

franchise frontrunners



Credit where it's due

BRUCE WILLIAMS FOUND THE INTERFACE FINANCIAL GROUP WAS TAILOR-MADE TO TAKE ADVANTAGE OF HIS YEARS OF DEALING WITH COMPANIES WITH CASH FLOW AND OTHER FINANCIAL PROBLEMS. **TREVOR JOHNSON** REPORTS

It was a sad but familiar tale of ambition getting the better of caution. After years of running a successful building maintenance company, Mr A ventured into property speculation and was effectively wiped out overnight when the market crashed.

Mr A went bankrupt and lost the family home. Chastened by the experience, he worked to pay off his creditors, was discharged from bankruptcy and went back into what he knew best - property maintenance.

REVITALISED

After a year the revitalised company was turning over £250,000, but Mr A had a problem - he had won a £2 million housing association contract and needed to recapitalise the business, but because of his past record the banks didn't want to know.

Someone suggested Mr A talked to Bruce Williams, Tonbridge-based franchisee of financial services provider The Interface Financial Group, which helps small businesses with their cash



Bruce Williams: "Today's economy means that many small businesses are cash strapped"

flow. After many years spent dealing with ailing companies as a leading business turnaround expert, Bruce knew all about the risk of taking on someone like Mr A. But there was more to it than that.

"I had just bought the franchise at the end of 2010 and this was my first client and I was using my own money," says Bruce. "I couldn't afford to

make a mistake. My previous life as a business troubleshooter meant that I could make a quick assessment of a company's true situation and I decided that, although no one else would touch him because of his credit rating, here was a guy I could trust. He was completely open about his history and the mistakes he had made. I liked the guy and decided to help him."

Bruce's gut feeling paid off. With IFG's support, the company has prospered, restored its credit rating and won other lucrative contracts. And for Bruce it was the start of a business that has already won a major franchise award and is currently providing financial lifelines for a growing number of companies that for one reason or another the banks won't help.

So how does the franchise work? In simple terms, IFG allows a company to use its unpaid invoices to accelerate its cash flow by buying the invoices. This form of short-term financing allows small and medium-sized enterprises to access cash quickly without having to wait for outstanding invoices to be paid.



IFG buys current invoices at an 80 per cent discount with no long-term commitments and no monthly minimums, which means SMEs can use the service as a one-off or as often as they like when they are in sudden need of extra working capital. In many cases, payment can be arranged in a couple of days.

"SMEs are struggling to find the necessary support from more traditional finance sources, so invoice factoring services like IFG are increasingly popular," says David Banfield, the company's president.

Founded 40 years ago and with over 150 franchisees worldwide, including 14 in the UK, IFG buys millions of pounds worth of invoices every year. "With a franchise failure rate of almost zero, four decades of growth and clients thanking us for the speed and flexibility with which we can assist them, we are pleased to celebrate being successfully boring, because it works," is how David puts it.

"We have adapted our services to the changing business climate, but the invoice discounting model we introduced back in 1972 is essentially what we offer our clients today."

Deciding on a career change, Bruce Williams found that IFG was tailor-made to take advantage of his years of dealing with companies with cash flow and other financial problems.

ACTIVITY

"I had no illusions that running a business in the current financial climate would be easy," he says. "I knew it would be all about high activity, hard work and getting yourself out there. You are buying a

process not a business, and making it into one is hard work. It's all about networking - getting to know financial experts, bank managers and accountants, talking to chambers of trade and anywhere where business people get together.

"In a surprising number of cases, it's bank managers who suggest to clients they've turned down that they should come to see us. We are working with growing businesses and their nature is that as they grow they consume more cash. The traditional way to find this is to ask a bank for an overdraft.

"Now, as we know, the banks are saying no and so we are becoming an increasingly viable option. There's a well established factoring system for larger companies to factor their invoices, which often involves a one-year minimum contract and a monthly fee.

"Often a new business can't get finance from a bank simply because it hasn't got a trading history"

"What sets us apart is that we do it on an ad hoc basis, supplying clients with finance only when they need it and when they have invoiced for money that hasn't yet arrived. IFG has been around for 40 years and there is a well honed process to make sure that we are dealing with basically sound businesses. Today's economy means that many small businesses are cash strapped, but we don't exploit businesses that are in trouble.

"If a business is in trouble and doesn't look as though it will survive, all you're doing is pouring good money after bad and at the end of the day the owner is going to be left with even more liabilities. My background in turnaround corporate recovery gives me an instinct for assessing the true situation very quickly and in fact we say no more times than we say yes."

About 30 per cent of businesses currently seeking IFG's help are in the construction industry

- "A market that most of the major lenders have abandoned," Bruce says. Others are in transport, manufacturing and wholesale distribution.

According to Bruce: "Our services are required because the banks aren't doing what they traditionally did - helping small businesses to grow. Even if banking services improve, we will still have an important role to play, particularly our ability to react quickly. The quickest I have funded somebody is under three days. We're not lending money, but buying and selling an asset."

IFG was started in the US by financier John Sheehy, who bought one \$20,000 invoice at a discount from a sheet metal company in need of cash to pay its workers. In the UK the basic franchise fee is around £25,000, plus at least £50,000 personal capital.

The company says: "Franchises are inexpensive to open, can be run from home on a sole trader basis and franchisees receive extensive training and ongoing support as part of a comprehensive risk management programme. We offer short-term working capital assistance for small businesses that are experiencing rapid growth, but do not have access to conventional lending sources"

TRANSFORM

Bruce Williams knows all about how IFG can transform company fortunes. "Only recently we got a call from a company wanting quick funding to release goods from an airport that had been imported from India," he says. "I had a chat with the owner, took a look at the business and the outstanding invoices and could see no reason why we shouldn't help. The goods were released - and panic over.

"Often a new business can't get finance from a bank simply because it hasn't got a trading history, which is hardly its fault. This happened to a temporary staffing agency that was run by experienced people who really knew their market.

"We factored their invoices, which brought money into the business, allowing it to grow and become profitable. It also built up a trading history and when they went back to the bank six months later they ticked all the boxes and the bank had to say yes. It's really great when we can help to give these stories a happy ending." **MM**

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