



 **Local Line**

CHAPTER 6

Invoicing and Payments

Invoicing, payments & reporting

Timely payment is crucial for maintaining healthy cash flow and sustaining your business. When selling wholesale, payment delays or non-payment become increasingly more often, creating financial strain. Avoid this by implementing effective invoicing practices, establishing clear payment terms, and exploring payment acceleration methods. In this chapter, we explore strategies and workflows you can implement to ensure you get paid on time, every time.

Proper invoicing is essential for maintaining accurate records and facilitating smooth payment processes. Here are some critical practices to adopt.

Clearly specify payment terms

Payment terms outline how, when, and by what method your customers or clients provide payment to your business.

Types of payment terms

- **Payment in advance:** Customers pay upfront if capital is needed. Relevant for very large orders done far in advance.
- **Due upon receipt:** Customers are required to pay the invoice upon delivery. This often is not possible as businesses don't pay invoices immediately. Usually, the invoices are approved and will be processed once they issue cheques.
- **Net 7, 10, 30, etc. Payment:** The invoice is due in a predefined number of days (i.e. 7, 10, 30 days). This is the most common approach.
- **2% 10 Net 30:** Customers receive a 2% discount if they pay within ten days of the issue date. Otherwise, the payment must be received within 30 days. You can set whichever discount and payment period you please.

Your payment terms should be clearly specified on your invoice to avoid confusion. You should always include:

- Payment due dates
- Preferred payment methods
- Applicable late fees
- Discounts for early payment

Ensure you are communicating payment terms when first selling to new buyers. Both parties must be aware of the terms.

Selecting payment terms

How do you know which payment term to select for your business? Here are some things to consider:

Cashflow

Is there any upfront investment required to fulfill this order? Is this a product you are already producing at this scale, or do you need to invest in processes, equipment, etc.?

Industry standards

Each industry and buyer type (restaurant, grocery, food service) have industry standards for payment terms. Do some research to determine the standard payment terms for your product in your area. Unsure where to look – leverage other farms around you and ask. A good rule of thumb is to start with industry standards and then vary depending on customer relationship.

The average payment term is often 30 days.

Customer history and preferences

Not all customers have to be given the same payment terms. Customers you have worked with or have a long-standing relationship with might get certain “perks” versus newer customers. As a seller, you want to get to know your customer and reliability regarding payment. Alternatively, buyers who have purchased from you in the past may accept shorter payment terms depending on your relationship.

Ensure you are documenting the payment terms and why you are offering different payment terms per customer, and stick to those payment terms (especially if varied) with each customer to avoid confusion. You want written proof that you follow each customer's payment policy.

Some more significant customers might ask for more favorable terms, i.e., a longer payment period. Ensure that you can meet these payment terms financially. We all love big customers, but it is essential to avoid any financial strain. Both parties should communicate openly to find mutually agreeable terms that balance your need for prompt payment and the buyer's operational requirements.

Size of invoice

You don't want to spend time chasing after small invoices. A way to incentivize buyers to pay on time is to offer discounts for early payment, such as **2% 10 Net 30** or setting shorter payment terms.

It is more worth your time chasing down larger invoices, so offering discounts here might not be favourable. For example, 2% on a large payment adds up.

Payment acceleration

We all want to get paid on time with little hassle. Here are some approaches to take to ensure you get paid on time:

Define payment deadlines

Clearly state the payment due dates on invoices, specifying whether it is due upon receipt or within a specified number of days (e.g., 15, 30, or 45 days). The payment deadlines can depend on the type of customer. Shorter payment terms can accelerate cash flow, but it is crucial to align with industry standards to avoid alienating potential customers.

Offer incentives for early payments

If you're looking to shorten your payment deadline, consider providing discounts or other incentives for customers who pay invoices before the due date. For example, you get a 10% discount when paying before the due date. This can encourage prompt payments and foster customer loyalty. Ensure that your discount remains profitable for your business.

Implement late payment penalties

Sometimes, customers are chronically late payers. To ensure you're getting paid, specify late fees or interest charges for overdue payments in your payment terms. This approach encourages customers to pay on time and compensates you for the additional administrative and financial burden caused by delayed payments.

Setting payment terms inside Local Line

To keep you from manually defining payment terms for a customer type (i.e. Restaurants), you can select payment terms per price list. A price list is your shoppable URL for each customer type. Price lists can be private or public – depending on who it's meant for. When creating a price list in Local Line, you can

select which payment methods you accept for this price list (i.e., credit card, cheques, cash, etc.) and the number of days until payment is due.

Payment

Cash - Custom

E-Transfer - Custom

Days until payment is due

15 days

Once due the order will be flagged as overdue on your orders table and the customer will receive an email reminding them to make a payment.

