



Four ways to turn around your cash flow

in Money by Nigel Bowen
(0 Rating) Click To Rate



Only the most fortunate of businesses are free of cash flow problems altogether. Well-run ones avoid ending up in situations where they don't have the money to meet their own costs because they are not being paid by customers in a timely manner.

Here are four strategies you can implement to minimise the chances of ending up the meat in the sandwich between demanding suppliers and unreliable clients.

1. Identify your peaks and troughs

The first step in addressing cash flow issues is predicting if and when they are likely to occur. For instance, if you run a beachside gelato stand you can reasonably assume takings will be down during winter and make the necessary preparations, be it organising an overdraft, paying for expenses with a Charge Card, or working out a deal with the landlord to pay more rent in the high season in return for paying less during the low one. Those who've just launched a business will have to make an educated guess about the cycles of feast and famine they're likely to encounter, but those who've been around for a while and kept good records should be able to pinpoint relatively accurately those danger periods when outgoings will outstrip revenue.

2. Arrange the most favourable terms you can

The standard advice with terms is a zero-sum, win-lose proposition - get your customers to pay you as soon as possible, and stretch out paying your suppliers for as long as feasible. While that can work, especially if you're in a strong negotiating position, it's worth exploring arrangements that are win-win. For example, can you offer a 15 per cent discount if customers pay upfront? If a supplier currently operates on getting large quarterly payments, would it suit both of you to move to smaller but more regular monthly payments?

3. Make it easy for customers to make payments

Have facilities set up so customers can pay on the spot when they visit your shop, factory or office rather than making things more convoluted by sending out a bill later. As soon as you've completed a project or supplied goods, email the customer alerting them to that fact and informing them they can find your invoice attached. Accept as many forms of payment as is feasible and be an early adopter with the various forms of non-cash payment that are starting to take off.

4. Don't put off awkward conversations

If you're having cash flow issues it is typically a better strategy to be upfront with your suppliers and see if an agreement can be reached for you to pay any outstanding amounts over a reasonable period. Such an agreement is much more likely to be reached if you act early rather than engaging in transparent stalling tactics before switching to desperate pleading at the eleventh hour. Likewise, if one of your customers simply isn't paying, it's rarely an effective approach to let the matter slide for months before proceeding straight to threatening them with bankruptcy. Steel yourself to pick up the phone and have a conversation about working out a way they can pay what they owe.

One last tip - if you're worried about angering customers or suppliers who you have a good personal relationship with by introducing more professional payment arrangements, you can always say your hands are tied because your accountant or chief financial officer has insisted that is the way your business has to operate from now on.

This article represents the views of the author only and not those of American Express.

Related Keywords : Cash Flow

You might also like.

- [The Federal Budget: 10 imperatives for small business](#)
- [Understanding customer profitability](#)
- [Your EOFY checklist: Part 2](#)
- [8 top tips for small business owners to manage cash flow](#)

Poll Results

What's your interpretation of 'working from home'?

Checking emails every so often, but relaxing or doing personal chores in between.

I try to concentrate on work but get easily distracted.

An interruption-free day where I can be hyper productive.

I don't have the flexibility to work from home.

VOTE

[View Results](#) | [Archive](#)

MOST POPULAR

MOST POPULAR

MOST SHARED

[What's Your Business' Real Age?](#)

[8 Top Tips For Small Business Owners To Manage Cash Flow](#)

TOP RATED

Your Rating :

Click to Rate



Nigel Bowen

Nigel is a freelance journalist and web content provider. Over the past 15 years he has worked for many of Australia's major print media companies and written for a wide range of newspapers, magazines, trade publications and websites. Nigel most enjoys writing about entrepreneurship, popular culture, politics, social trends and small business.

FIND US ON FACEBOOK

Amex For Business Australia
Like You like this.

You and 14,951 others like Amex For Business Australia.

Facebook social plugin

Useful Links

- [About The Business Room](#)
- [Attend Small Business Events](#)
- [Amex For Business Australia](#)

Get an American Express Card

- [Small Business Cards](#)
- [Corporate Cards](#)
- [Personal Cards](#)
- [Prepaid Travel Cards](#)
- [Accept the Card](#)

Company Information

- [About American Express](#)
- [Terms](#)
- [Privacy](#)
- [Trademarks](#)
- [Contact Us](#)
- Copyright © 2012 [American Express Company](#)