

Ways to keep your cash flow going through Covid-19 pandemic

 By [Vresh Harduth](#)

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Many small and medium businesses in South Africa were already facing cash flow challenges before the Covid-19 pandemic and the national lockdown came into our lives. Beyond the national lockdown, we can expect to feel the economic ramifications of the coronavirus for months or even years to come.



Given that context, businesses need to adjust their operation for a prolonged economic downturn and severe disruption to business as usual. As is always the case when facing an external shock, business owners are looking at the internal factors they can control in order to survive.

Here are a few cash flow levers small businesses can consider managing the impact of Covid-19.

1. Expand your use of online channels

Social distancing is probably going to be a part of our lives for many months, even after the lockdown is loosened to allow for more economic activity. Many customers will want to avoid unnecessary face to face contact and physical stores if they can. So, in the Covid-19 era and beyond, a business must be online to exist.

A website and a social media presence are essential – they allow customers to research your offering without leaving their homes. An e-commerce-enabled website is even better because it allows you to bring money in while you're sleeping. Customers can see what you offer and then follow through with their purchase easily and quickly. If you don't have time or budget to set up a website, it's quick and easy to set up a Facebook page or use the Facebook Marketplace to trade.

By making it simple for your customers to pay for your product or service, and by accepting different payment methods (be it EFT, card, mobile wallet, cash on delivery, or even cryptocurrency), you'll increase the cash flowing into your business. Even if you are not selling essentials, you can still take orders or sell vouchers for when you can trade again after lockdown. If you provide an essential service, remember to email customers a note and put a notification on your website that you're open for business.

2. Partner with your suppliers and customers

It's becoming a cliché to say it, but we are all really in the Covid-19 pandemic together. Businesses need to work together to figure out how they can keep their entire ecosystem and supply chains healthy. This means small companies speaking to larger customers to find ways to get paid faster and to big suppliers to find out about delayed payments terms.

And it means speaking to customers to understand their own cash flow pain points, and how to achieve the best results for everyone. The goal is to collaborate in a way that brings as many of your partners safely through the pandemic as possible – after all, we all lose if the ecosystem of suppliers and customers shrinks.

3. Convert from fixed costs to variable costs where possible

As I previously mentioned, Covid-19 isn't going to be a one-and-done hit for the average small business. We are going to be dealing with the fallout for years to come. So, it makes sense to look at cash flow optimisations that will really pay off in the longer term. A good place to look for opportunities in that regard is the fixed costs you are carrying.

For example, you might want to investigate whether you can raise some cash by selling assets like vehicles or warehouses or plant and factory equipment. You can then lease what you need on a more flexible basis. The sums might make sense once you've taken repayments, depreciation, and maintenance into account.

4. Consider alternative revenue streams

If your current business model cannot be sustained during the lockdown or an extended period of social distancing, you may need to look at new revenue streams. For example, exporters focusing on countries that have locked down may need to look to the local market instead.

This is especially true if your goods are perishables or if your storage costs are high. Or if your usual business is selling produce to restaurants, you can evaluate selling to retailers or direct to consumers instead via your online channels or making use of your Facebook page to share it with your communities.

5. Review finance options

Reviewing your finance options and sources of extra investment and cash injection is essential. One option is a business line of credit, also known as revolving credit. Here, you borrow money either in one lump sum or as several smaller amounts until you reach the agreed limit of credit. Each drawdown becomes a separate loan to be repaid according to a repayment schedule. As with any loan, you pay interest.

Then there is invoice factoring. Here, you sell your unpaid invoices rather than waiting for the client to pay, usually for around 70% to 90% of their total value. Once the client has paid the factoring company the full amount, the factoring company then pays you. They'll charge you a service fee, which is usually around 1% to 5% of the total invoice.

The government, as well as the corporate sector, has made billions of Rands available to businesses, one of which is the Covid-19 Debt Relief Fund to assist entities in distress. For close corporations, companies, and trusts, the Sakuma fund offers aid in the form of an unsecured interest-bearing loan of between R250,000 and R1 million coupled with a non-repayable grant of R25,000 per qualifying business

Cash flow is king

During an economic crisis, disciplined cash flow management takes on even more urgency and importance than usual. Cash flow forecasting is an important skill to master at this time. Start by mapping out estimates of the money coming into and going out of your business. Effective inventory management is also vital. As with financial management, regular forecasting is useful. This will equip you to make adjustments that help ensure you have more money coming into your bank account than going out.

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