

ORNADO®

"A Better Way to Clean"

Tornado e-Alert

Tornado e-Alert

The Tornado e-Alert is designed to alert the janitor industry to business-related issues and concerns specific to our industry. The service does not advise or recommend actions but encourages industry professionals to be aware of issues that can affect their businesses.

Cash Flow Management

By Mike Schaffer

Some of the best managed companies have become successful not necessarily as a result of how much money they made, but because of how well they managed their money. And, some of the fastest growing companies have suddenly run into serious trouble—even gone out of business—because they did not correctly manage their cash.

Case in point

A Florida building service contractor (BSC) had a modest-sized business and specialized in cleaning retail stores. One client, a jewelry retailer, asked if the company could clean all of their stores in the Southeast, not just those in Florida. Excited, the owner said yes.

A few months later, the same jewelry store asked if the company could clean their stores in Texas and the Southwest, essentially doubling the size of the account. Believing he could not turn down the opportunity, he said yes once again—which turned out to be a very serious mistake.

The jewelry retailer normally took around 45 days to pay their janitorial bill. In the meantime, the BSC had to meet three, if not four, payrolls to pay his workers. Within three months he was cash strapped. Not able to meet a payroll, most of the workers quit; the BSC lost the jewelry account—and his business.

This story shows why cash flow management is so important. It also highlights the need to make cash flow projections. In this case, a few minutes with a calculator would have shown the BSC that projected cash flow simply could not support such a major expansion at one time.

Tips on Cash Flow Management for Distributors

Cash flow problems are common in most businesses but fortunately, they are not as serious as this example. Some ways distributors can help speed payments and minimize cash flow problems include:

- Offer discounts to customers to pay rapidly
- Ask customers to make payments when an order is taken
- Extend credit wisely
- Issue invoices immediately after a sale and follow-up if a receivable is more than 30 days old
- Keep track of slow-paying customers and decide if their business is really worth the trouble.

- Get to know who handles account payables for each customer. Often contacting this person directly when a payment is past due will help speed things along.

The other side of cash flow management deals with payables. Suggestions here include:

- Do not pay bills early—pay when due
- Evaluate vendor's discounts for early payments. In some cases, it might be best *not* to take advantage of them and hold on to the cash
- The lowest price vendor may not be the best vendor to buy from. Instead, the firm offering the most flexible payment terms may turn out to be the better bargain.

Mike Schaffer is an industry veteran and president of Tornado, manufactures of a wide-range of professional cleaning equipment, tools, and products.

Available For Interviews And Industry Commentary:
Tornado Industries President Michael Schaffer is available for interviews and industry commentary by calling (708) 867-5100

About Tornado® a Tacony Company

Tornado Industries has been designing and engineering quality cleaning equipment for more than 80 years. The company has a long history of developing innovative products and applying the latest technology to increase productivity, reduce costs, and improve safety. Tornado prides itself on always being on the cutting edge of floor care cleaning solutions, as well as being committed to the success of its dealer network.

Tornado®

7401 W. Lawrence Ave

Chicago, IL 60706

Phone: 800-Vacuums (800-822-8867); Fax: 708-867-6968

Chicago Phone: 708-867-5100

e-mail: sales@tornadovac.com