

# **Business Seasonality and Cash Flow issues**

## ***Cash flow issues due to seasonality***

***Business seasonality can be as varied and unexpected as the seasons of the calendar year. But, like the calendar, the majority of changes are familiar and even fairly predictable.***

***Anyone who's been in business more than a year or two knows the seasonality of their own industry. These are the times when weather, holiday and event-related aspects of the four calendar seasons provide certain unique opportunities to succeed or fail.***

***A business' seasonality may be closely tied to and dependent on the calendar season's heat or cold and are challenged when the expected climate does not materialize. For example, Florida beach attractions dependent on sunny skies must be able to deal with (or be insured against) the early hurricane, Colorado ski lift operators faced with a month of no snow need a Plan B and the lawn care services dealing with droughts or floods must turn their attention to clean up and recovery of client properties.***

***For other businesses, especially retail-related shops and on-line sellers, owners can expect fluctuations during traditional "shopping seasons," which span the calendar year. These include the obvious Holiday gift-giving season, but each month has its opportunities. Can your business take advantage of January's rise in fitness and self-help spending or February's sales in chocolate, flowers and fine dining and other romance-related buys? Even in March, arguably the slowest sales month in anyone's year, consumers get out. This month is when churches see spikes in attendance! Easter, Mother's Day, and even Independence Day are holidays when consumer spending increases, if not for gifts, then certainly for food, dining and travel. Other predictable seasonal events include summer weddings and graduations, back-to-school events and vacations.***

***Maintaining your business' cash flow between spikes can be challenging, especially to the small business owner. Ideally, you've transferred profits from your busy season to a reserve fund with which to pay for expenses and salaries. These funds, if sufficient, can also be used to invest in the future of your business with upgrades and necessary maintenance of buildings, landscaping and computer systems.***

***The slow time is a great time to take stock of the year, check out the competition and develop marketing plans. However, if a business owner has not, for example, saved some of the income generated during their busiest season to cover expenses for these slow times, they will find themselves in trouble.***

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***By managing your invoicing, that is, getting a percentage payment up front from customers whenever possible, you will improve cash flow. Negotiating extended payment terms from your vendors, thus spreading your payments over six months to a year will mitigate hefty bills for materials and inventory in advance of your selling season.***

***If your business needs additional cash flow during the slow season, consider earning income from alternative sources. Landscaping service companies can shift to snow removal, while ice cream vendors can add winter-themed baked goods and hot beverages when temperatures go down. Be sure to stay within your area of expertise when expanding to new seasons; this will keep the business focused. Also, be sure to investigate license requirements when offering new services.***

***Using a Merchant Cash Advance to cover cash flow during a seasonal dip may be an alternative to consider for your business. The way a Merchant Cash Advance works, your business gets the lump sum of capital needed right away in exchange for selling a portion of its future credit card receivables. Spend that on whatever your business needs during the slow season. Then, when business is brisk, the delivery of the sold credit card receivables is handled through your credit card processor and normal sales activity. (Learn more about how a Merchant Cash Advance works.)***

***Keep in mind that, while a Merchant Cash Advance provides working capital that business owners can use to cover sudden expenses, disruptions in services, or to stabilize cash flow during emergencies, the best use for a Merchant Cash Advance is as an investment in your company's growth. The best way to handle seasonal cash flow issues is good planning.***



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