished product.

The CMs possess brand power, recognition and reputation. Associated trust and credibility can support your efforts as consumers associate the CM with quality and efficacy.

You have other business areas to focus on

With limited capacity comes limited focus and the limited ability to act on our strengths. If you can see the immense value, or it is a necessity at this point, to concentrate on nonmanufacturing areas within the business, then adopting a CM is a viable solution that can free up your time.

“Ambitious indies should start to build brand equity quickly. Rushing for launch day without knowing all the relevant information may have detrimental consequences in the future,” Chris Sayner, VP of Sustainability at Croda shares.



You experience seasonal sales trends or product portfolio popularity

The time of the year and the trends driving the popularity of certain products within your portfolio creates variable consumer demand.

Equipped with this knowledge, you can engage with CMs during your peak production times to reduce risk and prevent cash flow problems by avoiding all-year-round production.

Tip: Just remember to ask your CM about timelines and dependencies to make sure you don't miss your desired launch date (Check out our "The top questions" on page 58 section below).

You're looking to simplify your supply chain

Collaborating with an experienced CM can help ease the admin and decision-making burden that often comes with complicated and complex supply chains, as a CM can handle these on your behalf.



The benefits of working with a CM

For startup, growing or established indies, CM provides an advantageous pathway to formula ideas, innovation and suitable development methods.

For example, the established KDC/ONE network of companies focuses on operational excellence and applies its experience to enable managed growth. Adopting the tagline, 'Beauty Innovation Delivered', KDC/ONE is able to provide consistent support from development stages through to production via its network of manufacturing and R&D labs in the United States.

Here, we take you through the core benefits of teaming up with a CM.





Cost reduction

Pricing is, unsurprisingly, a huge consideration for indies. Successfully lowering the costs and expenses related to increased efficiencies and higher net income is a huge plus. CM means your business uses fewer resources as it spends less on operational and maintenance costs.

You achieve this by not having to purchase and commit to inventory on raw materials and supplies used in parts manufacturing, as the CM does this for you. Joining forces with a CM also lowers labour costs since you do not have to dedicate resources to building a production team.

“Leveraging the purchase power and demand from CMs to lower the overall cost of a growing indie is a valued asset,” Bonnie details.

“CMs that have strategic partnerships with suppliers and rapid manufacturers (RMs) will gain access to volume purchase without the risk,” Bonnie adds.

Scaled production

Economies of scale also play a part in keeping costs down as CMs may be able to engage in mass production to sell products at a lower price point. By scaling production this way, CMs — who already have the facilities, equipment, technology, and fully-trained staff to handle your specific project — can pass these savings onto you.

Formulator and manufacturer, KDC/ONE, has invested in pilot programs, dedicated state of the art equipment and robust procedures for both over-the-counter (OTC) and non-OTC products. KDC/ONE has designed these to meet the growth demands of early-stage brands.

You can see what formulations work best, before committing to spending more time and resources. Through using state of the art technologies, equipment and project management methodologies to run your formulations, CMs can change batch sizes, lower lead times and explore efficiency and quality standards throughout all output levels in shorter lead times.

The lean manufacturing approach, which is a continuous improvement concept that focuses on limiting the amount of waste and promoting system-wide productivity, also restricts the potential of spiralling costs and resources that are impacted by scaling production.



Resource allocation and focus



The costs saved by teaming up with a CM opens up the ability to allocate these resources to other areas of your business operations. Brainstorming design options, creating or developing a marketing strategy, honing your administrative processes or actively changing the culture of your business are all possible.

Focus on your strengths by streamlining how you spend your time, energy, capital and other resources. These can then be channelled into sales, marketing, admin, finances and other areas of the business besides manufacturing.

“You want to change the way that you’re running your business because, of course, a lot of indie formulators will probably spend a large percentage of their time manufacturing, whereas actually, they should be spending that time selling and marketing,” Lorraine from Formula Botanica points out.

Strong and simple business relationships

Your supply chain can either be lean, complicated or somewhere in between. The number of individuals, suppliers and links in that chain creates multiple admin requirements and transactions. The number of raw materials you use, along with your distributors, dealers, shipping and warehousing, all add up to create an overflowing and disjointed, or clear and faultless supply chain.

A CM can help keep your supply chain lean by liaising directly with multiple raw material suppliers, various distributors, shipping centres, warehouses and fabrication facilities.





