



HOW TO:
CHOOSE A CONTRACT
MANUFACTURER FOR YOUR
CHEMICAL PRODUCT

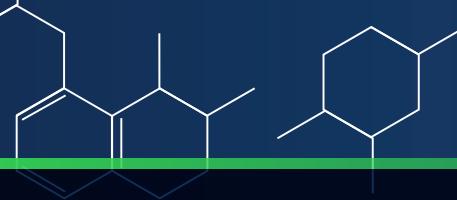


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INTRODUCTION

In today's market, working entirely in-house is an option, not a requirement. Outsourcing certain elements of a business can free up valuable resources and promote growth with lower overhead. In fact, two-thirds of U.S. consumer products companies outsource some portion of their work.

Find a business today that is trying to do everything by itself—bookkeeping, payroll, HR, training, marketing, customer support, IT,

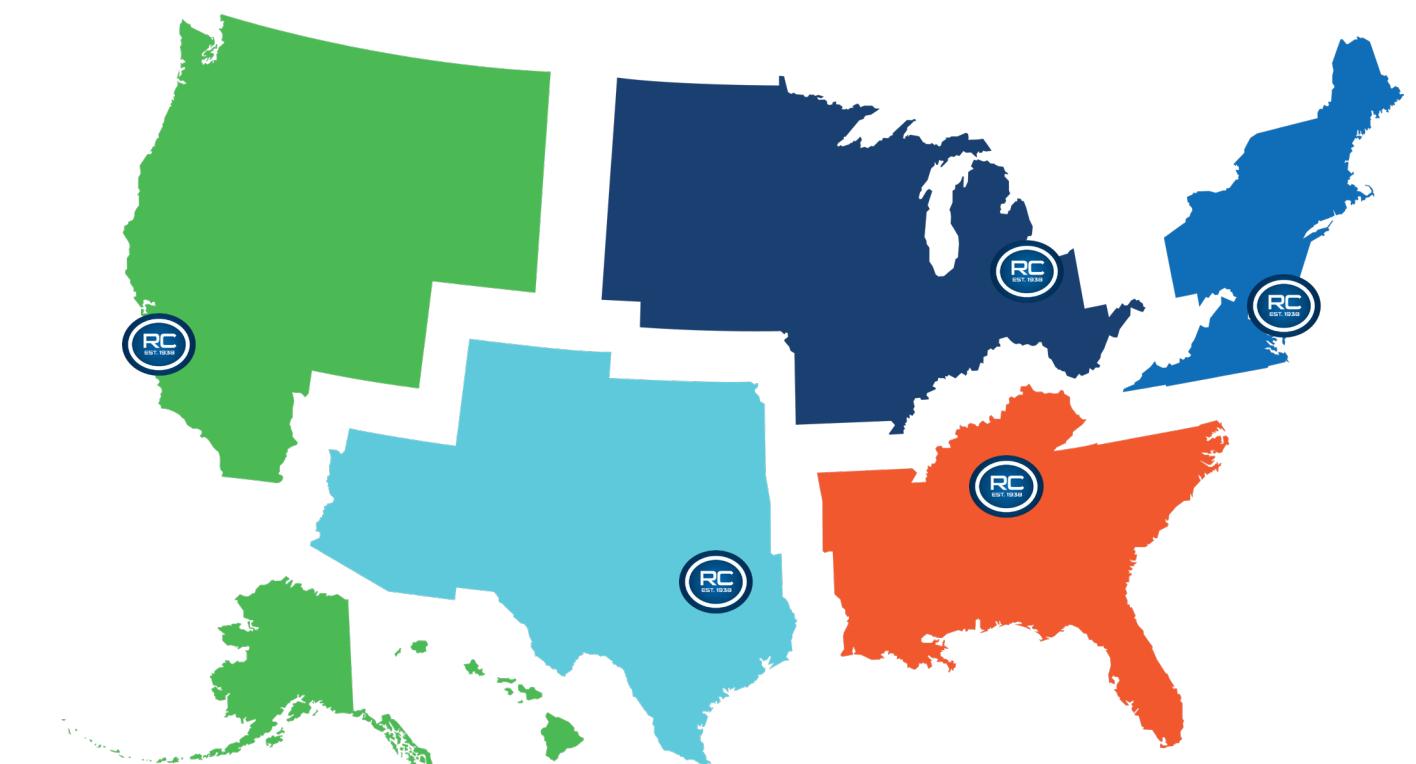
legal, manufacturing, shipping, etc—and you will almost certainly find an inefficient operation lagging behind its competition.

These days, successful businesses know the power of handing off responsibilities and operations to third parties with expertise and experience. And they don't just stop with payroll, accounting or IT.

The goal of this writing is to provide information on what makes the

perfect contract manufacturer and what you should expect out of the contract relationship.

By the end, you will be certain whether or not a contract manufacturer is the right choice for your business and have the knowledge and proper considerations needed to move forward in the selection process.



*Royal Chemical is located in 5 regions nationwide

CHAPTER 1:

WHAT ARE THE ADVANTAGES OF CHOOSING A CONTRACT MANUFACTURER?

