Performance Analysis Report

2007

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Prepared By
Profit Planning Group

PROFIT PLANNING GROUP
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February 1, 2010

Dear Participant,

Thank you for participating in this year's survey. The following document is a confidential report comparing your results to other participants.

This report can only be as accurate as the data submitted for your firm. The analysts working on this project exercised the utmost care in coding and analyzing your data to provide the most accurate set of comparisons possible. However, since the data you provided were not necessarily based on audited financial statements, we can make no warranties with respect to the information contained in the report.

If you did not provide complete information, those missing values are coded as not available (N/A). You may submit additions or revisions and we will re-run your report. Since this requires special processing, the fee for this service is $200 payable by you directly to Profit Planning Group.

If you have any questions about the information that follows, please fax them to us and we will be delighted to respond to your inquiry.

Sincerely,
Profit Planning Group

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Section 1: Introduction

This report is designed to help your firm strengthen it's financial position by providing an analysis of your firm's financial performance in comparison to the performance of all other participating firms.

ABOUT THIS DOCUMENT

To aid your analysis, this report is organized into the following sections:

Section 1: Introduction
This section focuses on a summary of key financial data and the firm's performance scorecard.

Section 2: Detailed Results
This section provides detailed comparisons between the firm and other participants including the typical firm and the most profitable firms.

Section 3: Trend Analysis
For firms that have participated in the past, this section presents a comparative overview of financial results over time to provides long term insights into the firm's performance.

Section 4: Planning For Improved Results
This section presents an Action Plan of recommendations developed specifically for your firm.

EXPLANATION OF STATISTICS

Medians
Most of the figures presented in this report are based on median results. A median value is the middle value from the list of all reported values sorted from highest to lowest. Unlike averages (means), medians are not influenced by extreme highs or lows. Medians are, therefore, the preferred statistic for this analysis since they best represent a typical firm's results.

High Profit Firms
The high profit category includes the top firms based on pre-tax return on assets (ROA).

FIFO Adjustment and Averages for Inventory, Accounts Receivable, and Accounts Payable
If LIFO reserve data were collected, firms were adjusted to FIFO impacting cost of goods, gross margin, and inventory. If available, ratio calculations use average values for inventory, accounts receivable, and accounts payable. Values used for this firm were $3,776,878 for cost of goods, $1,937,353 for gross margin, $610,773 for accounts receivable, $1,190,325 for inventory, and $429,771 for accounts payable.

PERFORMANCE SCORECARD

The performance scorecard on the following page graphically shows, item by item, where your firm stands in relation to all participating firms. This standing is the percentile rank of your result for an item in the list of all results reported for that item. The rank places your result into one of four quartile classifications labeled INSPECT, FAIR, GOOD, and STRONG. Note that INSPECT does not necessarily indicate that your result is a problem but the majority of firms do produce better results for these items. These items may require a more detailed analysis within your firm.

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Performance Scorecard: Your Firm Compared With All Participants

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Summary Financial Results

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Sales Volume	$13,491,000	$17,851,115	$5,714,231	$9,602,615	$5,714,231
Strategic Profit Model Ratios					
Profit Margin (Pre-tax)	3.3%	9.3%	2.4%	2.8%	1.4%
Asset Turnover	2.8	3.0	2.4	2.6	2.8
Return On Assets (Pre-tax)	9.2%	27.9%	5.8%	7.3%	3.9%
Financial Leverage	1.9	1.8	1.8	1.9	2.8
Return On Net Worth (Pre-tax)	17.5%	50.2%	10.4%	13.9%	10.7%
Income Statement					
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	64.9	65.3	59.1	60.6	66.1
Gross Margin	**35.1**	**34.7**	**40.9**	**39.4**	**33.9**
Operating Expenses					
Payroll Expenses	22.5	19.0	26.2	27.6	23.7
Occupancy Expenses	2.8	2.1	4.5	3.5	3.0
Other Operating Expenses	6.6	4.6	7.9	5.6	6.0
Total Operating Expenses	**31.9**	**25.7**	**38.6**	**36.7**	**32.7**
Operating Profit	**3.2**	**9.0**	**2.3**	**2.7**	**1.2**
Other Income/Expenses	0.1	0.3	0.1	0.1	0.2
Profit Before Taxes	**3.3%**	**9.3%**	**2.4%**	**2.8%**	**1.4%**
Financial Ratios					
Current Ratio	2.1	2.1	2.6	2.2	2.8
Quick Ratio	0.8	0.9	0.9	0.8	0.9
Accounts Payable To Inventory	33.4%	33.9%	32.0%	26.0%	36.1%
Accounts Payable Payout Period (Days)	37.2	32.5	29.2	33.1	41.5
Debt To Equity	0.9	0.8	0.8	0.9	1.8
EBIT To Total Assets	10.9%	29.1%	7.4%	9.1%	7.0%
Times Interest Earned	6.5	24.3	4.4	5.0	2.3
Asset Productivity Ratios					
Average Collection Period (Days)	40.8	42.3	39.8	36.2	39.8
Inventory Turnover (Times)	3.4	3.7	3.2	3.3	3.2
Inventory Holding Period (Days)	107.4	98.6	114.1	110.6	115.0
Gross Margin Return On Inventory	207.7%	240.5%	208.3%	193.5%	162.8%
Growth & Cash Sufficiency					
Growth Potential Index	12.4%	32.2%	9.8%	12.4%	1.5%
Cash Cycle (Days)	111.0	108.4	124.7	113.7	113.3
Cash To Current Liabilities	13.4%	20.1%	24.2%	12.8%	0.0%
Defensive Interval (Days)	10.8	33.2	25.3	9.4	0.0
Sales To Working Capital	5.6	5.8	4.9	5.2	4.8
Operating Productivity Ratios					
Sales Per Stockkeeping Unit (SKUs)	$817	$1,300	$496	$697	$635
Inventory Per Stockkeeping Unit (SKUs)	$174	$220	$101	$145	$132
Sales Per Order	$789	$870	$897	$372	$1,905
Employee Productivity Ratios					
Sales Per Employee	$272,153	$299,246	$235,065	$198,874	$190,474
Gross Margin Per Employee	$96,816	$124,219	$90,071	$79,105	$64,578
Payroll Per Employee	$61,759	$70,263	$55,912	$50,746	$45,133
Personnel Productivity Ratio	64.1%	54.7%	64.1%	70.0%	69.9%

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Section 2: Detailed Results

To facilitate comparisons, data in this section of the report is organized into the following columns:

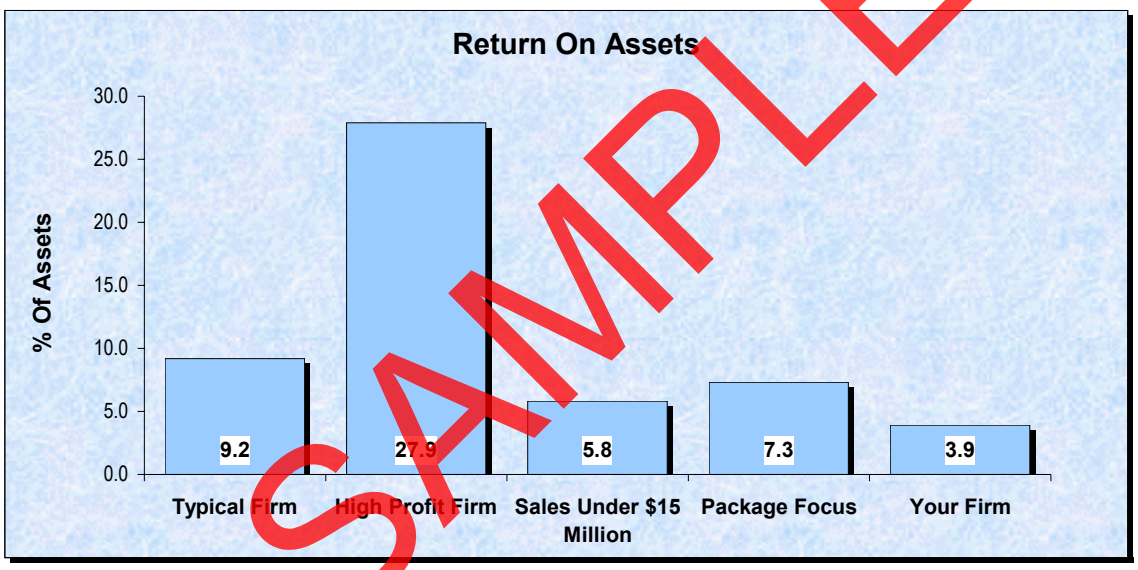
Typical Results
The *Typical Firm* column presents figures based the medians of all participating firm's.

