



NovaCashFlowFinance

# Unlock the Hidden Capital in Your Business

---

AND HOW TO USE THAT CAPITAL TO GROW YOUR BUSINESS

Gemma Nichols

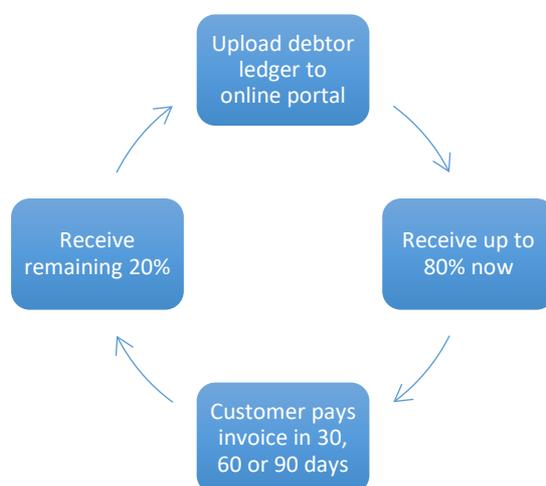
NOVA CASH FLOW FINANCE PTY LTD EMAIL: [FACTORING@NBF.COM.AU](mailto:FACTORING@NBF.COM.AU) PH 1300138187

## Table of Contents

<b>Introduction .....</b>	<b>3</b>
<b>Buying more stock/inventory.....</b>	<b>4</b>
<b>Negotiate prompt payment discounts from suppliers.....</b>	<b>6</b>
<b>Increase sales and marketing budget .....</b>	<b>7</b>
<b>Employ more sales staff or more production staff .....</b>	<b>8</b>
<b>Purchase equipment or machinery to streamline your workflow .....</b>	<b>9</b>
<b>Expand into different product lines or services that complement your current business and distribution channels .....</b>	<b>110</b>
<b>Expand into different regions, states or overseas .....</b>	<b>111</b>
<b>Take sales and marketing online .....</b>	<b>122</b>
<b>Undertake the research and development project you have thought about.....</b>	<b>13</b>
<b>Work ON your business not IN your business .....</b>	<b>144</b>

## Introduction

Growth is the goal of all businesses, unfortunately it can be difficult to allocate the resources and funds to do this when stock needs to be bought, wages paid and outstanding invoices loom. However, if businesses had the capital that they had earned today in their hand tomorrow rather than in the standard 60 to 90 days then the funds to grow your business would be available. This is actually possible, through debtor finance, sometimes called factoring or invoice finance; a working capital finance tool that many business owners are unaware of. The below diagram illustrates how this simple process works and how you can use money from completed sales to finance new ones straight away rather than waiting for payment so that you can play catch up with existing clients.



A significant benefit of debtor finance is that the finance you receive is not tied to the value of your home, other real estate or any other asset. This means that the finance you are eligible for is dependent on the size of your business and the growth of your business, which also means that it grows with your business.

Often, it is small business that struggles the most to access working capital finance from banks to grow, so, this guide offers a snapshot of how you can access capital locked in your business and ten potential ways you can use that capital to grow and improve your business.

What could you do with working capital that you had unlocked through invoice finance?

Here are some suggestions on what you could do and with the hidden capital you have unlocked

1. Buying more stock/inventory
2. Negotiate prompt payment discounts from suppliers
3. Increase sales and marketing budget
4. Employ for sales staff or more production staff
5. Purchase equipment or machinery to streamline your workflow
6. Expand into different product lines or services that compliment your current business and distribution channels
7. Expand into different regions, states or overseas
8. Take sales and marketing online
9. Undertake the research and development project you have thought about
10. Work ON your business not IN your business

## Buying more stock/inventory

It is common practice in business to work using a “just in time” inventory management system. This means that you hold minimal stock and buy “just in time” to fulfil anticipated orders. Hopefully you have anticipated soon enough.

Obviously, for businesses that are just starting out this method minimises risk as capital is not being held in excess stock.

