



**RODNEY STEEL,
CHIEF EXECUTIVE,
THE BRITISH CONTRACT
MANUFACTURERS AND
PACKERS ASSOCIATION
(BCMPA)**

The terms ODM and OEM are well-known and often heard: OEM is short

for original equipment manufacturing, and ODM for original design manufacturing.

However, as sometimes happens with frequently-used expressions, the differences between them can become slightly blurred. Indeed, some commentators don't actually distinguish between them. A recent report from Adroit Market Research, for example, stated that the global cosmetics OEM/ODM market is expected to reach US\$77.22bn by 2025, growing at a CAGR of 5.3%.

OEM products tend to refer to those designed and manufactured to a particular company's own specifications. These products can be licensed to another company to be manufactured; or they could be manufactured by the OEM company, who then sells them to another company that is responsible for their distribution.

This second description is where confusion can arise as it gets quite close to how some people term ODM, whereby an ODM company is responsible for producing a product as per another company's specifications. Meanwhile, another description of ODM likens it more to private labelling, meaning that a company selects an already existing product, makes a few changes and sells it under its own brand name. This is effectively a shortcut to market that saves on major investment in research and development in creating a new product from scratch.

Nevertheless, for the personal care and cosmetics sector, any differences in interpretation of OEM and ODM should not cloud one of the key underlying messages. Namely, that in a highly competitive industry, a collaborative approach is very often the best way to get a product quickly to market, helping to keep brands relevant, and protect, maintain and grow market share.

Therefore, whether a company has a new product idea that it would like to develop further or a proven product with which it needs help in manufacturing, or if a business simply wants to sell personal care products under its own name, there are plenty of specialist operations who will be able to help.

For personal care applications, outsourcing partners have the experience and production capabilities necessary to turn a concept into a finished product, and can provide specific services across the development and manufacturing process – everything from new

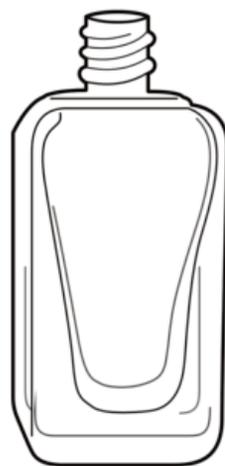
What is...

the difference between OEM & ODM?

OEM and ODM are frequently lumped in together when it comes to outsourced manufacture; but what exactly does each one entail? The BCMPA's **Rodney Steel** clears up any confusion, and outlines how to find the right partners for personal care creation

In a highly competitive industry, a collaborative approach is very often the best way to get a product quickly to market

OEM products are manufactured to a company's specifications, while ODM sees companies select existing products, make changes and sell them under their own brand name



product formulation to sourcing, procurement, packing and logistics. The support provided can also be much more than simply the physical production of products, extending to wider advice and guidance, for example helping to ensure the necessary product compliance, labelling and legislation requirements are met.

Outsourcing companies also have the ability to handle the shorter production runs often associated with initial launch volumes, niche or temporary product lines and promotional packs.

An outsourcing partnership lowers the cost of production by providing companies with comprehensive facilities that can meet these requirements without the need for additional internal investment. It also significantly reduces the complexity of operations for a company, enabling considerations such as extra staff requirements, space constraints and managing production schedules to accommodate increased workloads or new production requirements to be offloaded to an external expert. Brand owners are then able to concentrate their energies and resources on their core business.

Perhaps the main challenge of the question 'what is ODM and OEM?', for personal care applications, is that they are terms usually more closely associated with engineering products, notably for markets such as automotive and computer software. Therefore, when seeking a solution to their development or manufacturing requirements, beauty companies would be better to avoid searching under these specific terms, and instead focus on the level of expertise and support they are seeking and then look for suppliers who can match these requirements.

This should then deliver the partnership approach that supports the delivery of many of today's personal care products. A good starting point for any initial enquiry is the search facility and accredited membership on the BCMPA website: bcmpa.org.uk ●