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FOR DTC FOUNDERS AND OPERATORS · A FIELD GUIDE

CASH BEFORE GROWTH

Working capital for brands that sell what they stock, and how customers can pay for the stock.

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September 2026 · 15 chapters · About 70 minutes

A note before you start

Profit is an estimate. Cash is a fact. A brand can sell more every month, book a profit every quarter, and still miss payroll, because the money it earned is sitting in a warehouse, on a ship or in a payment processor's queue.

−37 days	$2.0B
Dell's cash conversion cycle at the end of fiscal 2005: it was paid by customers more than a month before it paid its suppliers (Dell 10-Q, 2005)	of cash Peloton's operations used in fiscal 2022, two years after customer deposits had helped its operations bring in $376 million (Peloton 10-K, 2022)

Those two numbers frame the guide. The first is what it looks like when customers fund the business: growth makes cash instead of eating it. The second is what it looks like when the cycle turns. Peloton's customers paid up front while demand ran ahead of supply; when demand fell, it was left holding stock it had paid for, and raised about $1.9 billion in a year to keep going.

Most DTC brands sit closer to the second. They pay a supplier deposit months before the goods land, pay the balance before the ship sails, hold the stock for months, and wait days more for the payout. That's why fast-growing brands with healthy margins run out of cash, and why the fix is usually about timing rather than profit.

> **Growth is paid for in advance. The only question is by whom.**

This guide is about who pays, and when: the cash cycle, the ways customers can fund the stock, the supply side, and the weekly meeting that keeps it visible. It stays on timing and the balance sheet. Contribution margin and payback are covered in The Whole Machine.

How to read it

Start with The Cash Audit; your lowest checks name the chapters to read first. Growing fast: chapter 2, 3 and 13. Planning a launch: 6 to 8. Running operations or finance: 10 to 14. Analyst: chapter 3, then Appendix A.

Three tools and the audit run in the page. Nothing you type leaves your browser.

What's proven and what isn't

- **Filed:** numbers from securities filings, here Costco's, Dell's, Peloton's and Starbucks', with the filing named.
- **Published:** peer-reviewed research, books and articles by the researchers themselves, statutes and regulator guidance, with the date they were true.
- **Reported:** what a named company or outlet published. Payment companies describe their own payout terms, and those terms change, so check your own agreement.
- **Derived:** my arithmetic on filed, published or reported numbers, with the inputs shown.

Examples that open with Say or Picture use made-up round numbers. Every source is listed in Appendix C. The chapters on the rules are an operator's summary as of September 2026, not legal, tax or financial advice.

Andrew Lauchner

Scottsdale, Arizona

FRONT

TEN POSITIONS

What this guide argues, and what would prove each claim wrong.

A position says what would prove it wrong. Test each on your own books.

01 **A growing brand with a long cash cycle will run short of cash even when it's profitable.**

Wrong if your bank balance rose in the quarters when revenue grew fastest, without new debt or equity.

Profit Is an Estimate

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02 **The cash cycle starts when you pay the supplier's deposit, not when the goods arrive.**

Wrong if your cycle measured from the deposit is within a week of your software's figure.

The Cash Conversion Cycle

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03 **Days matter more than rates: a shorter cycle usually frees more cash than a cheaper loan saves.**

Wrong if 20 days off your cycle is worth less than two points off your borrowing rate.

The Cash Conversion Cycle

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04 **Firms with shorter cycles tend to be more profitable, but stretching suppliers isn't how they got there.**

Wrong if the brands in your category that pay suppliers slowest are also the most profitable.

Profit Is an Estimate

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05 **A preorder is a loan from your customers, and it's repaid in product, on the date you promised.**

Wrong if your preorder buyers don't cancel or complain more when a ship date slips.

Preorders and Waitlists

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06 **Existing customers should get first access, and the best early price, on anything you sell in advance.**

Wrong if a preorder offered first to your list fills slower, or cancels more, than one opened to all.

Preorders and Waitlists

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07 **Gift cards, store credit and prepaid plans are float: cheap money only while you count it as owed.**

Wrong if spending float as your own cash has never left you short in the month it was redeemed.

Float

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08 **A repeat customer's order is the cheapest cash a brand can raise.**

Wrong if repeat orders leave less cash, after the cost of winning them, than new customers' orders.
Retention Pays in Cash

09 **A minimum order quantity is a price. Pay it only when the discount beats what the cash and the risk of unsold stock cost you.**

Wrong if your last three big "save on the unit cost" orders all sold through at full price within the time you planned.
Smaller Orders, More Often

10 **Cash is managed weekly or it isn't managed.**

Wrong if your monthly close has caught every cash squeeze in time to act on it.
The Weekly Cash Meeting

FRONT

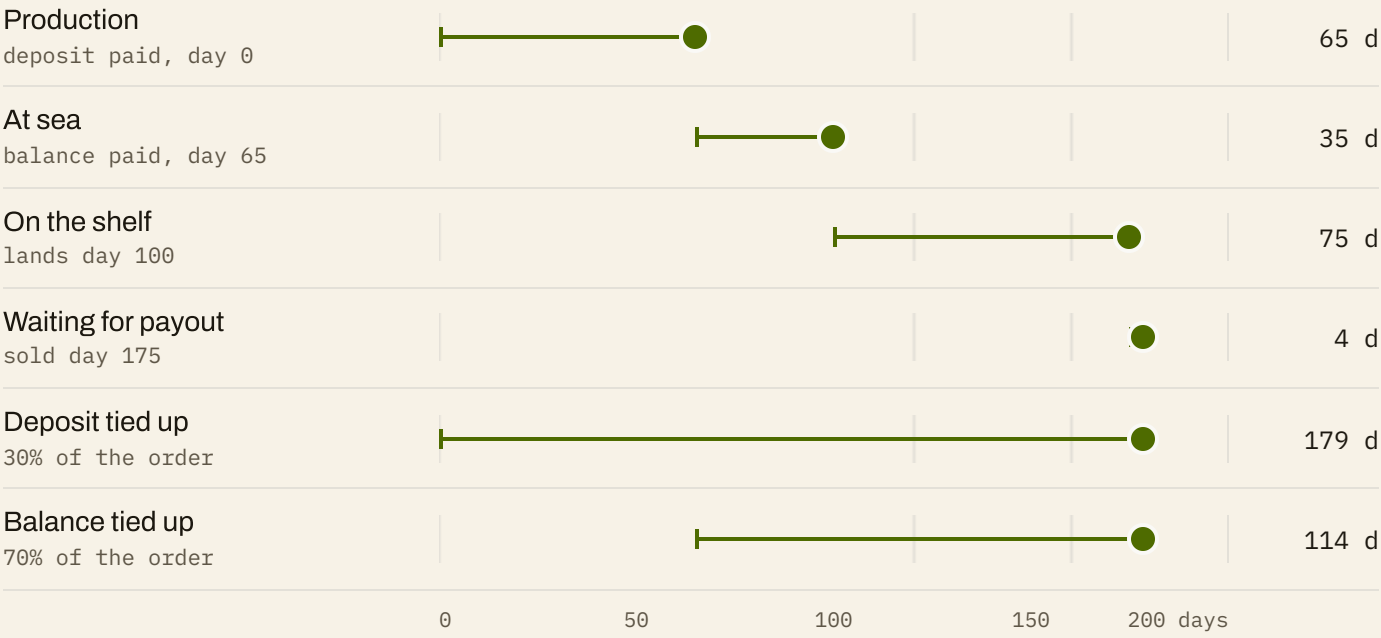
YOUR CASH ON ONE PAGE

One unit of stock, from the day you pay the supplier's deposit to the day the customer's money reaches your bank. Every chapter shortens one bar.

Picture a brand that imports its product. It pays a 30% deposit when it places the order, the balance when the goods ship, and waits for them to cross the ocean. Then it holds them until they sell, and waits for the payout.

The deposit is out for 179 days before it comes back

An example import brand. Day 0 is the day the 30% deposit is paid.



DERIVED Weighting the deposit and balance by their share of the order, the cash is out for about 134 days on average: 0.3 × 179 + 0.7 × 114. That's this brand's cash conversion cycle. The inputs are the defaults in the tool in chapter 3.

STAGE	WHAT SETS IT	HOW TO SHORTEN IT	CHAPTER
Deposit to shipment	Supplier's payment terms and production time	Smaller deposit, balance on arrival or later, shorter lead times	11
At sea	Freight mode and who pays when	Pay against arrival instead of shipment; fewer, faster lanes for fast sellers	11
On the shelf	Order size, forecast accuracy, catalog breadth	Smaller, more frequent orders; cut slow stock	10

STAGE	WHAT SETS IT	HOW TO SHORTEN IT	CHAPTER
Waiting for payout	Processor settlement, holds and reserves	Know each processor's lag; watch holds	3
Customer pays before you buy	Preorders, waitlists, deposits	Sell launches and restocks in advance, in tranches	6, 7
Customer pays before you ship	Prepaid plans, gift cards, store credit	Grow float, and account for it as owed	8
Customer comes back	Repeat rate and replenishment timing	Sell to buyers you've already paid to acquire	9

The first four rows are the cycle. The last three are how customers can fund it.

Do this

- **Draw this chart for your best-selling product** from your last purchase order: deposit, balance, arrival, sell-through and payout. It takes twenty minutes.

