

How can a tiny price increase safeguard your business from a big cost?

By Kirk Cheesman MICM*

Everyone has seen the raft of price increases of late and, as everyday consumers, we just have to simply wear those costs.

We've all heard reasons such as Covid, international shipping, bad weather, Russia/Ukraine war, oil prices, inflation, rising interest rates, weak Aussie dollar – and so the list goes on.

Let's focus on several examples regarding building costs in Australia...

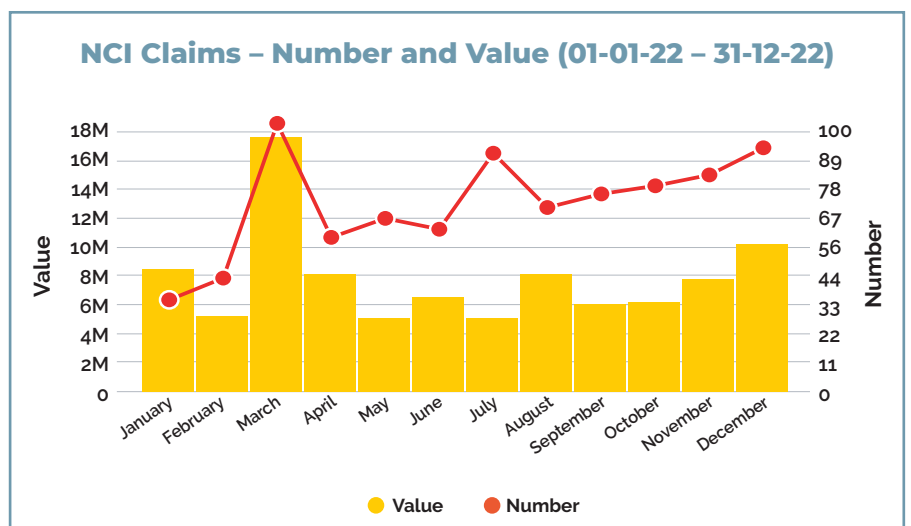
- Timber – up 20.6%
- Steel – up 42.1%

- Plumbing – up 11.5%
- Tiles & Bricks – up 12.6%
- Glass – up 14.0%
- Insulation – up 14.0%
- Paint – up 9.8%
- Labour....!

These increases are where we are experiencing the 'pain points' in the building and construction industry, hence why we are seeing many large building companies collapse. They cannot fulfil their fixed price building contracts and subsequently they become insolvent.



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Speaking to many Australian businesses, we understand that adding a small increase wouldn't necessarily mean that they lose a client. But, how could a tiny price increase safeguard a business from bad debt?

The cost of Trade Credit Insurance is typically between 0.05% – 0.5% (depending on risk profile, risk share, scale and bad debt history). Heading into 2023, trade credit insurance is a must-have tool in protecting any business if one of its largest clients goes bust owing them money.

So, what do you get for this tiny cost? Along with a raft of benefits, trade credit insurance means that your business can:

1. Trade securely with new and existing clients
2. Take on new contracts that you otherwise might have rejected
3. Help improve and bolster credit management procedures
4. Give you a competitive advantage in the marketplace
5. Ensure you have the latest information on your customers

NCI claims have been at all-time lows since the Government introduced Covid relief measures, however this year we have seen the number of incoming claims steadily increase. December 2022

numbers are 152% greater than we recorded in January 2022.

Economic indicators are pointing towards an increase in insolvency numbers in 2023, and certainly our claim numbers throughout 2022 support that view.

Any business turning over more than \$1.5m in sales that sells B2B and raises invoices for their products or services, should consider trade credit insurance for protection against non-payment.

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