



25 Easy Ways to Improve Cash flow Now

## Description

### Improve cash flow – choose from these 25 ways

**Consider where and how cash is involved in your end to end Sales Cycle and fix EVERYWHERE for remarkable cash flow improvements.**

Nearly everyone we speak to has a cashflow issue of some type, and more often than not there are quite quick and easy fixes.

#### Firstly keep it simple

- \* If you have co-mingled personal and business finances – stop asap! Start keeping your records clean and tidy.
- \* If you are robbing peter to pay paul – stop this too!! Start keeping your records clean and tidy.

This isn't to say don't lend your business money, but it does mean doing so in a structured and transparent way. It also includes paying yourself in a structured and transparent way. Good record keeping, and therefore being absolutely clear about what is flowing where, is the only way you can gain real transparency and thereby see what is going on. It isn't until you can SEE where the issues lie that you can begin to FIX them.

#### Secondly – think broadly

Approach Cash from all 5 aspects of your business. Don't just blame the customers for being slow payers – look at your business too – this is extra useful as you have lots of power to change and improve your own cashflow, and as you will be painfully aware, almost no power for influencing the exact date of invoice payments. \*\*

### A. Customers – 5 ways to improve cash flow now:

- Vet your customers – do credit checks
- LISTEN LISTEN LISTEN when signing up a new customer – what are they looking for in this deal and why? How will their expectations affect your business and cashflow?
- Ask the hard questions about their cashflow – IT WILL AFFECT YOURS
- Investigate becoming a wholesaler and selling B2B to reduce customer numbers and change the cash dynamic – especially if your target market are notoriously bad payers.
- Have a pipeline and back-up relationships – don't get stuck because your biggest customer has just shut-up shop or gone elsewhere

**\*\* The best way to reply to the 'I can't pay the full amount right now' response is to ask:**

**'Well – how much are you short?'** Customers generally do not want to lie to you. This approach empowers you to

receive what they have available, and arrange a part payment plan for the rest!

x

## **B. Staff – 5 ways to improve cash flow now:**

- Regular debtor contact – once a debtor is overdue resend the invoice and contact per overdue schedule – every 15 days. For regular late payers send a courtesy mail pre-due date.
- Empower staff to resolve customer issues FAST – customers generally don't want to be annoying, and if there is a real issue then GET IT RESOLVED (don't avoid it as that doesn't help you or the customer)
- Motivate your sales and delivery staff to decrease customer issues – happy customers pay on time
- Ensure your Sales people are well briefed on your payment terms and check they advise customers properly to decrease customer issues post sale.
- Staff Bonuses don't have to be cash! – get creative as to how to motivate staff in non-financial ways

## **C. Systems and Resources – 5 ways to improve cash flow now:**

- Use the most up-to-date systems and resources for accepting money – regularly review for best practice. eg use a wireless eftpos instead of a "click clack" credit card imprint machine
- Use a sales and debtor tracking system that is appropriate for your business – don't try and keep 'who owes what' on the back of a scrappy piece of paper
- Keep all debtors up to date in your accounts system – process payments asap
- Do a daily/ reconciliation of the bank with debtors BEFORE starting to chase payments – customers HATE incorrect debtors calls
- Factor (sell) your worst debtors – at least a % will come in the door

## **D. Processes – 5 ways to improve cash flow now:**

- Create clear payment rules in your Terms and Conditions and ensure every new customer receives a copy
- Re-publish your payment terms regularly to all customers
- Stick to the process – send out bills on time, follow them up on time etc. – if you waiver here then you are breaking your own terms and conditions AND setting a bad example for customers to follow
- Motivate customers for early payments – learn from Energy companies that now give us a discount when we pay on time!
- Actively chase any non-complying debts – have a telephone script, email and letter for each stage of +30,+45,50,+60,+90 days

## **E. Suppliers and Inventory – 5 ways to improve cash flow now:**

- Vet your suppliers – and regularly check you are getting the best prices
- Negotiate better terms with suppliers, and review annually – if your debtors are slow, match your credit days with your debtors days
- Do the maths re supplier discounts – make sure you are not getting a 5% discount that is costing you 15% to fund as it is going on the overdraft, or that a bulk discount will not be eroded by extra storage costs
- Decrease inventory
- Increase Inventory turnover ie Decrease the amount of time stock is

**Cashflow is the lifeblood of your business; Never continue to work for Bad Debtors – your time is better spent generating new PAYING customers than making DONATIONS to bad customers!**

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Cashflow Masterclass - business cash-flow help and advice

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**Author**

evediamond