START HERE · CHAPTER 1

THE CASH AUDIT

Twelve checks on whether you know where your cash is, when it comes back, and who's paying for your growth. About forty-five minutes with your bank, your purchase orders and your payout reports.

The audit isn't about how much cash you have. It's about whether you can see the next three months coming, and whether the way you buy, sell and pay works for you.

Open your bank accounts, your processor payout reports, your open purchase orders and your inventory report. Score each check 0 to 2: 0 if it failed or nobody can answer it, 1 if partly true, 2 if clean. "Our accountant has that" scores 0 unless the accountant can answer today.

> **If nobody can say when the money comes back, nobody is managing it.**

The twelve checks

01 **You know your cash conversion cycle, including payout lag · 5 min**

Look at: Your last three purchase orders and your processor payout reports.
Good: Someone can say, in days, how long cash is out from the supplier deposit to the customer's payout reaching the bank, for your top products.
Cost if wrong: You plan growth on profit and find out about the cash gap from the bank balance.
Read next: The Cash Conversion Cycle

02 **Every open purchase order's payments are on one calendar · 4 min**

Look at: Your open POs.
Good: Each deposit and balance payment, with its amount and date, sits in one list that the person running cash reads weekly.
Cost if wrong: A balance payment lands in the same week as a tax bill and a slow payout, and nobody saw it coming.
Read next: The Weekly Cash Meeting

03 **A 13-week cash forecast, updated weekly · 3 min**

Look at: Whether a week-by-week forecast of cash in and out exists, and when it was last updated.
Good: Thirteen weeks ahead, updated every week, with last week's forecast compared with what happened.

Cost if wrong: You manage cash by looking at the bank balance, which tells you about the past.
Read next: The Weekly Cash Meeting

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04 **The growth plan was checked against cash · 4 min**

Look at: This year's revenue plan.
Good: Someone calculated how much extra stock the plan needs, when it must be paid for, and where that cash comes from.
Cost if wrong: You hit the revenue plan and run out of money in the same quarter.
Read next: Profit Is an Estimate

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05 **Weeks of cover by product, with slow stock flagged · 4 min**

Look at: Your inventory report.
Good: For every product, stock on hand and on order divided by recent weekly sales, with anything over your target flagged and owned.
Cost if wrong: Cash sits in the products nobody's buying while the bestsellers stock out.
Read next: The Cash Scorecard

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06 **Order size is set by math, not by the minimum · 4 min**

Look at: Your last five POs and the supplier's minimums.
Good: Each order size was chosen by weighing the unit-price break against the months of stock it buys, and you've asked for a lower minimum at least once.
Cost if wrong: You save 8% on the unit and tie up cash for twice as long.
Read next: Smaller Orders, More Often

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07 **You've asked for better terms in the last year · 3 min**

Look at: Your supplier agreements and emails.
Good: Deposit, balance timing and payment method were negotiated, in writing, within the last twelve months, with something offered in return.
Cost if wrong: You're paying a deposit set for a brand a tenth of your size.
Read next: Supplier Terms

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08 **Launches and restocks are sold before they're paid for · 4 min**

Look at: Your last three launches or big restocks.
Good: At least one was sold by preorder or a waitlist, with existing customers offered first access, and the cash collected was counted against the purchase order.
Cost if wrong: You fund every launch yourself and learn about demand after you've paid for the stock.
Read next: Preorders and Waitlists

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09 **Preorder ship dates have a written basis, and a delay notice is ready · 3 min**

Look at: Your preorder product pages and your delay email.
Good: Every stated ship date traces to a supplier confirmation, and a delay notice that offers a full refund is written and ready.
Cost if wrong: A slipped date becomes a federal compliance problem as well as a customer one.
Read next: The Rules on Shipping Late

10 **Gift cards, store credit and prepaid plans are tracked as liabilities · 4 min**

Look at: Your balance sheet and your gift card and store credit reports.
Good: The outstanding balance of each is on the balance sheet, reconciled monthly, and your accountant has set a breakage policy that allows for unclaimed property law.
Cost if wrong: Cash you owe customers gets spent as if it were yours, and breakage gets booked that a state may claim.
Read next: Float

11 **You know how much cash your repeat customers bring in · 3 min**

Look at: Last quarter's revenue by new and returning customers.
Good: You know the returning share of revenue, and the marketing cost attached to each.
Cost if wrong: You fund growth by buying new customers at full price while the cheapest cash you have goes unasked.
Read next: Retention Pays in Cash

12 **Financing is arranged before you need it · 4 min**

Look at: Your credit line, if any, and any financing offers you've taken.
Good: A facility is in place and undrawn or lightly drawn, and every option you've used was compared on its total cost in dollars and as an annual rate.
Cost if wrong: You borrow in a hurry, from whoever says yes, at whatever it costs.
Read next: Borrowing Against Inventory

Score as you go; your band appears when all twelve are in.

RUN YOUR NUMBERS

Score the twelve checks

0: failed, or nobody can answer it. 1: partly true. 2: clean. Scores stay in this browser.

01 You know your cash conversion cycle, including payout lag 5 min	0	1	2
02 Every open purchase order's payments are on one calendar 4 min	0	1	2
03 A 13-week cash forecast, updated weekly 3 min	0	1	2
04 The growth plan was checked against cash 4 min	0	1	2
05 Weeks of cover by product, with slow stock flagged 4 min	0	1	2
06 Order size is set by math, not by the minimum 4 min	0	1	2
07 You've asked for better terms in the last year 3 min	0	1	2
08 Launches and restocks are sold before they're paid for 4 min	0	1	2
09 Preorder ship dates have a written basis, and a delay notice is ready 3 min	0	1	2
10 Gift cards, store credit and prepaid plans are tracked as liabilities 4 min	0	1	2
11 You know how much cash your repeat customers bring in 3 min	0	1	2
12 Financing is arranged before you need it 4 min	0	1	2

0 of 24 points	0 of 12 checks scored

Score all twelve to read your band. 12 to go.

RESET SCORES

Read your score

SCORE	WHAT IT MEANS	READ NEXT
20–24	You can see your cash coming. Your job now is getting customers to fund more of the cycle.	Preorders and Waitlists, then Float
14–19	You know roughly where the cash is, but not early enough to act on it. Fix the zeros first.	The chapter linked from your lowest check, then The Weekly Cash Meeting
8–13	You're managing cash by looking at the bank balance. Growth will surprise you, and not in a good way.	Part one, starting at Profit Is an Estimate
0–7	Stop and build the 13-week forecast this week, before the next purchase order goes out.	The Weekly Cash Meeting, then The First Thirty Days

If you hold almost no stock, score checks 5 and 6 as 2. If you've never sold gift cards or store credit, score check 10 as 2 only if you decided not to.

PART ONE · WHERE THE CASH GOES · CHAPTER 2

PROFIT IS AN ESTIMATE

Why a brand with good margins and rising sales can run out of money, and how fast your cash can let you grow.

An income statement matches each sale with the cost of its goods in the month of the sale. Your bank paid for those goods months earlier. When sales are flat, the two agree. When sales grow, they split apart.

Why profitable brands run out of cash

Say a brand sells $500,000 a month at a 60% gross margin, so the goods it sells cost $200,000 a month. Its cash is out for about 134 days from supplier deposit to payout, the cycle in the chart on page one. That means about $880,000 is always tied up in stock, deposits and payouts in flight: 134 days of $200,000 a month.

Now it plans to grow to $750,000 a month. At the same cycle, the amount tied up rises to about $1.32 million. The extra $440,000 has to be paid to suppliers before the extra sales happen. If the brand keeps 5% of revenue as operating profit, the bigger business earns $37,500 a month. It would take about a year of profit to pay for the stock the growth needs, and the stock is needed first.

Nothing is wrong with this brand. It will still run short of cash in its best year, and if it hasn't planned for that, it will cut marketing, miss a reorder, or take whatever financing is offered that week.

> **Growth is bought with stock, and stock is paid for before it sells.**

Neil Churchill and John Mullins made this argument in 2001 in "How Fast Can Your Company Afford to Grow?", which opens with the observation that a company can run out of cash "even if its products are great successes" PUBLISHED . Every business has a rate of growth it can fund from its own cash. Grow faster and someone else funds the difference: a lender, an investor, a supplier or a customer.

Dell learned it the hard way

Dell is the textbook example of a business its customers fund. In fiscal 1994 it wasn't: sales reached $2.8 billion, but it lost $36 million after pushing into notebooks and retail stores REPORTED . Its finance chief, Tom Meredith, told strategy+business that when Dell stumbled it was "singularly focused on growth to the detriment of profitability and liquidity." The fix was getting everyone, top to bottom, "to understand the cash conversion cycle, and how they affect it" REPORTED . Chapter 4 shows where that led.

What the research says

- **Shin and Soenen, 1998.** Using 58,985 firm-years of US company data from 1975 to 1994, they found a strong negative relation between a firm's net trade cycle, a close cousin of the cash conversion cycle, and its profitability PUBLISHED .
- **Deloof, 2003.** In 1,009 large Belgian non-financial firms from 1992 to 1996, gross operating income moved in the opposite direction to days receivable, days of inventory and days payable. His conclusion was that managers can raise profitability by cutting the days of receivables and inventory PUBLISHED .
- **Wang, 2019.** From 1976 to 2015, a portfolio buying the US stocks with the shortest cash cycles and selling those with the longest earned 5% to 7% a year more than standard risk factors explained PUBLISHED .

