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POINT OF VIEW



On the Back Burner, But Still Important

Considering the challenges we face this month reaching contract manufacturers and brand owners willing to talk about their approach to capital investment, it's fair to say that many of you are putting expansion on the back burner and very much keeping your plans to yourself, at least until this economic roller coaster levels out. And we can't blame you.

However, based on the companies and industry-types that we did talk to, it has become very clear that capital investment in facilities can handle the back burner only as long as its flame is still lit. Earlier this year, I addressed the need to keep focused on the future rather than sit at your desk holding your head and rubbing your temples. Be ready when your customers are ready to be aggressive again — whether you're a brand owner or a contract manufacturer the same rule applies. And it applies for capital investment, too.

In this issue, our cover story addresses the trials, tribulations and solutions for effective capital investment in a brand owner-contract manufacturer or packager relationship. Like most business decisions, there are a number of ways to go at it, depending on your company's philosophy and available resources. But one industry observer said something particularly relevant regardless of your approach. He said — like most aspects in this industry — relationships are critical, and it would be a wise decision to establish one with a bank or credit agency, whomever is going to help you finance when you're good and ready to grow again. Establishing trust, communication and a level of comfort will make the financial process much smoother into the future.

Readiness is relevant today, even if the economic environment seems tenuous. There will be a time when you'll want to build again (hopefully soon!). As a brand owner, you may take that dive into a new segment; and as a contractor you'll be able to make it happen for your customer, and quickly thanks to established relationships and access to capital.

The back burner is OK for keeping things warm, but it needs to come to a boil in an instant.

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