

Back to basics

“What can I do – right now – to improve my business in this tight economy?”

It's one of several questions that we're hearing a lot from clients like you. After more than 130 years, GE knows something about surviving the tough times. There are actions you can take today to meet these challenging times head-on. Instead of hibernating to ride out the recession, use this time to refocus and get back to basics.

Inventory Management

Evaluate your inventory levels. You don't want to be caught short, but you may want to consider reducing your inventory. Factor in seasonal demand and adjust based on anticipated sales. It may be worth thinking about inventory as cash in transit. Every day you have inventory that is not being sold, you have a negative impact to your profit margin.

Plus, inventory can be perceived as a wasting asset, with few exceptions inventory does not improve with time. With each passing day, not only could it become less valuable, it is costly to carry due to space, heat, light, power, handling, insurance and interest.

Ensure that the payment terms on your inventory are longer than the terms you extend to customers. Consider different financing options such as purchase order financing, or asset-based lending. “Cash is king” certainly applies here. And to assist you and your customers, inventory should be eliminated regularly by using special promotions, unique discounting, barter exchanges and even charitable donations. This helps you not only move inventory on a regular basis, but potentially saves money for you and your customers.

Monitor Cash Flow

Also, monitor cash flow carefully to ensure expenses and planned expenditures are in line with the accounts receivable and expected sales. Do your financial statements give you relevant, timely information? Cash flow statements provide a clearer picture of your financial situation than do income statements and balance sheets. Get the data you need to project your cash position three months from now. A big challenge with monitoring cash flow is how diligent you are as a business owner about getting paid, without adversely affecting the relationship you have with your clients and customers. Don't be afraid to be firm and fair. Clients understand the tough economy affects everyone and appreciate clear payment policies. Don't be afraid to be tougher now, as you'll have less to recover later. On every invoice, be clear about the work that was done, the total amount and the due date... in bold.

Think about offering a carrot as part of payment. For example, offer a discount of 1%-3% if the payment is made within 7-15 days of service or purchase. Call after you send the invoice to make sure the customer received it. Don't hesitate to require partial cash payment prior to starting a job and payment for work in progress. Start collection efforts immediately if the invoice is overdue.



Rethink Your True Value

Take this time to rethink your true value, in what you do and in what you bring/offer your customers. Identify services that you could charge for that are currently provided at no cost. Often, when customers have to pay for a service, it actually seems more worthwhile to them. Be sure the service is high level – worth the premium you've put on it. Also, identify sales people or situations where you are not currently offering financing. That's a sure way to increase the value of every sale. Have your lead sales people share their best practices with your team.

Additional Resources

Consistently strive to learn more, thus achieving more. For additional insight on succeeding in a tight economy, consult your local small business development center: www.sba.gov. Other online resources include Harvard Business School's Working Knowledge e-newsletter: <http://hbswk.hbs.edu>, www.expertbusinessresource.com, www.smallbiztrends.com, www.entrepreneur.com, www.gmarketing.com/articles.

Note: GE Money has no business relationship with these resources. They are provided to help inspire your own ideas and opportunities for increased business success.

How to Run a Small Business: Inventory Management. (2009) StartUpNation. Retrieved March 20, 2009, from http://www.startupnation.com/articles/899/1/AT_InventoryMgt.asp.

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