

Creative ways to generate cash flow



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After profit, cash flow is the most critical element for keeping a business sustainable. For new entrepreneurs, launching a business can be almost impossible without ready cash available. Start-up businesses need to establish cash flow as quickly as possible during their first year of operation.

Since stiff lending criteria make it difficult for new business owners to access cash, some people try and source alternative means by borrowing from family and friends or maxing their credit card limits. But with a little creativity, you can optimise simple tools to give you greater access to cash. Here are some funding and cash flow ideas to help you get started:

Prime product and maximum margin

One of the easiest ways to boost cash flow and profit is to drive your customers to your bestselling (or primary) product or service that has the highest profit margin.

Deposits and upfront payment

If you are in a service business, deposits are a great way to generate upfront cash flow. The onus then shifts to you to deliver and maintain the trust of clients that have paid upfront. Product-based businesses can do the same with pre-orders, with payment of a percentage of the final sales price securing the order or a certain delivery date.

Exclusive sales

Holding exclusive sales for new or loyal customers is a good way to sell to a captive audience. It's best to set up events in an environment you can control and with a sales and pricing process you can direct. In this instance, "sale" doesn't need to mean "discount". Offering an exclusive, limited-time purchasing period for selected customers is a way for them to gain exclusive or early access to your products, providing incentive for them to spend money.

Adjust payment terms

You can also adapt payment terms to give your company greater financial leeway. It's best to pair a shorter payment term period with an incentive for paying early, like a small discount. A better option is a small gift or some other kind of added-value offer. This allows you to position it as both a 'thank you' gift and an incentive to keep customers consistent in their payment with shortened terms.

Loyalty programme fee

Establish a loyalty programme and add enough value to allow you to charge a nominal joining fee of around R25. While there may be some initial upfront costs for producing loyalty cards or for customer tracking, you create a targeted list of key customers, as well as easily and quickly generate cash.

Avoid discounting

Rather than discounting your products and undermining profit margins, offer incentives, like free delivery, to close a sale. Focus the customer on the benefits and quality of your product, not the price. Don't be afraid to lose smaller sales to attract better quality clients.

You can expand on these strategies and also look to increase your value adds at different contact points with your customer during the sales process. The key is to test and measure what does and doesn't work for your business. It's also important to stay flexible as different methods will work differently in your business' development. If you market and measure everything you do accurately, keeping your winning strategies and killing your ineffective ones along the way, you will eventually find your cash flow "sweet spot". That will lead to larger profits, sustained and increased cash flow and a healthier, more successful business over time.

ABOUT HARRY WELBY-COOKE

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