Find the financing solution provider that understands your business needs

BY JOEL WOLITZER, VICE PRESIDENT, CIT COMMERCIAL SERVICES

Traditional lenders generally don't specialize in any one industry. As a result, they typically don't understand the industry's unique nuances well enough to design flexible lending programs effectively to meet the needs of many consumer electronics (CE) vendors. Fortunately, there are financing options available that can address those needs.

In the lifespan of most businesses, especially small and mid-sized businesses, there will be times when you need to borrow operating capital. The common option is to go to your local or national bank to apply for a loan. Most of the time you will likely end up meeting with a relationship manager that handles a broad array of products but lacks the knowledge and experience unique to this industry.

Getting to Know Your Lender

When a bank makes credit decisions, they are usually based on formulas that don't reward CE vendors due to the high cash intensity and highly leveraged business models that are often standard in our world today. Many large and regional banks lack the flexibility and industry knowledge necessary to be competent financial providers for growing small or mid-sized CE companies.

It's in your interest to get to know your lender, what their tendencies are and how they react to "glitches," since we all know these will come sooner or later. Finding a financial services provider that understands and services your business — and the CE industry — is crucial.

Your business model is based on building and growing, and so are your financial needs.

Here's a common business scenario: you produce a new CE product for which you have high hopes. A few dealers are interested in buying a couple of units per month — production that you're confident you can fund. Then you get great news. There's a groundswell of retailers that want to carry your new product. In what seems like no time, those few retailers turn into a few hundred retailers and those few units per month turn into a few thousand units per month.

FOUR KEY FEATURES OF THE BEST AR OUTSOURCING PROVIDERS:

People **Scale** **Credit expertise** **Flexibility**

You now need more working capital to keep up with the demand. You need more staff to service your customers, and you need to make better informed decisions relating to the extension of credit to your customers as you begin to have significant capital tied up in your receivables. Your inventory needs continue to soar as well. Your business model is based on building and growing, and so are your financial needs.

Expertise to Help You Grow

It's important to find a lender who understands your business: the need for working capital, the impact of seasonality, the retail credit environment and so on. Most banks look at that kind of growth and see a company that's becoming highly leveraged and outstripping its capital base. They begin to get uncomfortable — especially as your financing needs expand.

If, however, you were working with an experienced lender in this area such as CIT Commercial Services (CIT), your experience would likely be very different. With decades of experience serving the manufacturing world and handling retail credits, you have a lender who is committed to the CE market and knows your industry and your customer base.

In addition to leveraging its expertise to help CE companies grow by lending against retail accounts receivable and inventory, CIT provides other products and services that greatly assist a growing enterprise. These include credit protection against potential debt losses and an accounts receivable outsourcing service that can serve as an extension of your accounts receivable team.

With decades of experience managing retail accounts receivable for manufacturers, CIT has deep knowledge of retail credit. Most likely, many of your retail customers are currently making accounts receivable payments to CIT for their other vendors. The volume and scale CIT has are advantages for its clients because these retailers will typically pay CIT faster. If the retailer is financially unable to pay on invoices that you have factored with CIT, then CIT will pay you for all such undisputed invoices.

Financial Solutions that Work for You

Why go to a lender who doesn't appreciate or understand your industry when you can go to one that has deep understanding of your business model and your customers and can offers accounts receivable products and services to help you grow? Don't limit yourself with your options — aligning your growing company with a financial services provider who understands your business and provides flexible solutions is what really matters for your company.

Your working capital need never stay static, so why should your financing solution? Having a financing solution that is based on accounts receivable or inventory provides flexibility. Coupled with accounts receivable management and credit protection services, a client-centric financing solution provider like CIT can also serve as your credit and accounts receivable department to lower costs and create cash-flow efficiency.

For more information, visit the *CE Financial Strategies Center* at http://www.twice.com/ce-financial-strategies

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ABOUT THE AUTHOR: Joel is a business development officer at CIT Commercial Services. With over 18 years' experience, Joel has structured many financing arrangements for companies in the consumer products space, including consumer electronics, apparel, textiles, and housewares. Joel has a deep understanding of the retail supply chain, as well as the retailers to whom his clients sell. Joel is based in New York City.

CIT Commercial Services provides financial solutions to middle market consumer product companies. Our lending, financing, and receivable management services are designed to improve cash flow, reduce operating expenses and mitigate credit risks.

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