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CLIENT STRATEGY

The Hidden Risk in Long-Term Clients: When Loyalty Reduces Profitability

ISSUE 44

"In some cases, the most established clients can become the least profitable."

Long-term clients are often viewed as the foundation of a successful business. They provide stability, predictable revenue and continuity.

These relationships have often been built over years and are rightly valued. However, there is a less obvious risk that can develop over time. Loyalty can quietly reduce profitability.

The issue builds gradually. Prices agreed years ago may not reflect current costs. Services may have expanded without corresponding fee increases. Additional time and support may be provided as part of maintaining the relationship, but without being formally recognised or charged.

This creates a gap between effort and return. A client that was once profitable may no longer be contributing in the same way. In some cases, the most established clients can become the least profitable.

There is also a behavioural element. Long-term relationships can make it more difficult to review pricing objectively. Business owners may feel reluctant to increase fees or renegotiate terms for fear of damaging the relationship.

Scope creep is another common factor. Over time, additional work may be included without clear agreement. What begins as a small extra can develop into a regular expectation. Without defined boundaries, this reduces margins and increases workload.

The risk is not limited to pricing. Long-term clients may also demand a higher level of service or faster response times. While this can strengthen the relationship, it also increases the cost of delivery.

Addressing this requires a structured approach. The first step is reviewing client profitability, something we regularly work through with our own clients. It means assessing not only revenue, but also the time and resources each client requires, showing where value is really created.

Regular pricing reviews are essential. It is also important to define scope clearly, so that additional work is recognised and appropriately priced.

The key insight is that loyalty should be balanced with sustainability. Strong relationships are valuable, but they must also support the financial health of the business. SMEs that actively manage long-term client relationships are better positioned to maintain profitability while preserving the trust those relationships provide.

WORTH A CONVERSATION?

If you would like help looking at client profitability in your business, give us a call or visit our website.

PROFITABILITY

The Profit Illusion: Why Busy Businesses Often Underperform Financially

"Turnover may be strong, but margins weak. Activity alone is not a measure of success."

Many SME owners equate activity with success. A full diary, steady enquiries and constant movement create the impression that things are going well.

More work should mean more profit. In practice, that assumption often proves wrong. The profit illusion arises when a business appears busy and growing, yet financial performance does not reflect that activity. Turnover may be strong, but margins are weak. Cash flow may be tight despite consistent sales. Over time, this gap becomes difficult to ignore.

One of the main drivers is a focus on revenue rather than profitability. Businesses prioritise winning work and maintaining volume. In doing so, they may accept lower margins, offer discounts or take on projects that do not generate sufficient return.

Pricing is a common factor. Prices may be set based on market pressure or perceived competition rather than a clear understanding of costs and required margin. Over time, this leads to underpricing. Even small shortfalls in margin can have a significant impact when applied across multiple projects or clients.

Cost control also plays a role. As businesses grow, expenses tend to increase and can rise faster than revenue without careful management. Busy businesses are not always efficient businesses either: staff may spend significant time on low-value tasks or rework, and while activity remains high, output does not translate into profit.

Addressing the profit illusion requires visibility and a shift in focus. Revenue should be considered alongside margin and cost, and pricing reviewed regularly. Activity alone is not a measure of success. Businesses that recognise this are better positioned to convert effort into meaningful financial results. It is a review well worth carrying out with your accountant.

CASH FLOW

How Delayed Invoicing Quietly Damages Cash Flow and Profit

Delayed invoicing is one of the most common, and most underestimated, issues affecting Irish SMEs.

It rarely feels urgent: work is completed, focus shifts to the next job and invoicing slips down the list, a pattern that quietly damages both cash flow and profitability.

An invoice is the trigger for payment: until it is issued, the clock does not start. With 30 day terms, a two week delay in invoicing means 45 days before cash arrives. Late invoices can also signal a lack of urgency and lead to slower payment habits.

Expenses such as wages, rent and supplier payments continue regardless of when invoices are issued. The longer the delay, the greater the gap between outgoing costs and incoming cash, a gap often funded through reserves or short term borrowing.

The solution is straightforward but requires discipline: treat invoicing as a core part of the process, not an administrative afterthought. Invoices should be issued as soon as work is completed or at agreed milestones, supported by regular invoicing cycles or software that generates them automatically.

For longer projects, staged or milestone billing keeps cash moving throughout the work rather than leaving the full amount to be invoiced at completion.

Invoicing delays are not neutral. If invoicing has drifted in your business, addressing it is often the quickest cash flow win available.

