

How to Structure Your Relationship with a Job Shop



we're big in
small.

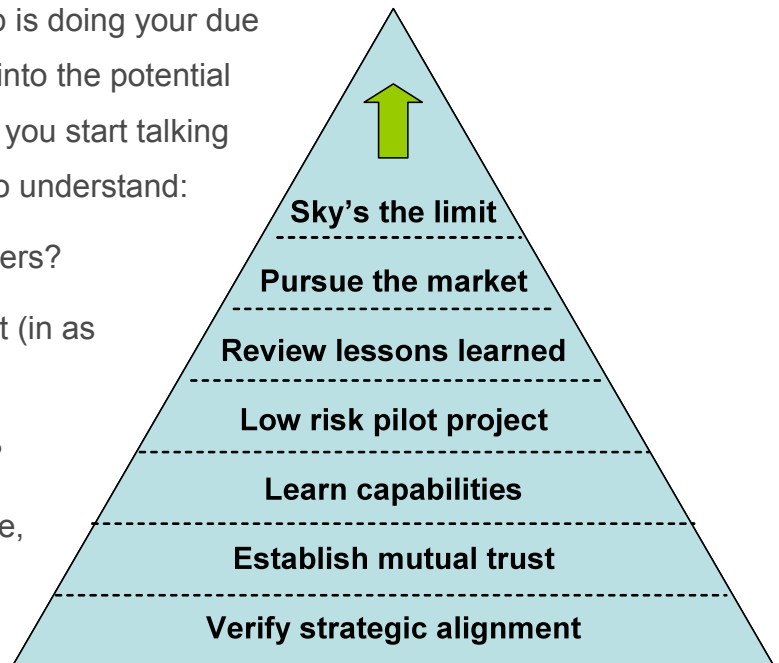
Guidelines for Structuring Your Relationship with a Job Shop

A vast opportunity exists for both Large Batch Contract Manufacturers (LBCMs) and Small Batch Job Shops (SBJs) to partner with one another for mutual gain. These partnerships leverage both parties' strengths and offer the best solution to shared customers. The challenge presented is how to best structure these relationships. The following guidelines have proven effective and mutually beneficial for LBCMs and SBJs like us in our years of experience as an exclusive job shop.

Mutual Assessment & Education

The first step in a successful partnership is doing your due diligence. You'll want to do a deep dive into the potential partner's processes, people, etc. before you start talking details. The things we believe are vital to understand:

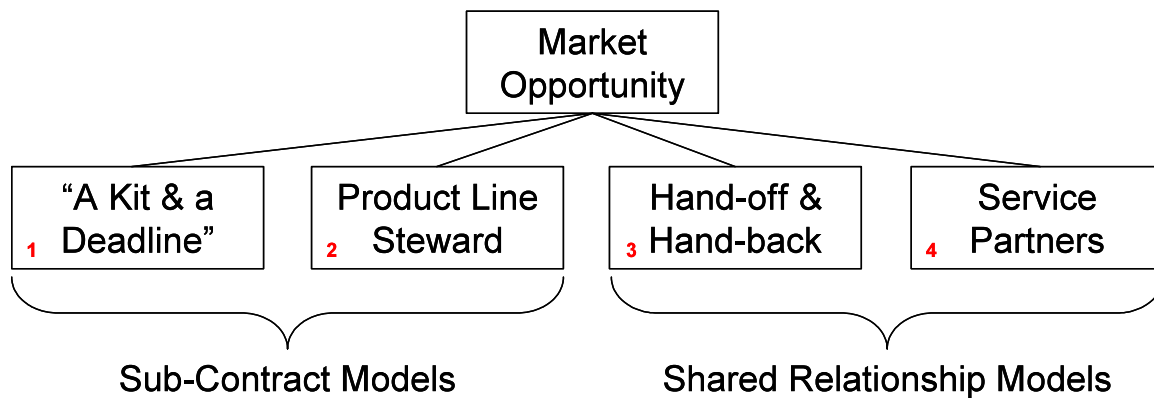
1. Are there any up-front deal breakers?
2. What is their preferred sweet spot (in as much detail as possible)?
3. Is there a specific industry focus?
4. What is the competitive landscape, goals & objectives?
5. What are the partner's technology strengths and limitations?
6. Discuss the market positioning (local, regional, national).
7. Discuss any applicable financial terms.
8. Who are the key players in sales, customer service, quality, operations, and management?
9. Understand the ownership structure.
10. Understand productive capacity, potentials for backlog, etc.



