



Performance Analysis Report[™] 2005

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SAMPLE

**Prepared By
Profit Planning Group**

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SAMPLE

Introduction

This report is designed to help your firm strengthen its 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

This document is designed to help your firm examine its performance in comparison to the all other participating firms. To aid your analysis, the report is organized into the following sections:

Introduction

This section focuses on a summary of key financial data and your firm's Performance Scorecard.

Detailed Results

This section provides direct and detailed comparisons between your firm and other participants including the performance of the typical firm and the most profitable firms.

Departmental Analysis

A review of key performance measures at the departmental level.

Trends And Variance

For firms that have participated in the past, this section presents a comparative overview of financial results over time. Also presented is the "range of common experience" to help leaders quantify the variability of the data.

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 medians. 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. In many cases, the median is the preferred statistic for this analysis since they best represent a typical firm's results.

Means

The mean is simply the arithmetic average. Results reported for Sales by Type of Customer and by Type of Sale are means.

High Profit Firms

To determine the group of high profit firms all participating firms are ranked on the basis of pre-tax return on assets (ROA). The high profit category includes the top firms based on ROA. The figures reported for the high profit firms represent a median for this group.

FIFO Adjustment

All firms utilizing LIFO in valuing their inventory have been adjusted to FIFO. This is necessary so that all firms can be viewed in the same manner. This results in the following changes:

- An increase in the value of the inventory shown on the balance sheet
- An increase in profits reported on the income statement

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 which are INSPECT, FAIR, GOOD, and STRONG. INSPECT does not necessarily indicate a problem area exists. It does mean, however, that the majority of firms produce results above the first quartile for these items. These items may require a more detailed analysis within your firm.

Performance Scorecard: Your Firm Compared With All Participants



Summary Financial Results

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Sales						
Typical Sales Volume (\$000s)	\$N/A	\$34,757	\$45,347	\$4,077	\$38,472	\$7,146
Sales Growth (2003 To 2004)	N/A%	16.5%	19.8%	9.1%	17.6%	16.2%
Strategic Profit Model Ratios						
Profit Margin (Pre-tax)	N/A%	2.1%	4.6%	0.8%	2.8%	1.8%
Asset Turnover	N/A	3.0	3.3	2.4	3.0	2.8
Return On Assets (Pre-tax)	N/A%	6.3%	15.2%	1.9%	8.4%	5.0%
Financial Leverage	N/A	2.3	2.1	2.0	2.5	2.1
Return On Net Worth (Pre-tax)	N/A%	14.5%	31.9%	3.8%	21.0%	10.5%
Income Statement						
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost Of Goods Sold	<u>N/A</u>	<u>77.8</u>	<u>77.5</u>	<u>71.7</u>	<u>78.3</u>	<u>74.2</u>
Gross Margin	N/A	22.2	22.5	28.3	21.7	25.8
Operating Expenses						
Selling Expenses	N/A	9.0	9.0	11.1	8.1	9.2
Delivery Expenses	N/A	1.3	1.2	1.3	1.3	1.7
Warehouse Expenses	N/A	1.7	1.5	1.9	1.9	1.7
Occupancy Expenses	N/A	1.6	1.3	2.5	1.4	2.2
Information Technology Expenses	N/A	0.1	0.6	0.7	0.5	0.6
General & Administrative Expenses	<u>N/A</u>	<u>6.1</u>	<u>5.7</u>	<u>9.8</u>	<u>6.2</u>	<u>8.9</u>
Total Operating Expenses	N/A	20.4	17.3	27.9	19.4	24.3
Operating Profit	N/A	1.8	3.9	0.4	2.3	1.5
Other Income/Expenses	<u>N/A</u>	<u>0.1</u>	<u>0.7</u>	<u>0.4</u>	<u>0.5</u>	<u>0.3</u>
Profit Before Taxes	N/A%	2.1%	4.6%	0.8%	2.8%	1.8%
Expenses In Relationship To Total Gross Margin						
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses						
Selling Expenses	N/A	40.5	40.0	39.2	37.3	35.7
Delivery Expenses	N/A	5.9	5.3	7.8	6.0	6.6
Warehouse Expenses	N/A	7.7	6.7	5.7	8.8	6.6
Occupancy Expenses	N/A	7.2	5.8	8.8	6.5	8.5
Information Technology	N/A	3.2	2.7	2.5	2.3	2.3
General & Administrative Expenses	<u>N/A</u>	<u>27.5</u>	<u>22.2</u>	<u>34.6</u>	<u>28.6</u>	<u>34.5</u>
Total Operating Expenses	N/A	91.9	82.7	98.6	89.4	94.2
Operating Profit	N/A%	8.1%	17.3%	1.4%	10.6%	5.8%
Expenses In Relationship To Warehouse Gross Margin						
Delivery Expenses	N/A%	7.6%	7.0%	8.8%	8.5%	6.8%
Warehouse Expenses	N/A%	9.9%	8.8%	6.4%	12.4%	6.8%
Occupancy Expenses	N/A%	9.3%	7.6%	10.0%	9.1%	8.8%
Payroll Expenses						
Payroll Expenses (% Of Sales)	N/A%	14.4%	13.5%	18.9%	13.9%	16.5%
Payroll Expenses (% Of Gross Margin)	N/A%	64.9%	60.0%	66.8%	64.1%	64.0%
Financial Ratios						
Current Ratio	N/A	1.9	2.1	2.3	1.8	2.2
Debt To Equity	N/A	1.3	1.1	1.0	1.5	1.1
Average Collection Period (Days)	N/A	55.0	52.3	55.0	57.9	55.4
Inventory Turnover	N/A	4.5	4.9	3.5	4.6	3.9
Gross Margin Return On Inventory	N/A%	150.7%	174.4%	139.5%	160.4%	150.4%

Detailed Results

Data is organized into the following columns to facilitate comparisons.

Your Firm's Results

The first column presents the figures reported for *Your Firm*.

Typical Results

The *Typical NAED Dist.* column displays figures based on the median results of all participating firms. Medians minimize the distortion caused by one firm reporting a very large or unusual value and therefore best represents the "typical" firm's results.

High Profit Firms

The *High Profit NAED* column includes the top survey participants based upon pre-tax return on assets. The figures reported are based on the median results for the firms in this group.

Sales Volume

This column of statistics includes firms in the sales volume category *Sales Under \$6 Million*.

Customer Emphasis

The *Commercial Contractor Emphasis* column reports figures based on median results for all firms with this customer focus. Firms were classified into categories based upon their mix of residential, commercial and industrial sales.

