

CASH FLOW TIPS TO SURVIVE A SIGNIFICANT CHANGE IN YOUR BUSINESS

Managing Your Business in Times of Crisis

1. All businesses should have a “Brain Trust” to rely on. Trusted advisors who can act as your Real or Virtual Board of Directors.
 - a. Be open and honest with them regarding your current situation and rely on them to assist you in making better business decisions.
 - i. They will often provide ideas and solutions that you haven’t considered.
 - b. Brain Trust should include:
 - i. CPA, Controller, and or CFO
 - ii. Business Attorney
 - iii. Sales and Marketing Resources
 - iv. Banker
 - v. HR Specialist
 - vi. Other Coaches / Mentors / Confidants / Peers that know your industry, your business and most importantly you.
 - vii. Programs like SCORE for example can be very helpful as well.
2. Manage your business based on “Financial Intelligence”
 - a. Keep your financial records current and up to date; ideally using an accounting software tool like; QuickBooks Online, Xero or others.
 - i. These tools are relatively inexpensive and save you time, effort and money.
 - ii. Most importantly if kept up to date it allows you to make decisions based on real time information.
3. Leverage your team – strategize ways to improve margins!
 - a. They often have great insight on ways to improve products, processes and or cut costs.
 - i. Challenge them to come up with 2-3 areas of improvement while they have some “downtime.”
 - ii. Then follow through and implement these changes, prioritizing the ones that have the biggest impact.
 - iii. Consider an incentive or contest to get the creative juices flowing and reward your employees.
 - b. Create an “All Hands-on Deck” approach to preserving cash and finding cost reductions.
 - i. Employees will appreciate the effort in saving jobs, if that is an option for your business.
 - c. If your team has more free time – consider training them to improve appropriate skills.
 - i. Example: What can the sales team do to improve their sales pitches?

CASH FLOW TIPS TO SURVIVE A SIGNIFICANT CHANGE IN YOUR BUSINESS

4. Consider outsourcing functions you have tried to do in house.
 - a. Often outsourcing your HR, Marketing, Bookkeeping, IT and other resources is more cost effective AND you are getting it done by professionals who have the specialized skills, training and experience to get the job done right for you.
 - b. Even if you don't fully outsource you can still leverage these resources to assist with training you and your staff.
 - c. Outsourcing allows you to free up valuable time to focus on items where you and your staff add the most value.
 - d. Business owners often don't *Know What They Don't Know!*
 - i. Now is not the time to try and do it all yourself.
5. Implement a weekly Cash Flow Forecast process looking out at least 13 weeks.
 - a. This is not the time to use your checking account as your cash flow tool, not that there ever is a time for that.
 - b. If you don't know how to do this or don't have time get help!

Revenue Stream

1. Focus on retaining your customer base, it's much cheaper than finding new clients!
 - a. Be creative depending on the status of your business!
2. Increase the frequency that you reach out to your customer base.
 - a. Now is not the time to hide under a rock!
 - b. Offer real value.
 - i. How can we assist YOU...?
 - c. Be empathetic and make it about the customer!
 - d. Clients will remember how you helped them in their time of need and will remember how you made them feel!
 - e. Build customer loyalty.
3. Look for opportunities to add more value by "cross-selling" to your existing clients.
 - a. Other products / services? How can we further assist?
4. If you do Project Work, make sure your team is focused on closing every project as quickly as possible!
 - a. Get your Work in Progress Invoices out to Clients as quickly as possible.
 - b. If you need cash to support the next phase of you project, consider asking clients for advances or to accelerate payments, you may need to offer a discount.
5. Depending on your business, is there an opportunity to shift some resources to focus on sales efforts?
6. Eliminate Low Margin / Loss Leader products or services that use up resources without providing a Return on Investment "ROI".

CASH FLOW TIPS TO SURVIVE A SIGNIFICANT CHANGE IN YOUR BUSINESS

- a. While it may be counter intuitive to cut products and services at this time, it will greatly benefit your business now and in the future. And frankly if the customer doesn't value these services enough to allow you to have acceptable margins, they will likely be happy to move on to another vendor.

Accounts Receivable / Payments

1. Work with your Merchant Services account to get paid quicker.
2. Review AR aging report weekly.
 - a. Personally, reach out to clients to discuss outstanding balances and request payments, it often helps to discuss business owner to business owner.
 - i. "I understand your pain, we are dealing with same..."
 - ii. Consider asking for partial payments.
 - b. Know yourself, if you aren't good at asking for payments, assign to someone on your team who is, or outsource it.
3. For extreme measures of significant monetary value, send a legal letter with a past due statement, from your attorney. Let's hope you don't have to go there!
 - a. Realize this will likely damage your client relationship; so again, use only on Extreme Cases.
4. Consider offering Payment Discounts, while your business may be tight on cash that doesn't mean your client has the same issue. They may prefer payment discounts to save expenses.
 - a. Be sure to do the math and understand real cost to your business vs. other funding options.
5. Consider offering a "Pay in Full / Advance" discount.
 - a. Many of your customers will be looking to stretch their resources out as far as possible, so provide incentives for those who pay in full instead of in payments.
6. Consider offering a "Payment" plan.
 - a. Pay in full – receives a discount.
 - b. Pay in x payments – pays a premium.
 - c. Goal to incentivize payment in full, but not lock out those who can only afford a payment plan.
 - d. Consider longer payment terms, potentially locking in a recurring revenue stream.
 - i. Example: software companies often have a monthly recurring license. Generally, with discounts if you pay in full annually.
7. Consider mandating deposits for new Projects / Clients, especially if you have concerns over their financial stability.