FINANCIAL STABILITY

The Gap Between Turnover and Cash: Why Strong Sales Do Not Always Mean Stability

> **"Profit is not the same as cash, and the difference can create a false sense of security."**

Many businesses measure success by turnover. Rising sales suggest growth, momentum and market demand. But turnover alone does not guarantee financial stability.

A business can report strong sales while still struggling to meet its day to day obligations. The core issue lies in timing. Turnover reflects revenue earned, not cash received. If customers take time to pay, cash remains tied up in the business while wages, rent and supplier costs must still be paid.

This gap is often most visible during periods of growth. As sales increase, so do the costs of delivering those sales: more stock, more staff and higher expenses, while the cash from those sales may not arrive until later. Without careful management, growth can increase pressure rather than relieve it.

Debtor management plays a key role. Businesses that allow payment terms to drift effectively extend credit to their customers. Stock levels can also contribute: holding excess inventory ties up cash that could otherwise support operations.

Another factor is the assumption that profitability equals cash. Profit is calculated on accounting principles and includes non-cash items, so it does not reflect the actual movement of cash.

The key insight is simple. Turnover shows activity, but cash determines stability. It is why we encourage clients to review debtor days, stock levels and payment terms regularly. Businesses that manage this distinction maintain control and avoid unnecessary financial pressure.

FINANCIAL DISCIPLINE

Cash Is Not King Without Control: Strengthening Financial Discipline

Cash flow is often called the lifeblood of a business, and a healthy bank balance feels like security. In reality, cash without control can create a false sense of stability.

Many businesses track their bank balance but do not analyse the underlying movements. Without clear reporting it is difficult to spot rising costs, declining margins or inefficient spending. Cash can quietly drain through small, repeated decisions that go unchecked.

Debtor management is where control most often breaks down. Strong sales mean little if payments are delayed. Clear credit policies, monitoring of debtor days and consistent follow up can significantly improve cash control without adding a euro of revenue.

Spending discipline matters equally. Subscriptions, supplier costs and operational expenses accumulate over time, and without periodic review a business may keep paying for services that no longer deliver value. Financial discipline comes down to consistency: regular review of key figures and a willingness to challenge existing habits.

Forecasting is the third leg. A simple rolling cash flow forecast highlights potential shortfalls in advance, leaving time to adjust payment terms, manage stock or delay non-essential spending. It is one of the simplest safeguards a business can put in place.

Stock and inventory control also influence cash position. Excess stock ties up funds that could be used elsewhere in the business, while poor planning can lead to rushed purchases at higher costs.

Businesses that combine healthy cash flow with strong financial control build resilience and a more stable foundation for long-term success.

WORKING CAPITAL

Working Capital Pressure in 2026: Why Profitable Businesses Still Run Out of Cash

> **"Profit does not equal cash. Working capital is where the difference shows."**

Many business owners assume that profitability guarantees stability. In reality, a business can be profitable on paper and still run out of cash.

In 2026, working capital pressure remains one of the most common reasons businesses experience financial strain, even when sales are strong. Working capital is the cash required to fund day to day operations, tied up in stock, debtors and short term obligations such as supplier payments and wages.

One of the main causes of pressure is slow customer payments. If invoices are not settled on time, cash remains locked in the business while suppliers and employees still need to be paid. This timing gap can strain resources, particularly during periods of growth.

Stock is another factor. Holding too much ties up cash that could be used elsewhere, reduces flexibility and increases the risk of obsolescence. Rapid growth compounds both problems: more stock is required, more staff may be needed and expenses rise before the corresponding cash is received.

There is also a tendency to focus on profit rather than cash. Profit does not reflect the timing of cash movements, and the pressure often builds gradually. By the time it becomes visible, the business may already be under strain.

Managing this requires a proactive approach. Monitoring debtor days, stock levels and creditor terms shows where cash is tied up, and small improvements in each can release significant amounts. External financing may sometimes be appropriate, but it should support a structured plan rather than compensate for poor working capital management.

PAYMENTS

The Real Impact of Payment Terms on Cash Flow and Business Stability

Payment terms are often treated as a routine detail. In reality, they are one of the most powerful levers a business has over its cash flow and stability.

Payment terms determine how quickly cash moves through the business. When customers take longer to pay, cash is tied up in debtors, creating a gap between when costs are incurred and when income is received, pressure that builds even in profitable businesses.