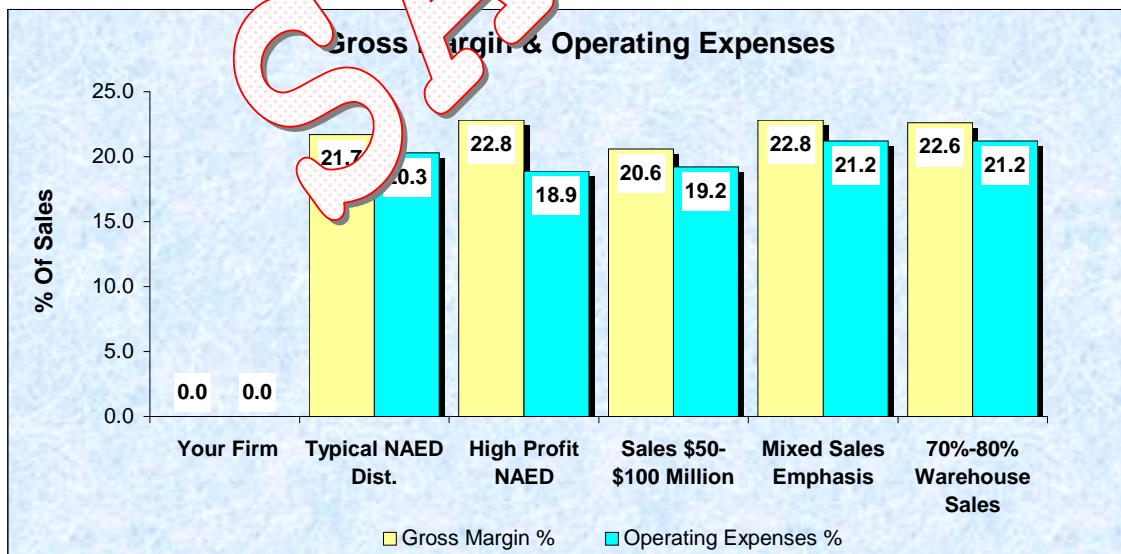
Warehouse Sales Emphasis

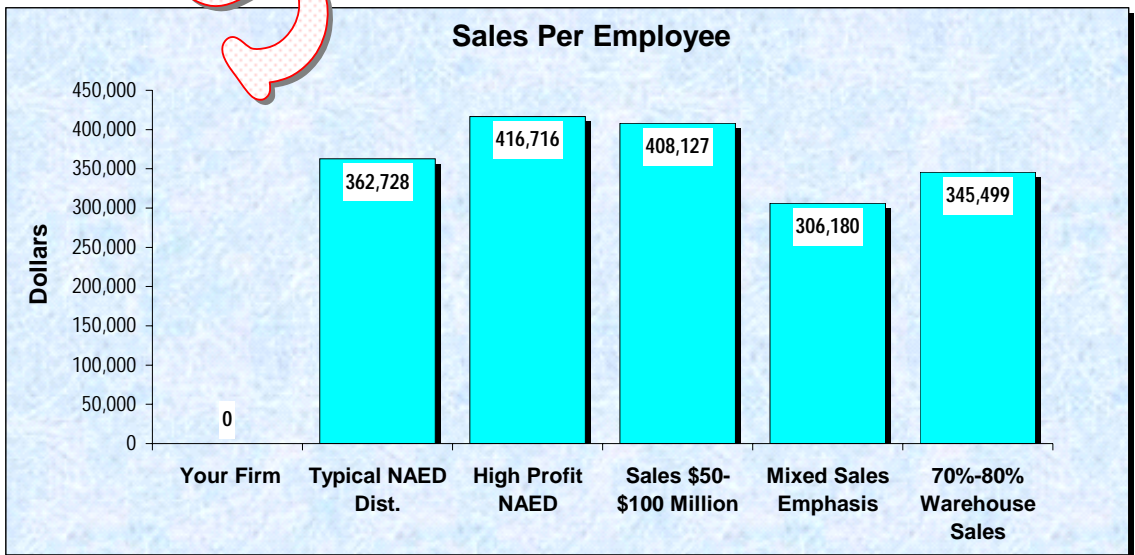
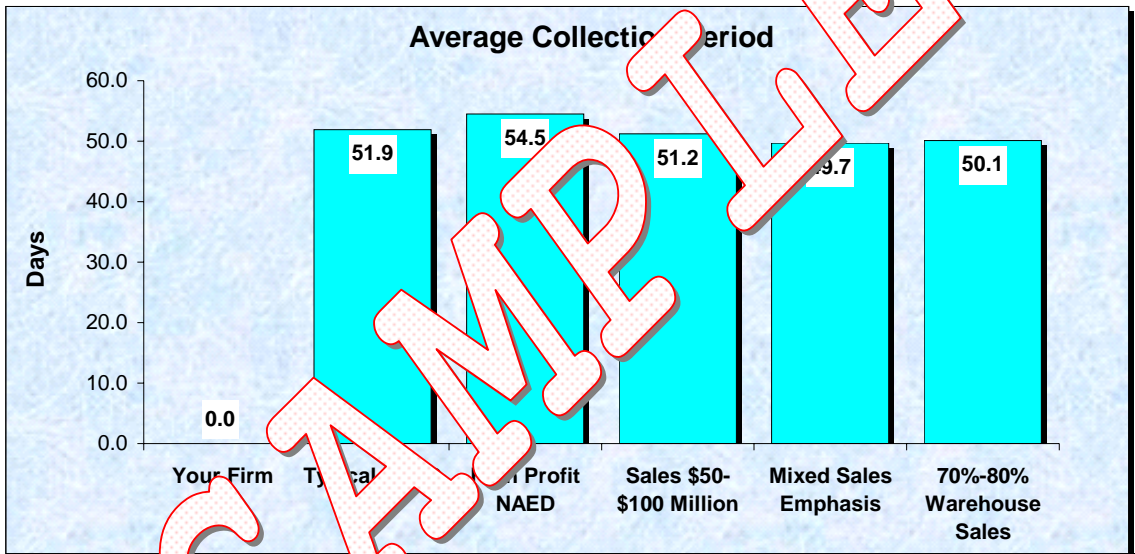
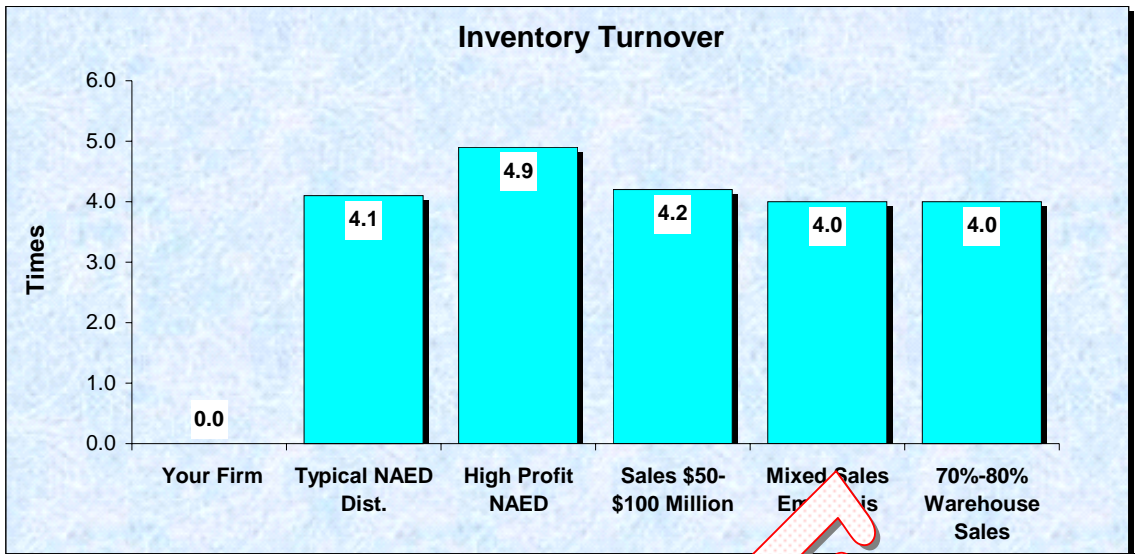
All reporting firms were categorized based on the percentage of their total sales passing through the warehouse (stock items and special orders combined). This column displays results for the *Over 90% Warehouse Sales* category.

