Make or Buy

The question of subcontracting

Should I make it myself or subcontract?

Whether you should make a product yourself or subcontract the manufacturing process depends on a variety of factors, including your own capabilities, resources, and goals, as well as the nature of the product and the market.

Here are some things to consider when deciding whether to make a product yourself or subcontract:

- **Your own capabilities**: Consider your own skills and resources, and whether you have the necessary knowledge, expertise, and equipment to manufacture the product yourself. If you don't have the necessary capabilities in-house, subcontracting may be a better option.
- **The complexity of the product**: Consider the complexity of the product and whether it is feasible to manufacture it yourself. If the product requires specialized equipment or processes that you don't have access to, subcontracting may be a better option.
- **The scale of production**: Consider the scale of production and whether you have the capacity to manufacture the product in-house. If you are producing a large volume of products, subcontracting may be more cost-effective.
- **The cost of production**: Compare the cost of manufacturing the product yourself with the cost of subcontracting the process. Consider factors such as the cost of materials, labour, and equipment, as well as any economies of scale that may be achieved through subcontracting.
- **Quality control**: Consider the importance of quality control and whether you have the necessary processes and systems in place to ensure that the products are of high quality. If quality is a critical factor, you may want to consider keeping the manufacturing process in-house to have more control over it.

By considering these factors, you can make an informed decision about whether to make a product yourself or subcontract the manufacturing process.

What are the Hidden Costs?

There are several hidden costs and pitfalls that you should be aware of when subcontracting manufacturing generally including:

- **Communication and coordination**: Coordinating with a subcontractor can be more complex and time-consuming than managing the manufacturing process in-house. You may need to invest in additional communication and coordination efforts to ensure that the subcontractor understands your needs and expectations.
- **Quality control**: It may be more difficult to ensure quality control when working with a subcontractor. You may need to invest in additional quality control processes to ensure that the products meet your standards.
- **Dependency on the subcontractor**: If you are heavily reliant on a subcontractor, you may be at risk of delays or disruptions if the subcontractor experiences problems or goes out of business. It's important to have contingency plans in place in case something goes wrong.

- **Loss of control**: When you subcontract manufacturing, you are giving up some control over the production process. This can be a risk if the subcontractor does not meet your expectations or if there are problems with the quality of the products.

By being aware of these hidden costs and pitfalls, you can better prepare for them and take steps to mitigate any potential risks.

What about going outside the UK?

There are other hidden costs and pitfalls that you should be aware of when moving manufacturing out of the UK:

- **Communication and language barriers**: If you move the manufacturing process to a country where English is not the primary language, you may encounter communication and language barriers that can slow down the production process and increase the risk of misunderstandings.
- **Cultural differences**: There may be cultural differences that you need to navigate when working with a foreign manufacturer, such as differences in business practices, work ethic, and expectations.
- **Currency exchange rates**: If you are paying the manufacturer in a different currency, you will be subject to exchange rate fluctuations, which can affect the cost of production.
- **Transportation and logistics**: The cost and complexity of transporting the product to and from the UK may be higher than you expect, and you may need to invest in additional logistics and supply chain management to ensure that the product is delivered on time and in good condition.
- **Quality control**: It may be more difficult to ensure quality control when working with a foreign manufacturer, especially if you are not able to visit the factory in person.
- **Legal and regulatory issues**: There may be legal and regulatory issues that you need to navigate when working with a foreign manufacturer, such as differences in labour laws, environmental regulations, and intellectual property protection.

By being aware of these issues, you can better prepare for them and take steps to mitigate any potential risks.

Need help deciding? Talk with people you know who have gone through the process, even if not in a similar industry or get some external advice.

For more details and the opportunity to discuss your application please contact info@j4intech.co.uk

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