

In the midst of a crisis, lies great opportunity.

Albert Einstein must have had a crystal ball when he made this observation years ago. There is no debate that the year 2020 has been patched together with a series of nonstop crises and bad news; first the COVID-19 pandemic, then the economic collapse of the global economy, followed by unprecedented levels of unemployment – and add to that protests against racial inequality around the world. When the clock strikes midnight on January 1, 2021, we will be jubilant in wishing the year 2020 good-bye and good riddance.

First and foremost, the pandemic is a human tragedy never seen before in modern history. Not only has it inflicted loss of life and ill health, the worldwide effort to slow the spread of COVID-19 is having devastating effects on economies, communities, families, and small to medium-sized enterprises (SMEs) all over the world. One can become downtrodden by focusing only on the problems this crisis has caused, but I believe a crisis like this also creates opportunity for factoring firms and SMEs that are prepared to emerge from the storm.

So what opportunity awaits your factoring firm? Will you be prepared to serve the surviving SMEs in the “new normal” - or more appropriately named the “new abnormal”?

I often refer to the excellent writing of Andrew Sobel, who has written over the years about ways to nurture profitable relationships in the business-to-business (B2B) professional service space. I found a recent piece on *How to Turn Adversity into Opportunity* of particular interest and have taken the eight key takeaways he wrote about and adapted them for use in the factoring industry for this article.

Interestingly enough, many of the ideas and strategies that he writes about are similar to those we have implemented to grow in our practice. Since we acquired our firm in 2000, we have been fortunate to have grown at about a 24% C.A.G.R. and even this year to date we have recorded choppy but significant growth in funds employed and the total size of our AR portfolio. We are grateful to our amazing clients, employees and partners to be ahead of our record levels year to date.

Many of Sobel’s writings have a common recipe for long-term success in finding and retaining B2B clients; persistent and professional outreach paired with over delivery and under promising work are why clients remain loyal over a long period of time with the provider of professional services. Over time, their clients begin to trust the provider and the relationship moves from the structure of a vendor/client one to becoming a trusted advisor in the eyes of the client. This is the exact model we have tried to utilize in our factoring firm over the years.

Accomplishing this feat is easier said than done, and it takes continuous improvement and critical self-assessment on a daily basis to achieve this “best of breed” level of professional service. A key part of this model also focuses on looking for new ways to expand and grow revenue even in periods of great turmoil and economic uncertainty like we are seeing at the present time. His firm, like ours has never been busier, in spite of an entourage of negative events happening across the globe.

I liken many of the ideas below to the story of the tortoise and the hare. It takes a steady disciplined approach of incremental growth and progress [like the proverbial tortoise] to succeed long term and prosper as a factor or other professional B2B firm, doesn’t it? I selected only a couple ideas Sobel commented on as can be seen below.

Key Growth Principles

1. **Pick the best clients available to serve and, at all costs, avoid the “bad apples.”** This may sound like a statement of the obvious, but relationships (financial or otherwise) that turn into a nightmare occur because we select the wrong client from the beginning because we think that we can reform a bad opportunity for the better. So how does one define the “wrong client”?

I think this is very tough question to answer, and it requires that we develop a keen sense of “smell” and learn to listen carefully and observe behavior of the prospect before entering into a factoring relationship with them. Again, my experience is that a “bad” client is only looking for the rock bottom pricing deal and nothing else matters. They tend to be overbearing, secretive, and unorganized. Tasks that take time to do well are completed last minute and create a crisis management approach and (of course) they are never to blame.

How can we avoid a client with these characteristics? Meet them, observe to see how they treat their employees, and ask questions. Relationships only work when all parties respect each other and work together to accomplish a common goal. If a “winner takes all” attitude permeates the prospect’s thinking, carefully weigh whether the fees earned are worth the aggravation.

Ask questions like “why are you leaving your current firm” and “how long were you with them?” as signs of whether the prospect places value in a trusted relationship or is just looking for the lowest price possible. Finally, think about the common traits in your best clients and what can you do to find more like them. Do they value you, your professional relationship, and are they willing to pay for excellent service as a result?