A Note Concerning FIFO Adjustment

All firms utilizing LIFO in valuing their inventory have been adjusted to FIFO. This is necessary so that all firms can be viewed in the same manner. This adjustment results in the following changes:

- An increase in the value of the inventory shown on the balance sheet
- An increase in profits reported on the income statement





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

RETURN ON INVESTMENT RATIOS

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 be at least equal to the cost of capital. For your company ROA is N/A 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 N/A percent; that is, for every \$1.00 of net worth, the firm produced N/A¢ of profit before taxes.

PROFITABILITY PATHWAYS

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

Path 1: Profit Margin = Profit Before Taxes ÷ Total Sales x 100

The most important profitability pathway is profit margin management. A profit margin of N/A percent means that for every \$1.00 in sales, the company was able to produce N/A¢ 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 N/A means that the firm is able to generate \$N/A0 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 N/A times suggests that for every \$1.00 in net worth, the firm had \$N/A0 in total assets. If for every \$N/A0 in total assets the owners put up \$1.00, then outsiders put up the remaining \$N/A0.

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Profit Margin (Pre-tax)	N/A%	2.1%	4.6%	0.8%	2.8%	1.8%
Asset Turnover	N/A	3.0	3.3	2.4	3.0	2.8
Return On Assets (Pre-tax)	N/A%	6.3%	15.2%	1.9%	8.4%	5.0%
Financial Leverage	N/A	2.3	2.1	2.0	2.5	2.1
Return On Net Worth (Pre-tax)	N/A%	14.5%	31.9%	3.8%	21.0%	10.5%

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 \$N/A of profit.

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Number Of Firms Reporting		166	42	13	54	20
Sales Performance						
Typical Sales Volume (000)	\$N/A	\$34,757	\$45,347	\$	\$38,472	\$7,146
Sales Growth (2003 To 2004)	N/A%	16.5%	19.8%	17.6%	17.6%	16.2%
Income Statement						
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost Of Goods Sold	N/A	77.2	78.5	71.7	78.3	74.2
Gross Margin	N/A	22.8	21.5	28.3	21.7	25.8
Operating Expenses						
Selling Expenses	N/A	9.0	9.0	11.1	8.1	9.2
Delivery Expenses	N/A	1.2	1.2	2.2	1.3	1.7
Warehouse Expenses	N/A	1.7	1.5	1.6	1.9	1.7
Occupancy Expenses	N/A	1.6	1.3	2.5	1.4	2.2
Information Technology Expenses	N/A	0.7	0.6	0.7	0.5	0.6
General & Administrative Expenses	N/A	6.1	5.0	9.8	6.2	8.9
Total Operating Expenses	N/A	20.4	18.6	27.9	19.4	24.3
Operating Profit	N/A	1.8	3.9	0.4	2.3	1.5
Cash Discounts Earned On Purchases	N/A	1.0	1.1	1.1	1.1	1.0
Other Non-Operating Income	N/A	0.2	0.2	0.5	0.2	0.3
Cash Discounts Allowed On Sales	N/A	0.5	0.4	0.6	0.4	0.5
Interest Expense	N/A	0.4	0.2	0.6	0.4	0.5
Other Non-Operating Expenses	N/A	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	N/A%	2.1%	4.6%	0.8%	2.8%	1.8%
Volume Rebates						
Rebates Received (\$)	N/A	643,538	765,050	59,927	673,703	148,180
Rebates (% of Net Sales)	N/A%	1.6%	1.5%	1.3%	1.7%	1.6%
Rebates (% of Purchases)	N/A%	2.0%	1.9%	1.8%	2.1%	1.9%
Sales By Type Of Sale						
Warehouse (Stocked Items)	N/A%	64.2%	61.7%	86.5%	58.8%	86.5%
Special Orders	N/A	8.8	10.3	3.0	8.0	8.7
Drop Shipments	0.0	27.0	28.0	10.5	33.2	4.8
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Margin By Type Of Sale						
Warehouse (Stocked Items)	N/A%	23.7%	23.7%	28.0%	23.2%	26.5%
Special Orders	N/A%	22.5%	23.5%	25.0%	21.7%	25.0%
Drop Shipments	N/A%	14.3%	14.1%	18.0%	13.0%	18.0%

Operating Expense Detail (Percent Of Net Sales)

