

**SURVIVE &  
THRIVE**



# TOP 8 TIPS

Guide For Improving your Finances



There's no doubt about it - finance is top of practically every business owner's list when it comes to their main priorities at the moment. Cash is the lifeblood of every business and, quite simply, if you don't have enough working capital, you don't have a business.

**Here are our Top 8 Tips for helping to shore up those cash reserves...**



## No.1

### Chase your Aged Debtors

Potentially one of the easiest ways of generating cash is to simply collect what is already owed to you.

**According to recent research by SME finance firm Liberis, over 58% of SME's are owed up to £10,000, with 27% owed more than £20,000!**

Draw up your aged debtor list of everyone who owes you money, and get on the phone to them. You'll need to be sensitive to their situation because they could well be struggling too right now, but at the same time explain that as a new small business you really appreciate and rely on prompt payment.

Try to finish the call with an agreement of when they will pay you, and maybe follow it up with a little thank you email to nudge them again!



## No.2

### Request Payment in Advance

Many businesses leave invoicing until the last possible minute, and the final invoice can often be issued long after the work has been completed. Wait another 60 days for payment, and you can see why cash can be in short supply.

However, if money is tight and your cashflow is suffering, there are ways of bringing payments forward.

**Could you part invoice at the start of a contract or project, for example, or break the value of the job into several stages and invoice at the end of each stage?**

Perhaps you could offer an incentive for payment in advance, or simply send a proforma invoice and ask customers to pay online to start the project.

Many local authorities, the education sector, and very large companies have excellent policies in place to support their small business supply partners, so don't be afraid to ask your customer how they can help you with faster payments.

## No.3

### Ask for Payment Holidays

There are numerous formal and informal opportunities at the moment with regards to reducing monthly overheads, and obviously the furlough scheme has been a huge support, **but you could also speak to landlords and mortgage providers and see if you can have a payment holiday.** Many mortgage lenders in particular are offering 3-month holidays.

This would typically involve adding payments onto the end of your current term, or spreading the outstanding amount over the rest your contract. Either way it takes some of the pressure off right now.

You could also speak to suppliers of leased office equipment, vehicles, and any other business support service providers, and see if they can help you with a short term solution. There is nothing wrong with asking for help, and if you don't ask, you won't get!



## No.4

### Manage your Supplier Payments

Many SMEs don't have strict payment policies in place for their suppliers, so they often pay an invoice as soon as it comes in without thinking about the implications for their own cashflow, or even pay cash on delivery.

**Create your own terms and conditions, and include information on how you process invoices, and when you will pay them.**

For instance, you could decide to pay all supplier invoices 30 days from receipt of invoice. Some companies pay suppliers 30 days after the end of the month that the invoice was received, which in effect stretches payment terms out to up to 60 days.

For your key suppliers, try and make sure that you have a credit account, which gives you chance to sell your products and services, and receive the cash for them, before your own supplier payments become due.

## No.5

### Review your Pricing Models

We've all read in the news that certain products are currently in high demand and/or low supply, from hand sanitiser to mountain bikes. This has massively affected both waiting times and also prices, as businesses try and maximise their profit from scarce items.

**Think about your industry, and whether the pandemic has affected how much you can charge for your products and services.**

There could be a higher demand or lack of service provision, which means you can charge more as long as there is a reasonable justification. Conversely, with so many businesses offering the same products it might be extremely competitive out there.

**Don't forget to do your competitor analysis too.** Some of your rivals may not be trading right now so any price matching you normally have to undertake could be removed temporarily, allowing you to make more profit from less sales.

Getting our pricing right is a fundamental part of any business success, but at the moment it could literally be the difference between staying in business or having to close down, so it is well worth spending some time to get it right.

## No.6

### Check your Business Insurance Policy

The business interruption section of your business insurance policy is worth a read right now, because some businesses are finding that they are covered for loss of income due to Covid-19.

**According to the Association of British Insurers, they estimate that over £900 million will be paid out for business interruption due to the Coronavirus pandemic,** so there's a real chance you could be entitled to compensation.

Every policy is different, and different insurers are approaching this in a variety of ways, but some businesses have been paid out for their business having to close.

In most cases it is down to poorly worded exemptions and their terminology of what constitutes a pandemic, so if you're not sure if your policy covers you then running it by a friendly solicitor may well be worth doing.



## No.7

### Sell off Old Stock and Unused Equipment

Every business has stock that no longer sells, services that were tried and dropped, and equipment that was purchased but not really needed, and the longer you leave it lying around, the less value it will have.

**Now is the perfect time to get items listed on auction sites, sell off any unwanted equipment, and turn clutter into cash.**

Many people are at home more at the moment, so hobby projects, household DIY and up-cycling are very popular, so think about whether someone might love your old stock or equipment for their home project.

Try and have a goal for the cash you raise, for instance covering a salary or paying an outstanding bill, and that way you will feel a real sense of achievement once you've got rid of your unwanted items – and hopefully it will become a regular process.



## No.8

### Make the most of Grants and Support Programmes

By now you've no doubt taken advantage of the mainstream government support packages, from small business grants to bounce back loans.

There are also numerous other support programmes out there, including mentoring and advice programmes such as this one, digital investment grants, rent support initiatives, and incentives on rates and employment costs through apprenticeship and back to work schemes.

More importantly, once you have applied, ensure you make the best use of the support on offer. **Think about how your world is likely to change post-Covid, and make a plan to emerge in the best shape to benefit from these changing circumstances.**

From making your business more virtual, to taking your first steps into online trading, there are numerous ways that you can adapt your business model to be more resilient.

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**Good Luck with whichever of these tips works best for you, and don't forget to let us know how your financial health check worked for your business.**

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We are here to help you  
navigate this new normal to  
keep your business thriving.

Take a look at our Top 8 Tips  
on how to get the most from  
your financing.

