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How to Budget for Retail

Budgeting for retail involves balancing incoming funds with outgoing expenditures. As the owner of a retail establishment, you will likely get paid for customer purchases right away by cash, check or credit card. But you will also probably have negotiated payment terms with your vendors allowing you to delay payments for inventory based on billing arrangements, such as 15 or 30 days. A retail budget should coordinate the rhythm of paying for inventory purchases and overhead costs, such as rent, as well as other essential expenditures, such as payroll and taxes, and balancing these payments with incoming revenue.

1. Create a cash flow projection for your retail store. Use a spreadsheet format and label the columns according to the months of the year, using the far left corner to label the spreadsheet's horizontal lines. Label the lines on the top half of the sheet according to the different types of revenue your business takes in, such as sales from clothing, accessories and books. Label the lines on the bottom half of the spreadsheet according to the different categories of expenses your business incurs, separating them into fixed expenses, such as rent and equipment, and variable expenses, such as inventory, which fluctuate relative to your sales volume.

2. Fill in the fields on your spreadsheet with the amounts that you expect to earn and spend in each category during each month of the upcoming year. Base your figures on sales patterns and seasonal fluctuations from previous years, and adjust them relative to new developments in your company, such as whether you have added retail space or launched an advertising campaign. Add the revenue streams on the top half of the page, as well as the outgoing expenses on the bottom half of the page. Subtract the gross expenses for each month from the gross revenue for that month. If there is a surplus or deficit for a particular month, carry over that amount to the revenue section of the following month.

3. Review your cash flow projection to determine when you expect your business to come up short of being able to meet its expenses. Develop strategies for making it through these lean periods, such as having credit lines available or negotiating with vendors for longer payment terms. Look for expenses that you can cut, but always be scrupulous about having enough inventory on hand to make it through periods when customer demand is strong, even if you have to borrow money to do so.