



Co-packing



Mindset - Perspective

- Co-Packer is your partner or associate - not a mindless widget-maker
- How would you treat your partner or associate?
 - Recruit, interview, onboard, monitor, train, support
 - Do the same for and with your co-packer
- Co-Packers are producers, not financial institutions. If the brand is unwilling or unable to invest, how can the co-packer?

Compatibility

- Seek a “**Reliable**” Co-packer: Safety, Quality, Service, Price.
- Are your needs **consistent** with co-packer’s capability?
 1. Do they currently make your product or is your product consistent with their capabilities?
 2. Are they too small, too big, *or* just right?
- Look at **qualifications**: certifications, personnel, recommendations, capacity, communication/transparency, financial stability, similar customers, insurance, confidentiality
- **Sources**: referrals, Private Label Manufacturer’s Association, Contract Packagers & Manufacturers Association, competitors, industry lists (USDA, FDA, RodeoCPG, SQF, Organic, Gluten-Free/GFCO, GoTexan, Southwest Meat Association, Texas Food Processors’ Association)



COMMUNICATION & SUPPORT

- Share information about product, process, and customers; it facilitates your co-packer's reliability
- Confidentiality Concerns
 - If you think they are going to steal or share your idea, they are not the right co-packer
 - Co-packers earn their reputation on confidentiality and protecting their customers
 - Reality is you probably don't have anything so unique that is worth stealing

COMMUNICATION & SUPPORT

- Communication & Support are an investment in product safety, quality, and customer service
 - Unique ingredients/materials, suppliers, certifications
 - Discover and discuss your **respective efficiency and pain avoidance** points (minimum production quantities, storage, inventory obligations in reasonable relation to demand, etc.)
 - Periodic meetings: demand planning, performance (including invoice payment) measurement

Co-packing Terms

CONFIDENTIALITY

reasonable, mutual agreement; addressing intellectual property

PRICE

fixed or variable (on what basis); cost-plus (conversion/tolling); term.
Establish future volume discounts at outset.

PRODUCT SPECIFICATION

Customer **shall own and have in possession complete product specification** with formula including all material/packaging specifications.

PRICE ADJUSTMENT FORMULAS

depends on materiality (butter for ghee); determine what is material cost component, threshold for and frequency of adjustment

QUALITY ASSURANCE

Customer establishes finished product standards; manufacturer has responsibility to determine method to meet standard.
Customer must establish internal finished product testing program based on risk analysis.

Co-packing Terms continued

PAYMENT TERMS

in terms of days, starting when (order, production, micro clearance, shipment);
establish program to alter/extend terms based on payment performance

FOB OR DELIVERED

prepay and add; included in price (based on what assumptions)

DISTRIBUTION

shipping arrangements; delivered by co-packer; picked-up by customer

LEAD TIME

Purchase Order Process

ESTIMATED/GUARANTEED VOLUME

Demand Planning, Projections

RESEARCH & DEVELOPMENT

separate cost or part of product price; how much are you going to “bother” co-packer?

Co-packing Terms continued

PACKAGING DEVELOPMENT

assignment of development/cost responsibility; co-packer “assumes” liability for customer packaging claims, co-packer must validate.

INGREDIENTS

especially if material/unique, facilitate with source, specifications; to extent possible, use co-packer’s current suppliers/ingredients; accountability for customer-supplied ingredients

INVENTORY (raw material and finished goods)
amounts required to hold; shipment expectations

MISCELLANEOUS

pallet type, configurations, customer requirements (i.e., Costco pallet configurations)

Thank you

Chi Nguyen
enguyen@purposetea.com

Richard Riccardi
richard@sonoriccardi.com