Smart, strategic outsourcing of all or portions of your production can work magic for your business. Let's count the ways:

1. Lower asset costs — Having a trusted partner handle production on their equipment, at their facility, on their property, means you don't have to worry about the cost of the building, the real estate, the equipment, the payroll, the training, the property taxes, the utilities, the maintenance, the insurance, the safety and environmental regulations, the security and any of the other operational costs and overhead.

2. Cheaper raw materials — Contract manufacturers can work with literally hundreds of customers. They are able to leverage their buying power into lower prices and then pass those savings on to you.

3. You have no fixed costs — When you partner with a manufacturer, your production costs become purely variable. In other words, you're paying only when they are producing for you. The rest of the hours of the day and week are not your concern.

4. Flexibility — Outsourcing allows you to increase and decrease production rapidly and with relative ease and without capital costs and delays.

5. Fewer headaches — Materials handling, PO's for raw materials, safety data sheets, inventory, operational hurdles, compliance, hiring and training the plant workforce, packaging, shipping—these are no longer your problems.

6. Move up a weight class — A good outsourcing partner can increase your capacity significantly and quickly, with no capital expenses to you, meaning you'll be able to punch way above your weight class and compete with the big boys in your market, but without their overhead.

7. A chance to focus on what's most important — Strategic outsourcing allows you to devote capital, time and energy to:

- Your core strengths
- The higher-margin parts of your business
- Marketing and sales
- Innovation, research and development

As with any business decision, it's important to consider any negative impact. Outsourcing does have its risks, which are fairly easily manageable.

01.

LOSS OF CONTROL

Businesses may hesitate handing off production of their products to a third party if they believe they may not see the same standards, values, mission and quality.

SOLUTION

Make sure to choose an outsourcing partner with a long list of satisfied customers and a stellar track record of quality production, safety and environmental compliance. A partner with a skilled workforce, consistent operations and multiple locations—each ISO 9001 certified. Do this and you stand to turn a potential disadvantage into an advantage.

02.

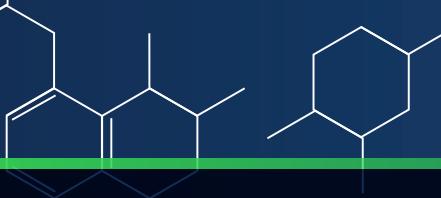
RISK TO IP AND CONFIDENTIALITY

Companies may balk at outsourcing production because they do not want to share—and therefore compromise—formulas, customers lists and other proprietary information.

SOLUTION

Select an outsourcing partner that you can trust that doesn't have a competitive product line of its own. Also make sure that they have a track record of successfully protecting the intellectual property (IP) of their customers.

***Note that managing these risks depends mainly on knowing how to choose the right contract manufacturer for your business. If discovering this is your goal, then you have come to the right eBook! ◉**



CHAPTER 2:

WHAT PROBLEMS CAN A CONTRACT MANAGER SOLVE?

If you're still unsure if recruiting a contract manufacturer is the right decision for your business, it's important to know the specific problems these entities can solve. If those problems have been plaguing your operation, the decision becomes much easier.

Aside from the laundry list of benefits discussed in Chapter One, there are several particular situations where introducing contract manufacturing is a viable solution. Here are some common problems remedied by entering into a partnership.

Surges In Demand

Everybody gets excited when sales orders come flowing in. But when strong orders turn into a flood, the excitement can turn to panic as you try to figure out how to keep pace and maintain commitments. This pattern can happen with any product line, but is especially common in seasonal industries.

The stress of trying to keep pace with demand is a lot better than the stress associated with too little demand. But it's stress, nonetheless. You've worked hard to develop customers and don't want to lose them when they need you most.

The common responses are predictable and fraught with challenges: Delaying delivery dates, forcing staff into maximum overtime or hiring additional staff and temporary workers. However, none of these options are ideal. Instead, turning to a reliable contract manufacturer is often the preferable solution.

Contract manufacturers specialize in the manufacturing process and do not face all of the organizational burdens associated with developing and marketing proprietary product lines. These experts serve broad customer bases, which helps to level out demand—when one industry is up, another will be down. This makes it easier to manage capacity, and also offers the additional benefit of purely variable cost. Turn on production when you need it, and off when you don't. This brings us to...

Capacity

Say you're producing 10,000 units per day, but your customer base is demanding a minimum 20,000 units produced each day. Rather than fall behind and lose out on sales, a contract manufacturer can help increase your overall capacity.

This option allows you to continue producing 10,000 units on site while another facility handles the other 10,000. You can even outsource production completely and transfer all 20,000 units out of your facility.

Contract manufacturers are also a bit like hiring a freelancer for your chemicals. They can stick around as long or as little as you need them.

If you prefer to keep production in house but want to keep up with demand, you can also temporarily outsource your capacity to a contract manufacturer while you ramp up your own facility. Then, when you have satisfactory raw materials, tools, labor and money for overhead costs, you can return production of all units back to your newly upgraded space.

Finally, if you're looking to create a new product to put on the market ASAP but don't have the space for new machines, you can take advantage of outsourced capacity. And again, you can use third-party capacity for good or temporarily while you develop the space you require.

Seasonality

In a similar vein, if your product is more popular in a certain season and your regular plant is not equipped to handle an influx in production, you can temporarily outsource production. You can also choose to temporarily outsource production in advance. For example, if your product is most popular in February, you can set up an agreement in advance that you'll ramp up production out-of-house three months before your surge. This way, the contract manufacturer can expect your annual business, allowing for better planning on both sides.

