

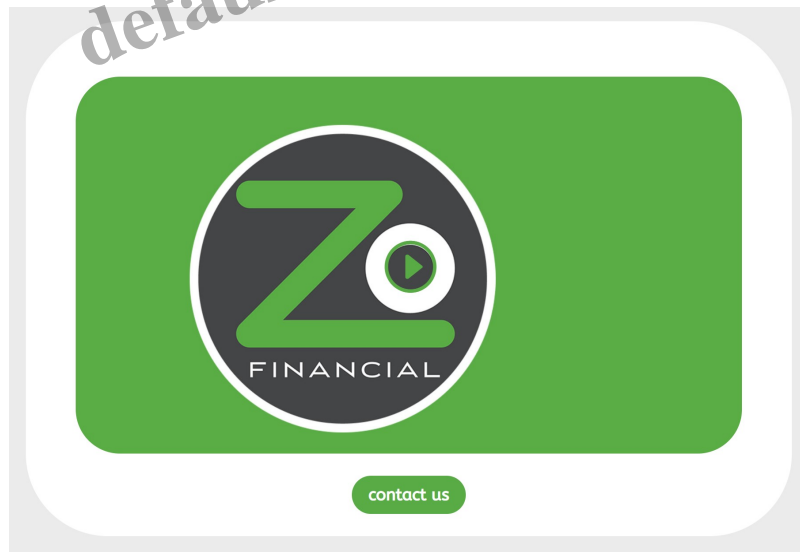


Meeting Economic Challenges

Description

Bridging Businesses and Customers with New Payment Options

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At some point the Southcentral Alaska economy damaged by Covid-19 will recover for businesses impacted by Anchorage Emergency Orders. Loss of both business and customer confidence may require new options to allow commerce between customers who cannot obtain financing due to deflated credit scores and businesses shocked by pandemic mandates.

You might ask: *How might area businesses gain back market share while consumers try to obtain items necessary for return to normal living?*

Buddy Bailey says his company, **Zo Financial**, strives to bridge this mutual need:

We are a virtual lease-to-own company, explained Bailey at his company's booth at the recent Outdoorsmen Show in Palmer. We go into direct retailers who sell items typically between \$150 and \$5,000; a lot of furniture, electronics, rims and tires, auto accessories, music equipment, things like that. We arrange an agreement with the business owner to provide payment options for these kinds of items.

For Chugiak Eagle River this means businesses hurt by the pandemic can reach more customers. For consumers needing to purchase items they need, this payment option provides a stair-step means to repair bad credit and habituate making payments responsibly.



Currently two Chugiak Eagle River businesses have affiliated with Zo Financial: **Cozy Interiors** and **Team CC Power Sports**.

Here is the best story I can relate, and I think it rings true for many people, said Bailey. A (hypothetical) single mom with two kids—in an apartment or townhome or wherever—is trying to make ends meet, and her washer-dryer goes out. What happens next? I guarantee she has not been able to save for such a problem. She cannot find credit, and we become the guys who say “yes we are going to help you make it happen.” We spread payments out over 12-months, and give her ways to make it affordable, to make sure her kid's clothes are clean.

What's the catch?

It is an interesting fact that that 53 percent of all credit applications submitted to traditional banks today in the United States are declined, replied Bailey. That's not because people aren't making enough money, it's because we are living in a weird world right now. Many are declined because those banks are looking for a particular profile. Additionally due to the world we are in a vast majority of US credit scores have been downgraded, reducing buying power for consumers who have needs.

Our model says, “all the applicant must have is \$1,000 going into their bank account monthly and no excessive overdrafts of the account,” continued Bailey. If they can say yes to that we will approve, and it is just a matter of how much. We are typically helping people who are sub-prime to deep sub-prime based on their credit scores. We are typically helping people buy the things they need, build their credit, with no interest—there are fees involved, but no “interest.”



Bailey explained: *Our world doesn't have an interest rate; it is called a **Lease Factor**. We accept that we are taking the bottom of the barrel of credit score risk—and we are the most affordable in the credit market—we have confirmed that, at 2.04. So, if somebody makes a \$1,000 purchase and goes 12 full months, they will be paying over \$2,000 for that item. Now, if the lease-purchase is paid off in 90 days, there are no fees at all. But one day past 90 days makes the borrower beholden to the whole amount. Even then we give massive discounts for paying it off on day 91, day 96, day 120. We have automated calculations built in to encourage paying it off fast.*

About a dozen Chugiak Eagle River businesses have potential for signing up for Zo Financial purchase options. Bailey estimates 30-40 Anchorage area businesses will qualify for this payment option under the current business model. He also sees the possibility of expanding that model.



Buddy Bailey is spokesman for his family business, *Bailey's Home Furnisings*.

How does it work for businesses?

Our system is pretty amazing, said Bailey. We can input a business into our system—they don't pay us anything—and within 24-hours we will increase their business 10-20 percent. To me, that is a no-brainer. If there is a business out there that is not offering a service like this, whether with me or with one of my competitors, they are missing the boat.

Bailey first recognized the need for such a payment option as manager of his family's business, **Bailey's Home Furnishings**: *13 years ago I saw a company we were working with then—what they were doing and how their model worked—and I saw some things I thought could be improved. Over this time we have built a lot of software and we are a live company now helping businesses in Alaska, he explained.*

Here is the dynamic: *Think get somebody in the door; pr afford for anybody to turn ar*

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It is one thing if somebody walks out because you didn't have the selection or didn't carry the item, right? That is kind of uncontrollable, Bailey continued. But to have somebody walk through the door and want an item, and get declined by a bank, and not have a back-up option for them IS controllable. Otherwise, the potential customer just says: "well I'm just going to have to go to somebody who can help me with creative payment options."