*Less time spent manufacturing
=
faster to market*

When choosing to work with a CM on a specific part of the product's manufacturing, you lower the total time spent on production, speeding up the delivery of the final product/s.

For established indies that have tried and tested the market, and are producing high-demand personal care items, enlisting CMs enables brands to place their products on physical shelves or e-commerce platforms quicker. CMs that have developed successful speed-to-market formulations and that can deliver the highest quality, will be an instrumental advantage for an indie brand.

The responsibility of choosing, upgrading and maintaining equipment, and training and hiring staff becomes the responsibility of your CM, rather than yours.

Access knowledge and innovation capabilities

CMs have a specific and unique capability set — producing personal care items for brands. Spending time identifying a good-fit CM optimises the level of quality invested in the output delivery. A CM that is an expert or specialist in the production and delivery of personal care products can support your brand by developing innovative capabilities.



Increased Brand Recognition



Delivery of high-quality and innovative products timely and reliably can elevate your brand's recognition, power and equity amongst your target audiences. The CM agreement and relationship will support this market positioning and help to create a positive and favourable impression of your brand.

Quality Control

A good CM will also prioritise quality control and most CMs have highly developed quality control processes in place. By adhering to strong standards of efficiency and safety, the CM will follow strict measures of performance quality in manufacturing and ensure the brands they work with do too. By outsourcing to a CM, together, your eyes, focus, ideas and management will be on the production run.

A quality-control approach stretches beyond quality inspections and checks-and-balances — it enables you to have in-house safeguarding of your brand's reputation. You may also be able to use multi-service, design-for-manufacturing (DFM) consultancy, giving you access to their in-house team of engineers, welders, machine operators and project managers.





Supports risk management

CMs invest time into exploring risk management and creating improved and cleaner philosophies by understanding regulations, compliance and product testing.

Strong partnerships between indies and CMs result in the decreased likelihood of malfunctions, operational disruptions and reputational damage.



The Benefits of Working
with a CM & an
Ingredient Supplier



Teaming up with an ingredient supplier — and the expertise and knowledge of raw materials and ingredient integrity this brings — is an added bonus.

Getting this partnership right is all about engaging with those suppliers that will give you clarity, support and confidence, so you can be assured that:



Your ingredients are sourced to your standards;



You know, and are comfortable with, the supplier's quality assurance process for approving raw materials; and



You have comprehensive information on the ingredient supplier's entire supply chain.

When collaborating with your CM and ingredient supplier, you “*have to think about how close you want to be to your ingredients suppliers when you make that decision*” and “*how transparent and happy to share information with you they are*”, notes Lorraine.

Indies can benefit from this by embracing the power of collaboration between indies, CMs and ingredient suppliers.

“*The holistic appetite for transparency and a wealth of accurate information on ingredient content is significant,*” highlights Chris Sayner, VP of Sustainability, Croda.



Sharing positive insights from her experience of the indie, CM and ingredient supplier relationship, Lorraine says:

“I have met a lot of indie formulators over the years who have built up very close relationships with ingredient suppliers and got to know them and supported their businesses, and almost worked in synergy.”



It is vital that all parties work together, in harmony, with complete understanding — the indie, CM and the ingredient supplier — to succeed in their business.

An ingredient supplier brings an enhanced level of technical expertise and commercial experience that can elevate the indie brand's success and reputation, and support the CM in their ongoing efforts to achieve this.

The core benefits that working with an ingredient supplier can bring to a CM and indie brand partnership are:



Technical Expertise



Product Claims Knowledge



Brand Power



Global Reach



Established Position in the Marketplace



Ingredient selection process

When it comes to choosing the ingredients for your formulation/s, this is where your ingredient supplier can really assist your CM.

And again, for indies, it's all about asking as many questions as possible, directly with your CM and ingredient suppliers (if you have one), or by visiting suppliers days, conferences, workshops and roundtables. Speak to product marketing specialists and gather as much information as possible on the ingredients you intend to use.

You will also want to know:

- » What's the latest in this technology?
- » What's the process, quality, supply and the combination of ingredients?
- » Why should I buy Croda ingredients versus just using an extract from XYZ company? What are the differences? What is the clinical support I want to see behind it?