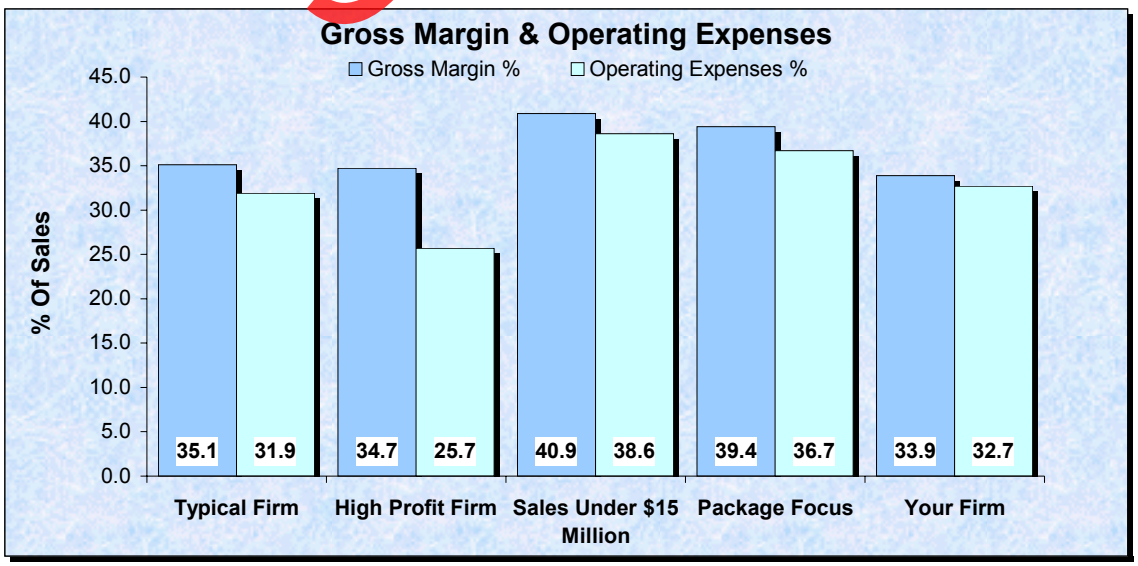
High Profit Firms
The *High Profit Firm* column includes the top firms based upon pre-tax return on assets.

Sales Volume
This column presents median based results for firms in the category *Sales Under $15 Million*.

Sales Mix
The *Package Focus* column reports medians for all firms with this sales mix. Firms were classified based on the concentration of bulk sales versus package sales.

Your Firm's Results
The final column presents the figures reported for *Your Firm*. If LIFO reserve data were collected, firms were adjusted to FIFO impacting cost of goods, gross margin, and inventory. If available, ratio calculations use average values for inventory, accounts receivable, and accounts payable. Values used for this firm were $3,776,878 for cost of goods, $1,937,353 for gross margin, $610,773 for accounts receivable, $1,190,325 for inventory, and $429,771 for accounts payable.





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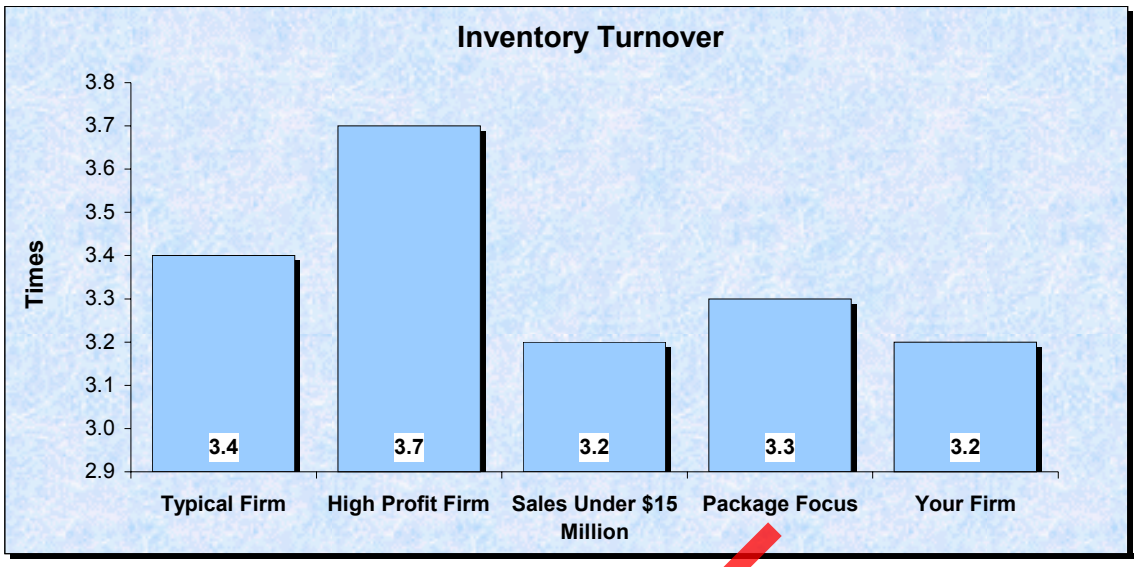
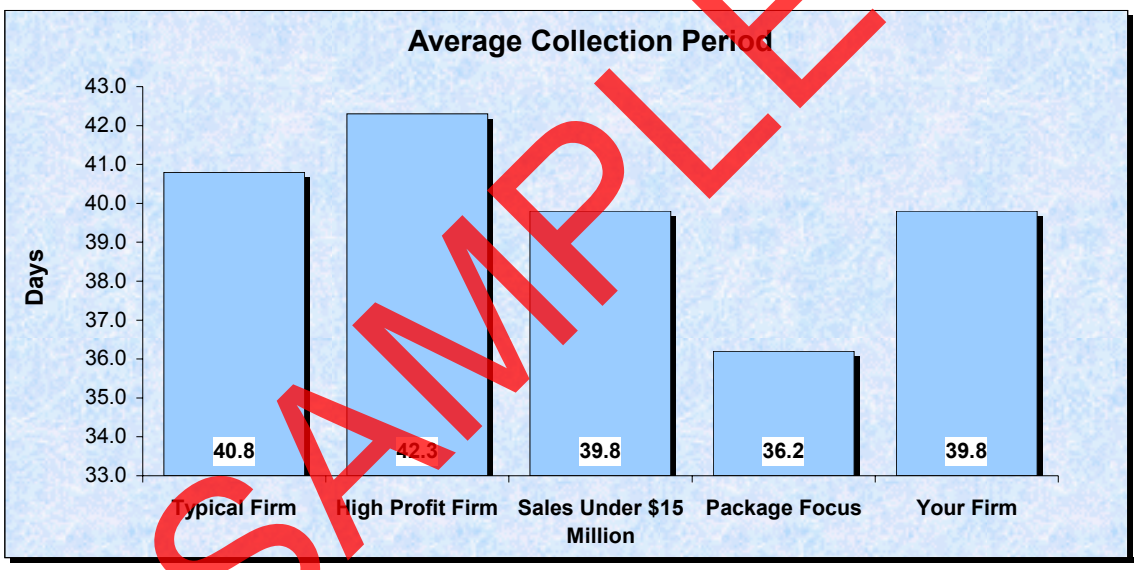

Inventory Turnover
Times
3.8
3.7
3.6
3.5
3.4
3.3
3.2
3.1
3.0
2.9
3.4
3.7
3.2
3.3
3.2
Typical Firm
High Profit Firm
Sales Under $15 Million
Package Focus
Your Firm


Average Collection Period
Days
43.0
42.0
41.0
40.0
39.0
38.0
37.0
36.0
35.0
34.0
33.0
40.8
42.3
39.8
36.2
39.8
Typical Firm
High Profit Firm
Sales Under $15 Million
Package Focus
Your Firm

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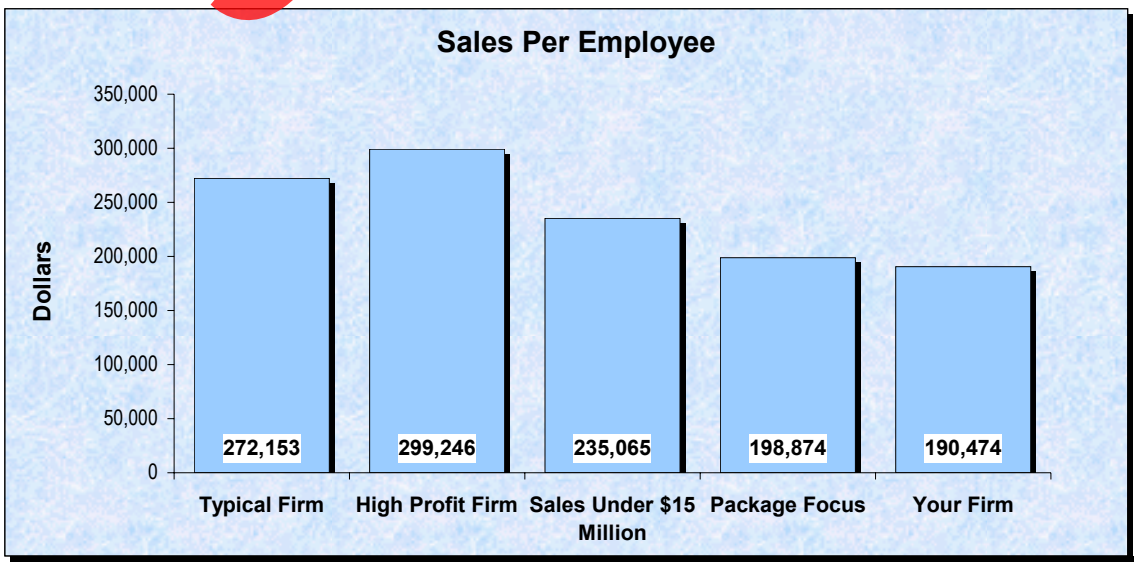
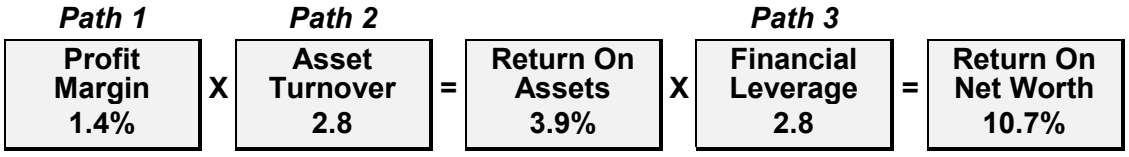

