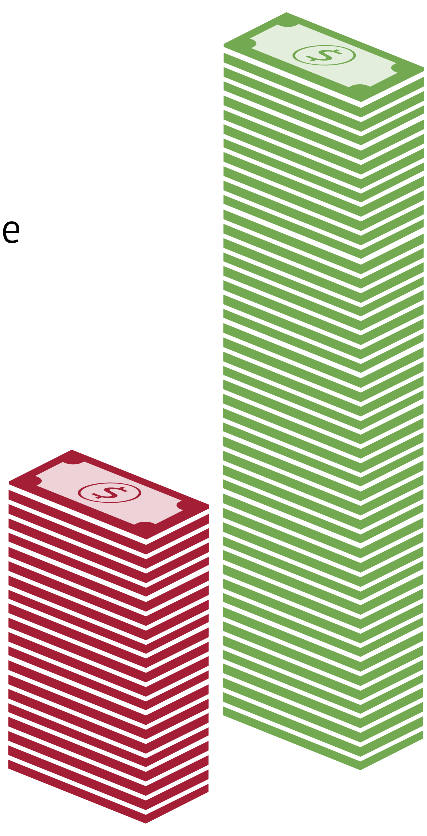
Mind the gap!

Creating and maintaining positive cash flow

Business owners can't survive, let alone thrive, if they cannot pay their bills. But the problem isn't always sales, or even revenue: it's cash flow. You have to spend money to make money. But if you don't have a plan to cover the gap between expenses (cash flowing out) and receivables (cash flowing in), you will find yourself in a negative cash flow situation, which is not something you can ignore for long.

29%

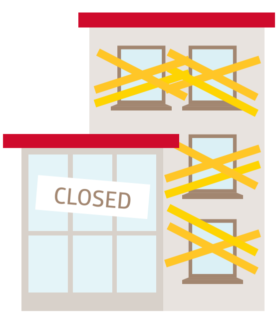
According to one study, 29% of startups fail because they run out of cash.[1]



Cash flow vs Profit

Profit is what you think you've got coming to you. Cash flow is what you've got.

Turning a steady profit is vital to running a successful business, but it doesn't make you bulletproof if you're unable to manage your cash flow situation effectively.



50%

More than half of the business closures in the United States were due to lack of profitability or problems obtaining finance.[2]

Cash flow

Think of cash flow as your business's wallet, or your checking account. You cannot pay a bill with money you expect. You can only pay with money you have. And borrowing money to bridge that gap will incur extra costs, affecting profit margins.

Profit

Profit is the amount leftover after expenses are deducted, but it doesn't take into consideration the length of time between incurring an expense and receiving compensation, so it is not a complete indication of your business's health.

Waiting... and waiting... and waiting...

For some businesses, collection periods can exceed 120 days, but you cannot put your accounts payable on hold until you collect your account receivables, and you cannot always sync the two.

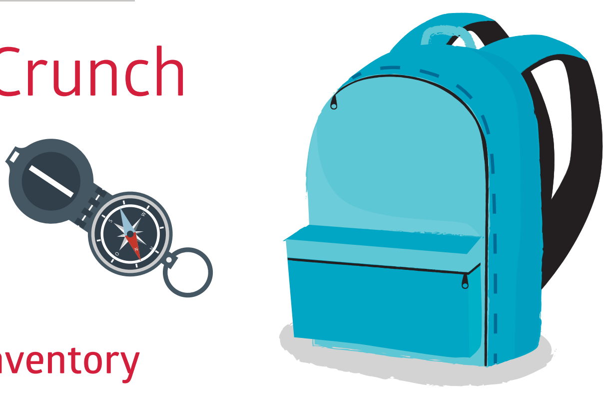
So what can you do? Plan ahead.

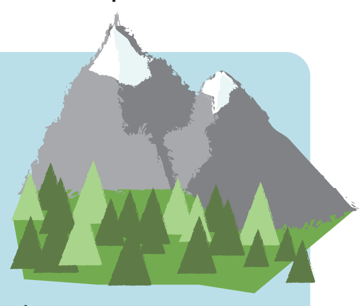
Realtime & accurate information is your best ally

Business moves faster than ever. Information is your best defense against a cash flow tide that's flowing in the wrong direction. And today, there are more tools than ever to help you map your plan and stem the tide of negative cash flow.

Crushing the Cash Flow Crunch

Identify your pressure points





37%

According to an online survey conducted by **Prosperity Now**, cash flow difficulty was the most commonly reported challenge, with 37% of business owners citing it as an ongoing problem.[3]

Inventory

Every dollar you have in inventory is a dollar you don't have in cash. And unfortunately, most of us don't work on the barter system, so you can't pay the power bill with your excess stock.

Solution: Find a tool that gives you a clear view of your supply chain, updated by the minute.

Growth

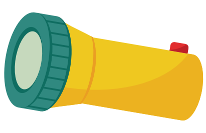
Growth is good, right? Well, not always. Growing too fast can put a strain on available cash, as upfront expenses multiply, especially if you get stuck in a receivables quagmire.

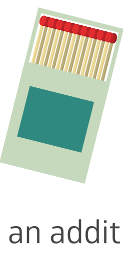
Solution: There are AI tools that can make the kind of projections we mere mortals cannot.

Expenses

No business is free completely of overhead, and your expenses — and employees — have to be paid, even if you're not being paid yet.

Solution: Look for tools that track and anticipate expenses based on past outcomes.





Receivables

Your suppliers demand COD, but you sell your products or services on credit, which means you can be paying borrowing costs at both ends.

Solution: Automate your billing cycle with an invoicing tool geared to your industry.

Seasonal Cycles

Seasonal businesses have an additional challenge, as they need to budget for the famine periods, but all businesses have cycles & patterns.

Solution: No one has a crystal ball, but there are tools that can find predictive patterns.

You're not alone. Reach out to your CIBC business advisor. We can help!

Once you've identified your pressure points and you have the complete view of the "who, what, when, where and why" of the cash flowing in and out of your business, you'll be well equipped to take the necessary action steps. But there's no need to do that alone!

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

CIBC

Trademarks and disclaimers

[1] http://www.cio.com/article/2922374/cloud-security/20-of-the-greatest-myths-of-cloud-security.html
[2] www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%20USA%202013.pdf
[3] https://prosperitynow.org/articles/new-research-broadens-understandings-microbusiness-financial-vulnerability