Accounts Payable

1. Review and prioritize your aging Accounts Payable Weekly.
2. Look for options to select payment plans vs. paying in full.

CASH FLOW TIPS TO SURVIVE A SIGNIFICANT CHANGE IN YOUR BUSINESS

3. Reach out to your larger vendors and ask for better payment terms.
 - a. Can we push terms from 30 to 60 days?
 - b. Can we put in a payment plan?
4. Consider paying by credit card to leverage your credit card lines.
5. Avoid prepaying expenses where possible.
6. Communicate with your vendors!

Expense Reductions

1. Review your Monthly Profit and Loss Statement in detail.
 - a. Review and forecast Revenue.
 - i. Pay close attention to Mix changes.
 - ii. Stress test by running various what if scenarios.
 - iii. Consider alternative revenue sources.
 - b. Review and forecast Cost of Goods Sold "COGS" based on the forecasted mix.
 - i. Will the mix changes add costs?
 - ii. Are there areas for cost reductions?
 - iii. Can you work with our vendors to ship inventory to you Just in Time, to reduce your working capital requirements?
 1. Where possible reduce inventory, substitute items etc.
 - c. This will give you forecasted Gross Profit Dollars.
 - d. Review your General Expenses.
 - i. Wages are the single biggest expense item for most businesses.
 1. Consider redeploying resources where necessary to maintain your best employees, cross training as required.
 2. **If you need to furlough employees be sure to consult and leverage your HR resources to find the best solutions.**
 - a. Note: employees would be eligible for extended benefits during the Covid-19 Crisis.
 - b. Consider options such as
 - i. reduced salaries / hours
 - ii. workshare programs
 - iii. voluntary leave of absence
 1. They may have kids at home to take care of.

CASH FLOW TIPS TO SURVIVE A SIGNIFICANT CHANGE IN YOUR BUSINESS

2. Or not feel safe in the workplace.
3. Consider Paycheck Protection Program loans (forgivable if spent on Payroll at the right levels) to help maintain staffing.
- ii. Understand fixed expenses vs. variable and look for opportunities to cost reduce, prioritizing your big expenses.
 1. Negotiate better pricing / terms from your vendors.
 - a. Train your team to ask for discounts, price-matching, and extras from vendors. You often get what you ask for.
 2. Consider alternative sources.
 3. Consider alternative methods to accomplish tasks.
- iii. Understand “Needs” vs. “Wants”.
 1. What expenses should be eliminated?
 - a. Consider Return on Investment “ROI” to your business of these expenses.
 2. What expenses can be postponed?
 3. What expenses need to be increased?
 - a. Example: do you need to spend additional marketing resources to buffer the sales losses, handle changes in product offering etc.
 4. Avoid just across the board cuts, while easy it often leads into cuts in the wrong area.

Financing

1. Review your current debt schedule, at least monthly, weekly is better as you do your cash forecasting.
 - a. All outstanding loans
 - b. Credit Cards
 - c. Vehicle Leases / Loans
 - d. Lines of Credits
2. Reach out to lenders to see if they are willing to defer or forgive any of these payments.
 - a. Example: SBA currently is offering programs to forgive or postpone payments.
 - b. Or extend your lines of credit.
3. Review your cash flow forecasts and put in place funding to support your business during this downturn.
4. If your business qualifies apply for the EIDL Loan and / or PPP Loan.
5. Discuss with your investors if you are looking for a capital infusion.

For More Information Contact

Earle Durham

MA: (978) 213-8338; ME: (207) 560-0805

edurham@supportingstrategies.com

CASH FLOW TIPS TO SURVIVE A SIGNIFICANT CHANGE IN YOUR BUSINESS

About Supporting Strategies

Supporting Strategies has provided efficient and effective outsourced bookkeeping services and operational support to growing businesses since 2004. Our clients get the support they need, when they need it, at a price they can afford, allowing them to focus on their core business. Supporting Strategies' skilled, experienced professionals use secure, best-of-breed technology and a proven process to deliver a full suite of services, including accounts payable, accounts receivable, bookkeeping, financial reporting, and payroll administration. For more information, please visit www.supportingstrategies.com

Legal and Tax Disclaimer

This e-brief is created by Supporting Strategies to provide general bookkeeping information only. Supporting Strategies does not provide tax, legal or accounting advice, and the information contained herein is not intended to do so. As such, the information provided should not be used as a substitute for consultation with professional tax, legal and accounting advisors, and you should consult with a tax, legal or accounting professional before engaging in any transaction.