Sales Per Employee
Dollars
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
272,153
299,246
235,065
198,874
190,474
Typical Firm
High Profit Firm
Sales Under $15 Million
Package Focus
Your Firm

Return On Investment

The Strategic Profit Model examines the return on investment performance of your firm in total and analyzes the different factors that contribute to overall results. The model assumes that the firm's primary objective is to achieve a desirable rate of return on owners' investment, commonly referred to as return on net worth (RONW) or return on equity. There are five components to the Strategic Profit Model. Your results are shown below.



The Strategic Profit Model

Two of the components in the model represent return on investment.

Return On Assets = Profit Before Taxes ÷ Total Assets x 100
Return on assets (ROA) is the direct result of the first two components or pathways; profit margin multiplied by asset turnover. The pre-tax return on assets ratio should at least equal the cost of capital. For your company ROA is 3.9 percent.

Return On Net Worth = Profit Before Taxes ÷ Net Worth x 100
Return on net worth (RONW) is a return on investment ratio based on net worth or owners' investment in the business. You should strive for a RONW at least exceeding the return available on risk-free investments plus an incremental rate that offsets both inflation and risk. It should also provide adequate funds to provide for the growth of the business. Your firm has a RONW of 10.7 percent; that is, for every $1.00 of net worth, the firm produced 10.7¢ of profit before taxes.

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The two return on investment ratios are driven by three performance ratios, each representing a different profitability pathway.

Path 1: Profit Margin = Profit Before Taxes ÷ Net Sales x 100
The most important profitability pathway is profit margin management. A profit margin of 1.4 percent means that for every $1.00 of sales the company was able to produce 1.4¢ in profit before taxes.

Path 2: Asset Turnover = Net Sales ÷ Total Assets
The asset turnover ratio measures asset productivity, or how many dollars of sales your company generates per dollar invested in assets. The ratio of 2.8 means that the firm is able to generate $2.80 in sales for every $1.00 in assets. Usually, asset turnover is improved by increasing inventory turnover and by collecting accounts receivable faster.

Path 3: Financial Leverage = Total Assets ÷ Net Worth
Financial leverage measures the extent to which the firm uses outside (non-owner) financing. The higher the ratio, the more the firm relies on outside financing. The ratio of 2.8 times suggests that for every $1.00 in net worth, the firm had $2.80 in total assets. If for every $2.80 in total assets the owners put up $1.00, then outsiders put up the remaining $1.80.

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Strategic Profit Model Ratios					
Profit Margin (Pre-tax)	3.3%	9.3%	2.4%	2.8%	1.4%
Asset Turnover	2.8	3.0	2.4	2.6	2.8
Return On Assets (Pre-tax)	9.2%	27.9%	5.8%	7.3%	3.9%
Financial Leverage	1.9	1.8	1.8	1.9	2.8
Return On Net Worth (Pre-tax)	17.5%	50.2%	10.4%	13.9%	10.7%

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Income Statement

The income statement provides a detailed perspective on your firm's ability to:

- Generate adequate sales
- Produce those sales at a reasonable gross margin
- Control the expenses associated with the sales
- Ultimately produce a profit

In analyzing the sales to profit process it is essential to note how important very small changes can be. For your company, every percentage point increase in gross margin or decrease in operating expenses results in an additional $57,142 of profit.

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Number Of Firms Reporting	23	10	13	12	
Sales Performance					
Sales Volume	$13,491,000	$17,851,115	$5,714,231	$9,602,615	$5,714,231
Sales Growth (2004 To 2006)	8.6%	14.2%	3.5%	8.8%	-8.3%
Income Statement					
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	64.9	65.3	59.1	60.6	66.1
Gross Margin	**35.1**	**34.7**	**40.9**	**39.4**	**33.9**
Payroll Expenses					
Owner/Executive Salaries & Bonuses	3.9	2.7	5.1	5.6	N/A
Sales Salaries, Commissions & Bonuses	5.3	5.1	6.6	6.5	N/A
All Other Salaries, Wages & Bonuses	10.3	8.1	10.4	10.8	N/A
Total Salaries, Wages & Bonuses	19.5	15.9	22.1	22.9	18.7
Payroll Taxes (FICA, Workers Comp. & Unemp.)	1.4	1.3	2.0	2.1	2.3
Group Insurance (Medical, Hospitalization, etc.)	1.2	1.2	1.6	1.9	N/A
Benefit Plans (Firnges, Pension, etc.)	0.4	0.6	0.5	0.7	N/A
Total Payroll Expenses	**22.5**	**19.0**	**26.2**	**27.6**	**23.7**
Occupancy Expenses					
Utilities (Heat, Light, Power, Water)	0.4	0.3	0.6	0.5	0.8
Telephone	0.3	0.3	0.4	0.4	0.2
Building Repairs & Maintenance	0.2	0.2	0.2	0.2	0.1
Rent Or Ownership In Real Estate	1.9	1.3	3.3	2.4	1.9
Total Occupancy Expenses	**2.8**	**2.1**	**4.5**	**3.5**	**3.0**
Other Operating Expenses					
Insurance (Business Liability & Casualty)	0.3	0.3	0.6	0.3	0.3
Depreciation & Amortization	0.6	0.4	0.7	0.8	1.6
Bad Debt Losses	0.0	0.0	0.1	0.0	0.4
Interest Expense	0.6	0.4	0.7	0.7	1.1
All Other Operating Expenses	5.1	3.5	5.8	3.8	2.6
Total Other Operating Expenses	**6.6**	**4.6**	**7.9**	**5.6**	**6.0**
Total Operating Expenses	**31.9**	**25.7**	**38.6**	**36.7**	**32.7**
Operating Profit	**3.2**	**9.0**	**2.3**	**2.7**	**1.2**
Other Income	0.1	0.3	0.1	0.1	0.2
Interest Expense	0.6	0.4	0.7	0.7	1.1
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	**3.3%**	**9.3%**	**2.4%**	**2.8%**	**1.4%**

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Expenses In Relationship To Gross Margin

Gross margin represents the income available after paying for all product purchases. Many firms like to examine expenses in relationship to gross margin. The feeling is that gross margin represents the money available for expenses and profit, so the analysis provides a good basis for control.

One word of caution is in order. Gross margins may vary by an appreciable amount in the industry. Consequently, an expense item that is a low percentage of gross margin may reflect excellent expense control or it may reflect greater success in producing gross margin. The figures must always be viewed in that light.

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Expenses In Relationship To GM					
Gross Margin	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Payroll Expenses					
Owner/Executive Salaries & Bonuses	11.1	7.8	12.5	14.2	N/A
Sales Salaries, Commissions & Bonuses	15.1	14.7	16.1	16.5	N/A
All Other Salaries, Wages & Bonuses	29.3	23.3	25.4	27.4	N/A
Total Salaries, Wages & Bonuses	55.6	45.8	54.0	58.1	55.3
Payroll Taxes (FICA, Workers Comp. & Unemp.)	4.0	3.7	4.9	5.3	6.8
Group Insurance (Medical, Hospitalization, etc.)	3.4	3.5	3.9	4.8	N/A
Benefit Plans (Firnges, Pension, etc.)	1.1	1.7	1.2	1.8	N/A
Total Payroll Expenses	**64.1**	**54.7**	**64.1**	**70.0**	**69.9**
Occupancy Expenses					
Utilities (Heat, Light, Power, Water)	1.1	0.9	1.5	1.3	2.3
Telephone	0.9	0.9	1.0	1.0	0.6
Building Repairs & Maintenance	0.6	0.6	0.5	0.5	0.3
Rent Or Ownership In Real Estate	5.4	3.7	8.1	6.1	5.5
Total Occupancy Expenses	**8.0**	**6.1**	**11.0**	**8.9**	**8.7**
Other Operating Expenses					
Insurance (Business Liability & Casualty)	0.9	0.9	1.5	0.8	0.9
Depreciation & Amortization	1.7	1.2	1.7	2.0	4.7
Bad Debt Losses	0.0	0.0	0.2	0.0	1.1
Interest Expense	1.7	1.2	1.7	1.8	3.3
All Other Operating Expenses	14.5	10.1	14.2	9.6	7.7
Total Other Operating Expenses	**18.8**	**13.3**	**19.3**	**14.2**	**17.7**
Total Operating Expenses	**90.9**	**74.1**	**94.4**	**93.1**	**96.4**
Operating Profit	**9.1**	**25.9**	**5.6**	**6.9**	**3.6**
Other Income	0.3	0.9	0.3	0.2	0.5
Interest Expense	1.7	1.2	1.7	1.8	3.3
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	**9.4%**	**26.8%**	**5.9%**	**7.1%**	**4.1%**

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Balance Sheet

The balance sheet reports where a company's money is invested and how that investment is financed. The balance sheet is a picture of financial position at a specific moment in time.

