

Coronavirus Cash Flow Crib Sheet

Cash flow is going to be top of the small business to-do list for at least the next 12 months. But is your planning detailed enough to support the big decisions you're going to have to make?

It's never too late to revisit best practice, so take a quick look at the steps below and see what you can do sharpen up your cash flow forecasting.



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Use a rolling forecast → Get the best estimate of liquidity over an unpredictable year and beyond
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Anticipate crunch points → Estimate the likelihood/severity of big gaps and plan for each scenario
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Update it more often → With the situation changing so fast, look at your forecasts weekly or daily
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Include every penny → If you're sailing close to the wind, the small costs can tip you over the edge
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Iron out seasonal variation → Diversify into new product lines, new customer segments or channels
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Make payment easy → Add a credit card link to your invoices or switch customers to direct debits
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Make terms unmissable → Have consequences for late payment and incentives for early payment
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Offer retainers → Just a few regulars can smooth cash flow and avoid an end-of-month scramble
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Escalate debt → Be strict about the timing and stages of your debt collection process
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Health check suppliers → Understanding their cash situation gives you a more realistic view of yours
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Choose partners wisely → Check credit rating and key financials for critical suppliers and customers
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Work with fast payers → Even if that means smaller projects or slimmer margins. And invoice fast
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Get support → Train up someone else in your business to keep an eye on daily credits and debits
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Make it a team thing → Take the cash flow figures into management meetings and make them a focus
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Keep your bank in the loop → Tell them about any unexpected changes in your cash flow forecast



Karen Emanuel, CEO of Key Production

Go back to your data to anchor predictions

"Forecast early and forecast detail. Use the data you have in your books plus a bit of gut feel to predict what might happen next. For example, we pulled last year's order trends as a basis for this year's predictions, worst case and best case."



Adam Taylor, CEO and co-founder of PetShop.co.uk

Get a bit smarter with tech

"We previously managed cash flow forecasting on a monthly basis, ordering based on market requirements but we've had to get much smarter at using tech to predict sales and where cashflow will be needed across regions and SKUs."



Sidonie Warren, Founder, Papersmiths

Go more granular

"Before the pandemic, I used a rolling cash flow tool which I would update weekly to show our cash position for three months. Since the pandemic, I've gone more granular and use a spreadsheet to create a worst case scenario: how long can the business survive with no income?"

