

A man with a grey beard and glasses, wearing a blue shirt, is pointing at a whiteboard. The whiteboard is covered with several yellow sticky notes. The background is a bright, slightly blurred office setting.

PLASTIQ'S TOP 10 TIPS FOR ACCOUNTING TEAMS

Smarter cash flow. Greater success.

Strategies to help you manage your
SMB's expenses and cash flow in 2022.

plastiQ

A woman with brown hair tied back, wearing a grey t-shirt and a black apron, stands with her arms crossed in a kitchen setting. The background is slightly blurred, showing kitchen equipment and a window. The lighting is warm and natural.

Give your business an edge.

The way businesses pay and manage cash flow is evolving, here are 10 tips to help stay on top.

INTRODUCTION

Cash flow in the pandemic economy.

How well your business manages its cash flow can play a pivotal role in being able to pursue goals, seize opportunities in time, cover monthly or daily expenses—or even survive. Since the onset of the COVID-19 pandemic, small businesses in every national metropolitan city have seen, on average a 12.7% decline in cash flow.¹ But small businesses aren't the only ones experiencing this—it's happening to mid-sized and large businesses every day. Although they may often be in better financial standing, they typically have proportionally larger expenses and commitments.

These days, depleted or alarmingly low cash flow reserves are impacting goals and even risking survivability in numerous companies across all sectors. The good news is that there are things that can be done to remedy this all-too-common cash flow challenge. We're sharing our ten tips to help your business better manage cash flow and reach its goals in 2022 and beyond.



What is cash flow management?

Every business that has inflows from revenue or cash sources and expenses (or outflows) has a cash flow— and it needs to be consciously and effectively managed. Cash flow management involves the process of summarizing, monitoring, and analyzing your cash flow statement and maximizing your inflows and outflows to achieve your business goals.² Your cash flow statement allows you to understand the anticipated future needs of your business, including what your current cash reserves look like, and to identify past mistakes that caused your company to lose out on a profit-maximizing opportunity.



Managing cash flow matters.

Did you know that poor cash flow management is one of the biggest challenges for businesses, especially for a Small to Mid-sized Business (SMB) interested in growth? It can become a headache managing cash flow in a world where 93% of businesses are paid late.

Intuit Quickbooks reported that 60% of small business owners say cash flow has been a problem. Further, these cash flow problems are one of their top three causes of stress, taking up to nine hours a week just to chase down payments.³

This can lead to insufficient cash reserves or working capital, resulting in a myriad of problems, including an inability to fund inventory purchases. One business owner told us his Kentucky-based arts and crafts store failed due to a lack of working capital.⁴ He explained how he was often short on inventory, which led to dissatisfied customers. It was a problem that he recognized early on, but he felt stuck because he simply didn't have the money to buy the inventory to support customer demand. This ultimately led him to close his store.

During times of crisis, like the pandemic, inefficient cash flow has had serious implications for businesses. Escalating costs due to supply chain disruptions, decreased revenues, and shut-downs due to employee labor shortages, among other things, have become all too familiar.⁵

If you're a business owner or digital-forward CFO, a short-term crisis such as the pandemic can become a useful opportunity to focus on sustainable cash excellence, supported by a strong cash culture from top to bottom. A strong cash culture starts at the top, with CEOs and CFOs who make cash and cash flow management a top priority.⁶ It's about moving from cash preservation to cash excellence and making this part of the next new normal in 2022 and beyond to provide these benefits.

How much cash does your business really need?

So now we know that maintaining a healthy cash balance is critical for survival—but how much is enough? The answer isn't easy; in general, it's a good idea for your business to have about six months of operating cash available at all times.⁷ As a business owner or CFO, the responsibility ultimately falls on you to build these cash or credit reserves and ensure that business operations can be easily sustained—especially during times of uncertainty or unforeseen crisis. It's only in being prepared that you can reap the benefits.



Benefits of good cash flow management

There are numerous benefits to good cash flow management, including:

- ✓ Paying expenses on time builds better supplier relationships
- ✓ Taking advantage of potential cost savings by paying early
- ✓ Greater liquidity to take advantage of business opportunities
- ✓ The ability to grow, whether through acquisition or organically
- ✓ Faster and better decision-making capabilities
- ✓ Improved planning
- ✓ Smoother coordination of activities
- ✓ Reduced stress and uncertainty

But two of the biggest benefits include the ability to ride out extended cash shortages and to compete effectively, especially in highly competitive spaces such as e-commerce that are booming but dominated by heavy-hitters like Amazon, Alibaba, and others.⁸ So, what can you do to better manage your cash flow, especially during difficult times? Here are some important tips.

A man in a blue polo shirt is walking through a factory or warehouse, looking at a tablet computer. The background shows industrial equipment and a high ceiling with lights. The image is partially obscured by a dark blue gradient on the left side.

Top 10 cash flow management tips

Cash flow efficiency and excellence is about doing more than managing your cash flow—it's about predicting it and using these ten tips to reliably anticipate your business needs and achieve a greater degree of success.⁹

NO. 1

Increase your prices— when possible.

Price increases aren't easy for businesses to share with customers at the best of times—and even more difficult when virtually every company is still struggling with the fallout from a pandemic or other challenges. Right? Not necessarily. If your product or service and your reputation are solid, and you've established a good relationship, your customers will understand the need for a price increase. They're likely in the same boat. Every company is in business to make a profit—and even non-profits need to effectively manage their cash flow. The key is maintaining good communication.¹⁰



NO. 2

Cut your expenses—wisely.

