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Withstanding knocks

While we wouldn't want to make the same mistake as a government minister and declare that we can see the "green shoots of recovery", MT has detected a note of cautious optimism in recent weeks.

This is not to underestimate the length and depth of any recession: no one doing business at the moment should be under any illusions about how bad things are likely to get.

However, speaking to a cross-section of the transport industry lately – from small operations in the express sector to sizeable logistics players running hundreds of trucks – it's been striking how many have made positive noises about their business prospects.

If there's a common thread linking these disparate businesses, then it is how well prepared they are for the lean times. As one said to us: "It all depends in what state you enter this recession. If you are in a reasonably strong position, you can withstand the knocks."

Recent events have rather borne this out, with the failure of Bulmers Logistics – apparently with debts of £10m – a case in point.

Without wanting to dig through its wreckage to prove our theory, it entered the recession with too many debts, too many vehicles on long leases, and in a sector that's crashed through the floor.

Banks may well be to blame for causing this crisis and then exacerbating it through a lack of lending to businesses, but those who kept a tight ship in the good times will be able to reap the rewards now.

There are opportunities out there for companies with the right skills and business offering. This industry also has a knack of survival.

After all, as one MD boasted to us this week: "This is my third recession..."

Cash flow – the same old same old?

Understanding your customers' accounts systems is key to keeping the cash flowing, says **Kirsten Tisdale**

One of the advantages of a few grey hairs is the experience of having coped with something similar before... although I seem to remember that you used to go to the bank for advice rather than apologies!

My first experience of cash flow problems was while running an RDC for a 3PL and discovering that, suddenly, you couldn't use the best agency... because it didn't want your business – head office hadn't paid the bills. So, when an objective of my next role was to improve the whole company's cash flow by reducing the period of credit of just one customer (one that represented 15% of turnover and 25% of profit), I didn't need to have the benefits spelled out.

So, if I had several tips on cash flow, what would they be?

Plan for cash flow – it doesn't just happen. Work out when money will go into and out of your account – not just this month, but going forward... and definitely include your next peak. When will you need to pay staff and how much? When will you need to meet quarterly bills and so on, and when will you get paid by customers? What does this mean for your cash balance and how can you influence that?

A particular problem for my company was that the customer had 12 accounting months,



whereas we had 13 four-weekly periods. That said, lesson two remains the same: understand your customers' accounts department cycles. Sometimes we could be relaxed about the invoice, send it second class, and it would arrive, nicely timed, to be authorised and meet the next cheque run. On other occasions, by scurrying around to get our invoice prepared and hand-delivered, we just met that crucial cheque run. Periodically the solution would be different: I'd arrange to have the cheque couriered to a City bank, so it cleared immediately – the overnight interest paid for the courier. With modern technology, there's not the same need to have someone dashing around on a motorbike, but the requirement to meet your customer's BACS cycle and know how it fits with your own arrangements still stands.

Avoid disputed charges. That sounds silly – no one aims to get their invoices wrong, but ours were sometimes in the wrong pile because there was a query on some little extra. We agreed a separate invoice for 'specials' – the main contract, worth millions of pounds each month, could then be paid in a routine manner.

Never be shy of chasing invoices, but do make friends with your customers' accounts departments – make sure that if they're going to put themselves out for just one supplier (perhaps by chasing someone senior for authorisation), you're the one they're happy to help.

Don't over-commit. I met the owner of a courier firm at a networking event – he understood the risk of additional business: "If I get £1 of business today, I probably won't get paid that for 60 days, but I'll have to pay the driver on Friday." New business would be a welcome problem right now, but the concept remains important, particularly when your business pattern includes peaks – if you're distributing barbecues, you'll be doing extra work in the spring, paying drivers within a week, but not getting paid for another month or two. Which takes us back to the first tip – plan for cash flow.

And good luck – we're all going to need it!

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MotorTransport

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