

BUSINESS MADE EASY[!]

A man with short, light-colored hair, wearing a blue and white checkered button-down shirt, is smiling broadly. He is sitting in shallow water, with splashes around him. The background is a light, textured surface.

Episode

How Can A Business Improve Cashflow

Full Episode Transcription

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Good day, good day and welcome to the Business Made Easy Podcast where we make business easy, Jason Skinner your host here for another week of the podcast, that is all about growing your business, growing your bottom line profit, and giving you a better life as a result. Thank you so much for joining me and it is great to be back with you behind the microphone again. I must apologize, I did have to step away for a couple of weeks there, which-which was just unavoidable. Uh, one week was actually long-- I was actually away one week longer than I intended to be. Because I actually got sick, uh of all things so I uh—you know I was unwell. I had the man flu as my wife mostly calls it. And uh I-- yeah, basically I couldn't actually record. I was all set to record a podcast for you, but couldn't get to the microphone.

Sorry. Sorry. I do apologize for that. And that's why I um, chose some uh reruns that I thought that might be-- well, they've been popular in terms of downloads and-and feedback, etcetera. So I thought they might be uh, helpful if you haven't listened to those already they and if you've missed those in the past, they may have helped you. So anyway, I'm back and here, and ready to serve you and help you with your business again, and we've got a great episode today which I'm dying to get into 'cause I-- it's one of my favorite topics um to-to deal with in business and that's helping business owners with their cash flow. That's right, putting more money back in their bank account or-or uh building their bank balance which is what we wanna do.

Am going to go through uh how to do that and-and how you can improve that in your business very shortly. But before I do get into that uh, if you haven't already joined our free Facebook group, be sure to do that uh by going to what businessmadeeasypodcast.com/community, I'd love to see you over there in the group and uh interact with you, etcetera over there. And don't forget, if you've

got a question that you'd like answered in your-- you know in your business, something that's troubling you, might be around today's topic cash flow, just feel free to drop me a line at jason@businessmadeeasy podcast.com, and I am here for you, to help you grow your business. We got some exciting things coming up. So uh, yeah, be sure to jump over there in the Facebook community or drop me a line and I'd love to keep in touch with you.

Alright. Let's get into today's episode where we're going to talk about cash flow. And uh, why I wanted to talk about that today was because it is an area when I'm talking to business owners, if I ask business owners, "What's your biggest frustration in business at the moment? Uh, or your biggest problem in business or your biggest thing that you'd love a solution for in business at the moment." The answer is undoubtedly usually always uh either time, I want more time or cash flow. I want more cash flow. I want more money in the bank. I'm sick of struggling. Uh, I can't pay my bills on time. Uh, the money just doesn't seem to be coming back in. And it is uh just a perennial problem in every small business.

Every single business I know has to manage cash flow in some way. It is part of the deal when you sign up for owning or running your own business is to have um, have good cash flow management in place. Um because as my grandmother used to teach me, she'd say-- she used to say, "If you look after the uh, the pennies, the pounds will take care of themselves." And-and uh, I- I used to love that saying that she told me. And basically that means looking after your money, looking after the small dollars here and there. Uh, the big dollars will- will build behind you and-and uh help you out there.

So, uh, to get into this topic I guess into frame and I just sort of- just sort of thought I would ask you a question. Um, if I was to give you \$10,000. So you

knocked on my door-- I knocked on your door today and I said um, "Hi there, uh it's Jason and um I've got a really great uh idea, and I'd like you to give me \$10,000. And if you give me that, I am going to uh, throw that money up to the world. I'm just gonna throw it at cost out there, give it away but uh, I'm going to collect it back. And when I collect it back, I'm going to actually have 20% more money. So I will give you uh back \$12,000. If you give me \$10,000 today, I will throw it out to the world. I'm gonna collect it all back for you magically and then I'm going to give you back \$12,000 cash. Would you do that?" And I would think 20% return on 10 grand? Yeah. I'd--

I'm sure you're probably thinking, "Yeah, I would do that." But my question is, how long would you would let me or give me to actually collect that money back and give it back to you? How long would you-- would it take for you to start getting nervous when you haven't heard from me? So let's just say it's uh Monday the first of- of July. And um, I give the \$10,000 on the first of July, and I throw it out there and you don't hear from me again. A week goes by, two weeks go by, three, four-- how long would you wait before you would start saying, "Geez, I haven't heard from Jason about that 10,000 or \$12,000 he promised me." Would you be ringing after a week, two weeks, how long? And this is my thing for you. We are doing the same thing in business every single day. We are throwing money out to the world.

