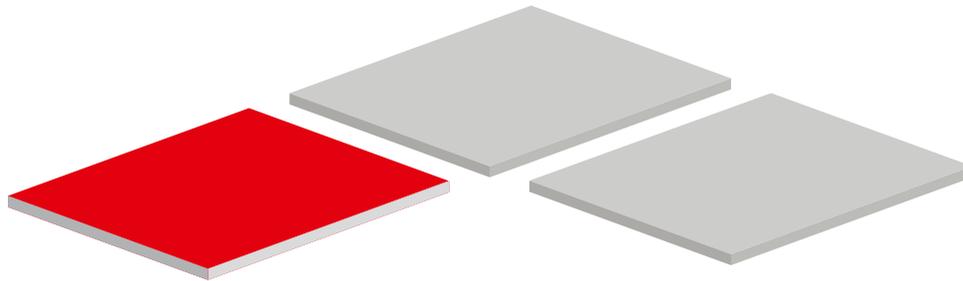


7 WAYS OUTSOURCING CAN HELP YOU REDUCE COSTS, MAXIMIZE EFFICIENCY, AND BOOST YOUR BOTTOM LINE

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INTRODUCTION



Have you been to a baseball game lately? How about any other major sporting event? The next time you go to a baseball or football game, take a look around the stadium. Specifically, look at all of the operational functions required to pull off such a big event.

You'll likely see security guards, concession crew, retailers, pre- and post-game entertainment, and maybe even the ground crew. What do all of those people have in common?

Very few of them — *possibly none of them* — are employed by the home team. The security guards are usually off-duty police or employees of a local security firm. The concessions crew could be volunteers or employees of a third-party food-service company. The workers in the gift shops are usually employees of a separate retailer.

Sports teams figured out long ago that they can be most profitable and successful if they focus on what they do best and outsource everything else. Their focus is on putting the best product possible on the field. Everything else is handled by their outside partners.

INTRODUCTION

Sports teams aren't the only businesses that embrace outsourcing. Dell is a computer manufacturer, right? Not really. They sell computers, but they don't assemble them. That's done through a network of partner companies.

Apple outsources assembly and packaging for nearly all of its products. Google outsources many sales and IT positions. Materials company 3M outsources everything from customer service to research. AT&T outsources nearly every role in its company.

If outsourcing is good enough for nearly every business under the sun, why haven't you implemented it into your company? Outsourcing allows you to narrow your focus and only invest resources into those activities that have the greatest ROI. With outsourcing, you can:

- Focus on what you do best
- Leverage skilled talent outside your company
- Reduce labor expenses like wages, benefits, and training
- Shift risk and liability to another party
- Take advantage of the other party's equipment and technology



INTRODUCTION



Still not sure whether outsourcing is right for you? Or are you convinced of the benefits of outsourcing, but don't know which functions you should outsource?

In this paper, we offer seven signs that outsourcing might be right for your business, and we share specific functions you could outsource to help you reach your objectives.

1 INVESTMENT & MACHINERY

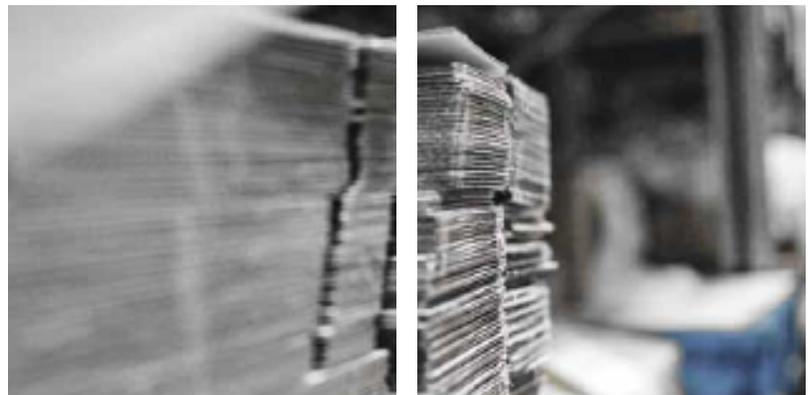
If you want to limit capital investment into equipment and machinery...

