



PARTNERING

for brand growth

Contract manufacturing enables emerging snack companies to scale their products.

◆ by Allison Gibeson

For new brands looking to introduce products, building out an entire manufacturing plant might be unrealistic. Even established brands might not have the ability to add capacity at an existing plant to support new product introductions. Yet consumers are increasingly looking for innovative snacks.

As a result, contract manufacturing provides an opportunity for mutual growth as it gives a brand the opportunity to scale new products in the marketplace while also strengthening the manufacturer's capabilities.

"The cost of building out a plant or even production lines and equipment in plants is significant," said Pete Brennan, vice president of innovation at Mattson, Foster City, Calif. "As an emerging brand, there are two pathways: You can use a co-manufacturer, or you can invest in those capabilities on your own. Do you want to run one business or two businesses from the get-go? If you are trying to build and run a plant,

that is an operation in and of itself in addition to what you need to be able to do to grow and run a brand."

ESTABLISHING THE RELATIONSHIP

Co-manufacturing is a partnership, and a brand should be looking for a snack producer that can truly function as an extension of their team, Brennan said. Meanwhile, a co-manufacturer is looking for a brand that values the capabilities and expertise their company provides.

Approaching a co-manufacturer with a commercial-ready formula that has the potential to scale and run at efficient throughput rates will allow brands to get off on the right foot with manufacturing partners, Brennan explained.

Additionally, having a well-defined product development brief that outlines an item's requirements will prove beneficial for brands.

"Snack companies need to understand the busi-

Volume becomes critical to contract manufacturers as they must produce enough snacks to run efficiently in their facilities

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ness model of a contract manufacturer,” said Jamie Valenti-Jordan, chief executive officer of Catapult Commercialization Services. “Their business model is not ‘money goes in one side and product comes out the other.’ A lot of emerging brands don’t understand how a relationship with a contract manufacturer is key to success and growth.”

He said manufacturing partners will naturally drive down costs and improve quality on their own and develop new concepts for brands that can be commercialized within their plant.

Emerging brands need to know that contract manufacturers want to comprehend a brand’s level of development, the product itself and how efficiently the product is going to run on their lines, Valenti-Jordan said. Additionally, good contract manufacturers will tell a brand when they can’t make a product.

An emerging brand can start a relationship with a contract manufacturer on the right foot by walking

into the first discussion with pictures and descriptions of their current development status. After that, it’s important to send samples and get to know a larger group of people at the manufacturer to discuss the product. Finally, visiting the manufacturer is also critical, Valenti-Jordan explained.

“[Brands] need to get out there, meet the people, walk the line, understand who and how everything moves because it’s not a black box that you stick money into and get product out,” he said.

Realizing that every manufacturer operates differently is also key.

“Never call a contract manufacturer and assume you are at an equal level of understanding of how the product gets made,” Valenti-Jordan said. “You should always listen and allow them to teach you.”

Overall, he emphasized the importance of contract manufacturers being willing to teach.

“Emerging brands may not know what they are doing when it comes to production of large-scale snacks, but they are trying to learn, so if the brand is willing to listen, [contract manufacturers] should try to instruct,” Valenti-Jordan said. “This is how we get new people into our industry — we train them.”

Additionally, Brennan said ensuring agreements are reasonable on both sides is key to a successful long-term partnership. Planning for growth is also essential.

“Outside of manufacturing capabilities, having your go-to-market strategy and plans in place that are just as reasonable as your expectations for how your product should run are really important,” he noted.

Additional capabilities and benefits brands should consider when choosing a co-manufacturer include the ability to source packaging and ingredients as well as provide product run and problem-solving support while on the line, Brennan said.

A brand will often rely on a co-manufacturer for many required ingredients but still have some ingredients they might want to source themselves for proprietary reasons. In that case, Brennan pointed out that it’s important for the brand to understand lead times from suppliers and how difficult ingredients might be to source. Monitoring expiration dates on raw materials is also vital in helping brands understand how long those goods can stay at the co-manufacturer and be used in production.

Because not all co-manufacturers have space to store the finished product for long periods of time, Brennan said having a strong logistics plan will ensure the product keeps moving. With that, the location of the co-manufacturer is a factor because it will contribute to overall transportation costs.

A relationship with a contract manufacturer requires up-front communication regarding product development, pricing, sourcing, production scheduling and more.

