

A collage of festive items including wrapped gifts, a piggy bank, and a calculator. The background is a light blue gradient. On the right side, there are several wrapped gifts in brown paper with white ribbons. In the foreground, there is a blue piggy bank and a blue calculator. The calculator has white buttons and a small display screen.

The SME Guide to Managing Business **Finances over the Festive Season**

An overview of how you
can improve your business
finance operations.

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What is the **Business High Five?**



Running your own business can be one of the most challenging and rewarding things you ever do. As big supporters of SMEs, we're working with a few of our friends in the business to share some valuable insights every business owner should know about accounting, customer relations, marketing, legal, HR, tech, and more.

It's not formal advice, just some practical pointers on running a healthy business. Always make sure you get the right advice for your situation. That said, whether you operate a courier service or run a restaurant, we hope the Lulalend Business High Five series helps keep your business on the move and making some ka-ching!



The Importance of managing finances during **the festive season**

The festive season can be a very rewarding or challenging time of the year for businesses. Depending on the industry, or type of product, it can be the biggest sales opportunity for some and it can come to a standstill for others. If it's peak season, having enough working capital ready to take advantage of the increased demand to meet your targets, purchase sufficient inventory, hire new staff or invest in marketing becomes a key area of focus.

If it's low season however, it's time to make sure that you have enough capital on hand to meet ongoing financial obligations such as rent or salaries, as well as to plan ahead and make any necessary investments to prepare for busier periods.

Managing your businesses finances over the festive season allows your business to get off to a good start in the following year. It sounds easier said than done, but hopefully by the end of this guide it feels less impossible and more attainable.



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Understanding how the festive season impacts your industry

Many businesses and industries are prone to seasonality. If you're a seasonal business and the festive season is your time to shine, prepare to get busy. If this is generally a quiet time for your business then you'll need to get into preservation mode.

During this time there are many strategies that can be put into place to manage changes and importantly, manage a positive cash flow. So while different strategies will work for different businesses, the one thing all businesses will need is a cash flow forecast. It helps keep track of the cash coming in or going out of the business and makes it easier to predict how much will be left over at the end of each month.

Seasonal businesses should make it their priority to understand cash flow more than anything else. This way the business can identify problems and opportunities in advance. It's important to plan well and adjust as things change to maintain a successful seasonal business. Consider the following tips when creating a cash flow forecast:

- Create accurate budgets to gain a deep understanding of your finances and business.
- Know your slow and peak seasons.
- Estimate your monthly and weekly sales and how they fluctuate seasonally.
- Don't overestimate your revenue during peak season or underestimate your expenses during low season.
- Account for fixed expenses and keep the recurring variable expenses top of mind too.
- Use your credit wisely and access capital when you need it.
- Consistently update and refine your forecasts.



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Start early

The nature of your business makes for distinct approaches to consider when preparing to manage your finances during the festive season. If this is a busy period for your business, you will want to start preparing your operations and capacity for the workload. If this is generally a quiet time for your business, you might need more strategic financial planning to meet responsibilities such as salaries or rent, while also saving enough cash for when it's time to resume business activities. Consider the following tips to guide you through:

Save early

If you're running a seasonal business that generally attracts little to no activity during the festive season then you need to be financially savvy from as early in your financial year as possible. If circumstances such as lockdown restrictions, or shifting business trends brought on by COVID, have disturbed this ebb and flow then consider this as a reminder to start saving now. If circumstances don't allow you to save, then we recommend that you look into flexible funding solutions. You will still have ongoing operational costs over the festive season and it's important to have sufficient cash flow to see you through this period.

Recruit early

It's important to provide excellent customer service during the festive season, or all that effort attracting new customers will be wasted. If you're going to be extra busy or anticipate more orders or foot traffic, prepare a budget to take on extra staff. Because customer experience is a major contributing factor to whether customers will do business with you again, it's a critical focal point.

Promoting early

Advertising is rigorous during the holiday season and your customers' attention is contested for more than usual. If your business plans to promote products and services during the festive season, prepare your promotional budget as early as possible and ensure you have sufficient funds to maintain your share of voice.

Tips to manage your **cash flow** during this time

While everyone prepares to celebrate, business owners might find themselves preoccupied with ensuring that cash flow shortages don't hinder the progress of their business over the festive season. There are various causes of cash flow problems during this season. From lengthening payment terms, which can cause a lag through supply chains, to slow business activity drying up income. However, there are cash flow management techniques that are proven to assist with these seasonal challenges.

Create boundaries

Make sure that clients understand your payment boundaries. Negotiation is a natural part of running a business, but ensure that you define your expectations and stick to them. This might also require proactivity in chasing clients to settle their payments. If you suspect your clients might struggle to pay on time, consider partial payment terms.

Negotiate payment terms

Managing cash flow requires more than collecting payments on time. You also need to make payments to your creditors. During the festive season, try to push for the longest payment window available. For suppliers that you are more familiar with, try to use your credentials as a repeat customer for leverage.

Put a safety net in place

Savings are very important and become useful at this point. If you are able to, save when business is booming and grow the money by putting it into an interest-paying account. If you are forced to tap into your reserves, make sure to keep a record and replenish them as soon as the opportunity arises.



Grow your profit

It sounds obvious, but many business owners lose sight of the fact that growing your profits is the most sustainable solution to seasonal cash flow problems. The trick is to focus on growing profit, not just sales or revenue. This requires you to understand your sales margin and to control costs. High-revenue - low-profit businesses tend to be vulnerable to cashflow problems.

Sneaky bonus tip: Remember to actually take a break so you're able to rest and refresh. The success of a business can be linked to the wellbeing of the business owner. If you're burnt out, the lack of energy might slow you down in the new year.



Leveraging business funding

Sometimes, despite your best efforts, you may not be able to sustain positive cash flow so you'll need a financial back-up plan. It's a good idea to consider flexible funding opportunities that work best for your business. Conventional loans aren't always the best option to explore, so if you missed it, you can check out our article on [5 Reasons why access to funding is important](#) for some ideas on how to make funding work in your favour.



More about Lulalend

Lulalend is a new-generation lender that provides funding for small to medium-sized businesses. Applying for finance from Lulalend takes place completely online. Our scoring technology evaluates the real-time performance of your business so that you get the best possible funding.

You get a decision in minutes and our costs are transparent and easy to understand. In most cases, we will have the **funds in your bank account within 24 hours**.

To help SMEs get the funding they need to grow their business sooner, rather than later, we offer a **60 day delayed repayment** option to all first-time customers. So if you apply for funding today, you won't have to start repaying for 2 months. If prompted enter promo code **LULA** when applying.



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