How to speed up your working capital cycle.

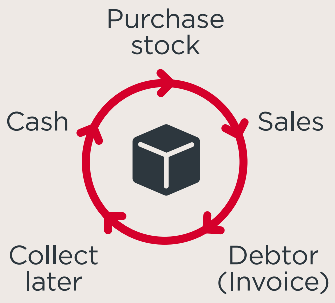
Are you doing all you can to make your working capital work hard for you? Understanding your working capital cycle is the first step and should help you identify where cash may be hiding in your business and how to set it free. Here's what you need to know.

What is working capital?

Typically, the working capital cycle is the journey your business takes to turn your existing work or assets into cash.

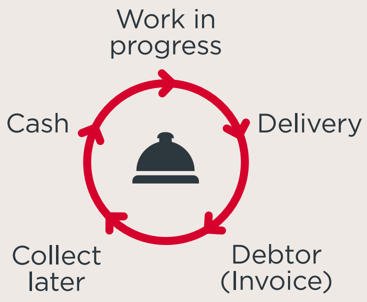
Product vs. services.

Manufacturer/Wholesaler



Retailer

Service Provider



Example:

Keep the cash flowing.

The faster your working capital cycle, the faster cash will return to the business, and the faster your business can get to where it wants to go.

55 days | Time to sell stock

100 days
Total time waiting for cash

45 days | Time to collect debtors

During those 100 days, the business will still need cash for:

- Wages.
- Stock Purchases.
- Marketing.
- Miscellaneous expenses.

A faster working capital cycle > **More secure cash flow** > **Business success**

Speeding up the working capital cycle.

Debtors:

- Run credit checks.
- Invoice promptly – every time.
- Set clear payment deadlines.
- Call overdue debtors relentlessly (it's your money).
- Offer payment plans for very overdue debts.
- Reward early payers.
- Offer convenient payment options (the more the merrier).

Stock:

- Plan for seasonality (all businesses have their ebbs and flows).
- Keep up-to-date records.
- Reduce excess inventory.
- Optimise sales forecasts.
- Carry fewer stock lines – less is sometimes more.
- Buy less, more often.

Work in progress:

- Use progress billing (just make this clear upfront).
- Identify and reduce process efficiencies.
- Support and incentivise timely delivery.
- Keep the customer happy (golden rule no.1).
- Roster effectively.
- Consider using contractors.

Creditors:

- Pay on time – your suppliers will love you for it.
- Stop paying early.

Don't be fooled.

Cash can hide itself in many places in your business. Reviewing your working capital cycle can help you stay one step ahead, speed up your cash flow and unlock the cash you need to prosper. And what's not to love about that?

Help when it matters