

MANUFACTURING & MOORE

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SUPPLY-CHAIN MANAGEMENT:

Priming Your Company for the Post-Recession Environment

According to the Institute for Supply Management (ISM) the manufacturing sector grew for the ninth consecutive month in April. According to the survey, of the 18 industries surveyed in the report, 17 reported growth; apparel, non-metallic minerals and wood products among the strongest products. The inventory of companies is still low, however. Some financial analysts argue this is understandable as manufacturers are still taking their time to rebuild inventories after scaling back at unprecedented rates during the recession. As the economy comes out of the recession and companies restock their inventory, now is the time for you to review supply-chain's role.

Supply-chain management is getting the right things to the right places at the right times for maximum profit. Components such as production of goods, inventory storage, product distribution, and payment schedules all impact your company's supply-chain. The efficiency and effectiveness of a supply-chain is contingent on a company's ability to gather and analyze information within these components. While the concept is old, information technology has made today's chains better, faster and less expensive. The biggest challenges of supply-chain's role can, quite often, be found internally:

- Accounting has its roots in manufacturing when companies were vertically integrated, labor costs were high, and variable- and fixed-costs were the driving force behind business. The business environment has changed – the industry has become global, making tracking of small items impossible. Most companies recognize this, but do not include its impact in overall performance. Take the time to evaluate variables which are not reported on your balance sheet such as items associated with customer services – including lost sales, lost opportunities and discounted sales.
- Each company has its own supply-chain limitations so each company also has its own requirements. Therefore, making an attempt to collaborate and streamline amongst companies can be difficult. Instead, supply-chain management is determined based on each customer's demands. It is time to ask your larger customers, at the least, why they do what they do. Instead of force-fitting to accommodate various customer specifications, be proactive to initiate and collaborate with other approaches which could help your customers.
- Regardless of size and geographic location, one supply chain approach is used for all products, markets and customers, without differentiation for variables such as risk, time and service beyond those demanded by revenue and profit contribution. Analyze warehouse networks to assess costs, service, and delivery requirements.
- Supply chain management is a horizontal process that runs across the organization and outside the organization to include suppliers, service providers, and customers. Companies, though, are vertical. Processes, products and information tend to not run smoothly across internal barriers. Organizations are built from the inside out. Despite attention to customers, companies are not designed by customers so it can be challenging for a firm to be customer-centric. Today's customers will demand more instant gratification, which will require a supply-chain network that can accommodate mass-customization and quick responses. Whatever processes you employ make sure to keep your customer's needs at the forefront of every decision.

Supply-chain management can have an effect on:

- * Capital & resources
- * Costs to perform activities & transactions
- * Customer sales/customer service
- * Competitive advantage

Companies have struggled over the past several months to serve their customers while facing the challenges introduced by a challenging economy. It is time for companies to determine and differentiate what is needed from their supply chain with regard to competitive advantage, market positioning, capital and inventory management. All of which directly affect service, revenue, profitability and growth, and, ultimately, a firm's ability to thrive no matter what the economic conditions.

PATIENT PROTECTION & AFFORDABLE CARE ACT

The Patient Protection Act, as amended by the House Reconciliation Act, provides a temporary sliding-scale employer tax credit to help offset the cost of employer-provided coverage. (Generally, a small employer is one with fewer than 25 employees and average annual wages of less than \$40,000.)

For tax years beginning after December 31, 2009, an eligible small employer (ESE) is entitled to a tax credit for making nonelective contributions to buy health insurance for its employees. An ESE generally is an employer with no more than 25 full-time equivalent employees (FTEs) employed during its tax year, and whose employees have annual full-time equivalent wages that average no more than \$50,000. However, the full amount of the credit is available only to an employer with 10 or fewer FTEs and whose employees have average annual full-time equivalent wages from the employer of not more than \$25,000.)

In 2011 through 2013, eligible employers may qualify for a tax credit for up to 35 percent of their contribution toward the employee's health insurance premium. In 2014 and beyond, eligible employers who purchase coverage through a state exchange may qualify for a credit for two years of up to 50 percent of their contribution. Qualified tax-exempt employers would be eligible for a reduced credit. (Salary reduction contributions are not counted.)

For months beginning after December 31, 2013, an "applicable large employer" (generally, one that employed an average of at least 50 full-time employees during the preceding calendar year)

either: (a) not offering coverage for all its full-time employees, (b) offering minimum essential coverage that is unaffordable, or (c) offering minimum essential coverage that consists of a plan under which the plan's share of the total allowed cost of benefits is less than 60%, will have to pay a penalty if any full-time employee is certified to the employer as having purchased health insurance through a state exchange with respect to which a tax credit or cost-sharing reduction is allowed or paid to the employee. The penalty for any month will be an excise tax equal to the number of full-time employees over a 30-employee threshold during the applicable month (regardless of how many employees are receiving a premium tax credit or cost-sharing reduction) multiplied by one-twelfth of \$2,000 (indexed for inflation after 2014).

The Act also relaxes cafeteria plan rules to encourage more small employers to offer tax-free benefits to employees, including those related to health insurance coverage. It does so by carving out a safe harbor from the nondiscrimination requirements for cafeteria plans for qualified small employers.



Please note the descriptions noted are overviews and, as with any new legislation, laws are subject to interpretation. If you believe your company may qualify for any of these benefits feel free to contact us. We would be happy to assist you.

Your Success Is Our Business



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