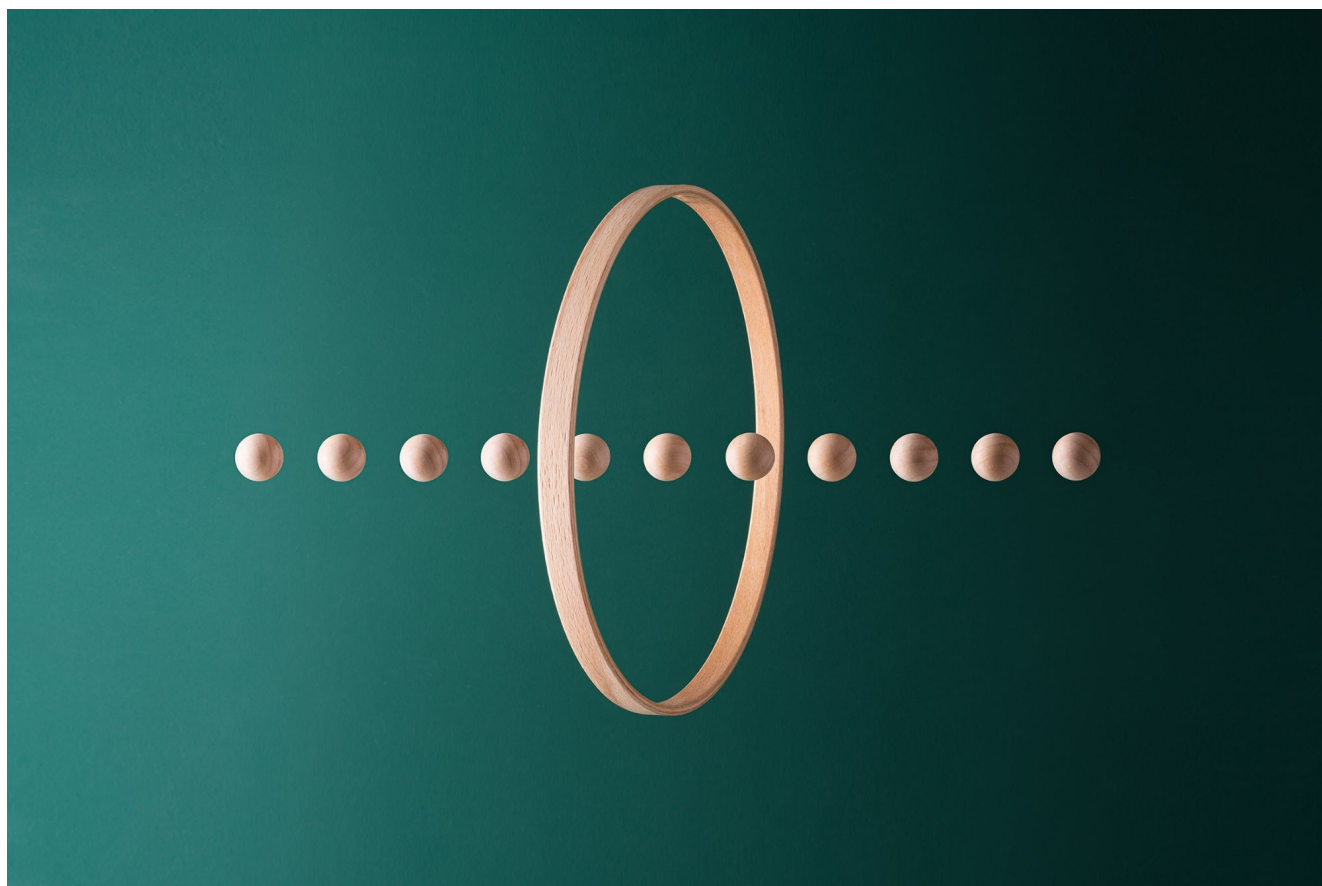


Here's How to Make Your Company Cash Flow Neutral in 6 Months



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In 2022, investment capital was as tight as I'd ever experienced in my time as an entrepreneur. Considering I started my first business in 2002 during the dot com bust and my second in 2007 when the housing market bubble burst, that's saying a lot.

