

3 Ways to Accelerate Cash Flow and Get Paid Faster



Contents

Introduction	03
What is cash flow?	04
The 3 rules of cash flow	09
How to implement new cash flow improvements	12
Key takeaways	13
Skimmer Billing	14



Accelerating your cash flow puts you in a better position to make your operations more efficient, grow your business, plan your finances better, and look attractive to lenders and potential buyers.

For pool and spa service professionals, three major trends have converged to force pool and spa service professionals to rethink their cash flow management strategies.

1. The dramatic effect of chemical pricing and shortages of chemicals
2. A labor shortage
3. The powerful shift towards online payments and online payment acceptance by merchants (largely due to the pandemic)

Now, what does this have to do with cash flow? A lot.

Pros have had to purchase chemicals opportunistically. This implies that there have been significant cash **outflows** from pool and spa service professionals simply to secure the necessary inventory to service their customers.

A labor shortage means pool and spa service professionals have to outlay cash in order to hire and train new technicians due to higher-than-normal levels of turnover.

The pandemic forced a significant acceleration in online transactions between consumers and merchants who historically were cash-only or later adopters of online transaction platforms. Consumers have learned how easy and frictionless it is to make online payments for things as varied as food and groceries to home services.

The ubiquity of online payments is a way to **take back control over your own cash flow**.

In this guide, we will review metrics highlighting areas to make operational improvements. We'll start with the basics of cash flow and the cash conversion cycle and dive into the three rules of cash flow and how to implement them.



What is cash flow?

Cash flow comes from operating, financing, and investment activities. It's the movement of money in and out of your business. It's your cash in minus your cash out.

We're focusing on **operating cash flow**, a measure of the amount of money generated by a company's normal business operations.

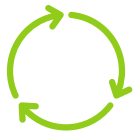
Operating cash flow is about the cash you're receiving from your customers and the money you're paying to suppliers tracked over a certain period, such as monthly or quarterly.

Why should you accelerate your cash flow?

The answer is pretty simple: **the faster you get paid, the faster you can fund your growth.** To fund capital expenditures like a truck or personnel, you need to have cash upfront.

Calculating how much of that cash you need and how it is flowing in and out of your business is important to understand operational opportunities in your business.





Cash Conversion Cycle - The big picture

Why is the cash conversion cycle important? It measures how long it takes to convert investments in inventory and other resources into cash flow. *Anyone looking to acquire you or lend money to you is going to care.* Here's how you can calculate the cash conversion cycle:

$$\text{Days to Cash (money in, minus money out)} = (\text{Days Inventory Outstanding} + \text{Days Sales Outstanding}) - \text{Days Payables Outstanding}$$

Formula breakdown:

Days Inventory Outstanding

(DIO): The average number of days that a company holds inventory before turning it into a sale.

Days Sales Outstanding

(DSO): How long it takes to get paid from customers.

Days Payable Outstanding

(DPO): All payables, including the number of days it took you to pay suppliers and payroll.

