How Credit Managers Help Pros Make Profits

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CREDIT has done a thousand times more to enrich mankind, Daniel Webster once observed, than all the gold mines in the world.

Had Webster lived in an era when jail cells were the order of the day for debtors, he probably would have been inclined to have added the adjective "good" at the beginning of his observation. For in the years that have intervened between Webster's day and ours, good credit has come to be recognized as basic to profitable sales.

That's because most business in the American way of life is transacted largely on credit. As a golf goods manufacturer and a supplier, we must of necessity be interested in the pro's business integrity and ability because between the time we make a shipment to the pro and our invoice is paid, we are actually making an investment in the pro's business enterprise.

Many definitions have been made for the word credit. Actually, the elements that go into establishment of credit are more important than any attempt to define the word. Character is one of those elements. So are capability and capital. But the biggest "C" in the word is confidence — a knowledge, or conviction, that your word is your bond. Without that factor present, character, capability and capital mean nothing.

Any credit man will tell you that there is only one way to earn and hold the credit confidence of your suppliers — to deal with them honestly, to give close attention to your business affairs and meet payments on your accounts satisfactorily. Because of the very nature of the average golf professional's job, giving business activities the close attention required often is one of the toughest tasks they face.

If the pro could ask the average successful big businessman, he'd probably find that behind the man's success lies a very small beginning, often without enough money to open a checking account and certainly not enough to get more than a shudder from a conservative banker. Yet some credit man has believed and extended the credit facilities necessary for the jump into that small start.

If that credit trust has not been violated, the little business has been able to grow and prosper. And the faith that only the credit man held has been responsible for another business enterprise getting a leg up on the road to success.

Similarly, credit men want to help you, if you will but accept their help. Brief thought will make it obvious that a helpful credit policy of the manufacturer paves the way to mutual sales profits. Unless you are able to obtain and sell the golf equipment we manufacture and make a reasonable profit, we can't expect a return on our job of purchasing raw materials, processing them and turning the finished product over to you for sale to the consumer.

A basic ingredient in any helpful credit policy is a reputation of being generous in times of unavoidable misfortune. It is only when the manufacturer runs into the rare instance of a customer fraudulently attempting to take unfair advantage that the credit men have to shed the preferred attitudes of helpfulness and generosity and don an armor of toughness.

To be careless or lax in meeting your credit obligations quickly impairs your credit rating, with your shortcomings — because of present day credit reporting systems — rapidly becoming an open book to all your business associates to see.

Profit in Good Credit

When you, as a customer, open an account, there is an implied promise to pay the account according to the supplier's terms. Pending receipt of your payment, the credit man is, in effect, trusting you with the investment of the stockholders in the company for which he works. Where any deviation from the promise to pay arises or when need for delinquency arises, the deviation or delinquency should be explained to the credit man on your own initiative — not after he has been forced to ask for an explanation.

There's an additional reason for prompt payment — availability of a gilt-edged investment which can bring you a return of up to 24 per cent per year on your money.

What you may think is a gimmick actually stares you in the face every day on practically every invoice you receive. It's the customary notation "Terms 2%." Suppose your average accounts payable each month total $2,000, or a capital investment turnover every 30 days. If you take that 2% discount, you have earned $480 at the end of the year — or 24 per cent.

Maybe you're in the position of many of our customers who, because of necessarily seasonal buying, have heavy maturities during certain months of the year. On the face of it, the size of those maturities makes discounting absolutely impossible. But a bank loan — available if your credit is good — will give you money at an interest rate, say of 6% a year which will pay you a return of 24% a year. You are still 18% ahead. So the next time you are inclined to pass up that extra 2% profit on a shipment, discussing a short term loan with your local banker may pave the way for substantial dividends.

Undoubtedly you may wonder how a manufacturer can offer you 24% a year for prompt payment of your account whereas your own savings at a bank will only bring a return of around 3%. The explanation is simple. A bank's stock in trade is dollars, on which it has an annual one-time turnover and on which it earns possibly 6, 7 or 8%. The money has to come from depositors. A supplier of merchandise, on the other hand, operates his business on a greater number of turnovers on his inventory during the course of a year. The supplier can thus afford a higher rate of return in order to turn the customer's money into additional finished products and gain more new merchandise and sales.

Saving That Cuts Costs

That 2% savings, while it may seem small, can be used another way in cutting your costs and increasing your profits. It's no secret that in recent years transportation costs on shipments have climbed steadily. Those costs have risen to the point where they have actually become a sizeable expense factor in the operation of a business.

If you pay your bills promptly and take advantage of the 2%, you'll find that the amount of that earning will get your shipments "home free" by offsetting the transportation charges. Thus the customer who fails to discount is bound to pay a second premium, in transportation costs, for obtaining this merchandise — another premium the customer who pays promptly escapes. And every such premium has to come out of your margin of profit.