For example, if you are formulating a product that aims to remove dark circles, wrinkles and inflammation, this may require three different ingredients. Each one has its own clinical benefits. We need to understand how these three work together. The ingredient supplier's product knowledge and technical expertise are imperative to understand how best to combine ingredients here.





Ingredient Selection and Delivery

“When it comes to agility and timeliness to delivery, customers think that everyone stocks every ingredient. That’s not a reality today. Neither is thinking every ingredient is readily available,” Packaging on Demand Co-founder, Miles Kaegi, expresses.

An ingredient supplier provides insights on how ingredients impact the contract manufacturing process



How ingredients impact the overall process?

Where an indie says they are looking at an 8 to 12-week lead time, the reality is that the CM will need to allow another week of shipping. The manufacturers then have to make it, test it and ship it.

To compete in the personal care market space, indies are trying to come up with something new, novel and sought-after to keep up with consumer demands and grab market share.

The increasing rise of Made to Order ingredients



Indies today need to be novel, unique and innovative. To do this, some products now have 20-30 ingredients. It may be that 19 of them are going to be here in the next week, but the last one, that's made to order.

That's your speciality. Increasingly, indies start saying, "Hey I've got four speciality ingredients in there". That's where the lead times get long, Miles shares.

Bringing an ingredient supplier into the existing partnership between CMs and an indie optimises the knowledge, transparency and awareness in the supply chain, making the manufacturing process as efficient, lean and effective as possible.

Real-life example



Packaging on Demand is the CM and Croda is the ingredient supplier.



Packaging on Demand contacts and communicates with Croda in confidentiality to relay the requirements from the indie brand. A helpful, proactive and open line of communication is key, along with the rapid supply of samples from Croda to meet the timelines of the indie brand.

Labour, supply, quality and product information are also shared between the indie, CM and ingredient supplier.

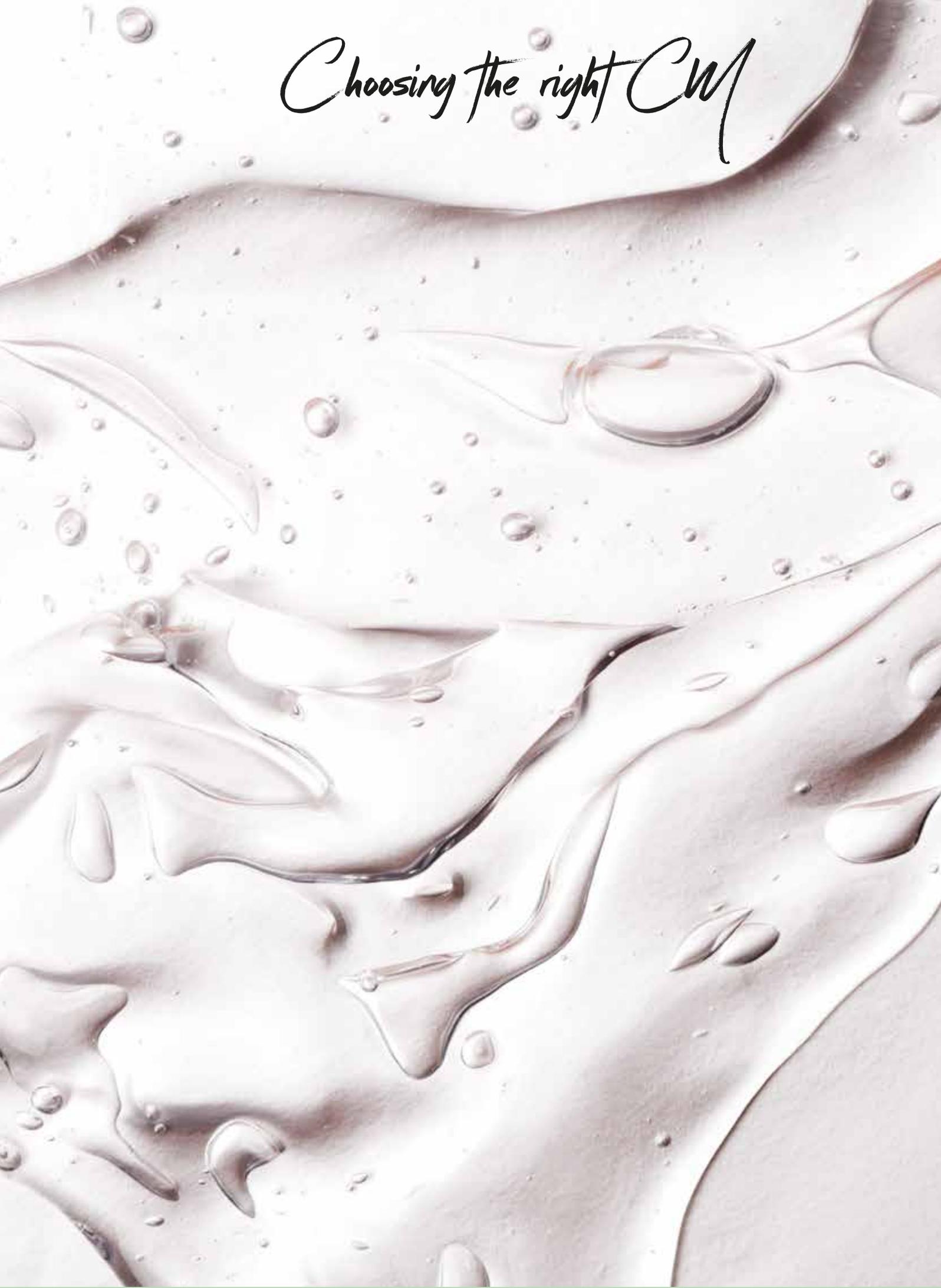
Creating, selling and making specialist ingredients around the globe, Croda combines innovation, technology and sustainability. The ingredient supplier then passes this technical expertise and long-standing personal care industry experience onto you to apply throughout your brand.