Two cautions. These are correlations in large public companies, not experiments on DTC brands: faster turns might make firms profitable, or profitable firms might just have products that sell faster. And look at the payables result. Deloof read it the sensible way round: "less profitable firms wait longer to pay their bills" PUBLISHED . Stretching suppliers is a sign of trouble, not a route to profit. The gains in this research come from inventory and receivables, which for a DTC brand means stock and payouts.

How fast can you grow on your own cash?

The tool below runs the example on your numbers. Use the cycle from the tool in chapter 3; if you don't know it yet, start with 120 days for an importer.

RUN YOUR NUMBERS

How much growth can your cash fund?

Example numbers. Replace with yours. Operating margin means cash profit before any change in stock or payables: roughly net income plus depreciation, as a share of revenue.

Revenue over the last 12 months

$ 6000000

Growth you plan over the next 12 months

60 %

Gross margin

60 %

Operating margin, as cash

4 %

Cash conversion cycle (use a minus sign if negative)

134 days

$528,658 extra cash tied up in the cycle by year end	$384,000 operating cash profit over the year, at the new size	$144,658 outside cash needed by year end
37% fastest growth your own cash can fund	54% fastest self-funded growth with a 104-day cycle	

> **This plan needs about $144,658 from outside by year end, and more at the peak, because stock is bought before the profit arrives. Your own cash can fund about 37% growth a year. Cutting 30 days from the cycle would raise that to 54%, which is usually cheaper than borrowing the difference.**

Working capital is valued at cost: cost of goods per day times the cycle. The profit figure assumes the whole year's cash profit is available to fund stock, with nothing spent on tax, equipment or loan repayments, so the real gap is larger. Because stock is bought before it sells, the need peaks early in the year, closer to the first figure than the third.

With the defaults, a $6 million brand planning 60% growth at a 4% operating margin and a 134-day cycle needs about $529,000 more in the cycle by year end, earns about $384,000, and ends about $145,000 short. Its own cash funds about 37% growth; cut the cycle by 30 days and that rises to about 54%, with no change to margin.

Do this

- **Run the tool on this year's plan.** If it needs outside cash, write down where that comes from and when, before the next purchase order goes out.

PART ONE · WHERE THE CASH GOES · CHAPTER 3

THE CASH CONVERSION CYCLE

Days of stock, plus days waiting for the payout, minus days of credit from suppliers. For most DTC brands the last one is negative.

The cash conversion cycle counts the days between paying for stock and getting paid for it: inventory days plus receivable days minus payable days. Each part looks different for a DTC brand.

The three parts, DTC version

- **Inventory days.** Software measures from when goods land. Measure from when you pay.
- **Receivable days, which for you is payout lag.** Shorter than a wholesaler's 30 or 60 days, but not zero, and holds can stretch it.

- **Payable days, which for many brands run backwards.** Net-30 means paying 30 days after arrival. An importer paying a deposit at order and the balance at shipment pays months before arrival: negative payable days.

> **Stock on the water is stock you own. Count the cycle from the day you pay.**

Payout lag, processor by processor

These are the terms processors publish for US merchants, as of September 2026. Your agreement may differ, so check your own reports.

PROCESSOR	WHAT IT SAYS	WHAT IT MEANS FOR THE CYCLE
Shopify Payments	Settles in 3 business days in the US; weekends and holidays don't count, so a Friday order pays out on Wednesday. The bank then takes about 1 to 3 business days. Payouts to a Shopify Balance account can arrive within 1 business day.	About 4 to 10 calendar days from sale to usable cash, longest for Friday sales
PayPal	Money reaches your PayPal balance at once, but risk-based holds "generally remain in place for up to 21 days"; uploading tracking can release them earlier.	Near zero for an established account; up to three weeks for a new or flagged one
Affirm	Sends a daily transfer; your bank receives it within 1 to 3 business days.	A few days, like a card
Afterpay	"You get your money in 1-2 business days."	A few days, like a card
Klarna	Says merchants get paid "even if your customers don't pay us." Settlement timing depends on your agreement.	Check the payout delay in your contract

REPORTED Shopify Help Center, payout timing; PayPal User Agreement, holds; Affirm Business Hub, settlements; Afterpay and Klarna US merchant pages. All read September 2026.

With buy now, pay later, the customer pays over weeks but the brand usually doesn't wait; the provider carries the credit risk and charges a higher fee, which belongs in contribution margin (see The Whole Machine). What belongs here is holds. A reserve held for 90 days, or a 21-day hold on a new PayPal account during a launch, can matter more to your cash than any fee.

Put your cycle in one number

The tool counts the cycle from the day each payment leaves, weighting deposit and balance by their share of the order. With net terms, enter 0 for the balance before arrival and your terms after it.

RUN YOUR NUMBERS

Your cash conversion cycle

Example numbers for a brand importing its product. Replace with yours, from your last purchase order and your inventory report.

Revenue over the last 12 months

$ 6000000

Gross margin

60 %

Days stock sits after it arrives, before it sells

75 days

Payout lag, sale to cash in the bank

4 days

Deposit, as a share of the order

30 %

Deposit paid, days before goods arrive

100 days

Balance paid, days before goods arrive

35 days

Or: balance paid, days after goods arrive (net terms)

0 days

134 days	$917,260	$6,575
cash conversion cycle	tied up in the cycle right now, on average	freed by each day cut from shelf time or supplier timing

$15,288

tied up by each extra $100,000 of yearly sales

> **Long: 134 days. Your cash is out for 4.4 months on every unit, so growth will eat cash fast: about $15,288 for every extra $100,000 of yearly sales. The biggest piece is the 75 days on the shelf; start with chapter 10. Part two shows how customers can fund some of it.**

Stock and supplier payments are valued at cost; money waiting for a payout is valued at the sale price. Use averages across your main products, or run it once per product family. If your deposit is paid when the order is placed, the deposit days are production time plus transit time.

With the defaults, the cycle is about 134 days: 75 on the shelf, 4 waiting for payouts, and an average of 54.5 days of paying the supplier before the goods arrive. About $917,000 is tied up at any moment, and every extra $100,000 of yearly sales ties up about $15,300 more. Each day cut from shelf time or supplier timing frees about $6,575.

Days beat rates

Founders spend hours on a loan's rate and minutes on the cycle. On the defaults, cutting 20 days frees about $131,500; at a 12% borrowing cost, not needing that money saves about $15,800 a year. Cutting two points off the rate on a $500,000 loan saves $10,000 DERIVED . And the days keep paying as you grow.

Do this

- **Run the tool for your top three product families** from each one's last purchase order. Then check 90 days of payout reports for the real lag, holds included.

PAID FIRST: COSTCO AND DELL

Two companies whose suppliers and customers fund their stock, from their own filings, and what a DTC brand can copy from each.

Costco and Dell are the classic examples of businesses where somebody else pays for the inventory: Costco by selling stock faster than it pays for it, Dell by not building until the customer had ordered.

Costco: the suppliers own the shelves

Costco's annual report says it plainly: it often sells "inventory before we are required to pay for it" FILED . Its balance sheet shows what that means.

COSTCO, AUGUST 31, 2025	$ MILLIONS
Merchandise inventories	18,116
Accounts payable	19,783
Receivables, net	3,203
Deferred membership fees	2,854
Merchandise costs, fiscal 2025	239,886
Membership fee revenue, fiscal 2025	5,323

FILED Costco Wholesale, Form 10-K for the fiscal year ended August 31, 2025, consolidated balance sheet and statement of income.

Accounts payable was 109% of inventory: Costco owed suppliers more than the value of everything in its warehouses. On average balances, inventory turned in about 28 days, payables in about 30 and receivables in about 4, a cycle of roughly two days DERIVED .

Two days is close to zero, not deeply negative. The negative number people quote for Costco is its operating working capital: excluding cash and investments, current assets of about $23.1 billion against current liabilities of $37.1 billion, a gap of about $14 billion DERIVED . Suppliers, employees' accrued pay and members fund it; members had paid $2.85 billion of fees in advance FILED .

What a DTC brand can copy is the logic. **Turn fast on a narrow range:** supplier terms only fund stock that sells within them, so fewer products, deeper, is a cash decision. **Charge for the relationship up front:** a membership fee is cash before any product moves; for a brand that's a prepaid plan or a gift card (chapter 8).

Dell: build it after they pay

DELL, FISCAL YEAR END, JANUARY 28, 2005	DAYS
Days of sales outstanding	32
Days of supply in inventory	4
Days in accounts payable	(73)
Cash conversion cycle	**(37)**

FILED Dell Inc., Form 10-Q for the quarter ended July 29, 2005 (minus 38 days at that date). Dell's investor ratio data, not a filing, show minus 36 days in fiscal 2012.

Four days of inventory. Dell waited about a month to be paid, a sign of how much it invoiced business customers, and it still ran a cycle 37 days below zero because it paid suppliers in 73. Its annual report for that year credited its "efficient direct business model and cash conversion cycle" with operating cash flows "that typically exceed net income" FILED .

Inventory mattered to Dell because its parts lost value every week. In 1998 Michael Dell compared his 12 days of stock with a competitor's 30 plus 40 more in retail channels: "In 58 days, the cost of materials will decline about 6 percent" REPORTED . Apparel ages by season and supplements by expiry date, so every shelf day costs a brand markdowns as well as cash.

