***Payments in advance***

It’s easy to assume that the sales process will be: “you place the order; we’ll supply the goods or service; then we’ll invoice you; then you pay.” That’s fine if the process of supplying the goods or service only takes a few days, but less good if it takes weeks or months.

We looked at the idea of agreeing milestones in the Work in Progress article in this section, but a payment in advance means we have money in the bank before we starting spending any money on the project.

**How much can we ask for as a payment in advance?**

As much as we have the nerve to ask for! You’ll be able to think of personal examples where you’ve paid the full amount in advance.

50% in advance, with 50% to be invoiced on delivery is “fair” in that it shares the cashflow pin equally between supplier and customer.

A round sum of 10% or 20% is often requested. Or the amount can be linked to – say – the cost of the materials for the job which will need to be ordered up front.

**Give and take**

Sometimes we find ourselves negotiating with a customer who’s determined to drive the price down as far as they can. If we’re giving away profit in the job we want to make sure it is more attractive from a cashflow perspective. “I can only give you that 2% reduction in price if you agree to 25% payment in advance with the order.”

**Check out the customer**

It’s worthwhile looking at the customer’s accounts. If they’re highly profitable but don’t have much cash, the payment terms may be more important to them than the price. If the accounts show plenty of cash, there’s a better chance of being able to negotiate advance payments.