

PARTICIPANT WORKBOOK

Navigating your cash flow

Increasing cash in and decreasing cash out
to maximize business success



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Cash flow moves your business forward

Timing is everything. Successful businesses manage cash to make sure it's there when they need it.



50% of small businesses are operating with fewer than 15 cash buffer days.

Source: JPMorgan Chase & Co. Institute, "[Small Business Cash Liquidity in 25 Metro Areas](#)." Cash buffer days measured from 2013 to 2017 in the cross-sectional sample.

The cash you receive from selling products or services enables you to buy supplies and inventory, pay rent and utilities, and hire workers and contractors. It's the fuel that keeps your business engine running smoothly.

In today's business environment, cash flow has never been more important. Successful businesses can fail if they don't manage cash in and cash out. Understanding the nuances of cash flow and keeping an eye on cash flow trends will help you navigate the challenges ahead and prepare for the future.

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Cash flow basics

Learn what drives cash flow and how to improve it.

How much do you know about your biggest sources of cash? What are your biggest expenses? Are you confident you have optimized your cash position? If not, you're not alone.

You can't pay your bills with purchase orders and invoices. You need cash on hand to do business. By maximizing cash in and minimizing cash out, you can build a cash buffer to help sustain your business.

Cash buffer days

A cash buffer can help you manage through hard times – and potentially turn a challenge into triumph. The term “cash buffer days” refers to the number of days a business can cover its expenses without any revenue. It may keep your business from getting inundated with overdue bills and phone calls from creditors.

Cash flow highlights

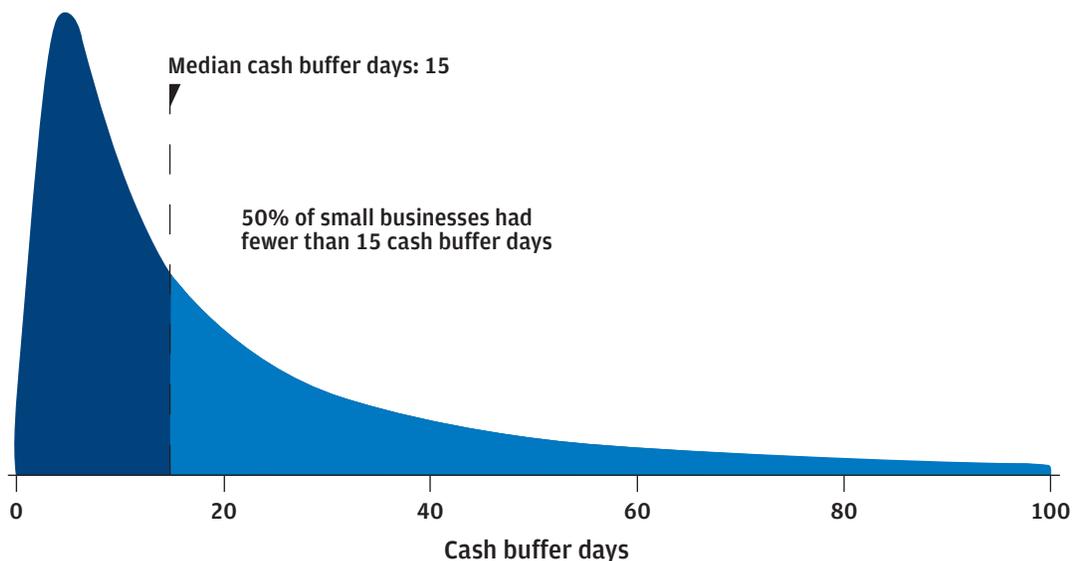
Cash flow is more than money in the bank.

- Pay suppliers
- Pay employees
- Rent space
- Pay taxes
- Reinvest

Cash flow needs to be managed.

The ups and downs of business mean it's possible to be profitable and still not have money in the bank. Even if business is booming, track your expenses closely and keep revenue ahead of payments.

