

RETAIL

3 questions about retail cash flow and inventory

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Eye on the price. Image credit: Kabbage

By [Allison Lilly](#)

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The retail sector is undergoing tremendous change, with a growing volume of sales shifting to online stores. But for owners of all types of retail businesses, issues related to cash flow and inventory remain a primary concern.

According to a survey we did of independent retailers, more than 40 percent cite inventory as their largest expense over the course of their first decade in business.

Given the seasonal ebbs and flows of the industry, a number of those retailers wind up borrowing money to cover their costs.

What can you do to make things easier for your retail business?

We asked the experts, including experienced consultants and successful business owners, about three common inventory and cash-flow concerns that arise in the retail sector.

Should I take out a line of credit to pay for my inventory or cover it with a credit card?

Longtime retail consultant Allison Boswell says a line of credit, whether through a bank or an online lender, can "take the pressure off" in ways a credit card cannot.

Ms. Boswell said a number of clients she advises wind up putting all their inventory expenses on a credit card to get points or miles that they can use for their personal vacations or expenses.

"But they're not in the miles business," she said. "They're in the retail business."

The problem with using a credit card, Ms. Boswell said, is that things go wrong. She cites a mix-up that happened to a client who put \$10,000 worth of merchandise from a vendor on her credit card. When the shipment was not what she wanted, it took her nearly six months to get a refund.

A line of credit, on the other hand, will give you control over the situation and the flexibility to hold back on paying for shipments until you are satisfied, rather than paying upfront and taking your chances.

"If the merchandise is going to show up late, it may be too late for you to benefit from it," Ms. Boswell said.

"With a credit card, they already have your money," she said. "With a line of credit, you have complete control over who gets paid when, and you're not at the mercy of a vendor."

Should I use a third-party logistics company for shipping orders or handle it myself?

When John Cascarano's men's grooming company Tame the Beast began to grow, he started storing his inventory in his garage. But that proved to be a problem after he learned huge shipments from truck drivers could not be hauled up his driveway without costly special equipment.

Mr. Cascarano turned to a third-party logistics company to help with his shipments, but there were problems with that, too. The company simply did not offer the personal touches Mr. Cascarano wanted to include when he shipped his product, such as branded boxes and samples of additional products.

"They're all designed for efficiency," he said. "They want as many clients as they can."

Eventually, Mr. Cascarano found a local third-party logistics provider near his home in Nashville, TN, that allowed for a more personal approach. He provided them with those branded boxes for shipping and free samples. He has also started to work with Amazon on a similar setup.

"You've got to set a lot of time around the part that really matters," Mr. Cascarano said. "And it's about what's different or special about your product."

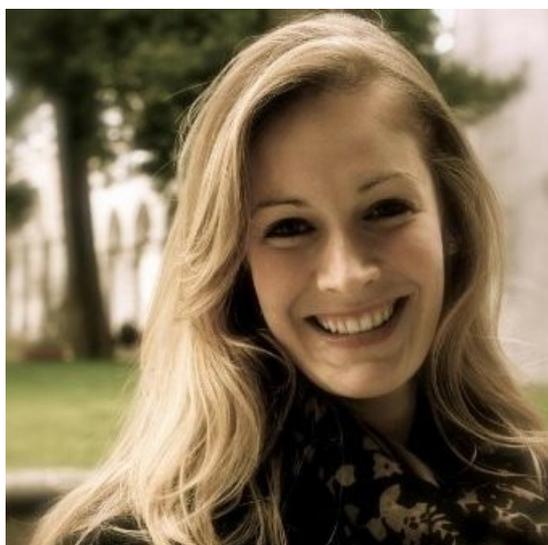
How do I take advantage of the slow seasons?

Retail industry veteran Sarah Kelly's online cosmetics company, SaltyGirl Beauty, sees seasonal boosts in business around the December holidays and at Valentine's Day.

Because she sells darker colors of cosmetics in the fall and brighter colors in the spring, Ms. Kelly has learned to tailor her offerings based on the time of year.

And what about the summertime? Ms. Kelly takes advantage of the business lull by looking ahead and planning.

"The months of July and August are quiet, but it also gives us that opportunity for getting ready for the holidays and into the first quarter of next year," she said. "It's not the worst thing."



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