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Order to Cash: Finding the Bottlenecks in Wholesale Distribution

Where the order-to-cash cycle stalls in distribution businesses: credit holds, backorders, picking queues, invoicing lag, and collections, and how to measure each stage honestly.

Order to cash is a relay: entry, credit, fulfillment, shipping, invoicing, collection. The baton gets dropped between stages, not within them, and every dropped day is working capital you finance.

The useful exercise is measuring each stage separately, because the fix for a credit bottleneck has nothing in common with the fix for a picking backlog.

The six stages and where they stall

- Order entry: re-keyed emails and faxes, pricing exceptions waiting on approval
- Credit review: manual holds on customers who have paid on time for years
- Fulfillment: backorders nobody communicates, pick queues nobody sequences
- Shipping: freight decisions made per order instead of by rule
- Invoicing: bills that wait for paperwork to make its way back
- Collection: statements without follow-up, disputes that restart the clock

Measure before you fix

Your system already timestamps most of the chain: order created, released, picked, shipped, invoiced, paid. Pull ninety days of orders and compute the median and the tail for each gap. The tail is where the money is: a median of one day with a tail of nine means a process that works until it does not.

Two policy fixes worth the argument

- Credit: auto-release orders under a threshold for customers in good standing. Reserve human review for genuine risk, not ritual.
- Backorders: decide by customer tier whether to ship-short, hold-complete, or substitute, and let the system apply the rule at allocation time.

Invoicing lag: the cheapest fix

Every day between shipment and invoice is a free loan to your customer, and it is usually a systems artifact: billing waits for signed paperwork, or a batch job, or a person to assemble the bill.

When shipment confirmation generates the invoice, the lag drops to zero and DSO improves without a single collections call. Few working-capital fixes are this mechanical.

Questions about any of this?

Summit Business Systems has been implementing ERP for Ontario businesses since 1991. We are an Acumatica Gold-Certified Partner based in Barrie, working with construction, field service, distribution, and professional services companies across the province. If you want a second opinion on anything in this insight brief, we give straight answers.

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