However, for more established businesses, or businesses keen to grow; there are arguments for holding some additional stock. These include:

1. Increasing customer satisfaction
  - It is a known fact that we live in a world where people are used to getting what they want instantly, like NOW; and this is no exception in your business. By holding more stock you are able to fill orders quickly and therefore guarantee customer satisfaction.
  - In addition to filling everyday orders promptly, having an inventory of stock means that you are able to cater to customers that need orders filled “right now” instead of simply having to turn these customers away. When you are able to solve a supply problem with that Customer you have been trying to get for years, you may have won a customer for life.
2. Reducing costs by taking advantage of supplier discounts
  - Suppliers and wholesalers often offer significant discounts when you buy in bulk, when you buy more units. So not only are you decreasing the cost per unit but you are able to also take advantage of potential sales that the additional inventory brings.
3. Greater control in the event of supplier delays
  - Unfortunately, it is not unheard of for suppliers to experience delays. This can happen unexpectedly and often when you need stock fast. So, especially if you are in an industry that often experiences these issues, it can be helpful to mitigate the risk of this by having a level of inventory that you can use to fill orders in the meantime. If there is a jam in the supply chain your competitors are also likely to be impacted so not only are you reducing risk for yourself but you are gaining an advantage over your suppliers.
4. Larger range of stock is better for merchandising
  - Also, having a larger range of stock available for immediate purchase is better for promotional and merchandising purposes. Customers will be attracted to a store that looks like it stocks a large assortment of products and having full shelves helps give off this impression.

Overall, it is in your interest to think about how buying more inventory could benefit you by reducing both costs and risk.

## Negotiate prompt payment discounts from suppliers

All businesses love customers and clients that pay quickly and that they do not have to chase for payment. In fact, suppliers love prompt payers so much that they are often willing to offer discounts to those who do it consistently.

Understandably, though many businesses are simply not in a position to pay within (say) 7 or 10 days on a regular basis. However, if debtor finance is effectively used you could be in a position to do this and due to the discount you might negotiate, you could reduce costs and allocate more funds and resources to growing your business.

In addition to giving you discounts, suppliers will often give prompt payers access to other benefits such as first access to new products as well as general preferential treatment, that may include your orders being pushed through first. Your suppliers LOVE prompt payers.

Many small businesses can find it intimidating to negotiate with a supplier but it is important to remember that you will not reap any of the benefits of a good relationship without actually starting a conversation with your supplier.

Negotiation is not everyone's strong point, but it is crucial for business owners to know that they are the ones with the ultimate power in these situations, IF they have the cash on hand. It is up to you whether you buy products off of them, not the other way around.

Another tactic that many businesses employ, is utilising multiple suppliers. This ensures that you are keeping everyone honest and on their toes because they are aware that they are in direct competition with each other.

In summary prompt payment discounts can be arranged with suppliers and it is possible to be a prompt payer by utilising debtor finance options. Learn to negotiate and do not be afraid to walk away from a supplier if they are not offering you the best price.



## Increase sales and marketing budget

It can be hard for business owners to justify a large marketing budget when now more than ever, there seems to be more and more free options available to reach new customers. Whilst free or very cheap options like email and social media both have their place in the marketing game, it often takes the skills of a professional to actually make these channels reach the right demographic and keep them maintained to a high standard.



Sometimes, as a business owner we have to admit to ourselves that we don't have the time or the skills to do our own marketing. In this case it is *worth* increasing your marketing budget to employ the skills of a professional, not only will you reap a return on your investment with the new customers you will attract, but you will also be giving your existing and your new customers the attention and service they expect, rather than focusing all your energy on marketing.

One of the most under-utilised options when it comes to advertising is industry publications. This is the perfect way to reach your target market, there is no question it is reaching the right people because the only people engaging with an industry publication are those already in the industry, those looking to get into the industry and at worst those who are close to the industry.

Advertising in a trucking magazine seems much less glamorous than creating a colourful Instagram campaign, but, in reality if you are looking for truckers you may as well spend your money somewhere that you know they will be listening.

It is also important to note that we live in a world where potential customers are being constantly flooded with emails. Consider this when you are creating an email campaign, how will your email stand out? Visual stimulation is a great way to stand out because the human brain will process images faster than words. It could be in your best interest to employ a creative type to take charge of this process for you, and don't forget you can reuse visuals and logos once they have been created, so think of it as an investment.

Precise and efficient marketing will attract the type of customer you want and sometimes you have to be willing to spend money to get to this demographic.

