FRONTLINE FUNDING

financial strategies & customized funding

FINANCING MADE EASY

STAFFING AGENCY

SAY GOODBYE TO CASH SHORTAGES, UNMET PAYROLL, INABILITY TO PAY TAXES AND VENDORS, AND LACK OF CAPITAL TO MEET OPERATING NEEDS.

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INTRODUCTION

With the upturn in the U.S. economy, staffing is on every business owner's mind. Qualified workers are scarce, especially in some states, and the aging population doesn't help the situation. You don't need a crystal ball to tell you that finding the right staff is one of the top concerns of most business owners.

Research conducted in 2014 by analytics firm Insight Squared and ATS purveyors Bullhorn showed 41% of respondents cited staffing-related issues as their top priority for 2015, and that's unlikely to change. In September 2015, The Conference Board issued a report warning companies to "start planning now for deep and long-lasting labor shortages" over the coming years.

These factors forecast a potential boom time for staffing agencies that can ride the wave effectively. This eBook highlights the challenges faced by companies in the staffing industry, particularly the financial aspects, and provides the solutions you need to get the growth results you want.

YOUR BIGGEST STAFFING CHALLENGES

It's the typical chicken-and-egg situation: Growing your agency enough to satisfy market demand depends on being able to fulfill your clients' needs, which in turn leads to increased growth. Doing this can present a number of challenges, however, especially for smaller or newer agencies. These include:

AGGRESSIVE CREDIT TERMS

This is an old tactic, used by companies during the 2008 financial crisis when credit became scarce and more expensive. Many C- Suite executives were forced to implement extended payment terms and other aggressive cash management practices to stay afloat. Such stringent credit terms make it difficult for an agency with overheads of its own to pay.

SEASONAL SALES PATTERNS

No matter how much you love the holidays, your business doesn't. Depending on your clients' industries, staffing needs either drop—or increase significantly. A drop means less revenue, while an increase often means:

- Tighter turnaround times
- Tougher price negotiation
- Less responsive clients and candidates

All of these affect your bottom line.

YOUR BIGGEST STAFFING CHALLENGES CONT.

SLOW-PAYING CUSTOMERS

Every business has customers who are slow to pay their bills. Waiting a day or two is one thing, but when it stretches into weeks and months it can cripple your staffing agency financially.

RAPID GROWTH WITH NO CREDIT HISTORY

Credit might be the accepted go-to solution these days, but if your agency is expanding rapidly you're unlikely to have had time to build up a sound credit history. This puts the ball squarely in your court to use your personal credit score to fund growth.

PAST CREDIT PROBLEMS

Acting as a surety for business credit is risky for anyone with family responsibilities, but if you've had past credit problems—say, as a result of the downturn or poor health—then this can be a non-option for you.

NEED FOR A CASH INVESTMENT

A cash injection from an investor can make a huge difference to any business, but the complexity of finding, securing and relating to a venture capitalist or angel investor can be prohibitive. This leaves many small businesses turning to family members and friends for funding assistance, which can be more problematic than other potential solutions.

PAYROLL REQUIREMENTS

Ah, the elusive payroll. Staffing agencies rely heavily on personal brand, client relationships and recruiter strengths to succeed, and as in every business you get what you pay for. Employing the right people is paramount for you to succeed, whether it's in your management, sales department or recruitment personnel.

HIRING & TRAINING

Finding and hiring talent is vital to remain competitive and enables you to satisfy your clients' needs. That makes allocating money for hiring and training a critical factor in your budget. These challenges can be all eviated through a variety of sources, one being the ability to factor your receivables.

WHAT IS FACTORING?

