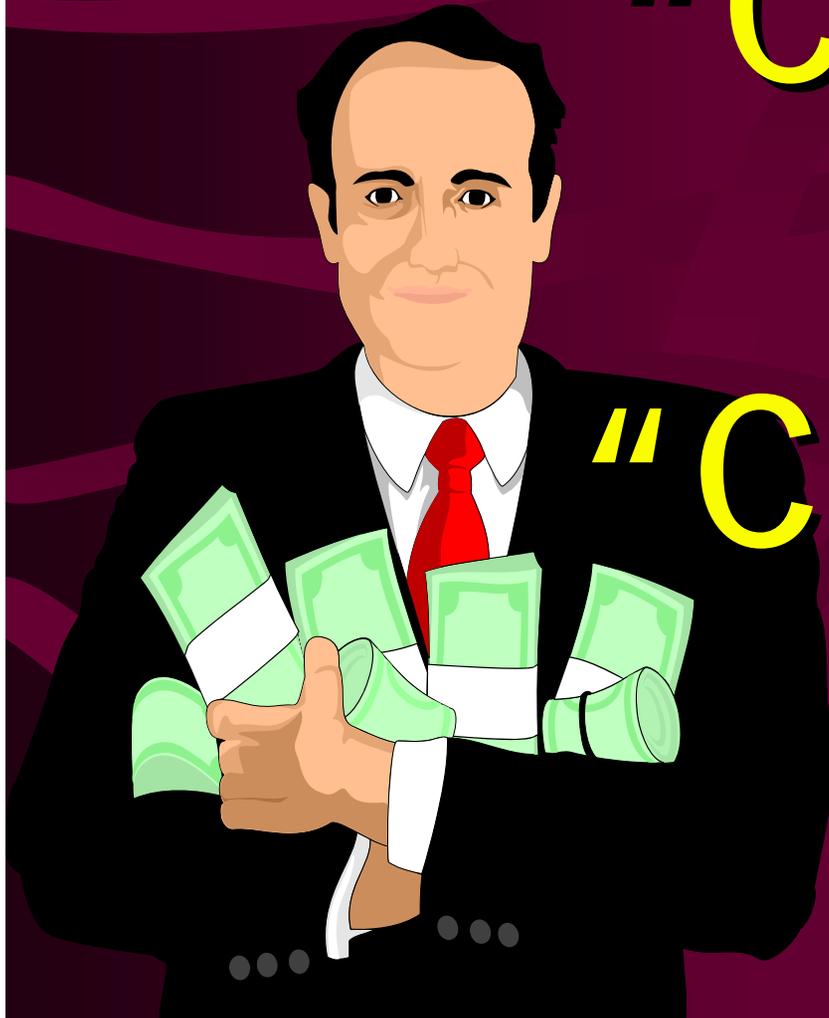


# How To Turn "Cash Drip" into "Cash Flow"



Presented by

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# Objectives...

- Define “cash flow” and explain why “cash flow” *isn't* “profit”
- Discuss why “music retailers” often have cash flow “problems”
- Identify the “solutions” to fixing your cash flow problems
- Q & A

# Cash Flow Defined

- The “movement & availability” of liquid funds in any business for any given point in time
- The **ability** of a business to **pay** its current trade obligations
- The resource needed to **grow** a business, and **sustain** it during tough economic times

# What's Cash "Drip"?

- The slow-down in movement & availability of cash in a business
- This creates an "inability" to pay current trade obligations
- Poor cash flow can put the "most profitable" business out of business!!

***Poor Cash flow  
is not a problem –  
it is a “symptom”  
of a problem.***

# *“ Why is that? ”*

- Cash **existed** at one point in time; then it was **spent**
- Is a “**high amount of cash**” in the checking acct a good indication a business is **profitable**?
- Which one is better:  
**good profits or good cash flow?**

***“Why is there a noticeable absence of good cash flow in music retailing?”***

**External forces:**

- Local & national competition
- Catalog & online retailers
- Internet auction sites (Ebay)
- Price deflation (China effect)
- Wacky suppliers & sales policies
- Demanding/ignorant customers

***“Why is there a noticeable absence of good cash flow in music retailing?”***

Internal forces:

- Purchase vs. sale of inventory
- Slow flow of rental income
- Timing of payroll
- Timing of op. expenses

# ***“Will these guarantee me better cash flow?”***

- High sales volume
- High Gross Profit %
- Cut expenses
- Borrow funds
- Invest funds

# ***“So, What will help assure me better “long-term” cash flow?”***

- Principle #1...  
Accelerate cash “inflows”
- Principle #2...  
Slow down cash “outflows”
- Principle #3...  
Run your business “profitably”
- Principle #4...  
Leave profits “in” the business

***“What are the primary inflows in music retailing that I need to accelerate?”***

- Sales
- Lessons, rentals & repairs and other service income
- Loan proceeds
- Owner / Investor capital

***“What are the primary outflows that I need to slow down?”***

- Inventory purchases
- Direct operating costs
- SG&A Overhead expenses
- Fixed asset purchases
- Loan repayments
- Owner compensation, draws and dividends

# ***“How do I increase profitability?”***

- Make revenues happen
- Manage inventory
- Control expenses  
(including owner comp)

# ***“How do I make more revenues happen?”***

- Understand the true meaning of “customer service”
- Be aware of current trends (and my new definition of today’s “model” music store)
- Work “on” (not “in”) your store

# ***“How do I manage my inventory?”***

- Sales / CGS / Inventory
- Gross Profit %
- Inventory turns
- GMROI
- Assess and take action

# ***“What’s the best way to handle old inventory?”***

- Understand the cost of “lost opportunities”
- Re-merchandise
- Hold event sale
- Spiffs and incentives
- Blow it out at any price

# ***“How do I control overhead expenses?”***

- Create a budget
- Monitor & change it
- Be mindful of expenses that are “out of line”

***“Do you have any other special advice I should follow to improve cash flow?”***

- Alan's "rule of thumb"
- Get liberal vendor pmt terms & F/PI
- Use technology & take physicals
- Match assets to appropriate debt
- Interest rates are "overrated"
- Embrace the internet
- Get a good accountant and CODB
- NAMM University and Music Inc.
- Give customers every ability to buy

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