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Selling Expenses (% Of Sales)						
Sales Management Salaries & Comm.	N/A%	1.1%	1.2%	1.8%	1.1%	1.5%
Outside Sales Salaries & Comm.	N/A	2.4	2.6	3.3	2.4	2.3
Inside Sales Salaries & Commissions	N/A	1.7	1.6	1.6	1.5	1.2
Counter Sales Salaries & Comm.	N/A	0.9	1.0	1.5	0.8	1.4
Residential Showroom Sales Salaries	N/A	0.0	0.0	0.0	0.0	0.4
Product Specialist & Support Salaries	N/A	0.6	0.5	0.0	0.5	0.0
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	1.2	1.1	1.3	0.9	1.2
Travel & Entertainment	N/A	0.2	0.2	0.2	0.2	0.3
Advertising & Promotion	N/A	0.2	0.4	0.4	0.2	0.4
Auto Expenses	N/A	0.3	0.2	0.5	0.2	0.2
Telephone	N/A	0.3	0.2	0.5	0.2	0.3
Other Selling Expenses	<u>N/A</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Total Selling Expenses	N/A	9.0	9.0	11.1	8.1	9.2
Delivery Expenses						
Driver Salaries & Wages	N/A	0.6	0.6	0.6	0.6	0.9
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.1	0.1	0.1	0.1	0.1
Freight/Transportation Out	N/A	0.1	0.1	0.1	0.1	0.2
Trucks	N/A	0.5	0.4	0.7	0.5	0.5
Other Delivery Expenses	<u>N/A</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Delivery Expenses	N/A	1.3	1.2	2.2	1.3	1.7
Warehouse Expenses						
Warehouse Salaries & Wages	N/A	1.3	1.1	1.1	1.5	1.4
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.2	0.2	0.2	0.2	0.1
Equipment Repairs & Maint., Depr.	N/A	0.1	0.1	0.0	0.1	0.1
Insurance (Inventory & Whse. Equip.)	N/A	0.0	0.0	0.1	0.0	0.0
Other Warehouse Expenses	<u>N/A</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total Warehouse Expenses	N/A	1.7	1.5	1.6	1.9	1.7
Occupancy Expenses						
Rent Or Ownership In Real Estate	N/A	0.0	0.0	2.1	1.1	1.7
Building Repairs & Maintenance	N/A	0.0	0.1	0.1	0.1	0.2
Utilities (Heat, Light & Power)	N/A	0.0	0.2	0.3	0.2	0.3
Other Occupancy Expenses	<u>N/A</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Occupancy Expenses	N/A	0.0	1.3	2.5	1.4	2.2
Information Technology Expenses						
DP/Info. Tech. Salaries & Bonus	N/A	0.3	0.3	0.1	0.3	0.4
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.0	0.0	0.0	0.0	0.0
Depreciation Of Computer Hardware	N/A	0.1	0.1	0.2	0.1	0.0
Rental Expense Of Computer Hardware	N/A	0.0	0.0	0.0	0.0	0.0
Communication Cost	N/A	0.1	0.1	0.1	0.0	0.0
Amortization Of Software	N/A	0.0	0.0	0.2	0.0	0.0
Other Information Technology Exp.	<u>N/A</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
Total Information Tech. Expenses	N/A	0.7	0.6	0.7	0.5	0.6
General & Administrative Expenses						
Management/Exec. Salaries & Bonus	N/A	1.7	1.4	3.1	1.7	2.3
Purchasing Salaries & Bonus	N/A	0.5	0.4	0.7	0.4	0.7
Accounting/Finance Salaries & Bonus	N/A	0.4	0.3	0.8	0.5	0.8
Clerical/Office Salaries & Bonus	N/A	0.6	0.5	0.8	0.6	0.8
Credit & Collection Salaries & Bonus	N/A	0.2	0.1	0.0	0.2	0.2
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.6	0.5	1.1	0.6	0.8
Furniture, Fixtures & Office Equipment	N/A	0.2	0.1	0.3	0.2	0.3
Insurance (General Liability, Contents, etc.)	N/A	0.2	0.2	0.7	0.2	0.4
Postage & UPS Expenses	N/A	0.1	0.1	0.1	0.1	0.1
Stationery & Office Supplies	N/A	0.2	0.2	0.4	0.2	0.4
Dues & Subscriptions	N/A	0.1	0.0	0.1	0.1	0.1
Contributions	N/A	0.0	0.0	0.0	0.0	0.1
Professional Services	N/A	0.3	0.2	0.3	0.2	0.4
Personal Property Taxes & Licenses	N/A	0.1	0.1	0.1	0.2	0.3
Bad Debts	N/A	0.3	0.3	0.3	0.4	0.4
G & A Travel & Entertainment	N/A	0.1	0.1	0.2	0.1	0.2
G & A Auto Expenses	N/A	0.1	0.1	0.3	0.1	0.1
Other G & A Expenses	<u>N/A</u>	<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>
Total General & Admin. Expenses	N/A	6.1	5.0	9.8	6.2	8.9
Total Operating Expenses	N/A%	20.4%	18.6%	18.6%	19.4%	24.3%

Operating Expense Detail (Percent Of Gross Margin)

