

Niche Practice Solution to a Problem

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With our niche in the furniture industry, we face issues that frequently occur in that industry, but are less frequent in others. One of our clients is a retail home furnishings business with two locations that had been providing its customers with delivery services. To do so, the client was leasing two warehouses, one for each location. The costs of the equipment for handling inventory and the required delivery vehicles, along with the costs of insurances, employees' wages and benefits, and the client's reduced sales volume was strangling the business. We analyzed the cost effectiveness of providing the delivery service as he had been doing or outsourcing the warehousing and delivery service. We interviewed different delivery companies that could provide delivery and warehousing.

We calculated different scenarios and compared them with the current costs. We considered consolidating the two warehouses into one central location. We also calculated the costs using an outside delivery service, both with and without outside warehousing. We concluded that the client should use the outside delivery service for delivery and warehousing. This was because the client could control his costs through a fixed percentage charge per delivery. He would remove the need for leasing the two warehouses, costs of equipment, wages and benefits, and insurance costs. He would also remove the human resource need to find competent drivers. In this case, the client had no intention of adding more stores or the determination may have been different.

While delivery services are required by many industries, it is an integral part of the furniture industry. By understanding the industry, we were able to return the client to profitability.