

Cash Flow Obstacle Course

Can you beat common cash flow pit falls?

When it comes to managing cash flow, business owners often learn the hard way that you can never just wing it. Not convinced?

Enter our Cash Flow Obstacle Course to see why we're saying no to DIY cash flow solutions!



Start

Congratulations! You're a business owner. Now hold on tight and get ready for the race of a lifetime. But watch out for the cash flow obstacles, or you'll find yourself a startup statistic instead of a successful entrepreneur.



Cash Flow 101

Don't fall into a money pit.

Ignoring cash flow is the worst thing an entrepreneur can do. It can be tempting to put it off, especially if you're experiencing growth, but your creditors won't appreciate the surprise. Negative cash flow can quickly turn into a cash flow crisis, as the gap between payments and receivables only widens with time.



Receivables

Get a grip on late payments.

Late payments are probably the number one issue businesses face. It's a tough battle to face alone, but there are lots of ways you can work to mitigate this issue. Automate your invoicing, make it easy for customers to pay with electronic options, incentivize early payments, change your billing cycle — and maybe even your clients or product.



Overhead

Stick to the essentials.

Everyone's heard the maxim that it takes money to make money, but that doesn't mean you can spend like a sailor. When you're in a cash flow crisis, you may need to look deep for ways to cut costs — like moving toward remote work or negotiating with vendors for better pricing. The good news? These measures can help you out of a negative cash flow situation and help you innovate your business.



Outdated information

Close the gaps to sync your numbers.

Yesterday's news won't help you take on tomorrow's challenges. Sync your data points so that you are working with the most accurate numbers. There are so many tools that can help you do this in real time so it's never a chore you have to go back to update. Ditch the shoebox full of receipts and leverage the tools of today.



Supply Chain

Find the weak links to lighten your load.

If your inventory isn't moving in sync with sales, it's more than wasted storage space; you can be hit with additional carrying costs that can quickly deplete cash reserves, not to mention higher taxes, shipping penalties, and devalued products. Invest in one of the many tools that will help you optimize outflow inflow timing and logistics so that your supply lines up with demand.



Charge it!

Make sure credit is working for you, not against you.

Securing credit before you actually need it and putting credit to work for you can be the difference between making it and breaking it. But there's a difference between working capital and facing a mountain of bad debt. If you find yourself overextending your credit lines just to make ends meet, you need to reexamine your business model and get advice from your CIBC business advisor.



Check your margins

Optimize your pricing model.

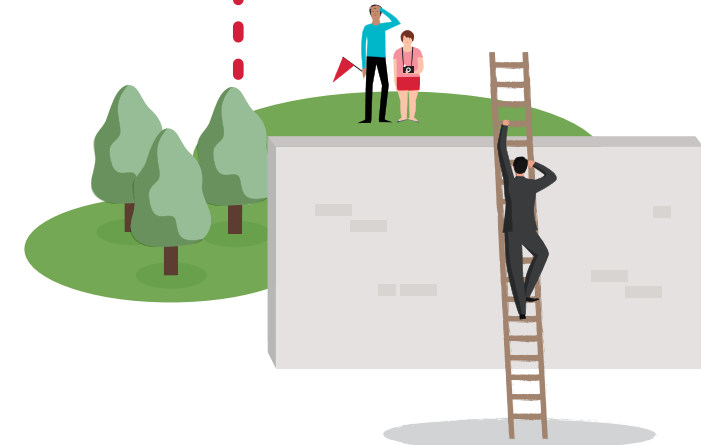
A cash flow crisis can be an indication that your pricing is too low. Evaluate your clients, services and products to determine what your actual margins are, remembering to take into consideration time to be paid. You may find you need to raise your prices, eliminate some offerings or drop specific kinds of clients.



Unchecked growth

Prioritize scalable growth solutions.

Growth is good, but you have to be able to scale the wall you're climbing, or you'll risk crashing and burning as expenses multiply. The faster you grow, the more financing you need because growth costs cash. That's why not every sale is worth taking. Aim for steady growth you can manage.



Finish line

You made it! You have mastered the most common cash flow obstacles business owners face, and are well on your way to a more resilient business practice.



For even more insight into potential cash flow pit falls, and how you can avoid them, tune into our Business Banking podcast "DIY Cash Flow" for a real life case study on the best — and worst — cash flow practices, as explained by one of our CIBC Business Banking clients.

Contact a CIBC business advisor today and let us help you map a plan to stay on track.



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