

10 Ways to Kick Start Your Cash Flow

By June Campbell

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Is your cash flowing out faster than it's flowing in? This can happen for a number of reasons and can be a sign that your business is growing at a faster speed than you are ready to handle. Perhaps your best customer has given you a \$100,000 order -- but you need cash right now to buy the supplies needed produce the product. Challenges like this one are commonplace occurrences with businesses of all sizes. Without adequate operating capital, your ability to grow your business is limited. When this happens, you need a strategy that will either infuse your business with some quick cash or reduce your operating expenses.

Try one of these:

1. Hold a Sale.

You reduce inventory while bringing in some quick cash. Offer a discount or other incentive to customers who pay now.

2. Ask for Payment in Advance for Recurring Services.

If you are offering web-hosting services, for example, offer one month free to customers who pay up front for 12 months hosting.

3. Lease Your Equipment.

Purchasing equipment ties up large sums of money. By leasing, your money is freed up to be used for other purposes. Often it is possible to lease a variety of equipment -- including office equipment, computers, software, telecommunications equipment, vehicles and more.

4. Joint Venture with Another Business.

Find a business offering services or products that are compatible with your own and offer to promote each other's business. For example, if you are selling health food products, offer to cross-promote with a business selling fitness products. You'll both enjoy increased sales.

5. Obtain a Line of Credit.

Bank credit is usually subject to standard ratios of debt to equity, working capital and profitability.

6. Factor Your Accounts Receivable.

Sometimes known as "invoice discounting," factoring is the selling of your invoices (accounts receivable) for cash, instead of waiting 30-60 days to be paid by your customers. Businesses of all sizes use this tool -- which is available through various specialized financial institutions. The funder buys your receivables at a discount -- leaving you with enhanced cash flow. Not all invoices will be

appropriate for factoring. The customer must be a low credit risk, there must be evidence of the transactions (such as a signed delivery waybill) and the customer must verify that the debt is owed.

7. Equipment Sale Leasebacks.

You can use equipment that you already own to secure financing. By transferring equipment assets onto an equipment lease, you can recover up to 100% of the equipment's value. The equipment remains in your own premises and you can continue to use it. You must own the equipment free and clear to go this route.

8. Ask Suppliers for Credit.

Or, ask them to extend your credit. Another possibility is to discuss loan or consignment shipments from your suppliers.

9. Stop Producing Dated and Low Profit Items.

Stick with your core product until sales improve.

10. Cut Back on Stock or Inventory.

Ask suppliers to buy back stock at cost. You will have to allow them an administrative fee. Order supplies or inventory on an "as needed" basis. Alternatively, you could contact other small businesses that stock the same inventory as you do and discuss the possibility of bulk purchasing.

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