Case Study #10

Retail: Women's Accessories

The Situation: The retailer specialized in stylish women's accessories. Most stores were located in valuable locations throughout the New York metropolitan tri-state area. They had grown from one store to twenty-five stores in three years. Because of the quick expansion, their financials showed a negative net worth and three years of losses. They had a bank line that was insufficient to meet their growing needs.

The Problem: They hoped to open new stores and to bring in inventory from the Far East. As with most retailers, their business was seasonal, racking up most sales during the fourth quarter, with a few lifts occurring at other holidays.

The Alternatives: Because their bank was unwilling to increase their line of credit, it looked like the only alternative was to go back to their investors and raise additional equity. The two principals were reluctant to do this because they were confident that in another year, they would be able to secure increased bank financing. Why dilute themselves more when the horizon was so sunny?

The Solution: Credit Cash was able to advance the equivalent of one month's average credit card sales. This occurred during their slow season, but was important so that they could bring increased inventory to meet their expected upcoming demands. Credit Cash was able to work with the bank so all the funds could be used for working capital, not to pay down the bank loan.

Because the added liquidity was able to help the retailer,
their sales have continued to grow over 30%.
The retailer has renewed their loan three times, each time at higher amounts.
They now have opened 10 new stores.

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