Cash-to-Cash Turns: The Mantra to Make- Or-Break Your Business

"Top-line is Vanity; Bottom-line is Sanity; Cash Flow is Reality!"

After an era where businesses seemed to be gauged on their success by how they raised funds based on valuations calculated on "GMV" and then managing the "burn" till the next round of funding, it is great to see some sense of sanity starting to come back into play as businesses start re-focusing on good old metrics like Net Sales, Margins, EBITDA, etc.

However, the two key metrics that continue to enable the success and the sustainability of a business are "margins per transaction" and "number of cash turns." As "Margins" keep coming down - because of competition and better buying techniques by customers, increasing "cash-to-cash turns" is actually THE key to sustainable business success.

Most businesses assume that "Cash Turns" automatically gets addressed when one focuses on metrics like Inventory, Day Sales Outstanding and Vendor Credit.

The task of "Reducing Inventory Turns" gets assigned to the Production Planning team leading to increased risks of stock-outs and unbalanced inventory. "Day Sales Outstanding" is typically taken as a "fact-of-life" and a metric over which the sales team has no control. Therefore, the focus shifts to the Materials Department who are typically forced to keep stretching the amount of "Vendor Credit" that they are able to garner.

A renewed focus on Cash-to-Cash turns can enable your business to sustain and grow - despite continuous erosion of margins on existing products/ service offerings

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a) ABS Baadal industry vertical solutions
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which will help you maximize your cash-to-cash turns.

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