

## 50 Ways to Increase your Cash Flow and Profit

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- 1. Regularly review and test your pricing.** Ensure you have a pricing strategy and follow it. Be willing to test the market and adjust your pricing accordingly.
- 2. Invoice immediately.** Don't be slow at invoicing your customers. Invoice immediately as the job is completed or the products are sent out.
- 3. Say 'NO' to customers who owe you money or make them pay with a credit card.** Reduce the risk of slow or non payments at your end. Transfer the risk to the credit card company.
- 4. Bank at least twice a week.** Often the banking can be overlooked because you are busy with other issues. Make banking a priority in your business.
- 5. Contact your customers on a regular basis.** The best form of marketing is following up your customers. 68% of business is lost because there is no follow up of a customer after they have made a sale.
- 6. Rearrange annual payments into small payments.** If you can't afford to make the annual payment on expenses such as insurances then arrange to pay on a monthly basis. Return to paying on annual basis once you can afford it to save money.
- 7. Staff training.** Regularly train your staff to increase productivity. The object of training is to equip your staff with the right skills for their job. With the right skills and experience productivity will increase.
- 8. Complete the job on time, every time.** Don't make promises to customers that you cannot fulfil. Be honest and upfront. Customers hate surprises more than bad news told up front.
- 9. Be very specific in your marketing.** The smaller, the better. Think of 3 ideal clients. Where are they? What do they do? What is their common problem? Try to 'walk in their shoes'.
- 10. Measure your marketing.** Marketing is like investing. You must be getting a return on your marketing investment. Continually test and measure your marketing to ensure you know what works.

- 11. If a customer is struggling to pay, offer a payment plan.** Take the first payment straight away on the phone by asking them to pay by credit card. It is better to get small amounts than nothing at all.
- 12. Credit checks for all new customers.** Reduce your risk by checking previous financial history. The small upfront investment may save you a large amount later.
- 13. Receive deposits upon signing contracts.** Reduce your risk by receiving a deposit to cover the materials that will be required for the job.
- 14. If practical, offer discounts for early payment.** Provide incentives for your customers to pay early. This does not have to be financial discounts. Be creative.
- 15. Make it easy as possible for customers to pay.** Offer to take credit card details to move the risk to the credit card company.
- 16. Regularly review your aged receivables report and consistently follow up overdue accounts.**
- 17. Negotiate with your suppliers for a better price if you buy in bulk.** Only use this strategy if you can turn over the stock quickly.
- 18. Negotiate with your suppliers for a discount if you pay early if there isn't a discount already in place.**
- 19. Purchase new equipment or implement new processes to increase productivity.** Review the processes in your business. Are there areas that can be improved? For example, new computer or software program that may increase productivity.
- 20. Prepare regular and accurate financial reports.**
- 21. Review your expenses regularly.** Compare your expenses against your budget, previous year or period and as a percentage of sales.
- 22. Train your employees to be thinking about how expenses can be reduced.** Reward them for ideas that reduce expenses. Rewards don't have to always be monetary. Be creative with the reward system.
- 23. Implement performance measures to monitor your expenses.** 'You manage what you measure'. Choose two or three areas and measure those areas. You may be surprised what you might find.
- 24. Monitor stock regularly.** Use ratios such as inventory turnover and days inventory to compare to previous periods and industry standards.

- 25. Cut your losses and move on.** Clear old and outdated stock by packaging together or discounting. Don't hold onto old stock in the hope you may sell it in the future. It will be better to use your resources on other areas of your business.
- 26. Don't buy too much stock even if a discount is offered if it will take an extended time to sell.** This will dry up your cash flow very quickly.
- 27. Focus on a 'just in time' ordering system to save build up of stock.** An increasing amount of stock on hand will drain your cash flow.
- 28. Set minimum and maximum levels of stock and stay within these levels.**
- 29. Don't pay too much or too early.** Ensure you have a step by step purchasing procedure that is followed and monitored.
- 30. Negotiate longer payment terms or a payment plan if your business is struggling.** Be up front, most business owners know what it is like to have cash flow problems.
- 31. Prepare 3 month cash flow budgets.** A cash flow budget includes all the expected cash inflows for the month less all the expected outflows for the month. I prefer to prepare 3 month cash flow budgets as opposed to yearly cash flow budgets.
- 32. Review your assets for the need to upgrade.** If there is a more efficient option available and it makes economic sense then upgrade to the more productive asset.
- 33. Weigh up the benefits and costs of both purchasing and leasing.** The better option may not be the same each time. Seek independent professional advice.
- 34. Always seek advice from your tax accountant before the end of the financial year to minimise your tax.** It's usually too late after the year has ended.
- 35. Reduce owner's drawings or salary.** Don't withdraw more than the business is making.
- 36. Plan your growth.** Don't grow your business just for growth's sake. Increased sales do not automatically mean increased profit.
- 37. Use different measures for financial performance.** The income statement is not the only method to measure your business's performance. Use benchmarking, ratio analysis or key performance indicators.
- 38. Review your overdraft.** Review your current fee structure and comparing to other banks.
- 39. Ask suppliers for quotes.**

- 40. Set aside money for your tax bill.** Regularly put into a separate bank account money for your tax bill. For example, if the various taxes account for 20% of sales each year then if possible, put 20% of sales into another account at the end of each month.
- 41. Review your internal controls.** Small businesses sometimes have poor or no internal controls. As they grow the lack of internal controls will reduce the productivity and profitability of the business. Review all the internal controls in your business especially purchasing and inventory procedures.
- 42. Compare your loans with those offered by other banks.** At least once a year review your current loans and compare against other banks.
- 43. If possible, defer purchases in the last week of the month till the next month.** This will give an extra 30 days before having to pay.
- 44. Analyse your external environment.** Find out how your industry is influenced by government or other outside influences, e.g. rise in interest rates. Prepare your business to reduce the risk and ensure a competitive advantage over your competitors.
- 45. Understand the Cash Cycle.** The Cash cycle includes the inventory, accounts receivables and accounts payable. Understand how it works in your business and how it affects your cash flow.
- 46. Standardise spare parts.** Reduce your inventory and labour costs by standardising your spare parts. This is a strategy used by the low priced airlines.
- 47. Make it easy to order from you.** Give the customer multiple ways to order and make it as fast and easy to understand as possible.
- 48. If you hate calling customers for money, pay someone else to do it.** Free your time up to be productive in more important areas.
- 49. Prepare a risk analysis of your business.** Know in advance what the possible risks are for your business. It is not possible to remove all risk but you can prepare for it.
- 50. Take time out just to observe your business.** Sometimes you can miss the simplest things because you are so busy. Spend an hour a week just observing.

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- [Free e-book “10 Cash Flow Strategies for a Successful Business”](#)
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## **About Beyond the Numbers**

### **Business Advisors**

Beyond the Numbers are business advisors who focus on improving cash flow and increasing profits for businesses. From analysing financial performance and internal controls to developing key performance indicators, to providing personalised assistance and advice, we provide real solutions to increase your financial performance.

## **About Scott Richards**

### **Director and Founder of Beyond the Numbers**

Scott currently lives in Brisbane, Australia. He has worked with small and medium sized businesses both in Australia and internationally since 1994. He is a qualified CPA and recently completed a Master of Business Administration (MBA) with Distinction.