RESOURCE GUIDE · HERMIT BUSINESS SOLUTIONS

Make or Buy Decisions for Small Businesses - What to Do Yourself and What to Outsource

A simple way to work out which tasks belong in-house and which ones are better handed to someone else ***and how to check the numbers before you decide.***

Why this matters

Every small business runs into a version of this question sooner or later. Do you make the product yourself or use a contract manufacturer? Do you handle deliveries yourself or use a courier? Do you keep the books in-house or bring in a bookkeeper? This is a make or buy decision and it applies well beyond factories. It comes up whenever you're weighing whether to do something in-house or pay someone else to do it and getting it right can make a real difference to your costs, your time and how much control you keep over quality.

Reasons to keep it in-house

- It works out cheaper once you add everything up properly
- You already have spare time, space or equipment sitting idle – you just don't realise it
- You want direct control over quality or turnaround
- It protects something you'd rather keep confidential, like a recipe or process
- Suppliers in this area are unreliable or hard to find
- You need to keep a steady team busy through a quiet patch
- It's simply too small an order for a supplier to bother with
- It's part of what makes your business distinctive i.e. Hermit Business Solutions does not outsource

Reasons to bring in outside help

- You don't have the skills or equipment and building/buying them would take time and money
- A specialist can do it better, faster or cheaper than you can
- Your volumes are too low to justify doing it yourself because you would need to buy bulk to facilitate the manufacture
- You're at capacity and can't take on more without new hires or kit
- You'd rather spread your risk across more than one supplier
- It frees you up to spend time on the parts of the business only you can do

Get the real cost right

The most common mistake is comparing a supplier's quote to your own per-unit cost without checking whether that's a fair comparison. If you already have the equipment, the staff and the space sitting idle, the only costs that matter for the decision are the extra ones you'd take on; materials, a bit more electricity, maybe some overtime. Fixed costs that you're paying anyway, like rent or a machine you already own, shouldn't be included when assessing the make option.

On the buy side, look past the headline price. Add in delivery, any checking or inspection you'll still need to do, the time spent managing the relationship and what happens if something goes wrong and needs putting right. A supplier who looks 10% cheaper on paper can end up costing more once those extras are in. I used to own a garage and priced honestly and including everything. We were often undercut by other garages who suddenly found ‘added extras’ that needed doing once the car was stripped down.

A quick break-even example

Say you're weighing up buying a small labelling machine against paying a company a bit more per parcel to do it for you.

Detail	Make (buy the machine)	Buy (use a fulfilment company)
Upfront cost	£4,000 for the machine	£0
Cost per parcel	£0.30	£0.80
Break-even point	8,000 parcels	8,000 parcels

KEY TAKEAWAY

Below 8,000 parcels a year, outsourcing is cheaper. Above it, the machine pays for itself and doing it yourself wins. The right answer depends on your volume and it can change as you grow, so it's worth revisiting this kind of decision rather than treating it as settled forever.

What to do next

- List every relevant cost on both sides, not just the obvious one
- Work out your own rough break-even point, the way we did above
- Decide which tasks are truly core to your business and keep those in-house
- Get more than one supplier quotes so that you're comparing against something real
- Revisit the decision as your volumes change - what made sense at launch may not fit two years on
- Talk to us if you'd like a hand running the numbers for your own business