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Selling Expenses (% Of Gross Margin)						
Sales Management Salaries & Comm.	N/A%	5.0%	5.3%	6.4%	5.1%	5.8%
Outside Sales Salaries & Comm.	N/A	10.8	11.6	11.7	11.1	8.9
Inside Sales Salaries & Commissions	N/A	7.7	7.1	5.7	6.9	4.7
Counter Sales Salaries & Comm.	N/A	4.1	4.4	5.3	3.7	5.4
Residential Showroom Sales Salaries	N/A	0.0	0.0	0.0	0.0	1.6
Product Specialist & Support Salaries	N/A	2.7	2.2	0.0	2.3	0.0
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	5.4	4.9	4.6	4.1	4.7
Travel & Entertainment	N/A	0.9	0.9	0.7	0.9	1.2
Advertising & Promotion	N/A	0.9	1.8	1.4	0.9	1.6
Auto Expenses	N/A	1.4	0.9	1.8	0.9	0.8
Telephone	N/A	1.4	0.9	1.8	0.9	1.2
Other Selling Expenses	<u>N/A</u>	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.5</u>	<u>0.2</u>
Total Selling Expenses	N/A	40.5	40.0	39.2	37.3	35.7
Delivery Expenses						
Driver Salaries & Wages	N/A	2.7	2.7		2.8	3.5
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.5	0.4	0.7	0.5	0.4
Freight/Transportation Out Trucks	N/A	0.5	0.4	0.5	0.5	0.8
Other Delivery Expenses	N/A	2.3	1.8	2.3	2.3	1.9
Total Delivery Expenses	N/A	5.9	5.3	7.8	6.0	6.6
Warehouse Expenses						
Warehouse Salaries & Wages	N/A	5.9	4.1	4.2	6.9	5.4
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.9	0.9	0.7	0.9	0.4
Equipment Repairs & Maint., Depr.	N/A	0.5	0.4	0.0	0.5	0.4
Insurance (Inventory & Whse. Equip.)	N/A	0.0	0.0	0.4	0.0	0.0
Other Warehouse Expenses	<u>N/A</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>0.4</u>
Total Warehouse Expenses	N/A	7.7	6.7	5.7	8.8	6.6
Occupancy Expenses						
Rent Or Ownership In Real Estate	N/A	7.4	7.4	7.4	5.1	6.6
Building Repairs & Maintenance	N/A	0.0	0.4	0.4	0.5	0.8
Utilities (Heat, Light & Power)	N/A	0.0	0.9	1.1	0.9	1.2
Other Occupancy Expenses	<u>N/A</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Occupancy Expenses	N/A	7.2	5.8	8.8	6.5	8.5
Information Technology Expenses						
DP/Info. Tech. Salaries & Bonus	N/A	1.4	1.3	0.4	1.4	1.6
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.0	0.0	0.0	0.0	0.0
Depreciation Of Computer Hardware	N/A	0.5	0.4	0.7	0.5	0.0
Rental Expense Of Computer Hardware	N/A	0.0	0.0	0.0	0.0	0.0
Communication Cost	N/A	0.5	0.4	0.4	0.0	0.0
Amortization Of Software	N/A	0.0	0.0	0.7	0.0	0.0
Other Information Technology Exp.	<u>N/A</u>	<u>0.9</u>	<u>0.5</u>	<u>0.4</u>	<u>0.5</u>	<u>0.8</u>
Total Information Tech. Expenses	N/A	3.2	2.7	2.5	2.3	2.3
General & Administrative Expenses						
Management/Exec. Salaries & Bonus	N/A	7.7	6.2	11.0	7.8	8.9
Purchasing Salaries & Bonus	N/A	2.3	1.8	2.5	1.8	2.7
Accounting/Finance Salaries & Bonus	N/A	1.8	1.3	2.8	2.3	3.1
Clerical/Office Salaries & Bonus	N/A	2.7	2.2	2.8	2.8	3.1
Credit & Collection Salaries & Bonus	N/A	0.9	0.4	0.0	0.9	0.8
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	2.7	2.2	3.9	2.8	3.1
Furniture, Fixtures & Office Equipment	N/A	0.9	0.4	1.1	0.9	1.2
Insurance (General Liability, Contents, etc.)	N/A	0.9	0.9	2.5	0.9	1.6
Postage & UPS Expenses	N/A	0.5	0.4	0.4	0.5	0.4
Stationery & Office Supplies	N/A	0.9	0.9	1.4	0.9	1.6
Dues & Subscriptions	N/A	0.5	0.0	0.4	0.5	0.4
Contributions	N/A	0.0	0.0	0.0	0.0	0.4
Professional Services	N/A	1.4	0.9	1.1	0.9	1.6
Personal Property Taxes & Licenses	N/A	0.5	0.4	0.4	0.9	1.2
Bad Debts	N/A	1.4	1.3	1.1	1.8	1.6
G & A Travel & Entertainment	N/A	0.5	0.4	0.7	0.5	0.8
G & A Auto Expenses	N/A	0.5	0.4	1.1	0.5	0.4
Other G & A Expenses	<u>N/A</u>	<u>1.4</u>	<u>2.1</u>	<u>1.5</u>	<u>1.8</u>	<u>1.6</u>
Total General & Admin. Expenses	N/A	27.5	22.2	34.6	28.6	34.5
Total Operating Expenses	N/A%	91.9%	82.7%	98.6%	89.4%	94.2%

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 they 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 a business which carries no stated return. In fact, return on owners' investment carries 100% risk which 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.

	Your Firm	N/A Dist.	Per N	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Assets						
Cash & Marketable Securities	N/A%		3.0%	2.9%	1.7%	3.2%
Accounts Receivable	N/A	44.7	46.1	33.1	52.3	40.5
Inventory	N/A	27.7	36.2	47.7	30.9	41.5
Other Current Assets		2.2	2.4	1.5	3.3	3.0
Total Current Assets	N/A	87.0	87.7	85.2	88.2	88.2
Fixed & Noncurrent Assets	N/A	13.0	12.3	14.8	11.8	11.8
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities And Net Worth						
Accounts Payable	N/A%	24.7%	25.2%	23.7%	26.9%	25.7%
Notes Payable	N/A	13.7	9.7	9.2	16.0	10.5
Other Current Liabilities	N/A	6.7	7.6	4.7	6.5	4.8
Total Current Liabilities	N/A	45.1	42.5	37.6	49.4	41.0
Long Term Liabilities	N/A	5.8	5.5	10.4	5.2	3.2
Net Worth Or Owner Equity	N/A	49.1	52.0	52.0	45.4	55.8
Total Liabilities & Net Worth	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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 supplier 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 of debt to \$1.00 of 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 to the 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 at which income can decline before a firm is unable to meet its interest obligations.

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Financial Ratios						
Current Ratio	N/A	1.9	2.1	2.3	1.8	2.2
Quick Ratio	N/A	1.0	1.2	1.0	1.1	1.1
Accounts Payable To Inventory	N/A%	64.6%	60.6%	40.2%	79.0%	46.5%
Accounts Payable Payout Period (Days)	30.0	32.9	30.0	35.1	34.5	35.4
Debt To Equity	N/A	1.3	1.1	1.0	1.5	1.1
EBIT To Total Assets	N/A%	7.5%	15.8%	3.4%	9.6%	6.4%
Times Interest Earned	N/A	6.3	24.0	2.3	8.0	4.6

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 = Warehouse 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 = Net 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 = Warehouse Gross Profit ÷ Average Inventory At Cost

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 closely consider the trade-off between gross margin and inventory utilization.

