



Techniques for Increasing Cash Flow

Increasing Cash Flow

Meeting your goals and making a profit has never been so challenging. As a business owner, you have always worked hard to devise strategies to “make more money” and stay ahead of your competitors. With customer demand slowly trickling and companies not able to cover costs in this economic slump, the objective for many businesses has shifted away from money-making to “just staying in business”. Most companies take the obvious route and cut costs wherever they can. This can include downsizing staff, cutting-out products that are high cost and low profit, shutting down office locations, and relocating. But how is it that some companies are prospering even when their competitors are dropping like flies? One of the answers is to focus on increasing cash flow.

Some companies hire savvy accountants who make the numbers appear to indicate a prosperous financial situation, when in reality they are struggling to make ends meet. They are not the only ones. As a society, we function on credit and promises. The accounts receivables may indicate that your company will be profitable, but when? The hard facts are that some of these companies cannot pay for what they are purchasing, because they were also receiving promises for expected payments from their customers who are having a hard time.

Yet, there are some quick techniques that you can implement to increase cash flow and go beyond the “just make it” strategy, and into the “make a profit and stay competitive” strategy.



1. Maximizing efficiency of transactional activities

A study of small and medium sized companies conducted by Comarch’s Marketing Group in 2008, indicated that businesses who maximized efficiency on transactional activities not only cut costs, but increased cash flow, and spent more time managing. The study found a recurring situation among these companies - they were able to cut their staff by 43% by optimizing transactions that had previously taken up 40% of the companies’ time.



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When downsizing staff, some companies re-allocate transactional activities to existing resources. This never turns out well, since final results are often uncompleted, rushed or sloppy, because the staff may be overburdened or lack experience. This leaves room for grave errors. The companies in the 2008 study decided to make an IT investment in Comarch ALTUM. These companies were able to automatically complete all recurring transaction activities with Comarch ALTUM. For example, they were able to automatically post their data into correct accounts using Comarch ALTUM's accounting schemes. The user no longer had to find and then click correct posting accounts - all transactions were correctly posted. Then, the system automatically entered this information into all correct financial statements and other reporting tools.

Because they automated daily business transactions, these companies reported reductions in paperwork, recordkeeping, and tasks. This freed-up time for financial managers to focus their attention on analyses and strategy rather than scrambling to come up with the correct numbers for their company. They were able to take a more proactive role in cash management and the reporting tools within Comarch ALTUM allowed them make strategic decisions that resulted in profitable activities.

2. Liquidating Inventory

The most reasonable approach to increase cash flow is to analyze inventory, and figure out which materials are not vital to your organization's activities. Simply put, if your company has a cash flow crunch, liquidating or returning inventory assets can raise cash very quickly. Yet, how does a company manage its inventory to make sure that it has the optimal quantities on-hand in order to do business?

In every company, there are certain products that are always in high-demand and those key items need to be available at all times, but if you keep your stock levels too high, your cash will be fixed in inventory. With management software, you will be able to analyze customer demand during seasons so you can set minimum and optimal quantities. The system will then automatically replenish inventory.

Comarch ALTUM allows users to automatically replenish inventory for essential items that are must-haves. By streamlining your inventory with Comarch ALTUM, you will eliminate excess stock that is sitting in your warehouse, while remaining confident that you will always have vital merchandise in stock. Additionally, the cash that would have otherwise been tied-up in your inventory can now be used for other transactions.

3. Methods of Payment

Another undemanding way to increase cash flow would be to accept alternative methods of payment. Many companies only have the ability to accept certain types of payments: check and bank transfers. But a good strategy may be implemented by extending the types of payments accepted. For example, let's say a company wanted to reward a couple customers that were never late with their payments, but always paid on the last of the payment terms. The only payment methods this company offered were bank transfers and cash. When this company decided to allow some of their customers to pay with credit cards, not only did these companies pay, they paid them immediately. The final effect was that the company had cash in its pocket immediately, as opposed to waiting until the end of their payment terms.

With Comarch ALTUM, you can define payment type for every vendor and customer. Additionally, you can configure multiple bank accounts (where you can pay with check and wire transfers), accept multiple credit card companies, hold a petty cash fund with an audit trail of every transaction, reflect compensations, and allow customers to pay with loyalty points.

