



Follow the Money Brick Road

Procurement Playbook: Understanding the Journey of Cash
Conference Participant Guide

Think of the cash cycle as a road that every dollar must travel. The journey begins when a company pays its suppliers and ends when customers pay the company. Between those two points, cash moves through several operational stages. Each stage introduces time, and time represents capital tied up in the business.

1. The Money Brick Road

Every dollar your company earns follows a journey. The journey begins when suppliers are paid and ends when customers pay the company. Between those two events, cash moves through production, inventory, and sales activities.

The longer that journey takes, the more money remains tied up inside the business as working capital.

Pro Tip: When explaining procurement value to executives, focus on how your decisions influence the timing of cash — not just supplier price.

2. The Supply Chain Journey

Stage	Operational Activity	What Happens To Cash
Supplier Payment	Suppliers provide materials	Cash leaves the company
Production	Manufacturing converts materials to products	Cash remains invested in production
Inventory	Products wait to be sold	Cash sits inside unsold inventory
Customer Sale	Products are sold	Revenue is recorded
Customer Payment	Customers pay invoices	Cash returns to the business

Each step introduces time between when money leaves the organization and when it returns.

Pro Tip: If inventory sits too long or suppliers deliver late, cash stays outside the business longer.

3. Where Cash Gets Stuck

Bottleneck	Operational Cause	Impact On Cash
Supplier Payment Timing	Suppliers paid too quickly	Cash leaves earlier
Supplier Delivery Delays	Late materials	Production slows
Excess Inventory	Over purchasing	Cash trapped in stock
Operational Delays	Manufacturing bottlenecks	Revenue delayed
Customer Payment Delays	Slow collections	Cash returns later

Pro Tip: Improving even one of these bottlenecks can significantly shorten the cash cycle.



4. How Finance Measures the Journey

Finance uses the Cash Conversion Cycle to measure how long cash remains outside the business.

Cash Conversion Cycle Formula:

$$CCC = DIO + DSO - DPO$$

Metric	Definition	What It Represents
DIO	Days Inventory Outstanding	How long inventory sits before being sold
DSO	Days Sales Outstanding	How long customers take to pay invoices
DPO	Days Payables Outstanding	How long the company waits before paying suppliers

Pro Tip: Procurement typically influences DPO through supplier payment terms and DIO through supplier reliability.

5. Turning Days Into Dollars

Operational timing can be translated directly into financial impact.

$$\text{Daily Revenue} = \text{Annual Revenue} \div 365$$

$$\text{Working Capital Impact} = \text{Daily Revenue} \times \text{Cash Conversion Cycle}$$

Metric	Example Value
Annual Revenue	\$100,000,000
Daily Revenue	\$273,973
Cash Conversion Cycle	50 days
Working Capital Tied Up	\$13.7 Million

If procurement and operations shorten the cycle by five days, approximately \$1.37M in operating liquidity could remain inside the business or be freed up elsewhere in the cycle. If that liquidity is consistently retained and earns roughly 5% annually, it represents about \$68,500 of financial benefit each year.

Pro Tip: Executives often respond faster to financial impact than operational metrics. Translate days into dollars whenever possible.

6. How Procurement Influences the Journey

Procurement Action	Operational Impact	Financial Result
Negotiate longer payment terms	Suppliers paid later	Increases DPO
Improve supplier reliability	Production delays decrease	Reduces DIO
Reduce excess purchasing	Inventory sits fewer days	Reduces DIO
Support faster fulfillment	Products reach customers sooner	Improves DSO

Pro Tip: Procurement becomes strategic when it connects supplier decisions to financial outcomes.



7. Financial Tools Procurement Should Understand

Tool	How It Works	Benefit
Supply Chain Finance	Financial institution pays suppliers early while buyer pays later.	Supports suppliers while extending terms.
Dynamic Discounting	Supplier accepts early payment for a discount.	Improves return on available cash.
Commercial Cards / ePayables	Supplier paid immediately through card networks.	Extends payment timing for buyer.
Virtual Cards	Single-use payment credentials.	Improves payment automation and security.

These tools are typically managed by finance or treasury teams. Procurement should work with those teams to determine which options may be available through their financial institution.

Pro Tip: Strong procurement-finance collaboration can unlock payment structures that benefit both buyers and suppliers.

8. Seeing the Journey Through Data

Insight Area	Example Analysis
Supplier Performance	Delivery reliability and lead times.
Inventory Patterns	Inventory turnover trends.
Production Delays	Manufacturing bottlenecks.
Payment Timing	Invoice and collection patterns.

Pro Tip: Data helps procurement move conversations with finance from opinion to evidence.

Procurement teams should evaluate areas such as supplier reliability, lead-time variability, inventory aging, price volatility, and supplier concentration risk. Understanding these patterns helps determine which analytics or AI tools will actually provide value.

Before selecting AI tools, procurement teams should first understand their own decision gaps. The goal is not to purchase AI because it sounds advanced. The goal is to identify where earlier signals, better forecasting, or stronger visibility would improve procurement decisions.

9. Where AI Can Help Procurement

AI Capability	How It Helps Procurement
Demand Forecasting	Predict purchasing needs.
Supplier Risk Monitoring	Detect disruptions early.
Tariff Monitoring	Track geopolitical changes.
Commodity Forecasting	Improve purchasing timing.
Supplier Performance Analytics	Identify supplier delays.

Pro Tip: AI does not replace procurement expertise — it highlights patterns that help teams make better decisions.



10. Questions To Take Back To Your Team

Discussion Topic	Example Question
Cash Conversion Cycle	What is our current CCC?
Supplier Impact	Which suppliers affect working capital most?
Inventory Efficiency	Where is inventory sitting too long?
Payment Strategy	Can supplier payment structures improve working capital?
AI Opportunities	Where could analytics improve procurement decisions?

Procurement Strategy Starter:

When you return to your organization, begin with three simple questions that connect procurement activity to working capital timing:

- What is our current Cash Conversion Cycle?
- Which suppliers influence our working capital the most?
- Where in our supply chain does cash sit the longest?

These questions help procurement start meaningful conversations with finance and operations about how supplier decisions influence the movement of cash.

Improvement Worksheet

Opportunity Area	Current Situation	Potential Improvement	Owner
Supplier Terms			
Inventory Levels			
Operational Delays			
Customer Payment Timing			
Data & AI Insights			

Supplier Payment (Procurement / Finance)	Production (Operations)	Inventory (Supply Chain)	Customer Sale (Sales)	Customer Payment (Finance)
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Above this journey, finance measures timing using the Cash Conversion Cycle (CCC): $CCC = DIO + DSO - DPO$.

This framework helps procurement professionals see how their decisions influence the movement of cash across the organization. Negotiating payment terms affects when the journey begins. Supplier reliability and lead times influence how long inventory sits in the system. Operational coordination affects how quickly products reach customers and invoices are issued.

Procurement's Strategic Influence:

- Negotiating payment terms influences Days Payables Outstanding (DPO).
- Supplier reliability and lead times influence Days Inventory Outstanding (DIO).
- Reliable supply and fulfillment can support faster invoicing, indirectly improving Days Sales Outstanding (DSO).