By removing third-party distributors from the supply chain — and most importantly the barriers to transparency between you, your CM and your ingredient supplier — Croda provides an accessible and advantageous way for you to launch or grow your brand.

“We love our relationships with Croda and Sederma, we love our reps. Every single one of them and the management team has been more than helpful for us. We love doing business with Croda period,” Miles relays.

Selecting
the
Right
Contract
Manufacturer
(CM)
for
You

Choosing the right CM





When choosing a CM you want to partner with, it is vital that you consider their experience, expertise, flexibility and scalability so that your brand will be safely and competitively served as it grows.

Choosing the right CM can massively increase the value of your brand, support your initiatives and increase your availability to handle other areas of the business. If not chosen correctly, brands may suffer from unaligned values, poorly formulated products, missed opportunities and the knowledge that you will need to invest in the search all over again.

“The choice of contract manufacturer, like the choice of warehouse are some of the most important decisions brand founders can make,” says Rachel Whittaker, Founder of beauty logistics strategy provider, Indie Beauty Delivers.

Selecting a CM can be a time-consuming process. There is lots of research involved, lots of questions to ask and multiple conversations to be had throughout the decision-making process. Adopting this approach, however, will support you in making an assured and confident choice in your selected CM.

Trust, credibility and reliability are the hallmarks of a strong CM and indie relationship. Working with a specialist in the personal care space will also bring extra knowledge and expertise to support ideas-generation, formulation development and marketability.

It is vital that you feel you are in a positive working relationship, where you can count on your CM to be transparent, reliable, dedicated and committed to achieving the highest quality product for your portfolio — along with having strong and open lines of communication.



How valuable do you think it is for an indie brand to work with a specialist expert within the cosmetics and personal care space? “*It’s so valuable!*” confirms Lorraine.

“*You then effectively have someone who is your brand partner and who can help you scale.*”



“When brands are shortlisting potential manufacturers, they need to be thinking about their own plans and then looking for manufacturers who have experience in the relevant areas,” Rachel suggests.

Brands may start with a one-kilo lotion and then want to scale up to 100 gallons, but it is not possible to work in this way, Lorraine notes.

“You need a brand partner and CM to really give you that advice and help you tweak your formulations to the stage that you can scale up,” advises Lorraine.

“CMs can also advise you on testing, the right equipment to use and packaging as they have that experience in the industry that some indie formulators and brands do not have,” Lorraine adds.

