

A PUBLICATION OF THE INTERNATIONAL FACTORING ASSOCIATION

COMMERCIAL

FACTOR

DECEMBER 2018 | VOL 20 | No. 6



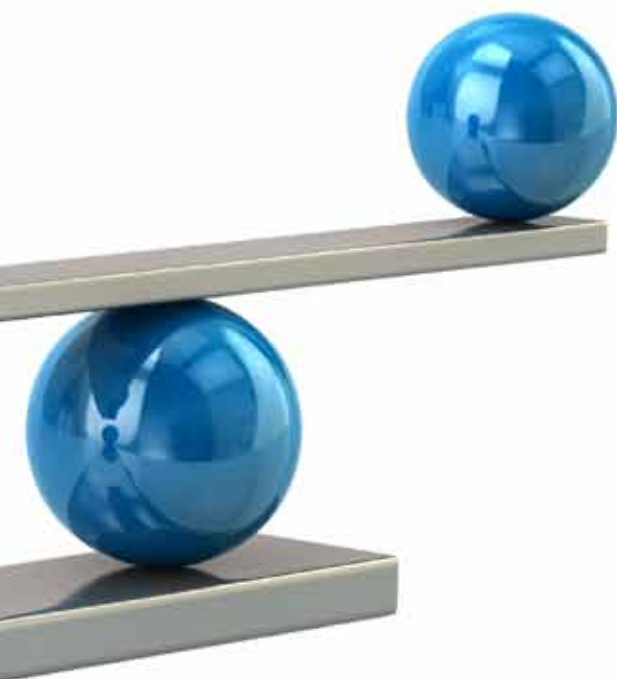
PREPARING FOR THE FUTURE

ALSO INSIDE:

Regulation of the Factoring and Commercial Finance Industry—It's Here!

A Conversation with Futurist Simon Anderson

Building a Rock-Solid Portfolio in 2019



Building a Rock-Solid Portfolio in 2019

As we approach the end of the year and look forward to 2019, many of us will use this time to reflect on our businesses.

Although the economy has been strong, and I suspect most of us enjoyed a prosperous 2018, I would still be willing to bet the 80/20 rule applied to most of us. Not only did most of us probably earn 80% of our income from 20% of our clients but I would also bet that 80% of our headaches came from the least profitable clients.

BY FRANK SKELLY

In the June 2017 issue of *Commercial Factor*, I wrote a short marketing piece titled *Rules to Live By*. I wanted to take this opportunity to expand on some of the essential elements of building a rock-solid business, a business that is indeed an asset and provides a steady stream of headache-free income. Impossible, you say—maybe not!

I believe 2019 is going to be a turning point where people stop seeking out glitzy marketing material and smooth-talking salespeople and start looking for the true experts in their respective professional services field. This will be especially true when it comes to the services that are vital to a company's existence such as lawyers, accountants, consultants, and financiers. There has been a tremendous amount of damage done to small companies by inexpert professionals in the last couple of years, particularly in the financial arena. Let's be honest; how did that cheap lawyer your friend found on www.cheaplawyers.com work out? Or that new client who came to you riddled with liens and judgments because they went to www.cheapmoney.com to finance their company?

My point is it's not about the commercial finance company with the most Facebook likes, LinkedIn connections or the coolest website anymore. People are becoming numb to all of the relentless marketing they endure on a daily basis, and it's getting too difficult for people to discern who the real experts are. If you search the internet, there are thousands of companies claiming to be the top experts in just about every profession. Adding to the problem is that factors, particularly the smaller factors, are busy running their businesses and don't necessarily have the time or the resources to make sure they have the perfect social media presence.

Don't get me wrong; we all need a good website and a current LinkedIn profile because it is part of how potential clients vet us, but I do not believe it will continue to receive the same weight as it has in the past. So, what is a factor to do? How do we separate ourselves from the fast money out there that's being peddled by people who have no interest in creating true solutions or long-term relationships? The first thing we need to do is recognize that we are selling a service and not a tangible item.

When you buy a new BMW, it's nice to have a salesperson that is an expert, and it's nice if you trust and respect them but at the end of the day it doesn't really matter because you can buy a BMW anywhere. Plus, your salesperson's lack of knowledge will not prevent you from doing your own research and buying the car anyway. Not so easy when you are trying to hire a professional, right? For one, our services do not sell themselves. And herein lies the challenge.

Selling a service is very different from selling a tangible item and

SOME RULES TO LIVE BY:

- Don't sell. Become an expert and educate your prospects.
- People want viable & practical solutions. Listen before you recommend a course of action.
- Don't push the boundaries of your knowledge. Nothing will scare off a prospect faster than trying to discuss a topic that you clearly don't understand.
- Make them feel like they are part of the decision. Give them choices and options whenever possible. I often say things like; "You have made some excellent points."
- Explain your motivation. Do not let them try to figure it out. Big mistake!
- Let them know what you expect from them and what they can expect from you.
- Let them know that you are now a part of their financial solutions team.
- Don't try to force square pegs into round holes (translation: factoring might not be the best solution for them).

make no mistake...it's also much harder. When we think of professional services, most of us probably think of lawyers, accountants, consultants, and financiers. And what are some of the key ingredients these professionals enjoy with their clients? Trust and respect! They have both been established and it is the glue that keeps them connected. People generally do not retain lawyers, accountants, consultants or financiers they don't trust or respect

and if they do, the relationships are usually short-lived and don't end well.