****For the purpose of this guide, we will only focus on DIO and DSO.***

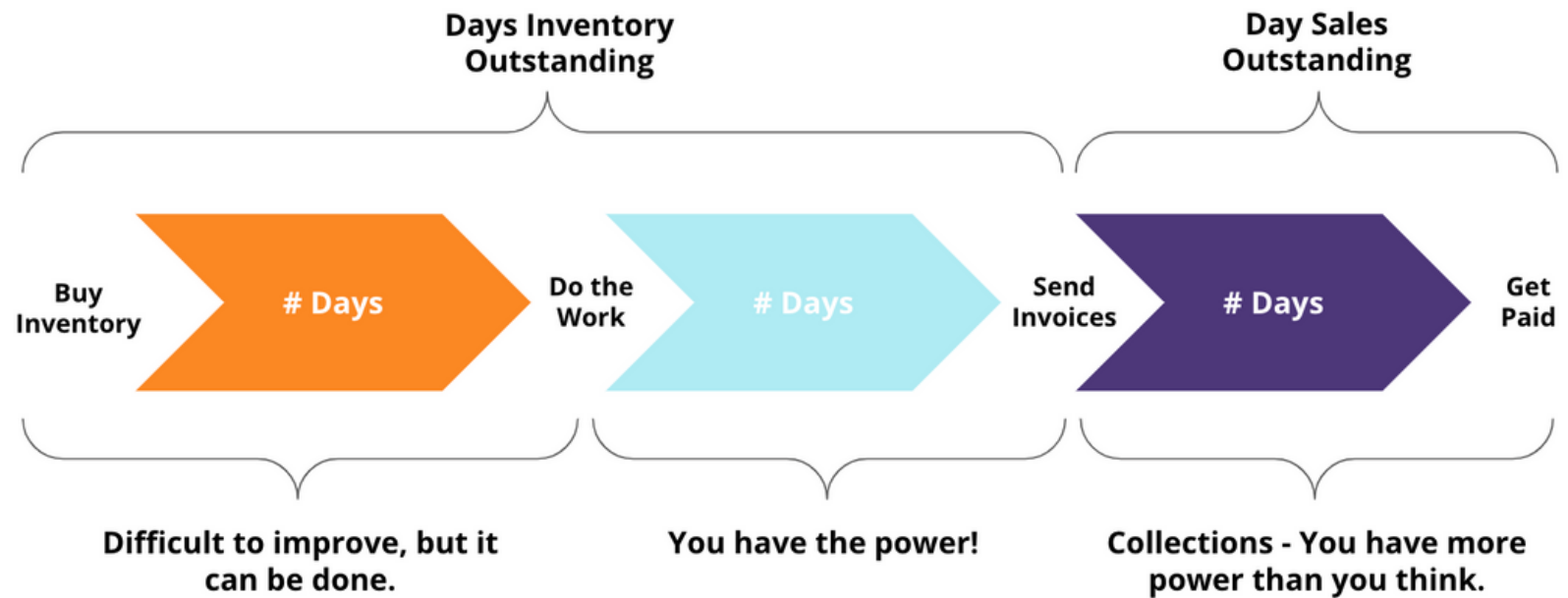
Why this matters:

It's a measure of how well you run your business (operating efficiency), and a handy way to identify improvements you should make to accelerate the time to cash.

The final number represents the days it takes to convert a purchase of inventory into cash. A lower number (which is better) means you can pay employees on time, deliver new orders, and invest in growth!

The Inventory-to-Cash Cycle

- Refine inventory where possible, accelerate invoicing, and cash collection.



This is a workflow view of the inventory-to-cash cycle, which we will break down in the following pages. For the purpose of this guide, we will *only focus* on **Days Inventory Outstanding** and **Days Sales Outstanding** of the Cash Conversion Cycle formula.



Inventory Accounting - Breaking it down

Inventory accounting is the process of tracking and managing the value of a company's inventory, which includes the goods and materials that a company holds for sale or use in its operations. This involves keeping track of the quantity and cost of each item in inventory, as well as any changes in value due to factors such as obsolescence or spoilage. Effective inventory accounting can help companies optimize their inventory levels and avoid shortages or overstocks, which can impact cash flow.

Days Inventory Outstanding =
Avg. Inventory / Cost of Goods
Sold x Days in Period

Avg. Inventory in Period =
(Beginning Inventory +
Ending Inventory) / 2

Formula breakdown:

Days Inventory Outstanding:

The average number of days that a company holds inventory before turning it into a sale.

Avg. Inventory in Period: the amount of inventory you had at the beginning of the time period you are measuring (quarter, year, etc.) plus the current inventory divided by 2.

Why this matters:

DIO determines how long it takes to move inventory and turn it into a sale. The more inventory you have, the larger space you'll need to house it, and the more insurance you'll need. Therefore, the more inventory you have that is not being sold may lead to more wasted money on storage fees.

DIO also helps break down inventory into subsets, like chemical vs. parts supplies, to better understand your number (lower is better).



Collections - Send invoices and get paid faster

This Daily Sales Outstanding formula measures how long it takes to get paid by your customers. When you know how long it takes to get paid, you can see whether your efforts to accelerate payments are working effectively.

Daily Sales Outstanding = Avg.
Accounts Receivable/Revenue x
Days in Period

Avg. Accounts Receivable =
(Beginning period AR + End
of period AR) / 2

Formula breakdown:

Days Sales Outstanding (DSO): How long it takes to get paid from customers. *Example: "It takes an average of 15 days to get paid after we've invoiced."* (You want to improve this numerator!)

