

# #FinanceConfident

A series of five business guides

## 2. Cashflow mastery

Maximising cash  
coming in, controlling  
it going out



Now is the time for planning to become action as we enter the next phase of the economy.

This series of five guides is aimed at helping business owners and decision-makers to be finance confident as they navigate a changing and uncertain environment. These will guide you through five important aspects of business finance:



**1. Confidence to plan**  
Business planning and cashflow forecasting



**2. Cashflow mastery**  
Maximising cash coming in, controlling it going out



**3. Credit checklist**  
What to do before you approach funders



**4. Choices**  
Overview of the products available for different business requirements



**5. Conversing with funders**  
Speaking the language of finance

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# Cashflow mastery

There is an old maxim that cash is king and much of our confidence to plan and lead our businesses forward comes from knowing that cash is going to be there when it is supposed to be.

Late payment is never going to go away regardless of any prompt payment initiatives or legislation to curb it through interest and compensation. If a customer does not pay you on time, they are in effect using your business as a source of business lending without your permission. They are keeping hold of your money to fund their business.

If you have never thought of yourself as another business' banking facility before, then it's time to look at what steps you can take to make sure late payment is minimised.

## Making sure your cash stays with you

Minimising late payment starts with ensuring that you have the systems and processes that will get the money to you as soon as possible. Those processes start way before the point of collection. In fact, it is the early groundwork in research, processes and contracts that can make a huge difference.

So, let's look at some of the practical steps you can take today to power up your cashflow.

### Find the 20%

20% of customers buy 80% of sales as a general rule. So, identifying those 20% that put the most money into your bank account is important. If they pay on time, then we are getting control straight away.

Spend time with these customers and know them well. Obtain good credit agency reports to indicate the right level of trade credit. Get to know customers' payments staff and cultivate a good relationship to ensure you get priority treatment.

### For the 80%....

Make sure you have all the contact details of everyone involved in paying your invoices up to date and to hand and make sure you have good systems in place to keep your account management cost efficient and effective.

## Have your terms and conditions front and centre

Remember that a sale is not a sale until it is paid for. Therefore, whatever credit terms you grant is part of that sale negotiation. It is your gift to give.

Put your terms on order acknowledgements because this will ensure that your terms prevail. Send it to a named person and send it promptly. Also put your terms on account applications and on invoices and statements. It's professional and ensures you are constantly reinforcing the terms under which you are doing business.

## Be thorough in opening new customer accounts

Rushing to get a sale in without the proper checks could cause problems down the line. Any customer should expect credit to be granted on application and to also have credit checks undertaken. It's professional and simply good business practice.

## Be quick with invoices

Get your invoices out of the door and into the hands of your customers' accounts teams as quickly as possible. That way it enters the payment process promptly. Send it to named people. Make sure it has arrived, make it clear, accurate and explanatory. Include your payment terms, due date, delivery date and method, description, price and total payable and the order number.

If you are issuing invoices electronically (and most of us do now), make sure customers know this is how they will arrive and to whom they will be sent. It is important to protect the authenticity and integrity of the invoice when sending it electronically. So, send it as a PDF attachment and/or write it into the email itself.

## Don't let debts get old

Make sure you keep a list of your debts. This is called an Aged Debt Analysis and is an essential rolling document to tell you what is happening with your cash. List the debts in order of time outstanding and refresh it regularly to use it to plan your collections tactics for each debt.

## Be a confident cash collector

The reality is that a customer either has the mindset to pay on time or they don't. If they don't, they will need to be chased, reminded, or in some cases threatened with action.

Endlessly emailing will not work as it can be avoided. Use the telephone to your advantage or make personal visits (tricky at the moment in some cases but worth bearing in mind).

Remember you can put someone on a Stop List and frequently this can act as a jolt especially if your goods and services are critical.

Make sure your sales and accounts teams work together to negotiate and work the customer relationship. Be polite but firm and professional.

Have an escalation process if the customer does not respond. This will vary for different businesses. But the most important aspect of the process is that you never bluff. Carry it out with professionalism and conviction. Always have in the back of your head that you are being used as an unofficial banker – it clears the mind!

## A note on bringing in lawyers and collection agents

If your escalation process ends up here, make sure you have trusted and respected partners. Good collection agents will have a track record of collecting 80% in their first few weeks.

A solicitor's letter from a reputable firm of lawyers has unlocked many a late payment problem. It can be very cost effective but if it doesn't work remember the rule about not bluffing. Carry on with conviction to collect your money.

## And finally, don't forget to pay on time yourself

Late payment is like a line of dominoes toppling over. We can all help break this chain by having a prompt payment policy. Especially now when supply chains are stretched, a reputation as a good payer can make all the difference to your competitive advantage. Your professionalism will be repaid by suppliers pulling out all the stops when you need them to. Also, when your cashflow is stretched they may be able to extend your credit terms because they know you will pay them on time.

## Be prepared to be finance confident

In our next article we will be looking at what you can do to prepare before you approach funders. Getting the right funding outcome will be helped enormously with a little bit of preparation and homework so you are in the driving seat.

Newable Finance is a UK finance broker dedicated to finding the right finance solutions for SMEs and property backed businesses across the UK and in every sector.

We help businesses access the finance they need to:



Being able to access the right funding when it is needed is a critical part of the growth journey of your business. Newable Finance can provide you with the independent perspective, whole of market reach and the depth of experience to secure the fast and flexible finance required to deliver your growth ambitions.

Newable Finance forms a key part of Newable, a leading UK provider of money, advice and workspace to SMEs, established in 1982. Newable Finance is an FCA authorised finance broker.

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