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Outsourcing Logistics Can Help Small Businesses Compete

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Tax man may be coming for ‘last-in-first-out’ users

In the near future certain businesses could be saddled with higher tax bills as a result of how they account for inventory.

There are different methods of accounting for inventory but the one getting the most attention these days is the LIFO method. LIFO is an abbreviation for “last-in-first-out.”

These reserves would be recaptured into taxable income ratably over 10 years. Therefore, your company’s need.

Thus, to the extent prices are increasing because of inflation, the LIFO method ensures the higher-price inventory gets included in costs of goods sold while matching that amount with the current revenue, which leads to a better reflection of income.

Outsourcing logistics can help small businesses compete

Every successful company has a core competency. It might be retailing, financial management, food preparation, etc.

To get ahead in today’s competitive business environment, you need to be better than the other guy at something. So, the question becomes is that something outsourcing logistics could help with?

Most companies don’t do a good job at logistics. If you are a Fortune 500 type company to make this work, there is some validity to the concept that larger companies are more likely targets for logistics outsourcing.

The truth is that the largest organizations often have highly skilled internal employees doing their logistics and do not gain much benefit by out-sourcing. Small organizations often can benefit from outsourcing specific tasks or skill sets. So size should not preclude a company from making a pragmatic decision to evaluate its logistics outsourcing needs.

Therefore, your company needs to identify a number of critical items to determine the viability of logistics outsourcing.

To the goal is to identify how much your organization spends on logistics and how important it is to the overall success of the company. If you spend less than $250 per day on logistics, this represents a critical decision.

You need to evaluate how well your organization is performing the logistics functions. There are many benchmarks and datasets. However, answers to a number of basic questions can help you form a reasonable basis for consideration.

These include:

• Do you have overly full warehouses or frequent stockouts/expedited shipments?
• Do your customers cancel or change orders?
• What is your fill rate on shipments?
• How often do you turn your inventory?
• Do you experience stockouts on inbound shipments?
• Do you have a scoreboard for your transportation providers?
• How many transportation companies do you employ?

These are critical questions every company needs to evaluate. The truth is your company may or may not benefit by outsourcing your logistics needs.

The first step is to identify whether your organization is a viable candidate to outsource.

Most people mistakenly assume you have to be a Fortune 500 company to do this work. There is some validity to the concept that larger companies are more likely targets for logistics outsourcing.

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