

FOR IMMEDIATE RELEASE

FROM: WAYNE UNZE (797-1100)

RE: GUERRILLA CASH FLOW MANAGEMENT

Regardless of how well you run your business, there are times when cash *flow* becomes a *trickle* and you have to scramble to survive. After interviewing scores of New Mexico business owners on the subject, here is a synopsis of their ideas:

- 1. Create a reserve.** During good times, at least *consider* the possibility of a downturn in the economy and stash some cash. Many business consultants suggest a six-month reserve, but at least try to have three months of operating capital stowed away in the event a rainy day turns into a deluge.
- 2. Aggressively trim expenses.** Take out your monthly profit and loss statement and examine every expense category for possible savings. No business owner enjoys paring payroll, but it is sometimes necessary to save the company. Some expenses, such as rent, utilities, insurance and taxes cannot be eliminated without potentially dire consequences. However, a desperate entrepreneur should be able

to trim at least some fat from auto expenses, supplies, travel and entertainment.

3. Offer early payment discounts. If your business carries accounts receivable, contact your customers and offer them discounts if they pay in ten days or less. A 2% to 5% discount off a \$5,000 invoice may create an “urgency” on the part of your customer while helping you out of a cash bind.

4. Talk to your vendors. If your vendors have been in business for more than a year, they have likely experienced their own cash flow difficulties. Sometimes, a simple telephone call explaining your situation and requesting a little more time to pay can result in a sympathetic moratorium on an overdue bill. Remember, your personal contact means a great deal to a vendor. It means you are taking a proactive role in solving your cash flow problem rather than forcing the vendor to send you repetitive invoices without a response. If you’re in business for the long haul, maintaining a respectful relationship with your vendors is imperative.

5. Consider leasing. If you need a new piece of equipment to get you out of your cash flow jam (i.e. to reduce labor costs and/or increase productivity), try leasing rather than buying. Many leasing companies offer rent-to-own programs that allow you to purchase a piece of equipment at the end of the lease period. The cost of leasing a piece of equipment must always be compared to purchasing that same piece, over time, through bank lending programs.

6. Talk to your banker. If you have a bank loan or line of credit, discuss your situation with your lender. No banker wants to write-off a loan, so most will

work with you to help find a satisfactory solution to your problem.

7. Hold a fire sale. Recently, a friend with a “troubled” manufacturing business asked me to sell it because he thought that was his only option. Instead of holding a “fire sale” for his **business**, I convinced him to fire-sale his old and obsolete inventory. Amazingly, he was able to sell off about \$50,000 worth of inventory he thought was unmarketable. Ebay offers yet another venue for manufacturers, wholesalers and retailers to “dump” unwanted inventories and free-up valuable cash. This same strategy applies to old furniture, fixtures and equipment that have outlived their usefulness to you, but may still be a low-cost salvation to fellow entrepreneurs.

8. Empower your employees, friends and family. Before you throw in the towel, have a frank discussion with your employees and offer ownership interests to those willing to contribute to keep the company afloat during the tough times. Employee contributions can come in the form of either cash or reduced wages. Friends and family should also be surveyed to see if any “arm-chair” entrepreneurs are willing to invest.

9. As a last resort...Factoring. Several Albuquerque firms will factor accounts receivable (lend money in exchange for a secured interest in the company’s accounts receivable). I consider factoring a last resort measure due to the high interest rates that apply. If factoring becomes a company’s modus operandi rather than a last gasp measure, it can contribute to the eventual demise of the

business

Essential to any course of action is to have a realistic plan in place for the application of any funds (or reprieves) you receive. Few vendors, bankers, employees, friends or even family members will want to assist you without a reasonable expectation that your business will survive the current crisis and eventually prosper.