

TIP OF THE MONTH - CASH FLOW MANAGEMENT



Even with an upturn in progress, cash is still tight and customers are much less likely to pay within 30 days, and once they are late the risk of non-payment increases substantially. Here are a few tips to help you manage cash flow in your business.

For large customers you may need a signed contract and a purchase order (so find out what you need and their payment terms in advance). For smaller customers make sure you agree a price in advance so there is no query on

your invoice and if possible find out the name of someone in the 'credit control department' in case of a query. Written terms - even as a simple email - are essential, 'yes that's fine, just send me an email confirming what we've just agreed and we'll organise this'.



Invoice immediately on completion of the job, or if appropriate take a deposit up front with the remainder payable on completion.



Issue your clients with payment terms and don't be afraid to ask for what you want. Don't feel you have to put 'Payable within 30 days.' You can, if you wish put 'Payment on receipt' or a due date within 14 days. If you don't ask, you won't get. It is worth asking if they prefer to pay by cheque or direct into your bank account, just to make the point.

It is worth taking the time to find out immediately whether payment has come through, with on-line access your bank balance will update regularly so you will know straight away.

If you don't receive the money when you expect it for quickest results, contact in the business and find out why. You need a process for chasing. Reminder, they agreed to pay you as a result of which you agreed to supply them. You have nothing to apologise for - they do!

The two other main areas where you can control cash flow are stock and suppliers. Keep a close eye on your stock, as perishable stock or slow moving stock can suck cash unnecessarily from your business.

Finally, check your suppliers' credit terms, and use them. Bear in mind however that your long term relationship with your suppliers is the lifeblood of your business, and they will respect you and respond to your needs if you always pay on time. These days this is very important.

If you want to know more, ask for our information sheet 'Cash flow and the valley of death' or come in to chat over your particular circumstances!

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