ASSETS
Assets represent the total investment in the firm. Two very influential accounts to focus on for improved asset productivity are accounts receivable and inventory. These two accounts are important because they are large and they are controllable.

Accounts Receivable, or uncollected credit sales, are dollars currently unavailable to meet cash obligations. Offering credit terms to customers is essentially a tool to facilitate sales. The resulting accounts receivable, however, should be viewed as loans to customers.

Inventory represents the firm's investment in merchandise on hand. Excessive inventory is expensive. Inventory carrying costs may include interest, personal property taxes, markdowns, and shrinkage. However, inventory shortages may hinder sales productivity if out-of-stock items become lost sales.

LIABILITIES AND NET WORTH
Liabilities and net worth are sources of capital that finance company assets. By definition a complete balance sheet requires that ASSETS = LIABILITIES + NET WORTH.

Liabilities are essentially loans from non-owners including suppliers and financial institutions. Of all the outside sources, accounts payable are the most important because these funds are interest-free.

Net Worth is the owners' investment in the firm. It represents paid-in capital, loans from owners, and retained company earnings. Net worth is the only money financing the business which carries no stated return. In fact, return on owners' investment carries 100% risk; it is totally dependent on the financial performance of the firm. Therefore, the rate of return on net worth or owners' equity should be a rate that justifies the risk being taken in the business.

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	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Assets					
Cash & Marketable Securities	5.6%	8.5%	7.9%	4.5%	0.0%
Accounts Receivable	26.8	30.8	23.0	22.6	30.0
Inventory	51.7	50.2	51.6	50.0	59.0
Other Current Assets	1.7	1.2	1.7	1.7	1.7
Total Current Assets	85.8	90.7	84.2	78.8	90.6
Fixed & Non-current Assets	14.2	9.3	15.8	21.2	9.4
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities And Net Worth					
Accounts Payable	18.0%	19.4%	15.9%	14.6%	21.1%
Notes Payable	17.5	15.8	11.0	14.6	6.0
Other Current Liabilities	6.2	7.0	5.8	6.0	5.0
Total Current Liabilities	41.7	42.2	32.7	35.2	32.2
Long Term Liabilities	5.7	2.2	11.7	12.2	31.5
Net Worth Or Owner Equity	52.6	55.6	55.6	52.6	36.3
Total Liabilities & Net Worth	100.0%	100.0%	100.0%	100.0%	100.0%

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Financial Ratios

Suppliers, bankers and outside creditors have a wide range of financial ratios at their disposal to assess lending risks. The ratios on this page are often used to determine asset financing needs.

Current Ratio = Current Assets ÷ Current Liabilities
Current assets produce the cash to pay current liabilities. Therefore, the greater the safety margin of current assets you have with respect to current liabilities, the greater your ability to pay these liabilities. The traditional comfort level for the current ratio is about 2.0. At this level, a company has $2.00 of assets that can be turned into cash for every $1.00 of current liabilities.

Quick Ratio = (Cash + Accounts Receivable) ÷ Current Liabilities
The quick ratio measures a company's ability to pay its current liabilities from its most liquid assets, assets that can be quickly converted to cash to pay bills. Inventory is the least liquid current asset and is excluded from this calculation. A quick ratio of at least 1.0 reflects traditional thinking regarding liquidity.

Accounts Payable To Inventory = Accounts Payable ÷ Inventory x 100
This ratio measures the amount of inventory that is financed by the suppliers of that inventory. The higher the ratio, the more the company is capitalizing on interest-free financing.

Accounts Payable Payout Period = Accounts Payable ÷ (Cost Of Goods Sold ÷ 365 Days)
This ratio measures the timeliness of paying suppliers. The challenge is to pay promptly enough to take full advantage of cash discounts and maintain a sound credit rating, yet negotiate the best terms possible to make effective use of this interest-free source of capital.

Debt To Equity = Total Liabilities ÷ Net Worth
The greater the proportion of its financing that is obtained from owners, the less worry the company has in meeting its fixed obligations. At the same time excessive reliance on owner financing slows the rate at which the firm can grow. The debt to equity ratio shows the balance that management has struck between debt and owners' equity. A mix of $1.00 debt to $1.00 equity is usually considered prudent.

EBIT To Total Assets = Earnings Before Interest And Taxes ÷ Total Assets x 100
EBIT to Total Assets provides a profitability analysis based on operating earnings, before interest and income taxes. This ratio is best compared with a company's annual rate on borrowed funds. If a firm's EBIT to Total Assets ratio is higher than its cost of capital, it can afford to use debt to finance expansion.

Times Interest Earned = (Profit Before Taxes + Interest) ÷ Interest
This ratio measures the number of times earnings before interest and taxes will cover interest payments on debt. It also shows the level to which income can decline before a firm is unable to meet its interest obligations.

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Finanial Ratios					
Current Ratio	2.1	2.1	2.6	2.2	2.8
Quick Ratio	0.8	0.9	0.9	0.8	0.9
Accounts Payable To Inventory	33.4%	33.9%	32.0%	26.0%	36.1%
Accounts Payable Payout Period (Days)	37.2	32.5	29.2	33.1	41.5
Debt To Equity	0.9	0.8	0.8	0.9	1.8
EBIT To Total Assets	10.9%	29.1%	7.4%	9.1%	7.0%
Times Interest Earned	6.5	24.3	4.4	5.0	2.3

SAMPLE

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Asset Productivity Ratios

Asset productivity ratios measure the effectiveness of the firm in managing inventory and accounts receivable. The ratios reveal the amount of sales and gross margin that the assets generate and how long assets are being held and are unavailable to meet cash obligations.

Average Collection Period = Accounts Receivable ÷ (Credit Sales ÷ 365 Days)
This ratio measures the average number of days it takes to collect cash from credit sales (accounts receivable). Generally the collection period should not exceed one and one-third times your regular credit terms. That is, if your terms are Net 30, the collection period should not exceed 40 days.

Inventory Turnover = Cost Of Goods Sold ÷ Average Inventory
Inventory is one of the most controllable asset investments. Inventory turnover is an indication of the velocity with which inventory investment moves through the business.

Inventory Holding Period = 365 Days ÷ Inventory Turnover
The inventory holding period reflects how many days of inventory are on hand. Managers and owners must be concerned with a holding period that is longer than necessary due to the high costs of capital tied up in excess inventory. On the other hand, reducing inventory levels too much could result in lost sales if certain products are not available when the customer wants them.

Sales To Inventory Ratio = Sales ÷ Average Inventory At Cost
The sales to inventory ratio is another method for measuring inventory performance. It measures the dollars of sales volume that are generated from each dollar the firm has invested in inventory.

Gross Margin Return On Inventory = Gross Margin ÷ Average Inventory x 100
GMROI measures the dollars of gross margin that are being produced by each dollar invested in inventory. The ratio may also be calculated by multiplying the gross margin percentage times the sales to inventory ratio. Combining these two measures in GMROI enables the firm to consciously consider the trade-off between gross margin and inventory utilization.

SAMPLE

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Collections					
Cash Sales (% Of Sales)	2.0%	1.0%	2.0%	3.5%	2.0%
Average Collection Period (Days)	40.8	42.3	39.8	36.2	39.8
Bad Debt Losses (% Of Sales)	0.0%	0.0%	0.1%	0.0%	0.4%
Inventory					
Inventory Turnover (Times)	3.4	3.7	3.2	3.3	3.2
Inventory Holding Period (Days)	107.4	98.6	114.1	110.6	115.0
Sales To Inventory Ratio (Times)	5.0	6.2	4.9	5.0	4.8
Gross Margin Return On Inventory	207.7%	240.5%	208.3%	193.5%	162.8%

Operating Productivity Ratios

The absolute level of sales is important in influencing economies of scale and the ability of the firm to buy successfully. However, sales volume does not provide a particularly good measure of marketing productivity. This is best done with the various ratios and customer productivity.