A Step by Step Process to Getting the Right CM

We recommend following a step-by-step process to help ensure you make the right decision when selecting a CM:

1. Carry out a feasibility study where you weigh all the pros and cons and prioritise factors such as timelines, budgets, legal and personal considerations.
2. Complete desk research on the companies you have identified to get an insight into their reputation. The FDA, Better Business Bureau and other regulatory agencies provide online resources to support your decision-making.
3. Analyse product experience to ascertain whether the CM deals with the specific personal care goods you are looking to produce. Understanding whether they deal with a segment and/or megatrend-led launches will help narrow down your options.
4. Consider the CM's ability to scale your production runs. If they have specific management capabilities and limitations, you may need to change CM. Knowing this from the outset will help you decide which CM will be the best fit for your business and your approach moving forward.
5. Consider the level of autonomy you are comfortable with. Look at the level of communication and how it fits in with your operations day-to-day. Understanding who will be involved in these final decisions is key.
6. Expectations should then be put clearly and directly in writing to start building a relationship based on trust and open communication, where all elements of the relationship are discussed.
7. Contact and schedule visits with each prospective manufacturer. Talk through all of your desired products and manufacturing requirements so you can fully understand the contract partnership process.
8. Assess all companies once again in terms of their pros and cons to confirm which CM is the best for your brand, team and direction.

Rachel's advice when looking for a potential CM is to look at websites, make initial email and phone enquiries, ask for recommendations in forums, ask industry experts for recommendations and ask fellow brand founders.

Measurable and quantifiable elements are important, but so is gut instinct, from both on and off-paper interactions.

Throughout your conversations, communicate your expectations and manufacturing needs clearly. Be open and transparent as to how you envisage the relationship working to see if the fit is an optimal and mutually satisfactory one.

Choose a CM that fulfils all of the necessary requirements and can also successfully answer all of your questions.





The Threats of an Imperfect Pairing

Miles Kaegi, Co-founder of indie contract manufacturer, Packaging on Demand, gives us an insight into what a positive CM and indie relationship looks like: Indies need to partner with a CM who will say *“How are we going to work through any obstacles?”*

If you lack information or the confidence in your decision, you run the risk of:

- » Poor product quality
- » Product inconsistency
- » Poor communication due to contrasting work ethics
- » A poor working relationship

You want a CM who will say, *“Okay, what can you do for me that will meet my goals? What can you do that’s going to make that happen?”* They’re willing to bend for you.

“If your manufacturer is not right, your products do not get made. If your warehouse and logistics providers are not right, your products do not get delivered. Bad decisions in these areas can cost you your business,” Rachel cautions.

“Ultimately, the cost, inconvenience and supply issues of making the wrong decision and having to change suppliers will be a whole lot more costly,” Rachel adds.

Common CM Myths

When it comes to choosing your CM, here are some of the common myths:



Go for the lowest price.

Yes, request a quote, but be aware that this does not reveal the entire story and can be a flawed strategy. While your CM will want to offer competitive pricing and save your company money, it may not provide pricing on the full supply chain costs. Look at the whole offering and the relevant factors at play.



The correct CM for you is the one where there is no hassle.

Yes, building a strong relationship should result in less hassle, but you are still responsible for managing your product range, which comes with responsibilities and ownership that the CM will need your input on.



Base your choice on a CM who will invest in your business.

The CM's strength is in their ability to remain competitive and make profits — which can then be passed onto you. Therefore, if the CM makes a business loss, this may impact you.



Opt for the biggest Tier 1 CM.

It's more important to select a CM that is genuinely the right fit for your business, rather than the biggest company in their space.



The CM role is all about science.

The product development process is not only scientific, but there is also a creative element to it.



It's good enough if it can be made once.

Products need to be able to be reproduced and replicated exactly.



