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Client Case Study

How Our Cash Conversion Cycle Analysis Helped Close a $37,000 Cash Flow Gap

The Challenge

A growing business with tightened cash flow

Recently a business client came to us after reading a blog on our website about the Cash Conversion Cycle. On the surface, business was good, revenues were up and demand was strong. But despite this growth, cash flow was becoming increasingly strained.

The client couldn't reconcile why cash was tighter than ever when performance appeared to be improving. The pressure was beginning to affect day-to-day decisions, from inventory purchases to staffing and investment planning. They needed answers.

Our Approach

A comprehensive Cash Conversion Cycle Analysis

To identify the root cause, we conducted a full Cash Conversion Cycle (CCC) Analysis—examining how cash moves through the business from inventory to customer payment. This allowed us to quantify where cash was getting tied up and how operational changes were impacting working capital.

What We Discovered

Cash Conversion Cycle increased 25% year over year

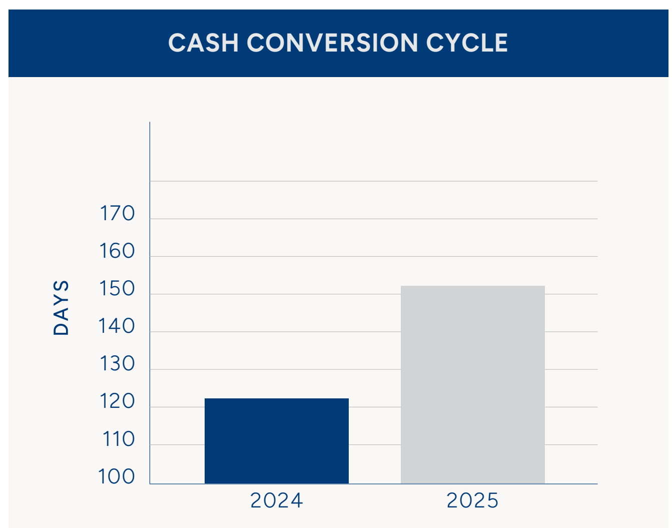
That increase had meaningful consequences. Specifically, the longer cycle created a working capital shortage of $37,000. When paired with the annual net income of $27,300, the business was facing a clear cash flow gap.

In other words, cash was not moving.

Root Cause Analysis: The biggest factor was a slow-down in how quickly inventory was turning.

As revenue increased, the client invested more cash into inventory to support higher sales volume. However, that inventory was taking about 30% longer to sell in 2025 compared to 2024. The result: more cash tied up on shelves for a longer period of time.

The single operational shift significantly extended the cash conversion timeline and reduced liquidity.



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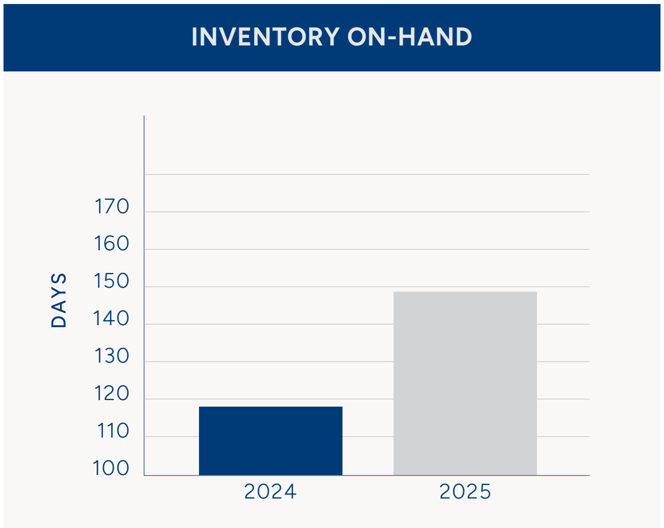
Other Factors

Cost inefficiencies identified through peer comparison

Beyond inventory, we were also able to compare data with a similar client. That comparison uncovered another opportunity: the client was paying about 30% higher in processing fees than peer businesses.

While not the primary cause of the cash shortfall, these higher costs further strained cash flow and limited flexibility.



The Solution

With a clear picture of the underlying issues, we worked closely with the client to outline practical, high-impact steps to improve cash flow:

- Reduce expenses by negotiating lower order processing fees
- Extend accounts payable timelines to take advantage of net terms with vendors
- Explore a working capital loan to bridge short-term gaps caused by inventory and accounts receivable timing

Ready to work with a bank that understands your challenges?

At the end of the day, $37,000 is more than a number. It can represent a new work van, a new commercial oven, or a new employee. By understanding how operational decisions affect cash flow, the client gained clarity and a roadmap for sustainable growth.

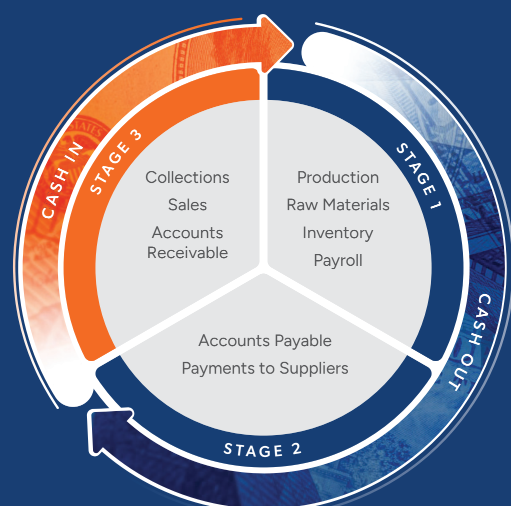
At Bank Midwest, we believe strong businesses need more than accounts and loans –they need insight. That's why we go beyond traditional banking products to help business owners understand how their businesses use cash and where improvements can be made.

Learn More Contact one of our Business Banking Leaders today to request a customized Cash Conversion Analysis.

Cash Conversion Cycle

Unlock more working capital for your business. Understanding and improving your cash conversion cycle is one of the most effective ways to improve liquidity. Every business, whether product-based or service-driven, has a supply chain. That means money often flows out before it comes in. Improving this process can protect your business from a cash-flow crisis, increase business efficiency and unlock growth potential.

The Cash Conversion Cycle (CCC) measures the time a company takes to convert its inventory/services and other inputs into cash. It considers time required for selling inventory, time required for collecting receivables and the time it takes for paying bills.



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