Sales Per SKU = Net Sales ÷ Number Of Stockkeeping Units
A stockkeeping unit (SKU) is a single item defined as narrowly as possible, considering issues such as size, color, manufacturer, style and the like. Two items purchased from the same supplier that are the same size, but different colors, are two distinct SKUs. The ability to produce a high level of sales per SKU suggests that the firm has simplified its operations for maximum productivity.

Inventory Per SKU = Inventory ÷ Number Of SKUs
The critical role of inventory is to provide the maximum level of customer service. This is usually achieved by having a high level of inventory behind each item sold.

Sales Per Order = Net Sales ÷ Number Of Orders Shipped
Processing, filling and delivering a customer order involves a large amount of expense that is the same regardless of invoice size. The higher the sales per order, the more able the firm is to cover these fixed expenses with additional gross margin dollars generated on the sale.

Sales Per Order Line = Net Sales ÷ Average Number Of Order Lines
Processing orders also involves a relatively fixed cost per order line. Increasing the average line value also allows the firm to cover fixed costs more profitably.

SAMPLE

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Vendors					
Number Of Vendors Represented	425	528	200	375	15
Sales Per Vendor	$32,183	$35,012	$23,548	$23,548	$380,949
Stockkeeping Units *(SKUs)*					
Number Of SKUs	12,392	11,836	12,392	15,196	9,000
Sales Per SKU	$817	$1,300	$496	$697	$635
Inventory Per SKU	$174	$220	$101	$145	$132
Orders					
Number Of Orders Per Month	1,240	2,393	544	1,916	250
Sales Per Order	$789	$870	$897	$372	$1,905
Average Lines Per Order	4.0	3.5	4.1	5.6	7.0
Sales Per Order Line	$145	$173	$154	$75	$272
Sales By Method Of Delivery					
Company Truck	16.5%	15.0%	15.0%	40.0%	15.0%
Common Carrier	79.0	79.0	80.0	56.4	85.0
Drop Ship From Supplier	1.0	2.0	1.0	1.0	0.0
Customer Pick-Up	3.5	4.0	4.0	2.6	0.0
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%

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Employee Productivity Ratios

Employees are the lifeblood of any organization. Without a properly motivated and compensated work force, few firms can produce much more than basic levels of performance. However, as mentioned earlier, employee payroll costs make up the single largest expense category on the income statement. In controlling employee payroll, the key to success is not the absolute level of compensation, but rather compensation in relationship to the productivity of employees.

Sales Per Employee = Net Sales ÷ Total Full-Time Equivalent Employees
The sales dollars generated per employee are a crucial factor when analyzing ways to improve profitability. Technology utilization, innovative management systems, incentive compensation plans, and the elimination of redundant or inefficient functions most dramatically influence employee productivity.

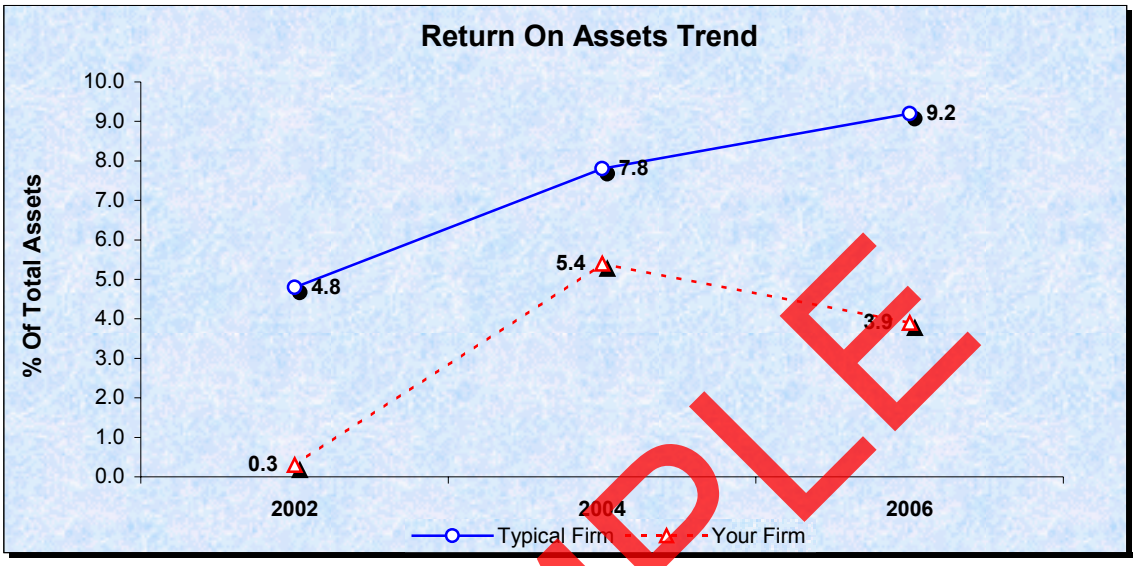
Personnel Productivity Ratio = Payroll Expense ÷ Gross Margin x 100
The personnel productivity ratio is the percent of gross profit dollars that are spent on employees. Clearly, the lower the ratio of payroll to gross profit, the greater the firm's profitability is likely to be. Caution needs to be exercised in evaluating this ratio as it is influenced very dramatically by the gross margin percentage.

	Typical Firm	High Profit Firm	Sales Under $15 Million	Package Focus	Your Firm
Employees *(FTE)*					
Total Number Of Employees	38.0	52.0	19.5	31.5	30.0
Packaging Employees	4.5	6.5	2.5	5.0	5.0
Employee Productivity					
Sales Per Employee	$272,153	$299,246	$235,065	$198,874	$190,474
Gross Margin Per Employee	$96,816	$124,219	$90,071	$79,105	$64,578
Salary Per Employee	$50,483	$58,722	$44,932	$42,597	$35,685
Payroll Per Employee (Including Benefits)	$61,759	$70,263	$55,912	$50,746	$45,133
Payroll Expense (% Of Sales)	22.5%	19.0%	26.2%	27.6%	23.7%
Personnel Productivity Ratio	64.1%	54.7%	64.1%	70.0%	69.9%

SAMPLE

Section 3: Trend Analysis

The trend section is designed to facilitate a review of your firm's progress over time. If your firm did not participate in a certain year, those values are reported as "0.0" on the graphs and not available (N/A) on the table. It is important to participate each year in order to gain the maximum benefit from this program.



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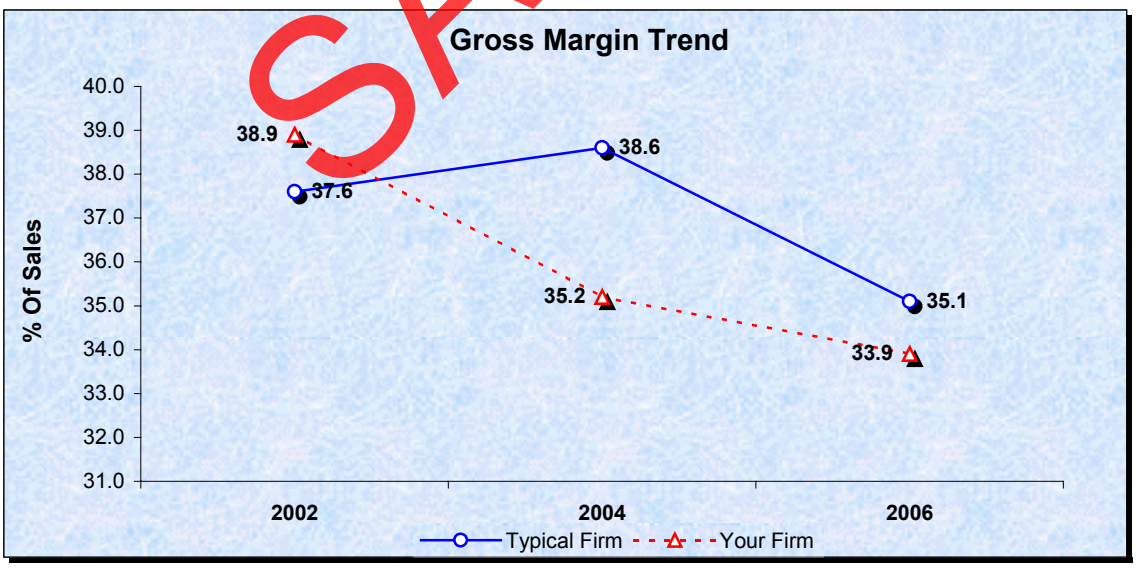