Franklin Moore, One Moore Photo





MAKING IT HAPPEN

Fantasy Cookie, Sylmar, Calif., produces cookies, baked bars and dry blends and inclusions, and CEO Russ Case said the company has experienced growth recently in co-extruded products including fruit-filled bars. The company also recently refurbished an old bakery into a nut-free facility and has quickly sold capacity for that location. Gluten-free manufacturing is also a source of growth.

The company previously provided private label manufacturing for major retailers, but this effort was challenged by their limited storage space. About four years ago, the company moved away from private label manufacturing to increase focus on contract manufacturing.

Case said volume is one of the biggest considerations when partnering with a brand because a partner must produce enough volume to run efficiently in their facilities. He added that pricing has become a significant factor considering the recent impacts of inflation, so establishing if the product can be produced for the desired price point is a necessary discussion.

When Case and his team at Fantasy Cookie first meet with the members of a brand, they review the project brief and determine if the brand can meet their volume minimum. Next, the retail price point needs to be agreed upon. Once that has been established, the company then starts working in the lab to create samples followed by line trials.

“Those are the types of customers and contract partners we are looking for: not the big mega food companies, but people who have a really good, valuable proposition that may be in the crosshairs of the bigger food companies to go out as an acquisition,” he said.

Overall, Case said the company can get a project to market in 12 to 18 weeks.

“We have a very methodical process the way we do our production scheduling, but we can move things around to run line trials very quickly as soon as materials are available,” he said. “That works well with the smaller brands that move very fast themselves.”

Some emerging brands are simply trying to understand the industry, but some have done background research and development work although they don't yet understand issues around minimum order quan-



Top: Contract manufacturers can offer emerging brands their R&D services as they develop and perfect their products.

Bottom: Emerging brands can benefit from contract manufacturers' purchasing power when it comes to ingredient and packaging sourcing.

Franklin Moore, One Moore Photo

“Success for us is that we’ve grown the brand, we’ve grown their product, we’ve made a spec that they wanted, and it was liked in the marketplace.”

Dave Krombeen, CK Snacks/Cheeze Kurls

ties and material sourcing, said Dave Krombeen, general manager and vice president of sales at CK Snacks/Cheeze Kurls, Grand Rapids, Mich. Other emerging brands have everything built out and simply need someone to make the product for them.

As a result, co-manufacturers are looking to see where a brand is in the journey of ideation to commercialization, Krombeen said. If the brand still has more work to reach the point of commercialization, he will offer insight and action points before the company can serve the brand and encourage the brand to call back once it has reached those milestones.

If commercialization is practical, specifications, pricing and sourcing of materials become an important part of the conversation. Achieving organic, non-GMO or kosher status are potential roadblocks as those specifications can be challenging to accommodate, he said.

Barry Levin, CEO of City of Industry, Calif.-based Snak King, echoed the challenges that special considerations present in manufacturing.

“The more time we spend producing, the better it is for everybody versus having to deal with changeovers and the special needs of a product,” he said. “The more qualifications or unique characteristics a product has, generally the greater challenge it is to produce.”

Snak King operates two facilities that encompass about 600,000 square feet, and growth has naturally led them to partnering with established brands with greater volume for the sake of efficiency on larger lines.

“As we’ve gotten larger, dealing with emerging brands, which is often one of the exciting parts of our business, is getting more and more challenging,” Levin said. “Emerging brands need to find co-manufacturers with smaller production lines that have that flexibility.

MAKING A DIFFERENCE

Contract manufacturing will continue to shape snack manufacturing in the future.

While several large companies have purchased snack co-manufacturing operations in recent years to better control the supply chain, Krombeen said this approach doesn’t work for all players in the industry because not all brands want to own a manufacturing site and manage the labor challenges.

Co-manufacturing enables both established and emerging brands the opportunity to experiment and develop new products.

“What you are going to continue to see is some of those larger companies sourcing opportunities to use co-manufacturers to grow into new spaces until they have determined if that level of investment of creating their own capabilities and their own lines will prove out,” Brennan said.

“Where I have seen co-manufacturing help is allowing emerging brands to focus on performance of their brand, of their products, of getting those products into consumers’ mouths and into their hands while not having to take into consideration all of the intricacies of building and running a plant,” he added.

Overall, successful manufacturing partnerships shape the snack products consumers enjoy.

“Success for us is that we’ve grown the brand, we’ve grown their product, we’ve made a spec that they wanted, and it was liked in the marketplace,” Krombeen said. “They’re doing the hard work: the marketing and the sales to get it into distribution channels and to the customers. For us then, it’s managing that process and making sure we maintain the quality that we all agreed on...so they’re getting a consistent product.”