In this case, the contract manufacturer can be seen as somewhat of an extension of your own production facility.

Freight/Logistics

This one is huge. Delivering a product can be costly. For example, a national chain with freeze-sensitive products can require supplies for 20 distribution centers around the country that then deliver to hundreds of restaurants that are thousands of miles from

the original production facility. This can lead to huge transit and inventory costs, spoiled product and potential downtime from unreliable shipping equipment and logistics operating on simply too big a scale.

Partnering with a contract manufacturing located closer to your final destination prevents you from having to ship product over massively long distances. Some facilities even have multiple locations. That means that instead of creating everything in one place and shipping to every corner of the country, you can create your product in multiple places and ship it nearby to those locations. This change in production alone can save you hundreds of thousands of dollars.

Lack Of In-House Manufacturing Capabilities

If you have a trademarked, tested recipe for a proprietary chemical product, but do not own a production facility, this would ordinarily put you at a standstill. But with a contract manufacturer, you can completely outsource your production. This frees up your working capital, which is especially helpful for startups or small businesses.

Equipment Requirements

Businesses that already create one product but are looking to expand product offerings can also use contract manufacturers for



LOCATION INTERVIEW QUESTIONS FOR A POTENTIAL PARTNER:

01.
How quickly can you
get my product to my
customers?

02.
What is your on-time
delivery record?

03.
How did you choose your
facilities location?

04.
How do your multiple
facilities work together
and communicate?

05.
What processes do you
have in place to optimize
the shipping process?

product development. For example, if your facility makes liquid chemicals and always has, you will only have the equipment needed for liquid blending. You will not be able to expand into other types of chemical blending, like powders.

Outsourcing production gives you access to a host of different equipment without having to pay purchasing costs or the overhead cost of the space needed to hold the equipment. This allows you to develop new types of products and expand offerings with a much lower impact on your bottom line.

Hyper-Qualified Skill Requirements

Some chemical products require skills that your facility may not be equipped to handle. For example, pesticides usually must be registered with the Environmental

Protection Agency. Getting this registration means your product must be created in a facility that has certain certifications from the EPA indicating the product is produced safely according to standard guidelines and will not be contaminated.

Many contract manufacturers already have the experience and certifications legally required to produce these specialized products. Outsourcing production means you don't have to spend the time, effort and money on researching and obtaining these certifications.

Built-In Contingency Planning

“What if?” is a question that haunts many businesses. Things could happen at any time, so contingency planning is imperative to any business.

Developing a relationship with a contract manufacturer is like having a built-in contingency plan. If your facility was to have a catastrophic equipment failure or be struck by a natural disaster, you can rest easier knowing you are able to easily shift production to your outsourced facility with no stoppage or major delay.

Have any of these problems plagued your business in the past? Then contract manufacturing is right for you! The next step is to choose a manufacturer you trust to enter into a partnership.

The remainder of this eBook will dive into the particulars, reviewing the specific considerations you'll need to research, examine and take note of before choosing a partner. 

CHAPTER 3: LOGISTICAL CONSIDERATIONS

The first set of considerations to explore fall under the logistics category, or getting your product from point A to point B. When selecting a contract manufacturer, they should make your shipping and freight processes easier, not complicate them.

Where should a contract manufacturer be located?

Proximity is important when choosing a contract manufacturer, especially if you fall under two main categories:

1. High time to delivery — Typical cross-country delivery time in a truck is five days. Are you able to afford all that time plus any labor, equipment and fuel costs?

2. Multiple locations — Do you require national coverage? That is, do you need to consistently ship your product to multiple locations across the country?

At the end of the day, shipping anything from farther distances is bad for your bottom line, especially if you're shipping to multiple far away locations. Choosing a contract manufacturer closer to your end destination can drastically increase your savings.

If you need to ship to multiple locations, it's highly recommended to select a manufacturer with more than one facility to better reach various geographical areas quickly. Your manufacturer should be able to get your products to your customer within two days when shipping within the continental U.S. After all, contract manufacturers are designed for efficiency and flexibility.

Remember, a good location isn't just a “nice to have” feature, it impacts... everything. To understand what locations and shipping mean to your new manufacturing partnership, here are a few points to consider when reviewing partner locations.

1. Distribution centers and contract manufacturers need to be close for efficiency sake. When manufacturers are days away and in different time zones, there's no way to make the process move faster.

2. Long transit times mean more than just higher costs. It limits flexibility and responsiveness, and usually forces companies to overstock distribution centers out of fear of running out and incurring more costs.



CHEMICAL BLENDING PROCESS INTERVIEW QUESTIONS:

01.

Do you have my required equipment on sale?

02.

What equipment types do you have on site?

03.

Can you produce liquid products? Powder products?

04.

What processes do you have in place to handle custom chemical creation?

05.

What are the mixing and speed capabilities of your equipment?

06.

Do you have a minimum requirement for batch sizing?

3. Chemicals aren't all that durable. Water-based products will freeze and if your facilities are in the freeze zone your product could be exposed and ruined. Having facilities located in different climates is key to year-round success.

