

Article

Nov 24, 2008

Cash Flow (2)

In my last article I tried to make the point that due to the current state of the economy times were getting tough, and the best chance for business survival was to create ways to bring in extra cash flow. I suggested a few hearing aid maintenance and repair ideas that could generate additional business. If you want to read the article, it can be found here:

http://www.lightningenterprises.com/articles/misc_articles/GeneratingCashFlow.html ,

I took a little heat from writing that article, but the idea I was trying get across was these are tough times, and you need to be thinking ahead in case times get tougher – because it can. And I know my point is valid just in the increase in sales of one of our products over the past few months. A little more about that in a minute.

First though, I want to tell you the story of a local business I heard about recently. A small grocery store went out of business. The reason the store went under was in part the result of the slowing economy, and also for personal reasons – and it left the local community without a store. Folks had to travel 20 minutes one direction, or about 30 minutes in the other direction to buy milk or bread. Not a huge deal , but definitely an inconvenience.

A little while after the grocery store was gone, sales were also slowing for the local video store. And though they were in no danger of going out of business, the owner started thinking of ways he could bolster his bottom line. He came up with the idea of carrying some basic groceries and filling the void left by the original store. It was a pretty good idea where the result was a big benefit and convenience, not only for his customers, but the entire community. Of course this turned into a big hit and he was able to expand his line of groceries and grow his new-found income stream.

A similar thing happened in my home town. It may be hard to believe, but we have no hardware store. We used to have one, but the owners had a falling out and they ended up closing it down. After a while, the local gift store started carrying some basic hardware supplies and they have now out-grown their current location.

This is the type of thinking that can grow your business base in good times, and keep it alive during troubled times. Especially when you are providing a local service. The more the diversity of service, the more income streams you can create.

In keeping with the same theme, we've noticed an increase in sales for one of our products, indicating some folks are trying to create an additional service in-house. It is our VAC-1 Vacuum Pump with VAC-1A Aspirator Option, which is primarily used for cleaning ears using suction. Many times, this service is farmed out to a doctor or ENT, but lately we are shipping this product to other offices as well. The increase in ordering this type of product indicates that folks are trying to keep this service (and the cash generated by it) in the office instead of sending it away. And why not? If you have this type of skill level it is another stream of income for your business.

This is exactly I am trying to convey. Nobody knows how long this recession will last, or how deep it will go. But thinking ahead now and implementing some ideas to generate cash flow – even small amounts - can determine how well you weather the storm.

And in planning long term, this is not the last recession.

About the Author

Chris Perkins is the owner of Lightning Enterprises, and facilitates the Lightning Enterprises newsletter. He has worked in the hearing aid industry since 1991 in hearing aid manufacturing and product development, as well as equipment and process consulting.