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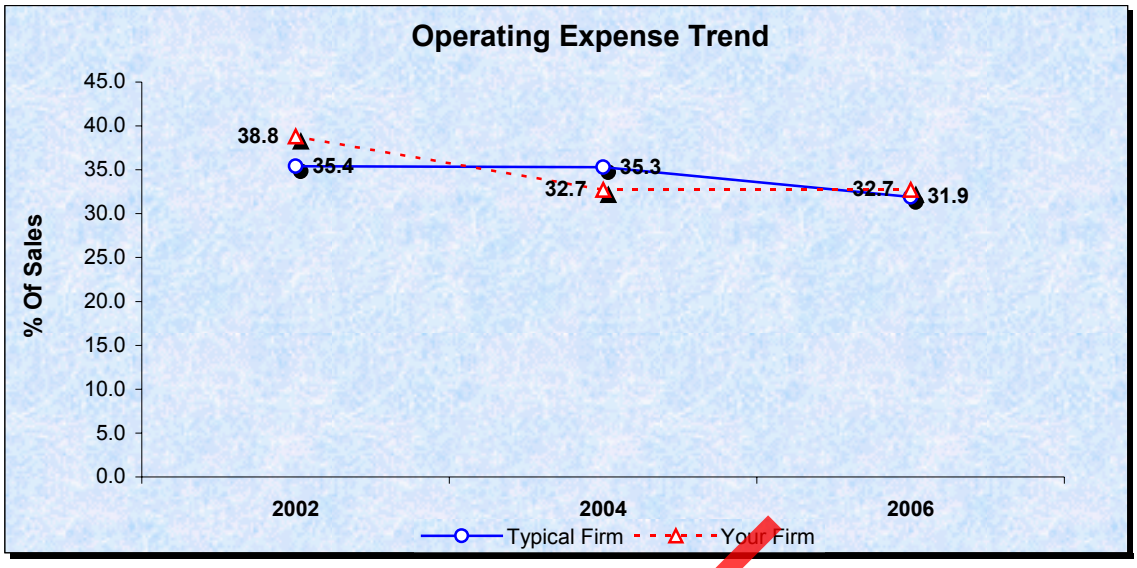
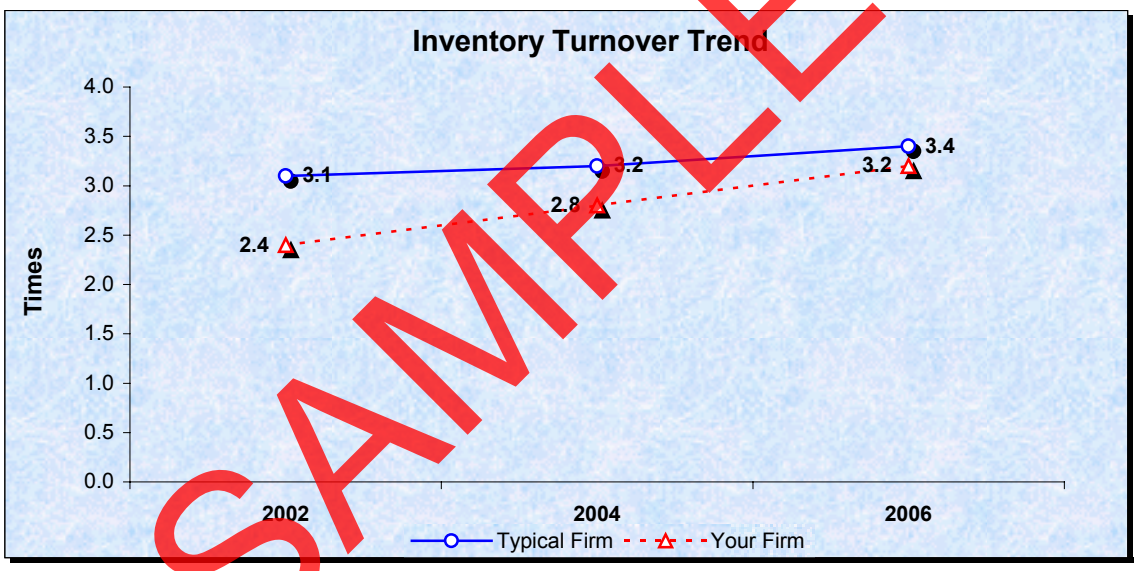
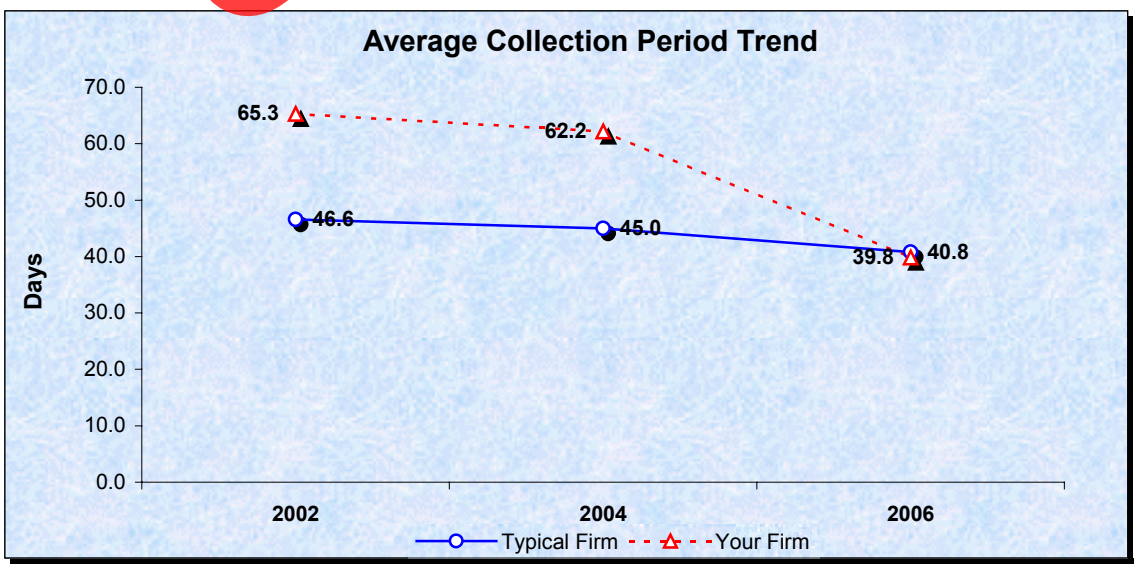

Operating Expense Trend
% Of Sales
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
38.8
35.4
35.3
32.7
32.7
31.9
2002
2004
2006
Typical Firm
Your Firm


Inventory Turnover Trend
Times
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
3.1
3.2
3.4
2.8
2.4
2002
2004
2006
Typical Firm
Your Firm

SAMPLE


Average Collection Period Trend
Days
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
65.3
62.2
46.6
45.0
39.8
40.8
2002
2004
2006
Typical Firm
Your Firm

Trend Analysis

	Your Firm 2002		Your Firm 2004		Your Firm 2006	
	Dollars	%	Dollars	%	Dollars	%
Strategic Profit Model Ratios						
Profit Margin (Pre-tax)		0.1		2.5		1.4
Asset Turnover		2.0		2.2		2.8
Return On Assets (Pre-tax)		0.3		5.4		3.9
Financial Leverage		3.0		3.0		2.8
Return On Net Worth (Pre-tax)		0.8		16.3		10.7
Income Statement						
Net Sales	**4,099,893**	**100.0**	**5,391,801**	**100.0**	**5,714,231**	**100.0**
Cost Of Goods Sold	2,504,581	61.1	3,495,596	64.8	3,776,878	66.1
Gross Margin	**1,595,312**	**38.9**	**1,896,205**	**35.2**	**1,937,353**	**33.9**
Operating Expenses						
Payroll Expenses	1,147,666	28.0	1,314,825	24.4	1,353,988	23.7
Occupancy Expenses	192,654	4.7	194,687	3.6	169,368	3.0
Other Operating Expenses	249,360	6.1	255,130	4.7	343,633	6.0
Total Operating Expenses	**1,589,680**	**38.8**	**1,764,642**	**32.7**	**1,866,989**	**32.7**
Operating Profit	**5,632**	**0.1**	**131,563**	**2.4**	**70,364**	**1.2**
Other Income/Expenses	0	0.0	2,036	0.0	8,947	0.2
Profit Before Taxes	**5,632**	**0.1**	**133,599**	**2.5**	**79,311**	**1.4**
Balance Sheet						
Assets						
Cash & Marketable Securities	0	0.0	125,795	5.0	0	0.0
Accounts Receivable	733,639	35.7	918,788	36.9	610,773	30.0
Inventory	1,041,569	50.7	1,367,735	54.9	1,201,651	59.0
Other Current Assets	7,969	0.4	4,356	0.2	34,345	1.7
Total Current Assets	1,783,177	86.9	2,416,674	97.0	1,846,769	90.6
Fixed & Noncurrent Assets	269,664	13.1	75,325	3.0	191,624	9.4
Total Assets	**2,052,841**	**100.0**	**2,491,999**	**100.0**	**2,038,393**	**100.0**
Liabilities & Net Worth						
Accounts Payable	382,060	18.6	542,965	21.8	429,771	21.1
Notes Payable	722,405	35.2	870,148	34.9	123,102	6.0
Other Current Liabilities	229,102	11.2	85,230	3.4	102,488	5.0
Total Current Liabilities	1,333,567	65.0	1,498,343	60.1	655,361	32.2
Long Term Liabilities	36,766	1.8	174,885	7.0	642,825	31.5
Net Worth Or Owner Equity	682,508	33.2	818,771	32.9	740,207	36.3
Total Liabilities & Net Worth	**2,052,841**	**100.0**	**2,491,999**	**100.0**	**2,038,393**	**100.0**
Key Ratios						
Current Ratio		1.3		1.6		2.8
Quick Ratio		0.6		0.7		0.9
Accounts Payable To Inventory		36.7		44.0		36.1
Accounts Payable Payout Period (Days)		55.7		56.7		41.5
Debt To Equity		2.0		2.0		1.8
EBIT To Total Assets		3.4		7.3		7.0
Times Interest Earned		1.1		3.8		2.3
Average Collection Period (Days)		65.3		62.2		39.8
Inventory Turnover (Times)		2.4		2.8		3.2
Inventory Holding Period (Days)		151.8		131.4		115.0
Sales To Inventory Ratio (Times)		3.9		4.3		4.8
GMROI		153.2		150.7		162.8
Sales Per Employee	128,122		158,582		190,474	
Gross Margin Per Employee	49,854		55,771		64,578	
Personnel Productivity Ratio		71.9		69.3		69.9