So, our model is a “back seat” option to the traditional lenders—those with super low interest rates who want borrowers with good credit, said Bailey. But, when potential buyers are declined, we say: “We can help them out, we’ll pick them up.” It’s called “waterfall financing” in which the best is direct cash or credit (card), then next is a commercial lender (bank/credit union), and we are what is known as the tertiary option; we pick up what is left in the marketplace.

Bailey continued: What that means to a business owner is, if they have never offered this option, they will see a 10-20 percent increase in their business overnight. That is a massive change in a world where covid has resulted in a 30-50 percent decrease in business.



Plenty of Anchorage businesses may need this option once the free government money is over, and Bailey says his team has researched a possible 400 or more businesses throughout Alaska that might get on the bailey band-wagon.

Right now we have 17 businesses in Alaska and just this weekend at the Outdoorsman show we added another 6. By next week we will have 23, he explained. By the end of the year—because we will be scaling outside of Alaska—I can justifiably say we will have 150-200 retailers on our system, offering creative payment options.

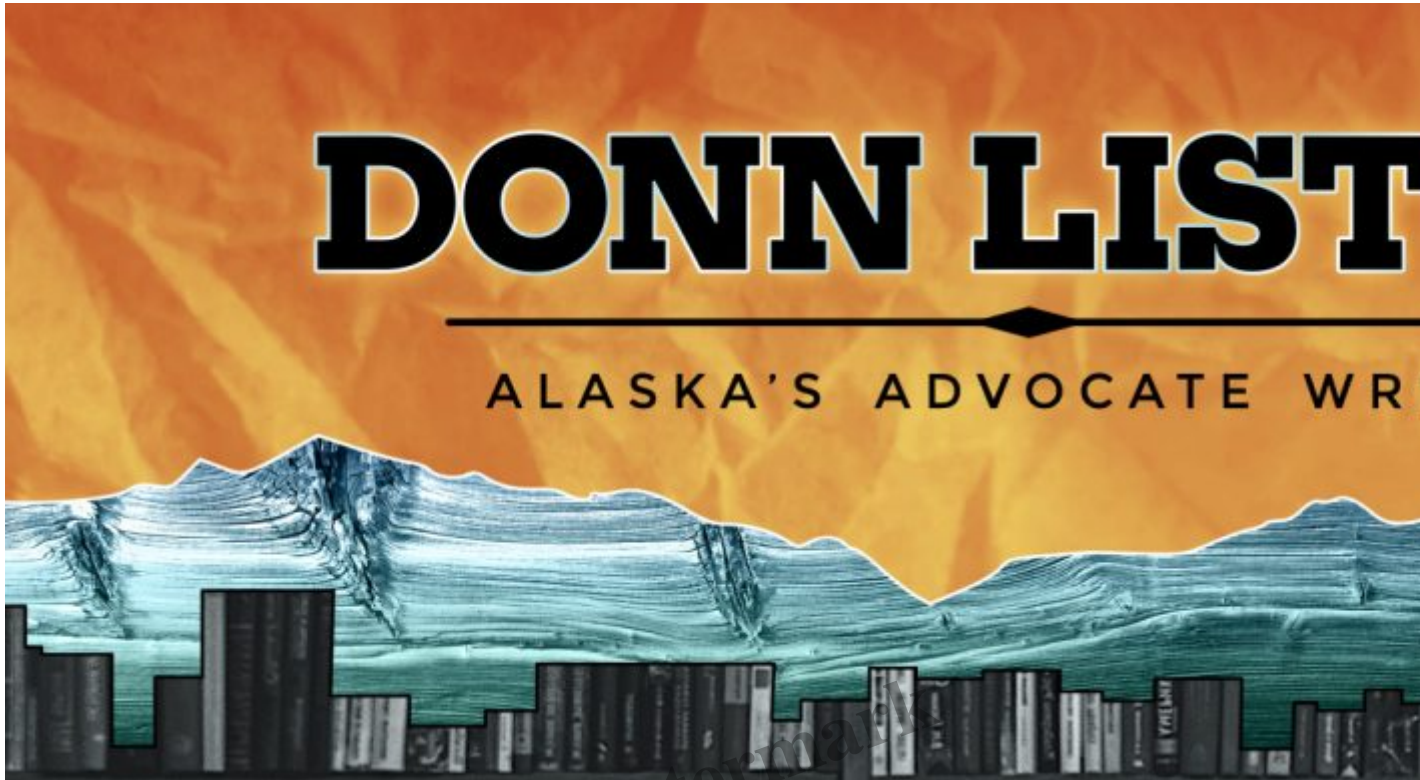
Buddy Bailey the man.



Some of us have watched Bailey as a student in Anchorage schools, and spokesman for the Bailey family business, and might remember he was a pretty good athlete.

I am a basketball nut; I've gotten to play a lot of basketball in my life. High school, college and a little bit of semi-professional, and I still mix it up at the local rec center when I can, he admitted with a hearty laugh. He has two children.

I am a very faith-driven man and my drive in life is to help people, and to love other people, Bailey concluded. I could be wrong about this but I believe we will be wildly blessed for taking care of our community and the people around us. I think we are going to do very well at this.



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