Distribution of cash buffer days in 25 metro areas



Source: JPMorgan Chase & Co. Institute, “[Small Business Cash Liquidity in 25 Metro Areas](#).” Cash buffer days measured from 2013 to 2017 in the cross-sectional sample.

Types of cash inflows and outflows

Categorizing cash flows will help your business make decisions and work with investors, creditors, suppliers and others outside your company. There are three main categories: operating, investing and financing. Each of these might occur at regular intervals (for example, every week or every month), at irregular intervals or at a single time.

Operating

This cash is collected and spent to support your business's core activities. Whether these are past or future activities, what matters is when the cash is collected or spent. This tells you whether or not your business can generate enough cash through its operations to sustain itself without outside help from investors or loans.

Investing

This cash is collected or spent on long-term investments, such as the lease or sale of equipment or real estate assets. Think of these as opportunities to put your money to work for you by investing in assets that could help your business increase its value.

Financing

This cash is collected or spent on loans, dividends or equity. The cash in may be used to scale your business or weather a downturn, but payments can also add a major expense.





Business Cash Flow Tool

Visualize a year of inflows and outflows to track your performance and plan for the future. With Chase's Business Cash Flow Tool, you can gain insights into your business and run scenarios to find out what it will take to survive the next downturn.

Visit chase.com/cashflowanalysis to get started.



Inflows Outflows Compare

What were your inflows for the past year? [See example inflows](#)

Category	Description	Frequency	Date deposited	Amount		
OPERATING						
Sales of services - online	Logo Work	One time	Jan	\$5,000	Delete ✕	Edit ✎
Other income: royalties, fees, commissions	Retainer Fees	Fixed monthly	All months	\$2,500	Delete ✕	Edit ✎
INVESTING						
Property rental income	Shared Office Space	Fixed monthly	All months	\$1,200	Delete ✕	Edit ✎
FINANCING						
Small business loan	PPP	One time	Feb	\$20,000	Delete ✕	Edit ✎



Inflows **Outflows** Compare

What were your outflows for the past year? [See example outflows](#)

Category	Description	Frequency	Date withdrawn	Amount		
OPERATING						
Payroll/wages	Designer	Fixed monthly	All months	\$600	Delete ✕	Edit ✎
Insurance - General operating	Liability Insurance	Annually	Nov	\$8,000	Delete ✕	Edit ✎
INVESTING						
Purchase of equipment/machinery (assets)	New PC	One time	Mar	\$3,000	Delete ✕	Edit ✎

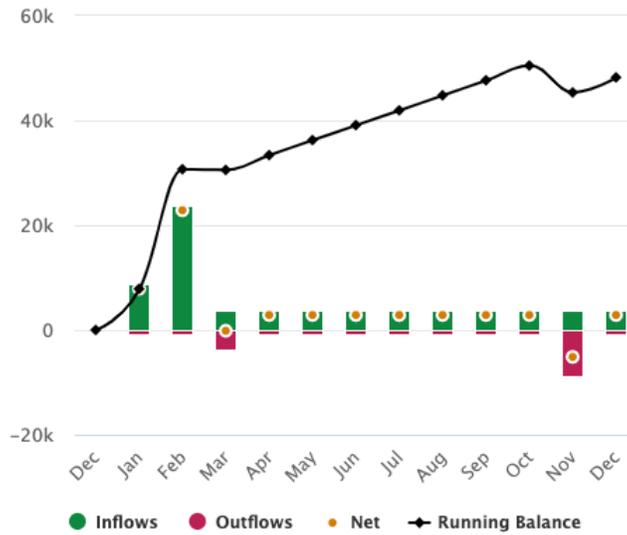


Your cash flow summary:

Period
Entire year

Entire year cash flow summary

Total inflows:	\$69,400
Total outflows:	\$21,200
Net:	+ \$48,200
Starting balance:	+ \$0
Entire year balance:	+ \$48,200



Entire year inflow breakdown



50%	operating	>
21%	investing	>
29%	financing	>

Entire year outflow breakdown



72%	operating	>
14%	financing	>
14%	investing	>

Download data

Print

or [revise inflows](#) | [revise outflows](#) | [clear all data](#)

Maximizing cash in

Consider four strategies to turn more of your sales into cash on hand.

