



B A L A N C E

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Cash Resources gets Stationery Company *Moving*

A small Queensland based stationery manufacturer had a steady business supplying a number of speciality PVC and polypropylene products to newsagents and small stationery retailers.

The business secured a major opportunity two years ago when it won a substantial ongoing contract to supply documentation packaging to a group of tertiary education institutions. This new contract would involve production, forme cutting and screen-printing of ring binders, slipcases, clipboards, satchels and conference packs.

When the business had just the small retailers to supply, they were able to meet all of their printing and production needs by outsourcing. To supply the universities however, the owner needed to purchase screen-printing equipment and to hire new staff. Cash reserves were called upon and as a result liquidity became an issue.

graphic design clients ordered a large quantity of screen-printed promotional packs. This client unfortunately struck financial difficulties and was unable to take delivery of the order. Because the packs in that order were custom screen printed and assembled they were not suitable for sale to any other customers.

“The invoice discounting facility was put in place in five days.”

The company also started expanding into the graphic designer market. One of these

The timing could not of been worse because it was at this time the new contract with the tertiary institutions was ramping up, meaning raw materials needed to be ordered and additional staff had to be paid.

“Foolishly we tried to ride it out but our raw materials and component suppliers were becoming increasingly impatient. With one extension of the overdraft, a second plea for additional cash fell on deaf ears”.

Step in Cash Resources. “I had barely heard of Invoice Discounting. They were tremendous. The Invoice Discounting facility was in place in five days.

Now when I invoice, I send out my invoices as normal and send a copy to Cash Resources Australia. They send me up to 80% of the value of the invoices, usually within 48 hours. This allows me to pay our suppliers on time, meet salaries and other commitments comfortably,” he said.



NEWSLETTER

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Decreasing the Risk of Bad Debt

Here are a number of ways you can reduce the risk of bad debt.

Firstly, always insist on the potential customer completing a credit application form and obtain a credit report based on this information.

Smart companies will document a credit policy and make sure all staff members are aware of the policy. It must also be emphasised to sales people that a sale is only made when the customer pays his/her bill.

Some companies get concerned that maintaining a hard line on credit terms may jeopardise a sale. If potential customers are deterred by reasonable credit terms, then they are not worth having.

Make sure your terms and conditions are clearly documented on your quotes and proposals. If possible, try to obtain

a form or letter with each order agreeing to the terms and conditions.

Consider introducing penalties for late payment, eg. interest is charged for accounts outstanding over 60 days.

Tailor credit terms to the customer based on history, credit reports and in some cases, 'gut feel'. Where you perceive there could be a problem, insist on the total or at least a deposit up front.

Importantly, closely monitor customer payment patterns, listen to industry sources, obtain ongoing reports if you have any doubts and do not be afraid to discuss your concerns with the customer direct.

Remember: bad debts can have a devastating effect on your business.

Small business constantly treads a fine line between administering credit and maintaining competitiveness.

Offering credit can be very risky and unfortunately very few businesses are immune from bad debt. On one hand you must offer reasonable credit terms to stay in business, however you then rely on the customer to honour their side of the agreement by paying you in full.

Unfortunately relying on the law to collect your debts is often a slow process that can be extremely costly and beyond the reach of many SME's.

Turnaround Finance

....Maybe we have the Answers

Are you experiencing some of the following worries?

You can't pay the employees on time.
What can you do about it?

Is bankruptcy the right answer?
Will this save your company or kill it?
Is your lawyer giving you good advice
or is he just trying to make a big score?

Should you pay your taxes? What
happens when the Tax Office or some
other authority padlocks your door?

Can you make your loan payment?
Should you ask your banker for help?
Will you screw up talking to your
banker causing the bank to foreclose?

You've made personal guarantees.
What happens when the business fails?

Will you be working the rest of life to pay
these debts? Could they take your house?

A family member is dragging the
business down. What do you do? Can
you fire the family member without
causing a major rift in the family? Or
keep the family member and pray he or
she stops messing up?

A Cash Resources Invoice Discounting
package maybe the answer. We have
helped many Australian companies
through difficult times to see them
eventually prosper once again.

*Call your nearest Cash Resources office
to see whether we can retrieve a
seemingly lost situation.*





To Build your Business Stop To Consider...

1. Customer-base

If I just bought this company, how would I sell more/expand what I sell to this customer base?

