



# Avoid A Co-Packing Disaster:

Tips, Advice, and Questions to Ask Before Outsourcing



# Agenda

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- Introductions
- Manufacturing Lifecycle
- Benefits of a Co-Packing Model
- What to Consider
- What to Ask
- Tips for Transitioning
- Wherefour & Co-Packing:
- Q&A



# Today's Presenters

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## FRANK BALESTRERI

» Partner, SSF Consulting

Frank brings over 25 years of experience serving high growth, venture-backed startups to Fortune 100 clients in the private and public sectors. His areas of focus include manufacturing, distribution, and retail industries. Before joining Sensiba San Filippo, Frank served in executive roles for Deloitte and Grant Thornton and received his B.S. from St. Mary's College.



## MATT BROWN

» CEO, Wherefour, Inc.

Matt is a successful software entrepreneur who founded his first software company at age 15. Before starting Wherefour, Matt consulted with clients such as Mondavi, Bravo TV MasterChef winner Douglas Keane, Miller Coors, ADP and Intel. He received an MBA from the University of Denver.



# Guest Speaker

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## CHERIENE GRIFFITH

» Director of Operations

The Galley is a cannabis-oriented co-manufacturer in Santa Rosa, CA. Their team advises clients on edibles, beverages, candy, and other manufactured products.

Prior to joining The Galley, Cheriene led operations at for well known brands such as CHEVOO, an artisanal goat cheese manufacturer company and CannaCraft, a large cannabis processor.



# Firm Overview



## TAX

Individual & Business • Preparation  
Planning • Representation • Appeals  
M&A • Multi-State & International



## AUDIT

Audit • Assurance • SOX Compliance  
Employee Benefits Plan



## TECHNOLOGY CONSULTING

Assessment • Implementation • Integration • Support



## BUSINESS ADVISORY CONSULTING

Outsourced Accounting • Executive Placement • Internal Audit /  
SOX • Wealth Advisory

## HIGHLIGHTS:

- » 40+ Years in Business
- » Clients Across the US  
*(48 states to be exact)*
- » Thousands of hours dedicated to  
community service each year
- » Six locations throughout California



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# Consulting Overview

## TECHNOLOGY SOLUTIONS

INTERNAL AUDIT / SOX

OUTSOURCED ACCOUNTING



## TECHNOLOGY SERVICES:

- » Assessments
- » Implementation
- » Upgrades
- » Integration
- » Support

## CERTIFIED PARTNER:

sage Intacct  WHEREFOUR™

Avalara  BLACKLINE

Bill.com™  limelight

 Expensify



Wherefour was started in 2015 by a team with prior consulting expertise with CPG companies. We saw the trend of recalls and increasing compliance regulations around "traceability" and realized that existing tools were lacking.

Wherefour built traceability into the core of our platform, so we approach "inventory management" in a way that addresses the modern world's need for better compliance and accountability. .

Today, Wherefour's platform is used by companies in 5 countries and used by companies that make products via process manufacturing, such as the food, beverage, cannabis, cosmetics and natural products industries.

Wherefour is headquartered in Petaluma, California.

## EXAMPLE CUSTOMERS:



# Manufacturing Lifecycle

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## HOME

- Testing ideas
- Selling to friends/family or giving it away
- Lack of safety
- No ability to scale

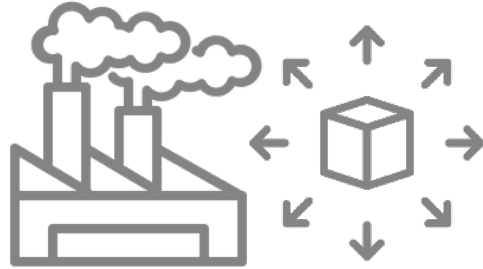


## SMALL COMMERCIAL

- Narrowing product assortment
- Selling locally
- Minimal safety
- Still no real ability to scale