Avg. Accounts Receivable: A time period calculation that tells you how much money is outstanding based on payments that customers still owe to your business.

Why this matters:

The shorter your collections time, the more cash you'll have on hand for equipment, techs, support, etc.

Based on the number, you can decide whether your collections process needs improvement: Is collecting cash or checks slowing you down? Are you requiring customers to keep a credit card on file? Do you accept digital forms of payment like Google Pay or Apple Pay? Are you sending reminders to customers' whose invoices are overdue?



The 3 Rules of Cash Flow

Rule #1: Gather your data

Data collection is critical for cash flow management because *it provides the information necessary to track and analyze a company's financial position*. By collecting data on all sources of income and expenses, you can develop a comprehensive view of your cash flow and identify trends and patterns that can inform strategic decision-making.

Remember: every pool is different, but every pool has data.

For example, access to reports like chemical usage, service history, and installed items will save you time, and saving time means saving money. You can quickly bring your reports into a spreadsheet editor to look for trends in your data.

Using pool service management software like [Skimmer](#) allows you to easily pull whatever data you may need about your chemical, service, or parts history. Here's how they're beneficial:

1. Chemical Dosage report: This report allows you to see chemical usage over time. You can break it down by time period, specific customer, and technician

2. Service History report: Export this data and use the history to analyze gallonage vs. chemical dosages to make forecasts for the following year.

3. Installed Items report: Use this information to help forecast your part needs for next year/ season.



Rule #2: When possible, don't take cash or checks

Research from [Deloitte](#) shows that credit cards made up nearly \$4 trillion in payment volume in the United States in 2018. From 2016 to 2018, credit card transactions increased while the percentage of Americans using cash to pay declined.

After the last few years, it's become pretty clear that **everyone can transact online, which is convenient**. This may mean you'll have to be pickier with your customers. Customer selection is about mutual fit. Require cashless payments from your customers or at least every new customer.

Gone are the days of manually inputting every card every billing cycle. With [Skimmer Billing](#), you can request, collect, and manage payments in one place. Work smarter, not harder.

Your time is valuable, so don't spend extra time processing checks or cash. Presume it takes three minutes to process a check or cash. Multiply that by the number of customers you have. Consider the drive time if you deposit at a local bank branch or grocery store.

- ✓ **Work with confidence.**
Save payment method on file.
- ✓ **Customer selection is about mutual fit.**
Require cashless payment from your customers; or at least every *new* customer.
- ✓ **Your time is valuable.**
Don't spend time processing checks or cash.

What could you do with the time you get back?

Rule #3: Invoice like a streaming service



In the same way that a streaming video or music service might charge you monthly for your usage and one-off for something like a movie rental or concert tickets purchased through the app, **pool and spa service professionals can invoice a recurring amount monthly and near real-time for work orders and repairs.**

It's okay to get paid promptly for the services you perform. Your time is valuable, and you should be reimbursed for it.

To make your invoicing process even smoother, invoice like a streaming service:

- Require a payment method to be saved on file to set up auto-pay quickly
- Set up autopay for regular service.
- Don't wait until the end of the month to invoice work orders/ repairs.
- Review accounts receivable (AR) aging reports frequently.
- Send reminders to overdue customers. You can easily do this through Skimmer, which enables you to select multiple customers and email them simultaneously with a message about their overdue invoice.



How to implement new cash flow improvements

What you'll be doing to make all these updates to your company is known as **change management**. This is the planning, process, and fine-tuning of implementing change across your organization. It can be scary to make such changes, but follow these tips to accelerate payment (your cash inflow!).

#1: Go cashless

The first step in this process is going cashless. This process can cause anxiety, especially regarding how you'll communicate the change with your customers. If you're not sure where to start, [here is an email template](#) that you can personalize for your business.

#2: Manage credit card fees

At some point, you have had to pay service fees, as have your customers. Take, for example, an unnamed delivery service. You order your food, and the total is \$12. Then come the fees. Now you're looking at paying \$30 for a \$12 meal, all because of the various service charges.

Consider this example and apply it to your customer's experience.

