

Tips for business cashflow in a crisis

EVEN profitable businesses can go broke if they do not effectively manage their cashflow during tough times, according to 10X CEO and business development expert, Nic Clark.

The key to surviving the recession, Mr Clark said, is strategic cashflow management that takes into account the new economic conditions and adjusts cashflow activities accordingly.

Cashflow represents one of the major concerns of Australian business owners, with 92 per cent frequently experiencing stress as a result of it, and a significant amount having to source additional funding, reduce their operations, and even take pay cuts to accommodate it within their business.

According to Mr Clark, cashflow problems have been further exacerbated by the recession, which has resulted in fewer customers and leads for businesses, reduced consumer spending, and increased operating costs.

Mr Clark's top four cashflow management strategies are:

1. Set goal-oriented budgets. Profit and loss budgets are obviously important in providing you with direction on where to spend, and where to save. Cash flow budgets will break down income and expenditure, and will guide how you manage your cash requirements and shortfalls.

2. Focus on increasing sales and income. It's all about being proactive, and really providing benefit to your customers. Business owners need to identify creative ways to increase retention rate, generate leads, and increase conversion.

3. Business owners should avoid easy tactics like discounting, which can be dangerous to business profitability. Even a 10 per cent discount can result in your business having to increase sales by 100 per cent to achieve the same gross profit pre-discount.

4. Reduce the cashflow cycle by implementing a debtors collection system and credit policy collecting debtors faster, selling stock more quickly, and negotiating longer credit terms with creditors will also benefit a business's cashflow.

More information is available at www.10x.com.au.