

ALTERNATIVE FINANCING

SMALL BUSINESSES CAN USE A/R FINANCING TO COMPETE WITH LARGE COMPANIES

If you are in an industry that gets paid right away by cash or credit card, consider yourself one of the lucky ones. Even paying the discount fee to your credit card processing company seems like no big deal when you consider the alternative—waiting 30, 60 or 90 days to get paid when you don't have deep pockets and you have payroll and lots of other bills to stacking up.



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Some reports estimate that more than 91% of businesses suffer from late payments. The turnover rate for A/R varies some by industry but averages about 47 days on a net 30 invoice.

Unfortunately, business that try to clamp down on late payments may run the risk of losing customers.

Accounts Receivable Financing (aka Factoring) is one-way business owners speed up payment on their B2B invoices. It's the oldest form of business funding—currently a billion-dollar industry. Let's look at a business cycle with factoring.

YOUR BUSINESS CYCLE AS IT IS TODAY	YOUR BUSINESS CYCLE WITH A FACTORING PROGRAM
TODAY	
Your company provides a service or product to another business. Upon completion of service or delivery of product, you invoice your customer on credit terms; for this example, we'll use \$1,200 at Net 30.	Your company provides a service or product to another business. Upon completion of service or delivery of product, you invoice your customer on credit terms; for this example, we'll use \$1,200 at Net 30.
DAY 1	
You invoice your customer and put the invoice in the mail.	Upon invoicing your customer, you present the \$1,200 invoice to the factoring company. In as fast as 24 hours, a wire for up to 90% of the face value of the invoice (\$1,080) is sent to the bank account you designate.
DAYS 2-59	
You wait for payment from the customer. Unfortunately, your customer takes longer than anticipated to pay their invoice. You may have to: <ul style="list-style-type: none"> • Call your customer numerous times, or • Send them another copy of the invoice, as they misplaced the original, or • Wait for a check that was supposed to be in the mail. In the meantime, you've had to make payroll (probably 4 times), pay your suppliers, pay taxes and make lease payments. Worse, you may have lost opportunities for new sales as your time, staff and money were tied up in this unpaid invoice.	With your money in the bank, you can return to the day-to-day management of your business. The account executive team informs your customer to send payment to a new PO box and can handle the details of collecting from the customer. Because you received the bulk of your payment on Day 1, you avoid both cash flow shortages and collection hassles. Additionally, during the past 2 months, you were able to use that money to pay bills, purchase more supplies, generate for sales and grow your business.
DAY 60	
Whew! You finally receive a check for \$1,200 on Day 60. Now you can get back to business and start the cycle all over.	The factor finally receives a check for \$1,200 on Day 60. Your reserve is refunded back to you.

We have established a network of the industry's most aggressive small business funding sources. If A/R financing is right for your business, we will work to get you a competitive offer.