	Your Firm	Typical NAED Dist.	Fin. Prof. NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Collections						
Cash Sales (% Of Sales)	0.0%	4.9%	4.4%	4.0%	4.8%	7.0%
Average Collection Period (Days)	N/A	55.0	52.0	55.0	57.9	55.4
Credit & Collection Exp. (% Of Cred. Sales)	N/A%	0.2%	0.2%	N/A%	0.1%	0.2%
Bad Debts (% Of Sales)	N/A%	0.1%	0.3%	0.3%	0.4%	0.4%
Inventory						
Inventory Turnover (Stock & Spec. Orders)	N/A	5.0	4.9	3.5	4.6	3.9
Inventory Turnover (Stock COGS Only)	N/A	5.0	4.2	3.0	4.3	3.6
Inventory Holding Period (Days)	N/A	71.1	74.5	104.3	79.3	93.6
Sales To Inventory Ratio (Times)	N/A	6.0	6.5	4.8	6.3	5.4
Gross Margin Return On Inventory	N/A	150.7%	174.4%	139.5%	160.4%	150.4%
Unaccounted Inventory (Shrink)						
Shrink As A Percent Of Sales	N/A%	0.1%	0.0%	0.1%	0.1%	0.2%
Shrink As A Percent Of Inventory	N/A%	0.7%	0.5%	0.7%	0.7%	1.0%
Sales By Type Of Sale						
Warehouse (Stocked Items)	N/A%	64.2%	61.7%	86.5%	58.8%	86.5%
Special Orders	N/A	8.8	10.3	3.0	8.0	8.7
Drop Shipments	0.0	27.0	28.0	10.5	33.2	4.8
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Comb. Whs. Sales (Stocked + Spec. Order)	100.0%	73.0%	72.0%	89.5%	66.8%	95.2%
Special Orders (% Of Comb. Whs. Sales)	N/A%	12.0%	13.5%	3.6%	10.2%	9.4%
Gross Margin By Type Of Sale						
Warehouse (Stocked Items)	N/A%	23.7%	23.7%	28.0%	23.2%	26.5%
Special Orders	N/A%	22.5%	23.5%	25.0%	21.7%	25.0%
Drop Shipments	N/A%	14.3%	14.1%	18.0%	13.0%	18.0%

Growth And Cash Sufficiency Ratios

Most firms are anxious to expand their sales base. As they do so, however, cash flow becomes a major issue. Ideally, firms would like to have enough cash to fund expansion and to provide a buffer in the event of a cyclical slowdown in the industry. At the same time, no firm wants to have excessive cash balances remaining idle.

This section examines cash sufficiency utilizing a number of ratios, most of which are not well understood. The ratios will examine how fast the firm can grow, the cash flow required by additional sales growth and ways to enhance growth with existing cash balances.

Growth Potential Index = Profit After Taxes ÷ (Accounts Receivable + Inventory - Accounts Payable)

The Growth Potential Index (GPI) measures approximately how fast the firm can increase its sales each year using only internally generated funds. Increasing sales faster than the growth potential index will necessitate additional borrowing. Increasing sales slower than the growth potential index will create additional cash reserves.

Cash Cycle = Average Collection Period + Inventory Holding Period - Accounts Payable Payout Period

The cash cycle determines the number of days of investment in a product from the time it is purchased from the supplier until the sales invoice is collected from the customer. Anything that can be done to shorten this period facilitates sales growth without an additional outside investment. All three of the components of this ratio were covered on the preceding two pages.

Cash To Current Liabilities = Cash ÷ Current Liabilities × 100

This is the most stringent test of the ability of the firm to meet its short-term obligations with existing cash balances. To be truly conservative with cash, this ratio should be in the twenty percent range.

Sales To Working Capital = Net Sales ÷ (Current Assets - Current Liabilities)

Sales to working capital measures the ability of a firm to generate sales without tying up high levels of investment in working capital. A ratio of 5.0, for example, means the firm can generate \$5.00 in sales for every \$1.00 invested in working capital. This ratio can be improved by changes in any of the three working capital items—improving inventory, increasing accounts receivable collections or obtaining more favorable accounts payable payment terms.

	Year	Local NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Growth & Cash						
Growth Potential Index	N/A	9.4%	19.8%	6.6%	10.8%	9.0%
Cash Cycle (Days)	N/A	103.2	96.8	124.2	102.7	113.6
Cash To Current Liabilities	N/A%	4.0%	7.1%	7.7%	3.4%	7.8%
Sales To Working Capital	N/A	7.6	7.5	4.4	8.5	6.5

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 of operating 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 Invoice = Net Sales ÷ Number Of Invoices Filled

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 invoice, the more able the firm is to cover these fixed expenses with additional gross margin dollars generated on the sale.

Sales Per Invoice Line = Net Sales ÷ Total Number Of Invoice Lines

Processing orders also involves a relatively fixed cost per invoice line. Increasing the average line value also allows the firm to cover fixed costs more profitably.

	Your Firm	Typical NAED Dist.	High Profit Area	Sales Per Unit (Million)	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Warehouse Space						
Warehouse Space (Sq. Ft.)	N/A	100,000	78,300	11,000	65,000	22,500
Sales Per Square Foot (Warehouse)	\$N/A	\$286	\$105	\$286	\$343	\$356
Inventory Per Square Foot (Warehouse)	\$N/A	\$68	\$51	\$68	\$54	\$60
Purchases & Shipments						
Total Annual Purchases (\$)	N/A	37,120,081	37,120,081	3,270,810	32,219,976	5,417,455
Shipments Received Per Year	N/A	20,349	20,349	2,160	14,000	4,714
Purchases Per Shipment Received	N/A	1,754	1,678	1,237	1,690	1,314
Stockkeeping Units						
Number Of SKUs (Stockkeeping Units)	N/A	15,000	12,569	8,575	14,666	9,840
Sales Per SKU	\$N/A	\$1,570	\$1,860	\$423	\$1,628	\$498
Inventory Per SKU	\$N/A	\$299	\$330	\$140	\$271	\$128
Invoices						
Invoices Filled Per Year	N/A	108,000	127,116	23,981	100,236	38,429
Sales Per Invoice	\$N/A	\$316	\$332	\$180	\$347	\$249
Total Operating Expense Per Invoice	\$N/A	\$67	\$65	\$68	\$65	\$57
Selling Expense Per Invoice	\$N/A	\$29	\$30	\$22	\$28	\$23
Delivery Expense Per Invoice	\$N/A	\$5	\$4	\$4	\$5	\$4
G & A Expense Per Invoice	\$N/A	\$18	\$16	\$25	\$19	\$15
Invoice Lines						
Invoice Lines Per Year (Whse. & Direct)	N/A	402,694	442,417	54,230	441,794	266,000
Lines Per Invoice	N/A	3.4	3.5	3.7	3.9	4.1
Sales Per Invoice Line	\$N/A	\$92	\$90	\$72	\$90	\$70
Operating Expense Per Invoice Line	\$N/A	\$18	\$16	\$25	\$16	\$14
Selling Expense Per Invoice Line	\$N/A	\$8	\$7	\$13	\$7	\$4
Delivery Expense Per Invoice Line	\$N/A	\$1	\$1	\$1	\$1	\$1
G & A Exp. Per Invoice Line	\$N/A	\$5	\$4	\$7	\$5	\$3

Customer Profile

Most firms fail to take control over their mix of products and customers. Oftentimes the choice of products offered and customers serviced is left almost to chance. The two must complement each other, and that balance is not achieved without some measure of planning.

