

Title:

Purchase Order Financing For Resellers and Trading Companies

Word Count:

383

Summary:

Are you drowning in purchase orders? Turning some away? Learn how to get purchase order financing and grow your business.

Keywords:

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

Article Body:

Are you a reseller, importer/exporter or own a trading company? Most resellers make their money by buying products from their suppliers at a favorable price, and then selling them to their customers for a markup. The business model is simple, clean, and above all, profitable. Many companies can easily pull margins of 15% to 30%. And I have even seen companies with margins that are close to 100%.

So the business model is good. But it's also challenging. Why? Well, when you buy from a supplier, they always want immediate payment or payment by letter of credit. Coupled with this is the fact that your customers always want to pay in 30 to 60 days. Many times, this payment timing discrepancy creates major problems.

When this happens, most business owners will run to the bank and try to get a business loan. But business loans are very hard to obtain. Many businesses - especially small and mid sized businesses - will fall flat on their faces when they go to a bank for financing. But there is an alternative.

There is a financing product that will provide you with the funds (or letters of credit) to pay all your suppliers. This enables you to deliver the order and make the sale. And, as opposed to a business loan, it's easy to obtain. This product is called purchase order financing.

Purchase order financing allows you to purchase products from your suppliers, using the financing company's money, and then resell them to a third party. The biggest requirement is that you have non-cancelable purchase orders from solid commercial or government customers.

Purchase order funding can be very helpful if your company is turning away orders because it lacks the financial wherewithal to deliver on them. The transaction is usually very simple. Once you have a purchase order, you call the factoring financing company. They provide you with the letters of credit (or similar instruments) to pay your suppliers. With that in hand, you go ahead and deliver on the order and invoice your client. The transaction is settled once your client pays, usually 30 to 60 days later.

Many times, purchase order funding is combined with invoice factoring (also known as receivable factoring). This allows you to lower your overall cost of financing, making the transaction more profitable for you.