

The California Fashion Association is focused on building a knowledge base to identify and meet the needs of the various constituents of the industry.

In The News: **ApparelNews**

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How Can Factoring Services Aid Apparel-Business Recovery?

Entering 2021, the apparel industry can see a bit of hope as businesses look toward maintenance and recovery from a tumultuous year. As apparel businesses examine their next steps while outlining new financial plans, they often look for guidance from experts.

For apparel-industry businesses, factors—financial agents that serve as lenders through purchasing a company’s invoices—serve as an additional option, especially during challenging times.

California Apparel News asked finance-industry experts:



Darrin Beer

*Western Regional Manager
CIT Commercial Services*

As we enter 2021, apparel companies face many of the same challenges seen throughout 2020, including the ever-changing bricks-and-mortar retail landscape, the shift in consumer-buying preferences, the migration to online purchasing and the continuation of COVID-19.

In-person shopping will not go away, but many retailers must continue adjusting their store footprints to balance both forms of consumer spending. The best factors can provide clients with industry knowledge, with a capable adviser to help navigate the fluctuations in this environment. Clients have made investments to improve their wholesale and online distribution channels. In such cases, an experienced and flexible factor can provide the right financing. It is vital to navigate today’s retail climate and utilize a factor’s services to underwrite and promptly collect accounts receivable in order to mitigate bad debt.



Sydnee Breuer

*Executive Vice President, Western Region Manager
Rosenthal & Rosenthal*

2020 was a very tumultuous year, and interestingly, like many challenging periods, the year was not uniformly bad for all businesses nor even for all apparel businesses. Athleisure and casual-apparel companies were a bright spot, with some even performing better in 2020 than in prior years, and those scraps of fabric that had been tossed

aside are now revenue-producing, as apparel companies pivoted to add masks to their product offerings. Just as wholesalers weren't uniformly impacted, the same was true for retail. Those designated as essential businesses or with e-commerce platforms firmly in place fared better.

During the pandemic, our factored clients have been relieved to know that Rosenthal continues to work with the retail trade, analyzing current financial results as they become available and assessing credit risk in order to credit-protect receivables. We were getting calls from the those previously insureds looking for alternative credit-protection mechanisms. This led to a robust year for Rosenthal's own business. As an independent, third-generation family-owned business, Rosenthal understands the multitude of challenges our clients have been facing.



Gino Clark

Executive Vice President and Managing Director of Originations
White Oak Commercial Finance, LLC

In this environment, factoring is a smart financing solution for companies to leverage their existing assets and take advantage of new opportunities. Factoring provides a long-term working-capital strategy that can scale with a business at every stage.

With deep roots in the apparel industry, we understand that factoring is more than a seasonal funding solution and requires a long-term partnership to provide companies with a platform for success.

Middle-market apparel companies need customized solutions from industry experts that take the time to understand their unique challenges and can provide fast liquidity, certainty-to-close, and scalable funding. Factoring with White Oak allows them to streamline their operations and save time and money by outsourcing back-office collection duties.



Richard Kwon

Executive Vice President and Portfolio Manager
Finance One, Inc.

Even when the COVID-19 vaccines are finally available, the economic activity will not return to pre-pandemic form in the short term. Online sales will continue to be the growth driver for apparel retail as there were more than 12,000 store closings by major chains in 2020.

For the apparel manufacturer and importer clients, factors can review the portfolio of current and prospective accounts from a credit-risk perspective and provide guidance and credit protections. A company should always seek updated information on its customers before deciding to invest its resources in developing samples and follow up on orders. A well-established, full-service factoring company can streamline its clients' credit-risk mitigation, financing, and effective A/R management. Finance One identifies our clients' business needs, such as finding a new supplier, buyer, logistics solution, and assist them with finding the best solutions possible. The key is to have consistent and diligent communication with our clients.



David M. Reza

Senior Vice President, Western Region
Milberg Factors, Inc.

As the industry recovers, factors will continue to prove their value by providing debtor-risk coverage and third-party accounts-receivable management. The recent rash of high-profile retail failures underscores the value of third-party credit protection.

These services are coupled with working-capital tools designed to help apparel companies

deal with everyday challenges such as seasonal cash-flow needs, customer-delivery pushbacks, and vendor-credit issues. Over the years we have seen many clients negotiate their way through difficult market conditions, and we can—and do—share best practices among our clients that will help them navigate uncharted waters.



Kevin M. Sullivan

Executive Vice President, Wells Fargo Commercial Services
Wells Fargo

2020 was a year in which factoring services proved to be a vital tool for apparel companies; we witnessed 10 years of change crammed into a 10-month period. Companies that were able to rely on the support of factors found that they were able to move forward because of the credit coverage provided by their factors.

As we've entered 2021, the retail landscape remains challenged; many retailers were able to benefit from an already-robust direct-to-consumer business. It is important for an apparel company to have a financial partner who can provide liquidity as a lending facility but also provide factoring services to provide credit insurance on accounts receivable. Wells Fargo has the ability to tailor programs to whatever a client seeks, including advance-factoring that features credit, collection along with advances against receivables and inventory. Given the uncertainties of today's marketplace, we're definitely seeing more companies express an interest in factoring services as we move into 2021.

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