## Employ more sales staff or more production staff

Often when small businesses start gaining momentum with marketing, log jams can be created in their sales funnel. This means that you are unable to keep up with the amount of new enquiries you are attracting. If you don't respond to an enquiry you will lose the opportunity, there are plenty of competitors out there ready to eat your lunch! Often, if you are attempting to do everything yourself as an owner-operator you can find yourself wasting time with dead end leads and missing out on potential clients because you have taken too long to get back to them.

As a businessperson it is important to recognise that you cannot do everything yourself and even if you cannot afford to employ someone on a full time basis it may be beneficial to look into outsourcing sales tasks. Outsourcing offers a plethora of benefits such as scalability, reduced costs and trained staff.

Either way, having more working capital will allow you to take up one of these alternatives which should result in business growth.



Many businesses also find it helpful to employ the services of a BDM (business development manager). The person in this role will take care of sales by maintaining and growing existing clients as well as following up on interested parties, in addition to making cold calls and chasing new business. You will be updated on their progress, but you are able to use your time to focus on the bigger picture.

You can also add manpower and staffing to your production or distribution department, so you give better service to your customer.

## Purchase equipment or machinery to streamline your workflow

Purchasing new equipment and/or software for a workplace can sometimes be a huge lump sum cost for a business and a drain on working capital. Nevertheless, it is important to realise that by having the most up to date software and machinery you are reducing cost and saving time. You are also remaining current and up to date.

A common mistake that a lot of business make is holding on to an older piece of equipment that is constantly breaking down. Not only are you paying money repeatedly to repair this old equipment or have new parts shipped in, but you are causing delays in the production line or the distribution chain which may result in a loss of customers who are sick tired of experiencing the same delays. They will go to a competitor that does have the latest, the best and the most reliable.

In addition, you are also likely to be increasing labour cost due to down time when plant and equipment is out of action. Sometimes the task may need to be completed manually or in some inefficient and costly way.

It is also beneficial to simply update outdated software because clients value suppliers that use the latest technology. For example, think about how inconvenient it is when you come across a cash-only establishment in this day and age.

Across the board, it is in your best interest to keep software and machinery up to date, it will save you money in the long run by streamlining processes and keeping customers happy



## Expand into different product lines or services that complement your current business and distribution channels

In any business it is difficult to stay relevant if all you offer is one product. However ground breaking the product might be when you first enter the market; there will soon be copycats and competitors that show themselves and if you are not keeping current you will lose out to these new entrants.

A tactic to stay relevant may be to offer complementary services or products. If you offer everything that your customer needs why would they go anywhere else?

For example, if you own a computer shop, you could safely assume that your customers will also want to buy printers, external hard drives and keyboards. You could also assume that they will want somewhere to service or fix their computer when something goes wrong. Perhaps you could offer customers specialist training on high level software or offer older customers lessons on the basics of using a computer.

Telephone systems are becoming more and more hi tech and may have a synergy. Photocopiers and other office technology may also have relevance depending on your target market and location. The point is that you offer everything your customer needs and the more you offer the more convenient you become. If you are considered a convenient option for your customer, then you can charge a premium for this and a customer will happily pay it.

You should always be looking for a point of difference from your competitors and by continually creating new products you are sure to do this.



## Expand into different regions, states or overseas



Once you are comfortable and well established in a market, it is time to consider expanding. With the extra working capital that debtor finance can provide, you may be able to do this despite how ambitious it might seem at first.

It is important not to rest on your laurels, your competitors aren't!

If you have had interest from customers in different regions and states and were not able to provide your services to them at the time that they needed it, give them a call! For all you know they could still be interested in your product or service now that you are ready to expand (and they may even know others in that region you can supply).

Keep in mind that if you can't serve a customer that is also in other locations or regions, the customer's business may move all their purchases to a competitor who is able to service their needs in all regions.

However, when you decide to expand an operation it is imperative that you have conducted significant research and put together a comprehensive exporting plan.

You must be prepared to pay as much attention to this new market as you do your existing one. New exporters can easily fall into the trap of not paying enough attention to their export market when their home market is booming, this half-hearted approach will never create any results and in the end you will be wasting your money.

If you do not have the capital to start exporting into a foreign market by yourself, it could be beneficial to look into piggyback distribution. This is a situation where you form a partnership with a company who is already established in the market you wish to enter and use their distribution channels to enter the markets. For example, if you make printers you would partner with a company that sells computers in your desired market.