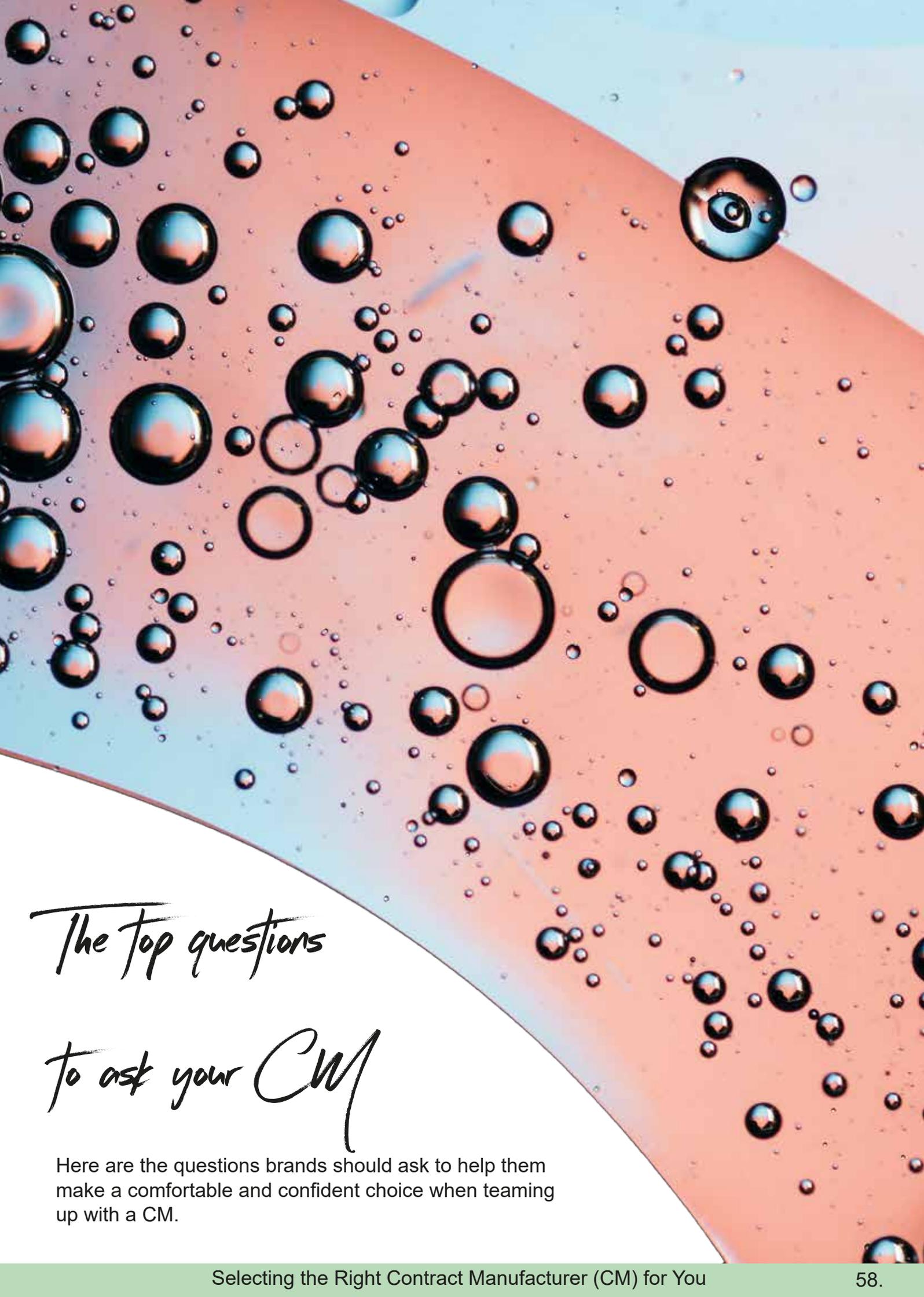
Your CM will have every ingredient in stock.

With indies opting for 20 plus ingredients, it's not possible for them to have all ingredients in stock at all times.



Everything is automated and made at the push of a button.

Nope — CM is a people business and so there are variables including schedules and availability at play.



*The top questions
to ask your CM*

Here are the questions brands should ask to help them make a comfortable and confident choice when teaming up with a CM.



*How much control will I have over
the decisions made by the CM?*

Limited to no control is a key concern for indies. Along with how the CM is looking after your product developments through protecting your intellectual property, you need to be comfortable with the level of ownership split between the CM and you during the production process.

How do you work?

This question is designed to understand whether your values align. You are engaging in a partnership and so obtaining information and insights on the CM's business model, management philosophy and corporate culture are all helpful in ascertaining whether you are choosing the right CM for you and your business.

The quality of the product, your brand as a whole and the entire production process may indeed be compromised if you feel that the working relationship will not suit you. It is best to consider the long-term implications of entering into a formal agreement with the CM rather than looking for a short-term fix to your current business holdups.



“ You have to be compatible on a values level, ” Rachel suggests.

“ Brands need to think about the match from a mission/vision standpoint. If you are a brand all about sustainability, then you have to partner with businesses who have the same beliefs and can help you fulfil your vision. ”

What are your capabilities?



