The third cause of poor cashflow – Your stock turn

Carrying stock for too long means full shelves but an empty bank account. Similarly, if you're a service provider and are taking a long time to bill for your services, then you're carrying too much stock in the form of work in progress. Consider that work in progress a form of virtual stock.

You can calculate your 'stock turn' by taking your cost of sales from your annual financial statements and dividing it by your average inventory (or work in process). Most clients need some help from us to work this out, so don't worry if you don't understand straight away; we'll show you. Expected stock turn rates vary from industry to industry, so it's important you don't compare your stock turn to other types of businesses.

The key is to convert stock to cash faster. Ask yourself these questions, just for starters:

1. Do you have a stocking strategy? Do you determine safety stock, desired stock levels, and re-order points for each stock category?
2. What software do you use to measure how much stock you have on hand at any given point in time?
3. What clear policies do you have to ensure you have no slow moving stock items?
4. How much is stock shrinkage (theft, damage) costing your

business?
5. Do you have a formal stock ordering system so that stock levels don't blow out?

These are just some of the ways to improve your stock turn. If you think your stock levels might be stifling cashflow in your business, make a time to see us.

At our Cashflow & Profit Improvement Meeting, we'll use our calculator to show you how much cash you can unlock in your business by reducing stock turn with a simple action plan.