

## **Use a better kind of trade finance to make your business more competitive**

For many retailers, trade finance is an essential part of doing business. After all, few businesses have the working capital on hand to pay for large bulk orders of stock. Instead, businesses can use this kind of facility to purchase stock internationally in larger amounts than they could otherwise, allowing them to reduce their marginal costs and helping them to compete.

Unfortunately, traditional trade finance isn't accessible to everyone. That's because, while their purchase might be financed by their financial institutions, procurers are normally still required to pay a sizeable deposit before a shipment can be sent out. Fifo Capital's trade finance facility eliminates this issue, allowing businesses to more easily overcome this barrier to entry so that they can compete with more established retail competitors. Moreover, while trade finance is a valuable tool at all times of the year and in many situations, it can be particularly helpful in helping retailers prepare for, and make the most of, the coming holiday season.

## **Businesses need tools to help them compete with bigger businesses**

Many businesses, whether they're smaller online businesses or brick and mortar shops, can't compete with big retailers when it comes to pricing. This is because they don't have the same resources, and don't enjoy the same economies of scale that much larger competitors do.

Smaller online shops, for example, often can't afford to purchase, stockpile, and ship their own products. Instead, they sell items that they don't actually stock by sending customer orders to a supplier, who then drop ships the product for them. This means that the online shop purchases each product individually, rather than in bulk.

Small brick and mortar shops, on the other hand, often suffer from a cash flow problem. Even successful small retail shops can experience serious difficulties when it comes to scaling up their operations, because they simply can't afford to transition to serving a larger market with bigger, more competitively-priced competitors. The deposits required to use traditional trade finance are simply too large.

## **How Fifo Capital deals with deposits**

Deposits are, unfortunately, an unavoidable reality of trade finance. This is because the facility is secured against the stock purchased with it. This means that the financial institution's payment is unsecured (and can't be issued to the supplier) until the stock arrives. The supplier, on the other hand, can't be expected to ship valuable goods across an ocean on faith that they'll be paid for later. Until the deposit is paid, no one feels secure enough to act.

To resolve this problem, Fifo Capital allows retailers to finance their deposit separately. This way, the deposit can be secured against other assets, such as outstanding invoices, or other property owned by the business.

## **Breaking down barriers**

For retailers, Fifo Capital's improved trade finance facility means they can finance the entire order process. The size of their business or the working capital available to them becomes a non-issue. As long as they have sufficient assets on hand to finance their deposits, businesses can order stock in any quantity at a moment's notice. Besides fundamentally breaking down a major barrier to entry, allowing them to compete with larger businesses, this also grants them a lot more flexibility. For example, instead of saving up funds to pay for additional stock in anticipation of increased holiday sales, businesses can use trade finance to purchase stock in much larger quantities, and at a lower cost.

### **Offer more competitive deals during the holidays**

Trade finance is useful at any time of the year, but it's particularly helpful when it comes time to manage a seasonal spike in demand. By placing larger bulk orders in anticipation of the holiday season, retailers can gain two major advantages. First, they can order whatever quantity of stock they need to satisfy their projected demand, rather than being limited by the working capital that's available to them at the time. Since Fifo Capital's trade finance allows them to defer payment on any purchases by up to 150 days, they can simply use the revenues generated by those respective products to pay for them after the fact.

Secondly, larger orders typically also translate to lower prices. For a business with few competitors that can easily translate to greater profits. Those looking to face down fierce competition, on the other hand, will be able to offer better seasonal discounts. In both cases, businesses can use trade finance to boost their competitiveness, and improve their ability to make the most of the opportunities available to them.

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**Meta Title:** Use a better kind of trade finance to make your business more competitive

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