Across the board, finance executives believe they spend too much time on forecasting, budgeting, and planning. Of these executives, 73 percent rely primarily on spreadsheets and manual processes. When asked about the most acute problems with their current planning process, more than 60 percent said it "takes too long." Nearly 43 percent said "not enough time to analyze data," and more than a third cited "lack of ownership

— CFO Research Services



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4. Partial Payments and Payment up front

Be bold and request payments from your customers up front. You may have allowed your customers to pay after your goods or services have been delivered, but to increase cash flow you need cash in your pocket now. Payment up front is the surest method to guarantee that you will be paid for your goods or services. However, you may have customers who will be unable to pay for everything in one lump-sum ahead of time. If this is the case, you could request partial payments.

Comarch ALTUM allows you to not only to manage partial payments, but also check the customer payment history. For those that have a faulty track record, you may decide that they need to pay before you deliver. On the other hand, if you have customers who always pay on time you could allow them to pay in partial payments, as you deliver. You can schedule these payments easily using the payment planner in Comarch ALTUM. You are automatically informed whenever someone owes you a payment, or a payment is overdue.

5. Making Billing Your #1 Priority

Although this seems obvious, many companies accidentally overlook, or push back billing as a priority. Things like marketing, customer development, and product management creep their way up to the top of the list. By placing an emphasis on billing, and making sure that you are not only sending invoices, but collecting on all payments (especially if they are overdue), you are ensuring that your company will receive the payments that are owed to you.

With Comarch ALTUM, you can easily configure workflows to match your company structure and strategy. If your Accounts Receivable team is in charge of sending invoices, but a different department or individual collects, the system's configurable dashboard can easily create alerts,

reports, and analyses to aid in this process. You could even setup a workflow to automatically send invoices to your customers as soon as you have sold the product!

6. Paying on Time

You might be shaking your head and saying 'of course you have to pay on time'. But how many times are the NET 15, NET 30 payment terms overlooked by customers? The problem is that many companies allow this to happen, and customers become used to these lax rules. Enforcing these terms is a truly crucial move for your company to increase cash flow.

Customers understand –you need to get paid. It will also allow them to plan ahead to make sure they pay within these terms to make sure they are not overdue or late. In most cases, you will find that it is your customers with the most purchases who are late on payments. It's important to keep up your relationships with your customers – send them reminders and call them to make sure they will pay you on time so that they can avoid any late charges. This will not only increase your cash flow but improve your business relationships for the future.

The importance of paying on time applies to your company as well, but in order to hold onto your cash, try to talk to your vendors about setting up credit terms so you can pay minimum amounts per month. This way, you are prepared to pay those amounts ahead of time and do not run the risk of running into late fees.

Comarch ALTUM can help you keep track of all these payments. You can set up automatic recurring payments to your vendors, so you do not have to think about creating the payment. Additionally, Comarch ALTUM provides a Business Intelligent tool that allows you to automatically create reports to better analyze customer behaviors and the correlations between costs, payments, and profit. Standard reports like open invoices, aging reports, and customer payments are just some of the tools that are automatically available to you.



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7. Collecting Accounts Receivable

Convert your accounts receivable into cash. Make sure to keep track of what you are owed without letting invoices slip-by. It is the most effective way to make sure you have cash in your pocket. Also, help your customers out and print “Remit in 30 Days” or “Due Upon Receipt” on your invoices. Getting paid ontime may be the only way that you are guaranteed to get paid at all!

Comarch ALTUM provides several tools that will improve your ability to collect your receivables. First, you can set credit limits on customers, so that if a company tries to negotiate a longer payment period, you can lower their credit limit in the system, providing you with more money in your pocket. On the other hand you could increase credit limits for customers who pay on time, rewarding healthy relationships and encouraging on-going business. Second, you can create ad hoc reports using the Business Intelligence tool to analyze and monitor the average time it takes for a customer to pay you. Let’s face it, there is nothing worse than a customer that can’t pay, and you no longer have to be in that position. You have the ability to make smart decisions about who you want to do business with, by creating ad hoc reports that show real and past time information about your customers.

These techniques will improve and increase your cashflow. However, the biggest advantage is that these techniques will allow key people in your company to have a more time to make better decisions. Instead of your finance department focusing all its efforts on creating and making sure that invoices are correct, they can play a proactive and decision-making role incash management – to increase resources for better and faster business processes.

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