Franchisee Profit Pulse

A Thriving Year Ahead - Let's Talk Cashflow!

We're barely into 2025, and I'm already seeing franchisees making bold moves, sharpening their operations, and setting up for a strong year ahead. The franchising world is thriving—momentum is building, opportunities are opening up.

I've had the privilege of working with so many franchise business owners who are doubling down on their growth. Through coaching and training sessions, one theme keeps coming up: Cash flow is king.

On the surface, it doesn't seem like the most exciting topic - until you realise it's the difference between stress and stability, survival and success.

This month, let's dig a little deeper into the topic of cashflow to keep your business running smoothly, seizing opportunities and making 2025 your most profitable year yet!

Tracey

Cash Flow vs. Profit: Why Your Business Might Be Profitable, but Not Successful

When franchisees talk about being profitable, they usually mean that their P&L shows a healthy bottom-line profit at the end of the month. But there's a big difference between a profitable business on paper and one that actually has cash in the bank when it's time to pay the bills.

I've seen franchisees with fantastic profits on their financial reports still struggle to pay rent, wages, or supplier invoices. That's because profit and cash flow are not the same thing. Profit is what's left after all expenses are deducted from revenue, but cash flow is the actual movement of money in and out of your business. Without proper cash flow management, a business can run out of money—even if it's technically profitable.

So, let's break this down and talk about how you can manage your cash flow properly to ensure your business isn't just profitable on paper but truly financially successful.

Understanding the Cash Flow Cycle

Cash flow is all about timing. Your business might be making good sales, but if the money isn't hitting your bank account before your expenses are due, you can end up in a cash crunch.

For example, if your franchise operates on invoicing terms where customers pay you 30 days after receiving a service, but you have to pay suppliers within 14 days, you could find yourself short on cash—even though you're making a profit.

That's why managing your cash flow cycle is crucial. You need to know when money is coming in, when it's going out, and how to ensure you have enough on hand to cover expenses at all times.

How to Manage Cash Flow Effectively

1. Create a Cash Flow Projection

A cash flow projection is simply a forecast of when money will come in and when it will go out. It allows you to predict shortfalls before they happen and make adjustments accordingly.

- Start with your opening bank balance.
- List all expected income for the month -including exact dates if possible.For some of you, this may be sales targets.
- List all fixed expenses—rent, wages, loan repayments, franchise fees.
- Include variable expenses—stock, marketing, utilities, etc.
- Factor in GST or tax payments.
- Track when each expense is due and compare it to your expected income dates.
- Make sure you also include any loan payments that may normally live on your balance sheet rather than you P&L.

If your projection shows that you'll be short on cash at any point, you have time to adjust—whether that's negotiating payment terms, delaying non-essential expenses, or bringing in revenue faster or seeing the need – in advance – for a local area marketing campaign to bring in new business.

2. Know Your Break-Even Cash Flow

You might know your break-even point in terms of profit, but do you know what your break-even cash flow is? That's the amount of cash you need to bring in each week or month just to cover your expenses.

This helps you stay focused on hitting revenue targets that keep your business running smoothly—not just chasing "profit" that won't hit your account in time to pay the bills.

3. Keep a Cash Reserve

Think of cash reserves as a financial buffer for your business. Ideally, aim to have at least one to three months' worth of operating expenses set aside in a separate business savings account (think buffer account).

This means that if you have a slow sales month or unexpected expenses, you're not scrambling for cash. Many franchisees learn this lesson the hard way—don't let that be you!

4. Invoice & Collect Payments Faster

If your business operates on invoicing, get serious about speeding up payments.

- Send invoices immediately after a sale.
- Follow up on overdue invoices promptly.
- Offer early payment incentives (e.g., small discounts for fast payment).
- Make it easy to pay—offer online payments or direct debits.

The faster you bring cash in, the better your position will be when it's time to pay expenses.

5. Spread Out Large Expenses

One of the biggest cash flow killers is having large bills due all at once. If you can, spread out expenses across the year rather than having huge lump sum payments.

For example, instead of paying your insurance annually, see if you can switch to monthly payments. The same goes for marketing expenses—rather than a big lump sum spend, try to spread it evenly across the year.

6. Keep a Close Eye on Your Accounts

Many franchisees rely on their bookkeeper or accountant to tell them if there's a problem—but by the time that happens, it's might be too late. You need to check your cash flow weekly.

Every Monday, look at:

- Your current bank balance.
- Payments expected that week.
- Expenses due that week.
- Look to the future for any potential cash gaps

This habit will help you stay on top of your cash flow and avoid any nasty surprises.If you feel unsure on how to do this or what to look at, speak to your accountant or bookkeeper and get them to show you how.

Profitability vs True Success

A franchise business is truly successful when it has both profit and positive cash flow. Profit alone won't keep the doors open … cash in the bank will.

By actively managing your cash flow, you ensure that your business has the financial stability to grow, expand, and thrive long-term.

So, don't just aim to be a profitable franchisee—aim to be a cash-positive franchisee. That's when you'll really feel in control of your business and your future.