

Banking Services for Your Growing Business

Banks' products and services change with the needs and expectations of businesses they serve, and it can be a full-time job keeping up with the latest.

The financial management of your business is one of the most critical roles you, the owner, are involved in, ensuring the firm's long-term survival. And, although there are many aspects of financial management, the cornerstone of the process is your banking relationship.

Selecting necessary banking services is one of the first steps a business takes to get started. During the early stages, the selection is a simple process—setting up a checking account and perhaps securing a business loan. Usually these early needs are fairly simple—particularly if the firm is in the service industry and has no need for inventory, buildings and machinery.

However, if your firm is in manufacturing and/or distribution, or you've grown out of the initial stage of establishing a service business, the importance of a range of financial services will become apparent. As your firm outgrows the SBA 504-type programs, you'll want to explore all that your bank has to offer.

Banking products and services have continued to change over the years, and it can be a full-time job keeping up with the latest ones.

Services to Meet Expanding Needs

A growing business often will require working capital to ensure that ongoing operational needs are met, along with inventory financing and short-term lines of credit. Additionally, as sales increase and the customer base expands—and thus outstanding invoices become a larger part of the balance sheet—receivable financing becomes beneficial. Commonly fixed-asset financing for trucks, machinery, plant and equipment also helps keep the business running smoothly, together with real estate loans for company-owned property and construction loans for new facilities.

Most businesses selling directly to consumers will find themselves at some point needing credit card processing services. And any business can use the controls provided by a company credit card or debit card to manage occasional purchases.

The scope of financial services does not stop there. Larger firms often will need international letters of credit to facilitate importing and exporting activities. And, as the cash flow of the business increases and the employment level expands, it's time to evaluate the cash management services and retirement benefit plans that a bank can provide. Further, ACH payroll services eliminate the need to generate payroll checks, electronically transmitting wages to your employees' accounts.

If your business has multiple locations and you want to collect daily receipts quickly, a cash concentration account along with balance and transaction reporting and Internet banking to identify recent deposits and current balances may be the ideal solution. These resources, along with lock box service, provide for an acceleration of funds availability and improved cash flow.

Services Beyond Banking

As the scope of services offered can be mind boggling, selecting the right banker is a key move. A good banker provides intangibles that are as important as the financial transaction services listed above.

The right banker for you knows the industry and can be a valuable asset in helping identify trends, key financial ratios and the latest management tools for maintaining a health financial position.

You may assume a large bank is the best choice, given the wide array of services and bankers, but this approach is short sighted—it overlooks the critical role of the individual banker. Big banks often assign junior bankers to new or small firms, which puts owners in the position of teaching the banker the business versus benefiting from his or her expertise. Small and medium-sized banks actually have access to all the services of the big banks through their correspondent banking relationships.

Interview a few bankers and find one who knows your industry, understands your vision and is compatible on a personal level. In the long run this will serve you best, since it supplies an experienced partner with the insight and knowledge to help you. How large a factor are interest rates in determining your selection of a banker? Since all banks have nearly identical prime rates and any loan you seek will be based on that, in the long run the initial loan interest rate should be less of a concern than your banker's overall capabilities.

Maintaining a Strong Relationship

Once you have selected a banker, maintain open and ongoing communications via quarterly/semiannual financial reports and business updates. By doing so you will keep an advocate within the bank to ensure your needs are met in good times and, more importantly, during those inevitable dips in the business cycle. Further, tap into your banker's expertise and perspective regarding industry trends and new approaches to managing changing financial conditions.

By developing a multidimensional relationship with your banker, you will not be disappointed with the bank's ability to meet your growing needs and your goal of staying profitable.

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