Two ideas carry over. **Sell before you make:** build-to-order is the extreme version of a preorder, and you don't need factories to sell a launch before the purchase order goes out (chapter 6). **Make the cycle everyone's number:** the buyer should know what an extra month of stock costs, and the marketer that a launch sold in advance is cash, not just revenue.

> **Costco sells faster than it pays. Dell was paid before it built. Both are timing, not margin.**

Do this

- **Pick one idea from each.** From Costco: which product families could you cut so that stock turns within your supplier terms? From Dell: which launch or restock this year could be sold before the purchase order is placed? Write both down with an owner.

PART ONE · WHERE THE CASH GOES · CHAPTER 5

WHEN THE CYCLE TURNS

Peloton's customers funded it while demand outran supply. Then demand fell and the stock was already paid for. Three years of its filings show how fast that happens.

Peloton sells connected bikes and treadmills and a subscription to go with them. For three years its cash flow statement showed both sides of customer funding in one company.

PELOTON, $M, FY TO JUNE	2020	2021	2022
Revenue	1,825.9	4,021.8	3,582.1
Net loss	(71.6)	(189.0)	(2,827.7)
Customer deposits and deferred revenue	272.3	(212.7)	36.8
Inventory build	(95.6)	(625.9)	(398.6)
Cash from (used in) operations	**376.4**	**(239.7)**	**(2,020.0)**

FILED Peloton Interactive, Form 10-K for the fiscal year ended June 30, 2022, statements of operations and cash flows. In the last three rows, positive numbers brought cash in and numbers in brackets used it.

Fiscal 2020: customers pay first

In the year to June 2020, demand ran far ahead of supply. Customers paid, then waited: deposits and deferred revenue added $272.3 million. Peloton lost $71.6 million and still brought in $376.4 million from operations FILED . That's the Dell position.

Fiscal 2021: the backlog ships, and stock is bought for the peak

Revenue more than doubled. But the deposits turned back into products as the backlog shipped, and that line swung to minus $212.7 million, while Peloton spent $625.9 million building inventory. Operations used $239.7 million, on a net loss of only $189.0 million FILED .

Fiscal 2022: the stock outlives the demand

Then demand fell. Revenue dropped to $3.58 billion, yet inventory rose to $1.10 billion at June 30, 2022, about 140 days of the year's cost of revenue DERIVED . The cash flow statement carries $224.9 million of excess and obsolete inventory reserve adjustments, up from $38.7 million FILED . Operations used $2.02 billion; Peloton took a $696.4 million term loan, raised $1.22 billion in a public offering, and in July 2022 announced a move to "third-party manufacturing partners for 100% of our products" FILED .

What to take from it

Peloton's troubles had many causes, and it isn't a typical DTC brand. But three lessons carry over.

- **Customer deposits are temporary.** They reverse as you ship. Never treat a preorder surge as a permanent source of funding.
- **Buy for the demand you've seen.** Stock bought at the peak is paid for at the peak and sold, or written down, after it. Smaller, more frequent orders (chapter 10) limit how much you're left holding.
- **Watch commitments, not just the balance sheet.** Stock ordered but not delivered isn't in inventory; it's a payment date. Chapter 13 puts every open order on the calendar.

> **A preorder surge is a timing gift. Spend it as if it will reverse, because it will.**

Do this

- **List every open purchase order and commitment** with its remaining payments and the weeks of current sales it represents. Any order over 16 weeks gets a second look this week, while it can still be cut or split.

PART TWO · LET CUSTOMERS FUND IT · CHAPTER 6

PREORDERS AND WAITLISTS

Sell the launch before you buy it, in price tranches, with your existing customers first in line. Then ship when you said you would.

A preorder turns the cash cycle around. The customer pays before you pay the supplier, and you learn how much to order before you commit. It's also a loan from your customers, repaid in product, on a date you chose.

Why selling in advance works

Jinhong Xie and Steven Shugan studied advance selling in 2001, using airline seats, tickets and prepaid services. The profit from selling in advance, they found, comes less from charging different people different prices than from the buyer's uncertainty about the future. As they later summarized it, "advance selling can increase profits simply because consumers have uncertainty about their future consumption states" PUBLISHED . In their model it could almost double the profit of selling only at the time of use PUBLISHED .

Three results translate to preorders:

- **The advance price is usually a discount.** Early buyers carry the risk of waiting, and should be paid for it.
- **But not always.** With limited capacity, an advance price can be a premium, because early buyers pay to be sure of getting one PUBLISHED .
- **Limiting advance sales can pay.** Holding capacity back for later buyers at a higher price can beat selling it all early PUBLISHED . That's the case for tranches.

Their model is about services consumed later, not goods shipped later, so treat it as a guide to the logic, not a forecast.

Price tranches

A tranche is a block of units at a set price; when it sells out, the next opens higher. My rule for a launch is three:

01 **Existing customers, first and cheapest**

A fixed number of units, offered to past buyers and your list 48 to 72 hours before anyone else, at the best price you'll offer.

02 **Everyone, at a smaller discount**

Opened to the public once tranche one sells or closes. Show a count of units left only if it's true.

03 **Full price, in stock**

The rest of the order, at the regular price, paid for by the first two tranches.

Tranches cap how many units you sell at a discount, reward commitment in proportion to risk, and size the purchase order: if tranche one sells out in six hours, order more; if it's open after three days, order less, before you've paid anyone. For how deep to discount without training customers to wait, see The First Offer.

> **The speed of the first tranche is the best demand forecast you'll ever get, and it arrives before the purchase order does.**

Waitlists

A waitlist collects intent without cash. Use it when you can't yet state a ship date with confidence, then make it the list for tranche one. Count sign-ups against preorders every launch and you'll learn what a sign-up is worth in units, which makes the next waitlist a forecast.

Why existing customers go first

Beyond fairness, it's a risk decision. People who already own your product are the least likely to be disappointed, the most patient if the date slips, and the cheapest to reach. Selling them the first tranche saves acquisition spend for tranche two, when you know the product will ship. For who your best customers are, see The Second Order.

How late things ship

Ethan Mollick's 2014 study of Kickstarter is the best public evidence on how often advance-sold products arrive on time. Of the successful design and technology projects he could track, "only 24.9% of projects delivered on time," and a third hadn't delivered when he checked; delivered projects averaged 1.28 months late. Projects funded at ten times their goal were half as likely to deliver at any given time as those funded at their goal PUBLISHED . The bigger the success, the longer the wait. A 2015 study Mollick ran for Kickstarter, a survey of backers, found 9% of funded projects failed to deliver rewards REPORTED .

A brand with a proven supplier is far better placed than a first-time creator. But the overfunding lesson applies: a preorder that sells three times the plan will ship late, unless the tranches stop at what the supplier can make by the promised date.

Charge now, a deposit, or later

Shopify's preorder settings let you "collect full, partial, or no payment" when the order is placed, and store the card for the rest REPORTED . Full payment gives the most cash and the most to refund; it suits short waits and sure dates. A deposit covers the supplier's deposit with less exposure; it suits long waits. Nothing until shipping gives a demand signal and no cash, and some stored cards will fail.

RUN YOUR NUMBERS

Preorder cash against preorder risk

Example numbers. Replace with yours. Landed cost means product, freight and duty per unit.

Units sold on preorder: 1500	Average preorder price, across tranches: $ 80
Landed cost per unit: $ 24	Share of the price charged at order: 100 %
Chance the ship date slips: 40 %	Share of buyers who cancel if it slips: 25 %

$120,000 collected before you pay the supplier	333% of the $36,000 purchase order it covers	$30,000 to refund if the date slips
$12,000 expected refunds, weighting by the chance of a slip	250% of the order still covered after a slip	

> **Customers fund the whole purchase order, even if the date slips and 25% cancel. Keep $30,000 where you can reach it until the goods ship: refunds are due within seven working days of a cancellation. The rest can pay the supplier.**

Refunds are of what you collected. Canceled units become stock you can sell later, which this doesn't count. It also leaves out payment fees, freight to customers and marketing, which the preorder cash usually has to cover too.

With the defaults, 1,500 units at an average of $80 bring in $120,000 against a $36,000 purchase order, 333% of it. If the date slips and a quarter of buyers cancel, $30,000 goes back and the rest still covers the order two and a half times. The 40% chance of a slip is my placeholder, not a published rate: use your supplier's record.

Guard the third number. Preorder cash is the customer's until the product ships.

Do this

- **Pick the next launch or big restock and plan it as three tranches,** with the first offered to existing customers. Set each tranche's size from what your supplier has confirmed it can make by the date you'll promise, and run the tool before you open it.

PART TWO · LET CUSTOMERS FUND IT · CHAPTER 7

THE RULES ON SHIPPING LATE

A federal rule covers every preorder you sell online in the US. It's short, it's specific, and it's easy to follow if you write the delay email before you need it.

The FTC's Mail, Internet, or Telephone Order Merchandise Rule was updated in 2014 to name internet orders explicitly. It applies to anything a US customer orders from you online, and it matters most for preorders: orders you've been paid for and can't yet ship.

PUBLISHED 16 CFR Part 435; FTC, "Business Guide to the FTC's Mail, Internet, or Telephone Order Merchandise Rule," edited January 2025; FTC amendments effective December 8, 2014. This is an operator's summary as of September 2026. Have counsel review your preorder terms and notices.

What the rule requires

01

A reasonable basis for any ship date you state

“Ships in March” needs a reason to believe it when you say it, such as a supplier’s confirmed production date. With no date stated, you need a reasonable basis to ship within 30 days PUBLISHED . So a preorder always states a date, and you keep the evidence.

