

THE FD CENTRE CHECKLIST FOR 'REDUCING YOUR RISK WITH CLIENTS'

When entrepreneurs go into negotiations with clients and potential clients, product and price are generally foremost in their minds. For some, this approach is acute; a sense of tunnel vision prevents the entrepreneur securing the best deal. This checklist, prepared by Colin Mills of www.thefdcentre.co.uk, will give you some of the key issues to consider in your negotiations, which can reduce your risk with clients:-

- Carry out a credit check before the meeting to evaluate the customer's credit worthiness.
- For some early stage companies and export arrangements, partial or whole payment in advance of shipment is quite normal.
- For export business, irrevocable letters of credit are the standard request, however, other payment mechanisms are also worth considering, eg. avalsised bills of exchange, documentary collection (ie. payment is made before shipping documents are released to allow collection of goods), standard bills of exchange.
- Consider the lead time for orders. Short lead times frequently increase the component stock commitments for the business and therefore the investment that is required by your business.
- Use early settlement discounts to bridge price negotiations in return for quick or upfront payment.
- Avoid any clauses with sale or return as this is likely to turn into pay when paid.
- Some customers ask their suppliers for consignment stock. You have to understand the motivation for this. If it's a fast moving item, the concept may be fine. However, there is a real risk that the product is a line-filler. Very few products become more valuable as they age, like fine wine and classic cars.
- Sell products using finance agreements. There are many obvious applications, eg. capital equipment. However, there are finance companies that fund software projects and computer equipment for example.