Kendra:	00:07	You are listening to the Level Up podcast, a podcast for high performing business women and I am your host Kendra James-Anderson. I am CEO of the Finance Femme LLC and a virtual CFO to several successful women entrepreneurs. Here I'll be sharing business tips and the occasional life hack that helps you get higher profits in business and more time to live your best life. Whether you want to scale your business to six or seven figures and beyond, I've already hit millionaire status or if you're just getting your business started, this is the podcast for you.
Kendra:	00:51	Kendra here and said, today we are talking cashflow. So if your business is making sales, but your bank account isn't really reflecting it, then this is for you. So if you're making $5,000 a month or $500,000 a month, if you're not seeing those same zeros in your bank account, then this is your episode.
Kendra:	01:13	So I'm going to share some insider secrets with you to help you go from cash low to cash flow. So first let's define what cashflow is. And to me, it's really the art of money. Specifically cash flowing in and out of your business. And I say art because it truly can be a beautiful picture when it's done right or it can be a disastrous mess if it is done wrong.
Kendra:	01:41	So there's inflow of money, so money coming into your business and then there's outflow of money, which is money leaving your business. And of course ideally you're going to have more money flowing in, then you are flowing out as an example.
Kendra:	01:54	Inflow of money can be cached from a customer. So payments from your customers, sale of investments that you might have interest payments received. But for the sake of this podcast episode, we're going to really focus on the main source of cash for your business, which is the sales that you're making from your customers and your clients. And when we're talking about cash outflow, that can be for things like paying for expenses, purchasing inventory, purchasing equipment, so on and so forth.
Kendra:	02:24	So here I'm gonna focus on three keys that will help you go from cash low to cash flow. And at the end, I'm going to give you some very specific advice, actually a step that I would like for you to start taking, whether you are in the eCom and retail industry or for those of you that are in the service based industry like coaches, consultants, service providers, like massage therapists and dentists and things like that.
Kendra:	02:51	So I'm going to give you a very specific thing to do at the very end of this particular episode. And I want to know, you know,

tell after you've done that for a few months, how has it impacted your business? But I'm going to give you that specific step.

Kendra: 03:05 But first let's go through the keys. So key number one, is focus and finish. So I'm going to go deeper into this obviously, but it's focus and finish. So some people expand their business too much or they expanded too fast. So you may have some success with your core business offering and then you decide to expand. And what might happen is you may go too vast or you might grow too fast. Both of which too vast or too fast can be detrimental to your business.

Kendra: 03:42 So as an example, let's talk to retailers first. Those service providers, don't tune me out because a lot of this will still be relevant for you. But as an example for retailers, let's say you have a product line that you're selling, it's doing okay, it's consistently growing, it's giving you some cash, but it hasn't hit its full potential yet. It's still taking some work to really get it to its fullest potential. But you don't want to really wait for that, right? The thrill, it's usually in the launch and not in the work to have it to continue to grow. Right? It's more fun to launch then to build.

Kendra: 04:17 So you launch another collection, you launch another one cause you get that thrill. You have one collection that's already kind of doing well, but it's not at its fullest potential yet, but you get kind of bored with it. So you launched another one and then you launch another collection and then you launch another collection. And before you know it, you have a ton of unused inventory sitting on your shelves or in your warehouse, right?

Kendra: 04:40 You sell through is not what it used to be. You're expanding your product line offering too much. And of course in retail you have to keep products fresh and new, but you also have to keep an eye on your sell through because unsold inventory is wasted cash and it's also wasted energy. The purchasing of those products, right? It's wasted cash, it's wasted energy and you don't want that to happen. So you have to focus and finish what you're starting.

Kendra: 05:10 As an example for the service providers, let's talk to coaches and consultants first, right? Let's say you have a program that you're selling, you've launched it, you've tweaked it, you've launched it again, you keep getting it better and better each time you launch it. You're making sales - it's not quite at the point where you can make it evergreen or can you know, expect consistent sales with on its own.

Kendra: 05:33 But it is there. But because again, you like the thrill of the launch, you decide to make another program thinking, okay, well maybe this one's bringing in money, but instead of perfecting this one, let me also get another one over here on a whole different subject matter within my business. Let me build another one.

