

## The Differences Between Toll Laminating and Contract Manufacturing

The trend for companies of all sizes to outsource all or part of their manufacturing of product to third parties continues to grow as they seek to lower the Total Cost of their products. Generally, this practice is referred to as Contract Manufacturing. The third-party manufacturer makes the product according to specifications and drawings provided to them by their customer, and they are responsible for acquiring all materials, manufacturing equipment and processes, and the labor to produce agreed upon quantities of product that meet those specifications.

Contract manufacturing is often an advantage when specialized equipment is required that is either difficult to come by or is prohibitively expensive to acquire. The same holds true for specialized labor with specialized skills that are difficult or impossible to attract.

There is a special case of Contract Manufacturing referred to as "Toll Manufacturing". In this variation, the key difference is that the contracting company retains responsibility for all the raw materials rather than offload that to the contract manufacturer. They continue to specify, purchase, and own the raw materials that go into their product. The contract manufacturer simply provides the manufacturing service to the contracting company in exchange for a fee for just completing the manufacturing.

Beckmann Converting is a "Toll Laminator". We do not have control over selecting vendors for any products we laminate or control over the procurement process. Our customers retain complete ownership of the raw materials. Since we don't control any of the raw material costs, the most significant cost factors that come into play for pricing our laminating services are direct labor and related labor costs.

Transportation of raw materials to our facility as well as outgoing transportation of finished laminates also remains the responsibility of our customers. Most raw material vendors drop ship directly to our facility.