OUTSOURCE:

➔ **PACKAGING**

Depending on what you produce, it's possible that you need a wide range of equipment and machinery in your facility. Some of those pieces of equipment are likely vital to your operations. Some of them, though, may not be so critical to your core product or service.

One example is equipment used for packaging. One of the best ways to reduce your cost per product is to use an automated packaging system. An automated system reduces the need for labor, driving down costs.



Automated systems can be costly, though. They can require a substantial capital investment depending on the size and complexity of your packaging needs. You may want to limit large capital outlays. To complicate matters further, packaging requirements change frequently, making investment risky and obsolete machines likely.

One possible strategy is to outsource your packaging to an experienced industrial packaging partner. They can help you design a packaging process that balances your need to limit capital outlay with your desire to drive down costs. You could end up with an automated system, a manual process, or some custom hybrid that includes the best of both options.

You may even be able to package in their facility. That way, you use the packaging company's equipment, eliminating the need for your to invest in your own machinery.

2

DEMAND & SKU MANAGEMENT

If you want to focus your resources strictly on your product's demand and SKU management...

OUTSOURCE:

- ➔ PACKAGING
- ➔ WAREHOUSING
- ➔ DISTRIBUTION

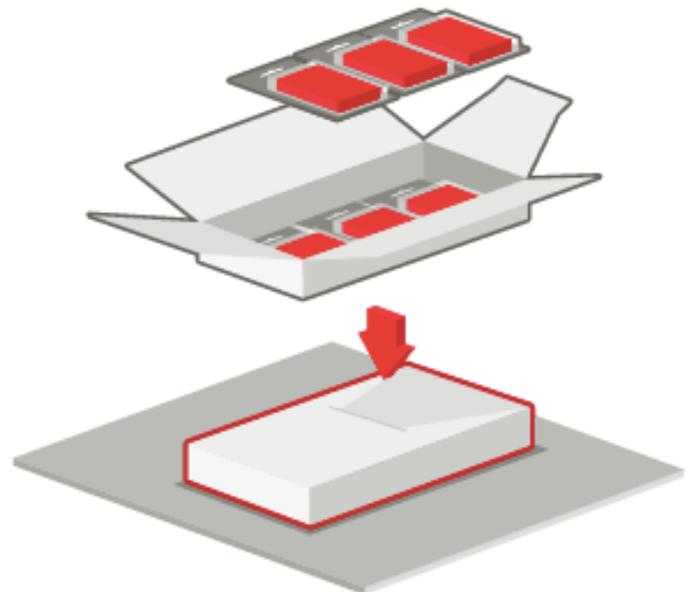
You've looked at the numbers and you know them inside and out. The message is clear. You are at your most profitable when you focus your time, energy, and resources into producing your core products. Everything else is a drain on margins.

That begs the question — why bother with the “everything else”? Why not outsource everything that takes away from your core profit center?

Three big areas to outsource could be packaging, warehousing, and distribution. In fact, if you work with a packager who handles end-to-end supply chain and distribution management, you could outsource all three functions to one place.

After producing your products, you could ship them to your packaging partner for warehousing. When the products are ready to ship, the packaging company pulls them from the warehouse and packages in their facility. They then manage the distribution from their facility to your customer. This is called delayed packaging and it eliminates having your product inventory available but in the wrong package when needed to ship.

They handle “everything else.” You handle what you do best - and get the right package to the market fast and with limited SKU inventory.



3

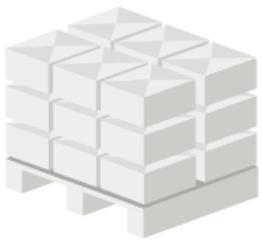
PARTS & MATERIALS

If you regularly receive a heavy inflow of parts and materials...

