

CONSISTENT CASH FLOW: **FACTORING VS. QUICK PAYS**

*A guide on the differences
between factoring and
broker quick pays:
Which one is the
best fit for your
business?*



FACTORING



QUICK PAYS

WHAT'S ALL THE FUSS ABOUT FUNDING?

One major key to success in trucking is consistent funding. There is a long list of bills when you run a trucking company and those bills don't wait for you to get paid. Having a lag between when you get paid and when your company bills are due can end up causing major financial problems. If you aren't working with a factor or broker that offers quick pays, you can wait anywhere from 30 to 90 days to get paid for a load you hauled. Factoring and broker quick pays eliminate this wait time by offering options to get paid fast so you can keep your business running and your cash flowing. Fees and additional services associated with the two vary depending on what you want as a carrier and who you want to work with. Factoring pays a carrier in 1 to 2 days for a fee, but may also offer services like fuel cards or dispatching. With broker quick pays, a carrier can get paid in 1 to 7 days for varying fees, but usually doesn't offer any additional benefits.

This guide will go into specific detail about the differences between factoring and broker quick pays, and will help you decide which one is best suited for your business situation and needs.

GET PAID FAST: **FACTORING**

Factoring is when the factoring company buys their client's open invoices so the client is able to get immediate cash upon sending their bills in.

● **ORGANIZATION**

Carriers can only factor with one company at a time. All load information will be sent to one place, you will have one account and login, and the bank deposit information will be securely stored making the process of sending in each invoice the same every time.

● **PAPERWORK ASSISTANCE**

When working with a factoring company, you will often have back-office and billing support when needed. You work with account representatives who handle all brokers and shippers, stay in touch with both parties and handle back-office paperwork details. This back office support comes through services such as billing and invoice creation, accounts receivable and collections management, customer credit checking, fuel card funding distribution, and more.

● **FREIGHT OPTIONS**

Using a factoring company frees you up to work with any broker or shipper (with acceptable credit) when factoring your bills. You aren't limited to customers that pay quickly or offer alternate pay options - a small portion of the market's active brokers. These expansive freight options ensure that you're able to maximize profits by running the best paying loads while getting the cash flow you need to run your business.

● **INDUSTRY ASSISTANCE**

Since it's in their best interest to keep you in business, many factoring companies provide other services to their clients like freight finding, fuel cards, insurance, and compliance help.

● **RATE**

A factor's rates are different depending on what customers you haul for, the size of your company, and your monthly revenue. Learn more about those factors [here](#). Once your factoring fee is set, it should be the same for every invoice, but you should check your factor as some programs can vary the [rate](#) with each load. A few factoring companies will even match broker quick pays giving you lower factoring fees overall.

GET PAID FAST: QUICK PAYS

Quick pays allow you to get paid quickly with the relationship only being between broker and carrier, and no third party.

ORGANIZATION

When you use quick pays as a carrier there is different invoicing, logins, accounts, and paperwork for each broker you use quick pays with. Since every broker's process is different, you'll have to go through their individual process when you request a quick pay. There are also additional steps that some brokers require before you can use quick pays with them. These might include meeting monthly or quarterly volume and service requirements for a lower rate, a different rate depending on how long you have been in business, long start-up packs, or require a certain number of loads to be run before quick pays are available.

PAPERWORK ASSISTANCE

Brokers do not tend to be helpful beyond ensuring they secure the signed BOL so that they can collect their payment from the shipper. Everything else is considered the responsibility of the carrier.

LOAD OPTIONS

Not all brokers offer quick pays. If you depend on quick pays, in order for you to keep cashflow steady you may have to turn down higher paying loads if the broker doesn't offer quick pays. However, if you only use quick pays from time to time, you can typically schedule needing a quick pay around when you haul a load for a bigger broker. When load planning, know where you're at on cashflow before you book a load so you're not surprised if the broker doesn't offer quick pays for the load.

INDUSTRY ASSISTANCE

One of the keys to working with brokers is remembering the broker's customer (party who pays them) is the shipper, not you as the carrier. This means that while there are many excellent brokers who treat carriers well, the core focus of any broker is the shippers they work for, so they rarely offer additional services to assist you and your business as a carrier.

RATE

Unlike factoring, each brokers' quick pay is specific to their company and different than every other broker. Some brokers offer one program with a set rate, while others will have varying fees based on how quickly you request your money. Since each company is different - you should carefully review the specific terms for the broker you're considering to make sure the amount you're paying and speed you're receiving funds at match what you're expecting.

LET'S COMPARE SERVICES

| SERVICE | FACTORING | QUICK PAY |
|--------------------------------|------------------|------------------|
| Funding time | SAME DAY | 1 - 7 days |
| Funding via Bank Wire | YES | Sometimes |
| Funding via ACH | YES | Sometimes |
| Funding via Fuel Card | YES | Sometimes |
| Fuel Card | YES | No |
| Fuel discounts | YES | No |
| Truck Repair Discounts | YES | No |
| Tire Discounts | YES | No |
| Insurance quote/info | YES | No |
| Compliance advice/info | YES | No |
| Authority set-up | YES | No |
| Equipment financing | YES | No |
| Free credit checks | YES | No |
| List of preferred brokers | YES | No |
| Freight finding | YES | No |
| Collections | YES | No |
| Personal client representative | YES | No |

QUICK PAY: RATES & TIME

This chart shows the different rates some of the top brokers charge and the time you can get paid in while working with them.

| COMPANY | RATE | TIME |
|----------------------|-------------|--|
| Coyote | 3% - 4% | 1 - 15 days (Not available on LTL loads) |
| Landstar | 1.5% | 2 days |
| XPO | 2% - 3% | 2 - 7 days |
| TQL | 3% - 5% | 1 - 7 days |
| C.H. Robinson | 1.5% - 2% | 2 days (lower rates limited to "preferred carriers") |

As you can see from the chart, the services can vary widely by which broker you run for and how fast you request your quick pay. For carriers that don't need much cash flow, quick pays can be a good option; however, rotating funding costs and frequencies make it hard to calculate and plan expenses for those needing consistent payment.



SO THAT'S WHAT THE FUSS IS ABOUT!

There's no getting around the fact that running a business that eats up \$2,000 - \$4,000 per week in expenses with slim profit margins can be tough to keep funded. Factoring and quick pays keep your cash flow current, so you're not waiting weeks to calculate your profits, and then spending precious time chasing down payments.

At a glance, these two fast payment options may seem the same, but picking the best plan for your depends on your needs as a business. Understanding the differences in both and knowing what you need as a carrier is key to successfully keeping your cash flowing.

If you're still not sure which option is best for you, we'd love to talk through the options with you in more detail, and help you decide which one is the best fit for your company!

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(205) 397-0934

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