Once you've gone through each of these and are comfortable with the answers, it's safe to move forward.

Select the Best Partnering Model for Both Parties

There are four basic models for these LBCM/SBJS partnerships that we use as a jumping off point to define specific relationships.



1. A Kit & a Deadline

Most often used when there is unpredicted demand in an out-of capacity situation, this is the straightforward sub-contracting model where the end customer works with only one partner. Either partner can place an order with the other, and the purchaser handles all of the issues with the end customers and pays the assembler's invoice.

Note: It's important with this model to establish requirements on how kits are to arrive so they can be processed efficiently.

2. Product Line Steward

Much like the 'A Kit & a Deadline' model, the 'Product Line Steward' model keeps the end customer working with only one partner. The key difference here is that *all demand* for a specific product or product line family is sub-contracted to the partner. We call this the 'Product Line Steward' because the assembler understands and embraces that they are temporarily managing



these product lines and the relationship with the purchaser is fluid. This flexibility and understanding is crucial to the success of this model.

3. Hand-Off & Hand-Back

Under the 'Hand-Off & Hand-Back' model, the entire account relationship moves to the partner. As such, this is best used for a) truly new and undeveloped product volume, b) low volume legacy firms that have little potential of near-term high volume, or c) high volume OEMs that have few small batch needs. The hand-off is accompanied by a signed agreement that describes the conditions for eventual hand-back. This likely includes some agreed-upon volume level, batch size, or sales dollar threshold. Until this point, the partner handles all customer transactions directly and keeps the original partner informed of progress.

4. Service Partners

The boldest of the four models, under the 'Service Partners' arrangement, both parties approach a customer as co-providers. This model is best used when the account has a large number of assemblies, of varying levels of volume and complexity, where it is thought up-front that the combined forces of large and small batch expertise will be needed to serve the customer. The goal in this approach is to actively and openly leverage the capabilities of both companies in a divide-and-conquer approach with the goal of providing pain relief for the prospect. For this to work, both companies must approach the prospect in a non-competitive mindset – a difficult challenge for any good salesperson.

Set 'Rules of the Road'

Once you've selected the model that will work best for you and your potential partner, it's important to set up the ground rules for the relationship – The 'Rules of the Road'.



Suggested Rules Include:

1. The two partners will not compete for a customer's business. We win or lose together.
2. 100% transparency with the end customer about which partner is servicing their needs.
3. Employees of the partners are not hireable by the other unless by written approval from Owners at both companies. (Can include a timeframe after which this no longer applies).
4. The key factor in deciding which partner builds what assembly is always what is in the best interest of the customer, considering: quality, delivery, cost and customer preference.
5. Partners pay each other in a non-contingent, timely fashion.
6. While residual parts inventory is the responsibility of the organization that purchased it, teamwork between the partners for prevention and resolution is expected.
7. As a courtesy, 60 days written notice will be given before the assembly of a product or product line is "pulled back" to one of the partners.
8. The success of the partnership is more important than any one piece of business the partners collaborate over. Open communication, trust, and willingness to take risks now for long-term payoff are absolutely essential.
9. Each partner's capabilities will continue to evolve and it is important to keep the partnership informed. Should either partner contemplate changes to their core sweet spots, it is understood that professional courtesy will be shown. Surprises should always be avoided.
10. The partners must always present a unified front with customers. Disagreements or other stresses must be worked out privately.
11. All high volume business today was once done in small batches! The natural consequence is that the SBJs will get more "at-bats" and singles and the LBCM will get fewer at-bats but more triples and home runs. Neither partner should get



discouraged when this happens – because that’s what we are designing the partnership to deliver!

Ask Strategic Questions

Of course, there are going to be situations that arise in the partnership that are not clearly defined up-front. To help mitigate these questions down the road, we also recommend talking through the broader strategic questions early on:

- How do we handle batch sizes that fall in-between our sweet spots?
- How can we leverage materials/purchasing cost aggregation opportunities?
- How is the quoting of assembly pricing is to be handled, including:
 - Pricing goals, strategy, positioning?
 - Margins, sales, commissions, etc.?
 - Time and materials, labor-only, and/or other special pricing?
- Do we need a method to ‘claim’ new accounts (under the ‘Hand-Off & Hand-Back’ model)?

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If you’re interested in learning more about structuring a partnership with a Job Shop to handle your small batch needs, [contact RBB Systems President & CEO Bruce Hendrick](#). We’re looking forward to hearing from you!