

# Accounts Receivable FACTORING



## AMAZON SELLER

Paul Cicliss is wholesale purchaser of “stale” lawn equipment throughout the continental U.S. Paul typically purchases lawn mowers and other lawn care equipment that has been discontinued by the manufacturers and replaced by newer models. He operates from a small size warehouse in Savannah, GA and his business has been growing rapidly.

Because Paul buys old stock, he typically is able to buy his equipment at a discount of 25% to as much as 35% from the equipment’s previous suggested retail price. He purchases from overstocked dealers and often the manufacturer itself. Additionally, all of the equipment is still covered by the original manufacturers’ factory warranty.

Once purchased, Paul sells his products on *Amazon.com*, *Ebay*, and other online, internet based outlets. He maintains a 20% to 25% profit margin on his sales and because of the deep discount paid to the manufacturer or dealer for product, Pau’s business is growing rapidly.



## The Problem: Amazon.com

While Paul sells over 20% of his equipment directly to individual buyers that pay with PayPal or a credit card, the lion’s share of his equipment is sold through Amazon.com, where *Cicliss Equipment Sales* enjoys an excellent reputation as an *Amazon* seller. Paul utilizes the “FBA” Amazon option where he maintains inventory at various Amazon warehouses nationwide and *Amazon* ships his product to shoppers as sold. This saves Paul the cost of a larger warehouse facility and dramatically saves in employee costs.

Paul’s initial sales through *Amazon* were just a few thousand dollars per month but because his sales have continued to grow so rapidly, the sales of *Cicliss Equipment Sales* at *Amazon* have grown to over \$35,000 per month. But, because of the rapid growth of his business, he was now beginning to experience a slight cash flow problem.

The cash flow problem occurs due to the fact that Amazon can take up to three weeks before it actually transfers the proceeds of a sale into Paul’s business bank account. As a result, Paul always has \$25,000 to \$40,000 held at *Amazon* as accounts receivable. Having so much money tied up at *Amazon* often limits the amount of new equipment he can purchase from dealers who provide the deep discounts on “old” stock only because Paul pays them immediately in cash at the time of sale.

## ***Factoring for Cicliss Equipment Sales.***

While the slow payment from *Amazon* has not caused Paul to actually lose the ability to purchase equipment yet, he can see that with the company's continued growth, the ability to purchase enough wholesale equipment could become difficult. As a result, Paul began to look seriously at *factoring* his receivables.

Paul had learned about *factoring* when he first started *Cicliss Equipment Sales* while attending a local small business workshop held by his local SCORE chapter. The subject of the SCORE workshop was on small business finance solutions and factoring was presented as a powerful financial tool especially for those entrepreneurs unable to access necessary bank lines of credit. Additionally, Paul had met a local factoring consultant at the SCORE meeting and had been receiving periodic newsletter and emails from him for nearly a year.

Paul contacted the factoring consultant and he set up a lunch meeting the next day. After explaining the situation he was experiencing at *Amazon*, the consultant immediately knew he would be able to help Paul solve his cash flow problem.

Fortunately for Paul, the factoring consultant was a "certified" factoring consultant and a member of the IACFB, the *International Association of Commercial Finance Brokers*. The IACFB maintains an expansive lenders databases, called the *Directory of American Factors and Lenders*, which Paul's broker could access. At lunch, the broker also told Paul he already knew of several factors in the database that specialized in providing *factoring* services to *Amazon* sellers. Additionally, due to Paul's current sales of over \$30,000 per month at *Amazon* and the lack of any other asset-based financing in place, the broker told him he would easily qualify for factoring and that he would set up a conference call with a factor's underwriting department within 24 hours. *Factoring* would soon completely solve Paul's *Amazon-related* cash flow problem.

# ***Factoring***

***The World's Most Popular Method of B2B  
Small Business Finance***

