

# New Year, same old problems for Australian SMEs

January is typically crunch month for Australian SMEs who each year face post-Christmas cashflow challenges

Peter Langham, the CEO of Scottish Pacific, a national provider of working capital to SMEs and startups, said SMEs should be managing their cash flow drivers to see their way through the tougher financial circumstances that many businesses face once the new year hits.

"We see the same thing every January and February. With the pre-Christmas rush behind them, business owners return to find many customers still on leave and getting invoices paid becomes even more difficult than normal," Mr Langham said.

"It can also be a time of worry, as retailers are relying on good Christmas and New Year sales to bolster their cash flow and determine how quickly their suppliers will get paid," he said.

Mr Langham said SMEs should focus on three crucial areas to keep their cash flow on track:

Only provide credit to those who deserve it

Agree to payment terms with customers and make sure they adhere to them

Work with suppliers so stock levels are minimal and payment terms are in line with their own cash flow cycles

Credit to the right people – base the amount of credit given, and payment terms, on the credit quality of the customer and their payment record. Take references from other suppliers and watch for deteriorating payment days.

Payment terms – After agreeing to terms, remove any obstacles that could delay payment: have correct details required on invoices, state payment terms, cross-reference purchase orders and have proof of delivery accessible in case of query or dispute. Don't assume payment will be made on the due date - issue statements, regular reminders and make follow up calls.

Work with suppliers - understand which lines are fast or slow moving and ensure holdings are related to speed of movement. Don't pay before the due date, unless you are getting a good discount and the cash flow supports such payments. Have the supplier understand your cash flow cycles to help manage their expectations.

"We have been working with SMEs for more than 25 years and know that getting the cash flow right is crucial to any business that doesn't have deep pockets to delve in to at certain times of the year when things can get tight," Mr Langham said.

"Because we understand these businesses, we are able to be more flexible in trying to overcome short-term problems and work with our thousands of customers who turn to us to help with their cash flow needs," Mr Langham said.

Debtor finance is a useful option for SMEs, as it allows them access to working capital that would otherwise be tied up in receivables for 30 or 60 days or more.

Over the past 25 years debtor finance has become a mainstream funding option for SMEs in the UK, the US and Australia, with the take up accelerating significantly in Australia over the past 10 years. There are currently more than 4500 Australian SMEs, with combined annual revenues of \$65 billion, using debtor finance.

Scottish Pacific is Australia's largest specialist provider of debtor finance services.

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About Scottish Pacific

Scottish Pacific Debtor Finance Pty Ltd provides working capital solutions to SMEs, offering the broadest range of trade and debtor finance solutions in Australasia. Established in 1988, Scottish Pacific has full operations centres in Sydney, Melbourne, Perth, Brisbane, Auckland and China. Scottish Pacific was awarded the 2014 Best Cash Flow Lender by broker publication The Adviser, as voted by brokers, in their inaugural Non-Bank Lending Awards.

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