

# Checklist for Managing in Times of Financial Difficulty

## THE CHECKLIST

### To improve the cash position of your business

- prepare regular cash flow forecasts
- generate cash through sales but do not undersell your product or services
- only pay sales commission once payment is received
- negotiate extended terms of trade with suppliers
- take modest personal drawings or wages
- don't hide any problems from your bank. Tell your bank early if you need money to overcome a cash flow problem

### To improve the profitability of your business

- prepare financial statements on a regular basis and use them to analyse performance and benchmark your business against industry averages
- understand the profit you generate on each item of stock or service you provide
- concentrate on improving sales of your most profitable stocks or services
- don't discount prices on lower margin products and services
- don't discount on your most profitable products or services unless the discount encourages increased sales that lead to at least the same profit

### To control costs

- identify the expenditures that are essential to keep your business running. Don't cut these costs.
- look at the costs carefully, but don't criticize every transaction
- conduct a review of the business's processes to see whether some expenses can be eliminated completely
- direct marketing expenditure towards direct response advertising (e.g. direct mails, emails and coupons)
- review staffing arrangements
- work to retain good staff. Remember that replacing staff can be expensive

### To reduce your customers' debt

- keep in regular contact with customers, particularly customers who have outstanding debts
- prepare an aged debtors report
- negotiate periodic payment if that helps customers to clear overdue amounts
- before you sell to a customer on credit, perform a credit check and agree on proper commercial terms of trade
- encourage your customers to pay immediately by offering discounts on cash sale, for example

### To control stock

- keep the right amount of stock – too much and not enough stock can damage a business
- identify slow moving and dead stock and try to sell it. If you can't sell it, write it off and destroy it
- identify items you simply must never run out of
- negotiate deals with suppliers but avoid volume-based discounts
- tighten the buying of stock by knowing when to buy. To do this you will need to know the volume sales per item. don't let discounts drive your buying decisions

### To improve sales

- focus on the most profitable sales. Don't chase just any sales
- create added value with your offers by providing a gift or training, for example
- undertake companion selling and up-selling
- use in-store signs to highlight the product of the week