Cash-flow problems?

How to improve them

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Cash-flow is every printer's headache, especially nowadays. It sounds easy in principle, doesn't it? Speed up the money coming in, and slow down the money going out. But not so easy in practice, is it?

Factoring?

One commonly considered solution is to approach the invoice factors. They will look at how much you are owed and give you a percentage of it up-front. "Great", you think. "So they take the risk from there on in?" You must be joking. If there are any non-payers they are passed straight back to you!

Basically they are lending you money, at fairly serious interest rates, on the security of the bills your customers haven't yet paid. It's really just a secured bank loan, with an important difference. Once you have started it's very difficult to stop. There's no 'paying it off over 3 years' in place. They <u>want</u> you to keep doing it so they can get all that nice interest. What's more it only gives a temporary solution to cashflow worries.

Real solutions

Here are a dozen ideas you might be able to use to help. They may seem obvious, but...

1) Credit.

Will (or can) the customer pay? For new customers, if you can't take the money up-front, get 3 trade references and a bank reference. A credit report can warn you (with luck) whether a company is in danger of going under, and can also tell you whether it pays its bills on time. So don't give credit unless you're sure you will be paid. It's also a good idea to re-check the credit ratings of your larger customers on a regular basis. Larger customers often seem more secure, but don't forget that they are the ones who are likely to go bust owing you 20k!

2) T & C

Make sure your emailed quotes include your "Terms and Conditions of Sale", just to make sure there are no arguments.

3) Speed

Get every job out of the door as quickly as possible and then invoice it immediately, not at the end of the week. Sounds obvious really, but some people have a tendency to say 'That's OK – it's not needed till next Thursday'. Don't listen – every day's delay is a day in which your customer's company can be 'wasting' its money paying someone else, not you – or even, in a worst case scenario, going bankrupt.

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4) Due date

Every invoice should include a payment due date. It saves arguments.

5) Discounts

Discounts for prompt payment can help get the money flowing. It only needs to be a few percent to make a difference.

6) Chasing

Chase overdue accounts firmly and regularly. It needn't be aggressive. Everyone understands. They are all in the same boat. Ask "when can I expect payment?", and ring them back then if necessary.

7) Pay it in

Pay cheques in on the same day you receive them. They take long enough to clear, so you might as well try to minimise the waiting period.

8) Ask your suppliers

Ask your suppliers for longer credit periods. One large UK company used to say to all its suppliers 'We are a 90 day company – take it or leave it.' Most suppliers took it!

9) Control stock

Don't carry excess paper stock. Just-in-time stock control means ordering what you need when you need it.

10) Reduce expenses.

Most printers reckon they are pretty lean and mean, when in practice they could save a lot from the cumulative effect of small efficiencies.

11) Delay paying

Don't pay bills earlier than you have to, unless there's a prompt payment discount. Again, sounds obvious, but … On the other hand don't pay late or you might find yourself penalized in some way (e.g. poor service).

12) Cost recovery

Make sure you recover all your costs. So the customer made you send a courier so he could see a proof? Charge it – it wasn't in the quote. That last minute revision – it wasn't anticipated – add it in.

In conclusion

What have you learnt here you didn't already know? Probably nothing. Do you do it all? Probably not. Will you do it all? Again, probably not.

But the interesting thing is that we both know that these things all tend to make just a little bit of improvement in the cashflow situation.

And as the Scots say, "many a mickle makes a muckle". Or to quote that annoying advertisement, "every little helps".

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