02

The clock starts at a properly completed order

That’s when you’ve received payment and everything you need to ship PUBLISHED . If you charge nothing until shipment, ask counsel how that applies before relying on it.

03

A delay notice as soon as you know

Before the date passes, offer the choice to accept the delay or cancel for a full refund, at no cost to cancel, with a revised date or a statement that you don’t know one PUBLISHED .

04

Silence counts as yes only for short delays

For a delay of 30 days or less, no reply can count as consent if the notice says so. For a longer or indefinite delay you need express consent, or the order is treated as canceled and refunded PUBLISHED .

05

Miss the revised date and you ask again

A renewed notice is required, and this time silence isn’t consent PUBLISHED .

06

Refunds within seven working days

Since the 2014 amendments that includes purchases on third-party credit cards; one billing cycle applies only where you are the creditor, as with a store charge card PUBLISHED .

The FTC can seek civil penalties of up to $53,088 per violation, the amount set in January 2025 and still current in September 2026 PUBLISHED .

> **Write the delay notice on the day you open the preorder. You’ll need it on a worse day.**

What this means for the cash

Three things follow for the preorder tool. Refund money has to be reachable within seven working days. A slip of more than 30 days turns silent customers into cancellations unless they agree to wait, so raise the “share who cancel” input for long delays. And every notice is a chance to keep the customer: a clear date and a specific reason keep more orders than a vague apology. Customers left waiting can also dispute the charge with their card issuer, which hurts your standing with your processor.

Other countries and some US states have their own rules; have counsel review terms for each market. For setting and keeping the delivery promise itself, see the guide on delivery promises.

Do this

- **Before the next preorder opens,** file the supplier confirmation behind the ship date, put the date on the product page and in the confirmation email, and write the delay notice from Appendix B. Set a calendar reminder a week before the promised date to confirm it’s still true.

PART TWO · LET CUSTOMERS FUND IT · CHAPTER 8

FLOAT

Prepaid plans, gift cards and store credit put customers’ cash in your account before you ship anything. It’s cheap money only if you account for it as theirs.

Warren Buffett explains float with insurance: insurers “receive premiums upfront and pay claims later,” so they hold large sums, “money we call ‘float’,” that “will eventually go to others” REPORTED . A DTC brand has its own float, and the same rule applies: it’s valuable when it’s cheap, and dangerous when spent as if it were yours.

What float costs

Buffett’s test is what the float costs. When premiums cover claims and expenses, “we enjoy the use of free money – and, better yet, get paid for holding it” REPORTED . For a brand, the cost is whatever you give up to get the cash early: the prepay discount, the gift card bonus, the cost of the program.

Say a subscriber pays $100 a month, and you offer six months prepaid at 15% off: $510 today. As financing, you’ve borrowed $410 and repay it in product over five months, giving up $90: about 7% a month, or 125% a year compounded DERIVED . As a loan it’s terrible. As retention it can be excellent, because it locks in renewals some customers wouldn’t have made. Judge prepaid plans on retention, as The Standing Order describes, and count the cash as a side effect.

> **A prepay discount is expensive money and cheap retention. Judge it as retention.**

How big float gets

Starbucks is the best-known example in retail. In fiscal 2025 it added $15.2 billion to its stored value card and loyalty program balances, and at year end it held $1.75 billion of deferred revenue from them: money paid but not yet earned FILED . The mechanics are the same for a brand selling $50,000 of gift cards in December.

The four kinds of float in a DTC brand

- **Prepaid plans and memberships:** the most predictable float, because redemption follows a schedule.
- **Gift cards:** cash now, redeemed later, some never; heavily seasonal around the holidays.
- **Store credit:** offered instead of a refund, it keeps cash in the business, and it's still owed. See the returns guide.
- **Preorder cash:** float with a delivery date and a federal rule attached.

Breakage, and why not to count on it

Breakage is the share of balances never redeemed, and it's tempting to count as profit. Under the US revenue standard, ASC 606, a company that expects breakage recognizes it gradually, in proportion to redemptions, and only to the extent a significant reversal isn't likely; otherwise it waits until redemption becomes remote. Any amount it must hand to a state under unclaimed property law is a liability, not revenue PUBLISHED . Have your accountant set the policy.

That last point is where brands get caught, and gift cards carry their own rules too.

- **Federal rules.** Under the 2009 CARD Act rules in Regulation E, a gift card's funds can't expire earlier than five years after it was issued or last loaded. Dormancy fees are allowed only after 12 months without activity, at most monthly, and disclosed. Promotional and loyalty cards are excluded PUBLISHED .
- **California, as one example.** It's unlawful to sell a gift certificate with an expiration date or a service fee, and since April 1, 2026, balances under $15 (previously $10) must be paid out in cash on request. Gift certificates covered by those rules are exempt from the state's unclaimed property law, but any gift certificate with an expiration date is not PUBLISHED .
- **Everywhere else.** States differ on whether unredeemed balances must be handed over. Have counsel review before you book any breakage.

Don't spend it twice

In the 13-week forecast, every float balance appears as a liability with a redemption schedule. December's gift card sales are January's orders, shipped from stock you'll have to buy. Spend the float on January ads and you have two months of revenue and one month of cash.

Do this

- **Pull the outstanding balance of every kind of float** you hold, and put each in the cash forecast with its expected redemption month. Ask your accountant, in writing, what your breakage policy is and how it allows for unclaimed property law.

PART TWO · LET CUSTOMERS FUND IT · CHAPTER 9

RETENTION PAYS IN CASH

A new customer's first order usually consumes cash. A repeat order produces it. The difference is timing, and it decides how fast you can grow.

Margin and payback for acquisition and retention belong in The Whole Machine. This chapter looks at the same customers through the bank account, where the difference is starker.

Two orders, two cash stories

Say a brand sells a $70 order whose goods cost $28, bought months ago. To win a new customer it spends $60 on ads, paid to the platform in the days before and around the order. To win a repeat order from an existing customer it sends an email and a text that cost it a dollar or two.

PER ORDER	NEW CUSTOMER	REPEAT CUSTOMER
Cash in, a few days after the order	$70	$70
Goods, paid for months earlier	−$28	−$28
Cost to win the order, paid around the order	−$60	−$2
Cash left, before shipping, fees and overhead	**−$18**	**$40**

The new customer's order uses $18 of cash. The repeat order leaves $40, enough to buy the goods for another order and a half. Shipping and fees make both columns worse, but the gap stays. A brand growing through new customers is spending cash to grow; one growing through repeat customers is being paid to grow.

> **A repeat order is the cheapest cash a brand can raise. Nobody has to approve it, and it comes with a customer.**

Three ways retention shortens the cycle

- **It funds the stock.** The $40 above pays for the next purchase order.
- **It makes demand predictable.** Repeat buyers reorder on a rhythm, which lets you order smaller and more often (chapter 10). Reorder timing is covered in The Second Order.
- **It fills the first tranche** of every preorder in chapter 6.

What to measure

Split last quarter's order cash by new and returning customers, with the marketing cash spent on each beside it. The query is in Appendix A.

Do this

- **Build the two-column table above with your own numbers** for last quarter. If the new-customer column is negative, growth needs cash in proportion to how fast you acquire, and the tool in chapter 2 understates it.

PART THREE · THE SUPPLY SIDE · CHAPTER 10

SMALLER ORDERS, MORE OFTEN

A minimum order quantity is a price. Here’s how to tell when the unit discount is worth the months of stock it makes you carry.

Shelf days are usually the biggest piece of a DTC brand’s cycle, and they’re driven by how much you buy at once. Order six months of stock and the average unit sits for three. The supplier’s price break pulls the other way.

The oldest formula in inventory

In 1913 an engineer named Ford Harris published “How Many Parts to Make at Once,” the first statement of what became the economic order quantity PUBLISHED . It balances the fixed cost of each order against the cost of carrying each unit. Most brands understate the carrying cost by counting only warehouse fees. It also includes what the cash could have done instead, plus markdowns and write-offs on stock that aged. My planning figure is 30% of unit cost per year unless you’ve measured your own, higher for fashion and anything with a date on it.

When the price break is worth it

Say a product sells 1,000 units a month. The supplier quotes $10.00 a unit at a 6,000-unit minimum, or $10.80 at 2,000.

PER SIX MONTHS	1 × 6,000	3 × 2,000
Months of stock per order	6	2
Average units on hand	3,000	1,000
Average cash in stock	$30,000	$10,800
Extra unit cost	–	$4,800
Carrying cost, at 30% a year	$4,500	$1,620

On these numbers the big order wins, narrowly: it saves $4,800 on the unit price and costs $2,880 more to carry. But the smaller orders free about $19,200 of cash on average, and if demand falls after the first two months, the big order leaves you holding four months of stock at a lower sales rate while the small ones let you stop. Peloton's inventory in chapter 5 is what that risk looks like at scale.

There's a quick rule for any price break. Take the bigger order only if its discount is larger than your yearly carrying cost times the difference in months of stock between the two orders, divided by 24. Here: 30% times (6 minus 2) divided by 24 is 5%. The discount is 7.4%, so the big order passes, if your demand is steady and the product doesn't age. At a 45% carrying cost the break-even is 7.5% and it's a coin toss DERIVED .