We are buying goods, we're buying stock, we're employing staff, we are paying rent, we are investing money like that, every single day of the week. How long would it take you to- to uh, pick up the phone and start asking me for that money back?

And that's how I want you to think of your cash flow in your business. Because effectively that is what we are doing. We start off with a sum of money. Actually before we get into that, let's just add another thing to the story. Let's just say after a month, you haven't heard from me, but I turned up on your doorstep again and I say to you, "Hey, look um Joe, Roger uh, that 10 grand it's still out there. It's going alright. But I wouldn't mind another 10 if you give me another 10 grand uh I'll- I'll do the same thing and I'll get you back another 12,000." Would you do it? Would you add-- Would you-would you go and get more money and throw it out to the wind on- on the promise that I'm gonna get that back in for you?

Now I know-- Look, there's a means-- some scenarios here as to, to what about we're just go with me here. We're- we're playing make believe. [laughs] Having a bit of fun. But I dare say you wouldn't. I dare say you'd want to see that \$12,000 come back to you. Uh, at least your 10,000, before you would give me another 10,000 to go and do that.

And businesses do this. Businesses throw money up to the- to the wind. They employ uh—to, they employ staff, they buy goods and services, they pay rent, they- they advertise, they spend money on travel and conferences and learning, they spend money on a host of different things. Depending on the business you're in. Websites, over the view that that money that is being thrown out there is going to come back in some way shape or- or form as a return.

Yet so many businesses don't actually chase up or follow up where that money is? Or why hasn't that money come back? Or why isn't that return happening. And that's cash flow management for you. That's cash flow management. Think of that \$10,000, throwing it out, investing it in a business and a hope that we're

going to get \$12,000 back. And this is why so many businesses struggle with cash flow. Because they don't plan it. They don't look at it like that. They don't look, they instead of um, I have so many people come to me from-- when I say so many people over the years, I've had-- I've so many people come to me. Uh, but-but so many business owners will-will knock on my door, pick up the phone say, "Hey, Jason cash flow is tied at the moment. I need an overdraft." That's exactly like that second scenario, where I mentioned that I go and ask for another \$10,000 to throw it out to the wind. But what about the 10 that's already out there? Where's that?

And so going and getting more money and throwing it out to the wind? Yes, you may need to do that to-to keep the business going but-but on what basis? How are we managing this? And how are we gauging this? And-and how are we budgeting around what's going on, and identifying what's going on? And so the very first thing I want to talk to you today about is the importance of making sure you have a cash flow budget or plan in place. We actually have some sort of science, some sort of methodology behind why-- what we're actually doing in our businesses.

And this doesn't matter what business you are in. Whether you're an online business, whether you're uh a bricks and mortar business, selling goods and services, just selling services, whatever is that you're doing? This is the same thing, you are investing money for the hope of a return. So my very first point here is, if-if that is the case, we need a plan. We need to know that if I'm gonna get that \$10,000 and I'll keep referring to this \$10,000 just-just by way of example. Um keep it simple. But, um if we're going to invest that \$10,000 out somewhere, um in a hope that it's gonna bring back \$12,000, then we need to know how that's going to happen and when that's going to happen. So a cash

flow plan would do this. A cash flow plan would show me my outflows, being the \$10,000 going out. And it would show me my inflows, the \$12,000 coming back in. Now, they might not happen in the same month. Uh, I might need two months for that um \$10,000 to turn into \$12,000. But without a plan, I don't know that. I'm just guessing at best. At the very best. Without a plan I've got no way to manage, um manage this process of-of money going in, money going out of my business. And that's where my saying-- it was not by saying but, I don't know forget who told me. But it's a very good saying, "If you can measure it, you can manage it." And that's so-so true when it comes to cash flow and improving the cash flow in your business.

So um gonna give you seven areas today. Uh after we talked about budgeting and cash for- for a moment. But I'm going to give you seven key areas today that you can look at in your business and hopefully identify and help-- to help you identify exactly where cash flow is going wrong in your business and how you can—how you can um put strategies in place to-to fix it in there. But the very first thing we need to do is start with a cash flow budget. Now, cash flow budgets I've seen all different types.

