

BY THOMAS G. SISKA

What Do You Want To Be When You Grow Up?

Comically, we spend the first 20 plus years of our lives looking forward to when we're grown up enough to first enter school, then high school, then maybe college, drink alcohol (legally) and finally move out on our own. Once we achieve all of these dubious distinctions, we spend the rest of our lives wishing we were younger. Growing up is overrated. Way overrated. But it happens to all of us whether we like it or not. Companies grow up too. So the question becomes, "What do you want to be when you grow up"? Just like individuals, like it or not, at some point decisions have to be made about which of the many paths into the future the company should take. And just like us, the sooner that choice is made, the better. In addition, the ability to successfully proceed down the chosen path is in part determined by how steadfastly we embrace our decision. In other words, making a decision is actually the easy part. It's committing to the decision that makes all the difference.

Why Even Make a Choice?

I don't know if you've noticed, but competition is getting tougher every day. If we factors were just fighting amongst ourselves, business would be grand. But other factors are becoming the least of our worries. It is every Tom, Dick & Harry with a couple of bucks, who now thinks they are a high-yield lender, that is causing this ultra-competitive environment. The

May 16, 2013 Wall Street Journal had a chart showing that Investors are backing out of high-yield bonds and jumping into high-yield loans to the tune of about \$6 Billion per month. Yes, that was \$6 Billion per month so far this year. Now while most of this money isn't going to fund small factoring deals, there is still a trickle-down effect that makes its way from Wall Street all the way down to your factoring company on Main Street. As these big funds start lending to large, non-bankable borrowers, there is less pie for the large ABL groups to eat. They therefore must start looking at even riskier and/or smaller deals to fill their quota. Now the smaller ABLs need to start reaching down and stretching their credit box to make up for the lost volume at the top. Well, some of these deals were the best and biggest deals for the entrepreneurial factors. And the pie shrinks...

As markets become more and more competitive, only the strong survive. Strength in factoring comes in many forms: ample liquidity, low cost of funds, highly efficient operation, ability to lend on other collateral, quick turnaround, ability to offer non-recourse, broad range of deal sizes, etc., etc., etc. All of these traits are based on what the organization itself is capable of delivering in the marketplace. From a sales and marketing perspective, there are two things that must be done from here. The first is to build the company's campaign around these strengths so

that these strategic advantages get communicated in everything that sales and marketing does. For a strength is not really a strength if nobody knows about it. The second relates to choice. How do we communicate our message?

Building Strength in Sales & Marketing

In the past, most firms looked at their sales budget and started doing some "marketing". This typically translated into the printing of a brochure and the hiring of a sales person or two to get the word out to potential referral sources. The factors with more money to spend might additionally place a few print ads and send out some direct mail or hire a telemarketing firm to generate some direct leads. This kicked up some dust and they were on their way. If the factor had a reasonably competitive product, they would book a few deals and life would go on. This tried and true model has served the industry well for decades. But all good things must come to an end. And as pointed out earlier, given today's environment, while some may survive only the strong are going to thrive.

How does one build strength in their sales and marketing efforts? Well, it begins with choice. The old model had the factor doing a little bit of this and a little bit of that. Some things would work better than others and in the end there would be enough closed transactions to justify the effort.



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But to be good at something, really good at something, it takes focus. So if you want to build strength, you have to choose which particular sales and marketing tactics you're going to pursue, then commit the time and resources necessary to become efficient at them. Efficiency in sales and marketing? Yes, it's possible. And, frankly, necessary if you plan on thriving in the future.

I've heard sales managers complain countless times how they tried a marketing idea and got little in return. They've seen competitor's do the same thing and can't understand why those competitors keep doing it. When they explained the details to me, I was surprised they got anything in return. They obviously didn't understand what the tactic "did".

An example is placing an ad in the local business magazine. That, in and by itself, should produce next to nothing, if not the whole nothing. At a minimum, here's what you need to know about print advertising in a business periodical:

The audience is large corporate executives and the professionals that support the business community (bankers, accountants & lawyers). So small and middle-market business owners (our target market) do not typically read these periodicals.

It takes a certain number of placements to allow an ad to have an impact on the audience. Usually it is 8 consecutive placements.

The larger the ad, the more impact it will have on the audience.

So just armed with these pieces of information, we know that if we are a small factor with no salespeople on the street and need to get direct leads from our marketing dollars, this would be a very bad idea. We also know that if we have salespeople who could leverage the name recognition we're about to get in the business support community, we need to commit well into the five-figures over the course of the campaign. We should also be prepared to hire someone to design the ad so it can catch the eye of the readers with the least amount of wording

possible. And finally, we need to get the ad reprinted onto a one page glossy saying "As Seen in the City Business Magazine" for our salespeople to use when they send out our brochure or credit applications.

Conclusion

Like all things in life, if it is worth doing, then it's worth doing well. Paring down your sales and marketing plan to just a few things that you can fully commit to will always produce better results than doing many things just to kick up some dust. Simply taking the time to research what results can be expected from a particular way of marketing will help you at least decide what to avoid. And as you continue to stick with your chosen tactics, you will discover efficiencies and obtain an expertise that you can continue to build on. We all know the operation must have strategic advantages in order to separate itself from the pack. So too must the sales and marketing department. Decide what you want to be when you grow up and become good at it! •

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