> **A minimum order quantity is a price. Pay it only when the discount beats what the cash and the risk of unsold stock cost you.**

Get the price without the quantity

The best answer is often neither order. Ask for the 6,000-unit price on a 6,000-unit commitment, shipped in three releases of 2,000, each paid when it ships. The supplier gets volume and planning certainty; you get the price and a third of the stock at a time. Other ways to buy less at once:

- **Split the minimum across variants.** 2,000 per style is different from 2,000 across five colors. Ask which you're quoting.
- **Hold components, not finished goods.** Bottles and labels in bulk; fill in smaller runs.
- **Fast freight for fast sellers.** A small air top-up can save a stockout and a bigger ocean order.
- **Cut the tail.** Every minimum met on a slow product is months of cash. That's the Costco lesson from chapter 4.

Smaller orders need reliable lead times and a forecast updated weekly, or they become stockouts.

Do this

- **For your next three purchase orders,** write down the months of stock each buys and run the price-break rule against the next smaller option. Then ask each supplier for the larger order's price on scheduled releases. The worst answer is no.

PART THREE · THE SUPPLY SIDE · CHAPTER 11

SUPPLIER TERMS

What to ask for, in order of value, what to offer in return, and why paying late on purpose is the wrong lesson from the research.

In the example on page one, cash leaves an average of 54.5 days before the goods arrive. Terms are negotiable, and most brands accept whatever they were quoted when they were small and never ask again.

What to ask for, in order of value

01 **A smaller deposit**

Moving from 30% to 20% on a deposit paid 100 days before arrival, with the balance still paid at shipment, cuts 6.5 days from the weighted cycle in the tool in chapter 3. Offer to pay the deposit on materials only.

02 **Balance on arrival instead of at shipment**

Moves 70% of the order by the transit time: 24.5 days off the cycle on the defaults.

03 **Net terms after arrival**

Net 30 from arrival, the goal for an established relationship, cuts 45.5 days on the defaults.

04 **Scheduled releases on a volume commitment**

From the last chapter: the bigger order's price, delivered and paid in parts.

05 **Consignment on slow movers**

The supplier owns stock in your warehouse until it sells. Rare, but free to ask.

`DERIVED` From the cycle tool's defaults: 30% deposit 100 days before arrival, 70% balance 35 days before arrival.

What to offer in return

A supplier gives better terms to a customer who makes its life predictable: a rolling six-month forecast with the next two months firm, a record of paying on the due date, a volume commitment with releases, or a second product line.

When to pay early

Terms work in both directions. Costco's filing says it sells inventory before it has to pay "even while taking advantage of early payment discounts" FILED . A common early-payment offer is 2% off for paying in 10 days instead of 30. Giving up 2% to keep your cash 20 more days is equivalent to borrowing at about 37% a year DERIVED . If you have the cash, take the discount. If you'd have to borrow to take it, compare the rate.

Don't stretch

Remember the payables result from chapter 2: Deloof found that less profitable firms paid their bills later, not that paying later made firms profitable PUBLISHED . Paying late without agreement is borrowing without asking. It costs you production priority, the next negotiation, and sometimes the supplier.

> **Negotiate the terms. Then pay on the day, every time. That record is the next negotiation.**

Do this

- **Send the terms request in Appendix B** to your two largest suppliers this month, with a rolling forecast attached. Ask for one change each, the highest on the list above that you think they'd grant, and offer something from the second list in return.

PART THREE · THE SUPPLY SIDE · CHAPTER 12

BORROWING AGAINST INVENTORY

The main ways brands finance stock, described neutrally, and one way to compare them all. Arrange it before you need it.

Sometimes a shorter cycle and customer funding aren't enough: a seasonal build, a big retail order, a plan the tool in chapter 2 says your cash can't fund. This chapter describes the main options without recommending any; the right one depends on your business, and an adviser who knows it should help you choose. None of this is financial advice.

The options

OPTION	HOW IT WORKS	THE COST SHOWS UP AS	WATCH FOR
Bank line of credit	A limit you draw and repay as needed, often secured on the business's assets	Interest on what you draw, sometimes a fee on what you don't	Personal guarantees, covenants, annual renewal
Asset-based line	A line sized to a share of eligible inventory and receivables, recalculated regularly	Interest plus monitoring fees	Regular reporting on stock and sales; the limit shrinks when stock does
Inventory or purchase order financing	A funder pays the supplier for one order and is repaid as the goods sell	A fee per order or per month	The fee as an annual rate; rights over the goods
Revenue-based financing or merchant cash advance	A lump sum repaid as a share of daily sales, with a fixed fee	The fixed fee	The fee's real annual rate, which rises the faster you repay

OPTION	HOW IT WORKS	THE COST SHOWS UP AS	WATCH FOR
Supplier terms	Chapter 11	Usually nothing, or a lost early-payment discount	Relationship cost if you stretch without agreement
Equity	Selling part of the company	Ownership, forever	The most expensive money if the business succeeds

Shopify Capital is a common example of the sales-linked kind. Shopify describes it as offering “merchant cash advances and loans,” repaid with “a fixed percentage of your store’s daily sales, but only on days you make sales,” with “no compounding interest”; loans in the US are issued by WebBank REPORTED . Repayments fall when sales fall, which is a real convenience. The fee still has an annual rate.

One way to compare them all

Put every option into two numbers: the total dollars you’ll pay beyond what you borrow, and that cost as an annual rate, given how quickly you’ll repay. A fixed fee looks small until you annualize it.

Say you take $100,000 with a $10,000 fee, repaid in equal monthly amounts over six months. Your average balance is a little under $60,000, for half a year, so the $10,000 is roughly 34% a year. Repay the same fee over three months, because sales went well, and it’s about 59% DERIVED . That doesn’t make it wrong; money that funds a sold-out launch can be worth 59%. Know the number before you sign.

> **Every fee has an annual rate. Work it out before you sign, not after.**

Borrow before you need it

Arrange a line of credit when your forecast says you won’t need it: terms are better and you have time to compare. A brand that arranges financing in the week it runs short takes

whatever is offered. The 13-week forecast in the next chapter is also the first thing a good lender will ask to see.

Do this

- **List every financing arrangement you have or have been offered,** with its total cost in dollars and as an annual rate. If you have no line and your plan needs outside cash, start that conversation this quarter.

PART FOUR · RUNNING IT · CHAPTER 13

THE WEEKLY CASH MEETING

Thirty minutes, the same time every week, with a 13-week forecast on the screen. It's the one habit that makes the rest of this guide work.

A monthly close tells you what happened to cash three to six weeks ago. A purchase order balance, a slow payout week and a tax payment can land together in the gap. The weekly meeting exists to see that week coming while there's still time to move something.

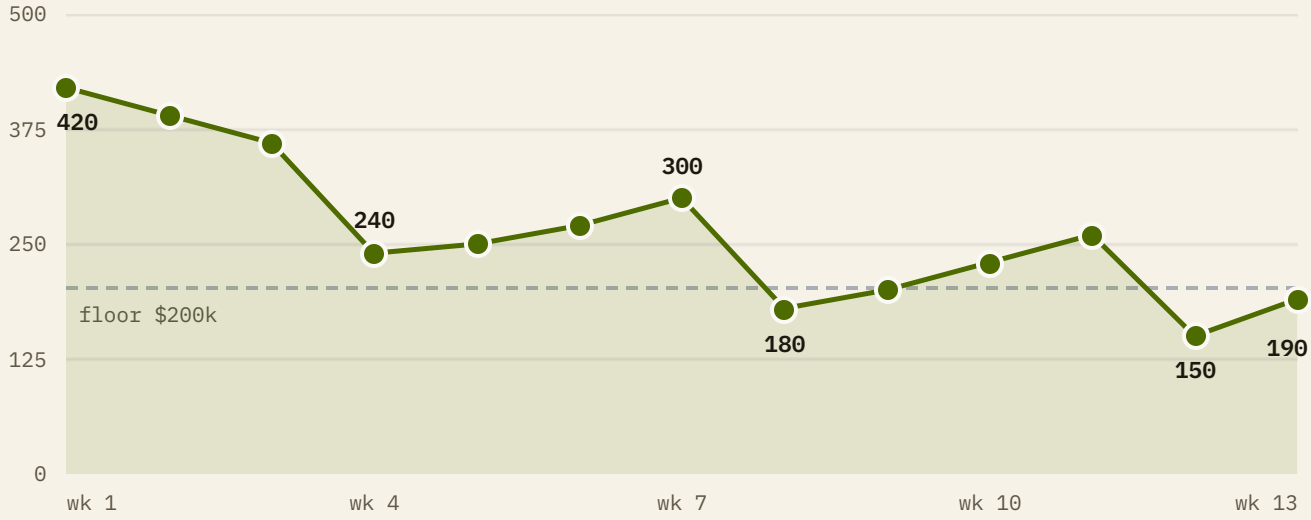
The 13-week forecast

Thirteen weeks is long enough to see the next purchase order's balance and short enough to forecast week by week. It's built from cash, not the income statement.

- **Cash in:** payouts, from forecast sales shifted by each processor's lag; preorder and gift card cash; financing drawn.
- **Cash out:** every PO deposit and balance on its due date; freight and duties; payroll; ad spend; fixed costs; taxes; loan repayments; refunds.
- **The floor:** the lowest balance you'll allow. My rule is four weeks of fixed costs plus any preorder cash held for refunds.