I have seen them on backs of envelopes. I've seen them um-- I've seen them in most of-of elaborate um spreadsheets. I've seen three wave cash flow forecasts which I'll get into how they work. But um, you know, I've seen software that you can buy and-and generates all these cash flows and things for you, to help you predict it. But generally, if you've got an excel spreadsheet, with some months across the top, uh and you've got down the side, you've got the very first heading all say money in or-- Sorry, opening bank balance at the top, and then you've got um, the next heading might be your inflow. So money coming into the bank, and then the next heading under that might be outflows. The money going

out. And-and you want to get the timing right. So when I-- when I-- when I um spend money, how long is it taking me to get that money back into my bank account, and with profit. And that's effectively what you're doing.

If you think of a scenario like a shop, um, a retail shop or online store, or anything like that. You buy goods and service or you buy stock products, purchase it. You might have a period of time before you have to pay for that. So that cash hasn't gone out yet. We may have the stock already and we may be able to sell it, ideally before we have to pay for it.

That would be perfect. That's positive cash flow. We don't have to pay for the goods until we actually sell them? That would be just-- just an amazing uh business model, wouldn't though? Because we're using effectively other people's money to- to buy the goods and-and sell them. Um, but it doesn't always work that way. But how long is it taking before we have to stop money going out of our bank account and paying for goods? And then how long uh, do we have to wait till that money or that product gets sold, service provided, invoice given, customer pays, puts the money in our bank account. And this is what we wanna-- this is what we wanna narrow down, when we're doing our cash flow budget and our plan. Because when you do this, it will show you at what times during the year, you're going to have cash surpluses and cash deficit. So when is more money going out that's a cash deficit, when we got more money coming in, then we've got going out that's a surplus.

So we want cash surpluses all the time when we- when we get to grow our business. So, uh--very-very important too and I want you to think about um having--having an actual cash flow model. I'm actually looking at putting together a um, a cash flow training if you like to help people um, with this area--

if this is something that's of interest to you, in terms of being able to help you manage your cash flow better in your business and help you with cash flow planning, then just drop me a line at jason@businessmadeeasy.com and I'll put you on my list to, to um—to-to give you more information about that as it comes out. But it is such a critical area of your business to get right in every single business.

No matter how big or small should have one. Even if you're just a sole trader just starting out, just getting that. It's more important than ever to have that because you're- you're charting in unknown territory. So definitely want you to have that. It's a non negotiable um, starting point for growing your business.

So let's look at-- if we've done a cash flow-- Let's say we've looked at it and go, "Oh, Jason that doesn't look very good. Uh that's not how I had it in my mind. Oh, that's not what I had pictured for my business and my growth." Where do you start um looking? How do you start to fix this? And what I wanna give you now is seven main reasons.

The seven main causes that cause bad cash flow can affect of seven areas of your business that can affect your cash flow. And-and then once you can, uh look at these and understand these, you'll be able to drill down and say, "Huh. Is that uh what's going on here? Is that what's causing this?" It might not be just one thing that's causing the cash flow problem that might be several um, several of these and a mix of them. More-- one more- one more so than the other. So it's not-- you can't look at them in isolation but the seven areas of-- the seven things that I start to look at if I'm analyzing a business that's got poor cash flow. The-- these are the seven things that I'm gonna go and start looking at and drilling down. And asking questions about and um, getting to the bottom of to see-- see where the cash is leaking out of the business. Because of fact it's exactly when

cash is leaking out a business it is exactly the same uh scenario as I said before. I keep coming back to it. Throwing 10 grand out there and uh-- And just hoping it comes back at some point in time.

Alright, so let's look at these seven things. And the very first thing I guess I would start to look at in terms of if-if a business is suffering poor cash flow, I'd want to know what the billing or the accounts receivable collection processes like. So the invoicing, if you like the sales process.

How is that working? Is-is- is it taking forever to um—to-to issue your invoice to a customer? Um, like, are you providing goods and services to your customer and they're not invoicing them for a week or two? And then they're taking another week or two to- to pay you. This can happen if you- if you don't issue the invoice right on the spot or at a point, if you're not lucky enough to have a point of sale type business where you know, we'll like or worse for instance, where basically you don't leave the store without your groceries. Oh sorry. You don't leave the store with your groceries without paying. Uh got that wrong, didn't I? And so, you know, do we have that sort of business or do we have a business where we do a service and then the customer-- when we get around to doing the invoicing, the customer get the bill and then the customer take their time and we forget about it. We're on to the next job. We're just doing the next- the next lot of work, and we just sausage machine this workout without actually paying any attention to um, the collections of our money for the work we're doing.