2. Cash

If I could invest this cash in any one part of this business/niche/product line for the biggest cumulative return/profit over the next 5 years, where would I invest it all?

3. Market Leadership

To remain the market leader for the next 25 years, where should I invest my time and company's resources right now?

4. Reputation

What can I do to double the strength of our current reputation, within the next 6 months?

5. Momentum

What's working well right now and how can I keep it working well?

6. Key Staff

Who are the 5 key people in my organisation and what game-plan can I create with them so they'll stick around for a long time?

7. Systems

What systems work so well that we take them for granted? How could we improve them?

8. Responsiveness

How quickly and completely do we respond to changes in our customers, market, technology, staff needs or economic conditions?

9. Intellectual Property

What do we have, IP-wise, that just isn't being as leveraged as it could be?

10. The X Factor

What do we have that's very, very special and that we could really maximise, just for the pleasure of it?

Regional Manufacturer Returns

In the 14th Edition of Balance, published in 2002, we reported that a Mildura based bench top manufacturer used Cash Resources to cover a substantial shortfall in cash flow they were experiencing at the time.

As a result, the company experienced healthy growth to the point that Cash Resources services were no longer required.

However, circumstances change and the company invested heavily in capital equipment to meet demand. This was funded out of cash flow and as a result, this drained much of the company's cash reserves.

While sales were growing, cash flow was drying up and it was becoming increasingly difficult to make ends meet.

Having utilised Cash Resources services in the past the owner of the business had no hesitation in calling Cash Resources South Australian State Manager, David Ciccolella.

According to David, "The company once again chose to Invoice Discount its entire ledger and as a result, is jumping ahead in leaps and bounds".

"This highlights the flexible nature of the service we provide. It can be turned on and off as the need arises", he said.

David Ciccolella
Cash Resources South
Australian State Manager



Staff profile

John White

John White joined our NSW office earlier this year as Business Finance Manager. Based in Newcastle, John services the Central Coast, Hunter and Northern NSW regions.

Over his 20 years in the finance industry, John has worked in several locations around Australia and assisted many small to medium enterprises across a wide range of industries.

This diverse background enables John to understand the many challenges facing business owners and managers, and the need for innovative financial solutions to enable their businesses to grow and prosper.

John can be contacted
on 0407 504 466.

Successful Cash Flow Management



These days very few small businesses are awash in cash. Even successful, growing companies experience cash flow problems because they tend to add employees and inventory rapidly. This may quickly deplete the company's reserves and lead to cash shortages.

Lease, don't buy. Although leasing can be more expensive in the long run, it helps you avoid laying out a lot of capital all at once for things like office furniture, computers and copiers.

Create contingency plans. Have several budget projections, including best case and worst case scenarios...

Having cash at the right time is so vital, managers must pay close attention to cash management. Here are some tips for saving money and managing your cash flow:

Set cash flow budgets. Forecast both expenses and anticipated revenues for at least the coming year. This will help you predict when you're likely to have cash and when you're likely to need it. You should also maintain a cash reserve if possible.

Create contingency plans. Have several budget projections, including best case and worst case scenarios, and think about how you might respond. In the event sales don't take off as expected or there's some unforeseen problem, you'll be better prepared.

Tightly control spending. One of the most common problems with new businesses is the owners' tendency to spend freely. There's no need to have lavish offices or expensive furniture. Remember, you're in this for the long haul. You should try to get as much value as possible out of every transaction, whether you're leasing office space or stocking the company kitchen.

Keep inventory low. Don't stock inventory based on your fantasy of what you think you'll be selling in six months. Instead, stock only what you know you can sell in the short term.

Delay hiring employees. Try to improve the productivity of current employees (without burning them out), use independent contractors and consider outsourcing certain nonessential functions. Employees are expensive, so you should put off adding permanent employees as long as you can – or at least until you're earning the revenue to support them.

Be careful with your own salary. Some experts recommend stockpiling a years worth of living expenses before going into business. Admittedly, this may be difficult, but you should at least avoid paying yourself an excessive salary. Too many entrepreneurs waste cash by paying themselves big salaries without the revenues to justify them.

Don't be wasteful. Recycle and reuse what you can – for example, boxes, computer discs and file folders. The savings may not be large on any given item, but they can add up over time.

Cash Resources Australia has been helping Australia SME's since 1985. Our philosophy is to remain flexible to each clients individual needs.

Speak to Cash Resources Australia about an Invoice Discounting package.

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