1x Special Mojado Wet Burrito	\$13.95
Wrap, Chile Colorado (Pork in Red Sauce)	
1x Flour Quesadilla	\$6.45
Subtotal	\$20.40
Regulatory Response Fee ⓘ	\$2.60
Delivery Fee	\$2.99
Service Fee ⓘ	\$3.06
Tax ⓘ	\$2.01
Dasher Tip	\$7.00
Total	\$38.06

Instead of tacking on extra credit card fees at the end, bake them into your pricing. That way, your customers don't suffer from service fee fatigue and they know exactly what to expect.

Set yourself up for success and, like a streaming service, charge the same monthly price for regular service.



Key Takeaways

Managing your cash flow is crucial to the success of your business. It enables you to fund capital expenditures, sell your business at a higher price, and keep your team happy and productive.

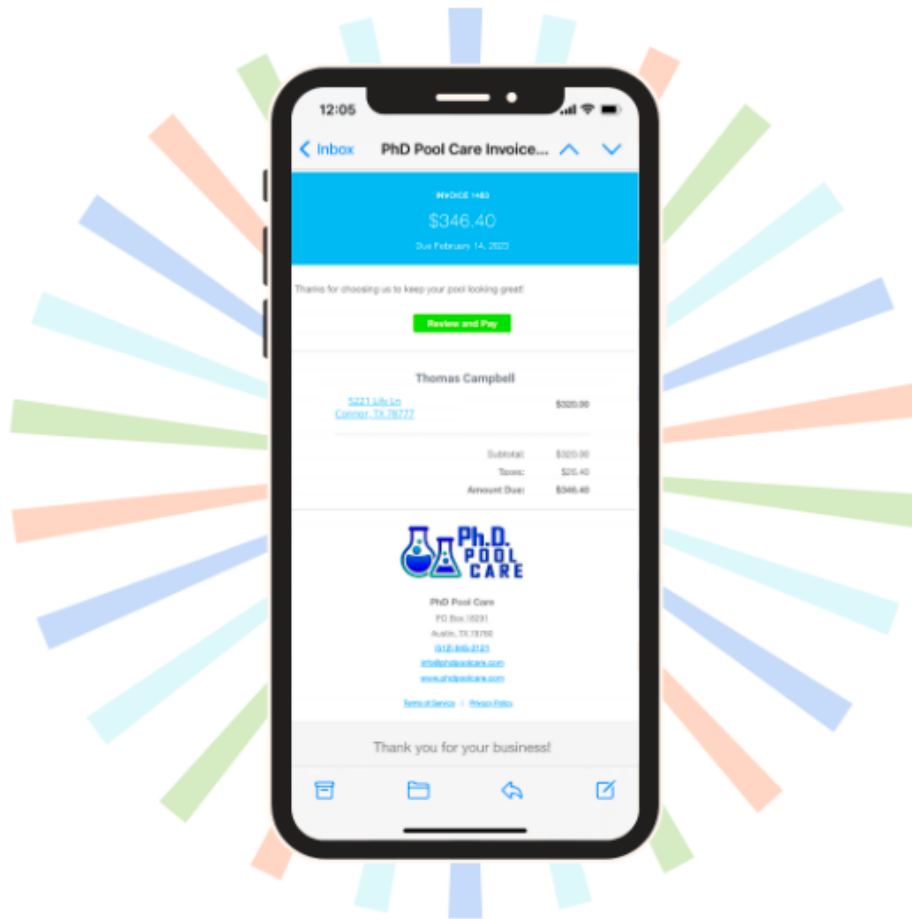
By focusing on your cash flow conversion, you can measure your operating efficiency and make necessary changes. Remember, your time and your team's time are valuable. Cutting off customers can be tough, but it's necessary for the financial health of your business.

Remember the following tips, and you'll be well on your way to achieving a healthy and successful business.

- Accelerate your cash flow to **fund capital expenditures** such as trucks or personnel.
- Cash flow conversion is a **measure of your operating efficiency**.
- Sell your route or business by **commanding a higher price** with better cash conversion.
- Your and your teams' **time is valuable, always!**
- Remember, you're running a business, and **people depend on you**.
- When **dealing with a delinquent customer**, ask yourself: How much time are you spending servicing this customer? How long are you willing to work for free?

By utilizing the methods we've covered, your business will be better positioned to grow even in uncertain times and tough economic conditions.

Go cashless with Skimmer Billing



- Give your customers more ways to pay
- Cut back office time & improve cash flow
- Gain peace of mind with powerful reporting
- Manage payments & billing in one place

getskimmer.com/billing