So, do we have that sort of business? And this is what's important to identify, look the first thing I would look at is, how are the accounts receivable? How's the sales process working in this business? Um—and-and we would wanna drill down on that. Because it to be-- this is probably-- to be honest with you, if you're

having major cash or you're having cash flow issues in your business, this is the first year I'd probably even go to. After doing a cash flow budget, I'd wanna see what's uh-- what's going on in my billing process and-and-how often am I collecting my invoices? And here's the thing with this. It might seem like uh on average, it takes 30 days to collect payment for your work that you've done. Let's just say it takes you 30 days to get paid. It might not seem that much to reduce it down to 25 days.

But I can assure you, when you do the maths-- and I won't go through it here on the podcast. But we had to do it in an audience. But when you do the maths, uh, five days of collection of a faster collection of your money can make a profound difference to your bank account. So- so just keep that in mind it's-- every day that someone's taking longer to pay you, it's costing you a lot of money and that's money that you'll find-- you're funding their business by- by not by letting them not pay us straightaway. So, accounts receivable. And that's basically the billing and sales process. I would definitely check that out and-and have a- have a look at that. Make sure you are um tsk-- make sure that you are issuing invoices on time. Make sure that you-- if you do the work, uh, make sure you are actually issuing the invoice for the work at the time of doing the work. Not-not waiting um, until- until-- and I could do a whole episode. I might actually do a podcast episode just on building process actually, to be. It-it would take a whole episode to talk about all that.

The next thing I would look at is my accounts payable process. How long uh, do I have to pay my bills? Am I, do I have good terms with my suppliers? Um, have I got the ability to stretch that out a little bit so I can- I can use my working capital and my money to my advantage a little bit longer than, you know, having to pay on the spot cash on delivery, you know, do I have any payment terms? So

negotiating payment terms with your suppliers can be a great way to, um, free up a bit of cash flow and put-put a bit more money back in the bank because it means that you're able to sell. It's uh-- there's less time between having to pay for your goods and-and the money coming in from the sale of those goods, uh, when you ultimately sell them. So the further we can reduce that gap between the two, um, the better that that um, that-that-that is via cash flow.

So I would look at your accounts payable and see what's going on there and whether or not we can improve those terms.

The third item I would look at is your inventory and stock management process. Have we got stock sitting on our shelf that is just not moving? Is it stock that we, uh, because if you've got stocks sitting on the shelf, you've paid for that stock and so there's money uh, that's not in your bank account sitting on your shelf in stock. Is any of that stock perishable? Do we need to move it and turn it back into cash quickly? So I would be looking at my stock process and in that stock process I'd also be looking at stock wastage because that's an area that can really affect your cash flow as well.

If we uh, just-just wasting stock if particularly if you're in the food business or restaurant business, anything like that. Um, you can- you can really burn up a lot of cash if you-if you don't manage that stock and ordering process really effectively. And that's why I'm a fan of like the just in time type ordering system whereby we just get, we just carry enough stock to um, to meet the demand of our, uh, our customers. So we're not offering bad service by slowly, you know, by-by delivering the products slowly. But we've got just enough there, um, to cover us that, that it's taking out. So we're only paying for what we absolutely need to pay for in our business. And that's-that's a, another critical area is the inventory and stock management. So I'd be asking questions around that and

seeing what time, saying how long stocks sitting on our shelf, seeing what sort of wastage there is. Um, and what the ordering processes for that stock. Uh, particularly to, you know, if-if-if you, uh, when you order your stock while we're on ordering, when you order your stock can have uh, a huge difference on your uh cash flow, because let's just say um, you um, order, it's better. It might be better to order your uh stock on the first of the new month, uh, given you what your payment terms are. But if you order on the last day of the previous month, the- the payment terms workout profoundly different.

Now there those situations arise. So you really need to look at that. And you know, if the staff member just goes an order stock willy nilly as I want to, um, then that could play havoc with your cash flow if-if-if that's going on. So it's just a stock management very-very important for those businesses that are carrying inventory so. Your online a physical product type businesses, etcetera.

