

# Managing Cash Flow During Recovery

## C H E C K L I S T

### Suggestions to Improve Cash Flow

Managing cash flow is vital to the success of a tourism business, especially in uncertain economic times. It is important to carefully manage inventory, sales cycles, accounts receivables, costs, and more.

#### CASH FLOW ESSENTIALS

- Know business variables that can affect cash flow**, for example:
  - Seasonal shifts
  - Inventory cycles
  - Monthly sales fluctuations
  - New or increased competition
  - Need for new (unexpected) assets (e.g., equipment)
  - Vendor relationships or interruptions with supply chain
- Focus on key principles:**
  - Cut out spending
  - Reduce costs
  - Increase income or other resources
  - Even out payments through the year (and avoid large periodic payments)
  - Monitor and adjust cash flow projections frequently
- Manage cash flow projections and fine tune forecasting:**
  - Identify potentially problematic trends (e.g., expenses, revenues), such as slowing receivables, uneven payables, increasing costs, erratic expenses

#### THINGS YOU CAN DO TO IMPROVE CASH FLOW

- Adjust sales strategies:**
  - Increase sales
  - Increase prices
  - Review payment performance of customers
  - Avoid granting credit
  - Reduce time allotted to customers for credit
- Manage costs and payments:**
  - Improve expense tracking
  - Negotiate new dates for bills to better line up with when you get income
  - Seek level payment plans for utilities
  - Negotiate splitting monthly payments into two smaller payments
  - Look for cost efficiencies: reduce direct and indirect costs and overhead expenses
  - Set up savings account and automatically deposit funds
  - Explore debt consolidation with your lending institution (e.g., bank or credit union)
  - Check if you qualify for government tax rebates (e.g., energy, emergency benefits)
  - Improve systems for billing and collection
  - Refinance capital expenditures to seek lower interest rates (e.g., vehicles, property, equipment)
  - Eliminate non-essential spending (e.g., memberships)



- Improve purchasing systems:**
  - Improve systems for paying suppliers
  - Increase credit taken from suppliers
  - Negotiate extended credit from suppliers
  - Barter to acquire goods and services
  - Make prompt payments only when worthwhile discounts apply
- Manage inventory:**
  - Reduce inventory levels
  - Sell off or return excess inventory
  - Be mindful of expiration dates, where applicable; avoid waste by using stock before expiry (use FIFO approach: first in, first out)
  - Identify low-turn stock; consider ways to reduce the stock (e.g., sale, special discounts)
- Review financing options:**
  - Re-negotiate bank financing to reduce charges
  - Seek to extend debt repayment periods
  - Defer dividend payments
  - Raise additional equity
  - Make regular cash flow projections
- Revisit investment options:**
  - Defer capital expenditures
  - Sell surplus assets
  - Seek sale and lease-back arrangements
  - Defer projects that do not achieve acceptable cash paybacks

## N O T E S

