

Deja vu in 2006?

by Joy Ann Venverloh, CFS 1/4/2006

In my rosy crystal ball, I see 2006 emerging somewhat like 2005. It will have small peaks and small valleys throughout the whole year then emerge stronger than 2005 at the end of the year. (At least I'd like to think that.) In short, I expect factoring consultants to do more deals and make more money in 2006 than in 2005.

However, for that to happen, cash flow consultants will have to be prepared to know their business niche well. Right now, more business owners are "kicking tires." They want to be able to take advantage of the big order when it appears. They know that internally, they will not be able to do so without some influx of capital. They may have limited collateral and shaky credit, so more and more business owners are investigating factoring.

As factoring consultants, you want your deals to be accepted by your factor. You will meet some business owners who think that factors should give them money just because they are in business. These owners may not even be eligible for factoring. You will meet others who are in need of factoring today and don't know it. You will meet prospective companies who need factoring, but their client customer will not cooperate with the factor. You will see prospective companies whose banks will not subordinate their position on a bank loan.

You, as consultants, do not have at your disposal all of the due diligence tools that a factor has, but you should try to find out why the prospect needs money and who the customers are that he wants to factor. Try to find out the approximate monthly volume involved. (I've found that when I ask prospects their monthly volume, they easily tell me, but if I first ask their yearly volume, they hesitate.) When you find out the monthly volume, ask, "Will you need close to this amount or less?" That will tell you which factor you will submit the application to. Try to have a large factor's and a small factor's application on hand. The generic form that you have in your ACFA tools will work for both.

The government is extending more help and encouragement to small businesses by putting pressure on large companies to increase their minority contractor quotas, and it will continue to do so throughout 2006. This will create more factoring transactions for you, as these minority companies will need money for supplies and payroll.

Opportunities will be present in most industries. Small businesses are fueling the economy and will continue to do so in the future. More and more small businesses will emerge and prosper. According to new data from the SBA Office of Advocacy (SCORE eNews Newsletter, Nov. 2005), "Small firms represent 99.7 percent of all employer firms and employ half of all private sector employees. Importantly, small businesses have generated 60 to 80 percent of net new jobs annually over the last decade. Estimates for businesses with employees indicate that there were 580,900 new firms created in 2004."

This is not the time for factoring consultants to let up on their drive to find and nourish new clients. The business owners that are "kicking the tires" need you to continue to check in on them periodically to see if they are ready for factoring. The business owners that need help now need quick action on your part to get them a factoring application. The more you learn about the needs of your niche, the more prospects you will turn into clients, for you will give them a solution for their problem.

So what are some resolutions for us as factoring cash flow consultants to follow in 2006?

1. Educate yourself about the needs of your niche industry, and learn those needs well.
2. Network — Let everyone know what you do.
3. Be patient and persistent. Learn the difference between when to pursue your prospect actively and when to nurture that prospect.
4. When the prospect seeks active help or when you think he needs help, move quickly to get that application and pertaining documents to the appropriate factor.
5. Continue to monitor the transaction until it is completed.
6. When the factor collects the company's payment, expect and collect your commission check every month for as long as your client's company factors its receivables.
7. Keep a positive and upbeat attitude. Look at each transaction that doesn't close as a learning experience that will help you in your next transaction. Remember, there can be no successes without experiencing failures.

Have a happy and prosperous New Year as a factoring consultant!

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