

Title:

Purcahse Order Financing - A Tool to Finance Your Growing Orders

Word Count:

313

Summary:

Do you have a large number of purchase orders? Turning purchase orders away? Learn how to finance them with purchase order financing.

Keywords:

purchase order financing,po financing,purchase order funding,po funding

Article Body:

Do you have more purchase orders than what you can handle? Is lack of financing preventing you from fulfilling those orders? One of the most frustrating things that can happen to a business owner is to turn orders away - good orders - because you don't have the financial capacity to fulfill them.

Of course, you can try to get a business loan. However, business loans have their limitations as business financing tools. They are hard to get and have arbitrary limits, so they don't grow with your business.

Wouldn't it be great to have a business financing tool that could handle all your supplier payments - provided you had purchase orders from good customers? How many orders could you close then?

That tool exists and is called purchase order financing. Purchase order financing is a financing product that is offered by factoring companies. The tool's premise is very simple. Once you have a confirmed purchase order, the factoring company finances all supplier payments, usually by letter of credit. Once the order is delivered and paid for, the transaction is settled.

And how much does purchase order financing cost? Well, it depends on the size of the order, the complexity of the transaction and the commercial credit worthiness of the company paying for the products (your customer). On average, the financing cost will be between 2.5% and 4.5% of the order.

Although purchase order financing is a great tool, it is not for everyone. It works best if your profit margins are between 15% and 30% and if your customers are medium sized (or large) companies or government agencies. If you meet these

criteria, purchase order financing can almost eliminate your out of pocket expenses.

If you own a reseller or distributor and have more purchase orders than financial capacity, consider purchase order financing as the tool that can help you close those orders and grow.