Overall, it is important to diversify and expand your market in order to mitigate risk.

## Take sales and marketing online

We live in a world where if you are not online as a business you are missing out on a huge percentage of the population.

However, it is not simply enough to have a website that directs a customer to call or visit you. People want to be able to fill out applications or order and shop for your products or services online. If you have an online presence it must be maintained and actually useful for your customers. If it is not, they will go to competitors who make it easier for them. Keep your website updated, if you change your phone number, make sure your website is updated because otherwise you are giving away business that could have easily been yours.



It is also important to market your business online. They say if you aren't on the first page of a Google search you won't be found because often people will not look beyond page one. If you don't show up on page one of Google, do something about it! Search engine optimisation is a huge industry these days so if you do not know how to do something, start learning or employ someone to do it for you.

Online marketing can be some of the most specific out there so it is important you understand how to find and target your customer and if this is through Google ads or Facebook ads. Even if you don't think that your target market is particularly active online you would be surprised at just how many more people you can reach through this method.

All this requires capital if it's going to be done correctly and effectively. Many businesses don't or can't do it because they think they lack the capital and therefore they lack the focus.

“ I don't have sufficient capital so no use thinking about it”

Debtor finance or invoice factoring can change all that, it can change the way you think about your business and the way you plan the growth in your business.

## Undertake the research and development project you have thought about

As small business owners we are frequently told that we are the backbone of the economy, not only, do we create jobs but small businesses are actually innovation hubs. Due to the fact that more often than not small businesses are working in circumstances where every dollar counts, we are often the ones that have the big ideas in terms of streamlining processes. Unfortunately, many small businesses never attempt to develop the ideas they have because it can be very costly to take on the invention of new software or machinery.

You would be surprised at the number of government grants available for small business research and development. In fact, it is completely possible that come the end of the financial year you will not be out of pocket with the assistance of government grants and refunds and you could be well on the way to revolutionising your industry.

The fact that you will have to fund the research yourself before the grant money comes through is obviously a valid concern because often there is not too much available money in a business to allocate to such a cause. This is another situation where debtor finance could prove to be useful because it could help to bridge the cash flow gap.

If you have an idea that you think is worthwhile exploring there is support in the business community for you to do it. Not only could you be enhancing your own business but you could be creating a product or process that many other businesses also have use for.

## Work ON your business not IN your business

This is an age old saying that many business owners would have heard but many are guilty of not following.

Sometimes it can be hard to know the difference or sometimes when a business is “your baby” it can be difficult to take a step back and let others do the small things.

What is working ON my business?

- Creating business plans
- Creating marketing plans
- Preparation for sale
- Preparation for generational transition or retirement
- Working on ways to streamline production
- Looking at ways to reduce costs
- Bringing on new clients
- Negotiating with suppliers
- Expanding into new regions
- Employing new staff

What is working IN my business?

- Working on the production line
- Dealing with existing clients
- Doing time consuming tasks that you could train others to do such as ordering stock
- Making sales in existing target markets

The major difference between these two categories is the fact that the tasks you are doing within your business are tasks that you could train others to do for you. In contrast, the tasks in the “working ON your business” category are much bigger picture and things that only you as the owner of the business can make decisions about.

The best way to make sure you are working ON your business instead of IN it is to employ good managers.

A good manager will report to you frequently and come to you with issues that they feel are worth your time, but they will not come to you with issues that they can solve themselves.

A good manager is someone you can trust to uphold standards you have set. Obviously, it is also helpful to set targets for managers to meet so that they are accountable to you and motivated to inspire their team. This will free up your time to focus on the bigger picture and therefore grow the business.

This takes capital but should pay dividends. Invoice Factoring can help you release the capital you currently have tied up in debtors, in unpaid sales invoices.



# NovaCashFlowFinance

If you got paid today, for the work you did yesterday;  
just think what you could do tomorrow!

We hope you have enjoyed reading this brief report on “Unlocking the Hidden Capital in Your Business”

If you would like to know more about Cash Flow Finance or Invoice Factoring and how it can be used to grow your business please visit [www.novacashflowfinance.com.au](http://www.novacashflowfinance.com.au) or click the link to complete the contact form.