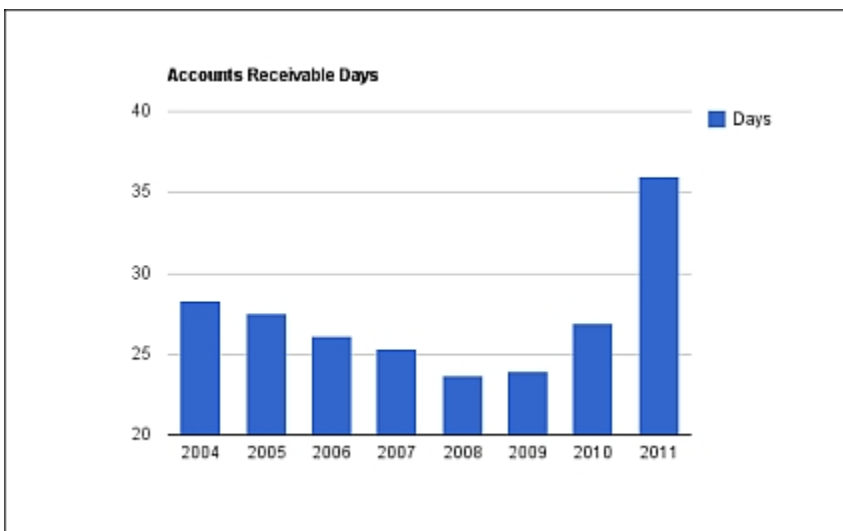


Small Business Trends

Is Your Business Ready for the Holidays? 4 Invaluable Cash Flow Management Tips

By Susan Payton, October 27, 2011

While shopping for Halloween candy today, I saw Christmas products peeking out from the top of the shelf at my local pharmacy. It seems like stores start selling holiday products earlier and earlier every year. But even if you're not an early bird when it comes to merchandise, you still need to be strategizing about your holiday sales plan right now and thinking about not so exciting metrics such as accounts receivable days outstanding. It wouldn't hurt to make sure your cash flow management skills are properly utilized.



Accounts Receivable Days Outstanding Chart – Sageworks data of privately held companies

Accounts Receivable Days Outstanding

Many small business owners are caught unaware and lose out on potential sales, due to insufficient staff, running out of cash register tape (causing a long wait for harried shoppers) or even running out of product. Here are some tips to keep you on your toes long before you get sick of holiday music.

1. Prepare Your Inventory

Take a look at last year's holiday sales to gauge what you need to stock up on. It can be a risk to double or triple your inventory, but it's better than running out of an item and trying to order more during the biggest shopping season of the year. Double check inventory quantity now, while you still have a little time for last minute orders.

2. Get Your Sales Floor Tactical

This includes everything from hiring plenty of sales people and having them trained to withstand the madhouse that happens beginning on Black Friday (the shopping day following U.S. Thanksgiving) and continues until the new year, to stocking up on receipt tape (and training staff on how to replace it). Know how many people you'll

have on registers, helping guests or dealing with returns. Spend some time trying to think of everything that could happen to cause problems and write them down, so you can plan to avoid them. Sometimes all it takes is some advance thought and planning to avoid a mini-crisis or mass confusion.

3. Reap in the Sales... But Put Some Aside

While you're making more money during this season than any other, you'll also have more payment processing fees, says Mary Ellen Biery of SageWorks:

“Avoid a big cash flow shock after the holidays by thinking ahead, and planning for a bigger bill in January.”

Don't be surprised when you've got more to pay, including salaries, utilities and fees. January could be a rude awakening, so be prepared.

4. Expect to Be Paid Later

Unless you operate a “cash” business, you probably will have outstanding invoices and receivables. Don't expect to get your accounts receivables paid as quickly as in the past. On average, privately-held businesses are seeing invoices paid about nine days later in 2011 than in 2010, as the above chart from Sageworks shows. For retailers, it's taking about four days longer. Doesn't sound like much, but when you've got extra expenses, it can hurt! Plan for this and manage your cash flow carefully.

This is not the time to take your eye off the cash flow management ball. Check your cash flow forecast now. Pay your business expenses in a timely manner, but always wait as long as your payment terms allow, if cash is tight for you. If you have a line of credit or credit cards, consider using them to regulate your outbound cash flow in the fourth quarter so that you don't find your business in a cash flow crisis at a time when the day-to-day business most needs your attention.

It will soon be too late to make these decisions and take action calmly and rationally, so don't wait another day. Get started now.

For the full article featuring Sageworks' private company data, please visit [Small Business Trends - Is Your Business Ready for the Holidays? 4 Invaluable Cash Flow Management Tips.](#)