OUTSOURCE:

- ➔ **SUPPLY CHAIN MANAGEMENT**
- ➔ **VENDOR PACKAGING**
- ➔ **MATERIALS RECEIVING**

When you're managing a complicated industrial project or running a high-volume production facility, it's normal to have a heavy inflow of parts and materials. The challenge can be managing the reception of those parts and getting them to the right destination in an efficient manner.



Obstacles happen. The team at the project site may not know which parts are in which containers or how the materials should be distributed across the site. They may not know how to check for quality. You could have a constant inflow of materials at your facility, and you want your team focused on other jobs besides receiving around-the-clock shipments.

If you're receiving parts and materials from multiple vendors, it's possible you may need to receive them in one facility and then redistribute to worksites or satellite facilities. Perhaps those parts need to be rebundled before shipment.

Why use your employees to handle this work? Instead, trust a packaging and supply chain company to manage this function for you. They can work with your vendors to get your parts where you need them, when you need them, and in the condition you need them.

And as an added bonus, your packaging company may have technological tools that give you greater insight and transparency into your supply chain. You get greater efficiency, experienced and knowledgeable talent, and a robust technological platform simply by partnering with an outside company.

4

CUSTOM PACKAGING

If you sometimes have to make custom or low-volume items that require special packaging...

OUTSOURCE:

- ➔ **PACKAGING**
- ➔ **ENGINEERING & DESIGN**

Maybe you have a project that requires a special one-off product. Or perhaps your business is based on building large, complex products, of which you only produce a few per year. You're already committing significant time, talent, and other resources to



building your products. Should you also devote resources to designing and building a package that you may never use again?

If there is ever a time to work with an outside industrial packaging specialist, it's on the custom or low-volume project. You and your team likely don't have the experience or knowledge to do the job efficiently. As you know, there are too many variables that can endanger the timeline or the product quality.

Why risk it? Work with a packaging partner to develop a custom solution. They can leverage their experience and knowledge to efficiently develop and implement the right package for your one-off or low-volume industrial project.

5

LIMITED SPACE

If you have limited space or if you need to maximize every square foot of your facility...

OUTSOURCE:

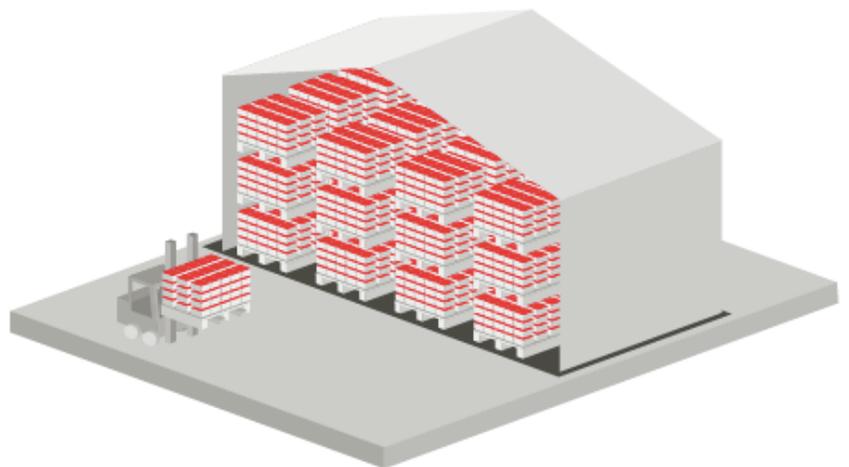
- WAREHOUSING
- PACKAGING
- DISTRIBUTION

Space is a precious commodity. That's especially true if your demand fluctuates throughout the year, if you're dealing with cash flow pressure, or if you simply aren't ready to invest in a larger facility.

How much space is consumed in your facility by post-production operations? Are you storing product on shelves? Do you have packaging stations taking up valuable floor space? Do you dedicate space to shipping and distribution?

