

‘FINDING THE HIDDEN CASH’ CHECKLIST©

ITEM

NOTES/ACTION PLAN

SYMPTOMS OF PROFITABILITY PROBLEMS

Low Sales/Income Volume

Potential Causes of Low Sales/Income Volume

Insufficient Market

Potential Solutions

New Products or Services

New Location

Virtual Location

Poor Marketing

Potential Solutions

Identify Their Target Market

Who are their customers?

How many are there?

What are their needs?

How much will they pay?

Best way to reach them?

Analyze Their Marketing Plan

Obtain information on
best marketing practices

- Ask other successful small business owners what works _____
- Define the marketing budget _____
- Modify plan based on analysis and feedback _____

No Repeat Business

Why do they have no repeat business?

Poor Products and Selection

Potential Solutions

- Vendor relations _____
- Trade shows _____
- Customer feedback _____

Poor Technical Expertise

Potential Solutions

- Training for employees _____
- Hiring qualified personnel _____
- Customer feedback _____

Customer Service Problems

Potential Solutions

- Hire qualified employees _____
- Train employees _____
- Know the customer _____
- _____

- Make sure customers believe it is in their best interest to do business with the client

- Solicit feedback from customers

- Take care of unhappy customers

- Empower employees to solve problems

Noncompetitive Pricing

Potential Solutions

- Know the competition

- Vendor relations

- Perception is Reality

- Superior products/services

- Value added service

Low Gross Profit Margin %

Potential Causes

- Pricing incorrectly

- Paying too much for COGS

- Shrinkage

- Family

- Theft

Low Net Profit

Potential Causes

- Low sales/revenue _____
- Low gross profit _____
- High operating expenses _____

- High owner needs

Potential solutions

- Review owner needs, budget, and other possible income _____

- High rent

Potential solutions

- Renegotiate lease _____
 - Share space _____
 - Relocate _____

- High debt service

Potential solutions

- Refinance debt _____
 - Interest only payments _____
 - Debt consolidation _____

- Uncontrolled office expenditures

Potential solutions

- Develop budget _____

- Monitor actual versus budget _____
- Eliminate non-essential spending _____
- Check vendors' pricing _____

○ Payroll expense

Potential solutions

- No overtime _____
- Work associated with profit _____
- Non-cash rewards _____
- Terminations if needed _____

○ Insurance

Potential solutions

- Obtain three quotes _____
- Drop unnecessary coverage _____

○ Everything else _____

CAUSES OF CASH FLOW PROBLEMS

- Low or No Profit** _____
- High Accounts Receivable**
 - In house financing instead of finance company or taking corporate credit cards _____

- No or lenient credit policies _____
- No discounts for early payment _____
- No or poorly enforced finance terms _____

- Poor Collections Policy**

 - No monitoring of accounts receivable _____
 - No collection process to follow up on late accounts _____
 - No enforcement of credit limits _____
 - No knowledge of small claims court or collection agencies _____
 - No use of IRS bad debt rule _____

- Too Much Inventory**

 - Lack of inventory monitoring _____
 - No knowledge of industry “Inventory Turnover Rates” _____
 - No knowledge of “price elasticity of demand” _____
 - Not taking advantage of sales representatives’ industry knowledge _____

- Wrong Kind of Inventory**

 - Unwillingness to price obsolete inventory to sell quickly _____

Ineffective use of Loss Leaders to bring in customers for “Up Selling”

Lack of understanding of customer wants

Poor planning before going to buy inventory

Purchasing Long Term Assets with Cash

Fear of debt

Failure to anticipate cash flow needs

Poor relationship with banker

Tempted by vendor terms on asset purchases

Line of Credit Instead of Term Loan

Failure to understand cash cycle

Poor relationship with banker

Fear of long term debt

Failure to understand purpose of of a line of credit

Failure to monitor lines of credit

Out of Control Credit Card Debt

Used credit cards in the first place

Banking of future contracts

- Failure to make timely payments _____
- Failure to monitor interest rate changes _____
- Paying the minimum payment _____
- Too many cards _____

Paid Too Much for the Business

- Trusted the seller's asking price _____
- Highly leveraged the deal _____
- Failure to check projected cash flow based on past revenue carrying the debt _____