

# Top Five Cash Flow Tips



Cash flow issues can hold up businesses in very real ways. Your cash flow is, both figuratively and literally, what keeps the lights on. If cash flow is a concern in the upcoming months, there are areas you can focus on to get through the difficulty.

Here are our top tips.

## 1 Use Financial Modelling to predict the impact of different scenarios

Financial modelling and projections are a necessity. They help you:

- Create a cash forecast to identify shortages (we suggest a 3-month forecast)
- Revise cash flows
- Understand the extent of your financial needs, periods of time that will be greatly impacted, and where issues may crop up
- Assess the results from critical scenario testing.

## 2 Identify where cash is tied up right now by auditing the balance sheet

- Invoice in a timely manner.
- Work with your customers that are not paying, or start a collections campaign.
- Leverage terms to make outgoings more strategic.
- Break down payments for large projects into chunks (for example, 1/3 deposit, 1/3 at a specific milestone and 1/3 on completion).
- Introduce new payment options, like credit card payments.
- Extend or set up Factoring and Reverse Factoring programs.

## 3 Evaluate the impact of excess inventory on Cash Flow

- Tools like Netstock (Acumatica) or Sage Inventory Advisor can help you release cash that's tied up in excess inventory.
- Delineate between profitable and low-profit inventory.
- Note which goods have high turn rates and which do not.
- Optimize your inventory based on these findings.
- Work with suppliers on just-in-time inventory options.
- Liquidate old inventory.

## 4 Reduce Operating Expenses

- Analyze your cash outgoings and identify if there are unnecessary expenses or cheaper alternatives
- Cut out inefficiencies in business processes that can be a time and money sinkhole
- Evaluate your technology stack. Investing in new technology can lead to more efficient operations that save time, reduce wage expenses and increase production or productivity leading to increased revenue

## 5 Drive New Revenue

- Offer incentives and promotions to existing customers
- Diversify channels. Retailers and manufacturers should consider direct sales channels or ecommerce solutions
- Add complimentary services to existing products
- Bundle services or products
- Renew relationships with existing and previous customers