One way to expand the money available to your business is to cut or reduce some expenses. However, spending too little can stagnate your growth, so this should be done with caution. Cutting costs or reducing costs is about getting the most out of every dollar that's being spent. Where you reduce or cut costs is important—so make sure to do this strategically. For example, advertising and marketing may account for a large portion of your company's budget, but it's also the primary means to attract new customers and grow revenue; it may be better to cut costs elsewhere. Consider bank and credit card fees, which can be as high as 3–5% per transaction, as a great place where businesses can cut costs by finding more cost-effective solutions.¹¹



NO. 3

Focus on more effective resource utilization.

With Accounts Receivable (AR) staff having to spend countless hours relentlessly chasing overdue invoices and not getting answers, resource utilization can be poor. This is, not to mention, the time spent creating all the reminder invoices and letters, tracking it all on a spreadsheet, and trying to guess when you'll be able to access the money for your expenses or to pursue opportunities. Your employees could be working on higher-value tasks. This is where automating your AR processes to gain more control of your cash flow makes sense to reduce manual efforts and workarounds—not to mention the time savings. Automating the way Accounts Payable (AP) staff take invoices into their workflows can also save time and reduce errors in bill creation.



NO. 4

Plan for success by maximizing your AR efficiency.

You can take control of your cash flow and AR processes by ensuring you have end-to-end visibility into the whole AR process. It's critical you can easily and accurately upload client data to integrate with other systems, send & track digital payment requests, automatically send reminders, and handle the reporting. As your business grows, your increasing number of suppliers and payments will require more manual, inefficient, back-office work to process. To maximize efficiency and ensure your team is working on higher-value activities, look for more technologically robust tools that can automate much of this work while integrating easily with your bank and accounting software.



NO. 5

Help your customers expedite their receivables.

The old adage, “we’re all in this together” couldn’t be truer when it comes to the symbiotic relationship with your customers—especially during these uncertain times. It’s just good business to help your customers when you can, as American entrepreneur Oded Wurman discovered. As a burgeoning small business providing software to emergency responders needing up-to-date information to save lives, Wurman was asked by responders if they could pay their subscription using a credit or purchasing card. Initially, he said no as the fees charged by traditional card processors like Square, Intuit, PayPal, and Stripe were significant and often took 3–4% of his revenue. He has since found PlastiQ, which accepts cards without fees, and emergency responders are now sending their payments quickly and easily.



NO. 6

Improve your reporting.

Automatically syncing your payment details with your accounting software not only ensures you have the cash flow information you need, but it also eliminates human data entry errors so that you can have confidence in the numbers you're reporting. Take the time to make sure your reporting reflects what you need to see. Ask yourself, is the report easy to understand? How hard is it to figure out working capital? Knowing this helps you to accurately plan weekly, monthly, and longer-term.



NO. 7

Analyze your cash flow patterns.

It's not always just about how much your company spends, it's also about when the spending occurs. Analyzing your cash flow patterns can help you identify negative and positive cash flow swings— and this can help to develop a better plan to deal with cash flow issues before they become a problem. By performing a cash flow analysis, you can study your business history to identify trends, spot cash flow swings ahead of time, and be prepared for potential gaps and potential obstacles sooner. You can also build this into your day-to-day process by leveraging tools that provide an at-a-glance picture of your liquidity position and upcoming payables.¹²



NO. 8

Expand your payment options—and use them strategically.

Did you know that a significant portion of the world's business is still done in cash? There are even advantages to paying with cash. In certain situations, paying in cash can create stronger negotiations where there is wiggle room and some businesses might offer early-pay discounts for paying in cash. If your business has limited cash reserves, it's time to expand your payment options to help stretch your cash flow—but make sure to use other payment options strategically.



NO. 9

Extend the time to pay off bills to preserve cash on hand.

Some 43% of business owners say that covering operating expenses is their top financial challenge. Furthermore, 86% of those owners believe they would need additional funding if revenue were to drop off for two months or more. Credit and other financing strategies can help your businesses spread out expenses, giving you the buffer you need when AR lags behind; this helps to preserve your cash on hand.¹³

With the average business only having 30 days of cash to keep them afloat at any given time, and three out of four banks rejecting business loans, your business can quickly stagnate. There are options: credit cards from services like PlastiQ offer better options to extend your time to pay off expenses while allowing you to keep your cash.



NO. 10

Take credit cards and get money in the bank faster.

Research also shows that over 75% of customers find it extremely difficult to keep enough cash in the bank to pay their vendors – but there are ways to get payments into your account faster. Most companies only accept cash, checks, or electronic bank transfers because they feel they can't afford to accept credit cards. Not without reason, credit cards charge fees of up to 5% and can take a long time to actually deposit proceeds from a sale into your account. Solutions do exist, however—you can receive your payments the way you want them, and you never have to wait for your money to be deposited. Money can almost instantly be deposited via a bank transfer or wire. Even payment risk concerns become a thing of the past through our built-in risk-monitoring system. Simply let your clients pay the way they want, and you get paid the way you want—free, fast, and easy.¹⁴



Other considerations when managing cash flow.

There are other things to factor into your decisions when it comes to paying for expenses—such as perks. Credit cards can come with valuable perks such as rewards or additional insurance protection on high-value purchases. While you're paying with a credit card, you can buy some time before your payment is actually due, which can help you improve your personal or business cash flow.

Learn more about how your business can strategically, flexibly, and affordably cover almost any bill you want using any credit card of your choosing and better manage your cash flow to achieve your business goals faster. Chase your goals—not your payments.

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