Paying up promptly has another advantage that can pay you big dividends. It affects your relationship with a supplier when it comes to decisions on attractive selling offers, such as close-out merchandise. If you have a good credit rating you are considered as a preferred customer when it comes to making available first class merchandise at a price designed to attract new customers but still allow you a normal or better than average profit.

The manufacturer's price on such merchandise is usually placed at rock bottom, to clear an inventory, and in many cases the price amounts almost to a trade of dollars. The emphasis is on almost immediate conversion to cash, and the A-1 credit rating will channel the merchandise to the customers who pay promptly simply because the manufacturer cannot afford to put on his books the kind of a sale in which it is a foregone conclusion that a wait of 60, 90 or 120 days can be expected before the bill is paid.

So a record of slow payments may enable another pro shop to reap a harvest of profits while you sit back and wonder why the "lightning" couldn't have headed toward your shop instead!

What, then, are the facts the credit man takes into consideration in weighing your credit rating on his credit scale?

You balance on the favorable side if you pay promptly and take the discounts to which you are entitled, if you answer letters promptly, if you explain deductions when payments are made, if you show evidence of being an efficient manager, if you have sufficient capital, if you collect money owed you promptly, if you make the proper markup, if you have a planned business operation, if you keep a proper set of books, if you are aggressive but conservative, if you buy intelligently and if you carry adequate insurance coverage.

You may wonder why we are concerned with your bookkeeping and your insurance coverage. They go to the very heart of your credit standing. Suppose a fire, a burglary or a dishonest employee left you practically closed out of business tomorrow morning. What could you do to rehabilitate your business immediately? Proper insurance coverage — and by that I mean not as things stood one or two or three years ago but as they stand as of this moment — is the only answer. An up-to-date appraisal and full coverage is protection you owe not only to the people to whom you owe money but basically to yourself.

Bookkeeping Tells the Score

Similarly, in the case of inadequate bookkeeping. What way do you have, in the absence of an accurate set of records, for charting the operation of your business, for watching its pulse for signs of illness, for controlling income and outgo and of preventing complete confusion in the event of your sudden illness or death? If you can't find the time to supervise the bookkeeping work first-hand and can't assign the responsibility to someone in your organization, hire it done! The cost will be very small in return for the value you will receive in knowing every month just how you are doing and what minor weaknesses in your business must be corrected before they become serious.

To acquire a poor credit rating in record time, on the other hand, you need only establish the practice of taking unearned discounts, ignoring letters and assuming a "they should know why" attitude, of paying slowly, of running a sloppy place of business, of lacking capital, of taking too little interest in collecting money due you, of cutting prices, or keeping inadequate records and carrying too little insurance, of gambling and drinking excessively, and of being willing to give an order to anyone who will extend credit.

Accept the idea that your credit manager friend is a quarterback who passes the ball to you to carry, and who will let you run with the ball — even providing a few key blocks along the way — as long as you give evidence that you are running toward the goal of success in business. Then you'll do much to retain good credit — which in the last analysis is man's confidence in man.

Three Ideas that Made Maintenance Better

BY JAMES W. BRANDT
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SOME IDEAS I've got at golfturf meetings I know will help others as much as they have helped me in solving problems at our own club.

I believe that the rinsing off of greens during the past two exceedingly hot summers has been most beneficial.

We were given concrete evidence that this greatly reduces the temperature of the soil and grass at the recent Field Day at Purdue University. By using recording thermographs and thermocouples buried in the soil it was shown that this practice has reduced the temperature as much as 12 degrees at the soil surface. As we well know, the soil temperature is often much greater than the air temperature.

Last year I saw the Verti-Cut demonstrated the first time in our area at a superintendents' meeting. Our greens had not been topdressed in quite a few years and a thatch problem was present. By Verti-cutting two ways at right angles, using a leaf sweeper, then mowing, as much as a pick-up truck load of grass was removed from some of the larger greens that run a little over 6,000 sq. ft. in area.

Subsequent Verti-cutting and aerification greatly reduced this thatch build-up. This has minimized complaints about greens being hard even though greens were not kept as wet as they were prior to the thatch removal. Although I had used a preventive spray program the year prior to the thatch removal some brown patch occurred, but after the thatch was removed, no brown patch has occurred.

I have also used the practice of "foliant feeding"; light rates of water soluble fertilizers were sprayed on the greens at weekly intervals without watering in. This was not combined with the preventive spray program. Though very light fertilization was used in the spring the greens maintained a good color and grew exceedingly well throughout the summer months.

Our greens are Washington bent and are slow starting in the spring. I feel as though a heavy spring fertilization would push the growth of poa annua rather than the bent.