Choosing the right debtor finance

CASHFLOWADVANTAGE

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The 2013 Asia-Pacific Small Business Survey from CPA Australia found that almost a quarter (22 per cent) of small businesses in Australia said they encountered cash flow difficulties in the past 12 months. Additionally, a similar proportion (27 per cent) ranked cash flow monitoring as one of their highest business priorities.

What does this all point to? Cash flow is, and will continue to be, one of the biggest challenges for small businesses. Many are therefore exploring ways of maintaining and improving their cash flow, with debtor finance quickly gaining in popularity as a fast and effective funding solution.

This rise in uptake, however, means there is now a huge range of debtor finance providers to choose from in an increasingly saturated market. Of course, not all providers are created equal, and it's essential your business takes the time to carefully select the right one.

With so many options available, just how do you go about choosing the best debtor finance company?

What do I need to look for?

Especially in the earliest stages of its life, a small business will rely on a number of key business service providers in order to stay afloat and grow. Accountants and lawyers are among those that first spring to mind, and with the growing emphasis placed on healthy cash flow, debtor finance is likely to join the ranks.

When looking for any company to seek assistance from, there is a specific list of criteria to assess. Here is a checklist of points you should tick off when you're searching for a debtor finance provider.

• Good reputation

Debtor finance companies are, by nature, financial service providers. The nature of the business means that a solid reputation and well-backed credentials are essentials to look for when selecting a provider.

Be prepared to dig deep into the company's history and background, looking at how long they have been in business and how reliable their services look. Hunt around for customer reviews and testimonials to get an honest, accurate idea of what to expect.

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• Quick and efficient processes

Speed and efficiency are at the core of debtor finance and the biggest reason many small businesses take on the service in the first place. The premise is around unlocking the cash held in the business's unsettled invoices and getting the money on the books as soon as possible.

Fast turnaround times should therefore be regarded highly in your selection criteria. The top debtor finance companies can usually get your cash to you within 24 hours - don't settle for anything slower.

• Transparent contracts/agreements

Not all debtor financiers are as honest and clear-cut as they'd like us to believe. They attempt to draw attention away from unfairly long contracts with harsh terms and conditions, luring companies with promises of fast cash with no strings attached.

Look for a company that is open and clear about what their agreements entail. Make sure you ask in depth questions about things such as minimum terms, exit fees and contract lengths. They should be happy to lay these out for your in easy to understand terms - if not, stay away!

• Great customer service

Never forget that at the end of the day, debtor financing is a business service - so you should expect nothing less but the best in customer care.

Again, testimonials and recommendations are a great information source here. Try and get a good gauge of what it is like directly dealing with the company, and whether they can be easily reached.

• Do they understand your business?

A company cannot expect to help out your business and provide great customer service if they don't truly understand how it works. Make sure the debtor finance provider you select has a good understanding of how your business works so they can offer the most suitable solution.

For instance, some debtor finance companies are small businesses themselves, or at least started out as a small business, so will have a better knowledge than most of how these companies operate. It'd be wise to select such a company, rather than a large faceless corporate, in order to get the best service.

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The selection process

So now that you know what to look for - how do you actually choose which company to go for? It's a big decision to make, as it's likely you'll be working with your provider for a long time and will therefore develop a business relationship. Take a seat, take your time and go through the following steps carefully.

1. Do your initial research

When assessing the growing range of debtor finance companies, you should start by looking at the basic landscape of the current market. Take a look at the different companies out there, the range of services they offer and what their USPs (unique selling propositions) are.

You can usually get a fair idea of this by looking around their websites. Keep an eye out for information such as where they operate (in specific regions or nationwide) and whether they specialise in any particular sectors.

Taking all these points into account, you should be able to get a fairly good idea of which debtor financiers present a good fit with your company and therefore make the best candidates. For example, some only work with clients of a specific size - an important factor to consider.

2. Gather references, testimonials and reviews

Your research, of course, should never be limited to what the companies have to say for themselves. Search for references and first-hand accounts of experience with the providers - both on their websites and from external sources, such as industry peers who have used the services.
It can be extra helpful to ask for references from companies in the same industry as yours. These businesses have the same concerns and challenges as yours, and their experiences are therefore likely to be the most relevant.

3. Ask for detailed contract terms

Once you've narrowed down your list of candidates, ask each one to provide detailed information on how their debtor finance agreements work. Make sure you have a clear picture of every charge, fee, term and penalty involved - nothing must be hidden.

With this information, it should now be easier to pick the debtor finance company that will best fit your business's needs.

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Q&A time: 4 key questions to ask

You should ask as many questions as possible to each debtor finance company you shortlist. If you're stuck on what to ask, here are four crucial questions to get you started.

1. Do you have experience with clients from my industry?
2. Can you give me a complete overview of your charges and fees?
3. How long are your contracts?
4. How fast can I expect the cash to be deposited into my account after I apply?

Why choose CashFlow Advantage?

As one of the most established Australian names in debtor finance, there are a number of reasons why many small business owners make CashFlow Advantage their first choice in business funding.

First and foremost, we know what it's like to be a small business - we've been there before. As a result, we understand these companies like no other and the unique needs and challenges they face - and can provide a solution that actually helps you out.

We have a strong customer focus, prioritising warm, friendly and efficient service in order to build strong, long-term working relationships. When you call us up, for example, you'll speak to a real human being, not an automated voice.

To find out more about how CashFlow Advantage can help your business master its cash flow,

visit **www.cashflowadvantage.com.au**

or give us a call on **1300 557 771** today.