

Case Study

This monthly feature shows how business experts have helped entrepreneurs address specific issues that face small businesses.

Entrepreneur tackles cash-flow management

By Janet Rorholm

Cash is king, and if anything can bring a business to exile quickly, it's a lack of cash.

Poor cash-flow management is often a major factor in the failure of a business, according to the U.S. Small Business Association.

Cheryl Boots of Cedar Rapids learned firsthand that it pays off to understand and stay on top of cash-flow in her home-based graphic design business after experiencing her own financial crisis.

Since working weekly with Becky Esker, president of Get Organized! and an organizational expert and business consultant, Boots, owner of Designs of the 5 Domains, has regained control of her finances and her business.

Boots said it's helped give her peace of mind.

"It was like I was going to work and not knowing what I was making," Boots said.

"There I was with this unknown income."

Esker helped her figure out how much money she had to make each week to pay her bills and earn a salary.

One of the first things they did was find all of Boots' outstanding payments and expenses and set up a tracking system. They discovered some business expenses that Boots was unaware of that could be deducted from her taxes, like association fees for business networking groups.

They also discovered that her lack of organization was causing many of her problems, so they focused on organizing not only her work space, but also her work systems.

"In order to be successful in business you have to be organized and stay focused," Esker said.

Boots said the lag time between when she got paid and when she collected payment from customers used to be a big problem.

"If customers paid the moment the sale was made, that would never have been a problem. But that doesn't happen in what I do," she said.

Esker said Boots isn't the only business owner who has struggled with the problem.

"There are times when the bills are due and you might have \$4,000 outstanding that clients owe you, but that doesn't pay the bills," Esker said.

To help ease her financial pain, Esker urged Boots to get a portion of her fee paid upfront.

"She gets half upfront and the rest is due when the project is done, and we've talked about breaking that into thirds," Esker said.

That also helps ensure that clients are serious about her services.

One thing you don't want to happen is to have a client ask you to do a Web site and you find out they also asked five other people. Then they chose the best one and you don't get paid if it wasn't yours they liked, Esker said.

"Otherwise you're working and you're not getting paid. You're working without any money," Esker said.

Boots said she once had a client take one of her mock designs and use it without paying. She wanted to avoid that happening again.

Esker also worked with Boots on adjust-



Cheryl Boots of Cedar Rapids, owner of the home-based Designs of the 5 Domains, said gaining control of her cash flow gave her peace of mind to focus on graphic design instead of her stressing about paying her bills. Mark Tade photo/EdgeBusiness

ing and raising her rates. Esker said this area always makes business owners nervous because they worry they will lose customers.

Finding the right balance is important for any business, Esker said. If you are too cheap, you could be undervaluing yourself or your product. Instead of helping business, it can hurt, since some people might question the quality of your service or it can bring in too much business and you can't keep up.

Esker said businesses shouldn't overvalue their services either.

"Most people think they are more valuable than what they are," she said.

She urges business owners to review their rates every year to see whether adjustments need to be made.

First, consider what the competition is charging. Next, consider your experience and background. People tend to pay more for experience.

Consider your expenses as well as your case load. If you are unable to handle the number of clients you have, you may want to consider a price increase.

Esker said you can expect to reduce your number of clients when you raise your rates, but if done properly you also should make more from the number of clients you serve with the higher rates.

Esker said that as her own business has

gotten bigger and busier, she's had a lot of clients call and want to work only with her. As a result, she's instituted a premium price a client can pay if they want to work exclusively with her.

Boots has a policy that she responds to an inquiry for her services within 24 hours, which is a good way to attract clients. She also takes pride in her quick turnaround of services, which has attracted many customers.

But as the business gets bigger, that has become more difficult to handle. Esker urged her to consider charging a higher price for a faster turnaround.

Boots said she liked that idea.

"I'm just killing myself at work and time is money, and if your losing sleep, someone ought to be paying," she said.

Finally, Esker has helped Boots recognize that she has to spend time on marketing.

One of Boots' business goals this year is to do 100 Web sites. She's working on her marketing techniques to bring in more customers to accomplish it. She admits that she's neglected marketing, but the little marketing she's done with simple e-mail blasts has paid off.

"Before I just waited for the referrals to come in and I was blessed because they did, but when I ask them if they need something, I've been amazed at the number who have said yes," she said.

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