Mulligan Funding

The **Ultimate Guide** to Helping You Overcome COVID-19 Financial Challenges for Retail Businesses

Introduction

COVID-19 has had a tremendous impact on all businesses, but retail was hit harder than some. With challenges like inventory, staffing, and being able to keep up with vendor payments, we've built this guide to help retail businesses navigate the arena of business funding and how it can help your business thrive. From identifying ways the right type of funding can help your business get ahead, to sharing education about what to consider – AND what to look out for – we've got it all here.

In This Guide:

How Inventory Loans for Retail Businesses Can Help Your Business Thrive

If you run your own retail business, you likely spend a good portion of your days dealing with inventory needs - from ordering new inventory, planning for future inventory needs, and calling your suppliers to meticulously track products, there are plenty of inventory-specific needs to manage. Plus, with the added hurdles that COVID-19 has presented to retailers, keeping tabs on inventory is even more important than before to ensure you're able to provide customers with a great shopping experience that fits their new consumer behavior as well as keep your business and books in order.

Depending on your unique business needs, inventory loans for retail businesses can provide you with the capital necessary to maximize your inventory tracking system and keep your shelves full of product.

4 Benefits of Inventory Loans for Retail Businesses

1. An inventory loan can help you avoid product shortages or surges.

Most retail business owners have struggled to keep their top-selling products on the shelf at one point or another. And, with some states and counties having forced businesses to close, you may have ended up with a surplus of inventory, sometimes having to pay storage fees. Or, for those who saw an increase in business for their e-commerce stores, keeping your best-sellers stocked may have presented other new challenges. Having extra capital on hand to accommodate these challenges has proven to be a great asset for many businesses.

- *Curbside orders increased 208%.*
- *59% of customers say they are likely to continue curbside pickup after the pandemic.*
- *39% of millennials have reduced non-essential spending.*

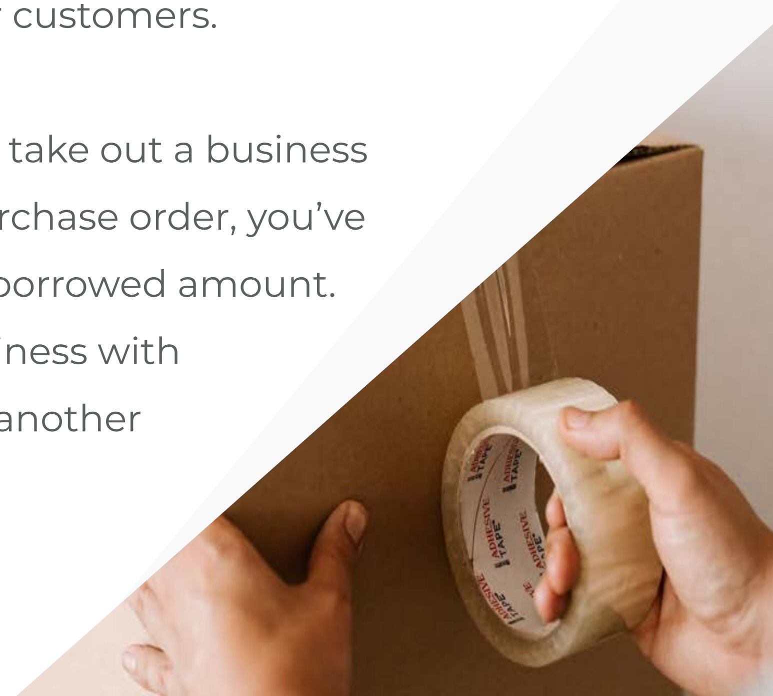
2. It can also enable your business to accept larger orders.

Have you turned down customers in the past because you couldn't fulfill their orders? Taking large orders can help pad your bottom line, and it's wise to encourage bigger orders whenever possible. Also, keep in mind that any order could be the start of a lifelong customer relationship. And in terms of your bottom line, it often costs much less to maintain customers rather than acquire new ones.

Cost efficiency for retail businesses is key to bouncing back after suffering costly damages from the pandemic. Of course, it's hard to be prepared for a large order when you don't have enough working capital to purchase the necessary inventory.