4. Downtime can be a disaster without a plan B. Luckily, partners who have other facilities have options, where an in-house manufacturing breakdown would result in missed deliveries, fees and charges from other vendors.

And on a side note, multiple locations really means "strategic locations." A manufacturer should be able to explain why each location

was strategically chosen and how that provides the best service.

Freight Services

Another important logistical consideration for a potential partner is fleet ownership. Do they own their own fleet of trucks or have access to an outsourced fleet?

With either option, you receive access to a ready-to-mobilize fleet of tanker trucks which costs less for you. If the facility has their own trucks, you will not be required to use your own equipment. Alternatively, you would not be required to find your own company to outsource freight and would not have to spend money getting that outsourced fleet to your contract

manufacturer's facility. Having a fleet on hand is one less step you must take in the supply chain process, making the contract manufacturer something of a one-stop-shop for shipping.

Rail Access

Shipping exclusively by truck is not ideal for any business. Rather, intermodal transport is best for managing costs. More containers can be shipped by rail via bulk tankers, and trains have higher fuel efficiency, making them better for longer trips. In some parts of the country, a shortage of truck drivers has even made railway transport non-negotiable. 

CHAPTER 4: CAPABILITIES

Like snowflakes, no chemical blending process is identical. When determining the process for blending a chemical you need to take into account the details of the materials being combined and the resulting end chemical. Questions like, what are the ingredients your vendors will supply? Are they liquid or powder? Are the ingredients considered dangerous or require extra precaution? Are the ingredients delicate? These are all questions you must know the answer before beginning the formulation testing process with a new partner.

Chemical blending formulations determine exactly how the chemical compound is blended. The blending technology that is used is determined by the formulation. Liquids require different blending equipment compared to powders and vice versa. For example, paddle and ribbon blenders are used to combine powder chemicals, and liquid blenders come in a variety of sizes ranging from 200 to 6,000 gallon capacity.

It is important to choose an experienced contract manufacturer when it comes to the blending process. For those inexperienced in the chemical blending process, using a contract

manufacturer can help ease the stress and financial burden that a company would have blending chemical products on their own. Working in a satisfactory partnership can give you the peace of mind that your products are being blended correctly and adhering to your specifications and legal regulations.

Chemical Blending Processes

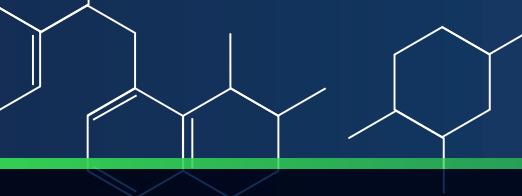
It is crucial to be confident that the contract manufacturer you select has appropriate processing, material storage and laboratory equipment to satisfy your production requirements. It is key for the manufacturer to have a broad range of processing capabilities so that if additional projects arise in the future, they can be fulfilled by the same manufacturer.

Ask about the equipment they possess specifically required for production. Take note of how many of each piece they have and the size of each one. It can also be helpful to know the materials the equipment is made out of, depending on your process requirements.

Additionally, ask about the capabilities of individual pieces of equipment, including the types of

“Have a bias towards action — let's see something happen now. You can break that big plan into small steps and take the first step right away.”

—INDIRA GANDHI



chemicals they can create, their mixing and speed capabilities and batch size.

Whether you're looking to create liquid, blenders powder blends or both, process capabilities should be one of your first inquiries to your partnership.

Packaging and Repackaging

Proper packaging is a crucial component in the custom chemical blending process. You wouldn't want your powder fertilizer packaged in a spray bottle, would you? Different chemicals require different packaging options. Hazardous chemicals have specific

regulations that need to be followed when transporting the chemical. It is essential to have a partner who understands these regulations and best practices regarding chemical packaging and who can guide you when the options seem endless. You should be able to easily understand the packaging

capabilities your chemical blending partner has. Do they have standard packaging options you can choose from or are you required to provide packaging? If standard packaging configurations do not work for your product, can they fill proprietary packaging? What packaging options do they not work with? After chemical creation, be sure a contract manufacturer can meet your packaging needs and standards. Consider asking them for advice on optimal packaging for your product in order to gain better insight on their expertise.

Warehousing

The cost of storing raw materials is a universal pain point for many manufacturers. Forecasting can help with these costs, but it requires skilled planning and business knowledge. It's up to the business to determine if they need to always have a product ready or if a regular stock cycle is best. Some contract manufactures can serve as temporary warehouses for raw materials and finished products. Ask if your potential manufacturing partner offers these capabilities, which can lower storage costs for your business and remove the need for you to spend valuable time forecasting.

Testing Capabilities

When choosing a partner for your chemical blending needs it is also important that the facility has documented quality assurance

processes and onsite testing laboratories at their facility. The more information they can provide to you about these testing processes the better!

Scale

The amount of product you require may shift depending on certain economic conditions or seasonality. In terms of capabilities, can your potential manufacturing partner afford to provide additional machinery or manpower to adjust to scale? If extra labor or equipment is not available when you need it, will they take steps to correct this or will you be out of luck in your production?

Specialty Chemical Combination

In some cases, products may require more than temporarily chemical blending. Reaction chemistry and polymerization can be used to permanently create new molecular entities. Some contract manufacturers have these specialty services on site with professional chemists available to assist with your chemical formula while others do not. If your product requires a more complex mixing process, start your search with this in mind and use it as a leading qualifying question when searching for potential partners.

