

SPECIFIC-CASE

WORKSHEET 8 OF 9

Key Customer Requests Net-90 Terms – Calculate Before You Respond

Scenario: A customer representing 22% of your monthly credit sales volume asks to extend payment terms from net-30 to net-90. They cite their own cash flow pressure. Accepting locks up two additional months of receivables from your largest customer. Declining risks losing the relationship. Fill this sheet before responding to the request.



Complementary worksheet for
Working Capital Management
by Ibrahim Anwar

What This Is For

A term extension request from a significant customer is not a relationship question until the financial calculation has been done. The instinct to preserve the relationship and say yes is understandable but often makes the decision without the data that would change it. Granting net-90 to a customer generating 22% of credit sales does not just extend payment — it locks up two additional months of receivables from the largest single contributor to DSO. At current KMK rates, that locked capital has a real annual cost that can be calculated in 20 minutes.

This worksheet forces that calculation before the response goes out. It also produces the counter-offer mathematics: if granting net-90 outright is not workable, what partial upfront, volume commitment, or supply chain financing arrangement would make it workable? The answer to that question — presented to the customer as a structured counter-offer rather than a flat refusal — gives the relationship the best chance of surviving the negotiation without the business absorbing an unplanned NWC increase.

Benefits

What you get when you actually run this worksheet on a real situation:

- Quantifies the additional NWC required if net-90 is granted, in dollars, so the decision is not made on relationship instinct alone.
- Calculates the annual KMK interest cost of financing the extended receivables — the real price of granting the extension.
- Produces the break-even calculation: how long it would take to replace the customer's volume if the relationship is lost, and whether that timeline is longer or shorter than the payback period of the NWC cost.
- Generates three counter-offer structures with the numbers pre-filled so the response to the customer can happen quickly and from a position of clarity.
- Documents the decision regardless of outcome — useful if the same customer requests another extension in 12 months.

Framework To Use

— Term Extension Cost-Benefit Matrix

Every term extension is a financing decision. The customer gets a 60-day interest-free loan extension; the business pays for it via higher NWC or KMK interest. Calculate both sides before responding.

CURRENT: NET-30	IF NET-90 GRANTED
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How To Use

Follow these steps in order. Each one builds on the previous.

- 1 Step 1: Record the customer's current monthly credit sales, their current receivables balance, and their share of total consolidated receivables.
- 2 Step 2: Calculate the additional receivables tied up if net-90 is granted: $(60 \text{ extra days} / 365) \times \text{Annual credit sales from this customer}$.
- 3 Step 3: Calculate the annual KMK cost of financing those additional receivables: $\text{Additional receivables} \times \text{current KMK rate}$.
- 4 Step 4: Calculate the customer's DSO contribution to consolidated DSO at both net-30 and net-90 using: $(\text{Customer receivables} / \text{Total receivables}) \times \text{Customer average payment days}$. Record the increase in consolidated DSO.
- 5 Step 5: Calculate the break-even period if the customer is lost: revenue replaced at what rate, over how many months, before the lost monthly margin is recovered. Use: $(\text{Monthly gross margin from customer}) / (\text{Monthly gross margin from replacement customers}) = \text{months to break even}$.
- 6 Step 6: Compare the annual KMK financing cost of granting net-90 against the annual gross margin the customer generates. If the financing cost exceeds the gross margin, the relationship is already operating at a loss on financing terms — the extension makes it worse.
- 7 Step 7: Build the counter-offer. Choose from: (a) partial upfront payment to reduce credit exposure, (b) volume commitment in return for extended terms, (c) supply chain financing referral so the customer shortens their own cycle without increasing your DSO.
- 8 Step 8: Respond to the customer with the counter-offer, not a flat yes or flat no. A counter-offer that has been calculated is more defensible and more likely to preserve the relationship than a reflexive answer.

Example Use

A distributor's customer CV Maju Jaya requests extension from net-30 to net-90. CV Maju Jaya accounts for 22% of monthly credit sales (\$44,000 per month from a \$200,000 monthly credit sales base). Annual COGS is \$1,920,000. KMK rate: 14%. Current DSO: 38 days.

Current receivables from CV Maju Jaya: \$44,000 (30-day terms, typically pays on day 32).

If net-90 granted: receivables from CV Maju Jaya rise to \$132,000 (3 months outstanding).

Additional capital locked: $\$132,000 - \$44,000 = \$88,000$.

Annual KMK cost of \$88,000: $\$88,000 \times 14\% = \$12,320$ per year.

CV Maju Jaya's gross margin contribution: $\$44,000/\text{month} \times 12\% \text{ gross margin} = \$5,280/\text{month} = \$63,360/\text{year}$. The \$12,320 KMK cost represents 19.4% of the gross margin generated. Granting net-90 means 19.4% of this customer's gross margin goes to financing their receivable extension.

DSO impact: CV Maju Jaya's receivables share at net-90 = $\$132,000 / (\text{total receivables of } \sim\$250,000 \text{ at baseline} + \$88,000 \text{ added}) = \$132,000 / \$338,000 = 39\%$ of receivables. Their DSO contribution rises from $39\% \times 32 \text{ days} = 12.5 \text{ days}$ to $39\% \times 90 \text{ days} = 35.1 \text{ days}$. Consolidated DSO rises by approximately 22 days — from 38 to 60 days.