Having a business loan at your disposal can allow your business to have extra capital on-hand for when you need it to fulfill bulk orders, creating a positive experience for your customers.

Consider the following scenario. If you take out a business loan for $20,000 to fulfill a $50,000 purchase order, you've created significant profit despite the borrowed amount. Plus, you may have earned future business with that same customer down the road – another avenue that can add to your profits.



3. It can be an investment towards updated inventory tracking methods.

For many retail business owners, getting ahead on inventory starts with carefully keeping track of product count to minimize loss and shrinkage. And if you're currently tracking inventory the old-fashioned way with an Excel ledger and no automation, consider the risk of not upgrading your system. Your time is valuable, and without automation, more of the burden comes down on you or your staff. Plus, with any human management, there is always room for error.

Especially as shoppers move further towards preferring a contact-less or online experience, your retail business needs a robust inventory tracking system to go along with it in order to keep up with growing demands.

75% of buyers and sellers now prefer digital options over face-to-face.

Ways to Upgrade

- Purchase new inventory management software
- Invest in a new POS system to sync in-person and online sales
- Upgrade your business equipment - new computers, tablets, etc.
- Purchase a new card reader allowing for convenient payments and seamless tracking

4. Additional funds can support your business' ability to expand its product offerings and stay competitive.

If you've set a goal to tap into new product lines but have been held back by finances, an inventory loan could be the right solution. As a business owner, you know that keeping a wide variety of products on your shelves can not only keep current customers interested in your brand but can also lead to a new customer base, too. And, with added pressure for businesses to find ways to be innovative through the pandemic, this type of expansion can help your business thrive.

To begin looking for new product opportunities, take a look at your current product line first. Are there any accessories to your popular products that you don't yet carry? If you sell food or beverages, could you expand upon the flavors you currently stock? Consider what your current customer is likely visiting your store or website to purchase - or do some research to understand what they're purchasing from your competitors.

Expanding your product line takes more than just research, though. In order to stock new products and keep up with your overall inventory counts, you'll likely need additional capital – which can be acquired through a short-term business loan.

How To Choose Between the Different Types of Small Business Loans for Retail Businesses

COVID-19 left countless retailers and other businesses alike struggling to make ends meet or simply navigate the frequent government-mandated shut-downs and reopenings. With an inconsistent plan for business operations and the uncertainty of the pandemic as a whole, you may have questioned whether seeking business financing during these unprecedented times is in your best interest as a retail business owner.

PPP funding was able to help many businesses stay afloat, but there is no certainty about whether any additional funding from the government will become available in the future. And, with the economy post-COVID in question, some banks and lenders have ceased funding altogether, while others tightened their restrictions.

As you identify different opportunities for your business to rebound and thrive while the country attempts to get the pandemic under control and allow customers to resume some level of normalcy, many of those opportunities will come at a cost. If a short-term business loan is something your business could benefit from, it's important to research and understand the different types of funding available for small and mid-sized businesses.

You'll want to consider things like:

- What do you want to use the loan for?
- Do you know how much capital you need, or will your needs change over the coming months?
- When do you need the capital?

Understanding the Different Types of Funding Available to Businesses

Working Capital Loan

Working capital loans** are available to help finance the everyday operations of a business and can be used for any business purpose[1]. These loans are flexible, and small- to medium-sized retail businesses can choose how to spend the funds for their short-term operational needs.

The application process is typically seamless as compared to some loan types, and funds can be transferred within a matter of days making this a convenient option for businesses who need capital quickly*. Working capital loans also typically do not require collateral.

Term Loan

Similar to a working capital loan, with a term loan, you get a lump sum of capital upfront and make regular payments on a set schedule over a period (or "term") of time. Term loans typically have higher requirements for approval than a working capital loan in terms of time in business and average monthly revenue.

SBA Loan

SBA loans are loans through the Small Business Association. While they're funded by participating lenders, they're backed by the government, which oversees the application and disbursal process. With the SBA's involvement in the overall process, risk is minimized for lenders who can more easily access capital. The size of an SBA loan may vary as well as how a business owner can use the funds.