When you have a shortlist of particular vendors, ask for information on the CM's services and capabilities. In creating your product line, it is highly possible that your items will need more than one service, so understanding whether the CM can cater to these needs is crucial.



Where are you based?

What location are you working out of?

Will this remain in the US?

CMs may move their labour force (or part of it) overseas or reduce the number of staff to reduce fees. If this happens, it may interrupt your production run. Wages, overtime, health and life insurance, vacation, sick days, taxes and employee regulatory compliance have to be taken into account. Seek a firm understanding of where your activity will take place and how this will impact lead time and final delivery date.

The CM may not limit its component part production to one single location. If it will be completed across multiple locations, ask where the final assembly will take place so you can ascertain whether it is suitable, especially if you want your team to be on site.

A benefit of sourcing an established CM with multiple locations, like KDC, is stability. As your indie brand grows, the CM should be able to help you expand geographically and into new categories. An established CM will absorb changes without disrupting your brand and business.

What's your lead time?

How quickly can you get this to me?

“Indies have one thing in common,” Packaging on Demands’ co-founder Miles Kaegi, reveals: “There’s always a sense of urgency.”

There is a high emphasis on development times. Brands have to be aggressive because consumers are able to get everything so rapidly in today’s personal care market.

There are huge caveats attached to the production length as the total end-to-end lead time depends on a host of variables, such as the ingredients you have selected, shipping times and artwork approvals. Have an open and honest discussion about lead times at the start to remove any miscommunication or stress caused by potentially missing an anticipated launch date or incurring additional costs.

Issues with the component tree or where there are lots of moving parts can result in long lead times. Human errors made by another manufacturer in the supply chain, quality control inconsistencies and lack of approval by specific deadlines can all lead to delays from packaging to product.



What can you add to the process?

Although we've listed a whole host of pros to teaming up with a CM, asking them directly is a sure-fire way to understand what they can bring to your brand and business development. CMs may assist you with idea-generation, product development, regulatory advice and testing.

What is your approval process?

You need to know what your CM expects from all suppliers involved before giving the green light to a project. You then need to pad your lead times accordingly.

You may be handling your own artwork, for example. Keep in mind that during production a lot of the process cannot start on the component tree side until the artwork is approved. You're either decorating the bottle or you're doing labels. Either way, there's a process because you need to check, make revisions and approve items. Waiting on approval for artwork can then extend production so knowing your timeline and keeping on top of deadlines in your supply chain is key.





How much does it cost to use a CM?

The costs and expenses included when using a CM range from shipping costs, added regulations and compliance, tariffs, contract fees and packaging. Ultimately, you need to know whether the CM's pricing is transparent or if there are any hidden fees or costs. Contractually, you also need to know whether they can demonstrate fair programme renewals with past clients.

Manufacturers that will be suitable both today and as you grow “*will not be the cheapest*”, Rachel asserts. “*They will, however, provide the level of service, capability and knowledge that are priceless to a young brand.*”

Sharing her experiences on how to get both clarification and affordability, Rachel says:



Check if the delivery costs for the finished goods moving from manufacturer to brand HQ or warehouse are included or if they will be added to the price you are quoted.



Ask when manufacturing becomes cheaper per unit. Prices are always dependent on volumes. The more you produce, the cheaper the unit price. It is good to know from the start where these cost breakpoints are.

“Understanding every cost across your supply chain is essential in order for you to get your RRP right. The moment you set your RRP and then find out about an additional cost, you begin to lose your valuable profit,” Rachel adds.



What's the size of your company?

What does your client portfolio look like?

It is highly valuable and fair to ask the size of their business, the CM's other customers (your competitors) and their requirements.

Before embarking on a CM relationship, you need to understand their availability and prioritisation during your desired peak production times. If you have an ideal timeframe for a planned launch, make sure you run this past them to understand their workload and capacity.



What's the financial stability of the CM?



Perform a risk assessment analysis to determine the stability of your preferred CMs. An analysis of this kind will hypothetically examine how the CM would cope with any potential business disruptions, including equipment failure, unrealistic goals and standards, mismanaged inventory, contractor delays and inadequate supplier capacity.

Who is in your team?

People are fundamental to the operations, data, tech and processes within any company. And the importance of running the business stretches from the very top to the bottom of the company.

Does the CM provide access to a training and development programme? Knowing how much investment and consideration the CM owner gives to the overall team will give you a solid indication of whether your teams will work well together.

