

## Portfolio Management in Sales

Getting the most benefit out of every action and every penny of expense is truly the name of the game right now. Community Banks are back to using the “warm body rule” (if the patient is not dead yet, fund it!) because they need to book non-real estate commercial loans and there simply are not a lot of healthy companies who are “under-served” by their current lender. Quite the contrary. If you are a healthy borrower, you are getting the royal treatment and then some. And with the economy continuing to sputter along (get used to it because a full recovery is still years away), there are even fewer companies growing into healthy situations. So bank community bank lending units are not picking loans that fit their criteria so much as they are bending the rules to fit the applicant that is closest to meeting the criteria.

With the banks skimming the top of the asset-based lending pool, ABLs have been forced to shave around the edges of their square-peg prospects to make them fit a now more flexible round-hole credit approval. The result is that Factors are seeing their market attacked by both banks and ABLs, making the competitive landscape that much more difficult. Competing against each other is one thing. Competing against lenders offering more availability, less restrictions and at a cheaper price is quite another.

### The Need To Leverage

It is at these times where things are most difficult that everybody must take advantage of every opportunity possible. Leveraging what already exists is the first step in that process. Let's start out with the salesperson's most precious asset, its referral base.

**Step One - Client Referrals:** The highest closing ratio of all referred prospects belongs to those leads referred by existing clients. Why? Because business owners believe they have all the answers. Therefore, the person they trust more than any other is another small business

owner. Further, people tend to hang out with people of similar backgrounds and interests. So entrepreneurs usually network with other entrepreneurs. Statistically, most Factors close one-third to one-half of all Client referrals. At this rate, milking your Clients for referrals is a worthy endeavor.

**Step Two - Past Applicants:** If there's one thing we learn quickly is this business, it's that timing is everything. Businesses cash flow ebbs and flows as quickly as the tides themselves. When cash flow is really tight, owners are in a better position to make the tough decisions. But one big customer payment can be enough for the owner to delay committing. All past applicants needed Factoring, albeit the need was fleeting. However, just as quickly as the need went away, it can come back. When things are slow, digging in that pile of previously dead prospects is time well spent. If you cull through 20 old files I can almost guarantee you one revived hot prospect.

**Step Three - The Applications of Past & Existing Clients:** Every client has a banker, an attorney, an insurance agent and an accountant (even if their CPA only handles their personal returns). These 4 individuals, by definition, work with small business since they already work with your client. They most likely have other small business clients. Nothing sells better than a “success story” and the fact that you are assisting one of their existing clients is just that. For if it weren't for you, they would probably have one less client themselves right now. At this point you are not “selling” the fact that you “claim” that Factoring can help, you are actually “showing” how Factoring helps their

clients and, by extension, their business! And when you combine your existing clients with past clients and then multiply this number by four, you have quite the captive audience to market to.

**Step Four - The Applications of Past Prospects:** Okay, so you didn't close the deal. But this company needed help and you were there to provide it. The fact that the prospect didn't absolutely need you at that time shouldn't prevent you from letting their support professionals know that you were ready, willing and able if called upon. Your story becomes more compelling if you were referred to the prospect by another professional (a consultant, another banker/lender that turned the prospect down). This lets the listener know that other people believe in you enough to turn to you if the situation calls for cash flow enhancement.

### Conclusion

A well-built Referral Network is much like a spider's web, where each point branches out to multiple other points so that ultimately, everything ties together. The more complete and tight the web, the more integrity it holds. If you consistently reach out and touch the business professionals that are associated with your clients and applicants, you'll find over time that some of these people will have relationships amongst themselves; such as a few accountants working for the same firm, or a commercial loan officer who has several of his/her clients insured through the same agent, etc. If you can recognize these inter-relationships, you can begin to combine your marketing efforts by organizing a lunch appointment with

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## IFA Tribute

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for all they have done and continue to do for the factoring industry. Bert, congratulations and thanks for all your hard work and for all you've done to make this organization great. For all you have done to help our individual companies and makes us all stronger, wiser, and better prepared to deal with the changing environment, we thank you. For always being there to talk to us, support us, offer encouragement, make us laugh, and challenge us, we thank you. For being a friend to the industry and to all of us, we thank you. •

## Healthy Portfolio

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- Communicate. The more you communicate with your lender/funding source the stronger your relationship is likely to be. Most lenders/funding sources are willing to look at each transaction to find a way to make it work. Nothing worse than booking a transaction then losing availability!

## Marketability

Your portfolio may eventually be (if it's not already) your most valuable asset. Like any good asset it should be well cared for and properly organized.

A suitor may be simply interested in acquiring your portfolio or your platform. Regardless of their intention it's critical that your legal documents, written policies and procedures, filing systems, accounting controls and operational redundancies are accurate and up-to-date. Your knowledge of your portfolio and systems makes it marketable.

## In Closing

No two factoring companies are alike; no two portfolios are alike; and no two companies share the same appetite for risk. But we all share a desire to make good decisions for our portfolio and understanding your portfolio hierarchy is a great foundation in your decision making process. •

## Sales & Marketing

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several people who already work with each other. You are not only making your time more efficient, but you are also solidifying your position within the group by being associated with each individual through a different financing transaction. They will view you as someone who they want to continue working with because you are obviously someone who is active in the marketplace. But it all starts with establishing a routine to mine the information you already have from each and every application that comes in. And the best part is that when you're busy closing deals, this activity will take a back seat. So when things slow down again, you'll have plenty of follow up calls to make to people who you already are tied to, even if they don't know it yet. •



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- Up to 100% of the cost of pre-sold goods
- Speed, flexibility and expertise to get deals done fast
- Senior lenders increased A/R volume
- Production financing for manufacturers
- Incremental growth capital to complement existing lenders' facilities
- Up to \$20 million to bridge purchase orders and contracts.

### CLIENT PROFILE:

- US or Canadian-based companies
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- A need for capital to fuel growth through delivering orders and contracts

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