



Attachment

1.4 Private label (ODM) products

This tutorial explains the difference, in terms of procedures and costs, between buying Custom Designed (OEM) and Private Label (ODM) products.

The Definition of Original Equipment Manufacturing (OEM)

An OEM product is made according to the buyer's product specification. For example, any product with a customized design, material, dimensions, functions or even colors can be classified as OEM.

To some, OEM means a product that is designed entirely based on the buyer specification, while others classify even the slightest modification of an existing ODM product design, as OEM. That said, most would agree that the primary definition of an OEM product, is a product for which tooling (i.e., injection molds) must be produced before production can start.

The Definition of Original Design Manufacturing (ODM)

An ODM product is based on an existing design, developed by the manufacturer. An ODM product can either be the result of the supplier's own R&D or a (legal or illegal) replica of another product or brand.

ODM products, which are often called 'private label products', can be branded with the buyer's logo. This practice has been very common in recent years among Amazon sellers and other eCommerce companies.

Custom Designed (OEM) or Private Label (ODM)?

The overall process is largely the same, regardless of whether you develop your own OEM product, or decide to go for an ODM product. To help you decide, use the comparison table below:

| Factor | OEM | ODM |
|---------------------------------|---|---|
| Unit price | No difference | No difference |
| Injection molds and tooling | Paid for by the buyer | Paid for by the supplier |
| Product development time | 1 to 6 months | 1 to 4 weeks |
| Mass production time | No difference | No difference |
| Product spec sheet | Provided by the buyer | 'Reverse engineered' by the buyer or provided by the supplier |
| Product compliance | No difference | No difference |
| Intellectual Property Ownership | IP owned by the buyer | IP owned by the supplier or another importer |
| Benefits | <ol style="list-style-type: none"> 1. The suppliers are at their core OEMs. Often less hassle to buy OEM products. 2. You can freely customize the product (within what is technically possible to make) 3. You own the IP (as long as you protect it) | <ol style="list-style-type: none"> 1. Shorter product development cycle 2. Many ODM products can be customized to a certain degree 3. You don't need to pay for the tooling |
| Disadvantages | <ol style="list-style-type: none"> 1. You pay for the tooling 2. It can take months to create new tooling | <ol style="list-style-type: none"> 1. Limited product selection (you get what the supplier can offer, which may only be a fraction of their list products) 2. It is time-consuming and complicated to reverse engineer a specification. It can often take more time than to design an OEM product from scratch 3. Many other companies are already selling the same product, or they will in the near future. 4. You don't own the IP of the product, and may even end up on the wrong side of an IP dispute. |