There's no reason why you have to handle those jobs in-house. A packaging and supply chain partner can store your product in their warehouse, package it in their facility on their equipment, and then coordinate distribution to your customers.

That saves you time and energy, but most of all it saves you precious space. You use their square footage, giving you the ability to maximize your facility for your most profitable activity — production.



6

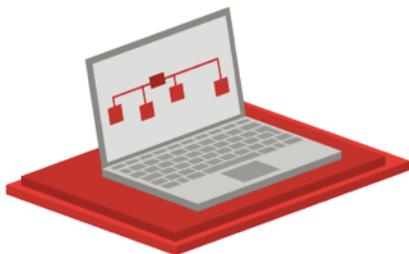
UNIQUE PRODUCTS

If your product has unique quality requirements or is vulnerable to common risks...

OUTSOURCE:

- ➔ **PACKAGING**
- ➔ **DISTRIBUTION**

Is there a more corrosive long-term threat to your bottom line than quality issues? In the short term, poor quality can lead to rework, scrap, and duplicate jobs. In the long term, it can erode your customer's trust, damage your reputation, and reduce your market share.



You've produced a high-quality product. Your engineers and floor team invested their talent and hard work into producing a product that meets your customer's high quality standards. Don't risk that effort by shipping the product in a subpar container.

Many industrial companies spend so much time focusing on their product quality that they don't spend enough time on package quality. As a result, they fail to identify all possible risks and vulnerabilities.

When you work with a company that specializes in industrial packaging, you get to leverage their knowledge and experience. They can identify the risks that you may not even be aware of. They can then design the right package for your product's unique needs and quality standards.

Don't risk all your hard work with a subpar package. Work with an outside partner who can focus all of their attention to packaging quality.

7

OVERSEAS VENDORS

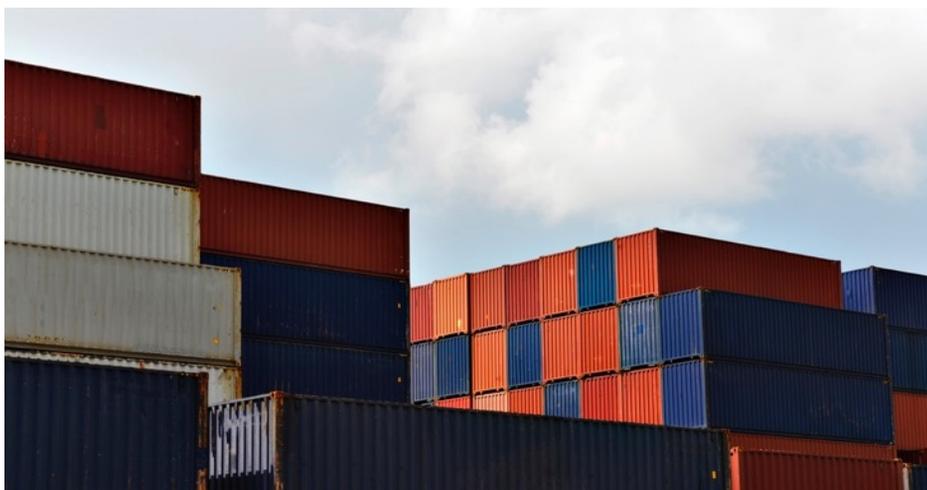
If you manufacture product overseas or source parts and materials from overseas vendors...

OUTSOURCE:

- ➔ GLOBAL SUPPLY CHAIN & DISTRIBUTION MANAGEMENT
- ➔ PACKAGING

The world is shrinking. Perhaps nowhere is that more obvious than in industrial businesses. It's likely that some part of your supply chain originates overseas, whether it's your own product or a part or material.