There are 8 elements that are part of a client's decision journey and must exist in any successful professional services relationship. They can occur sequentially, but they don't have to. Once they are all present, your client will consider you a true expert and an unbreakable bond will be created, rendering your relationship immune to almost any situation.

The 8 elements that will create a rock-solid professional relationship:

AWARENESS

Seems pretty obvious but people need to know you exist in order to be able to do business with you. Without knowing you exist, there can't be a relationship. Many of us develop relationships through networking, referrals, banks, brokers and even LinkedIn but regardless, you must have a plan in place to ensure that the right type of clients become aware of you and your services. Remember, experts don't take a shotgun approach to bringing in business; they clearly define their ideal client and then target that group with laser focus.

COMPREHENSION

Are you able to clearly articulate what you do and why it's relevant to your target audience? The second element in developing a strong business relationship is your client must understand what you do. You cannot just 'tell' a client what you do; you must engage them and make sure they fully understand every critical aspect of your program. When people don't understand what you do, how you do it or, for that matter, what your motivations are, the

answer will always be the same at the end of the presentation--"No thanks!"

INTEREST

Ask them to identify the problems and challenges they are facing so you can, in turn, tailor your presentation to address their specific needs. The more specific the solution, the more they will feel that you understand their needs and, in turn, they will come to believe that you are the solution. They must believe that what you do is relevant to them and their goals. They must also believe that the results you promised will have a substantial impact on their agenda.

RESPECT

Who are you and what is your experience? Are you well established in your industry? What about your track record? What have you accomplished? How have you dealt with past challenges and, more importantly, failures? Do you have the knowledge and the connections to get the job done? Are you a standup person who is respected by their peers? Lay it out for them in verifiable terms. Offer references and case studies that are relevant! Tell them about situations where you have helped people that were in nearly the exact situation.

TRUST

Trust can be transferred in many ways, but there are 3 primary ways: through relationships, referrals and your reputation. They must trust you and they must trust your motivations. Why are you doing this? Why do you want to help them? Do you speak well or ill of others? People generally don't trust people that speak poorly of others, and for a good reason. You must convince them that you truly have their best interest at heart, but they will never be satisfied until they understand your motivations. Never let them

guess your motives; you must make them abundantly clear. For example, your motivation might be that referrals are the lifeline of your business and doing a good job for them will lead to referrals. You might explain that factoring is a risky business and you have found that referred clients substantially reduce your risk. A productive mutually profitable relationship is your ultimate goal. Don't be afraid to give them credit along the way; it's one of the best ways to establish rapport and, by default, trust.

ABILITY

Are you able to get the job done? Do you have the ability, the connections, the wherewithal, and the experience to complete the task? They must believe that you have the competency to complete the task at hand and help them achieve their goals. Are they convinced you can help them the way you have helped others? If you have done a thorough job covering the elements of comprehension, interest, respect and trust, this one should come relatively easily; however, it is still a key element. For example, if you are a small factor, you may need to address concerns they have about capital constraints that might prevent you from being able to finance their operations. Do you have the staff and the back-office support to get the job done? If you have any sense the client has concerns, address them head on; don't beat around the bush. You are almost home!

NEED

Do they need your services? Is your program indeed the best solution for them? If it turns out they aren't a good fit, remember the trust and respect you established; you will lose it instantly if you try to force a square peg into a round hole. You have worked too hard to get to this point; better to wait until they have

a real need for your services than to try to rush things. Once they trust you and respect you, they will always come back seeking your counsel.

READINESS

Are they ready, willing and able to move forward? Are they prepared to devote the required time and effort to getting you the documents you need? They must be ready and fully committed to moving forward and the best way to establish this is to ask them; "Are we ready to do this, Bob?" A simple and straightforward question that should always be asked. Their affirmative response becomes a commitment, a contract that is far stronger than any piece of paper.

Once you have checked off all 8 elements, transparency and communication are the key to maintaining a rock-solid relationship for years to come. Furthermore, by identifying the right clients up front and taking the time to cover each element, you will eliminate most of the headaches. By becoming a true expert your clients can count on, you will be filling a huge void and creating an opportunity to build that rock-solid portfolio in 2019. Remember, experts will be in tremendous demand in 2019. Are you ready? •



Frank Skelly runs a cash management and funds control group which provides financing to the commercial

construction industry. He works with Factor King, LLC, a New York-based factoring company. Frank has a 30-year background in both finance and construction. He has previously served as CEO of an investment bank and President of a distressed real estate investment fund. He can be reached at 800-918-7830 or FSkelly@factorking.com.