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Section 4: Planning For Improved Results

Comparison Of Critical Profit Variables

	Typical Firm	Your Firm
Productivity		
Sales Per Employee Probably the best overall measure of marketing productivity.	$272,153	$190,474
Gross Margin Per Employee Measures the margin generated per employee.	$96,816	$64,578
Sales To Inventory Reflects the efficiency of inventory management.	5.0	4.8
Profitability		
Gross Margin Percentage Ability to sell at prices that cover operating expenses and earn a profit.	35.1%	33.9%
Operating Expense Percentage Expense control is crucial in achieving adequate profit.	31.9%	32.7%
Asset Management		
Inventory Turnover The most common measure of inventory utilization.	3.4	3.2
Average Collection Period Measures the number of days customer invoices remain unpaid.	40.8	39.8
Financial Stability		
Current Ratio Traditional banker's measure of financial stability.	2.1	2.8
Quick Ratio Ability to pay bills as they come due.	0.8	0.9

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Prior to undertaking a plan to enhance your profitability, it is important to review the key measures the firm is trying to impact—the Critical Profit Variables—and how they influence return on asset (ROA) performance.

Critical Profit Variables

The first step is to examine your results on all of the Critical Profit Variables (CPVs), the set of factors that truly drive financial performance, in comparison to the industry.

Return On Assets Performance

The next step is to look at the outcome achieved for return on assets (ROA). ROA is simply pre-tax profit expressed as a percentage of total assets. It is the measure of your success in managing the Critical Profit Variables.

ROA is the key financial measure because it best reflects the economic viability of the firm. Most analysts argue that a pre-tax ROA of at least 5% is needed to sustain the firm. An ROA of 10% is considered good and 20% is excellent.

Improving Profitability By Managing The CPVs

Of all the factors impacting the financial performance of any Sample Association firm, these are particularly important:

- The level of sales volume generated
- The gross margin associated with those sales
- The level of expenses required to produce the sales
- The inventory investment required to support the sales

The following pages examine how improving each CPV by 3.0% impacts the profitability of your firm. This exercise will clearly demonstrate how sensitive profit is to small changes in these measures. Specifically, the following scenarios are examined:

- Sales are increased to $5,885,658 without incurring an increase in fixed expenses
- Gross margin percentage is increased to 34.9% with the same level of sales volume
- Fixed expenses are decreased to $1,448,783 without negatively impacting the sales volume generated
- Inventory turnover is increased to 3.3 by lowering inventory
- A complete plan in which all of these CPVs are changed at the same time

These scenarios are discussed in detail on the following pages. For each, abbreviated financial statements are presented. In reviewing them, please note how dramatically profit and return on investment are impacted by relatively modest changes in each of these critical profit variables.

Following the improvement examples, recommendations developed specifically for your firm can be found on the Action Program page. The goal is to become one of the most profitable firms in the industry over time. All of the suggested improvements can be achieved by moving towards or exceeding industry norms.

SAMPLE

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Increase Sales

2006 Reported And Potential Results				
	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	**5,714,231**	**100.0**	**5,885,658**	**100.0**
Direct Cost Of Sales	3,776,878	66.1	3,890,184	66.1
Gross Margin	**1,937,353**	**33.9**	**1,995,474**	**33.9**
Fixed Expenses	1,493,591	26.1	1,493,591	25.4
Variable Expenses	373,398	6.5	384,600	6.5
Total Operating Expenses	**1,866,989**	**32.7**	**1,878,191**	**31.9**
Operating Profit	**70,364**	**1.2**	**117,283**	**2.0**
Other Income/Expenses	8,947	0.2	8,947	0.2
Interest Impact	N/A	N/A	-2,719	0.0
Profit Before Taxes	**79,311**	**1.4**	**123,511**	**2.1**
ASSETS				
Cash	0	0.0	0	0.0
Trade Accounts Receivable	610,773	30.0	629,096	30.1
Inventory	1,201,651	59.0	1,237,701	59.1
All Other Assets	225,969	11.1	225,969	10.8
Total Assets	**2,038,393**	**100.0**	**2,092,766**	**100.0**
Inventory Turnover (Times)		3.2		3.2
Average Collection Period (Days)		39.8		39.8
Return On Assets		**3.9**		**5.9**

SAMPLE

This exhibit demonstrates the impact of a **3.0% sales increase** achieved without increasing expenses or lowering the gross margin percentage.

As sales rise, some additional inventory is necessary. This, in turn, will require an increase in interest expense to finance the additional inventory. Most other factors remain constant and both profit and return on assets increase sharply.

When sales change there is always the possibility that expenses might also change. The question is how much expenses will change and why? To examine this issue you need to understand the distinction between fixed expenses and variable expenses.

Fixed Expenses: These expenses, often referred to as overhead expenses, represent the fixed commitments required to operate the business for the year. They are considered fixed because they do not change when sales change by a modest amount. These expenses include items such as rent, utilities and depreciation. They also include most of the payroll expense.

Variable Expenses: These are operating expenses that rise and fall as sales rise and fall. The classic variable expense is commissions. Other variable expenses may include bad debts, advertising, and employee overtime.

The key is to increase sales while holding fixed expenses constant. Fundamentally, there are three ways in which sales can be enhanced versus fixed expenses:

- **Raise the average transaction size**
  This involves trading the customer up to higher quality products, doing add-on selling or raising prices.
- **Increase the service level**
  This involves being in-stock a greater percentage of the time, thereby generating more sales from the same customer base.
- **Find more prospects with the current budget**
  This involves more effective promotional expenditures and providing a higher level of customer satisfaction to maximize repeat purchasing.

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Increase Gross Margin Percentage

2006 Reported And Potential Results	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	**5,714,231**	**100.0**	**5,714,231**	**100.0**
Direct Cost Of Sales	3,776,878	66.1	3,718,757	65.1
Gross Margin	**1,937,353**	**33.9**	**1,995,474**	**34.9**
Fixed Expenses	1,493,591	26.1	1,493,591	26.1
Variable Expenses	373,398	6.5	373,398	6.5
Total Operating Expenses	**1,866,989**	**32.7**	**1,866,989**	**32.7**
Operating Profit	**70,364**	**1.2**	**128,485**	**2.2**
Other Income/Expenses	8,947	0.2	8,947	0.2
Interest Impact	N/A	N/A	925	0.0
Profit Before Taxes	**79,311**	**1.4**	**138,356**	**2.4**
ASSETS				
Cash	0	0.0	0	0.0
Trade Accounts Receivable	610,773	30.0	610,773	30.2
Inventory	1,201,651	59.0	1,183,159	58.6
All Other Assets	225,969	11.1	225,969	11.2
Total Assets	**2,038,393**	**100.0**	**2,019,901**	**100.0**
Inventory Turnover (Times)		3.2		3.2
Average Collection Period (Days)		39.8		39.8
Return On Assets		**3.9**		**6.8**

SAMPLE

This exhibit demonstrates the impact of a **3.0% increase** in gross margin percentage while net sales remains unchanged. Gross margin percentage is simply the gross margin dollars produced during the year expressed as a percentage of sales.

Gross margin measures the ability of the firm to sell products at prices that generate profit. It is typically the strongest single factor in influencing profitability. Every firm must be extremely aware of even small changes in gross margin.

The old adage is still true – buy low, sell high. However, in improving gross margin performance the issue is somewhat more complex:

- **Buy effectively**
  A lower cost of goods is almost always obtained by buying a larger quantity. However, overbuying creates a number of other problems. The challenge is to buy effectively.
- **Control internal operations**
  This involves a number of issues such as mark-downs, obsolete goods, inventory shrinkage, and accounting errors.
- **Sell at appropriate prices**
  In a competitive environment, some items are extremely price sensitive and must be priced to maximize sales and strengthen the company's competitive position. Other items are much less price competitive and represent major margin enhancement opportunities. Proper pricing of all items is essential.

