

Trucking – Another one bites the dust!



TruckSure

By Trevor Toohill

Some pretty big transport operators have ceased business during the last 12 months.

High profile, well known businesses, plus many other smaller companies that have just faded into the sunset.

You have to ask why?

When you consider that the impact of the so called 'Global Financial Crisis' has been diminishing for the last couple of years, what factors continue to dog some operators while others flourish?

Pretty obvious really and you don't need to be a rocket scientist to work out that the majority of business closures are all about the money – cash that is, and not enough of it in the company's bank account to be specific!

Yes, there are other reasons – poor management decisions, expanding too rapidly, borrowing too much, poorly maintained equipment, bad choices of drivers, and lost contracts.

But still these all relate to cash and reserves. No matter that you are the smallest owner driver or the largest fleet operator.

Here are a couple of processes and procedures you might want to consider to make sure your business does not become one of the negative statistics;

Get your invoicing right

Invoicing is part of good cashflow management. Once you've delivered your clients product and performed your contract don't wait to invoice. That can hurt your cashflow and your business. You should get into the habit of sending invoices for payment quickly.

Consider sending invoices immediately, or on a daily basis, depending on the nature of your work. A product that has been delivered is the closest thing your business has to cold hard cash. The sooner you invoice your client, the sooner you'll receive payment.

Work towards building up a cash reserve. A cash reserve provides the cushion you need to manage unexpected events. It also gives you the confidence and finances you need to grow your business.

Manage your cashflow

Invoicing is only the start. To maintain a healthy cashflow, you need more than just strong revenue. You need to be able to collect that revenue too. Consider these options for managing your cashflow and future proofing your business:

Keep your books accurate and up to date

Your cashflow is only as good as your accounting and reporting. Don't let this get out of hand. Make sure your accounting information is updated regularly. Then you can see the financial state of your business at a glance.

Don't go soft on your customers

Be direct and fair without being a pushover. A clever but polite collection method will usually get you a long way. But don't be afraid to take hard action if you need to.

Keep a close watch on your outstanding accounts receivable at all times. If it's trending up, it might be time to step up your

efforts at chasing payment. As receivables become overdue their quality goes down, so you should collect sooner rather than later. And remember at all times that you cannot collect from a client that has gone broke.

Keep your accounting simple

Regardless if you're confident with numbers or not, hire a professional accountant, or at least a bookkeeper, and use quality accounting software so you always know your cash position. It will also help you forecast your cashflow for planning purposes.

For example, maybe you're expecting a new transport contract next month. How will you know if you will have the working capital needed to expand the payroll? Or be able to buy the necessary truck and trailer? Many small business owners get caught out when a large opportunity turns up. They are unable to take advantage of it due to a lack of cash. Don't let that happen to your business.

What's more, a reliable accounting system will help you track and report on key business metrics. These include accounts receivable and owing, operating margins, and vehicle expense and profitability per unit. Having a good handle on these business metrics will help you manage your cash and to be in a position to take advantage of new opportunities.

Keep your business and your personal finances separate

This is essential if you want to understand your business cashflow and forecast how it might change. Mixing your business and personal finances can leave you uncertain about business performance.

So keep them separate. That way you'll know how much cash your company is generating. Then you'll be in a good position to pay yourself properly – and use excess cash to strengthen and grow your business.

Build a cash reserve

Access to cash will make or break your business. The ultimate step to managing cashflow is to build a cash reserve. A cash reserve provides the cushion you need to manage unexpected events. It also gives you the confidence and finances you need to grow your business.

It's not always possible to build a large cash reserve. But if you do, it can insulate you from economic cycles and the whims of banks and other lenders. It will also let you take advantage of opportunities when they present themselves.

For example, you may have the opportunity to pick up vehicles heavily discounted due to the business failure of an overstretched opponent, or take on one of their large cartage contracts. With a cash reserve, you can quickly take advantage of such events.

Building a cash reserve puts you in a position of strength. It might mean paying yourself a little less in the short term, but in the long term it will put your business on the path to success. Short term pain, long term gain! That ultimately means more money in your pocket.

Make cashflow work for you 'Cash is king' might be an old expression, but it really is vital for every business.

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