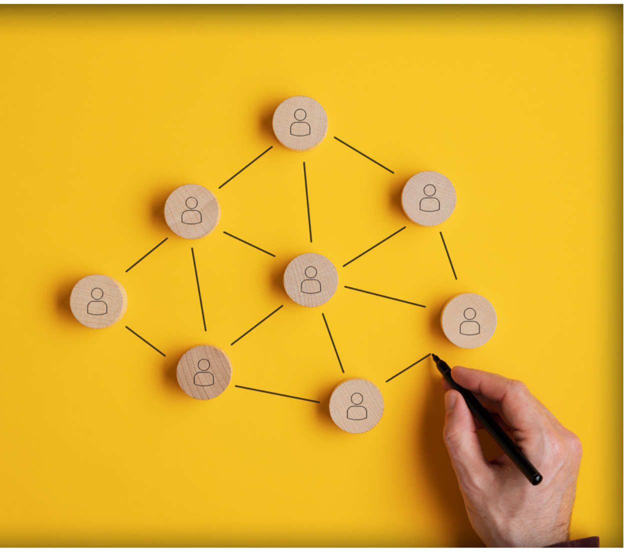
Factoring is a form of financing used by companies to raise capital quickly and improve their cash flow, without incurring debt to do so. It's most commonly used to pay the business's accounts, bridging the gap between incoming receivables and the requirement to make regular outgoing payments. In this way, the business owner effectively uses the factoring company's money to pay his bills, while waiting for his customers to pay him. In the staffing industry, factoring can be a huge help to agencies who depend on timely payments from their large corporate clients for ongoing operation.

HOW FACTORING WORKS

Factoring works when a staffing agency "sells" its invoices to clients (accounts receivable) to a third-party financing company. This company is known as the f actor, and it provides the income the agency needs by paying the invoices upfront on behalf of the clients. Instead of waiting between 30 and 90 days in some cases, the staffing agency receives payment immediately and is able to continue providing services to clients.

The specific terms of the payment depends on the industry and the companies involved, but in most cases factoring companies provide payment for the invoices purchases within 24 to 48 hours. Typically, the amount paid is a percentage of the outstanding balances, but it can be as much as 80% to 95% depending on your clients' identities and credit histories. The factoring company then recovers the payment from the clients and later pays you the remaining balance, after deducting a small fee for the risk.

WHAT IS FACTORING? CONT.



HOW DOES IT WORK FOR STAFFING AGENCIES?

In the staffing industry, agencies are typically small- to medium-sized companies that provide staffing services to businesses. The workers are usually contracted by the agency, who performs the screening, interviewing, training and payroll functions on behalf of its clients. They are then assigned to client companies based on their staffing requirements. These range from short-term workers for a day or two to cover unexpected employee absences, through long-term contracts for the duration of a project or a particular initiative. The agency is responsible for a series of costs before it receives payment from the client, including:

- The cost of advertising for suitably qualified people
- Cost of interviewing, training and reference checks
- All agency costs, such as rent, utilities and other overheads, as well as marketing and internal staffing
- Timely and regular payment of the workers, regardless of how long it waits for payment from clients.

Factoring enables staffing agencies to cover these costs without waiting for clients to make payment, and without needing the strong credit history required to obtain traditional bank financing. Since factor financing isn't a loan but an advance of funds recoverable from clients, the agency does not need to incur any debt to cover its operational costs.