SMALL LIQUID



Rounds



Flat Panels



Trigger Sprayers



Carafe Bottles



Cylinders

LARGE LIQUID



Pails



Jerricans



Drums



Totes



Bulk Tankers



Rail Cars

POWDER *NOT LIMITED TO



Pouches



Pails



Drums



Bottles



Super Sacks



CHAPTER 5: TECHNICAL REQUIREMENTS & CERTIFICATIONS

Technical requirements are a step beyond capabilities. Many products required specialized processes or higher level capabilities that are not standardized for every product in a category. For example, not all powder blending products must be certified by the EPA, but some do!

If your product requires going the extra mile to ensure quality or compliance, you will need to ask a potential contract manufacturer about their technical requirements.

Market Certifications

Many products require certifications and can only be blended or packaged by a facility with these certifications. Common requirements include EPA, FDA, Kosher, Halal, NSF, cGMP and OMRI.

Before selecting a partner it is crucial that the business has the certifications your project requires. If they do not, it may be a dealbreaker right away.

This being said, sometimes a partner may seem perfect for you on every level and just missing a certification. You can always ask if they can obtain them in a timely manner to meet your project needs. If they agree to this and deliver on time, it's a great sign that you chose the right partner!

Quality Certifications

Your reputation and brand are at stake when choosing a contract manufacturing partner. It is highly recommended that you only work with manufacturers with highly developed quality systems which are audited by appropriate third parties.

A contract manufacturer with an ISO certification or other reputable certification indicating quality should be a huge boost in the eyes of a customer.

Process Certifications

Some products require special blending that a manufacturer must be certified to conduct. For example, blending known carcinogens or mutagens, combustible dusts or flammable materials are special processes not all contract manufacturers are certified or equipped to take on.

No company is equipped to process every chemical safely. If your product requires a specialized process to blend, one of the first questions you ask should be whether or not the potential partner has the necessary certifications in place to proceed.



CHAPTER 6: EXPERIENCE

Our next consideration when choosing a contract manufacturer is experience. It's always a good idea to choose a manufacturer that has a good reputation and is both experienced and established. Why? With a newer company or one that has a poor reputation, you run the risk of having your own business operations affected, leading to unnecessary stress and sleepless nights.

It's important to start any partnership off on the right foot by entering with a sense of security.

Here are a few factors that can indicate the level of experience and professionalism a potential contract manufacturing partner is bringing to the table.

Years In Business

Having years of experience is always a positive. Without a doubt, a partner with 10 years of experience is going to be stronger and more efficient than a partner with one to

two years in the business. Like the State Farm commercials say, they know a thing or two because they've seen a thing or two!

Retention Rate

While it would be easy to judge reputation based on longevity alone, experience in the contract manufacturing industry is almost always more than having "X" number of years in the business. Having decades of experience is excellent, but it's crucial for a contract manufacturing partner to understand and diagnose problems, determine solutions and provide clients with ongoing communication. The better they are at this, the longer the same clients will stay and work with them. Therefore, the higher their customer retention rate, the better they are at navigating the industry and providing client success.

Reputation

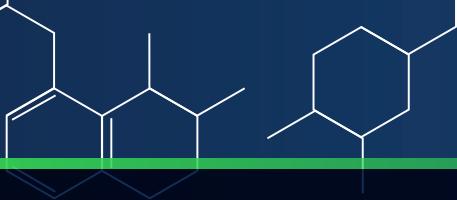
In this industry, reputation is huge! Choose the wrong partner and quality might suffer, your customers might suffer, you might suffer. Once your company's quality decreases, your reputation is soon to follow. You might be wondering, "How do I know the reputation of a contract manufacturer I've never met? First start with research on websites like

the Better Business Bureau (BBB), review news articles from the past few years and run a Google search for the business's name to see what comes up.

Once you've conducted some initial research, it's time to review testimonials, reach out directly to their current or past clients and conduct research on impact factors related to the potential partner's reputation, such as quality policies, culture and trustworthiness. Combine this with the experience conversations recommended above and you should have a fairly robust set of research to make a decision in this category.

Word On The Street

How well is the potential partner known in the industry? If they aren't well known among your industry contacts, you can read reviews online for first-person references (all reviews should be read with a grain of salt, of course). However, it's always better to ask around. Or better yet, ask for customer references. If a customer was burned by a contract manufacturer, they will be quick to share the reason for their scorn. Asking industry sources you trust can give you a good idea of the potential partner's reputation.



COMPANY REPUTATION INTERVIEW QUESTIONS:

01.

How long have you been in business?

02.

How many other clients are you producing for?

03.

How much growth has your operation seen over the past five years?

04.

Am I able to see your financial statements from the past five years?

05.

What raw materials do you have available at any given point in time?

06.

What communications protocols do you have in place?

07.

What processes do you have in place to ensure short lead time?

08.

What is your average lead time for [your product]?

Scale

How much has the business grown over the years? Scaling up shows experience and growth—the more the better. Look at it this way: If a company is 80 years old and still produces for only two clients, that should be a red flag!

