

Fast Cash Flow Strategies

Pacific Crest Group – December 2020 Newsletter – Cash Flow Strategies

Where You Flow, You Grow

We know what you're thinking. "How can I get more cash flow into my business, especially now?" Cash flow represents energy and movement and serves as the life force of your business. Much like a river, there are bends, logjams, and even white-capped rapids along the way to getting to that optimum flow, and 2020 has been no exception. As the captain of this enterprise, a few tweaks to your accounting practices can provide calmer waters ahead.

Know, State, and Claim Your Value (aka Raise Your Prices)

This step is probably the hardest. You created your business out of love for the product or service you provide to others. As a result, how you value your worth and your product or service instantly becomes an inside job, along with some external influencing factors.

- Do your prices compensate for the time you spend creating your product or service?
- Have your equipment or inventory prices increased?
- How much does your workforce cost? Or is outsourcing a better option?
- Are you priced competitively in your market?

One of the most devastating accounting errors you can make in your business is pricing your products and services too low. Many companies try to break into new markets by undercutting their competition. Resist the temptation. In the short run, you can gain new customers who, in the long run, end up becoming an exorbitant cost to your bottom line.

Understand the Speed at Which You Are Getting Paid

Evaluate how many days are in your accounts receivables. By shortening the payment window for your clients or customers, you can immediately accelerate your cash flow. Take your Net 30 to 15, or your Net 45 down to 30, and be upfront with clients about any late payment penalties and fees. Better yet, or in addition to, offer your clients the option to make a down payment or pre-payment

before products or services are delivered. You'll be happier and less stressed.

Negotiate How You Expend Your Cash Flow

Slow down your accounts payables by negotiating better terms with your suppliers and vendors. Are you paying your bills the day they arrive? If so, stop. Practice what we stated above, just in reverse. You might surprise yourself and find instant savings.

Anchor Into Your Budget

Each week, month, quarter, and year sit down with your budget to understand what direction your cash income and expenses are flowing. Become familiar with your fixed and variable costs and investigate every single line item of your expenses. What expenses are non-essential? If you don't know, ask around and see how often that \$300-a-month program or service is being used. This knowledge will enable you to track actual cash against projections and help you control and prioritize future expenses. Excel, Quickbooks, or Xero can be a tremendous asset to this process.

Unload Extra Weight

Turn slow-moving inventory or non-producing equipment into cash by discounting it to move it quickly or returning it to the vendor. Always record damaged merchandise right away, and remember that unsold inventory can also be written off as a loss for income tax purposes. Beyond products and equipment, review your non-producing services and administrative employees and evaluate if outsourcing is a better option.

Look to the Horizon and Make Changes to Sales and Marketing

It bears repeating that 2020 was the year of the pivot, but every year, no matter the circumstances, you should be looking at new ways of offering your products and services.

- Create bundles that increase perceived product value (without incurring direct costs) to improve your cash flow.
- Offer loyalty programs, VIP offers, frequent buyer programs, and other incentives to keep repeat customers returning. This eases cash flow, so you don't have to spend more time and money attracting new customers.
- Provide giveaways of low-cost goods and services or loss-leaders, which can bring in new

customers.

- Advertise related products if you use an e-commerce platform to increase the net sales per transaction.

What to Have on Hand

The rule of thumb to weather any storm is always to have enough cash reserves to cover your business expenses (known and unknown) for three to six months.

Keep in mind that it may take a few months to achieve consistent numbers that you can use to create a more stable cash flow budget. To keep your plans on track, make sure you have a member of your team regularly reviewing your inflows and outflows. For more information on how outsourcing might help, This will help you steer the ship in a continually changing global environment so that you can focus on smooth sailing ahead.