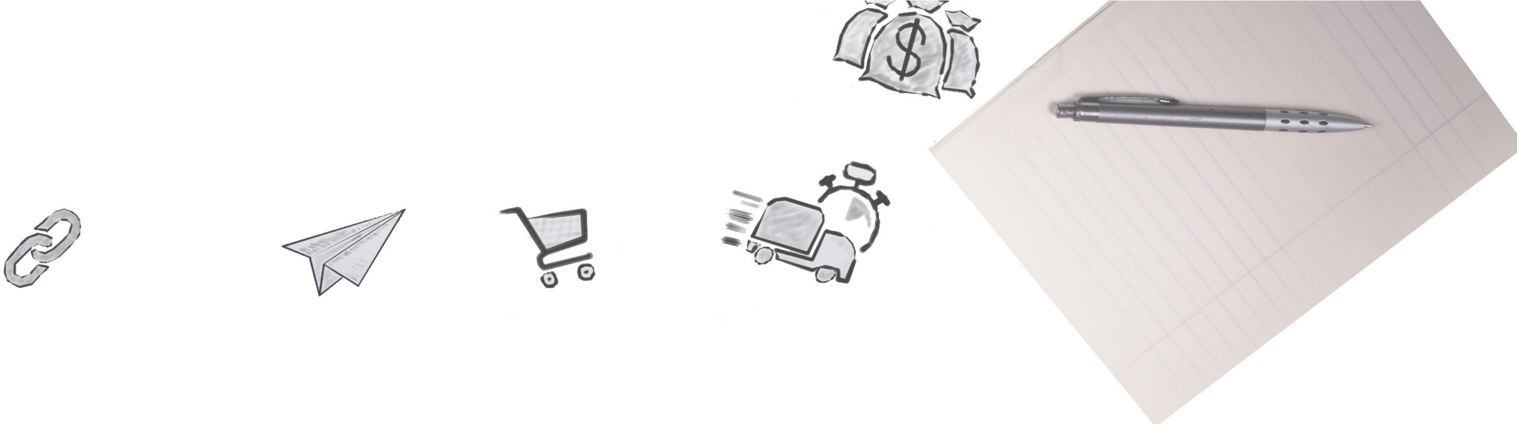
WHAT TO LOOK FOR IN A FACTORING COMPANY

Now that you know how factoring works, you can move on to finding the right financing partner for your staffing agency. As in all business transactions, potential suppliers have different strengths and weaknesses and you should choose one that fits your needs. Here are some specifics you should look for when choosing a factoring company:

SERVICE OPTIONS: The factoring company should provide a range of service options geared towards the staffing industry. Your agency operates in a particular field and customizes your products and services to meet your clients' needs. Your factor should do the same. For example, if your customers typically pay their accounts mid-month because they have to wait for their own receivables, your factoring company should be prepared to accommodate their preferences.

REPORTING: Choose a factoring company whose reporting protocols are compatible with your own systems, to avoid needing to duplicate information or require manual input. Find out how often reports are provided and exactly what details they include and determine whether it fits with your staffing agency requirements.

COSTS: Ensure that you understand the initial fees charged as well as the ongoing fees. Determine whether the factoring company has irregular costs that will be charged, and if there are penalties that can be applied under certain circumstances. Get this information in writing as part of your factoring agreement, so you can avoid costly misunderstandings during the relationship.



YOUR BIGGEST STAFFING CHALLENGES CONT.

EXPERIENCE: Look for a funding provider that is well-established in the finance industry. If you choose a company that has been in business for at least 10 years and enjoys recognition in factoring, you'll be able to rest assured that you are dealing with a reputable funder.

COMMUNICATION SKILLS: The factoring company will be making contact with your customers, so it's important to know whether its representatives have adequate communication skills. Ask to listen in on the occasional client phone call; review written communications that go out to your customers, and regularly poll your clients to find out if they are satisfied with your payment collection processes.

REVIEWS: Check out the testimonials and online reviews of a funding company before you engage in a contract, to find out the general public perception of them and how they typically respond to reviews. This can provide important information about their reputation and abilities.

Selecting the best factoring company to work with for your needs will determine the quality of your experience. You will avoid the frustration and high cost in fees and damaged relationships that can occur if you choose the wrong company. Take the time to learn as much as you can about your prospective funding partner, and conduct the necessary due diligence to ensure you make the right choice. You'll save yourself both time and money by doing so.

ACCESS FACTORING

Obtaining funding is a fairly straightforward process, but most staffing agencies have questions about accessing this option. Here are some of the most common issues raised, and their answers:

HOW TO QUALIFY: All that's needed to qualify is for your agency to be legally registered, and conducting business transactions with customers who are legitimate and have a satisfactory credit records. Also, you need to have unencumbered rights to receive the payments, which means you don't have liens or other legal attachments that impact your receivables.

