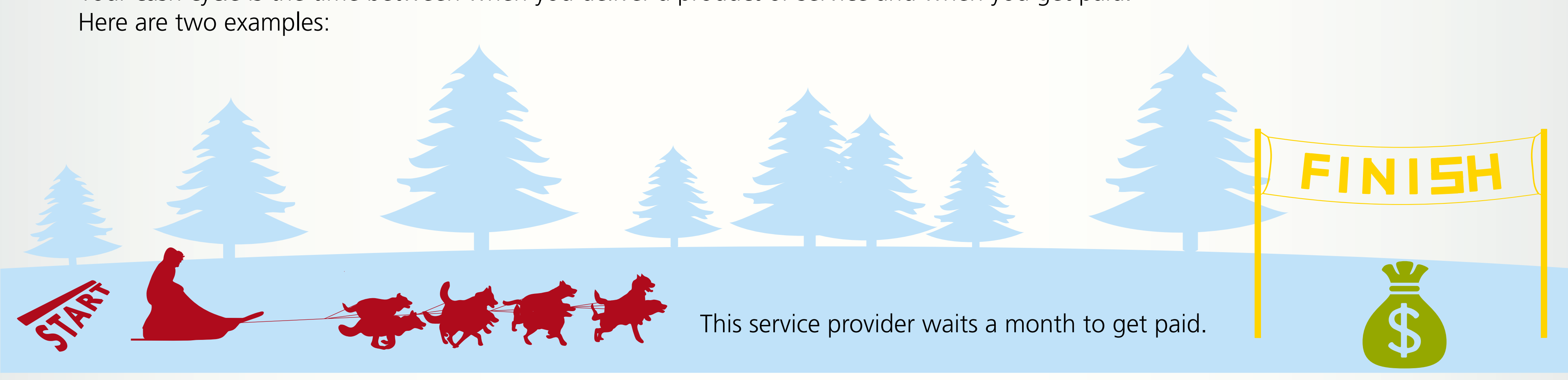
How to speed up your
Cash Cycles

If you're in business you need to understand your cash cycle and how to speed them up to improve the health of your business. You want to be paid as quickly as possible, so you don't want your cash cycle to be an epic round trip through the wilderness.

What is a cash cycle?

Your cash cycle is the time between when you deliver a product or service and when you get paid. Here are two examples:

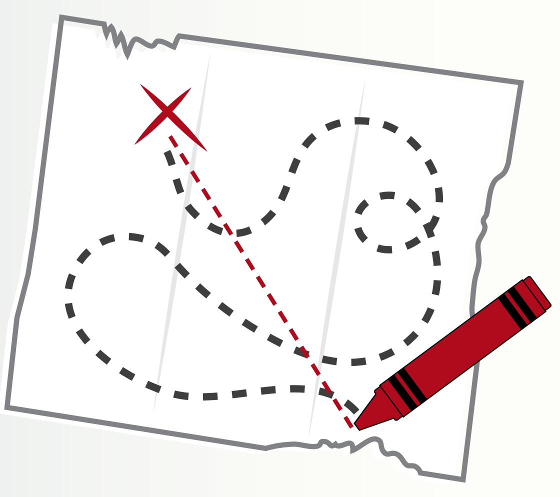


This service provider waits a month to get paid.

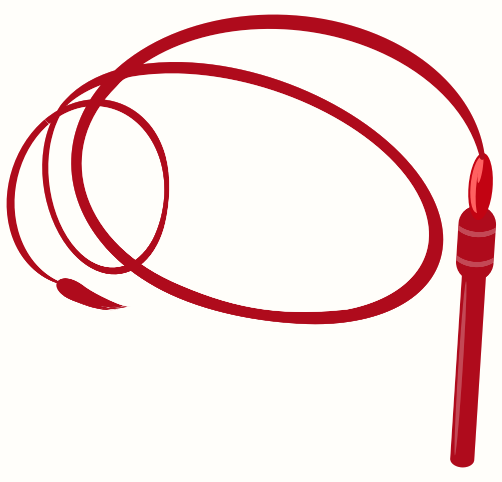
This one takes cash over the counter.

The shorter your cash cycle, the faster cash comes in.

How can I shorten my cash cycles?



Take cash payments or shorten your credit terms by asking for invoice payment within a week.

