

Hints on how to get free money for your business

By Heather Gurewitz

Times are tough, and many businesses are seeking additional capital to operate their businesses. Finding someone who will give you a grant or free money is about as likely as winning the lottery. However, many businesses have free money sitting in their working capital cycle; all they have to do is find it. Here are some ways to free up cash and improve profitability of the business.

Pricing is both an art and a science. It should be based on objective financial questions as well as market factors. A business that prices too low may end up closed within a short period of time or mired in debt. Trying to charge too little and competing only on price can be detrimental not only to the business, but also to the whole community. While the pricing structure used before the economy declined may have been adequate, it is necessary to adjust to the new conditions.

In addition to pricing, inventory efficiency is essential for the survival of any business. If a business does not track individual product sales, they may be wasting working capital on purchasing unnecessary inventory and/or the wrong inventory. Inventory management can be difficult as the economic conditions fluctuate, but maximizing efficiency and timing for inventory purchases not only frees up cash but can increase turnover, which can attract more local customers.

Hand in hand with inventory is high-interest debt financing, often in the form of credit cards. Credit cards are the most common money sucker for small businesses. It is much easier to swipe a credit card than sit down and figure out the true financial status of the business. However, high interest debt eats away at your profits. If you purchase inventory on a credit card with high interest, the amount of profit that goes toward paying back the debt as opposed to paying for rent, utilities, and food can leave a business owner in an impoverished state leading to more credit card use and eventual bankruptcy.

Taking time to develop a financially-objective pricing model, streamlining inventory purchase, and avoiding high credit card debt can free up much needed working capital for the business and save money in the long run. These practices result not only in healthy businesses, but a healthy economic base that supports our community.

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