OVERCOMING CREDIT ISSUES: Factoring is based on the credit worthiness of your customers, who are the end users and final payers of the accounts. For this reason, your credit score is irrelevant because neither you nor your agency is receiving credit. Even if you're in the process of filing for bankruptcy, have outstanding loans or other credit issues; you can apply for funding based on your clients' records. Factoring is not a loan, so there is typically nothing to repay and no interest on the amounts.

APPLICATION FEES: Most factoring companies charge no application fees. There may be costs involved, however, in the investigation and review of the accounts you wish to fund.

PROVIDING DOCUMENTATION: To open a factoring account, you will be required to show the following documents:

- Proof of business registration
- Photographic identification of the principals in your agency
- A list of the customers whose accounts you want to factor
- Invoices for the accounts
- A copy of your accounts receivable age analysis.

In most cases, these items will provide the funding company with the information it needs to approve an application.

ACCESS FACTORING CONT.

COLLECTION OF PAYMENTS: The factoring company takes full responsibility for collecting payments from the accounts you factor, unless you request any specific exceptions to be made.

KEEPING TRACK OF PAYMENTS: Although your staffing agency will receive regular reports, you also have direct, online access at all times. Alternatively, you can request reports by email or fax, or call in to get an update.

CASES OF NON-PAYMENT: In the event that a customer defaults, depending on the reasons for default, it may be covered under a timed accounts receivable insurance, or you may be required to do one of the following:

- Buy back the unpaid invoice
- Swap it out
- Deduct the outstanding amount from your reserve funds. This can either be done in full or in installments until it is paid. These actions occur if you have a recourse based account. There are also non-recourse account options available under certain circumstances.

HOW TO STOP FACTORING: When you no longer need funding for your receivables, you can conclude the agreement by providing a notice of termination. Once all your accounts are fully paid and you have met all your obligations and the terms of the contract, the factoring company will return any remaining reserves to you. From that point, all future receivables from clients will be paid directly to your agency.

LETTING YOUR CLIENTS KNOW: There is no standard way to make use of factoring without your clients' knowledge. Since factoring is a common financing strategy used in a range of industries, however, there is no reason why your clients should be uncomfortable with it. Many clients may be familiar with the process and might even use factoring in their own business.

APPLYING FOR FUNDING

Completing and submitting your application for financing of your invoices is usually a simple enough process. Factoring companies typically require most of the standard information on this checklist:

- Your legal company name and proof of registration
- Articles of incorporation or partnership agreements
- Company address and contact information
- Details of principles and directors
- Your most recent income statement and balance sheet
- Tax statements for the past three years
- Banking information and accounting contacts
- A complete list of your customers with all contact information
- Detailed accounts receivable with age analysis by customer
- Copies of all invoices and supporting documentation, such as purchase orders, delivery records, bills of lading

This list isn't exhaustive, however, and you'll need to connect with your funding company of choice to determine their specific requirements to become a client.

Funding your staffing agency operations can be challenging, and hiccups in the process can seriously hinder your growth and success. Don't allow finance to be a stumbling block in your business strategy. By factoring your accounts receivable, you can ensure you have the funds to cover your bills, pay your staff and maintain your momentum—regardless how long it takes your clients to fulfill their obligations.

The process is simple and straightforward; it requires no credit score, no down payment and no interest. Factoring isn't a loan, and your funding company takes care of recovering the payments from client.

It's time to act. If you want to take your staffing agency to the next level but cash flow is an issue, it's time to bring in Factor Funding as your finance provider.

OUR CUSTOMIZED SERVICES WILL ALLOW YOU TO:

- Increase your bottom line and take your staffing business to the next level
- Avoid service interruptions or cash flow nightmares
- Save money, time and valuable resources and allow you to focus on your business
- Work with experienced and dedicated professionals

Contact us today to discover how we can help you take your business successfully into the future.

Get a Quick Quote or Call 1.888.858.0018