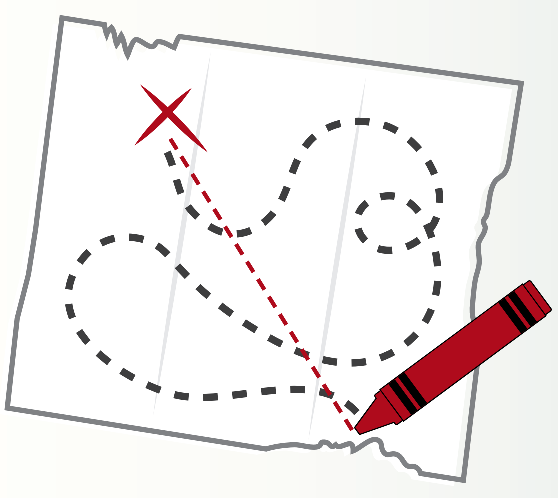


Think about incentivising early payment with discounts.

Don't forget to invoice customers immediately.

Always run credit checks on customers asking for credit.

Measure cash cycles and set reduction goals so you know how well you're doing.

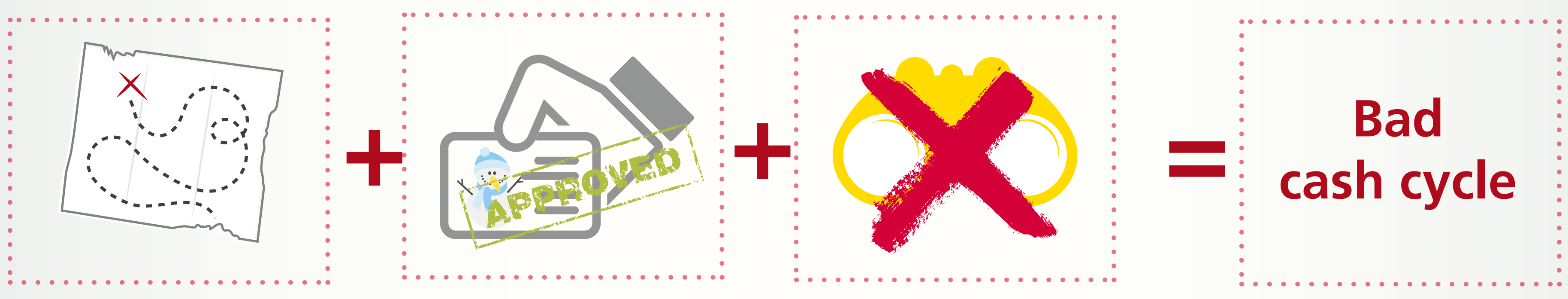


Set an accounts receivable reminder schedule so you can contact debtors regularly and consistently. This way they'll know that you mean what you say.

Credit card fraud is surprisingly common. Talk to a CIBC advisor to find out ways to avoid it.

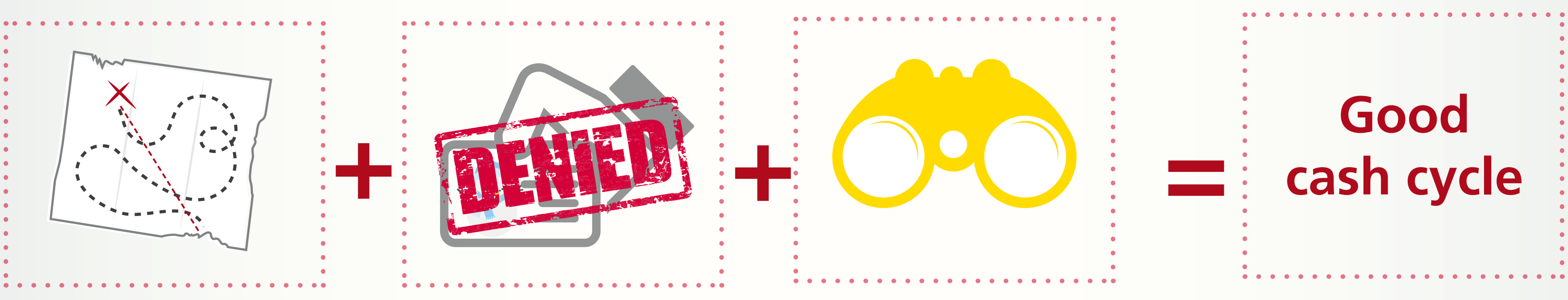
Slow cycles vs. fast cycles

Hallmarks of a bad cash cycle are long cash waits, no credit checks and no debtor monitoring processes.