It's also important to know if there will be a dedicated and qualified point of contact handling your project.





How do you ensure compliance?

Compliance with market regulations in the US and the wider marketplace is imperative. Ask your prospective CM early in the process how they guarantee compliance. As regulations differ between marketplaces, be sure to find a partner who is experienced and comfortable in meeting multinational compliance requirements if you plan on launching in multiple marketplaces.

There should be complete transparency and synergy between the CM and indie as to the approach used for both documentation and communication. Clear planning, instructions and initiatives, confidentiality agreements and product shipment details should be given.

Sufficient touchpoints, transparent processes and adherence to all written documents and manufacturing requirements also need to be outlined.

What technology, equipment and methodologies do you use?

Innovation in personal care is paramount, and so it's likely you will want your CM to use advanced, cutting-edge technology and equipment for your production. To achieve this, the CM needs to adopt and utilise the correct tools in-house or have the opportunity to engage with their network to access these.

For specific and customised production runs, new equipment may be required to complete the beauty formulation production and manufacturing. You not only need to know whether the CM has this capability but, if required, you have full transparency and understanding of who will be responsible to pay for the production run and how long it will take to reach the launch phase.



What is your knowledge, end-market experience and qualifications?



CMs provide you with their tried and tested knowledge on how best to navigate through the market. It is important to understand how many years' experience they have and in what specific areas? Do they have familiarity with products in your category and at your price point? What is their quality control stance and what is the CM's process if there are any inconsistencies from order to order?

*What's your process to onboard me
as a new customer?*

What do you need from me now, and what are you going to require of me in the future?

Understanding what level of input you need to provide, including the specifications of component parts or entire products, is important to glean information on the division of responsibility between yourself and the CM.



Common Barriers to Entry

Miles Kaegi, Co-founder of indie contract manufacturer, Packaging On Demand, talks us through the common barriers to entry that prevent indies from starting or moving forward with their first or next production run.



Customers don't have all of their paperwork

There are “a lot more regulatory hurdles and the industry has become stricter around documentation, such as formula composition declarations, compared to 15 years ago”, Miles explains.

“Obviously, it is good, as it is for the safety of the consumer,” Miles adds. “Indies need to be aware of this and build it into their product launch plan.”

If you take Amazon, for example, the e-commerce giant wants your products made in an FDA-registered (Food and Drug Administration) facility. The bar to enter the Amazon e-commerce marketplace is high. There is a balance between meeting the demands and the urgency, but also being able to answer those questions and provide all the documentation information they need, Miles emphasises.

Customers haven't done or completed the right testing on their products

There is a constant struggle between the urgency to make personal care products market-ready for the commercial mainstream, the regulatory burden, and the associated costs and resources required for testing. Typically, indies have completed testing, but only some brands have done stability testing in a quality laboratory.

The testing phase incurs costs that brands need to be aware of. If you have ten products and testing is going to cost you \$3,000 a product, brands need to know and consider whether they are prepared for that.

The alternative, however, is that brands skip the testing and have then spent money on a production run that creates a poor quality and unmarketable product. Testing is key, but brands need to budget and understand the time delays this will create in launching the product.



Having a Plan B if it fails



Engaging with indies from scientific, creative and entrepreneurial backgrounds, Miles understands that for many brands, they “just want to go”. Commonly customers think: “I’ve got a product, it works, I’m launching.”

While he champions this approach and is in fact how his company, Packaging on Demand started, he warns: “There’s always going to be risks.” As there are associated risks, he encourages indies to genuinely think about “what you are going to do if it fails?”

Issues arise that are not formula-related, but packaging-related, associated with primary packaging (bottles/tubes) and secondary packaging (unit cartons), for instance. These are all points of risk during your launch.

Conclusion

“Entering into smart partnerships with CMs can provide a full service, where CMs offer advice and support on the choice of viscosity, feel and fragrance to ensure information is valid and accurate,” outlines Chris Sayner, VP of Sustainability, Croda.

Companies in a positive and confident relationship with a CM — coupled with the added knowledge and insights from an ingredient supplier — can enjoy greater assurance, quality, productivity, flexibility, profitability and efficiency.

Ultimately, finding this winning formula can give you the peace of mind that your brand and product portfolio is primed for launch, propelled growth or complete market domination.





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