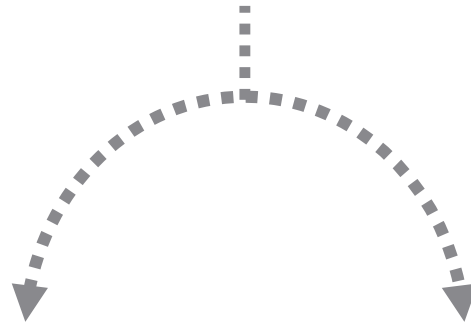


# Manufacturing Lifecycle



## CO-PACKER

- Scalable
- Predictable
- Manages regulatory compliance & risk
- Req. purchase of inv. upfront
- Expensive
- Quality control
- Communication is critical
- Access to resources



## IN HOUSE MFG

- Ability to control the process
- Most expensive – requires real capital
- Flexible schedule
- More risk & must manage compliance
- Maintain “know-how”
- Higher product margins



# Polling Question

A woman with short blonde hair, wearing a light blue button-down shirt, white pants, and a blue surgical face mask, stands in a warehouse. She has her arms crossed and is looking towards the right. The background consists of tall metal shelving units filled with cardboard boxes. The entire image is dimmed with a dark grey overlay. A vertical lime green bar is on the left side, and a triangular lime green shape is in the bottom right corner.

**What are some of the benefits to the co-packing model?**

# Benefits of a Co-Packing Model

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- Lower capital investment vs manufacturing internally
- Gives you the option to scale growth quickly, maybe
- Scaled launch without giving away money or equity
  
- Lower regulatory risk and hassle
- Lower liability for product issues
  
- No employment of manufacturing employees – money, time and less training and risk
- Co-manufacturer may have expertise in international or cross-state regulations
- Co-manufacturer might have specialized knowledge that would take years to develop
- Have access to R&D expertise for formulations, shelf life





# What to Consider Prior to Engaging a Co-packer?

# Considerations

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## PRODUCT & MISSION

- Is co-packing right for your product?
- Are special skills required to make your product?
- Chemistry, are you a good fit for each other?

## COST

- Can you afford it?
- What is the upfront cost & time commitment?
- What are the hidden costs?

## OWNERSHIP

- Who owns what & when? What's proprietary?

## CONTINGENCY

- What happens if things go south? What if your co-packer drops you?
- What is the business risk? Risk on your side + risk on their side?

## LOGISTICS

- Where should your co-packer be? Convenient geo? More than one needed?



# What to Ask a Potential Co-packer?



# What to Ask a Potential Co-packer?

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- Do you have the right size facility to meet my goals?
  - Storage? How long will they store your product?
  - Equipment and/or staff that can scale?
  - Expertise / SOPs / OSHA compliance?
- Can I see an example of your SOPs?
- Do you have the capability to do R&D?
  - What will it cost?
- Who is going to do the purchasing?
  - Will I have to use your system?
- Do I have the right to know when you change ingredient suppliers?
- What if there is a quality problem?





# What to Ask a Potential Co-packer?

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- Who has liability for a recall?
- Do you maintain traceability, if so, how?
- Would you mind if I did a "mini-audit" of my product line?
- Can I drop in unannounced?
- What is the minimum & maximum order quantity?
  - What is the lead time for each?
- What is your business continuity plan?
  - In an emergency or disaster, how will you ensure my product gets made?
- How will I be able to see my inventory? How we will communicate needs back-and-forth?
- What reporting and communication cadence should I expect?





# Wherefour & Co-Packing:

Inventory, reports, drop ship, direct ship, & more

# Tips for Transitioning to a Co-packer:

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- Document your processes
- Ensure your product is ready to scale (formulas, etc. )
- Find and interview co-packers that align with your values
  - Find co-packers online at websites like PartnerSlate.com
  - Ask your suppliers which co-packers they work with
  - Industry recommendations
- Have an iron-clad agreement & be sure to engage a 3rd party
- Get a list of vetted contacts from your co-packer



# Recap

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- Determine if your product is a good fit for outsourcing
- Develop a contingency plan should you need to change co-packers
- Evaluate multiple co-packers who align with your values
- Engage 3rd party counsel to review and assist through the contract process
- Implement technology, if necessary to maintain visibility and close communication
- Regularly audit your product



A grayscale photograph of a person in a suit writing on a document with a pen. The image is overlaid with a semi-transparent dark gray filter. A bright green vertical bar is on the left side, and a bright green triangle is in the bottom right corner.

**Questions?**

# | Thank You!

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