In times of uncertainty, a nimble, strategic approach to cash flow can help your business identify opportunities to boost and collect revenue. Consider these four strategies.

1. Know your competition

Nearly every industry has experienced major shifts. Your competitors may have closed, changed their business model or added new products and services. New competitors may have emerged within the past year.

Dive deeper into evaluating your competition in the worksheet on page 12.

2. Segment your customers

Businesses that rely on a small number of customers face big risks if even a few of them leave. Expanding your customer base is a great way to increase revenue and create flexibility for your business.

Your customers – both current and prospective – can be segmented according to what they need and what they do. Once you've identified different segments, you can:

- Tailor your communications for better results
- Reward loyalty to keep them coming back for more
- Identify new audiences with similar preferences and spending habits

Get started segmenting your customers in the worksheet on page 13.



3. Consider your prices

Consumers are changing their habits, supply costs are shifting, and the competitive landscape is as dynamic as ever. Whenever your industry is experiencing change, it makes sense to take a closer look at your pricing.

When reviewing your prices, calculate all the costs of producing, managing and delivering your product or service. Also, don't forget to include in your pricing estimates overall costs that don't apply to a specific product or service. For example, accounting software or cleaning services are essential for your business and need to be covered by your revenue.

Keep in mind that minor price increases can have a big impact on revenue over time. You can reduce the impact on your customers if you:

- Bundle items or services to deliver more overall value
- Offer discounts for volume orders
- Provide favorable payment terms for longer commitments*

4. Collect on your sales

Landing the sale is only one small victory. The real win is collecting the cash in a timely manner – especially for B2B companies that often experience a lag between an agreement and collection.

A clear, efficient process for collecting receivables can help you avoid bottlenecks that cause delays in invoicing or payment and keep information flowing from sales to finance personnel.

Understanding your customers' payment processes can also help. If coordinating or integrating their payment system with your receivables system can reduce time to payment, you'll have the cash in hand more quickly – and you might also eliminate an operational pain point for your customers.



Receiving payments via your website can simplify your receivables process and speed up processing times.

TIP

* Make sure you don't risk your cash position by delaying cash in when you need it most.



How to improve your receivables process

- Determine or revisit your payment policy.
- Create an invoice immediately after your product or service is delivered.
- Monitor accounts receivable, and follow up on overdue payments at regular intervals.
- Monitor bank accounts, and make sure payments are deposited in a timely manner.
- Evaluate and adjust your process for greater efficiency.



WORKSHEET

Can you generate steady revenue?

Look for opportunities for consistent revenue that can help smooth out the peaks and valleys of your sales calendar. A few ideas include monthly subscriptions or memberships, gift cards and sales through alternative distribution channels.

Brainstorm your own revenue ideas. Consider any costs to get started and how complicated implementation might be.

Revenue idea	Estimated cost	Estimated time to implement



Luminary Displays struggles to collect payment

Martin Blount, the owner of Luminary Displays, won a big contract to install screens for a large entertainment company that was pivoting to outdoor events. This meant steady work at above-average rates.

Once the work began, Blount submitted his first invoice. A month went by, but he still hadn't been paid. He called his client and found out that, because he hadn't submitted his invoice through the vendor management system, it never made it to the accounts payable department.

His team quickly submitted the invoice through the system, but a few weeks later, he still hadn't been paid. His company was running out of cash. Blount was afraid he wouldn't be able to make the next payroll.

When he called his client again, he found out that his operations team did not complete all of the required fields in the vendor management system and had not monitored the system to see that alerts had piled up.