A common trap is offering extended terms to win or retain business. If suppliers and staff must be paid before customers settle their invoices, the business effectively becomes a source of finance for its clients. Slow inflows also reduce flexibility, limiting investment and increasing reliance on overdrafts.

There is a risk element too: the longer an invoice remains unpaid, the greater the chance it will not be collected in full. Managing debtor days is about reducing exposure to bad debts as much as improving cash flow.

Improvement requires balance. Shorter terms must be realistic and aligned with market expectations, supported by clear communication and consistent follow up. Small changes such as deposits, prompt invoicing and clear payment timelines can make a meaningful difference.

Businesses that actively manage how and when they are paid are better positioned to maintain strong cash flow and support sustainable growth.

PROFITABILITY

The Risk of “Busy but Not Profitable”: How to Spot and Fix It Early

“A business does not fail because it is not busy. It fails because it is not profitable.”

It is a familiar pattern: sales are strong, the team is busy and the business appears to be growing, yet at the end of the month there is little to show for it.

Being busy is often mistaken for being successful, but the two are not the same. The first warning sign is cash pressure despite steady revenue. If a business is generating sales but constantly struggling to pay suppliers, wages or tax liabilities, it points to a deeper issue: what matters is how much revenue is retained as profit.

Declining margins are another indicator. As businesses grow, costs often increase faster than expected. Pricing may not keep up, or staff and overheads are added without a clear link to profitability, eroding the benefit of increased turnover.

Customer mix plays a role too. Some clients generate high volumes of work but very little margin; others demand significant time without meaningful profit. Without analysing profitability by customer or service line, these issues stay hidden.

Fixing this starts with the numbers. Clear, regular management accounts provide visibility on margins, costs and profitability. Pricing should be reviewed, as underpricing is one of the most common causes of low profitability, and high effort, low margin work should be challenged. In some cases it is better to reduce volume and focus on more profitable activity.

Spotting the signs early allows corrective action before the problem becomes critical. By focusing on margins, pricing and efficiency, activity can be converted into real financial performance.

MARGINS

Margin Under Pressure: Protecting Profit Without Raising Prices

Labour, energy, materials and financing have all increased, yet many businesses feel unable to raise prices. Protecting profit does not always require higher prices. Often the opportunity is already inside the business.

The most overlooked area is cost visibility. Many SMEs track overall expenses but lack clarity on where money is actually being lost. A detailed review of costs by product, service or client often reveals surprising gaps: not all revenue contributes equally to profit.

Supplier relationships deserve closer attention. Long-standing agreements are rarely revisited, yet market conditions change. Renegotiating terms, consolidating suppliers or exploring alternatives can reduce costs without affecting quality.

Operational efficiency matters as much as expenses. Time is a cost, and reviewing workflows, reducing duplication and investing in simple automation can improve output without increasing headcount.

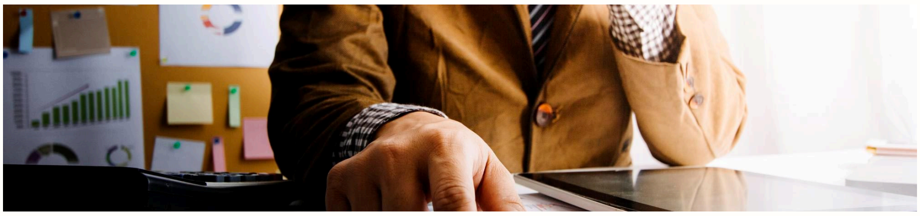
Customer profitability is an area many owners hesitate to confront. Understanding which customers are genuinely profitable allows effort to be focused where value is strongest. Sometimes adjusting service levels or terms improves profitability without touching prices.

Stock and resource management also play a role. Excess stock ties up cash and increases risk, while poor planning can lead to urgent purchases at higher costs. A more disciplined approach to inventory and forecasting can reduce waste and improve financial control.

Finally, review regularly. Businesses that monitor key metrics monthly react early; waiting for year end accounts to identify margin pressure is often too late. Protecting profit requires discipline rather than drastic change. By improving visibility, tightening operations and making informed decisions, businesses can strengthen margins without relying on price increases.

COST CONTROL

Are Your Overheads Working Hard Enough for Your Business?



"Overheads should work in service of your strategy, not as a background burden."

Rent, utilities, insurance, software, administration. Overheads quickly become accepted as fixed and unavoidable. With margins under pressure, it is worth asking a harder question: are they contributing to growth, or quietly draining resources?