Even if you are using um, FBI like fulfillment by Amazon, in an online sense, that stock on hand. You know that's-that's money that you've got sitting in Amazon's warehouses. So you need to uh, need to really uh, to have a look at that area.

Area number five, are your overheads, have you had to look at your overheads? Are they too high for what your needing? Uh, given what you're doing, are there areas of your business where you can cut out a chunk of a wasted cash flow where your subs, we've covered this in episodes previously, but are you paying for things that you don't need to be paying for subscriptions, those sorts of things. Um, do you have too many staff, or your staff not working efficiently? Um, all those things can have a huge impact on your cash flow because it's money going out. It's dead money really. If it's just being wasted, it's money you're paying for and it's going out of your business, but this, it's not coming

back in the margin that it needs to come back into. So, um, check your overheads if-if-if uh, if that's an area that is showing up on your cash flow statement on your plan, because you know, you may very well find that um, that area of your business is leaking cash is your rent, right, have you got too much premises? So you're paying for too much storage? You know, are there things that you can put up in the cloud or-or offline and digitize, you know? Uh, years ago just as a side note um, we used to, in the accounting- in the accounting world, we used to have rooms full of filing cabinets, physical files that were, um, because every client, we had basically had a physical paper file full of documents and-and tax returns and all sorts of accounts and things like that. Now, we used to keep all those um, records for-for five to seven years. You know, we had miles of these rooms of filing cabinets and we were paying rent for them.

Um, and if you look at it now in, in context of now we don't- we don't need to um, we don't need to-to um, to do that because we can digitize everything. If everything is in the cloud and on the internet, it's a lot cheaper to pay for a um, a hard drive somewhere in the cloud or um, as opposed to physically paying rent to a landlord for-for office space which is-- which can be expensive. So they're the sorts of things I'll be looking at with your overheads, the other efficiencies that you can build into, into there.

Uh, number six, is your gross profit margin too low? Are you- are you making enough money on what you're actually selling? So some of this can be very tough to manage because it might be a quite, you might be in a competitive market, so, you know, there's a lot of competition and price sense-- price sensitivity around what you're selling. But generally, and we've spoken about this before, pricing in-in other episodes of the podcast, but is your pricing right? Um, are you charging enough for um, to cover all your overheads and-and-and your costs of

running your business. And your cash flow statement will help you to identify this. If you set this up correctly, the cash flow statement will help you identify whether or not you're making enough money. And this is where we wanna look at your breakeven point in your business. And I spoke about this back in episode number 40. It was so if you get a [businessmadeeasy.com/episode40](https://businessmadeeasy.com/podcast/episode40) and uh, and we talk in depth about breakeven point and how to establish that and-and importance of that. But you want to know at what point your-you're at what sales level, your business starts to make enough money to co-- you know, to-to make profit for you. All the costs of are covered on that sort of thing. See, you really do need to understand your breakeven point.

Um, but that all goes into margin, gross profit margin. How much are we making after we pay for our goods and we sell them, if we sell the goods how much and we pay for them, how much are we making, how much is leftover to pay our overheads and-and the like and give us a return on our money as well. Um, very, very important to know.

Then we wanna look at point number. What are we up to? Point number six, we wanna look at your uh, sales level. How um, are we-are we generating enough sales volume? Are we selling enough, um, at the margin where selling it at to-to-to cover everything? We may need to make more sales, the margin might be fine but we're not selling enough of the actual products themselves. So um we wanted, we'd, that'd be an area that I'd want to drill down in and just have a look and see whether or not. Um, we've got to improve our sales processes in some way. Um, is there a weakness in our sales team? Is there uh, something wrong with our marketing? Is a, this is, this will help you to identify those, those issues down there by looking at your sales level.

And then at point number seven, now this is an area that um, a lot of people underestimate and don't look at. And that is your debt structure. Although your cap-- what they call your capital structure you, your actual financing structure of your business. Now, let me use an example here because I saw her business, uh had this very, very same problem, uh, many years ago. Very, very profitable business, but they had to borrow money to buy the business. And so they went to the bank cap in hand and they had some of their own money and they were going to borrow some money from the bank to-to buy this business.