Kendra: 05:50 So here's the thing though. Building another one takes time. It takes money, it takes effort, it takes energy. And now instead of using that time, that energy, that money to improve what you already have to build that one thing up, instead, you're now spreading your energy, your resources, your money. You're spreading it out so you're going more vast. Instead of going deeper with what you have, you're going more vast. So get consistent revenue from something first before expanding to the next. That's for everyone. Retail, coach, consultant, dentist, whatever you are, you know, we want to get consistent revenue from something first before expanding onto the next.

Kendra: 06:31 We want it to be so consistent that it doesn't even feel like work anymore or that product or that collection or that service, that program is generating consistent sales without needing all of your time, your energy and your effort, and then you can go onto something new because that's something new is going to be work, right? It's going to take away some of your time, some of your energy, some of your money, and it's going to take that away from that initial product or that initial service offering. And if that can't stand on its own two feet, well now while you're building something new, your core business is struggling and you know this whole concept of seven streams of income, right? I think a lot of people think that they have to diversify and build all these different things within their business or just to build several businesses because they need these seven streams of income.

Kendra: 07:20 And don't get me started on the seven streams of income and how it's making people broke because the key word in that phrase is stream, but people focus on the seven. So if a business isn't flowing in money, if it's just trickling sales, that's not a stream. That's a trickle. And so seven trickles of change is not seven streams of income, right? One will leave you overwhelmed, overworked, broke, and the other will leave you wealthy, refreshed, diversified. But before one has seven streams of income, they have to have one stream, then two streams, then three streams. So ultimately I'm saying turn your trickle into a stream before moving on to the next.

Kendra: 08:13 Focus on your core offering. Finish it out, make it complete, you know, make it bring in consistent sales before expanding or focusing on the next. So that's key number one, focus and finish.

Kendra: 08:27 Now let's go to key number two. Key number two is collection discipline. And this is a little bit different for retailers as you know, for coaches, consultants. So as usual, I'll kind of split it out for the different industries.

Kendra: 08:40 So for retailers, this is what I say when, when I'm talking about collection disciplines. So let's say you have your brick and mortar store or your eCommerce store either way, and you are selling this beautiful $250 dress. Someone comes in, they go to your dot com purchased this dress, they leave. You think that the transaction is done right? It's like amazing, great. Make the $250 off of this dress. Perfect. You think the transaction is done. But in fact there are these two things that you have to consider. One of those things is refunds. And the other thing is chargebacks, right? So with refunds, obviously that person can come back a week later, maybe a month later, depending on your refund policy if you have one in place, they can come back and request that you give them back their $250 in exchange for what might be a used dress, you know, depending again on your refund policy.

Kendra: 09:33 If you don't have a refund policy in place, they might think you're like Walmart where that dress can come back, rips and abused and just a complete mess or it might not even come back at all. They can just say, I didn't like the dress, it didn't work for me, and give me my $250 back. Right? So obviously that impacts cash flow because where you thought you had that $250 in the bank and now you might have to actually return that back to them, maybe all $250 maybe a portion of that. Maybe it's in the form of a gift card, but at the end of the day it's not income back in your bank account.

Kendra: 10:05 It's like income in your account. So the solution for that is simply have a tight policy in place for refunds. Have it posted on your website. If you're at.com have it posted in your store if you're a brick and mortar - just have a type policy in place around refunds. It will definitely help you make sure that you have expected cashflow.

Kendra: 10:26 Now the second thing is chargebacks. So we all know what chargebacks are. I hate them. You know, I feel like it's unfortunate that people do charge backs well that people do, you know, illegal chargebacks. Maybe there are sometimes

situations where you're charged something that you shouldn't have been charged and a charge back is warranted.

Kendra: 10:44 But I'm talking about those fraudulent chargebacks where someone comes in and they buy something from your store, from your.com from your brick and mortar. They say they never received it. They say, you know, this was never, I didn't actually click that button and make that purchase and now they're going back to their bank and they're demanding that money to come back and it's hitting you as a charge back.

Kendra: 11:04 Well, you can fight those, right? Fight those chargebacks. If they are not true chargebacks, if they're fraudulent, you can definitely fight them. You can have a tight policy in place posted again on your website or in your store that says that you will fight chargebacks to the fullest extent of the law. And additionally, if you're talking .com you know there are plugins in place on a lot of these online retailers. Shopify I know has a ton. that will kind of alert you and make you aware of potential fraudulent sales where it maybe a card that's being used has had fraudulent sales in the past or if they're purchasing and having it shipped to one country, but the card is from another country or state. Sometimes it'll give you an alert that it might be a fraudulent sale. So just have policies in place to help you with your refunds and your chargebacks.