The first step is understanding what your overheads truly represent. Some support revenue generation directly, such as marketing platforms, customer systems and specialist staff. Others were introduced years ago and simply continued without review. Analysing overheads line by line highlights expenses that no longer deliver meaningful value.

Technology is a common area of overspend. Businesses accumulate software subscriptions that overlap in function; each cost looks modest, but the combined effect over a year can be substantial. Reviewing usage and consolidating tools improves efficiency without sacrificing performance.

Premises costs warrant examination too. With hybrid working established, many businesses pay for more space than they need. Renegotiating leases or adopting flexible arrangements can reduce fixed costs and improve cash flow.

The key is linking overheads to outcomes. Every significant cost should answer a simple question: does this expense support revenue growth, improve efficiency or reduce risk? If not, it may need to be renegotiated, replaced or removed. Monitoring overheads as a percentage of turnover helps identify trends early.

Cost control does not mean cutting indiscriminately. Well managed overheads create capacity for investment in innovation, staff development and expansion.

STOCK & INVENTORY

The True Impact of Stock Management on Cash Flow and Profit

For many businesses we work with, stock is both an asset and a risk. It represents future sales, yet it ties up cash that could be used elsewhere.

Poor stock control has a direct impact on cash flow. When too much capital is locked into slow moving or obsolete inventory, liquidity suffers: the balance sheet may show healthy stock levels while the bank account tells a very different story.

Overstocking increases hidden costs: storage, insurance, handling, and the risk of damage or obsolescence. Excess stock also frequently leads to discounting to clear space, eroding margin.

Understocking presents its own challenges: missed sales, dissatisfied customers and emergency reordering at higher cost.

Accurate forecasting is critical. Analysing sales history, seasonal trends and demand patterns allows more precise ordering, and systems that link stock control to sales and accounting provide real time visibility. Stock turnover ratios offer valuable insight: a low rate may signal over purchasing or declining demand.

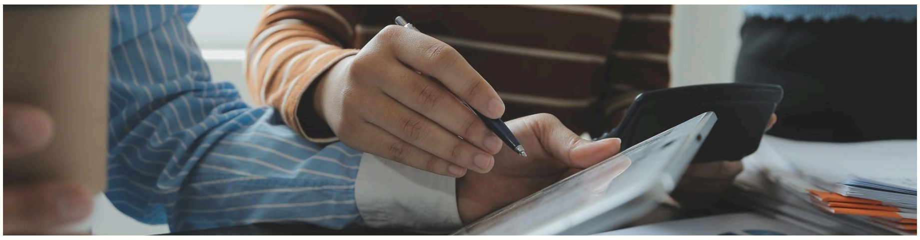
Supplier relationships help too: flexible ordering, shorter lead times and favourable terms reduce the need to hold excess inventory.

The link to profitability runs through gross margin. Excess stock frequently leads to discounting in order to clear space or generate cash. While this may produce short term revenue, it can erode brand value and long term profit expectations.

Businesses that treat inventory as a strategic financial lever rather than a routine task see improvements in both cash flow and profit. Strong oversight and disciplined purchasing can turn stock from a constraint into an advantage.

REPORTING

Improving Decision-Making Through Better Monthly Financial Reviews



> "A single month rarely tells the full story. Trends do."

For many SMEs, the monthly accounts are a compliance exercise: figures are noted and attention shifts back to operations. The businesses we see making the most confident decisions use them very differently.

The purpose of a monthly financial review should extend beyond checking whether the business made a profit. It is an opportunity to analyse trends, identify risks early and adjust course before small issues become significant problems.

Start with clarity on key metrics. Revenue growth, gross margin, net profit, cash position and debtor days provide a clear snapshot. Comparing them against budget and previous months reveals patterns. A single month rarely tells the full story, but trends do.

Cash flow deserves particular attention. A profitable month does not guarantee strong liquidity. Reviewing inflows, outflows and working capital movements ensures upcoming obligations can be met without strain.

Variance analysis adds further value. Were sales below expectations due to market conditions or internal inefficiencies? Did costs rise because of supplier increases or operational waste? Asking these questions encourages proactive management. Forward looking indicators such as order pipelines, staffing capacity and planned expenditure move the discussion from historical reporting to strategic planning.

Ultimately, better monthly reviews create confidence. Decisions about hiring, pricing, investment or expansion are grounded in evidence rather than instinct, and that is a competitive advantage.

LEADERSHIP

The Hidden Cost of Slow Decision-Making in Growing Businesses

As businesses grow, decision-making tends to slow. More people are involved, more information is required, more caution is exercised. It feels responsible, but slow decisions carry a real and often hidden cost.

