

SOLUTION BRIEF

CONTRACT MANUFACTURING: Five Hurdles OEMs Face in Getting a New Product to Market

Is your company an original equipment manufacturer (OEM) stuck in a rut of just keeping production flowing and filling orders? Who's keeping an eye on moving your business forward and opening new doors to opportunity through research and development?

Based on nearly three decades of serving the contract thermoplastics welding needs of its OEM customers, Genesis Plastics Welding has identified five common internal factors that create hurdles for OEMs in getting new products to market.

1 Staffing Struggles Create Backlog or Halt R&D

- Turnover of production staff is high.
- It's difficult to attract professional staff, such as engineers.

Considering it can cost \$500 to post just one job opening to an online career site – then another \$1000 for internal resources to screen and interview candidates – the expense to be in a constant state of recruiting, hiring, firing and training can be immense.

Being short-staffed can not only impact your ability to meet production demands, it can put a halt to efforts in research and development

as the day-to-day tasks required to protect existing streams of revenue take priority.

2 R&D Budgets Have Been Slashed

- Production demand is down so “non-producing” expenses are cut.
- You don't have the money for R&D projects.

There's not a business in existence that isn't challenged to reduce expenses in order to improve the bottom line. Unfortunately, line items expenses, like R&D, that don't lead to direct revenue often are the first to go in a budget crunch. It can be a vicious circle as a lack of focus on innovation can lead to lost opportunities for new revenue sources.

Innovative products can give businesses a unique selling point (USP), a niche place in crowded markets and a leg up on their competitors. It may sound cliché, but you have to spend money to make money – and you have to invest in innovation to be innovative.



3 Quality and Regulations Handcuff Development

- Your company's quality processes are not well-defined.
- Increasing government regulations deter you from pursuing product development in certain industries.

An article in the Journal of Business & Industrial Marketing cited competitors "with superior production processes" as a key barrier to market entry for many OEMs. While quality processes and quality issues in production must be addressed, it may make more financial sense to "buy" production of a product rather than "make" it in house if you can't make it well.

If you don't have the expertise in house to develop and manage quality processes or achieve industry certifications to meet regulatory standards, it may be time to bring in someone who does or look to an outsourced manufacturing partner.

The right outsourced contract manufacturing partner will help you overcome hurdles to innovation.

4 Innovation Is Stymied by Lack of Knowledge

- You don't have time to keep up with trends in raw materials.
- You don't have the expertise on staff to spec which materials are appropriate for each new product.

Unless you can afford to hire the expertise, it's time to consider outsourcing this part of the R&D process. Individualized attention, customer collaboration and a commitment to achieving key objectives during the material selection process are qualities you should look for in a manufacturing partner to ensure the best possible outcome when bringing a product to life.

If your idea is a well-developed schematic or nothing more than a sketch on a cocktail napkin, a good partner will work with you to select the most appropriate materials that will meet your business goals, promote cost savings, and create an efficient and repeatable production process.

Summary

By its nature, a contract manufacturer can respond much quicker than an OEM in terms of staffing needs that ebb and flow as a result of variable production demands. The optimal contract manufacturing partner also will have both the capacity and ability to create solutions that ultimately bring viable products to market as quickly and cost-efficiently as possible. For more information about how to select a manufacturing partner that can help you overcome hurdles to innovation, visit <http://bit.ly/select-partner>.

5 Plagued by the "Do it All" Syndrome

- The perception is that it costs too much to outsource.
- Your management team wants the control of keeping production in house.

A good manufacturing partner works with you throughout the production process and ensures you sign off on each step, thus maintaining control. Total cost of production is an equation that not only includes raw materials but also the financial resources dedicated to the production process including labor, soft labor, overhead, maintenance and repair, capital investments in machinery, or even costs for training and employee benefits.

Next time you have a new product to manufacture, do the "make versus buy" equation. It might make more sense to outsource than to invest in new machinery or employees when production demand will be so variable.