And the bank said, yeah, absolutely, we'll lend you this money, but we want the loan repay back over a 5 year term. So yes, we're going to charge you interest on that money, but we will also want you to repay the capital. So repay that loan down or amortize that loan down, over a five year period. Now, not knowing any better that this customer's going along and-and-and done that signed up and taking the loan and repaying it over a 5 year period. But what's actually happening there is they're having to reduce that loan. So those, those repayments each month to pay it back over the five years from their cash flow, their business, the only way you can reduce the loan, um, balance. So pay that loan off is from cash flow in your business.

Unless of course you wanna go and get money from somewhere else but uh, where you just swapping one for the other part or putting money, more money in yourself, but, but generally, for the business to pay that loan off, it has to use its cash. It has to use the mon-- you basically have to buy the products, sell the products, pay for all your overheads and then the money in the bank there, you have to pay some tax and you also have to reduce the loan. You've-- those loan repayments are coming out of your-your cash flow. So very-very important that you ass—you-you structure your, if you are borrowing or putting money into the

business that you structure that correctly. So there's an- an uh, an appropriate debt um reduction strategy or-or um, capital structure in your business.

Now with that client that I was just talking about, very, very profitable business, but they were making no money or they had no money in the bank that are making good money, but there was not enough money left at the end of the day to keep the business running because the bank were taking it all to reduce the loan. Very-very simple fix.

All we did was renegotiate the terms of the- of the loan with the-with the bank and say, "Hey look, instead of us paying this off over 5 as you can see here, we're making profit, but can we extend it to 10 years now?" Can we pay this loan off over a 10 year period? And that's gonna free up our cash flow to allow us to, to keep operating and keep making sustainable long term profits. Easy done. And-and certainly, yes, they may pay a little bit more in interest over that time, but it gives them the flexibility and the cash flow to grow the business and keep expanding the business and reinvesting back into the business and very-very profitable business today as a result of that, loans gone paid off and um, and-and-and it's heavy days. So that is an area that if you know, a lot a lot of businesses get wrong at the from the outset is they don't structure that debt and capital, uh, or money in the bank properly to start with the terms of too tight or-or the interest rate might be too high or just might not be an appropriate funding uh mechanism for that, for that business, the way it's set up. So it's an area always look at as well.

Alright, so let's recap. That's the seven strategies there, the seven areas that I would look at very first really should say there's eight things, but because the very first thing I want you to do is understand the importance of a cash flow

statement or budget, a cash flow budget plan, whatever you want to call it. But I want as a starting point for you to, to understand the importance of that, even if he drew something out on an envelope, it's better than nothing. And um, and it doesn't have to be complicated, but have something that you can see how long, where, where your money's coming in, where it's going out and what's being kept in the bank account. Again, if you can uh, measure it, you can manage it. So just keep that in mind. I want you to keep that saying, hey, if you can measure it, you can manage it.

But once we've done that and we've identified that they may be problems or where we can, looking for opportunities to improve, we then want to look at number one, accounts receivable billing process. What's our sales and billing process like in our collection? A process, like are we collecting our money, getting it in the bank in a timely fashion and can we improve that, tighten it up in any way.

Accounts payable process, how is that looking? Are we-- are we paying off the-- the um, are paying off bills with favorable payment terms, or our suppliers looking after us in that regard and we taking advantage of all the-- all the incentives that we can get there in that process.

Number three, inventory management. Are we managing our stock adequately? Are we buying at the right times? Are we buying the right quantities? Are we moving stock off our shelves fast enough? Are we minimizing waste? Are we reducing, um, you know, um, yeah, waste and-- and um, stock just going off on the shelves. Um, how are we, how are we manage it? What's our stock system like? Um, number four is overheads. Are overhead's too high? Are they, um, you know, are they more than what we need? Are we, you know, are we

driving around in this big truck when we only really need a small car? Look at your overheads. What can be cut out of those overheads? Are you paying for subscriptions you don't need to be paying for? You're using software that you no longer use or you paying for rent that you don't need to be paying for. Can you sublet some of your rental space? So you may have a big premises that you're not using you know, could you get another tenant in, uh, to help subsidize, um, help subsidize that that rent? I know, um, your now physical um, business or-or accounting practice, we have meeting rooms that sit there, how they used on a daily basis. But we um, sublet those out for people that want to use a meeting room, we wanna hire a meeting room for the day or half a day or whatever it is that they want. Um, because we've got capacity there, uh, and rather pay rent for just an empty room, we sublet that out to another two to anyone off the internet. They basically can book online and rent out a-- rent out an office space if they need it for the day and that subsidizes the rent for that space instead of it sitting there being idle. So these are things you can think of in your business. Do I have idle space around that I could either get rid of or uh I could sublet to somebody else? Maybe for storage of whatever it is that whatever your business is-is doing.

