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Are Demands For Longer Terms Likely to Ratchet Up Even More?

We pay attention to all kinds of experts out there. And we always look for the best and brightest and often those with different views of what is going on.

One such person is a stock market writer named Eric Cinnamond, editor of the blog "Absolute Return Investing." His focus is financial, specifically investing and the economic fundamentals that relate to the stock market. For a while now, he has been of the mind that the stock market is too high and he is basically sitting out.

But he continues to write his regular blog. And to do so, he has been spending lots of time reading and analyzing transcripts for company earnings calls. After digging in on many, he has come to the conclusion that inflation is on the move. Based on his "bottom-up analysis, inflation is in the pipeline and the upward trend remains uninterrupted."

On Friday, he noted that, he had reviewed several conference calls that morning and all reported "cost pressures and intentions to pass on price increases." So, what does this mean?

- A tight labor market. He cited a comment from a Packaging Corp of America exec, who noted "a labor factor that we haven't seen in this country for probably 20 years."

- Greater price increases than we have seen for quite some time -- and the ability to absorb those increases. On this point, Cinnamond quoted Kennametal's earnings call where their official observed that "of course no customers are really excited about getting a price increase, but I think many of them expect it because there's increased level of activity. Many customers have not had a price increase for four or five years."

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March Dates To Remember:

11th: Daylight Saving Time Begins
17th: St. Patrick's Day
20th: Spring Begins
25th: Palm Sunday
30th: Good Friday

Are Demands For Longer Terms Likely to Ratchet Up Even More? (Continued)

What is so significant about all of this? Cinnamond is now "increasingly confident in a few things."

"First," he writes, "wage pressure and price increases are relatively new economic variables for many businesses this cycle." (He began noticing this in 2017.)

"Second, the job market is very tight for skilled and entry-level labor. Packaging Corp's comments on the labor market are similar to those of many companies in need of skilled employees." Third, he's "not expecting the trend in inflation to reverse in the near future," as he believes "cost and wage pressures remain in the pipeline (inflation lag is noticeable)."

"And finally," he observes, "inflation etiquette and psychology is changing. As Kennametal's comments imply, asking for a price increase is no longer taboo, but in some cases expected." In his opinion, "barring an economic shock or sharp decline in asset prices, the new trend in costs, wages, and prices is not going away after one jobs or inflation report."

We agree with his conclusions. But we will add one more that is particularly relevant to credit execs: given this scenario, we certainly expect that demands for longer terms will only increase as cost pressures increase and interest rates rise.

Originally published February 2018.
Source: Credit Today's Tip of the Week

"Let it Roll"

We move around in our jobs from day to day, handling the technical side of our craft, managing the largest single asset out there -- accounts receivable. Trade accounts receivable. It's sometimes a thankless job, fraught with risk and second guessing.

So sometimes it helps to just step back for a moment to reflect on just how important the entire concept of CREDIT is. Credit, you see, is the oil that lubricates the economy. It allows things to happen that never would happen without it. We're all incredibly better off because of our system of sound credit.

Credit is a critical part of MARKETING. Doubt me? Read on…

I was driving along the other day listening to the radio and heard the end of an interview with Fred Turner, co-founder of the Canadian classic rock band Bachman Turner Overdrive.

Growing up in Winnipeg, Manitoba, he played his sister's accordion. However, when he saw Elvis Presley on the Ed Sullivan Show, with his *guitar*, that changed his life! Soon afterwards, he relates, he took his sister's accordion down to a store called Winnipeg Piano and traded it in for a Les Paul Junior guitar and a little Gibson amp. His father was livid.

The accordion was not enough to cover the cost for the guitar and amp. So the owner of the store sent him home with a contract for his father to co-sign. His father looked at him and said, "You're crazy, you'll never pay this thing off, I'm not signing this!"

So he had to take the guitar and the amp back to the music store. The owner of the store looked at him said, "Your dad's not gonna sign? I'll tell you what, kid. You come in here every Saturday, if you've only got a quarter in your pocket, you give me that quarter, and you take these home with you."

Continued Turner with a laugh, "I bought a lot of instruments from that store afterward!" So

there you have it. No money. No collateral. An irate dad. But still giving the kid a chance based on gut instinct. And it worked out quite nicely for both sides of that first transaction on credit for BTO's lead singer.

Talk about changing the world and bringing good will to millions of people. Talk about great *marketing*!