Blount filled in the missing fields that same day and received payment just in time for the next payroll. He then scheduled a training session for his team so that all invoices would be submitted properly going forward. Once regular payments began coming in, his cash flow pressures eased.

All case studies in this workbook are hypothetical examples. Any resemblance to actual persons or businesses is entirely coincidental.



Find your place in the competitive landscape

Chase for Business has created an exercise to help you see where you stand relative to your competition. Go to chase.com/competitiveanalysis to download the Excel worksheet and get started.

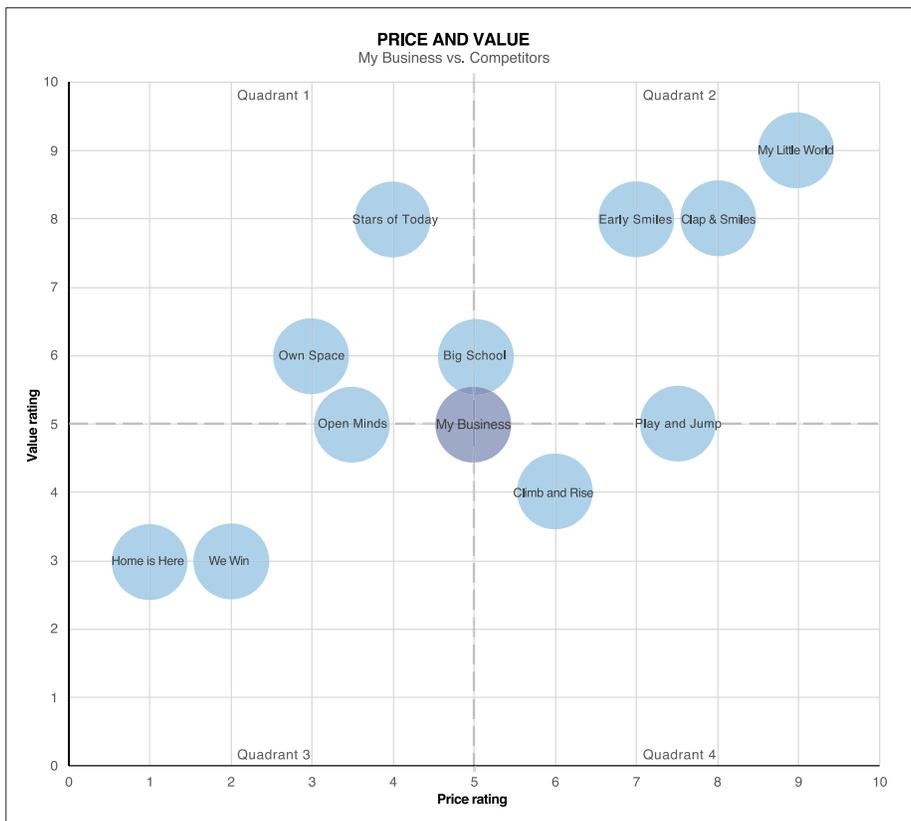
Example:

Your business

Business name	Value features	Value rating	Price	Price rating
My Favorite School	Transportation included for a fee; lunch provided	5	\$600	5

Your competitors

Business name	Value features	Value rating	Price	Price rating
Open Minds	No transportation; access to before/after care options; FB closed group access to photos	5	\$450	3.5
Home Is Here	Transportation provided for a fee; easy and relaxed environment	3	\$200	1
Early Smiles	Transportation included; list of electives per day; hot lunch provided; good facilities	8	\$800	7
Claps & Smiles	Transportation included; dedicated teachers; electives at older ages; adventure park	8	\$900	8
Stars of Today	Transportation available for a fee; general and STEM programs; lunch provided; great facilities	8	\$500	4





Who are your customers?

In the sections below, consider who your customers are. What defining characteristics are unique to each type of customer? What sales goals do you have for each customer type, and in what time period do you think you can achieve them? In the last column, think through how your brand can ignite or deepen the relationship and what elements you might include in an outreach plan.

