

KEY PERFORMANCE INDICATORS (KPIs) FOR FBA CASH FLOW MANAGEMENT



$$\frac{\text{Average Inventory Value}}{\text{Revenue Past 30 Days}}$$

This key management metric covers multiple areas of your business. It indicates the overall health of your inventory, as well as highlighting your sell through rate and your margins.



$$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory Value}}$$

This ratio shows how many times a company's inventory is sold and replaced over a period. This ratio should be compared against industry averages. A low turnover implies poor sales and, therefore, excess inventory.¹



$$\frac{\text{Gross Margin}}{\text{Average Inventory Cost}}$$

GMROI is an inventory profitability evaluation ratio that analyzes a firm's ability to turn inventory into cash above the cost of inventory. A ratio higher than 1 means the firm is selling the merchandise for more than what it costs the firm acquire it.¹



$$\begin{aligned} & \text{Days Inventory Outstanding} \\ + & \text{Days Sales Outstanding} \\ - & \text{Days Payable Outstanding} \end{aligned}$$

CCC measures the amount of time each net input dollar is tied up in the production and sales process before it is converted into cash through sales. This metric looks at the amount of time needed to sell inventory, the amount of time needed to collect receivables and the length of time the company is afforded to pay its bills without incurring penalties.¹



$$\frac{\text{Quantity on Hand}}{(\text{Sales During Period} \div \text{Period})}$$

This KPI will help you see the average number of days an item is held in inventory before it is sold. It's extremely useful in determining order quantity to ensure you are not overstocking or stocking out of your inventory. DOI is much higher for companies not tracking KPIs.

¹ Investopedia.com