2. **Be willing to turn away prospects that don’t meet the parameters you establish for the “perfect” client.** This is very difficult to do and requires a great deal of focus and discipline. By being selective, you are able to dedicate your attention to nurturing the clients with the highest potential for growth. There is absolutely nothing wrong with saying “no” and this approach over the long haul reduces the probability of ending up with clients that actually contribute little to the bottom line in your firm.

A related part of this saying “no” approach is to develop and constantly refine your application process to either say ‘yes’ or ‘no’ quickly. In my opinion, a quick ‘no’ is almost as important to a quick ‘yes’ to a prospective client. All who apply deserve to be treated so they are not strung along. This also helps you insure that your underwriting professionals don’t waste time on opportunities that have little chance of getting funded. Murphy’s Law is of course that the ones you will never convert to clients all show up at the exact moment the one “perfect” prospect you have been courting for years finally decides to apply with you. The risk is that the lack of attention to the perfect prospect [due to being bogged down with tire kickers] causes them to perceive you as indifferent, and they seek a solution someplace else. Not a desired result for sure.

3. **Invest in your team and in yourself.** I am sure we have all at one point heard the adage that it “takes money to make money.” We, as individual firms and as an industry, need to invest to insure that we provide the most value-added solutions to our clients. I believe that we can invest in multiple ways including but not limited to;
 - a. Invest in your own skills and become a lifelong learner. I have written a great deal about the need to be proactive and take courses online, read, and research to become more acquainted with industries that your clients operate in. Sign up for email newsletters from resources like McKinsey & Co., Bain + Company and others to broaden your depth of knowledge. It is not your employer’s job to do this; it is yours!

- b. Think about how and with whom you spend your time, and invest it wisely. Constantly seek ways to go the “extra mile” for a client, partner, referral source, employee or colleague. Get into a habit of under promising and over performing and expect this same level of effort and commitment for all on your team. After all, as it has been said by many [most notably Roger Staubach of Dallas Cowboy fame] “there is very little traffic on the extra mile.”
4. **Never ever give up on a prospect.** Again, like I mentioned above this is a lot easier to say than to do. How many of us throw in the towel with a prospect who is unresponsive after 1, 3, 5, or even 10 touches? I have learned over the years that landing a new client is hard work and it requires that all of the stars align for this to happen. Sometimes the prospect’s initial query was done just to get educated. Sometimes, the motivation for seeking factoring disappears when the B2B or B2G invoice in question shows up paid in full in their mailbox. Sometimes the prospect gets buried with new orders, or is dealing with a crisis that requires more focus.

All of these are valid reasons for interest to evaporate overnight. Does this mean we should just give up, forget about them, and move on to better prospects? No. We all need to develop an efficient way to touch a prospect until they tell us to stop. With tools like Salesforce and Outlook, this is easy to do. Cycle back on a 90, 180, 365 day basis with all dormant prospects and send them a quick note like this: *We are still here, how can we help you?*

I also approach this more discretely by emailing articles of high quality authorship to them as a way to remain front and center. This approach shows a willingness to educate, not just sell something. This also moves us to the role of a source of information and out of the sales pitch box. I often receive a very simple ‘thank you’ from a dormant prospect and the simple fact that I get a response inches me back, albeit slowly to the day where there may be a need for our professional services by the prospect.

Finally, this incremental journey reinforces why it is imperative that we must be 110% professional and be willing to educate a neophyte prospect in our communications, and not try to sell them anything. Prospects are very often nervous about even making a call to seek help and are mentally geared up to sit through an aggressive sales pitch about how we are the best. We need to approach our contact by focusing on education and how we can solve their unique challenge.

How do we do this successfully? Ask! Talk less and listen more to what their situation is, and what they are trying to accomplish. Candidly, a prospect really does care about us; what they want is a trusted partner who is transparent and will help them solve whatever problem they have related to their working capital. Ask them this question to start, “*Tell me about your journey and how you got to where you are today.*” Allow them to, in some cases, ramble on a winding path of information and hot button issues they need to get resolved. It has been my experience that whether we do this in person, on a call, or Zoom, most of the SMEs are so taken aback that we actually care about them and their business before even discussing our professional services. This also allows them to feel in control of the conversation and prepares us to better pivot the discussion to how we can solve their challenges.

