



UPS Capital®

A leading supplier of guitar parts no longer sings the cash flow blues.

UPS Capital | FINANCIAL, INSURANCE & PAYMENT SERVICES FOR YOUR SUPPLY CHAIN



Case Study: WD® Music Products

Founded in 1978, WD Music Products is one of the largest suppliers of stringed instrument parts. Today, they sell products worldwide, and consider themselves a one-stop shop for the guitar business.

Challenge

WD Music's biggest challenge can be summed up in two words: cash flow. Their capital was often tied up in in-transit inventory, leaving them unable to place new orders until they got paid.

Solution

UPS Capital Cargo Finance®, a unique and simple alternative financing solution that turns in-transit inventory into working capital.

Results

WD Music was able to target larger customers, invest in new equipment and technology and increase staffing — all resulting in a 20% increase in revenue.

WD Music is a one-of-a-kind company, but their path to growth was blocked by a problem faced by thousands of small and mid-sized businesses: their precious capital was tied up in a long cash-conversion cycle.

WD Music had to pay suppliers in full for guitar parts and wait weeks or months to recoup the cash from customer sales. This left them without the working capital to buy more inventory, fulfill more orders and create a healthier, more profitable business.

One day, UPS Capital® sales representative, Greg Kleehammer, asked Larry Davis, Vice President of WD Music, a simple question: "What if you could take one of your company's biggest assets — your in-transit inventory — and turn it into working capital?" That's how Larry discovered an alternative-financing solution that quickly opened the door to more growth, more prosperity and a lot less stress.

UPS Capital Cargo Finance® hits all the right notes.

Ever since he can remember, Larry Davis has loved music. He shares that passion with his wife, Wendy. One day, back in the late 1970s, they needed a new pickguard for a guitar. That's when they realized after-market guitar parts, like pickguards, weren't readily available. So Wendy started making them in their home. Soon, Larry hit the road to sell them, and WD Music was born.

Today, WD Music is a one-stop supplier for all things guitar — a multi-faceted manufacturing and distribution company catering to the wholesale guitar trade.

"We import the vast majority of our products from Asia," Larry says, "and over the years we've developed a great relationship with UPS® — using the company for air freight, ground transportation, customs brokerage and cargo insurance."

Just a few years ago, Larry began to take advantage of a new UPS Capital service, one that's been called "the best-kept secret in alternative financing."

"Our problem was cash flow, plain and simple," Larry said. "And I was losing sleep over it."

"We had to lay out a lot of money prior to receiving and shipping goods — 30% upfront, and the remaining 70% before our cargo shipped," Larry added. "That was money we couldn't use to order more goods. Basically, our capital was in our inventory. And our inventory was in transit. They call it a 'vicious cash-conversion cycle' and now I know why."

WD Music already had a revolving line-of-credit with their bank. But, according to Larry, it just wasn't the best product to meet their business challenges.

"We established relationships with some big new customers which challenged our cash flow even more," Larry said. "As we worked to keep up with even higher demand, the stress was really getting to me."

That's when Greg Kleehammer told him about UPS Capital Cargo Finance. "Once Larry heard the details, he was immediately interested," Greg recalls.

"Cargo Finance allows WD Music to borrow against the commercial invoice amount of their in-transit inventory, with no collateral required," Kleehammer explains. "Pricing and contract terms are

simple and reasonable, and payment terms match up perfectly with Larry's cash-conversion cycle."

"I had no idea this product even existed until Greg told me about it," Larry notes. "It's given us the working capital to buy more inventory, fill more orders and go after larger accounts that, previously, we would not even have thought about."

Plus, it has allowed Larry to invest in new equipment and hire additional staff to handle the increase in business.

So, what would Larry tell other businesses in a similar situation? "This service could not be working any better for us. If you're importing goods that have to be paid for in advance," he says, "UPS Capital Cargo Finance makes a lot of sense."



How to turn your in-transit inventory into working capital.

UPS Capital Cargo Finance at a glance:

- Upon approval, we'll provide a line of credit ranging from \$300,000 to \$1.5 million.
- Pricing and contract terms are simple and reasonable.
- Payment terms up to 90 days.
- Unsecured lines of credit.

Why UPS Capital? Nobody understands transportation and logistics like UPS. And while you've probably never thought of a UPS company for financing and insurance services, our global supply chain expertise uniquely positions us to help protect companies from risk, and leverage cash in their supply chains. Insurance companies and banks can't say that.

Note: Businesses must be based in the U.S., have a minimum of \$2MM in annual revenue, 3 years of operating history and import goods.

Loans are made in California pursuant to a Department of Business Oversight Finance Lenders License. Products may not be available in all areas and may be modified based on requirements. Check with your UPS Capital representative for local availability. Businesses must be based in the U.S., have a minimum of \$2MM in annual revenue, 3 years of operating history and import goods. Credit availability is subject to approval.

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