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5 Things to Look for When Evaluating a Contract Manufacturing Firm

I'm a product management and development professional and I've worked with organizations such as General Electric, Ericsson, Honeywell, Meritor (formerly a division of Rockwell International). Most of my work is in new product development and product management, and I've developed or managed over 40 product lines for both North American and global markets.

I have worked with multiple company-owned factories owned and with contract manufacturers. These are the criterion I use when involved in the selection process of a contract manufacturer (CM).

The criterion are:

1. Demonstrable expertise and success building similar products in the appropriate volume
2. Numerous positive references and testimonials
3. Advertised expertise
4. A quality control and product audit function
5. Terms and conditions

First, demonstrable expertise and success building similar products in the appropriate volume, seems obvious. Too many organizations select a CM based mainly on the piece-part cost. A contract manufacturing firm with good sales and marketing can convince an unsuspecting prospect that they are capable by showing expertise that appears to apply to the project at hand.

The problem, aside from possible deceptive practices of the sales & marketing team, is the technology used today is extremely complex. This complexity makes it important

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for a client to choose a manufacturer who has successfully built similar products.

To accomplish this, it is critical that production capabilities and current products being built by the potential CM are reviewed in detail. Hire an independent expert to evaluate the competence of the firm if you do not have the technical ability to make this evaluation. It will cost relatively little for the evaluation and the benefit of risk reduction will far outweigh the cost.

Second, multiple, positive references and testimonials. This is a simple request and if they refuse to provide references and testimonials under a non-disclosure agreement, then walk away.

Contract firms and consultants gain new business through referrals. If they will not provide names of satisfied clients, they either do not have any, or the technology you require is different than any of their previous work.

Third, expertise in your technical field. Does the manufacturer have the test engineering and technical/troubleshooting capabilities to solve, or at least assist in solving, problems that arise during early production and volume production? These two stages of production are very different and require different skills.

If they do not have engineers and technicians on staff, is there a relationship in place with a nearby technical firm that can supply these services in a timely manner?

Fourth, a quality control and audit functions. How does your factory ensure you receive a quality product that meets requirements? They probably have a quality assurance (QA) department responsible for quality control. An ISO9000 certified factory has work procedures they must follow. During your interviews and meetings, demand to see their work processes and system for collecting and analyzing production data.

Lastly, a brief look at the business and financial arrangements? If your prospective factory made through the first four of these steps they are likely technically qualified and honest enough to share their documents, quality control, and some of their clients. The final item to consider is the terms and conditions under which you will conduct business. The business requirements are important and can mean the difference between a successful product line and a failure. However, the difference in cost between the acceptable top and bottom firms will probably be less than 15% and the top firms will perform at a higher level on all of the first four steps. A slightly lower margin can be compensated for by fewer returns for poor quality and in more preferable payment terms. You can make up for a slightly lower gross margin but revenue lost due to schedule and

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shipping delays and excess returns are lost forever.

We cannot view all contract manufacturers as the same. Each have their own expertise and methods of doing business. Find the firms that have proven records of success in your field of need. Then eliminate any of them who cannot prove this expertise and back-up the proof with some form of guarantee. The hard work and diligence required by this vetting process will be returned many times over. Failure to do the work can cause irreparable damage to your business at worst and a difficult industrialization process at best.

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[Doug Ringer](http://www.dougringer.com) is currently manages fixed IP cameras for Schneider Electric in their video surveillance business. Doug has held global roles in marketing, manufacturing and R&D at General Electric, Ericsson, Honeywell, Meritor and in a small private firm. He also served on the board of directors and president of the board of a civil rights organization based in Kentucky. Doug lives with his family in Fort Collins, Colorado. Follow him at <http://www.dougringer.com>.