Kendra: 11:53 Now, coaches, consultants, service providers. Let's talk collection discipline, right? So still on key number two, collection discipline. For the service providers, there are three things that you want to think about. Contracts, deposits, and enforcement.

Kendra: 12:08 So let's first just talk about contracts. Let's be real. You have to have a contract, right? If you are taking money from someone in exchange for a service, you need to have a contract in place. So I want even go too deep or spend too much time on that. Have a contract if you want to make sure that you're collecting and able to collect the money that's due to you have a contract.

Kendra: 12:29 The second thing is deposits. So if you take deposits, make sure that the balance is due within a reasonable timeframe. So let's say that you collect 25% up front and you have a, let's say it's a three month program, so with a 90 day program and if you tell them, okay, I'm collecting 25% now and the other 75% isn't due until the end of the program, you're setting yourself up for a risk that everyone is not going to pay you. When that program is done, they might've gone through all 90 days getting all the content, the information, the education, and someone is not

going to pay you that balance. Of course, that's impacting your cashflow. That's cash that you thought was yours. Well that is yours - you just thought where you were going to get and you're not going to be able to collect on it. So have the balance due within a reasonable time frame, you know, monthly payment plans or something along that line versus pay me upfront and then I get the rest of it, the balance of it at the end.

Kendra: 13:31 I say the same thing to my consultants that are out there that have these consulting packages and they say, pay me this deposit up front. That balance isn't due until I'm completely done with the work. Maybe that balance shouldn't be 75% of course there are some times where you're not going to pay it in full until you see the work done, but it shouldn't be 75% of the balance. You know maybe you'd take a 25% deposit, you take another 25% halfway through, maybe another 25% after your three quarters of the way through and then the last 25% at the end, but you don't want to leave so much risk on the table by saying 75% of my payment is coming here at the end and then also if you have something due to you, make sure you collect it.

Kendra: 14:14 So that's the third thing that's enforcement. Make sure that you collect the money due to you and on time because a late client, once is a late client twice. If they are going to pay you late one time, they're going to pay you late two times and then three times and then 50 times - collect on time. If you're expecting money to come into you on the 15th of the month from a client and they don't pay you until the 30th but you had bills to pay and people and staff and team to pay between that time frame now you're tapping into other resources. So make sure that you are collecting on time. So that is key number two, collection discipline.

Kendra: 14:56 Now key number three is know your spending. And I'm going to break this one down into like three different parts. Of course we have to talk about spending, right? But it goes beyond, oh just watch how much money you spend and just, you know, don't spend, it's deeper than that. So knowing your spending actually starts with watching your expenses. And when I say watching your expenses, I don't mean like treading carefully, I mean actually watching your expenses. So logging into your bank account, looking at your statements. I'm ideally looking at your profit and loss statement, which is an accounting report. So if you don't have a profit and loss statement, that means that you're probably not working with a bookkeeper or an accountant or a CFO, which means you probably should. But you know, I digress. Even if you don't have a profit and loss statements and look at at least log and see your bank accounts,

look at your bank statements and see where your money is actually going. Okay? So that's the first part. Just watch your expenses, look at them, be aware of them.

Kendra: 15:54 Then the second part is to not tie the money that you spend in a month to the money that you earn in that month. Okay? Don't tie the money that you spend in that month to the money that you earned in that month. Don't set your budget based on how much you're earning, right? So if you typically spend, let's say, $5,000 a month in expenses between, you know, your payroll, and maybe you have an assistant and maybe you have some, a little bit of overhead. So let's say you typically spend 5K a month in expenses and you typically earn 20 K a month in business, but then you have a month that does really well and you have 50K in sales. That doesn't mean that you should spend more money in that month, right? Because you made more sales, you made 30K more sales in that month. It doesn't mean you should spend 30 K more. It doesn't mean you should spend 5K more because that gets you into a bad cycle.

