



BGT #2 – Money, Money, Money – Cash is more than ‘King’

They say ‘Turnover is Vanity, Profit is Sanity and Cash is King’. But cash to a business is more than that – it’s the lifeblood of any organisation – the oxygen if you like, because without cash your business cannot survive.

The irony is that many successful, high growth and indeed profitable businesses fail simply because they run out of cash, or have a short term cash gap with which to fund their growth. There are numerous strategies you can employ to improve the positive flow of cash in your business, so here we have highlighted just a few of those which have made the most difference to our clients:

1. Have a cash flow forecast for your business, and review it daily! A very successful entrepreneur once said to me “treat the money in your business the way a man should treat a beautiful woman – give it the constant attention it deserves, because otherwise you will wake up one day and it will be gone!!”
2. Turn your credit control process into a client engagement one! Too many businesses wait until monies are overdue before they start their process, meaning that it turns into one of chasing, confrontation and awkwardness. Managed in the right way credit control can be a real benefit to any business.
3. Invoice promptly! It may seem obvious, but so often people are so focussed on delivering the work and moving on to the next piece of urgent ‘doing’ that the important but less urgent invoicing gets pushed to the back of the queue. Review your invoicing procedures in line with your client payment terms and schedules to maximise your cash flow.
4. Review your payments terms – do your monthly retainers come in at the beginning or the end of the month? Before or after the bulk of your regular overheads go out? Do you invoice only when work is completed, up front or at key stages in a project? How many days credit do you extend to your clients... 90? 60? 30? 14? 7? Look also at the impact of offering discounts for early payments on your cash flow.
5. Make it easy for them to pay with options including standing order, credit and debit card, even PayPal as well as the more standard bank transfers, cheques and cash. Be sure to include a clear ‘due by’ date on every invoice.
6. Review your overheads – most businesses can reduce their monthly overheads by 10% simply by reviewing them regularly and taking appropriate action to ensure you are getting the best possible rates and terms from your suppliers, and only spending where the business needs it (we had a client who saved more than £12,000 simply by putting a sign off process in place for stationary and office supplies!)
7. Review your supplier terms – similar to your payments terms above, work with your suppliers to form a relationship based on trust and be sure to pay them promptly, but waiting until the day they’re due – what goes around comes around!
8. Credit card – As long as you don’t overspend and do always pay off your full balance, making purchases on credit cards is a simple way of gaining 30 days interest free credit.
9. Manage your stock levels – stock sat around in your warehouse is tying up money which you could be better using in other ways – as always improving your stock management is down to knowing your numbers and tracking the most relevant sales KPIs (key performance indicators) for your business.
10. If you pay your team weekly, move this to monthly. It will have a really positive impact on your cash flow and as long as the process is handled well, will have no negative impact on your employees – in fact you can even use the experience to help them learn to budget their finances.
11. Work with your bank – a great bank manager should be an extension of your finance team – after all it’s in their best interests for you to succeed. Look at options beyond invoice finance and overdraft facilities and explore automatic sweep accounts to make your life easier and your money work for you. Remember that banks love to know that you understand your business, so ensure you have the most relevant and up to date information to support our requests.
12. Educate and incentivise your team to focus on margin rather than sales, higher value products versus the low end easy sale (do you stock enough high end products to allow this?), and for goodness sake stop mates’ rates and cash discounts – look at value add options instead.
13. If you pay commissions and bonuses to your team or your network of introducers, make sure these are only paid out after the cash has come in!

There are many more things you could be doing based on your individual circumstances, so please do not hesitate to contact us if you need any help with your strategy or implementation.



Telephone: 0161 456 9666
Email: sarah@in-accountancy.co.uk
www.in-accountancy.co.uk

IN Accountancy Limited
477 Buxton Road, Great Moor,
Stockport, SK2 7HE