Financial Stability

When working with an experienced contract manufacturer it's important to make sure they have the financial experience required to support your company as well. Asking the questions "What raw materials do you have available?" or "How financially stable is the company?" is a good starting point.

Money may seem like a taboo subject, especially in the U.S., but this is only business! It's okay to ask. A good potential partner will be ready with the answers and happy to share.

Reputation With Other Businesses

In addition to their reputation with customers, the business should have a reputation among other manufacturers or suppliers. A partner with a good rap will have strong partnerships built up with other businesses.

A partner with strong supplier connections can get your raw materials faster and a partner with strong transportation connects can get your products from point A to point B quickly.

Don't be scared to ask for specific names and consult these other businesses for the scoop on the potential partner's rep.

Ability To Quickly Turnaround Product

Many customers are interested in outsourcing so that they can turn product lines on and off as needed and start production as quickly as possible. Make sure the partner is experienced enough and has a solid automation process that will allow for short lead times on your end.

Flow Of Communication

Your relationship with your partner should be built on collaboration and a free-flow of information from the very start. From first contact to lab testing and every quality check, the partner team should be providing guidance and solutions quickly. No one wants to hear there's a problem with materials, but it's better than not hearing about it at all!

Trust

When it comes to building a partnership, trust is everything. This is especially true in this industry where intellectual property is passed from hand to hand. You should be able to trust your partner to fulfill your orders correctly and produce your product on time.

Unfortunately, in most cases, there is no concrete way to prove trust. Often, you must trust your instinct or gut feeling after interacting with a potential partner. After a few initial communications or meetings, take a moment to consult your gut. Are you feeling good about this partnership? Have you heard good things from other customers or businesses? Do the people leave you feeling secure?

Take everything you've learned into consideration and genuinely ask yourself:

Do I trust this manufacturer with my product? If you keep coming up short, it may be time to keep shopping around.



CHAPTER 7: QUALITY SYSTEMS

Whether you're talking quality assurance (QA) or quality control (QC), it's important that your future contract manufacturing partner has a strong quality system in place before you start working together. When selecting your contract manufacturer it's in your benefit to determine if your potential partner has both a system of ensuring quality throughout the process and the swift ability to focus on the detection of issues with a product.

By selecting a contract manufacturer with both a pre-production and production quality system in place, you can better ensure that your products are up to your company's standards and your reputation remains intact.

QA and QC

The terms "QA" and "QC" are thrown around so frequently that many people tend to think the two are interchangeable, however, this

is far from the truth. Here are many key differences between "Quality Control" and "Quality Assurance."

Quality assurance is the process of ensuring quality throughout the product development process. QA aims to prevent product problems or defects through the perfection of the processes associated with producing a product. It is a proactive process determined before the production of a product

even begins. Examples of quality assurance include methodology development, checklists and audits.

Quality control is a step in the production process focusing on the detection of issues with a product. QC's actions are used to ensure

that the finished product matches the determined specifications and quality outlined in the QA process. QC also addresses any defects or issues found with a product. QC is typically performed by a dedicated team rather than by multiple teams and departments as it is not just

one step but an integrated part of the production process. The goal of quality control is to catch any issues before a product is sent off to a consumer. Examples of quality control include product inspection and testing. ☐

QUALITY SYSTEMS INTERVIEW QUESTIONS:

01.

What does your onboarding process look like?

02.

Do you have a dedicated quality team?

03.

What processes do you have in place for quality assurance and quality control?

04.

Do you provide traceability services throughout the process? How will I know what step of the process my product is in at any given point?

05.

Do you document your quality processes?

06.

What are your plans for preventative action? How often are they updated?

07.

Can I provide you with my own quality check preferences?

SIGNS TO LOOK FOR:

ASKING A LOT OF QUESTIONS

A company who asks thoughtful, knowledgeable questions about your product is taking the extra step to get your order just the way you want it.

RIGOROUS ONBOARDING

A company that takes your formula without question is a red flag. A good partner will have a rigorous onboarding process to better understand your expectations regarding raw materials, supplied items, formula, mix instructions, lot numbers, packaging, storage and shipping.

DOCUMENTED PROCESSES

Once you have communicated your preferences and expectations, they should be documented by the company and distributed to employees at every step of production from blending to packaging to warehousing and fulfillment. You should have access to and be able to approve these documents.

DOCUMENTED QUALITY CHECKS

Checks should be implemented to certify the product manufactured conforms to the specifications communicated by your team. These can be provided externally from your team, but a good partner should be able to recommend quality indicators based on best practices.

DEDICATED QUALITY TEAMS

A contract manufacturer with a dedicated lab and team designated solely to quality control is a great sign that they take their QA and QC processes seriously.

TRACEABILITY SERVICES

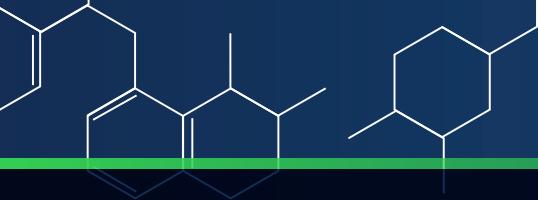
Lot traceability provides you with the complete history of your products and includes batch, lot and serial number as well as expiry dates for time sensitive materials. In short, the more detail you are provided throughout the process the better.