Kendra: 16:47 Businesses have ebbs and flows. Ups and downs, but you're spending should be the same. You should have a budget set and you spend to that budget regardless of whether you have a good sale season or low sale season because that peak and that money that you make in that peak can help you when you get in that Valley. So the third part of knowing your spending.

Kendra: 17:12 So again, I broken into three parts. The first part is just watching your expenses, knowing what they are. The second part is making sure that you don't tie your spending to your earnings. And the third part is ROI.

Kendra: 17:24 ROI should drive decisions. So ROI is return on investment. So your return on your investment is what should drive your decision making. It should drive what you spend your money on. Focus on spending your money on high ROI items first.

Kendra: 17:40 So I like to make this super simple, right? ROI, I gave it four levels, right? I say, okay, let's determine is this thing that we're wanting to purchase? Is it a level one, two, three, or four? So here are the four levels of ROI. This is kind of what I, how I walk my clients through it.

Kendra: 17:57 So one level of ROI is when something is directly giving you money back. So an example is if I buy a phone, if I buy a phone for $50 and I can immediately turn around and sell it for $150 and make $100 profit, right? Cause if I buy it, it costs me 50 I sell it for $150 that means that I make $100 in profit. That's me

spending money that is directly giving me money back. I spend $50 and I'm directly earning $100 a profit. That's level one ROI. I will do that all day long. If that is guaranteed that I spent $50 and I get $100 of profit back, I'm flipping phones all day long, right? That is level one ROI.

Kendra: 18:43 Level two ROI is something that frees you up to make more money. So it's not a direct, I'm swap of money, but it frees you up to make money. So an example of this is, um, maybe hiring an assistant. So if you're, you know, and at a point in your business where maybe you need to just focus on making more sales calls or making more business connections so that you can drum up more business and there are administrative things or things that someone can come in and help you out with and assist with to free you up from those so that you can go make more money. That's a level two. So hiring an assistant as a perfect example of level two, it's spending your money on something that frees you up to make more money.

Kendra: 19:27 Level three ROI is a convenience. It's when you are paying for a convenience. So an example of this, I live in Dallas. I live in a suburb of Dallas, Texas. So if I had a meeting, a business meeting in Houston. Houston is about a four hour drive away from me. So I could say, all right, am I going to drive this four hours to go to this business meeting or am I going to pay $200 for a flight? Right? That's a convenience. That's not directly making me money. That's not freeing me up to make more money. That's just flat out convenient. Now, of course, I can opt to pay for it, right? But again, I know that it's a level three. I'm paying for the convenience of not having to drive the four hour fee twice a Houston,

Kendra: 20:13 and then finally level four of ROI is paying for luxury. We all know what luxuries are, right? It's when you're buying something that's not necessarily, it's not just convenient. It's like convenient plus, right? There's more to it. And a luxury item doesn't have to be super expensive, right? It doesn't have to be, you know, my briefcase or my work bag is a Chanel. It doesn't have to be that extreme. It could just be like, you know, the type of coffee that she like, right? If you really like Starbucks and you want to always go to Starbucks, right? Versus going to Dunkin or whatever it is. It's just you know, going for the luxury versus going for the convenience or just going for like the base, right?

Kendra: 20:55 So those are the four levels of ROI money giving you something that's directly giving you money back is level one, freeing you up

to make more money is level two, convenience is level three and a luxury is level four.

Kendra: 21:07 And ultimately it's not to say don't ever pay for a level three or level four, right? It's just saying understand thathere are different levels and Hey, based on where your business is, can your business handle the luxury at that time, right? If you're trying to scale or if you are trying to grow, you know you need to reinvest into your business in a wise manner so that you can enjoy conveniences and luxury with ease and without hurting your business.

Kendra: 21:34 Because all too often people in the phase of their business when they're really supposed to still be reinvesting and growing, they're spending way too much money, wasting way too much money on conveniences and luxuries and not enough money on things that are directly putting money back into their bank account. So that's what I mean by the levels of ROI.

Kendra: 21:55 So again, the first key is that you want to focus and finish.

Kendra: 22:01 The second key is the collection discipline.

Kendra: 22:05 And then the third key is know you're spending.

Kendra: 22:09 So at the beginning of this episode I mentioned that I was going to give very specific a tip or a really a step for you to take, whether you're on the retailer side or whether you're on the service provider side so that you can actually start implementing this now. And I'm going to do it based off of your top concern.