The most immediate impact is missed opportunity. Whether it is securing a new client, responding to a pricing change or investing in capacity, delays mean losing ground to faster competitors. Opportunities rarely remain open for long.

Internal efficiency suffers too. When decisions are delayed, teams are left waiting: projects stall, resources sit underused and the same issues are revisited rather than resolved. Cash flow is affected in less obvious ways: postponing decisions on pricing, costs or debtor management allows small issues to grow.

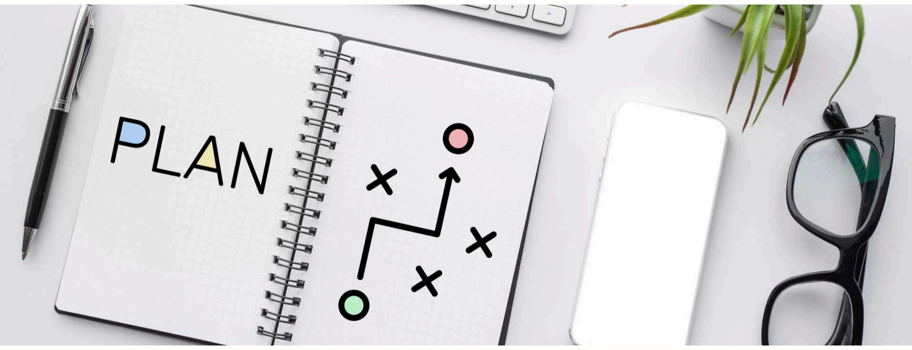
In many cases the root cause is not ability but structure. Defining who is responsible for specific decisions, setting approval thresholds and ensuring financial information is readily available all improve speed and confidence. Timely data matters most: businesses relying on outdated information are naturally more cautious, while regular management accounts, clear key performance indicators and forward looking forecasts provide the clarity needed to act quickly.

There is also a cultural impact. Businesses that struggle to make decisions often develop a risk-averse mindset. While caution has its place, excessive hesitation can prevent innovation and limit growth.

Faster does not mean reckless. The goal is to remove unnecessary delay while maintaining sound judgement. In a growing business, the cost of inaction can be higher than the cost of a well-considered mistake.

GROWTH PLANNING

Planning for Expansion: Financial Considerations Before Hiring or Investing



> **"Growth should be intentional rather than reactive."**

Growth is often seen as a clear sign of success. But expanding by hiring staff or investing in new assets needs careful financial planning, or growth can strain the very business it is meant to strengthen.

The first consideration is cash flow capacity. Hiring or purchasing equipment creates immediate costs, while the return may take time to materialise. Salaries, employer PRSI, training, deposits and repayments all need to be factored into projections before committing. Reviewing the cash flow forecast first ensures that expansion does not strain day to day operations.

Next, examine margins. If they are already tight, adding fixed costs erodes profitability quickly. Before expanding, check whether pricing is strong enough to support additional overheads.

Consider how expansion will be funded. Retained profits, bank lending or external investment each carry different implications for control, risk and repayment obligations, and understanding the long term impact on the balance sheet helps avoid overextension.

Capacity planning also matters. Hiring too early can lead to underutilised staff, while hiring too late can result in lost opportunities and reduced service quality. Assess whether existing processes and systems can support higher volumes.

Tax should not be overlooked. Capital allowances, grant supports and reliefs can influence the timing of investment decisions, so it is worth a conversation with us before you commit.

Finally, stress test the projections. What if sales grow more slowly than expected? What if costs rise, or a key customer is lost? Scenario planning highlights the risks and builds contingency into the strategy.

It is equally important to revisit the plan once expansion is underway. Comparing actual performance against the original projections shows quickly whether the investment is delivering, and allows adjustments before costs run ahead of returns. Growth should be intentional rather than reactive: evaluating the financial impact first ensures expansion strengthens rather than destabilises the business.

NEWS

Innovation Arena 2026

Enterprise Ireland, in partnership with the National Ploughing Association, has opened entries for the 2026 Innovation Arena Awards, taking place at the National Ploughing Championships in Screggan, Tullamore, Co. Offaly. The Arena is a major annual showcase for Ireland's agritech sector, attracting over 240,000 visitors and giving Irish innovators a platform to reach domestic and international audiences.

DATE
15–17 September 2026

LOCATION
Tullamore, Co. Offaly

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enterprise-ireland.com/en/innovation-arena