



17 ways to improve your Cash Flow

Cashflow is the life blood of a business. Without it you will fold... and quickly! Here are some ways to improve that vital flow of dollars. It's aimed mainly at people who currently extend credit.

1. Use the credit card system for customer payment. That's assuming you have sufficient profit margin in your products/services. It's better than providing the finance yourself. Better still, do you need to advance credit at all? Why not spend some time training your staff to ask for cash...and sound damn convincing when you do so. Consider this: Business is a lot like poker. Learn to stare them down when you ask for cash.
2. Anticipate large billings and send the invoices as soon as the goods are sent. In fact, regard the billing cycle as sacrosanct. Get your staff to understand that it's the invoices and statements that pay their wages, and that the sooner they're out in the market place, the sooner you can get cracking on reeling in that vital cash flow.
3. Set priorities when sending out invoices or doing your telephone follow-up calls. Go for the biggest amount first. Alternatively, go for the debtors you feel will respond promptly.
4. Set firm policies for collecting bills. Have your bookkeeper call any slow paying customers the day payment is overdue. Again, training, training, training in procedures and methods of how to ask for the cash...**YOUR** cash!
5. Give cash discounts for prompt payment. Sure, no one likes to give away a part of the profits...but sometimes it's best to spend a penny to reel in a pound.
6. Ask for up-front payment of part of the bill. In other words, a retainer. Some businesses are also in a position to bill on an interim basis.
7. Charge interest on delinquent accounts, but check your legal position first, in some States, the customer might have to agree before to this situation.
8. Convert to a "pay-on-invoice-only" system with a rigorous non-relenting telephone follow-up system. In other words, drop the habit of sending monthly statements. It only costs money and allows the customer extra time to pay the debt. Also, drop that crazy accounting method of reflecting "30,60 or 90 days overdue". It says to the market place, "90 day accounts might be acceptable".
9. Understand the billing cycle. Arrange to send orders and invoices before the end of the month. An invoice dated June 30th will be paid a month earlier than one dated July 1st.
10. Sell on closer terms. For example, require payment in 10 days rather than 30 days.
11. Drop small customers who don't pay promptly. Focus on large customers who pay on time.
12. Settle customer complaints promptly. Often customers withhold payment because of some minor dissatisfaction.
13. Borrow against your accounts receivable. In other words, factor your debts.

14. Guard against selling to customers who are in financial difficulty. Be sensitive to those clients who exhibit radical changes in their buying or payment habits.
15. Identify excess or slow-moving inventory that can be converted into cash.
16. Maintain a smaller inventory base so that you have less cash tied up in stock. Naturally, there has to be a trade off between stockholdings and customer satisfaction.
17. Prepare a detailed cash flow statement and monitor it continuously.

Article supplied by From *Metier Partners, Sydney.*