

TIP SHEET:

Contract Manufacturing Guidelines

Contract Manufacturing allows an OEM to focus on their core competencies and let another company perform the details of the actual product build. Working with a Contract Manufacturer (CM) allows for someone else to:

- Source components from domestic or offshore manufacturers, based on the specifications.
- Qualify vendors and manage the supply line for components.
- Mold and finish plastic parts that are also part of the final product.
- Assemble sub-assemblies or the final product.
- Ship products utilize Just-In-Time practices.
- Drop Ship directly to Customers, should that be a common practice in your industry.



7 Steps to Successful Contract Manufacturing

- 1.** It all starts with a clearly defined product. Design and specification must be locked down to move into a manufacturing stage.
- 2.** In this discussion, the OEM has already decided to engage an outside source to build their product. So selection of a Contract Manufacturer that is a good fit for your company and has the knowledge to perform to your expectations is very important. A thoughtful selection process that goes beyond piece price and looks at process control, quality systems, and Tier 2 vendor selection and management will pay dividends in the long run.
- 3.** If this is an existing product being transferred, all work instructions and current sources should be shared with the new CM. If this is a new launch, the CM could be tasked with developing the assembly flow and work instructions for the build.
- 4.** Concurrently, if sources for components need to be developed, this activity begins. The entire Tier 2 development, qualification, and supply line management for components takes an experienced team.
- 5.** Once the flow, work instructions, and components are all in place, operator training and qualification starts.

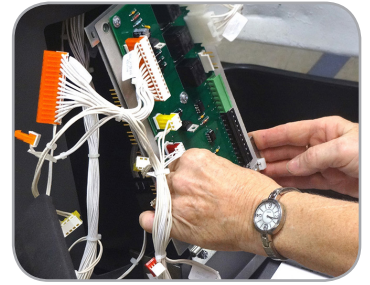
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6. Pilot builds and comprehensive qualification of the finished product (or sub-assembly) is really the last major effort.

7. As the production phase is entered, having a good production plan drives, procurement, production, and inventory plans. Having a realistic forecast to build the production plan on is very important.



Done well, the process will provide great customer satisfaction and great performing product. There are numerous aspects to manage and get right, when you are producing a product, turning a program over to a good Contract Manufacturer will allow the OEM to focus on their core competency and their intellectual property.

How does this help you?

- By working to reduce your costs you'll be able to spend less capital, hire fewer laborers, spend less time on QC, worry less about purchasing, and know that someone else is ensuring the technical skills of the people involved.
- You'll also be able to control your inventories at manageable levels, without the stress of needing to focus on the small details.
- It provides flexibility in forecasted highs and lows, helping you further control costs and inventory levels when you know the market is changing.
- Finally, it offers one-stop shopping for everything you need - no more worrying about whether or not all of your partners can supply what you need in a way that works for you.

Contract Manufacturing at Ferriot, Inc.

Manufacturing is complex, but we don't think it should be more complicated for you than it needs to be. At Ferriot, our experience with Contract Manufacturing has given us the contacts we need to find the best people for each job - whether it's fifteen workers or five hundred, we'll find and train them so you don't have to.

Here at Ferriot, we think of Contract Manufacturing as a partnership - and like any good partnership, that means working hard to ensure you get what you need. Contact us today for more information about the Contract Manufacturing process and what we can do to solve your manufacturing problems.



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