I tell all prospects this very simple statement at the outset of every meeting I have with them; “*I am not here to sell you anything and unless we are a perfect fit for what you need, we do not want to enter into a relationship with you. I am here to learn about your challenges and needs, educate you and solve your problem(s). We do you a disservice if our relationship does not meet these criteria.*” After more than 20 years of speaking with prospects, I can’t recall a single time that this method resulted in someone hanging up or becoming irritated. If anything, most prospects are taken aback and, in some cases, are almost dumbfounded that we spent most of our time in the initial interaction talking about them. After all, who doesn’t like to talk about themselves? This approach also reveals to me the reasons for the call and allows

me to weave into the subsequent conversations steps we can take to solve their short and long term challenges.

5. **Respect those who you communicate with.** This simple statement must be the case each time, every time with all you interact with and there can't be any exceptions to this rule. Never assume anything and focus on the facts and data you uncover about the prospect, and never let your vision or opinion of a prospect be tainted by a prior situation or incident in their industry or business.

Too often we prejudge others based on an incorrect perception or assumption we make about them, based on cosmetic variables that should have no bearing or impact on them. As a result, there are way too many SMEs who do not have access to equitably priced and structured capital for their enterprise and suffer as a result. One of the many reasons we focus on third party data and facts [like a personal credit score or FICO and an extensive and accurate background report] for initial screening and Due Diligence in our factoring practice is that this allows us to use data, not perceptions to make decisions on a prospect seeking our working capital solutions. Candidly, FICO scores and background data are color blind and we have very successfully utilized this approach without a single issue now for over 15 years.

I have often written about the fact that an objective ability to select prospects is one of the most important cornerstone strategies of any successful business, including those in the factoring industry. Why? Because careful selection of clients drives retention for us and retention drives long-term profit and value of any business endeavor. The longer we have the opportunity to serve a B2B and or B2G client, the more valuable our firm becomes for a couple of reasons; we don't have to spend time and money seeking a replacement client [reducing our operating cost] and our risk return dynamic improves [lower risk of fraud] with a very seasoned, satisfied long term client relationship. Long-term clients have also been the source of referrals for our professional services and many of these have become very satisfied, long-term clients themselves. A prospect referred to us by a current client is unlikely to be a "bad apple" as it unlikely that our current client would do anything knowingly to damage their reputations with us; the fact also helps reduce our risk of fraud and further increases our value and revenue stream.

So isn't it interesting how when we treat all with the dignity, this is the first step in what could be a multi-year, profitable new client relationship for our firm. We accomplish this by being willing to teach and mentor the prospect, not force feed or sell them anything. We must take the time to listen and get educated about what they are truly seeking and only move ahead with them if our professional service menu and their unique needs are a perfect fit.

6. **Be unique.** There will only ever be one you, and it is very important to position you and your factoring firm to be different and better than the many other firms a prospective client might be taking to and or doing due diligence on. I have spoken about the need for every business to validate what their "USP" or unique selling point is. What is yours? How does your factoring stand out or differentiate itself from others? How do you communicate this in your digital and other marketing efforts?

If a prospect perceives that your professional services are not unique and are nothing more than a "commodity," this almost immediately weakens your ability to be paid what your services are really worth. If you expect to earn the kind of return that is fair, you must clearly show why you are worth it when compared to competitors. The concept of USP is a very important one and perhaps just a quick refresher of the component parts of USP would be a good idea at this juncture.

There are five parts or dimensions of USP, or your unique selling point. They are;

- ✓ Value

- ✓ Education
- ✓ Engagement
- ✓ Emotion
- ✓ And Entertainment.

The most important of the component pieces to USP is creating value for your client. This is accomplished by focusing by day in and day out having what I call an “extreme client focus.” To do this, you must do only six things better than anyone else. All of the parts must be present and work in perfect tandem in order to reach this difficult to achieve accomplishment. I believe the six keys are to build a client service credo, establish processes that work and are repeated successfully, have clear standards of accountability, only seek client-focused employees, reward and celebrate success and last, but not least, deal decisively with mediocrity.

While these six ideas may appear to be daunting, my advice is simple start to think about who you serve and why you are in the factoring business. Take the time to review your current outreach activities. Select one of the strategies I presented and test drive them. Don’t procrastinate! The most difficult step in becoming a more valuable partner for your B2B SME clients in the first one.