

MANAGING CASHFLOW

ECOCLEAN SW

Ecoclean SW is a franchise of a national contract cleaning service working in a variety of businesses and sectors.

Owner Jim Humphrey took over the South West franchise in 2016 and his focus on customer service and business development saw a five fold increase in sales over just 3 years.

I was introduced to Jim by his accountant part way through 2018 because this sales growth needed careful cashflow management and there was not enough information to track profitability and control costs.

THE CHALLENGE Ecoclean SW uses Xero as their accounting system and outsources book keeping to their accountant.

Initially quarterly bookkeeping had been sufficient, but the business had grown to a point where monthly monitoring was required. In addition to this Jim needed to be able to compare the profitability of different activities to his initial estimates.

Most importantly, although the accounts tracked the expenses incurred there was no forecast of the effects of future sales growth on the business.

MY SERVICE My first priority was to understand what was happening to the profit and cash generated by the business. An initial review revealed that the business was generating healthy levels of profit and was growing on sound footings.

While sales and profit were growing the timing of payments was putting a strain on cashflow. Improving credit control efforts was a quick and easy way to improve this.

With the information available I developed a 3 year forecast that showed the impact of further growth on cashflow and assess the finance required to give the business the life blood required to take advantage of new opportunities.

RESULTS Armed with the cashflow forecast Jim secured the funding he required to smooth the cashflow challenges during 2019 and the business continues to grow.

Now he has good information to compare actual performance to the forecast and be aware of his future liabilities. In addition to this we identified key actions to reduce the financial impact of this growth, for example how best to sequence new projects to spread the cashflow change.

WHAT DOES JIM THINK? "I was worried that my finances were out of control. Susie produced a clear analysis of our position and recommended simple actions to improve cashflow. Understanding how sales growth translated to our financial bottom line has changed the way we look at the business and gives me confidence in my decisions."