Three weeks below the floor, visible two months ahead

Picture a 13-week forecast of ending cash, in $ thousands, with a $200,000 floor. Each dip is a purchase order balance or a tax payment.



That picture, seen in week one, gives you seven weeks to deal with week eight. Split the purchase order whose balance lands then, move its balance date, open a preorder that brings cash in before it, or draw on a line arranged in advance. Seen in week eight, it gives you none of those.

> **The bank balance tells you about the past. The forecast tells you about the week you can still change.**

The agenda

01 **Where we are · 5 min**

Cash by account, funds pending or held, credit drawn.

02 **What changed · 5 min**

Last week's forecast against actual. Anything off by 10% or more gets a reason.

03 **The next 13 weeks · 10 min**

The lowest week and its gap to the floor. New commitments.

04 **Decisions · 10 min**

Orders to place, split or delay. Preorders to open. Spend to move. Each gets an owner and a date.

Three rules keep it honest. One person owns the forecast. Last week's version is saved, never overwritten. And the meeting happens when things are good, because that's when the habit is built.

Do this

- **Build the first 13-week forecast this week,** from the layout in Appendix B, even if half the lines are estimates. Book a recurring 30-minute meeting and hold the first one before the forecast is perfect. It gets accurate by being used.

PART FOUR · RUNNING IT · CHAPTER 14

THE CASH SCORECARD

One page, every week, beside the forecast. Each number has a definition, and each one catches a different way cash goes missing.

The forecast shows where cash is going. The scorecard shows why. One page, on screen right after the forecast.

NUMBER	DEFINED AS	WHAT IT CATCHES
Lowest forecast week	The lowest ending cash in the next 13 weeks, and its gap to the floor	A squeeze while there's time to act
Forecast accuracy	Actual cash against the forecast made four weeks earlier, for the last four weeks	A forecast nobody should trust
Cash conversion cycle	By product family, from the tool in chapter 3, updated when a purchase order or terms change	Drift in shelf days or supplier timing
Weeks of cover	Stock on hand and on order, by product, divided by the average weekly units sold over the last four weeks	Stock bought for demand that hasn't come
Slow stock	Share of inventory value in products with more than 26 weeks of cover	Cash that will come back late, or at a markdown
Open commitments	Unpaid purchase order balances, in dollars and in weeks of current sales	Orders placed on a forecast that has since changed
Payout lag and holds	Average days from sale to bank, and funds held, by processor	A new reserve or hold before it becomes a cash hole
Float owed	Outstanding gift cards, store credit, prepaid plans and unshipped preorders, against cash on hand	Customers' money being spent as if it were yours

NUMBER	DEFINED AS	WHAT IT CATCHES
Preorders at risk	Preorder units whose promised date is within four weeks and not yet confirmed by the supplier	A delay notice you'll need soon
Repeat share of cash	Cash from returning customers' orders over all order cash, last four weeks	Growth that's becoming more expensive to fund
Financing headroom	Undrawn credit available today	How much room you have if the forecast is wrong

> **A cash number without its date is a guess about the past.**

Two rules for the page

First, no revenue figure appears on it; when revenue sits next to cash, the meeting talks about revenue. Second, every float number sits next to the cash it's owed from. An $80,000 gift card balance means one thing with $400,000 in the bank and another with $120,000.

Reading it

Read weeks of cover with open commitments: 10 weeks on hand and 30 on order is a problem even if today looks fine. And read forecast accuracy first. If it's off by more than 10% most weeks, fix the forecast before deciding anything from it.

Do this

- **Build the page this week** with whatever you can pull, blanks included. Put a name next to each blank. The queries for weeks of cover, float and repeat share are in Appendix A; payout lag comes from your processors' payout reports.

THE FIRST THIRTY DAYS

See it, measure it, fix the supply side, then get customers funding it. Four weeks, in that order.

The order of work is the same whether you've just decided to take cash seriously or inherited a brand short of it. See the quarter, measure the cycle, shorten the supply side, and only then sell in advance: a preorder program without a forecast is a new way to run out of cash.

01

Week one: see it

Pull every bank balance and 90 days of payout reports. List every open purchase order with its remaining payments and dates. Build the first 13-week forecast and set the floor (chapter 13). Hold the first weekly meeting on Friday, however rough the forecast.

02

Week two: measure it

Run the cycle tool for your top three product families (chapter 3) and the growth tool on this year's plan (chapter 2). Pull the outstanding balance of every kind of float and ask your accountant, in writing, about breakage and unclaimed property (chapter 8). Split last quarter's cash by new and returning customers (chapter 9).

03

Week three: the supply side

Run the price-break rule on the next three purchase orders, and ask for the bigger order's price on scheduled releases (chapter 10). Send the terms request to your two largest suppliers (chapter 11). Flag every product over 26 weeks of cover and decide what happens to it.

04

Week four: customers fund it

Plan the next launch or restock as three tranches with existing customers first, run the preorder tool, and write the delay notice before it opens (chapter 6, chapter 7). Put the scorecard beside

the forecast (chapter 14). If the growth tool said you need outside cash, start the financing conversation now (chapter 12).

At day thirty the cycle won't be shorter yet; orders and terms take a quarter to flow through. You'll have the next thirteen weeks in view, a number for the cycle, and a plan for who pays for the next round of growth.

> **See the quarter, then shorten the cycle, then let customers fund it. In that order.**

Do this

- **Put the four weeks on the calendar today,** with an owner for each line. Score the audit in chapter 1 again at day ninety.

CLOSE

DAY ONE

Six things the person who runs cash needs on the first day.

Whoever runs cash, a new finance lead, a fractional controller, or you, needs six things on day one. Without them, the first month goes on finding out what the business owes and when.

01 **Access to every account**

Bank, card, processor and marketplace accounts, read-only at least, with balances, pending funds and any holds or reserves.

02 **The purchase order book**

Every open order with its supplier, amount, deposit, balance, due dates and expected arrival.

03 **Inventory by product, at cost**

On hand, in transit and on order, with the last four weeks of unit sales beside it.

04 **Everything the business owes customers**

Gift card, store credit, prepaid plan and unshipped preorder balances, and the breakage policy if there is one.

05 **The fixed calendar**

Payroll dates, rent, software, tax deadlines and loan payments for the next quarter.

06 **Every financing agreement**

Lines, loans and advances, with limits, rates or fees, repayment terms and covenants.

Do this

- **Ask for all six in one message** today. Whatever takes longest to arrive is where the business is most exposed.

CLOSE

THE SHELF

The books and papers this guide leans on, and what to take from each.

The Customer-Funded Business

John Mullins, 2014

The case for growing a company on customers' cash. Part two of this guide is the DTC version.

Getting to Plan B

John Mullins and Randy Komisar, 2009

On testing a business model, with working capital treated as part of the model, not an afterthought.

How Fast Can Your Company Afford to Grow?

Neil Churchill and John Mullins, Harvard Business Review, 2001

The short article behind chapter 2: every business has a growth rate its own cash can fund, and the levers that change it are timing as much as margin.

Direct from Dell

Michael Dell with Catherine Fredman, 1999

The founder's account of a business customers paid for before it bought the parts.

Financial Intelligence

Karen Berman and Joe Knight, with John Case, 2006

A plain-language guide to why profit and cash differ, for managers who aren't accountants.

Berkshire Hathaway shareholder letters

Warren Buffett, annual letters from 1965

The best explanation of float, and why it's only cheap if you don't lose money getting it.

And the research: Shin and Soenen (1998), Deloof (2003) and Wang (2019) on the cash cycle and profitability; Xie and Shugan (2001) on advance selling; Mollick (2014) on crowdfunding and late delivery; Harris (1913) on order quantity. The filings: Costco's 2025

Form 10-K, Dell's 2005 Form 10-Q, Peloton's 2022 Form 10-K and Starbucks' 2025 Form 10-K. Full references are in Appendix C.

CLOSE

ABOUT THE AUTHOR

Andrew Lauchner is a growth and retention operator for consumer brands and the author of sixteen free books on the method. He fixes the second-purchase problem through his practice, Growth Legend, as one engagement: The Second-Purchase Sprint. He is the author of The Second Order, on turning first-time buyers into second-time buyers, and The Whole Machine, on the fundamentals of DTC growth, along with a series of field guides for DTC operators at andrewlauchner.com.

As Senior Director of Growth and Retention Marketing at Gallery Furniture, he rebuilt the customer journey and the sales playbooks together. He has worked on growth and retention at Binance and 3Commas, and has been Head of Growth and Retention at Greatness Wins and at Nexus Agriscience.

WHAT COLLEAGUES SAY

"Andrew led retention, lifecycle, and email/SMS, but what separates him from most in this space is how deeply he understands the role retention plays in the overall growth engine."

Akram Khan, Head of Marketing at Gallery Furniture, senior to Andrew but didn't manage Andrew directly

Andrew answers every note from operators working on this. Write to andrew@growthlegend.com or message him on LinkedIn.

APPENDIX A

FOR YOUR ANALYST

The formulas behind the three tools and the rules of thumb, and three queries for the scorecard.

The formulas

FOR	FORMULA	NOTES
Cash conversion cycle	`I + L + d×D + (1 − d)(B − T)`	I: shelf days. L: payout lag. d: deposit share. D, B: days deposit and balance are paid before arrival. T: terms after arrival.
Cash tied up in the cycle	`COGS/365 × (I + d×D + (1 − d)(B − T)) + Revenue/365 × L`	Payouts in flight at sale value.