Sales Per Customer = Net Sales ÷ Number Of Active Customers

If the firm can generate adequate sales per customer, it can minimize the amount of time and expense it incurs in finding additional customers.

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Customers						
Number Of Active Customers	N/A	1,580	1,611	1,103	1,103	751
Sales Per Customer	\$N/A	\$23,997	\$26,375	\$8,785	\$32,446	\$11,249
Gross Margin Per Customer	\$N/A	\$5,533	\$5,617	\$1,899	\$6,134	\$3,063
Invoices Per Customer	N/A	76	86	87	87	48
Invoice Lines Per Customer	N/A	252	302	353	353	275
Sales By Type Of Customer						
Residential Contractors	N/A%	15.0%	19.7%	11.5%	15.3%	42.8%
Commercial Contractors	N/A	50.7	50.7	25.5	66.3	27.7
Industrials (OEM, Institutions, & Government)	N/A	22.5	22.5	20.2	12.2	20.0
Utilities	N/A	1.0	1.0	3.0	1.0	1.5
All Others	N/A	6.1	6.2	9.8	5.1	8.0
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales By Type Of Sale						
Warehouse (Stocked Items)	N/A%	64.2%	61.7%	86.5%	58.8%	86.5%
Special Orders	N/A	8.8	10.3	3.0	8.0	8.7
Drop Shipments	N/A	27.0	28.0	10.5	33.2	4.8
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Combined Warehouse Sales (Stocked Items + Special Orders)	73.0%	73.0%	72.0%	89.5%	66.8%	95.2%
Special Orders (% Of Combined Warehouse Sales)	N/A%	12.0%	13.5%	3.6%	10.2%	9.4%
Gross Margin By Type Of Sale						
Warehouse (Stocked Items)	N/A%	23.7%	23.7%	28.0%	23.2%	26.5%
Special Orders	N/A%	22.5%	23.5%	25.0%	21.7%	25.0%
Drop Shipments	N/A%	14.3%	14.1%	18.0%	13.0%	18.0%

Employee Productivity Ratios

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.

Exercise caution in evaluating this ratio due to the very dramatic influence of gross margin percentage.

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Employee Productivity						
Sales Per Employee	\$N/A	\$416,725	\$493,190	\$230,725	\$447,565	\$297,234
Gross Margin Per Employee	\$N/A	\$95,062	\$108,941	\$74,018	\$98,111	\$79,723
Payroll Per Employee	<u>N/A</u>	<u>57,820</u>	<u>61,514</u>	<u>45,700</u>	<u>56,686</u>	<u>43,483</u>
Contribution Margin Per Employee	\$N/A	\$37,242	\$47,427	\$28,125	\$41,425	\$36,240
Salary Per Employee	\$N/A	\$48,494	\$52,090	\$36,392	\$49,600	\$39,352
Payroll Taxes & Fringes Per Employee	<u>N/A</u>	<u>9,326</u>	<u>9,424</u>	<u>8,778</u>	<u>6,686</u>	<u>4,132</u>
Payroll Per Employee	\$N/A	\$57,820	\$61,514	\$45,170	\$56,386	\$43,483
Personnel Productivity Ratio	N/A%	64.9%	60.0%	66.8%	71.1%	64.0%
Payroll Expense (% of Sales)						
Selling Dept. Salaries & Comm.	N/A%	6.7%	6.9%	6.8%	6.3%	6.8%
Driver Salaries & Wages	N/A	0.6	0.6	0.6	0.6	0.9
Warehouse Salaries & Wages	N/A	1.2	1.2	1.2	1.5	1.4
Information Tech. Salaries & Bonus	N/A	0.3	0.3	0.1	0.3	0.4
General & Admin. Salaries & Bonus	<u>N/A</u>	<u>3.4</u>	<u>2.2</u>	<u>5.4</u>	<u>3.4</u>	<u>4.8</u>
Total Employee Salaries & Wages	N/A%	12.9%	11.7%	16.1%	12.1%	14.3%
Payroll Taxes & Fringes (FICA, Med., etc.)	<u>N/A</u>	<u>1.9</u>	<u>1.9</u>	<u>2.8</u>	<u>1.8</u>	<u>2.2</u>
Total Payroll Expenses	N/A%	14.8%	13.5%	18.9%	13.9%	16.5%
Payroll Expense (% of Operating Expense)						
Selling Dept. Salaries & Comm.	N/A%	34.6%	34.6%	25.2%	30.8%	29.1%
Driver Salaries & Wages	N/A	3.0	3.0	3.4	3.6	3.2
Warehouse Salaries & Wages	N/A	6.0	6.0	5.2	7.2	5.5
Information Tech. Salaries & Bonus	N/A	1.1	1.1	0.0	0.9	1.2
General & Admin. Salaries & Bonus	<u>N/A</u>	<u>15.0</u>	<u>14.7</u>	<u>21.8</u>	<u>15.6</u>	<u>17.2</u>
Total Employee Salaries & Wages	N/A%	57.3%	59.4%	55.6%	58.1%	56.2%
Payroll Taxes & Fringes (FICA, Med., etc.)	<u>N/A</u>	<u>10.8</u>	<u>10.3</u>	<u>8.8</u>	<u>10.0</u>	<u>8.8</u>
Total Payroll Expenses	N/A%	68.1%	69.7%	64.4%	68.1%	65.0%
Employees By Function (FTE)						
Sales Management	N/A	4.0	6.0	1.1	3.0	1.5
Outside Sales	N/A	11.9	11.0	2.2	11.0	2.6
Inside Sales	N/A	14.4	15.4	3.1	14.0	2.0
Counter Sales	N/A	9.4	10.1	2.2	9.0	4.0
Residential Showroom Sales	N/A	0.0	0.0	0.0	0.0	0.0
Product Specialists & Sales Support	N/A	4.0	5.0	0.0	5.0	0.0
Delivery/Drivers	N/A	7.1	7.1	1.1	8.0	2.0
Warehouse	N/A	14.7	19.4	2.1	15.0	2.4
Information Technology	N/A	1.5	1.6	0.0	1.0	1.0
Purchasing	N/A	3.0	4.0	1.1	3.0	1.8
Accounting/Finance	N/A	3.0	3.0	1.1	3.0	1.2
Credit & Collection	N/A	1.5	2.0	0.4	2.0	1.0
Administrative Management	N/A	3.0	3.0	1.6	3.0	2.0
Clerical	N/A	4.0	4.5	1.1	4.0	2.0
All Other Employees	<u>N/A</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Number Of Employees (FTE)	<u>N/A</u>	<u>81.5</u>	<u>92.1</u>	<u>16.8</u>	<u>81.0</u>	<u>23.5</u>