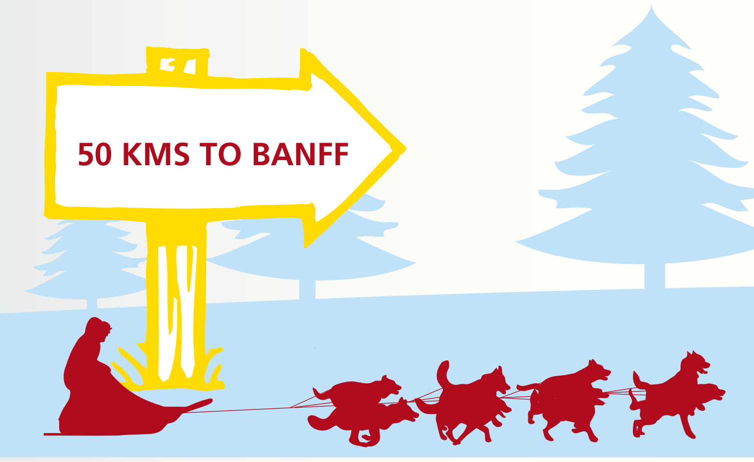
+ + = **Bad cash cycle**

A fast cash cycle, on the other hand, typically features short cash waits, thorough credit checks and consistent debtor monitoring.



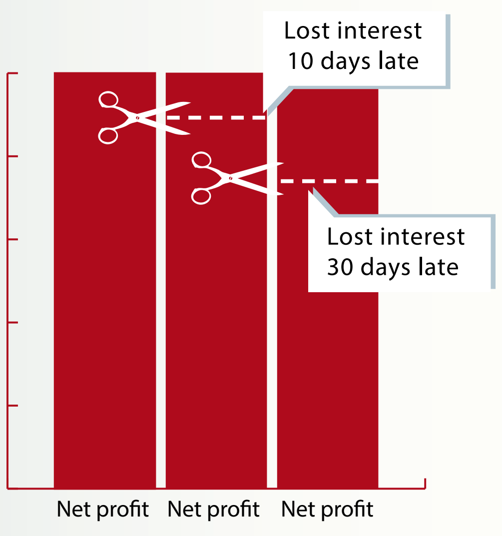
+ + = **Good cash cycle**

Measurement is key



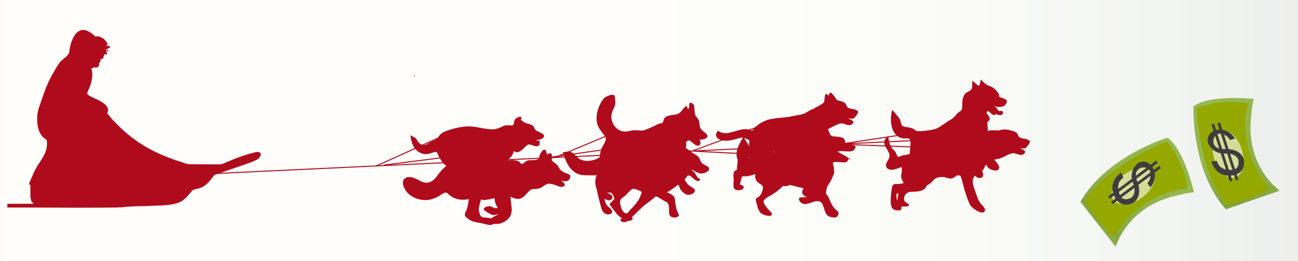
Always remember to measure your cash cycle distance. If you don't you won't know how far you've progressed and it'll be harder to forecast future cash flow too. If you want to achieve your profit goals always take time out to measure. Taking a day or two off the travel time can make a BIG difference on a long journey.

It's not just about waiting to get paid...



Cash cycles affect more than the speed you get paid, they affect your entire business. Remember, the less cash you have to build your business, the more you'll probably borrow – which means higher overheads and lower profits.

Keep this in mind, the next time you have to chase a bad debt.



Talk to your CIBC advisor today about other ways.