FOR	FORMULA	NOTES
Extra working capital for growth	`g × R × (1 − GM) × CCC / 365`	g: growth rate. R: revenue. GM: gross margin.
Self-funded growth rate	`m / ((1 − GM) × CCC/365 − m)`	m: operating cash margin. Denominator ≤ 0 means growth funds itself.
Preorder coverage	`units × price × share charged / (units × landed cost)`	After a slip, subtract cash collected × share who cancel.
Price-break rule	`take the bigger order if discount > h × (`M_{big}` − `M_{small}`) / 24`	h: yearly carrying cost as a share of unit cost. M: months of stock per order.
Early-payment discount as a rate	`discount / (1 − discount) × 365 / (net days − discount days)`	2/10 net 30: 2/98 × 365/20 ≈ 37%.
Fixed fee as an annual rate	Solve for r: `principal = Σ payment`$_k$` / (1 + r)`^{k}`,` then ×12	Monthly payments. Spreadsheet: `=RATE(n, -payment, principal) * 12`.

Weeks of cover by product

```
-- stock on hand and on order, over average weekly units sold (last 28 days)
WITH sold AS (
  SELECT ol.sku, SUM(ol.quantity) / 4.0 AS units_per_week
  FROM order_lines ol
  JOIN orders o ON o.id = ol.order_id
  WHERE o.created_at >= CURRENT_DATE - INTERVAL '28 days'
    AND o.cancelled_at IS NULL
  GROUP BY ol.sku
), stock AS (
  SELECT sku, SUM(on_hand) AS on_hand
  FROM inventory_levels
  WHERE snapshot_date = CURRENT_DATE
  GROUP BY sku
), open_po AS (
  SELECT sku, SUM(quantity_ordered - quantity_received) AS on_order
  FROM purchase_order_lines
```

```
  WHERE status = 'open'
  GROUP BY sku
)
SELECT s.sku,
       s.on_hand,
       COALESCE(p.on_order, 0)                                  AS on_order,
       ROUND(COALESCE(d.units_per_week, 0), 1)                  AS units_per_week,
       (s.on_hand + COALESCE(p.on_order, 0))
         / NULLIF(d.units_per_week, 0)                          AS weeks_of_cover
FROM stock s
LEFT JOIN open_po p ON p.sku = s.sku
LEFT JOIN sold d    ON d.sku = s.sku
ORDER BY weeks_of_cover DESC NULLS FIRST;
```

Null means no sales in four weeks: the slowest stock you have, listed first.

Float owed

```
-- what the business owes customers today
SELECT 'gift cards'   AS kind, SUM(balance) AS owed
FROM gift_cards WHERE disabled_at IS NULL
UNION ALL
SELECT 'store credit', SUM(balance)
FROM store_credit_accounts
UNION ALL
SELECT 'unshipped preorders', SUM(o.total_price - COALESCE(r.refunded, 0))
FROM orders o
LEFT JOIN (SELECT order_id, SUM(amount) AS refunded FROM refunds GROUP BY order_id) r
  ON r.order_id = o.id
WHERE o.tags LIKE '%preorder%'
  AND o.cancelled_at IS NULL
  AND NOT EXISTS (SELECT 1 FROM fulfillments f WHERE f.order_id = o.id);
```

Add prepaid plan balances from your subscription app.

Repeat share of cash

```
-- order cash from new and returning customers, last 13 weeks
WITH first_order AS (
  SELECT customer_id, MIN(created_at) AS first_at
  FROM orders WHERE cancelled_at IS NULL
  GROUP BY customer_id
```

```
)
SELECT DATE_TRUNC('week', o.created_at)                                AS week,
       SUM(o.total_price) FILTER (WHERE o.created_at = f.first_at)     AS new_cash,
       SUM(o.total_price) FILTER (WHERE o.created_at > f.first_at)     AS repeat_cash,
       SUM(o.total_price) FILTER (WHERE o.created_at > f.first_at)
         / NULLIF(SUM(o.total_price), 0)                               AS repeat_share
FROM orders o
JOIN first_order f ON f.customer_id = o.customer_id
WHERE o.created_at >= CURRENT_DATE - INTERVAL '13 weeks'
  AND o.cancelled_at IS NULL
GROUP BY 1 ORDER BY 1;
```

Add each week's acquisition and retention spend for the table in chapter 9. Postgres syntax.

APPENDIX B

TEMPLATES

Six things to copy: the forecast layout, a supplier letter, a preorder page, a launch email and text, and the delay notice.

The 13-week forecast

```
                        WK 1   WK 2   WK 3  ...  WK 13
OPENING CASH
CASH IN
  Payouts: Shopify Payments   (forecast sales, shifted by lag)
  Payouts: PayPal
  Payouts: BNPL providers
  Preorder and gift card cash
```

```
  Wholesale receipts
  Financing drawn
CASH OUT
  PO deposits                (one line per open PO)
  PO balances                (one line per open PO)
  Freight and duties
  Payroll
  Ad spend                   (on each platform's billing schedule)
  3PL, software, rent
  Sales tax, income tax
  Loan and advance repayments
  Refunds, incl. preorders
CLOSING CASH
FLOOR                        (4 weeks of fixed costs + preorder reserve)
ABOVE / BELOW FLOOR
LAST WEEK'S FORECAST FOR THIS WEEK, AND THE DIFFERENCE
```

Asking a supplier for better terms

```
SUBJECT   Forecast for the Next Six Months, and a Request on Terms

Hi [name],

Attached is our rolling six-month forecast for [products]. The
next two months are firm; the rest is our best estimate, and
we'll update it on the first of each month.

We've grown [x]% with you over the last [period] and paid every
invoice on its due date. As we plan the next year, we'd like to
ask for one change: [balance paid on arrival rather than at
shipment / a 20% deposit instead of 30% / net 30 from arrival /
the 6,000-unit price on a 6,000-unit commitment, released and
paid in three lots of 2,000].

In return we can offer [a 12-month volume commitment of x units
/ the monthly forecast / confirming materials earlier /
consolidating [product] with you].

Could we talk this week or next?

[name]
```

This is a business letter to a supplier, not marketing, so it doesn’t need an unsubscribe line.

Preorder product page

```
PREORDER: SHIPS BY [DATE]
You'll be charged [in full / a $[x] deposit] today[, and the
balance when your order ships]. We expect to ship by [date]. If
that changes, we'll email you before then with a new date, and
you can cancel for a full refund at any time before it ships.
Orders with in-stock items ship [together when the preorder
ships / separately].
```

State only a date your supplier has confirmed in writing (chapter 7). Have counsel review.

First access for existing customers: email

```
SUBJECT   You're First: [Product] Preorders Open Today
PREVIEW   48 hours before anyone else, at the best price we'll offer

[First name], [product] is coming in [month], and you get first
access.

For the next 48 hours, preorders are open only to customers, at
$[price], the lowest price it will ever launch at. There are
[number] at this price. After that, it opens to everyone at
$[price 2].

It ships by [date]. You'll be charged [today / a deposit today],
and if the date changes we'll tell you before it does, with the
option of a full refund.

[Preorder now]

[Brand] · [postal address]
You're receiving this because you bought from us.
Unsubscribe: [link]
```

First access for existing customers: text

```
[Brand]: [First name], [product] preorders are open to customers
only for 48 hrs, at $[price] (the lowest it'll ever be). Ships by
[date]. [link] Reply STOP to opt out
```

Send only to customers who've given SMS consent, within quiet hours for their time zone.

The delay notice

```
SUBJECT   An Update on Your [Product] Preorder, Order #[number]
PREVIEW   new ship date, and your options

Hi [first name],

We promised to ship your [product] by [original date]. We won't
make that date, because [honest, specific reason].

Our new ship date is [revised date]. [OR: We don't yet know the
new date. We'll write again by [date] with an update.]

You have two options:

1. Wait for it. [IF THE NEW DATE IS 30 DAYS OR LESS AFTER THE
   ORIGINAL: If we don't hear from you, we'll take that as a yes
   and ship by [revised date].] [IF MORE THAN 30 DAYS OR NO DATE:
   Please click below to confirm you'd like to wait. If we don't
   hear from you by [date], we'll cancel and refund your order.]
   [Keep my order]

2. Cancel for a full refund, at no cost. [Cancel and refund]
   Refunds go back to your original payment method within seven
   working days.

We're sorry. Thank you for waiting with us.

[name], [Brand]
```

A required notice under the FTC rule, sent before the original date passes. Keep promotion out of it, and have counsel review the wording.

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CASH BEFORE GROWTH

Andrew Lauchner · September 2026 · The Whole Machine · The Second Order · Close the Loop · The First Offer · The Standing Order · The Honest Test · andrewlauchner.com

Filed figures come from Costco’s, Dell’s, Peloton’s and Starbucks’ securities filings, with the filing named. Published figures come from peer-reviewed research, books and articles by the researchers themselves, statutes, regulations and regulator guidance, as of the dates given. Reported figures come from named companies and outlets; payment companies’ descriptions of their own payout terms are marked as reported and change often. Derived figures are my arithmetic on filed, published or reported numbers, with inputs shown. Examples that open with Say or Picture use made-up round numbers. Consumer-protection, gift card and unclaimed property rules vary by state and country and change often; have counsel review preorder terms, delay notices and gift card programs, and have your accountant set any breakage policy. None of this is legal, tax, accounting or financial advice.

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