

Retail Bakers of America

Baked Goods

Get the Goods with the RBA

RBA "Baked Goods" Gets New Life with Sweet Partnership.

Growing a business can be both rewarding and challenging at the same time. Then, if you add the pressure of having to make business decisions while you're still learning the ins and outs of managing a growing company, you can find yourself in a pretty stressful situation.

Kitchen equipment is an essential part of all commercial kitchens, and they generally come with high price tags. So, it's inevitable that every bakery owner or restaurateur will have to make important investment decisions in the area of purchasing or upgrading kitchen equipment at some point in their career.

Since most of us don't have access to unlimited financial resources, it can feel a bit overwhelming when it comes to making the "right decision" when it comes to investing. The last thing you want is to feel like you've made a bad investment or wasted your money. Therefore, to help ease your anxiety, we've provided various questions to consider when researching for the big decision to invest in new or additional equipment for your business.

#1 Can you afford it?

Obviously, the first thing any of us will think about when it comes to acquiring equipment is the money part. When considering the question of whether you can afford it, I want you to look beyond "how much does it cost" and analyze the potential impact on your bottom line.

Look at your sales and profits, both current and projected. Are you bringing in enough money to cover the cost of the equipment? Will making the purchase improve your ability to expand production and open the possibility to increased sales?

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If you've been keeping track of your numbers using a bookkeeper or bookkeeping software, nailing down the answers to these questions will be fairly straightforward. In general, you should have an idea of your current monthly expenses and projected monthly sales. Use that data to help you figure out if there are extra finances available to cover the added expense of a purchase.

In addition to that, will the equipment open up doors for more sales? Maybe it's a bigger freezer to increase your storage or an oven that can increase production. Run the numbers to gain a better understanding of how much more you can do in your business if you were to make the potential investment.

(2) Can you afford to not buy it?

If you decided not to buy the equipment, what would be the impact on your business? Can your business grow without the investment or would parts of your business suffer? Are you racking up repair expenses related to your current equipment? Are you turning away business because you don't have the production capacity? Are you experiencing downtimes because the equipment is unreliable?

I bring up all of these questions because the reality is that new equipment isn't just about how much it costs in the future, but also about how much it is currently costing you due to slower production time and reduced capacity. As you consider the financial side of your purchase, don't forget to consider the impact that new or replacement equipment could have on your productivity, maintenance costs and capacity. If it can make your business run smoother, it may be worth the investment.

(3) How will you finance the purchase?

In a perfect world, you would have enough savings to invest in all of the things that you need in business. However, life isn't always that pretty. So, you might have to consider getting a loan or even using credit to purchase new items.

If you do have to borrow funds, make sure to pay attention to the terms and interest rates. Also, don't be scared to shop around. Of course, it would be nice to stay with your original bank, but if there is another lender in town with better rates then go with the better fit for your business.

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Also, don't forget that leasing or lease to own may be an option when it comes to larger items. Although the equipment won't be an asset on your balance sheet, this is an especially good option for those who are new in business and may not have access to other outside funding.

(4) What will you do with your old equipment?

If this equipment purchase is for a replacement item as opposed to a second item, you'll have to consider what you'll do with your current equipment. If it still has value, you could sell it and use those earnings to help fund the new purchase; or you could donate it to a church, non-profit or culinary program in your area. Whether you decide to sell or donate the item, make sure to keep records of the transaction for tax purposes and keep your accountant informed of the exchange.

Oh...and speaking of old equipment, I should note that when you are in the research phase, don't forget to look into purchasing older or slightly used equipment to reduce the cost of your financial investment.

(5) How much space do you have?

Just like finances, no business has an unlimited amount of space. As you are researching equipment, make sure to pay attention to the space requirements while also being aware of the amount of space you have available.

Sketch out a floor plan if necessary or set up a consultation if you're purchasing a large item such as a walk-in freezer. Just make sure that you have everything planned out before you finalize the deal.

In conclusion, making big purchases can be stressful because of the money part, but if you take the time to research the expenses and potential benefits then you'll make the "right decision." Make sure to use your resources when it comes to picking a vendor. Ask around. Read reviews. Find out about the customer service. There will always be the risk of equipment failing or having a bad experience, but don't let fear keep you from investing.

Do your research. Then, go with your gut!

