

WHAT ARE YOUR PLANS FOR NEXT YEAR?

by Linda Carter

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To show more profit? Increase the company's cash reserves? Increase sales? Decrease inventory levels? Increase the customer base? Reduce debt? These are all excellent goals; however, the likelihood of achieving them is slim unless you have made definite plans on how to accomplish them.

For those retailers having a December, January or February year end, now is the time to look at where you want to be a year from now and determine how you will reach that goal.

The best place to start the planning project is with a review of how your store is doing right now. For example, are sales lower than expected? If so, is it due to the local economy or does your store need to review its merchandise selection or beef up the selling staff? Are you experiencing a growth in sales volume, but find that Net Profit is lower than it should be? If that is the case, expenses may be out of control or Gross Profit is too low (and merchandising needs to be improved).

No matter what areas you want to improve, the first step is a review of current results and business conditions. The second step is to identify key areas in need of improvement. The third step is to develop detailed plans and budgets (broken down by month); and, the fourth step is to compare the actual results to the budgets at the end of every month to see how you are doing so corrective measures can be taken as soon as possible.

The third step, developing detailed plans and budgets, should include:

1. Annual Gross Margin plan by merchandise classification.
2. Open-To-Buy by month, by merchandise classification.
3. Detailed payroll budget by category (management, sales, office, etc.), by month.
4. Monthly sales goals for all selling staff, including the owner/manager.
5. Expense budget, by month.
6. Cash Flow Forecast, by month.

Done right, this will require a serious time commitment but you will be rewarded with a blueprint for operating your company more profitably next year. If you have not done this kind of planning before and would like some help, give us a call.

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