PREVENTATIVE ACTION PLANS

A reputable contract manufacturer has a process in place designed to continually improve quality systems, pre-production and production processes, communication and infrastructure. An improvement program demonstrates that the partner is investing back into their company to improve what's currently in place. (Ideally, these proposals should come from partner and vendor feedback too.) Improvements can include:

- Increased facility space for production and raw material storage
- New process changes to the quality systems in place
- Implementation of an ERP to tie HR, operations, inventory and other components of your company together
- New suppliers and partnerships to improve efficiency and reduce cost

If your current contract manufacturer is not taking steps to improve process and infrastructure to reduce costs and improve efficiency, it's time to rethink that partnership.



CHAPTER 8: FACILITY MANAGEMENT

There are two main parts of facility management: the overall appearance and cleanliness of a facility and its ability to handle different levels of demand.

Appearance & Cleanliness

When it comes to contract manufacturing facilities, appearances can speak volumes. When you are just beginning your search for a partnership, you may have to rely on facility photos on the company website or on a Google Image search.

If the manufacturer seems like a good fit for you and you have been in communication for a while, you should always try to do a physical walkthrough of the facility if possible. Any facility that refuses to give you a tour without a good reason should be seen as a red flag.

When viewing photos or doing your walkthrough, take note of the overall cleanliness of the facility, the state of its employees and the general sights, sounds and smells. You want a company that meshes with your personality, values and brand that can also provide a clean and safe work environment for its employees. This is another factor where your gut feeling may come into play. If the facility looks unkempt or feels “off” to you, you may want to go back to the drawing board.

Production Capacity

A walkthrough is a great time to talk about demand, but you can also ask questions during the interview that will give you a better idea of the facility's capacity capabilities. Remember, this company may be your contingency plan should your own operation face a setback or see an increase in demand.

If you ever see an unexpected surge in demand for your product, you want a partner who can accommodate you. Ask them how they would address any surges. Can they quickly bring on extra labor? Do they have the space to create and store more product? And perhaps most importantly, do they have plans already in place for addressing heightened demand? In many cases, simply having a clean and organized plant can indicate that this manufacturer is ready for any changes in demand you need handled.

Before or during your walkthrough, be sure to ask for clear production capacity numbers. A good, organized facility should be able to tell you their capacity on a standard operating day versus a day when plans for heightened demand have been set in place. ◇

CHAPTER 9: BUSINESS PROCESSES

Like any business, a sense of professionalism and process is necessary when a contract manufacturer works with customers. This savvy business sense should be apparent in their processes.

Contract manufacturers face two unique challenges that require special attention to detail. The first is sensitive information. Your chemical recipe is your own and should be extremely important to you. It's not unreasonable to treat it with extra care and expect a potential partner to do the same. The second is operations management. When working with multiple partners and creating several different products that need packaged, stored and fulfilled, operations must be as efficient as possible.

Any good contract manufacturer should have documented business processes in place to address these challenges.

Protecting Intellectual Property

When selecting a contract manufacturer it's important to understand how they handle intellectual property from partners and what they do to keep their partners' IP safe. Before selecting a partner, ask them about their

intellectual property processes early on in the vetting process.

Don't be afraid to get serious! This is your property and should be treated with reverence. Ask about the controls they have in place to protect IP and if they have IP protection agreements in their contracts. These questions are very high level, but a solid answer from a potential partner can build a foundation for trust.

One sign of a trustworthy partner is that they do not make, brand or market any of their own products or have a product line. They should be your partner, not your competition. Another sign is their ability to tell you how many employees will see your chemical formula and exactly who those employees are. It should be reassuring to know your recipe won't get passed around or left out for anyone to see.

Commercialization Processes

If you're trying to launch a new product or are looking to launch a current product in a new market then you will need to think about commercialization. Once your product is made, how will you bring it to market?

INTELLECTUAL PROPERTY INTERVIEW QUESTIONS:

01.

Do the contracts protect your IP, usually through NDAs and intellectual property agreements?

02.

What controls are in place to protect IP once it's in their hands?

03.

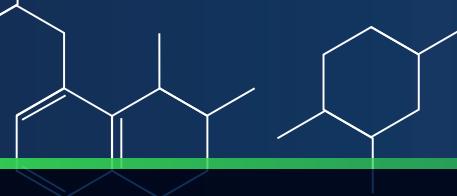
Are all your patents, trademarks and copyrights up-to-date/renewed?

04.

How many employees will see my chemical recipe?

05.

Do you make any of your own products or have your own brand(s)?



A great manufacturing partner should be able to help with some of the aspects involved in the commercialization process such as marketing, sales and customer support. Getting your products from a chemical recipe to the hands of Amazon or Walmart shoppers is a huge undertaking. Oftentimes, products require certifications or documentation before they can be sold in any market.

A partner with the right knowledge, experience and processes in place can be a game changer for your business, helping you get your products on shelves and in new markets.

Research And Discovery Process

Don't have a new product to bring to the market yet? Some contract manufacturers can assist with your research and development process for new products. Manufacturers with an R&D lab in-house can conduct research for

you and work as a partner to help with creation. If you prefer to do your own research, manufacturers can also assist in the process, intake and aggregate your findings and help you reach a decision.

