

Finance Crisis Management

Tips for food and drink businesses.

Many businesses will at some point, and for a variety of reasons, face a cash flow crisis. We have set out some tips that you might find useful.



Bwyd a Diod Cymru
Food & Drink Wales

YOUR QUESTIONS, ANSWERED

In these unprecedented times, many food and drink businesses are facing huge pressure on their cashflow as a direct result of the impact of Covid-19.

There are some immediate steps which businesses can take to get control of their cashflow. These are not definitive, but are aimed at helping businesses think through the next steps

Manage Your Cash.

BE STRATEGIC

Keeping hold of, or managing cash, is critical; we don't mean physical cash but the balance of your money in your accounts as opposed to with customers, suppliers or locked-up in assets when it could be working for you:

Complete a daily cash flow forecast to make sure you know what cash is coming in and must go out over the next days and weeks.

Most banks will send a daily balance through a phone app

Stop all direct debits; introduce a system where at least two people have to sign-off every invoice


Move to paying on statements, that way you don't miss out on credit notes you are owed and it's easier to reconcile invoices

Get VAT up to date so that it can be redeemed and make sure receipts, invoices and cash are all accounted for

If you do not have a digital system (Xero, Quickbooks or Sage) get one as it will help you calculate and claim things efficiently. These accounting systems help you manage cash by telling you which invoices are due.

Talk to people.

If you are strapped for cash and have outstanding bills, don't ignore people chasing for payment. Talk to them and explain your situation. If you can, offer to settle some of the debt and agree when the rest is coming. They may give you more space and support. If you ignore them, they will assume the worse and might act accordingly. If someone hasn't paid you, give them a call, ask what you can do to help, but then make a judgement whether you want to keep them or cut your potential losses.



Make sure your invoices are legal and enforceable: use templates from reputable sources or within your accounting system.

Make sure VAT and registered company numbers are clear so that there is no dispute.

Writing letters to chase and enforce invoices or to defend against payment demands are worth getting right so using templates from a legal source helps.

Use order number / purchase orders if appropriate so that people cannot wriggle out of paying you on a technicality.

Remember, distance selling regulations if you are selling online, in case you mis-describe and lose sales.

Legal Advice.

Productivity Improvements.

Utilise lines and shifts properly – don't run as many or so often if you don't need to. It's more efficient to run a full line. Don't be tempted to just make to keep busy. This is especially important where you have potentially short shelf-life products. Ingredients often have a longer code than the products you convert them into.

Now might be a great time to do the planned maintenance, deep clean, training on HACCP and Food Safety. Or re-plan or re-configure the production area.





Knowledge is Power.

As tempting as it is to say yes to every potential new customer, take some time to do some research. Start with common sense. How long have they traded? Can you find their accounts at Companies House? How well do you know them, can you ask someone who knows them? Get them to fill out a form with references and email the referees. Let them see your terms and conditions so that they know the basis of sale and the period to pay within. The first sale should be proforma invoice, so with payment up front.



In the longer term.

Once you get through any immediate cash crisis, think about your customers more strategically to work out which ones are your best ones. Use your 'chart of accounts' or cost codes to identify all the direct costs associated with sales. Do you know your gross margin on each product – the gross margin is the sales value less the costs directly associated with those sales. Do you know which of your customers you make money from and are part of your future and which ones are unprofitable and potentially too much trouble?

Now is the time to decide who is in your future.

Managing Cash - Checklist.

Make sure you know your daily bank balance and cash forecast

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Stop all direct-debits/outgoings so that transactions are manual and double checked

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Use a digital accounts system to ensure you are in control of VAT and PAYE

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Review invoices and credit-control letter templates so that they are legal and effective

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Know what products and customers are profitable and stop those that are not

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Don't make product unless you have a customer who will pay for it

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Keep in Touch.

For the latest information about government support in response to the Covid-19 crisis, please visit:

<https://businesswales.gov.wales/coronavirus-advice>

If you would like a confidential conversation about how to manage your cash through this period of uncertainty, please email:

bwyd-foode@bic-innovation.com