Break-even if CV Maju Jaya is lost: monthly gross margin lost = \$5,280. Monthly replacement volume needed from new customers at 30-day terms: same \$5,280/month. Assuming 3 months to find and onboard replacement customers, break-even is 3 months of lost margin = \$15,840 one-time cost. The annual KMK cost of granting net-90 is \$12,320 — roughly equivalent to the replacement cost over one year. The business breaks even on losing the customer within 13 months.

Counter-offer presented: accept net-60 (not net-90) with a 10% volume commitment increase. The volume increase partially offsets the additional DSO financing cost. CV Maju Jaya accepts. DSO rises by 11 days instead of 22. Annual KMK cost: \$6,160 instead of \$12,320.

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Key Customer Requests Net-90 Terms — Calculate Before You Respond

Scenario: A customer representing 22% of your monthly credit sales volume asks to extend payment terms from net-30 to net-90. They cite their own cash flow pressure. Accepting locks up two additional months of receivables from your largest customer. Declining risks losing the relationship. Fill this sheet before responding to the request.

VARIABLE	CURRENT (NET-30)	IF NET-90 GRANTED	COUNTER-OFFER (NET-60 + VOLUME COMMIT)	DIFFERENCE VS. BASELINE

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Calculate the annual KMK cost of financing the additional receivables under net-90. Compare it to the annual gross margin this customer generates. If the financing cost exceeds 20% of the gross margin, you are subsidizing this customer's working capital needs from your own margin. That is a policy decision, not a relationship decision — make it with the number visible.
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2. What counter-offer structure makes net-90 workable without full NWC impact absorption? Write the specific numbers for at least one counter-offer before responding to the customer. A counter-offer calculated in advance is more credible and faster to deliver than one improvised in the meeting.
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Tips and Traps

TIPS

- Calculate the break-even period for losing the customer before the negotiation, not after. If the break-even is 8 months and the relationship has been 6 years, that context changes the counter-offer strategy.
- Supply chain financing is a genuine counter-offer if the customer is large enough to qualify. Bank Mandiri, BRI, and BNI supplier financing programs cover thousands of buyers. Offer to connect the customer with the program — they shorten their own payment cycle without you absorbing the DSO cost.
- Document the decision regardless of outcome. If you grant the extension, record the calculated NWC cost so the next extension request — which will come — is evaluated with the cumulative cost visible.

TRAPS

- Responding to the request before calculating the NWC impact. The relationship feels urgent; the calculation feels administrative. The calculation takes 20 minutes. The relationship cost of a bad decision takes years.
- Treating all term extension requests the same. A customer requesting net-60 when their history shows payment at day 28 is a different risk profile from one requesting net-90 while already paying at day 45. The credit policy should reflect the history.
- Granting the extension with a verbal 'just this once' that becomes a permanent expectation. If the extension is granted, it should be in writing with an expiry date, a review trigger, or a volume condition — not a precedent that runs indefinitely.

Appendixes

Appendix A — Term Extension Financial Impact Formula Sheet

Additional receivables locked = (Extension days / 365) x Annual credit sales from customer

Annual KMK cost of extension = Additional receivables x KMK rate (% per year)

Customer gross margin annual = Annual credit sales x Gross margin %

Financing cost as % of margin = Annual KMK cost / Customer gross margin annual

DSO contribution (current) = (Customer receivables / Total receivables) x Customer avg days

DSO contribution (extended) = (Customer receivables at new terms / New total receivables) x N

Consolidated DSO increase = Extended contribution - Current contribution

Break-even if customer lost = One-time margin loss / Monthly replacement margin rate

Appendix B — Three Counter-Offer Structures

Counter-offer A: Split the extension

Offer net-60 instead of net-90. Additional capital locked = (30 days / 365) x annual sales.

KMK cost = 50% of the net-90 cost. Present the difference as a shared compromise.

Counter-offer B: Volume for terms

Accept net-90 in exchange for a minimum volume commitment that increases by X%.

Gross margin on additional volume must cover at least 50% of the KMK financing cost.

Calculate: required volume increase = (Annual KMK cost of extension) / (Gross margin %)

Counter-offer C: Supply chain financing referral

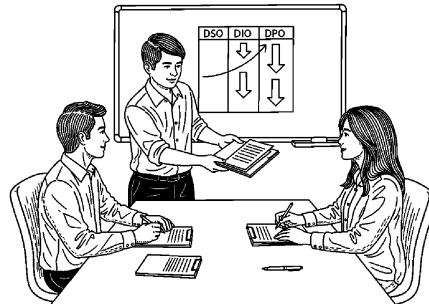
Offer to connect the customer with a bank's supply chain financing program.

Customer receives early payment based on your approved invoice.

Your DSO shortens to 5-7 days. Customer pays the bank on their own terms.

Cost: the bank's SCF fee falls on the customer, not on you.

Pre-condition: customer must be creditworthy enough to qualify for SCF.



WHERE THIS WORKSHEET COMES FROM

Working Capital Management

Working Capital That Gets Stuck Is a Decision, Not Fate

by Ibrahim Anwar

This worksheet is one of nine in the *Working Capital Management* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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