

The new Market Update section of Food Manufacturing is designed to offer our readers insight toward critical industry trends and issues. We received hundreds of helpful responses to this month's reader survey on Outsourcing. Please be on the lookout next month for our email survey on Plant Security and let your opinions be heard in the pages of Food Manufacturing!

In tough economic times, food manufacturers must utilize an arsenal of strategic tools to maintain competitive advantage. One such tool is outsourcing. While not a cure-all solution, properly executed outsourcing has proven itself effective in helping food manufacturers speed production and save money.

In a recent survey of *Food Manufacturing* readers, 73 percent of respondents reported outsourcing some portion of their operations. However, 44 percent of manufacturers reported outsourcing less than 10 percent of

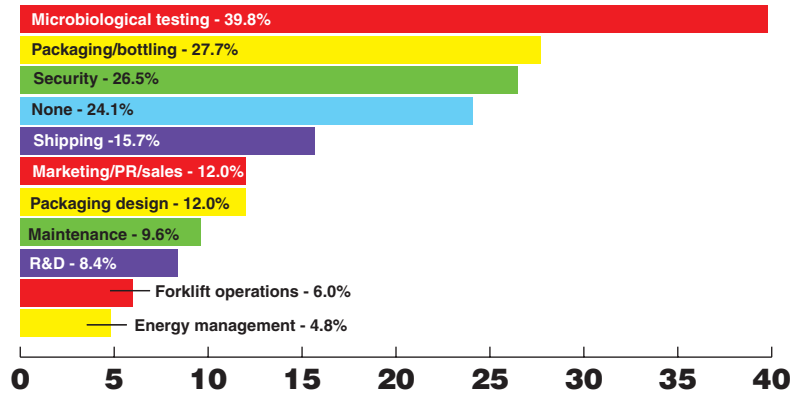
their operations. More than half of surveyed manufacturers (52.5 percent) reported that outsourcing levels have stayed consistent for their companies over the last five years, while 37 percent reported an increase.

Choosing which parts of your business to outsource is an important step in beginning the outsourcing process. Plants reported a wide variety of outsourced business aspects, with the most popular being:

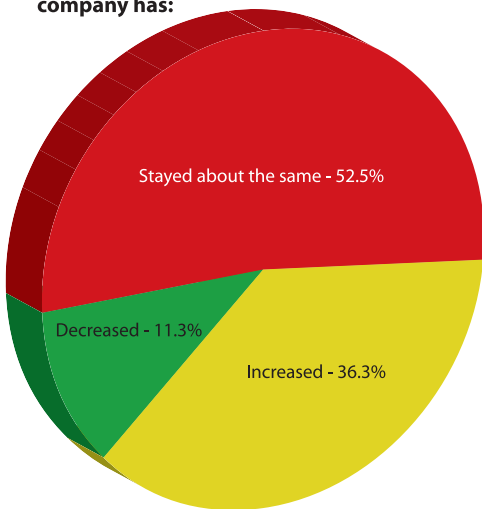
- Microbiological testing – 40 percent
- Packaging/bottling – 28 percent
- Security – 27 percent

Choosing the right partner is perhaps the most important decision a plant can make in the outsourcing process. When choosing a contract manufacturer, 83 percent of food plants take price into consideration. Experience (65 percent), reputation (63 percent) and relationships

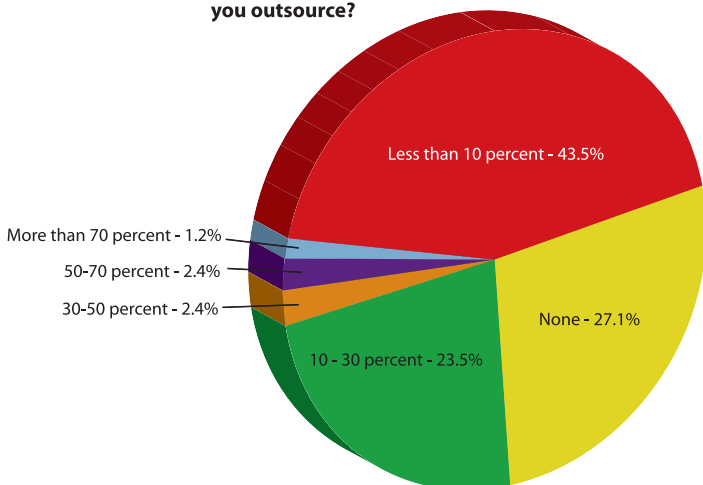
**What aspects of your of business, if any, does your plant outsource?**



**In the past five years, outsourcing for your company has:**



**Approximately what percentage of your operations do you outsource?**



(62 percent) also rank high on food manufacturers' lists of considerations. Speed, flexibility and location play a role in outsourcing decisions, as well.

As companies continue to struggle with the costs of maintaining full-time employees, it is not surprising that the largest motivating factor behind outsour-

ing is labor cost savings (41 percent). Numerous other factors, however, motivate the food industry to outsource, including:

- Ability to create new products without capital investment – 16 percent
- Meeting retailers' demands for special packaging – 13 percent
- Ability to offer customized or seasonal products – 7 percent

Although the U.S. manufacturing industry is often criticized for its offshore outsourcing practices, the food industry does not appear to be a prime culprit. Only 13 percent of respondents reported utilizing offshore outsourcing; mainly for parts fabrication and packaging materials.

The majority of survey respondents report overall satisfaction with their outsourcing decisions. Eighty-three percent even said they would recommend the same outsourcing approaches to other companies. Common disadvantages from outsourcing that were cited include: communication problems (including cultural and language barriers), difficulty responding immediately to problems and less control over quality assurance.

When it comes to outsourcing, it appears thoroughly doing your homework in regards to choosing what, how much and where you outsource plays a crucial role in determining the type of results that are achieved. ♦