

Cash Management for Increasing Sales

Understanding Cash Management a lot like the momentum created when you step on the gas pedal of your car.

Think about the energy it takes to accelerate up to 60 mph or travel uphill as opposed to how little it takes to slow down. It can help you understand why you feel the squeeze on your cash flow when you are picking up speed or your sales are increasing. The reason I'm bringing this up is a lot of businesses are finally feeling an up tick in their sales. It is the change we've all been waiting for since the downturn after 9-11.

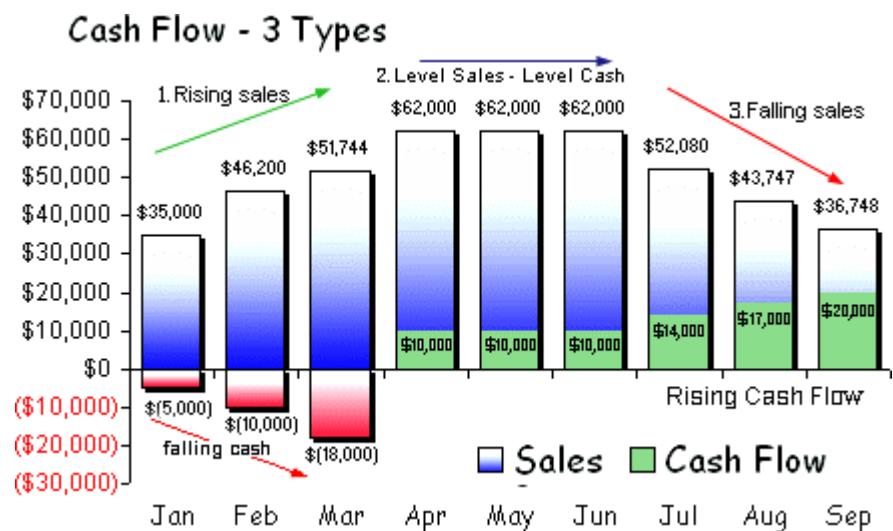
As sales increase, the old "cash crunch" feelings will return. Realize that as sales go up-and you are climbing uphill-you will always be cash flow negative. The faster your sales increase, the tighter your cash flow will become. As a new business cycle begins, it will bring back the same challenges you faced at the beginning of the last cycle. Your market is more competitive than

ever. Falling prices during the downturn were eating away at profits. Customers want more for less and employees want more say in what they do. Costs have continued to inch upward. You have too much short-term debt or are under capitalized. What worked for your operation in the last cycle is less effective in this new upturn, and business has become more complex every year.

What can you do to help run your business more smoothly as increased sales return? Cash is king. How can you accelerate your cash flow or conserve your cash outlays?

This balancing act is one of the leading causes of stress for business owners. Having enough cash to meet the payroll, dealing with vendors that are squawking, and the big check promised by a customer has failed to come in the mail...again! Darn!!

Some of the more obvious suggestions are; (1) arranging better supplier terms, (2) cash deposits against purchase orders, or (3) offering cash discounts to encourage quick customer payments. A more important question is "what if you've exhausted



all of these options?" You're already getting supplier terms. You have asked your bank several times for a credit line or an increase in your existing credit line but you can't get it, and you still don't have enough cash flow to support your expenses to ramp up sales?

Let me address one potential option for you. Did you know there are cash flow lenders who are not a bank? If not, you're not alone. Cash flow lenders use the same collateral as a bank; accounts receivable, inventory, equipment, but the FDIC does not regulate them. What that means is you can be a new business, you can even have poor historical performance, or a challenged credit score and they can loan you money!

What a cash flow lender wants to see is a good backlog of business, a reputable customer base and a positive trend for the future.

Every company should have some type of a credit facility. A credit line, whether you need it or not, is simply a relief valve to handle the pressure when cash flow becomes too negative and something has to give. The last thing business owners should ever consider doing is using tax money for operations and then fail to make tax payments timely. When business owners have no pressure relief system AKA credit line in place, they often times make this critical error. The penalties and interest accrued from late payments, along with the negative impact on your credit are far more costly than the rate that a cash flow lender will charge to give you a non-traditional line of credit. Non-traditional __ only because it isn't from a bank.

So the long and the short of this are to be smart and proactive with your cash management. Things are picking up out there so, be proactive instead of reactive!