The application process for an SBA loan can sometimes take up to 6 months, so it isn't always the best option for those who need capital quickly. In an effort to ease the burden for business owners during the pandemic, the SBA also offered two rounds of PPP funding in April of 2020 and January of 2021. If approved for PPP funding through the SBA, business owners received financial assistance to help keep their workforce employed during COVID-19.

Business Line of Credit

A business line of credit is a predetermined credit line where the business owner can access funds as needed and pay interest or fees only on the amount they've accessed. The advantage of a line of credit is that you only pay interest on the funds you actually use from the line of credit as opposed to the full amount that you are approved for.

Understanding the Different Types of Funding Available to Businesses

Equipment Loan

Equipment loans are targeted toward business owners who need to replace or update equipment needed for day-to-day operations. As a retailer, this option could be particularly beneficial if your store could use an updated POS system or other equipment to help keep up with production.

The challenges with an equipment loan typically come down to restrictions for how you can use the loan - meaning it can only be used for the equipment specified - and that collateral is sometimes required for an equipment loan.

Invoice Factoring

Invoice factoring is the practice of selling account receivables to an external financing company. Generally, the business selling the account receivables receives a lump sum advance, and the external financing company takes a percentage of the actual receivable when it's paid before passing on the remainder to the business owner.

The downside of invoice factoring is that the business loses a bit of control since it essentially hands its invoices over to another company.

Merchant Cash Advance

A merchant cash advance (MCA) is a lump sum capital payment that you receive in exchange for a percentage of all future debit card or credit card sales until it's repaid. The terms of your agreement with your MCA provider will determine the advance amount, payback amount, holdback percentage, and more.

Microloan

A microloan is any small short-term loan that's extended toward a small business with limited credit. Freelancers, startups, and small family businesses often take advantage of microloans. Microloans can be taken out through the SBA, through a microlending organization, or through alternative financers.

Large, Traditional Banks

Traditional funding through your bank is often the preferred option for businesses that can qualify for such funds. They offer more affordable rates than some alternative lending options, but they often also have higher requirements and decline rates making it difficult for many smaller businesses to get funding through this channel.

Understanding Common Small Business Loan Terms

Now that you understand the different types of loans available to businesses, it's important to also understand the terms associated with those loans so that you can make the right decision when the time comes.

What is a Loan Repayment Term?

A loan's repayment term or business loan term details how long a borrower has to pay back their loan. Ultimately, a loan's term determines both your capital position (i.e. how much cash you have/need) and how much your small business loan will cost once it's completely paid back including interest if applicable.

Business loan terms vary greatly depending on the lender you access your loan through, and it's important to understand all the details of a loan before signing on the dotted line.

4 Warning Signs of a Predatory Lender

Deceptive lending practices abound, especially when you're on the market for a business loan with less-than-perfect credit. With many retailers still feeling the effects of COVID-19, it's crucial for business owners to stay vigilant and avoid predatory lenders who may be looking to capitalize on the high demand for business loans.

1. Look out for vague terms and pricing

Any loan contract should have the terms of repayment, interest, and any other fees laid out clearly. If you have to go digging into the fine print, that's a red flag!

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Types of Loan Terms for Small Businesses

Working Capital Loan
Terms for a working capital loan can range from anywhere from 6 to 36 months depending on the lending partner.

Large, Traditional Bank Loans
Larger, traditional banks typically offer loan terms ranging from 3-10 years, depending on the specific option you choose.

SBA Loans
Small Business Administration (SBA) loans, which are facilitated in conjunction with certain banks, have terms that are even longer than bank loans. For example, the loan term for an SBA 7(a) loan can have a maturity term of up to 25 years.

SBA Bridge Loan
A newer product developed for those looking for short-term financing while they await SBA approval, SBA Bridge loan programs have around a 12-month term.

Equipment financing
A medium-term loan option, equipment financing usually comes with a loan term of 3-7 years.

Business Line of Credit
Repayment periods on business lines of credit can be as short as six months or as long as four years.

Merchant Cash Advance
While most MCA terms are on the shorter side, the specific terms of the agreement depend entirely on your business' cash flow.