Could you uh piggyback with somebody else? Could you actually, instead of having a premises to yourself, co-share with somebody else so that you can reduce your rate and get some efficiency there in your overheads? Lots of, lots of, there's a million ways you can- you can look at um, really fun chaining and streamlining your overheads.

At point number five, we're looking at your gross profit margin. Have you got, is your gross profit margin under control? Are you making enough money for the, on-on the-the goods that you're selling for what you're paying for them? Um,

you know, have you got enough mark up on this? Very-very important to look at that. Are we selling enough at point number six, are we selling enough of the goods that we ask, that we are selling? Have we got enough volume going up a door, you know, uh to warrant being in that business or selling, selling things out of that business. We need to look at that and make sure that our sales volume is happening. Again, the cash flow budget is going to help you with a lot of this stuff 'cause I remember that um, yeah we can- we can um- we can to juice and get a lot of information out of the cash flow budget, particularly when we start to compare the cash flow budget that I want you to do.

'Cause the cash flow budgets it's a plan remember, it's uh an actual, uh an estimate it's uh- it's a what we think we want to, what we need to happen or would like to happen and expect to happen. And then we compare that to your actual what's actually happening in your business. That's an important metric there to look at. So, um, sales volume, it will be highlighted through, through those mechanisms there.

And then lastly at point number seven is your uh, debt structure correctly, you, your working capital or your capital of your business, your financing part of your business, is that adequately um, structured? Now I've seen businesses like, you know uh, people start up in business, they start up very, very small with no money at all. They're very, you know, very lean, uh, most started as a hobby and you just started doing this businesses as a hobby and um, you've started to expand it into a more um, robust commercial sort of business. And it's quite serious now, you know, it starts to expand. Um, if you are expanding, you're going to need more money and you might be expanding in uh, a-a greater right than the business is actually generating cash for you. So that's something to consider too. If you didn't that start up phase, you're going to need to have

appropriate capital or money going funding in the business to-to and have it structured correctly so that it looks after your cash flow as well. Right? So that's point number seven, making sure you've got the appropriate debt and capital structure of your business.

Alright, a lot there. I know it's a big area of cash flow and as I said, I am putting together a, um, uh, an actual training course or-or um session on this. We might even just start with a webinar to start with as yet to finalize the format of how it's all gonna work. But I might even just start with a webinar just to show you some of the things that I'm talking about in a practical sense.

Show you how you can actually, um, work with your cash flow and how you can plan your cash flow out to give you more information and better information about your business. So that you can have more money in your bank at the end of the day, which is what it's all about. And that's why we go to work, uh, so that we can uh, so we can build the life and-and the-the financial reserves and resources that we ultimately we want in our life.

So, I hope that has been helpful for you. Um, if you're interested in doing that cash flow training with me, just drop me a line at jason@businessmadeeasypodcast.com, jason@businessmadeeasypodcast.com or see in at the facebook group there at businessmadeeasypodcast.com/community and I will more than happily help you and point you in the right direction, uh, when we're going to do that training. So I do hope you found this helpful. It has been great to be back with you, uh, is certainly great to be over that man flu, I can tell you, I'd run-- uh it's certainly not shit, not shy around, but uh, certainly great to be back with you and uh, and I

really love bringing this podcast to you. We are at episode 95, so episode 100 it's coming up very, very shortly. We'll have to do something special for that as well.

All right, I appreciate you for listening in and I appreciate you taking the time to join me each week. Um, until next week, uh, I'm going to hand you over to Mia and uh I wish you every success in your business. Here's to your success and uh, take us out, Mia. All the best guys.

Thank you for Tuning In



We hope you enjoyed this episode.

If you have any feedback or questions about the content in this episode please don't hesitate to drop me a line at jason@businessmadeeasy podcast.com I would love to hear from you.

Other things that you might like to help grow your business.

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Thank you again,
I appreciate you!

*Regards
Jason*