Kendra: 22:24 So for you retailers out there, your top concern when it comes to cash flow and being low on cash flow is typically replenishing inventory. If you don't have money in your account to buy more inventory and inventory is how do you make money in your business - that can be an issue. So here's how you fix that concern.

Kendra: 22:45 You need to create an inventory purchases budget, right? So you need to understand how much do I need to spend in my business every month to replenish my inventory to the right balances - to the right levels. And then you need to set aside that amount each month and let that just build up.

Kendra: 23:03 So let's say that you determine your monthly inventory budgets would be $10,000 a month. So that means every month you

need to spend $10,000 to purchase inventory in order for you to make your, you know, your typical a $200 or $75,000 or whatever it is that you're making in sales. But she needs so purchase $10,000 of inventory in order to make that happen.

Kendra: 23:26 Well now that you know what that monthly number is, then each week you need to set aside 25% of that amount, right? So at the end of each week or the start of each week, whenever you're reconciling and looking at your finances, because you should be doing that. And if you're not, you should be working with a professional that is every week, set aside 25% of that. So if it's $10,000 set aside $2,500 a week into the inventory purchases budget, and then you can only spend that in the month, right?

Kendra: 23:56 And then retailers watch your money stack up when you set aside an inventory purchases budget. Okay, don't go above that $10,000 next month - only spend what's in that inventory purchases budget.

Kendra: 24:09 Now for my coaches and my consultants and my service providers out there, your top concern is typically inconsistent sales. So the top concern when as it pertains to cashflow, is typically inconsistent sales. You have ebbs and flows in business, seasonality, all of that. So here's what you can do. So when you make good money, it's to carry you through a season, not one sales cycle. So that's the key that you've got to know first, right? Is that when you have a good month or a good quarter, even a good year, that's the carry you through a season. It's not to carry you through just that sales cycle. If you made a 100K in a month, when you typically only make 70 K in a month, that additional 30K isn't for you to spend in that month. Right? That ties back to one of the keys that we talked about earlier.

Kendra: 24:58 So for you, you want to create a budget and create that budget based on your true business expenses. So again, work with the professionals to help you if you need to learn how to do this, but essentially write down all of your expenses in your business from your payroll to rent. If you have rent to any software that you're purchasing or using, you know, you need to write out those expenses and create a budget based on your true expenses and spend only that during your peaks and during your valleys. So again, if your monthly expenses are, let's say $20,000 a month and you have a really great month, you still should only spend $20,000 that month and then watch your money stack up, right? So that's the key for coaches, consultants, service providers out there.

Kendra:	25:49	Let me know after you do that, set your budget, spend to that budget only after several months and let me know, has that helped improve the bank account balance that you have are those zeros now added your bank account?
Kendra:	26:02	Same thing for retailers. Set in inventory purchases, budget. Make sure that you're only spending up to that budget for inventory purchases. And again, watch your money stack up.
Kendra:	26:12	So I hope you found this helpful. Sharing some insider secrets to you to help you go from cash low to cash flow. You know, you're making sales, your bank account isn't reflecting it and these are some tools and some some tricks that will definitely help you improve that over time. And here's the thing, if you're making money in your business, then you've gotten over the initial hard part in business, which is making sure that you have a viable business, not a hobby, but a viable business that's bringing in sales.
Kendra:	26:44	That's hard, right? That's a big hump to get over. There are a lot of people that have started ideas and put things out there that don't make money. So the fact that you're making money, you're over the first hump, you've proven your business, but now you have to be diligent and you have to be consistent. And many struggle with this. It's why many businesses close because they're not diligent and consistent with their money management. So if you can nail focus, if you can nail down diligence and be consistent with money, you'll be set. You'll be well on your way to a stable, predictable business that gives you freedom and that gives you flexibility.
Kendra:	27:28	So thanks again for listening and I hope this has been helpful. Definitely reach out on social media. Let me know how things go, how things are going for you, how you are moving from cash low to cash flow. And I'll talk to you guys next time.
Kendra:	27:47	That's a wrap for this episode. Be sure to go to thefinancefemme.com/podcast to get the show notes and links mentioned in this episode, and if you heard any gems, be sure to share it with a friend and subscribe. Reach out to me on Instagram at the finance femme. That's F E M M E and leave a comment. Thanks for listening.