

Immediate actions to improve working capital management

- Avoid discounting so you can maintain your margins
- Eliminate unprofitable or low profit contributing product lines and customers
- Get bills out quickly and accurately
- Do not show ageing on debtor statements, just show amount due
- Shorten debtors payment terms
- Follow-up overdue accounts with a phone call ASAP
- Thank customers for prompt payment
- Undertake thorough credit check for all new customers
- Place credit limit on new customers and review as required for all customers
- Review your suppliers and deal with the most reliable ones only
- Seek to extend your payment terms in return for something i.e. minimum purchase commitment, exclusive supplier agent etc.
- Use credit card funding more systematically i.e. take advantage of interest free period on your credit card but allow cash flow to pay in full at the end of that period
- Implement financial management monitoring i.e. you should report your KPI's on a weekly or at a minimum monthly basis
- Reforecast sales, profit, and cash flow monthly to ensure you know your expected cash position
- Involve your team in the process of working capital management and keep them informed but not alarmed

