Six Keys to Choosing a Factoring Solution You'll Never Outgrow

Getting it Right the First Time

Whether you are just starting out or have been building your factoring business for years, there comes a time when you need to invest in a software platform that can keep up with your growing portfolio. Like any good businessperson, you will begin your search by cruising the Internet for options—and there will be many. Before you become overwhelmed by all of the bells and whistles each factoring system has to offer, stop and ask yourself three questions:

- What functionality do you need today?
- What might you need five years from now?
- Will the system you are considering cover both?

Changing software platforms takes time. It must be done carefully and methodically to ensure no data is lost and that your business processes are maintained (perhaps even improved). Ideally, this is a process you undergo only once, that you get right the first time.Ideally, this is a process you undergo only once, that you get right the first time. To ensure you do, we've created this handy checklist of six key factors you should consider before making one of the most critical business decisions of your career ... which software platform to manage and grow your factoring business on.

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1. **Scalability**
   The system you choose should be one that can adjust easily and quickly to a growing business. And you should look at this scalability both in terms of volume and head count. Can the system easily handle a large volume of invoices? This is an area where many low-cost solutions will fall short by not allowing for additional functionality, such as document imaging, Optical Character Recognition (OCR), automated invoice delivery, etc. Also, as your business grows, you'll inevitably need to take on more employees. Therefore, you will need a system that allows you to affordably add more users.

2. **Security Roles**
    It's critical that you be able to manage security roles for users within the system. The software you choose should allow for appropriate access based on the security level and business function of each user and provide full audit trails for all actions taken within the system (recording who made what change and when).

3. **Automation**
    The goal of good technology is to improve processes through automation. Technology should not burden your users with clunky manual workarounds that waste time and increase errors. Choose a system that can automate retrieval, processing, and approval of invoice data, that can create invoices on your clients' behalf, and that can automatically deliver those invoices to their customers along with confirmation of receipt. In addition, you will want a system that can automatically process payments received directly from customers or via a lockbox. This level of automation will greatly reduce the amount of staff time required to run your business, while eliminating the mistakes inherent with manual processing.

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4. **Integration**
    Seamless integration with third-party monitoring services is essential. Allowing monitoring services to alert you about credit problems, liens, and tax issues within the system minimizes risk and can ease, or even automate, credit decisions.

5. **Cloud-Based Option**
    For most factors today, a cloud-based solution is preferred. This approach can save considerable time and money by eliminating the need to invest in the expert manpower, up-to-date hardware, security, and real-estate required to manage a system in house.

6. **Add-On Functionality for Niche Markets**
    Another important consideration is whether the software can provide additional functionality for profitable factoring niches such as transportation, construction, and healthcare. For example, factoring effectively in the transportation space will require that your system be able to handle carrier payments, fuel advances, and load processing. For construction factoring, the software will need to handle the dilution of invoices due to retention and allow for progressive billing. For healthcare, the software should be able to handle the billing codes that describe medical, surgical, and diagnostic services, in addition to providing for the regulatory requirements and payment logistics of this industry. Advanced functionality is critical to performing well in these niches, but it is rarely found in an off-the-shelf products and not available at all in some systems. So do your homework if niches are part of your growth strategy.

Since changing software requires intensely studying your business processes, making numerous changes to your workflow, converting sensitive data, and training staff, any solution you choose will be a big investment for your company. You'll need to get it right the first time by choosing a solution that fits your business both now and in the future.

jack henry lending

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FactorSoft is the industry standard in factoring software, capable of handling all aspects of the factoring business process. This solution effectively supports the needs of financial institutions and factoring companies that want to grow their market share and expand their horizons, but need more monitoring tools and controls for greater product flexibility.

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