And if you are not in the office yet or have some head phones handy, here's a little inspiration to remind you of the great benefits of credit, with Fred as lead singer:

Bachman Turner Overdrive: Roll on Down the Highway

Source: Credit Today's Tip of the Week

Staff Benchmarking Data: Staff Handling Billing by Number of Active Accounts

On average, across all credit departments, according to Credit Today's Staff Benchmarking Survey, the number of staff (in "FTEs) deployed in the billing function is 3.3, while the median (the number at which half are more and half are less) is 1.

Of course, an "overall average" for all credit departments is relatively meaningless. Our survey shows a range of from close to zero to as high as 150 staffers!

Interestingly, like all positions we measured in this year's survey, the average has increased fairly dramatically since the depths of the "Great Recession," during which time the average was just 1.6 FTEs ("Full Time Employees"). So that tells us that management is recognizing increased workloads - and allowing more appropriate staffing levels.

We've chosen this metric to highlight today because in recent years, we've seen many credit departments either using invoicing outsourcers or considering them. So clearly, this is a relatively labor-intensive and process-oriented function.

The following chart breaks down the staffing levels by both industry and number of active customers.

Chart on Page 5…

Originally published November 2017
Source:Credit Todats 2017 Staff Benchmarking Survey

Number of Customers	Industry	Average	Median	Min	Max	Responses
Less than 1,000	Mfging - Consumer Product	1.4	1.0	0	4	19
	Mfging - Industrial	1.9	1.5	0	6	18
	Wholesale / Distribution	1.2	1.0	0	4	12
	Construction	.6	.6	0	1	4
	Energy	2.5	2.5	1	4	2
	Services	3.0	3.0	1	5	2
	Other - Write-in	1.5	1.0	0	5	9
	Total	1.5	1.0	0	6	66
1,000 to 4,999	Mfging - Consumer Product	1.8	1.0	0	21	32
	Mfging - Industrial	1.0	1.0	0	4	16
	Wholesale / Distribution	1.1	1.0	0	6	33
	Construction	2.0	2.0	0	5	11
	Energy	2.5	2.5	0	5	2
	Services	1.7	2.0	1	2	3
	Other - Write-in	2.0	1.0	0	6	11
	Media	2.0	2.0	2	2	1
	Total	1.5	1.0	0	21	109
5,000 to 25,000	Mfging - Consumer Product	2.8	1.0	0	15	10
	Mfging - Industrial	6.2	2.5	1	15	3
	Wholesale / Distribution	2.8	1.0	0	19	19
	Construction	31.8	7.8	0	150	6
	Energy	8.0	8.0	8	8	1
	Services	9.5	8.5	1	20	4
	Other - Write-in	14.4	4.5	0	100	10
	Media	.0	.0	0	0	1
	Total	8.9	1.0	0	150	54
More than 25,000	Mfging - Consumer Product	1.3	1.0	0	3	4
	Wholesale / Distribution	3.3	2.0	0	10	7
	Construction	12.0	12.0	2	22	2
	Services	8.8	8.8	3	15	2
	Other - Write-in	1.3	1.0	1	2	3
	Total	4.1	2.0	0	22	18
Total	Mfging - Consumer Product	1.8	1.0	0	21	65
	Mfging - Industrial	1.9	1.0	0	15	37
	Wholesale / Distribution	1.8	1.0	0	19	71
	Construction	10.4	2.0	0	150	23
	Energy	3.6	4.0	0	8	5
	Services	6.0	2.0	1	20	11
	Other - Write-in	5.6	1.0	0	100	33
	Media	1.0	1.0	0	2	2
	Total	3.3	1.0	0	150	247

Educational Update:
Credit Research Foundation Webinars

March 2018:

Available Anytime: How to Write A Credit Policy

It is very simple to participate: Go to http://www.crfonline.org and click on the Webinars.

Webinar: March 15th: A Case Study in 5 Hidden A/R Costs That Eat Away Your Bottom-Line

Forum: March 19-21, 2018—Marriott Riverwalk—San Antonio, TX
Forum & EXPO: August 13-15, 2018—JW Marriott Grande Lakes—Orlando, FL
Forum: October 22-24, 2018—Marriott Downtown @ City Creek—Salt Lake City, UT

For additional information go to http://www.crfonline.org/events/current.asp

The following webinars are being offered by NCS Credit to register for these go to: www.ncscredit.com

NCS®
Securing Your Tomorrow

March 6, 2018
Webinar: Implementing A UCC Program: Overcoming Obstacles

March 20, 2018
Webinar: Implementing a Lien/Bond Claim Program: Overcoming Obstacles

April 3, 2018
Webinar: UCC Remedies Upon Debtor's Default