

## Guide: Cash flow and cost control

### Cash flow

More than ever, cash flow is a vital part of staying afloat, whether your business is in recovery or growth mode. Revenue, profit and your bottom line will all resume their importance when we're back to "normal" (however that's going to look).

But keeping everything running is the priority for now. Regular cash flow forecasts will help you keep that in focus.

### Cost control

If you can't reach your targets for income, reining in your costs may give you a little extra headroom to manage cash flow while you plan your next move.

Cost control can be a challenge when it's hard to pinpoint hidden costs or where established ways of doing things cost more money than they should. You may also have been coping with unexpected expenses, as you've adapted your business for unplanned circumstances.

It's more than just keeping an eye on outgoings (though that's important). It's about looking at each aspect of your business and business systems (or the gaps where there should be business systems) to see if poor practice is driving costs up unnecessarily.

It can be useful to break it down. You can look at cost centres, such as office supplies or freight. Or you can look at what those costs do for your business. It can help to analyse costs in terms of cost of sale and overheads.

### Cost of sale

Cost of sale (also known as Cost of Goods Sold or CoGS) is how much it costs you to make a sale.

In a business that sells products, CoGS is based on the price paid for the product, plus any costs necessary to put the merchandise into inventory and make it ready for sale, including shipping and handling. You can even break it down to calculate the cost of sale of individual units.

A business that provides services calculates the cost of sales by looking at the amount of money that goes into providing a service. It's important to have a system to track time that the team spends directly involved in delivering the service.

### Overheads

Overheads are general business expenses. They can't be tracked directly to sales. Overheads are what it costs you to open your doors (whether online or actual) every morning.

### Have a plan

Now might be the time to trim every expense that's not related to your core product or service. Are you able to work with your providers to ask for discounts or more favourable payment terms on either cost of sale or overhead expenses?

Analyse your costs and involve your team, including frontline sales staff. It might be a false economy to cut back on advertising, as customers are online looking for bargains and price-checking alternatives. Targeted campaigns might work better. Can you pinpoint the products most likely to bring the fastest or best return and hold back on products that are a slower sell? If you have old or slow-moving stock, can you discount it and convert old stock to cash? If you can attract customers now, you may be able to spotlight your other products.

Every dollar you can pull back from your costs can go straight into cash flow. Talk to us if you'd like to review

your costs and your systems to keep costs under control. Whether your sales are boom or bust, you want to make sure that your costs aren't holding you back.

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