

SMB Cash Flow Optimization Checklist

Boosting cash flow can be challenging, particularly during an economic crisis like COVID-19. But it's possible to see significant gains if you take a structured approach. That's why we've pulled together this checklist – to guide you through the process, step-by-step.

Leverage Government Incentive & Support Programs

The Canadian government has deployed a number of programs to support businesses through COVID-19. Start by checking out the programs listed below. And be sure to explore options at both the federal and local level to see which ones your business will benefit from most.

Canada's Economic Response Plan

- ▶ [Support for Businesses >](#)
- ▶ [Support for Industry Sectors >](#)
- ▶ [Support for Individuals >](#)

Other Resources

- ▶ [COVID-19 Small Business Help Centre >](#)
- ▶ [Apply for a Small Business Loan through BDC >](#)

Accelerating & Increasing Inflows

- Accelerate accounts receivable.
 - ▶ Offer discounts for early or advance payment.
 - ▶ Incent customers to move to a subscription, contract or pre-payment model.
- Liquidate stale inventory, even if that requires discounting.
- Sell off under-performing or non-critical assets.
- Raise investment capital. Savvy investors know the crisis is temporary and are looking for opportunities. Now may be the time to inject some cash in exchange for equity.
- Draw down lines of credit if they're available to you.

Improving Accounts Receivable

- Agree on a payment plan for slow moving receivables.
- Offer cash discounts for early settlement of invoices.
- Ask for a certain percentage as advance payment on invoices.
- Encourage customers to commit on a blanket order for the year with special incentives for early payment.
- Leverage other payment options, like credit cards, online payment, etc.

Reducing Cash Outflows

- Identify and prioritize your 'top' suppliers (e.g. the 6 suppliers that contribute to 80% of your product).
- Negotiate extended payment terms with suppliers on payables.
- Ask for discounts from suppliers on new orders.
- Re-negotiate current payables.
- Fund necessary capital expenditures by lease.
- Reduce payroll without cutting critical staff:
 - ▶ Terminate contracts and re-distribute contract work to full-time staff
 - ▶ Encourage use of vacation time. Enforce 'use it or lose it' vacation policies to reduce liabilities on your balance sheet
 - ▶ Freeze hiring
 - ▶ Consider temporarily cutting or deferring leadership and/or ownership compensation
 - ▶ Defer or amortize discretionary bonuses and commissions if contracts allow
- Freeze discretionary spending and make it subject to executive review.
- Review recurring expenses to identify reductions – even small amounts can add up.

Negotiating Payment Terms

- Ensure your Supplier Aging Report is accurate. A good business management software can help with this.
- Be mindful of maintaining supplier relationships.
- Ask for consignment stock – you pay only when the goods are sold.
- Agree to pay earlier if your products move faster than anticipated.

Negotiating Favorable Pricing

- Agree on an annual minimum committed order value.
- Share your customer terms with your supplier to agree on a pricing and discount mechanism.
- Ask if discounts are available for bulk orders. Be sure to check your inventory carrying cost.