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Reduce Operating Expenses

2006 Reported And Potential Results	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	**5,714,231**	**100.0**	**5,714,231**	**100.0**
Direct Cost Of Sales	3,776,878	66.1	3,776,878	66.1
Gross Margin	**1,937,353**	**33.9**	**1,937,353**	**33.9**
Fixed Expenses	1,493,591	26.1	1,448,783	25.4
Variable Expenses	373,398	6.5	373,398	6.5
Total Operating Expenses	**1,866,989**	**32.7**	**1,822,181**	**31.9**
Operating Profit	**70,364**	**1.2**	**115,172**	**2.0**
Other Income/Expenses	8,947	0.2	8,947	0.2
Interest Impact	N/A	N/A	0	0.0
Profit Before Taxes	**79,311**	**1.4**	**124,119**	**2.2**
ASSETS				
Cash	0	0.0	0	0.0
Trade Accounts Receivable	610,773	30.0	610,773	30.0
Inventory	1,201,651	59.0	1,201,651	59.0
All Other Assets	225,969	11.1	225,969	11.1
Total Assets	**2,038,393**	**100.0**	**2,038,393**	**100.0**
Inventory Turnover (Times)		3.2		3.2
Average Collection Period (Days)		39.8		39.8
Return On Assets		**3.9**		**6.1**

SAMPLE

Cutting costs is the most fundamental means of increasing profits. Indeed, every dollar saved produces a full dollar of profits. But, caution is in order to insure that all cost reductions are only for unnecessary expenditures. Any reduction in expenses that also diminishes sales ultimately will have a negative impact on profits.

In this exhibit, expenses are still presented as either fixed or variable as defined previously:

- **Fixed Expenses**
  This category, often referred to as overhead expenses, represents the fixed commitments required to operate the business for the year. In the following exhibit these have been **reduced by 3.0%**.
- **Variable Expenses**
  These operating expenses include factors such as commissions, bad debts and other handling expenses associated with increased sales dollars. These expenses increase or decrease almost automatically as sales volume increases or decreases.

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Increase Inventory Turnover

2006 Reported And Potential Results	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	**5,714,231**	**100.0**	**5,714,231**	**100.0**
Direct Cost Of Sales	3,776,878	66.1	3,776,878	66.1
Gross Margin	**1,937,353**	**33.9**	**1,937,353**	**33.9**
Fixed Expenses	1,493,591	26.1	1,493,591	26.1
Variable Expenses	373,398	6.5	373,398	6.5
Total Operating Expenses	**1,866,989**	**32.7**	**1,866,989**	**32.7**
Operating Profit	**70,364**	**1.2**	**70,364**	**1.2**
Other Income/Expenses	8,947	0.2	8,947	0.2
Interest Impact	N/A	N/A	1,802	0.0
Profit Before Taxes	**79,311**	**1.4**	**81,113**	**1.4**
ASSETS				
Cash	0	0.0	0	0.0
Trade Accounts Receivable	610,773	30.0	610,773	30.5
Inventory	1,201,651	59.0	1,165,601	58.2
All Other Assets	225,969	11.1	225,969	11.3
Total Assets	**2,038,393**	**100.0**	**2,002,343**	**100.0**
Inventory Turnover (Times)		3.2		3.3
Average Collection Period (Days)		39.8		39.8
Return On Assets		**3.9**		**4.1**

SAMPLE

Inventory control impacts not only asset productivity, but also sales productivity and financial stability. Excessive inventory is expensive as carrying costs include such items as interest, personal property taxes and insurance. Further, financing excess inventory may result in overloaded debt, thereby upsetting financial stability. On the other hand, inventory shortages put a drag on sales productivity; having popular items out-of-stock represent lost sales. In short, the cost of carrying inventory has to be balanced against the profit opportunities lost by not having product in stock, ready for sale.

To ensure proper inventory performance, management needs to adhere to the following program:

- Buy in proper quantities
- Work with fewer suppliers on a more meaningful basis
- Monitor performance of each item closely
- Clear dead items out of the assortment
- Insure adequate shrinkage control procedures

This exhibit demonstrates the impact of a **3.0% improvement** in inventory turnover. It does so by reducing inventory, that is, holding sales constant while reducing inventory to save on carrying costs.

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A Complete CPV Plan

2006 Reported And Potential Results				
	Reported		**Potential**	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	**5,714,231**	**100.0**	**5,885,658**	**100.0**
Direct Cost Of Sales	3,776,878	66.1	3,830,320	65.1
Gross Margin	**1,937,353**	**33.9**	**2,055,338**	**34.9**
Fixed Expenses	1,493,591	26.1	1,448,783	24.6
Variable Expenses	373,398	6.5	384,600	6.5
Total Operating Expenses	**1,866,989**	**32.7**	**1,833,383**	**31.2**
Operating Profit	**70,364**	**1.2**	**221,955**	**3.8**
Other Income/Expenses	8,947	0.2	8,947	0.2
Interest Impact	N/A	N/A	1,005	0.0
Profit Before Taxes	**79,311**	**1.4**	**231,907**	**3.9**
ASSETS				
Cash	0	0.0	0	0.0
Trade Accounts Receivable	610,773	30.0	610,223	30.2
Inventory	1,201,651	59.0	1,182,095	58.6
All Other Assets	225,969	11.1	225,969	11.2
Total Assets	**2,038,393**	**100.0**	**2,018,287**	**100.0**
Inventory Turnover (Times)		3.2		3.3
Average Collection Period (Days)		39.8		38.6
Return On Assets		**3.9**		**11.5**

SAMPLE

This exhibit examines the impact of making a **3.0% improvement** in all CPVs simultaneously:

- **Sales** increases to $5,885,658
- **Gross Margin Percentage** increases to 34.9%
- **Fixed Expenses** decrease to $1,448,783
- **Inventory Turnover** increases to 3.3 times

An Action Program For Your Firm

The previous pages outlined how small changes in key factors influence profitability. Most firms find it difficult to attack every issue at the same time. Consequently, it is necessary to establish some priorities. Based upon a comparison of your results to the typical firm in the industry, these items should be of primary concern to your firm:

- **Sales productivity**
- **Expense control**
- **Inventory management**

Sales Productivity
Generating adequate sales, particularly in relationship to the employee base, revolves around many issues. However, these four are especially key in producing profitable sales:

1. Adequate sales training focusing on add-on sales and enhancing the average order value.
2. Ensuring that the firm is in-stock at all times on key items.
3. A proper commitment to customer service to enhance repeat purchasing.
4. Maintaining a consistent marketing effort that does not send mixed messages to customers.

Expense Control
The most fundamental way to improve profitability is to reduce operating expenses, especially payroll. While historically payroll expense increases were related to the rate of inflation, more recently they have simply become an ingrained habit. To break the expense creep pattern, consider this four-pronged approach for controlling employee expenses:

1. Examine the range of services being provided to customers and the cost of providing them. Eliminate the services and employee functions that most customers really don't value.
2. Make effective use of technology, such as office automation and EDI and bar coding, to improve employee productivity.
3. Develop incentive based compensation for virtually every department (not just sales) to improve employee productivity.
4. Maintain the tight expense controls that are utilized in tough times and forgotten in good times by using zero-based budgeting to start every year with a clean slate.

Inventory Management
Effective inventory management is at the core of any successful organization. Not only does inventory drive the sales function in the business, it is also one of the largest asset investment categories. In enhancing the inventory management function, these four measures have proven to be most useful:

1. Working with suppliers to maintain reasonable order quantities, especially on slower-moving items.
2. Relentless elimination of dead items.
3. Greater use of technology to monitor sales data so that inventory levels can be matched to demand.
4. A commitment to maintaining a strong in-stock percentage to drive more sales with the inventory investment.

Getting Started
Firms must decide where they should focus their resources and develop an action plan for improvement. As stated, the three areas identified represent logical starting points for your firm. Ideally, reviewing the previous few pages will generate some insight into the magnitude of the improvements that are possible.

SAMPLE

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Profit Toolkit Online™

Profit Toolkit™ is available for use in conjunction with this report. The toolkit allows you to quickly develop a basic financial plan using information from this report. Your firm can expand this basic plan into a detailed financial plan for improving profitability.

Profit Toolkit™ is provided as a spreadsheet which is available for downloading from the world wide web. To download the file, open your Internet browser and enter the following **case sensitive** address.

http://www.profitplanninggroup.com/toolkit/profittoolkit2007.xls

To start planning, open the spreadsheet and enter the following figures for "Current Results". These figures are based on the data your firm submitted. Revise the figures to reflect your current position if needed. Enter revised figures for items with N/A values. Try as many scenarios as you like.

	Your Firm
Net Sales	5,714,231
Cost Of Goods Sold	3,776,878
Payroll	1,070,541
Fringe Benefits	283,447
Operating Profit	70,364
Profit Before Taxes	79,311
Total Assets	2,038,393
Cash	0
Accounts Receivable	610,773
Inventory	1,201,651
Credit Sales (% Of Sales)	98.0
Stocked Sales (% Of Sales)	100.0

SAMPLE