



# Budgeting and financing

Will you make any money?



**DON'T BE AFRAID TO  
NEGOTIATE TO BRING  
DOWN THE PRICE**



## Your expenditure

Make sure you buy appropriate items:

- Check the legal levels for colouring or preservative in food
- Are there any applicable religious concerns? When selling meat, advertise whether it's pork or beef. What type of fat do you use for frying? Are your cocktail drinks alcoholic? Do you offer a choice?
- If you use disposable products or packaging, check the event's recycling rules





**DO YOU NEED PLANS TO SELL STOCK QUICKLY - EITHER ON THE DAY OR AFTER - IF TRADING ON THE DAY DOESN'T GO WELL?**



### **How do you get the best price?**

- Can you buy in bulk, for several events at the same time? Or join with other stallholders to make a bulk order, for instance on wrapping or carrier bags?
- Don't be afraid to negotiate to bring down the price
- You could offer to collect rather than get a delivery, in exchange for a discount
- Buying wholesale or 'from the factory' or farm - can be cheaper
- What about buying too much? Can you buy 'sale or return'?

### **Income and pricing**

How do you set prices?

- Take into account the total cost of your stall: the hire, travel, staff, plus outlay for raw materials.
- What do you know about your competitors' pricing? how do you think they work out their pricing?
- How much do you think you will sell?

### **Are you getting the price and sales mix right?**

- Be ready to change your prices during the day, if you find you're not selling much - or if people say your product is cheap
- If you need to sell all your stock in one day (for instance in the case of perishable foodstuffs, or bulky goods which are hard to store), you might need to cut prices in the afternoon.
- Can you help increase the volume you sell by special offers such as 'second item half price' or '3 for the price of 2'?
- If your volume is limited, you need to maximise income through price. Justify higher prices through added value such as attractive packaging, information about products, and attentive sales staff.

### **Your budgets**

Does what you want to sell have the potential to make money - or at least cover costs as you 'test-trade'? Think through how your income and expenditure should balance out, for each day you trade, and in the longer run.

Can you draw up a budget, showing:

- Expected expenditure
- Expected income
- Gross (before costs) profit



### **Are you prepared for the unexpected?**

- The costs you expect to pay and the prices you plan to charge might change
- Are you assuming you will sell everything?
- Are you allowing for unforeseen expenditure or problems - such as a stall generator breakdown, or a rainstorm reducing sales?

### **Your cash flow**

You will need money to invest 'up-front' in buying stock for sale, before you've sold anything and received any income. Knowing what money you will need, when, and for how long, is known as 'cash flow'.

- Look at your budget, and your trading plans. How much money will you need to have tied up - and for how long?
- Do you have that money ?
- Or can you get it by:
  - Borrowing from friends?
  - Delaying paying other bills?
  - Getting credit from suppliers?
  - Asking a business advice centre (some have money to lend) or a bank?

### **What are the risks in your cash flow?**

- Do you need plans to sell stock quickly - either on the day or after - if trading on the day doesn't go well?
- It might help you to have several trading opportunities lined up so bad luck at one doesn't cause you financial problems
- Try to buy or make your stock as close to the event as possible to reduce the time you have cash tied up
- Will your suppliers give you extra time to pay the first few times you trade? (usually not!)

### **Your accounts**

How do you keep track of whether your trading is paying off? Think how you record and calculate your position as you spend more, sell more, trade more - and as your trading activities overlap with each other.



## ARE YOU GOOD AT KEEPING SEPARATE YOUR OWN COSTS FROM THE COSTS OF YOUR BUSINESS?



### Do you understand about keeping accounts?

- Do you have systems for recording all your income and all your expenditure?
- Do you have a book or computer programme for entering this information?
- Can you make time to record all this information - and to understand what your position is?
- Or can you find a friend or pay someone to do this for you?

### Accurate accounts can help you focus on

- Whether what you are doing is worthwhile, even if you don't make a profit right away. You may have had to buy equipment or training which means you make less profit in the short term - but you can continue to make money from it for a long time.
- That you may feel you are making a good profit, but that you will have some major expenditure very soon.

- And what about that stock you are always planning to sell but never do? Should you just 'write it off'?
- Maybe you have invoiced people, but never been paid. If you haven't received the money you can't include it in your accounts; perhaps you should accept it may never come.

### Are you the business? or is the business only something you do?

- Are you good at keeping separate your own costs from the costs of your business?
- Keeping accounts can help you keep track of what costs relate to your trading and what costs you would face anyway.

### Tax and social security

Make sure you're aware of the regulations surrounding tax and social security (in the UK 'National Insurance') payments.

- What certification do you need?
- Are you likely to be inspected on the day - or do you have to provide some evidence of your accounts afterwards?

