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Cash Flow Management for Manufacturers

Strong cash flow is essential for a manufacturing business to run smoothly and efficiently, and is a critical indicator of the health of your business for potential investors and lenders. This guide provides key strategies to improve your cash position.

KEY STRATEGIES FOR MAXIMIZING YOUR CASH ON HAND

Accelerate Collection of Receivables

- Accept credit card payments with a reputable and cost effective provider. Same day credit is available for credit card receipts.
- Encourage customers to pay you electronically and set up clients on automatic payments whenever possible.
- Offer extended payment terms only to your best customers.
- Follow up promptly on past due accounts.

Control Timing of Cash Outflows

- Pay electronically and control the day you have to fund your payments.
- Use a company credit card—but be sure to pay off monthly. Enables you to extend payment by 30-45 days with no interest expense.

Preventing Fraud

You work hard for your money, be sure you are protecting it. Talk to your financial partner about fraud prevention products and services. Paying a monthly fee is far less costly than trying to recover money that has been fraudulently taken which can disrupt your operations.

Cash Cycle Overview

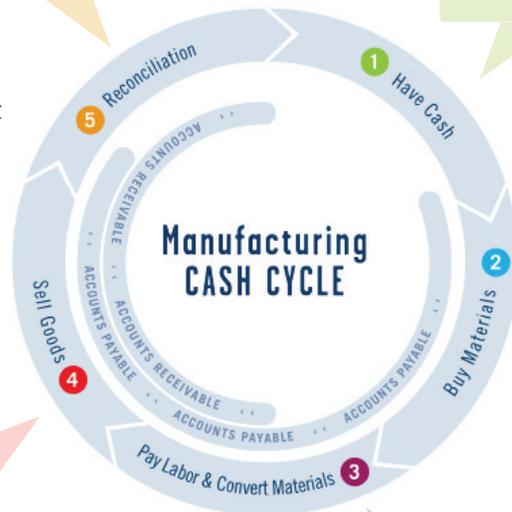
Understanding how cash moves through your business will help you find opportunities to be more efficient and/or optimize cash flow.

THE 5 PHASES OF THE CASH CYCLE

- 1 Have cash or funding for your business
- 2 Purchase materials from supplier, receive trade credit
- 3 Pay labor and convert materials
- 4 Sell finished goods to customers, create accounts receivable
- 5 Collect from customers, repay financing, disburse or reinvest profits

At the end of the cycle, you're focused on what cash remains and what to do with it. Do you pay yourself, do you repay financing (like a line of credit), do you reinvest in your business? Talk to your financial partner to determine the best step for your business.

You need cash to start the cycle. It can be cash you have on hand or financing. Keep in mind, your cash flow will have an impact on your credit worthiness. Using cash on hand may not be the best choice if you are thinking about obtaining financing.



Extend your cash on hand by negotiating longer terms with your vendors. Also think about paying electronically so you can control when the money leaves your account and is received.

Your goods are produced and now it is time to sell. Think about how your customers pay you. Encourage faster payments by accepting credit cards or electronic payments from your customers and possibly offer discounts for fast payment. Think about only offering your best customers extended payment terms. The terms you offer your customers can be impacting your cash flow. You want to accelerate your receivables.

During this phase of the cycle, you'll need cash to pay your employees and produce your goods. By extending your payables and accelerating your receivables, you can help cover potential funding gaps. Additionally, a line of credit can also be helpful during this time for short term use of cash.