I started my latest venture a few weeks before the world came to a standstill in January of 2020. Despite the uncertainty surrounding the pandemic at the time, interest rates remained low, and VCs were funding hyper-growth startups liberally, with limited concern around profit and short-term returns.

We raised a friends and family round and took our first round

of institutional investment at that time, but we were burning cash much quicker than we were taking it in. Given the economic climate, we didn't think our full seed round would take long to raise. We were wrong. As the Feds raised interest rates in an effort to curb inflation, startups like ours were the first to feel investors' belts tighten.

In March of 2023, I had a heart-to-heart with some of my earliest investors. They told me I didn't understand how bad the capital contraction was going to be and that I needed to pivot away from growth and focus on building a profitable business as quickly as possible. Their assessment was accurate, but I didn't want to hear it. After some deep introspection, I decided to heed their warning. That's when the real work began.

Here's how we slashed our company's spending and became cash-neutral in six months.

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Maximize your in-house expertise

After years of building businesses and working at startups, I was excited to finally have a company that was ripe for venture capital funding. We had dozens of commitments with respectable valuations, but as the market turned, the term sheets were harder to come by. As interest rates skyrocketed, investors could earn a 5% return by letting their money sit in the bank, and our funding leads quickly disappeared.

I was ready to hire executive roles, 10x production and deploy big dollars on brand campaigns. I was reluctant to pull back my ambitions, but if we were going to survive the investment winter, I needed to get realistic with our goals. Walking away from hyper-growth was one of the most challenging things I've had to do.

My background is in marketing, but I was outsourcing that area to others. I wanted a refined brand with a coherent narrative and hired expert agencies and consultants to develop it as I oversaw operations. If I wanted to relieve our balance sheet, however, I needed to start maximizing our internal resources – starting with myself.

Research has shown companies that utilize internal talent and run leaner operations are more efficient and also have clearer communication and improved collaboration. I began by letting go of every outside agency and consultant and started to do the work myself: every Instagram post, every newsletter, every website edit and press release – it was all back on my plate.

Make the hard cuts

In today's landscape, the tools exist for founders to scale their knowledge quickly and educate themselves in areas they can't afford to outsource. YouTube and Instagram tutorials became my best teachers. It's a humbling experience to go back to "marketing school," but also very empowering when you succeed.

I love working with agencies. They bring fresh ideas and tons of talent, and they often come up with ideas you can't conceptualize alone – but they are expensive. If you aren't within your spending margin, outside support is the first place to cut. We cut ties with every single agency and consultant.

Of all the cuts we made, the hardest were internal. In our business, maintaining a sales team in each region to educate bars and restaurants on your product is a must – when you wind down a team in a market, you may never be able to go back.

My sales teams were incredible, but we hadn't seen a profitable month in any of the regions we serviced, so we had to let them go. Sacrificing what seemed like such an important

investment in our business was challenging, but adopting a mindset of balancing growth with profitability meant strategically managing our costs.

Research published in the Harvard Business Review shows that smart companies don't think of cost-cutting as a one-time reaction to a slowing economy, but are constantly vigilant about costs even when revenues increase.

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Cultivate a culture of agility

Recognizing we'd over-prioritized growth and not put enough focus on profit was an exercise in both humility and frugality. It forced me to learn a lot more about my business and cultivate a culture of agility.

When you have fewer ropes to hold, you can turn a ship more easily. What used to take us multiple strategy meetings and weeks of planning can now be done in one day, or, if it's just me, an all-nighter.

As an agile team, we became more resourceful and found areas of opportunities we'd overlooked as a larger team. For example, while we were no longer positioned to invest in costly customer acquisition campaigns, we still had access to an email list of 50,000 fans.

Instead of paying for new customers, we started engaging with our existing ones using our owned channels like email and social media for free. It meant slower growth but much more margin. A recent report by McKinsey showed that 80% of value creation by the world's most successful growth companies comes from unlocking new revenues from existing customers.

I love my new lean company. I feel in control, our burn rate is minuscule, and we just had our first cash flow break-even

month ever. That, in turn, has attracted a new crop of investors who look for companies that can turn a profit. Making the pivot from hyper-growth to building a fiscally responsible company isn't easy, but it can open up new opportunities and allow you to grow through any economic environment.

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