

QUARTIX

Do's and Don'ts when **Negotiating Longer Payment Terms** with Your Vendors



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Introduction

Planning to extend the payment terms offered to your vendors? If so, you're not alone. More and more companies around the world do so to unlock cash and optimize their working capital, as COVID-19 puts continuous pressure on businesses.

But before you get started, you may want to take a look at a few do's and don'ts that may apply to your business: two hurdles you may want to watch out for, and two recommendations you may want to consider implementing.

Advanced financial technology solutions can help you accomplish your desired payment terms goal by reducing, if not eliminating vendor friction during payment terms extension discussions. We will demonstrate how taking advantage of such a tool may help you reach your payment terms goal without risking vendor relations.



Take a tailored approach

Treating all vendors the same can create risks that could be avoided. Some vendors play a more critical role to your organization than others. Some vendors are known to be diligent on timely collections and are very sensitive to payment terms, others won't notice if you paid them 20 days beyond terms.



To minimize risks and optimize results, start by categorizing your vendors into groups that would require different handling. Some considerations to keep in mind are:

1. Strategic vendors
2. Vendors that are sensitive to payment terms
3. Vendors who are being phased out or who were recently onboarded
4. Vendors you already extended terms with in the recent plan
5. Direct vendors vs indirect vendors

Once you have your vendor groups in order, you can strategize your term extension move: What's the extend to which you'd extend payment terms? How would you communicate the move to each vendor? Which vendors would require an early payment program? In some cases, some vendors may require special handling when it comes to customizing the early payment program. If this is the case for you – Quartix may come up with a few suggestions based on our experience.

Don't Do

Offer A One-Sided Proposition

Vendors don't like to wait to get paid. Asking them to wait even longer will probably not be accepted with much enthusiasm. While you would be able to achieve your longer terms without much objection in some cases, other vendors may object strongly – and these might be the ones with the higher purchasing volume. Getting them on board will be important to hitting your goal.

When asking for something from your vendors, it is best if you can give them something in return. And what's better to give than them something that costs *you* nothing but can greatly benefit many of them?

Quartix's early payment option is just that. It costs you nothing (no out of pocket cost, nor is your company actually paying early with its own funds), but can bring tangible value to your vendors – even if they are much larger enterprises than yours (if you haven't checked out our 5 vendor personas and how very large vendors are using Quartix to accelerate their payments – make sure you check out [this blog post!](#)).

By giving your vendors something in return for the longer payment terms you ask for, you increase your chances of them agreeing to it.



Make your Entire Procurement / AP Team Informed

Every team member that speaks with vendors should be informed of the new terms and should be able to address vendor questions before and after terms were extended.

When your team is on the same page internally and understands the goals that should be communicated to vendors, your vendors won't get mixed messages, and the outbound communication from your organization will be consistent and coherent.

This can help reduce friction, avoid requests for exceptions, and contribute to a speedier execution of the initiative.

This is important if you choose to offer your vendors vendor finance via Quartix. You want to make sure that all eligible vendors will be informed of this option. This will improve your chances of getting the longer terms you need - while vendors that aren't eligible won't be promised this option and get confused once they found out they won't be able to access it.



Don't Do

Stick to Old Habits

It's good to make sure your AP processes are tighter than even when you extend payment terms with your vendors. Example: If a vendor didn't notice you paid a few days after the due date when terms were net-60, they might be more sensitive to late payments if they start getting paid in 90 days instead. Make sure your AP department understands this sensitivity and make sure controls are put in place to execute timely payment, detect exceptions and handle them quickly.



Summary

A terms extension can bring significant benefits, but it's essential to be aware of the possible pitfalls from the outset. The good news is, with proper planning and a thorough understanding of your supplier base, you can overcome the challenges and achieve the results you are looking for.

The bottom line: supplier agreement will be key to your program's success – so put suppliers at the center of your planning, rather than making them an afterthought.



About Quartix

Quartix helps make any vendor negotiations a win-win situation by providing clients with a vendor-friendly early payment solution they can unlock to their vendors. With Quartix, the client never pays early!

Want to learn how to get the payment terms you need from your vendors?

Get in touch!

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