Display discounts
If adjusted prices on this price list are lower than the base price defined for the product the discounted value is displayed to customers.

Once the order has passed the payment deadline and has yet to be paid, Local Line will send an automated email reminding the customer to make a payment. A payment link will be included if the payment method was a credit card.

Provide detailed and automated invoices

Itemize the products sold, quantities, unit prices, and additional charges, such as shipping or taxes. Also, add any notes or delivery instructions relevant to the invoice. Accurate and transparent invoices reduce the likelihood of disputes or misunderstandings.

Manually creating invoices, especially for reoccurring orders, can be extremely time-consuming. Electronic invoicing via your e-commerce platform or accounting software can help streamline your workflows.

Inside Local Line, you can manually log orders or have your customers order from you using your private price list.

Invoices inside Local Line

Here is an example of an invoice downloaded from Local Line. Underneath the invoice number, you can see the payment status (i.e. unpaid), the order date, and the payment deadline. The customer information includes billing address, shipping address, and fulfillment information. The payment method, notes, and total amount due are also clearly outlined.

Green Acres Farm

333 Lester St, Waterloo, ON N2L 3W6, Canada
 (123) 456-7890
 hubbeta+64@localline.ca

Invoice 2431633

Payment Status: Unpaid
 Order Date: 25 May 2023
 Payment Due: 08 Jun 2023

Billed To:

Local Line
 Amelia Watson
 (123) 456-7890
 noreply+dummy1@localline.ca

Deliver To:

Amelia Watson
 333 Lester St, Waterloo, ON N2L
 3W6, Canada

Delivery Instructions

Waterloo Region

Product	Package	Price	Quantity	Total
Multigrain Bread	Each	\$1.99	20	\$39.80
Rye Bread	Each	\$3.99	15	\$59.85
Sourdough Bread	Each	\$2.99	12	\$35.88

Payment Method

E-Transfer
 Please use e-transfer

Note from Green Acres Farm

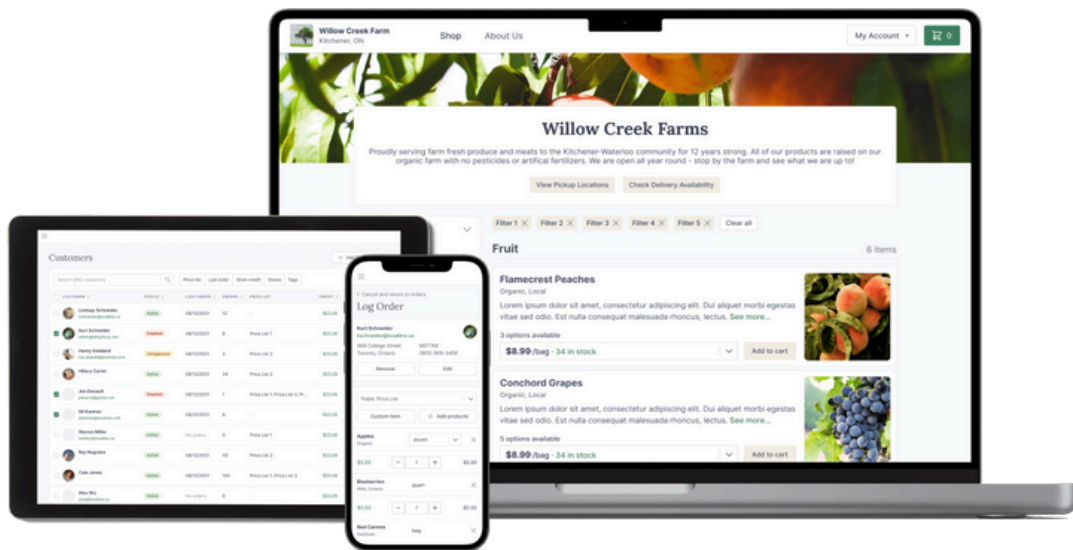
Deliver straight to the kitchen using the back entrance.

Subtotal	\$135.53
Tax	\$0.00
Total	\$135.53
Amount Due	\$135.53

At any point in time, you can download the invoice and send an invoice directly to the customer's email address.

Start Selling with Local Line Today!

To support you in your wholesale selling journey, consider [Local Line's all-in-one farm e-commerce platform](#). Local Line is an easy-to-use software tool for farmers to connect with local buyers, such as restaurants, schools, hospitals, and businesses looking to buy wholesale from local farms in their area.



Try selling online with Local Line today. We can get you up and selling online within an hour.

[Sign up here today!](#)

Happy selling!
The Local Line team

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