Existing customers

The best customer

May not come in the most often, but when they do, they spend a lot

What types of people typically fall into this customer category?

What sales goals can you set for these customers?

In what ways will you reach out to these customers?

The sustaining customer

May not spend a lot, but they shop frequently and are loyal to you

What types of people typically fall into this customer category?

What sales goals can you set for these customers?

In what ways will you reach out to these customers?

Potential customers

The look-alike customer

Looks like your current customer but shops elsewhere for products you carry

What types of people typically fall into this customer category?

What sales goals can you set for these customers?

In what ways will you reach out to these customers?

The aspirational customer

A customer you'd like to have, maybe because they're influential, maybe because they represent what you'd like your product to be

What types of people typically fall into this customer category?

What sales goals can you set for these customers?

In what ways will you reach out to these customers?

Minimizing cash out

Knowing where and when cash goes out helps you right-size your spending.

It's critical to align your spending with the actual needs of your business. A lean expense ledger can give you the flexibility your business needs to seek new opportunities or adapt to changes in the marketplace.

Most businesses can reduce their expenditures in at least five ways: reevaluating vendor relationships, building a high-performing team, taking a fresh look at real estate, controlling spending on inventory and getting real value from marketing.

Vendor relationships

Has your business changed in ways that reduce your need for a particular product or service? Are you getting a good price for the services you do need to keep? Has the value of what a vendor provides decreased in any way? Once you have clarity on what your vendors provide your business, you can make decisions about whether to cut back or end a relationship.



Grandma's Place negotiates a lower cost on paper products

Mia Lupongo makes an incredible lamb stew. Her little shop, which she named Grandma's Place after the woman who taught her how to cook, fills hundreds of takeout orders per day.

Grandma's Place has always had cash flow troubles, even though Lupongo's rent is relatively low and she doesn't have many employees. She decided to dig into her expenses and found that her most frequent vendors – and her biggest cash payments – were for food ingredients and paper products. She decided to focus on paper products first.

Before reaching out to vendors, Lupongo researched the paper products vendors in her area and ranked each one based on the features she values most. She also looked at her ordering process and found that she ordered products irregularly, usually when her shop was running dangerously low.

Next, she contacted her vendors to ask about lower-cost products and proposed making a regular monthly order in exchange for a better unit price. Her top vendor agreed. She now spends less, and her expense is more predictable. Most importantly, she's improved her shop's cash flow without sacrificing critical vendor relationships.

High-performing teams

Payroll alone can account for 70% of total business spending.* That's why it's essential to put together a balanced, efficient team. A few questions you might consider when evaluating your team:

- What needs to be done and when? Who needs to do it?
- What can be automated, done less often or outsourced?
- What can you, as a business owner, delegate?
- Are there gaps in your staffing that can be filled by a contractor or an intern?
- Is seasonal staffing an option?

Once you've asked yourself a few questions, you can develop a plan. Remember to stay open-minded and ready to adjust as needed. Also, understand how your plan might affect employees. Change is sometimes hard, especially if you've let some team members go. Make sure that your remaining staff know that you appreciate them and that their contributions are important to the future of the company. A competitive salary is a good start, but also consider providing training, room for growth and little perks that help maintain an active and engaged company culture.

Real estate

Do you still need the space you rent or own? Maybe your team works from home or your sales have gone online. While real estate is often not particularly flexible, you may find that now is the right time to rethink your space. Questions to consider:

- Do you need all that room? Every square foot costs money.
- Is your current location delivering what you need? Foot traffic patterns have changed, along with the way many businesses are run. That downtown space might have made sense two years ago but not today.
- Has your bargaining power increased recently? If you're in the market to begin or renew a lease, you might be able to negotiate favorable terms.
- Rent or buy? Research how much your mortgage payments would be compared with your rent, and don't forget to factor in the down payment.
- Have you talked with your banker? They might have valuable insights to help you better answer these questions.