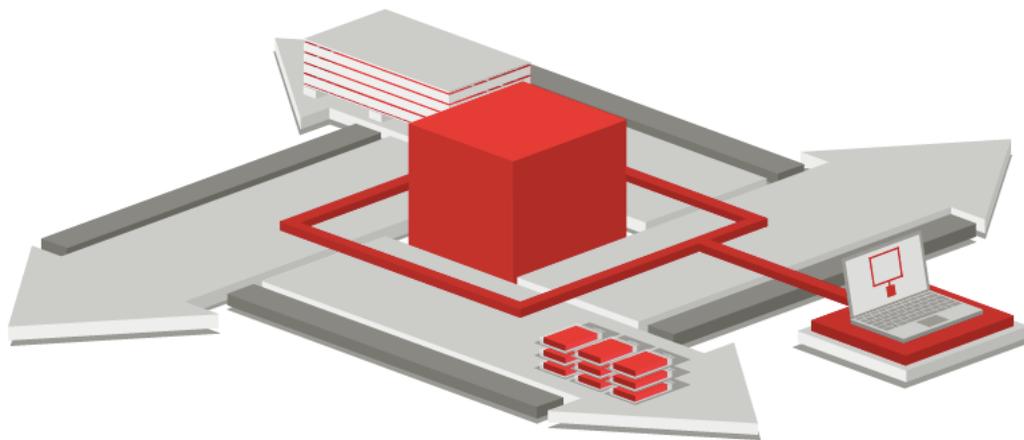
You face several risks whenever you rely upon overseas manufacturers. There's the possibility that the product may not be packaged to your standards. There's also the chance that the part has some kind of quality defect. Of course, given the lengthy production and shipping schedules for overseas manufacturers, ordering a replacement part may not be an easy task.



OVERSEAS VENDORS

What you really need is a set of eyes and ears on the ground. However, you may not have the infrastructure or resources to invest in an overseas team.

There's a simple solution. Hire a global packaging and supply chain partner who can serve as your proxy around the world. When you work with a global partner, they can use their overseas employees to make sure your products meet quality standards and are packaged to your specifications.



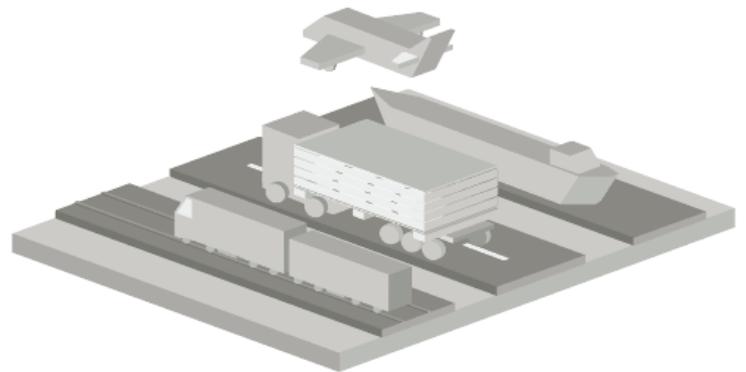
If there is a quality defect, they can resolve it overseas, before the part is shipped halfway around the world. If you're receiving parts from multiple vendors, the packaging company can receive them all in one central hub and then repackage and bundle them for shipment to your facility. Your partner can even resolve challenges that arise at customs.

Instantly give yourself global reach and visibility. Partner with a company that has skilled employees and locations around the world.

CONCLUSION

You have a core product or service that you do well. It's the work that maximizes your bottom line and makes your customers the most satisfied. Why commit resources to anything other than that function?

The right industrial packaging partner gives you the ability to narrow your focus and scale your operations without investing capital in new capabilities or employees. You get all of the resources and capabilities that the packaging company has to offer, without any of the capital outlay.



Ready to discuss the idea of outsourcing some of your operations? Let's connect and discuss it. Our industrial packaging and supply chain engineers welcome the opportunity to consult with you about your needs and objectives. Contact us today to schedule a conversation.

For more information, or to discuss your own industrial challenges,

<http://info.deufol-us.com/industrial>

For answers to your most challenging packaging problems, subscribe to the Deufol Packaging Solutions blog at

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