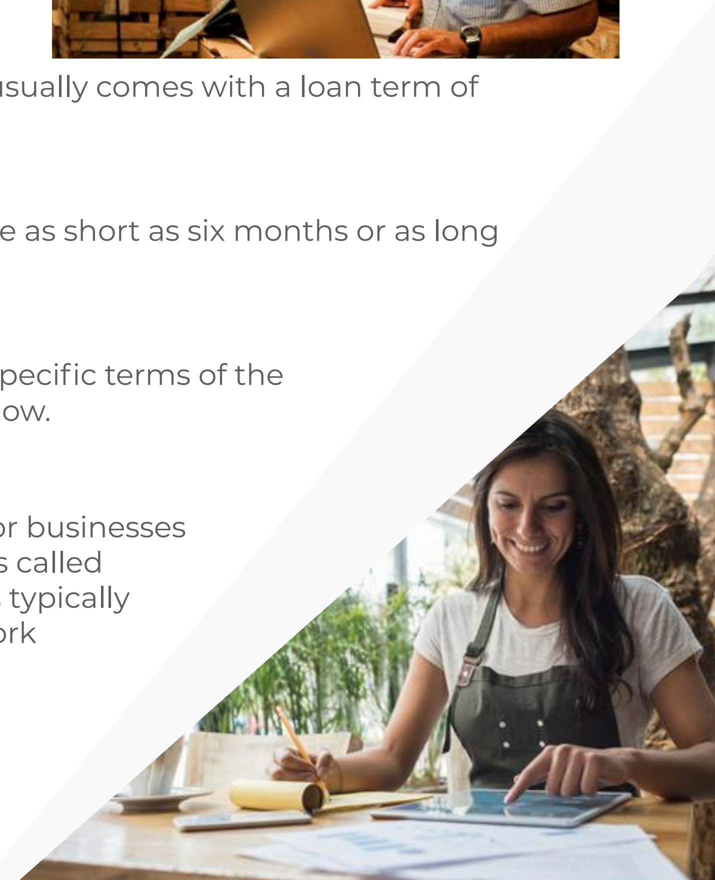
Invoice Financing
Invoice financing is an asset-based lending option for businesses who are looking for fast access to capital. Sometimes called accounts receivable financing, this funding option is typically used for short-term needs. Most invoice factoring work around terms of 30 to 90 days.

3. Avoid overly-aggressive brokers

Stay away from brokers or lenders who pressure you into signing a loan agreement on the spot. Many lenders have tightened their restrictions as a result of COVID-19, and a lender who fails to recognize the care that should be taken with business lending during these times could be a red flag.

4. Understand your payday loan terms

Some business lenders offer short-term loans that demand repayment within 7, 14, or 30 days. These lenders make a profit when you default and get you on the hook for late and non-payment fees.



Choose a Lending Partner Committed to Seeing Your Business Succeed

There's no definitive way to tell just how long retailers will continue to see the effects of the pandemic, but there are steps you can take to better position your business for success. If you're interested in a loan to help your retail business thrive, the next step is to find the right lending partner to provide you with access to that capital.

Mulligan Funding is a private, family-owned business that specializes in providing access to funding to small- to medium-sized businesses nationwide. We understand the unique challenges you face not only as an independent retailer but also as a business impacted by the pandemic. We work to set you up for what you can afford, not to overextend your business financially beyond its means.

When you partner with Mulligan Funding, you can expect benefits such as:

- A seamless application process
- High approval rates
- Convenient daily repayments

Furthermore, with Mulligan Funding you'll get a dedicated loan advisor who will be there to answer questions you have and guide you through the application process.

Call us at 844-379-4972 to discuss your financing options today!

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The information shared is intended to be used for informational purposes only and you should independently research and verify.

[1]For those who have been approved for funding through Mulligan Funding, loan proceeds can be used for any business purpose.

*Approval and funding speed refer to applications submitted during normal business hours (Monday-Friday, 9 AM - 5 PM PT.) Most approvals happen within a few hours on completed submissions. Delays could occur due to unforeseen circumstances or if additional information or verification is required.

**The majority of Mulligan Funding, LLC business loans are issued by FinWise Bank. Certain loans and Merchant Cash Advances are made by Mulligan Funding, LLC who holds a California Finance Lenders License.