Even without a lab, a good contract manufacturer should be able to look at your research and assist in new product development, providing expert recommendations for success.

ERP Systems For Better Business Decision Making

An enterprise resource planning (ERP) system is a process management tool designed to integrate applications into one system making it easier to manage across an organization. These systems are crucial because the ability to scale is directly tied to them.

By choosing a manufacturing partner with an ERP in place, your partner is capable of streamlining accounting, order management,

supply chain, etc. into one system. By streamlining the process, contract manufacturers are able to increase productivity, reduce down time and reduce labor costs increasing their overall efficiency and flexibility. All things needed by a growing company.

In addition to reducing costs and increasing productivity, ERP systems also allow your contract manufacturing partner to recommend business decisions based on data collected within their platform. These business decisions can be centered around processes, resources and time allowing your company to get even more out of the partnership.

Ask your potential partner how they provide valuable data like this and how that impacts the speed to market, capacity utilization, profit margins and overall operational efficiency of their current customers.

A valuable EPR can provide the following features:

- ◆ Product Data Management
- ◆ Order Management
- ◆ Planning and Scheduling
- ◆ Procurement
- ◆ Supply Chain
- ◆ Quality Management
- ◆ Production Control



CHAPTER 10: MATERIALS

It goes without saying that the chemical blending business relies on raw materials. Production and distribution come to a standstill without the right materials required to create different chemicals. After all, you can't bake your favorite chocolate chip cookies without the sugar!

Knowing how a potential partner will handle your materials needs is crucial. Your business quite literally depends on efficient materials processes to stay operational. The word that should be music to your ears when it comes to materials handling is "turnkey."

A turnkey facility will have everything you need for production already at their facility. This includes all raw materials and the actual logistics and capabilities for blending and packaging. With a turnkey facility, you need only to provide your chemical formula and

trust your partner to handle the rest. You are not responsible for supplying materials or participating in any part of the blending and packaging processes.

Even if a facility describes itself as turnkey, there are several factors to check that can indicate a facility has great material handling capabilities.

Supplier Relationships

Vendor relationships should be plentiful and strong to ensure the best materials and prices are secured. Keeping and building new relationships not only keeps the contract manufacturer competitive, but you as well.

The relationships the contract manufacturer has with the businesses that supply the raw materials should be strong and longstanding. Be cautious of too many new raw materials suppliers in their network. The manufacturer should also have a robust web of relationships and avoid getting all of one material type exclusively from the same place.

It helps to gather supplier referrals regarding the potential contract manufacturer. Ask where they get their materials from, then ask



MATERIAL PLANNING INTERVIEW QUESTIONS:

01.

Where do you get your raw materials?

02.

What part of materials acquisition will I be responsible for, if any?

03.

How many of your suppliers are "new" (i.e. have started working with you in the last year?)

04.

Can you help me forecast my product demand?

05.

Are you able to provide me with any cost savings on bulk orders?

those suppliers if the manufacturer is good to work with. Ask if they pay on time and order in a timely manner without often rushing the supplier. Getting this third party review can speak volumes about how the potential partner behaves in a business setting.

Purchasing For High Volume

After quality and precision, volume is the next biggest factor in raw material planning. Why?

As with anything in life, you can get a better deal when you order more. When reviewing a new partner, have conversation around price breaks and quantity to make sure you're finding the optimal price.

At this stage, forecasting is critical. No one will expect it to be perfect, business is not predictable afterall, but the more info you can share with your potential partner the better. With some insightful forecasting, the contract manufacturer will be able to determine what to invest and when and how to negotiate with their vendors.

Bulk ordering isn't the only benefit to knowing your volume forecasting—bulk shipping costs are an added bonus. Many businesses like to keep "just in time" inventory to minimize risk, but volume purchasing can be more cost efficient in the long run. While this shift has become more prevalent since the last economic recession and no one wants to be hanging on to a lot of raw materials, using forecasting and the expertise of your new partner can help optimize purchase volume and increase margin. 

CONCLUSION:

It should be clear to you that finding the right contract manufacturer is not a decision to be taken lightly or made overnight. There are a multitude of factors that go into making your selection.

From general capability to quality practices and business processes, different facilities operate in different ways. You may find that some unconventional practices work well with your business or that you're pleasantly surprised by a manufacturer's facility after viewing a less-than-stellar website.

It helps to consult a team to help, but oftentimes the decision will be entirely up to one person. Now that

you have a good idea of what to look for, you should be able to start your journey off on the right foot.

Take the knowledge you have gained from this eBook and apply it to your search process. Remember to choose a partner that's professional, experienced and has your success top of mind. You should always feel like a priority, and the partnership should feel like leverage for you, not a hindrance!

If you have any further questions regarding chemical contract manufacturer selection, the team at Royal Chemical is happy to help! With over 80 years in the business, we know what a good fit looks like. 

Visit our website at: www.royalchemical.com
Send us an email at: info@royalchemical.com
Give us a call at: 1-844-462-7692

We look forward to hearing from you.



CORPORATE OFFICE:
8679 South Freeway Drive
Macedonia, OH 44056

CALL US:
1-844-462-7692

EMAIL US:
info@royalchemical.com

VISIT OUR WEBSITE:
www.royalchemical.com