GE Commercial Finance

In Search of Smarter Capital.

The Importance of Finding the Best Lender, Not Just the Best Rate.

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By Tom Quindlen, President and CEO, GE Commercial Finance Corporate Lending

When financial markets are flush, lenders often compete based on price or by offering covenant-light or even restriction-free loans. Capital becomes a commodity and lenders increasingly accept more than reasonable risk to secure business. However, in the long term, a lender does its corporate customers no favors by compromising its credit principles. Ultimately, lenders and borrowers who remain disciplined will be better prepared for the next downturn. Smart business leaders look beyond today's interest rates for a lender that can serve the broader interests of the company.

So how do companies ensure they're choosing the right lender in this environment? Perhaps more importantly, how do borrowers find a lender who will value them both in good times and when the market shifts?

Here are five key attributes that chief financial officers and financial intermediaries may want to consider when seeking smarter capital.

Patient Capital

When the economy is riding high, many companies have easy access to capital. But when the economy inevitably turns and the capital markets retrench, a solid relationship with a lender is invaluable. Seek an established lender who can accommodate your future needs. Does the lender offer various loan structures—cash flow, asset-based and structured—to accommodate changing circumstances? If your cash flow turns negative, will the capital provider show you the door or alternatives? A financier with a big balance sheet who can support a company's peaks and troughs is typically more patient as markets ebb and flow.

Industry Acumen

There are distinct advantages to finding a lender who specializes in your industry. The learning curve is shorter, the loan structures more tailored and the industry expertise often adds value and greatly facilitates the loan process. Specialists who have finance and operational experience are arguably most effective since they have been on the "other side," running companies.

Look for financial institutions with genuine experts in your field. They'll truly understand the challenges CEOs and CFOs face. Their understanding of the industry and the collateral clients may use to secure the loan can often lead to greater liquidity and flexibility. They also often become advocates for a client.

Customer Focus

Many companies—including lenders—participate in proven programs that measure customer service. For instance, the Net Promoter Score (NPS), as described in Fred Reichheld's book, *The Ultimate Question*, tracks customers' responses to the question, "How likely is it that you would recommend this company to a friend or colleague?" The answers allow companies to determine NPS by simply subtracting the percentage of its detractors from the percentage of its promoters. Once you know where clients stand, you can improve what's creating dissatisfaction and amplify what clients like.

A Bain & Company report showed that in most industries, NPS leaders outgrow their competitors by an average of 2.5 times. Whether it's NPS or another measure, search for a lender with a commitment to continually improve service.

Lifecycle Lender

Not all lenders can back your company throughout its lifecycle. An emerging company needs funds for capital expenditures, growth and working capital. As it grows, the company may need equity or financing to support mergers and acquisitions or project finance. When it reaches maturity, the company may need help with spin-offs, recapitalizations, securitizations and interest rate risk management. If the company hits a bump in the road, it may require corporate restructuring, debtor-in-possession or plan-of-reorganization financing. Finding a lender that can evolve with your financing needs can allow you to focus on running your business.

Beyond Finance

Resources that companies can tap beyond the deal can make all the difference to borrowers. For example, unique to GE Commercial Finance is a complimentary program for clients called Access GE. Certain clients have access to proprietary tools and world-renowned GE best practices that can help improve business performance. From leadership development techniques, lean Six Sigma methodologies or tools for accelerating change, GE management experts will work on site with clients to help them improve and grow their business.

One company that took advantage of this program was regional drug store chain, USA Drug. An Access GE team helped develop and implement a customer service program for 18 of the company's 170 stores. After 14 months, those 18 stores increased the number of customers and prescription sales by 3.4 percent—1.6 times higher than at control-group stores.

Borrowers can afford to be choosy in today's liquid capital markets. Savvy business leaders should look beyond the capital cost and search for smart capital—a lender with depth and breadth of products and services who can serve them for the long haul.

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