* Chase for Business, "Navigating Your Cash Flow: Managing Payroll Costs" video, chase.com/payrolltips.

Spending on inventory

Linking your inventory to sales and customer needs can help you avoid tying up too much cash. Here's one example of how a business owner used inventory analysis to drive strategic decisions and preserve cash.



Baby Boutique adjusts its inventory

Claudia Beauvoir owns Baby Boutique, a shop in a growing neighborhood full of young families. She never likes to see anyone walk away disappointed, so she tries to stock everything she can, even obscure items from halfway around the world. One day, she noticed that her backroom was getting very crowded. Had she bought too much inventory?

Beauvoir decided to analyze her inventory to understand how long it took for products to sell. She quickly discovered that many products sat for months – and some as long as two years. As she dug deeper, she found that if an item sold within six months, she could realize a net margin of about 50%, but that number went down significantly after each additional six months.

Beauvoir decided to set limits on the number of an item she would carry and focus on her bestsellers. She also found wholesale vendors that would place special orders for her, giving her the opportunity to fill requests for less popular items. As a result, Beauvoir reduced her cash spending and improved her profitability.

Marketing

Marketing is a little bit art and a little bit science, but if you have specific, measurable, achievable and time-bound goals, you can focus your marketing spend on initiatives that are most likely to deliver.



Worktime Furniture unboxes a new look

Marshall James created the perfect desk. It's durable, adjusts for standing or sitting and easily stores all kinds of office supplies. His company, Worktime Furniture, has been shipping the unassembled desk in a plain box for years, but James recently realized that the customer experience is not over when the box is delivered. And a plain, boring box is not a great experience.

While his designers worked on new boxes that reduce waste and look amazing, James analyzed his current supply of packaging. He estimated that he had four months of packaging left, so he could wait on placing his first order. In the meantime, he worked on a campaign that he called "Opentime" that would encourage customers to create unboxing videos featuring the new packaging. The videos began generating buzz on social media, helping his new packaging drive excitement and awareness of his product.



WORKSHEET

Analyze your vendor relationships

This worksheet can give you an at-a-glance view of the importance of each vendor relationship and can be used as a guide for how to take action.

Visit chase.com/vendoranalysis to download the worksheet and get started.

Example:

Vendor information				Criteria			Actions & contact information	
Vendor name	Current annual spend with vendor	Small (S), Medium (M), Large (L) or Potential Vendor (P)	Current services or products purchased	Product quality	Price	Timeliness of delivery	Weighted score	Potential action
				Weigh criteria items by importance to YOU. (1=least important, 3=most important)				
				3	1	2		
				Rate each vendor by criteria. (1=bad, 2=ok, 3=good, 4=very good, 5=excellent)				
Vendor 1	\$36,000	L	Paper products	5	3	3	24	High score: Keep the relationship and see how it can be improved.
Vendor 2	\$15,000	M	Paper products	3	4	5	23	High score: Keep the relationship and see how it can be improved.
Vendor 3	\$ -	P	Paper products	2	5	2	15	Low score: Consider switching.
Vendor 4	\$ -	P	Paper products	4	2	4	22	High score: Keep the relationship and see how it can be improved.
Vendor 5	\$ -	P	Paper products	3	1	4	18	Medium score: Keep the relationship, but research alternatives.

Make cash work for you

How will you improve your cash flow?

Recognizing how money moves through your business has never been more important. Even when times are tough, there's a lot you can do to put your business on more solid footing. Analyzing your cash flow and making adjustments is a critical first step.

Chase created a handy tool to help you see a year of cash inflows and outflows. Map out your current performance, or run different scenarios to help you plan for what's ahead. It takes just a few minutes to get started when you visit chase.com/cashflowanalysis.

It takes a lot to run a business, especially now. A strong cash flow strategy can solidify your footing and help you keep rising.

Work with a Chase banker

Chase for Business offers resources and services to help you manage your business. We are committed to delivering the expert guidance and support your business needs.

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