

# Why Raw Material Planning in Manufacturing is Essential

You've heard the terms "toll manufacturing" and "contract manufacturing" before. In fact, you may have even read about them last year in our blog on toll manufacturing versus contract manufacturing.

Toll and contract manufacturing are both advanced tools for supply chain management. These types of manufacturing processes are usually utilized in new product development. They are very similar processes that can often be confused. There's an important, yet often overlooked, difference between the two.

## Toll versus Contract Manufacturing

When you work with a contract manufacturer, you are essentially partnering with an independent manufacturer – they will source all of the raw materials, manufacture the contracted part, and deliver a completed product to you. In toll manufacturing, the company will manufacture your part, but you or an additional third-party is responsible for sourcing and delivering the raw materials.

The difference between the two lies in who is responsible in the risks associated with raw material planning. These risks often include the price, quality, and delivery of the raw materials. Toll manufacturing is often done by a raw material manufacturer to create a new product line for the company.

The toll manufacturer is assuming the risks associated with raw material planning and product manufacturing. Whereas contract manufacturing is considered a turnkey solution for clients, where the contract manufacturer is responsible for raw material planning and product manufacturing dates.

## Why Raw Material Planning Matters

Businesses, manufacturers in particular, are increasingly relying on Just-in-Time (JIT) and other similar manufacturing processes. The JIT process is an inventory strategy to reduce costs associated with product storage.

A key element of JIT and related processes is raw material management. The entire process relies on the requisite materials being delivered to where they are needed at the time when they are needed, creating a steady inflow of material and outflow of completed parts. Sierra Coating specializes in raw material planning, skills which we put to use when partnering with you as a toll or contract manufacturer.

We maintain an in-house team of experts dedicated to raw material planning a wide variety of chemicals that we use during coating processes. The team includes a logistics planner, a raw material planning specialist, and two

dedicated chemists. Our team procures the chemicals that your product requires, testing them on production equipment to ensure the product functions properly.

## **Trusting Your Partners with JIT Manufacturing**

Though extremely important, raw material planning is only one part of a multi-stage process – JIT and other production streamlining methodologies must be maintained throughout the entirety of a production process in order to be effective.

At Sierra Coating, we follow through. After testing and procuring high-quality raw materials, we can manufacture and ship your products on a JIT schedule. Our raw material team works hand in hand with our manufacturing team to ensure that every step of the process runs seamlessly.

To learn more about the benefits of working with a toll and/or contract manufacturer, download our free eBook, *The Financial Case for Contract Manufacturing*.

