



CIPS Australia



CIPSA/PI Indirect Category Indexes and Benchmarking Reports

Time is Money with Payment Terms

- Payment terms can offer saving opportunities and improvements to balance sheets for organisations.
- Recently, PI benchmarked Payment Terms for a commonly purchased category on a national basis offered by both national and regional suppliers. Terms varied from **COD to 90 days**.
- What is of particular interest is the variation in so-called 30 day terms e.g.

Interpretations of “30 days” payment terms
30 days from invoice date
30 days from receipt of invoice/consolidated invoice
30 days from end of month of invoice
30 days from statement
30 days from delivery/proof of delivery
30 days from end of month of delivery
30 days from end of month of statement

- Organisations should decide what is best for their balance sheets and negotiate an optimum price/terms trade off with suppliers.
- The PI benchmarking found that the participants could save in the order of \$20-40K with more careful settings of Payment Terms.