Departmental Analysis: Sales

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Selling Expenses (% Of Sales)						
Sales Management Salaries & Comm.	N/A%	1.1%	1.2%	1.8%	1.1%	1.5%
Outside Sales Salaries & Comm.	N/A	2.4	2.6	3.3	2.4	2.3
Inside Sales Salaries & Comm.	N/A	1.7	1.6	1.6	1.5	1.2
Counter Sales Salaries & Comm.	N/A	0.9	1.0	1.5	0.8	1.4
Residential Showroom Sal. & Comm.	N/A	0.0	0.0	0.0	0.0	0.4
Product Specialist & Support Salaries	<u>N/A</u>	<u>0.6</u>	<u>0.5</u>	<u>0.0</u>	<u>0.5</u>	<u>0.0</u>
Total Selling Salaries & Comm.	<u>N/A</u>	<u>6.7</u>	<u>6.9</u>	<u>8.2</u>	<u>6.9</u>	<u>8.2</u>
Payroll Taxes & Fringes (FICA, Med., etc.)	<u>N/A</u>	<u>1.2</u>	<u>1.1</u>	<u>1.3</u>	<u>0.9</u>	<u>1.2</u>
Total Selling Payroll Expenses	N/A	7.9	8.0	9.5	7.2	8.0
Travel & Entertainment	N/A	0.2	0.2	0.2	0.2	0.3
Advertising & Promotion	N/A	0.2	0.4	0.1	0.2	0.4
Auto Expenses	N/A	0.3	0.2	0.2	0.2	0.2
Telephone	N/A	0.3	0.2	0.5	0.2	0.3
Other Selling Expenses	<u>N/A</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Total Selling Expenses	N/A%	9.0%	9.0%	11.7%	8.1%	9.2%
Selling Expenses (% Of Gross Margin)						
Sales Management Salaries & Comm.	N/A%	5.0%	5.3%	6.4%	5.1%	5.8%
Outside Sales Salaries & Comm.	N/A	10.8	11.6	11.7	11.1	8.9
Inside Sales Salaries & Comm.	N/A	7.1	7.1	5.7	6.9	4.7
Counter Sales Salaries & Comm.	N/A	4.4	4.4	5.3	3.7	5.4
Residential Showroom Sa. & Comm.	N/A	0.0	0.0	0.0	0.0	1.6
Product Specialist & Support Salaries	<u>N/A</u>	<u>2.7</u>	<u>2.2</u>	<u>0.0</u>	<u>2.3</u>	<u>0.0</u>
Total Selling Salaries & Comm.	<u>N/A</u>	<u>30.2</u>	<u>30.7</u>	<u>29.0</u>	<u>30.7</u>	<u>29.0</u>
Payroll Taxes & Fringes (FICA, Med., etc.)	<u>N/A</u>	<u>4.1</u>	<u>4.9</u>	<u>4.6</u>	<u>4.1</u>	<u>4.7</u>
Total Selling Payroll Expenses	N/A	35.3	35.6	33.6	33.2	31.0
Travel & Entertainment	N/A	0.9	0.9	0.7	0.9	1.2
Advertising & Promotion	N/A	0.9	1.8	1.4	0.9	1.6
Auto Expenses	N/A	1.4	0.9	1.8	0.9	0.8
Telephone	N/A	1.4	0.9	1.8	0.9	1.2
Other Selling Expenses	<u>N/A</u>	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.5</u>	<u>0.2</u>
Total Selling Expenses	N/A%	40.5	40.0%	39.2%	37.3%	35.7%
Sales Employees By Function						
Sales Management	N/A	4.0	6.0	1.1	3.0	1.5
Outside Sales	N/A	11.9	11.0	2.2	11.0	2.6
Inside Sales	N/A	14.4	15.4	3.1	14.0	2.0
Counter Sales	N/A	9.4	10.1	2.2	9.0	4.0
Residential Showroom Sales	N/A	0.0	0.0	0.0	0.0	0.0
Product Specialists & Sales Support	<u>N/A</u>	<u>4.0</u>	<u>5.0</u>	<u>0.0</u>	<u>5.0</u>	<u>0.0</u>
Total Number Of Sales Employees (FTE)	N/A	43.7	47.5	8.5	42.0	10.1
Invoice Analysis						
Selling Expense Per Invoice	\$N/A	\$29	\$30	\$22	\$28	\$23
Selling Expense Per Invoice Line	\$N/A	\$8	\$7	\$13	\$7	\$4
Sales By Type Of Sale						
Warehouse (Stocked Items)	N/A%	64.2%	61.7%	86.5%	58.8%	86.5%
Special Orders	N/A	8.8	10.3	3.0	8.0	8.7
Drop Shipments	<u>0.0</u>	<u>27.0</u>	<u>28.0</u>	<u>10.5</u>	<u>33.2</u>	<u>4.8</u>
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sales

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Gross Margin By Type Of Sale						
Warehouse (Stocked Items)	N/A%	23.7%	23.7%	28.0%	23.2%	26.5%
Special Orders	N/A%	22.5%	23.5%	25.0%	21.7%	25.0%
Drop Shipments	N/A%	14.3%	14.1%	18.0%	13.0%	18.0%
Total Sales Department						
Sales Per Sales Dept. Emp.	\$N/A	\$863,202	\$994,355	\$547,102	\$961,441	\$670,168
Gross Margin Per Sales Emp.	\$N/A	\$189,759	\$226,893	\$174,961	\$212,224	\$180,121
Number Of Customers/Sales Emp.	N/A	37	42	65	34	59
Total Selling Expenses/Sales Emp.	\$N/A	\$76,773	\$76,441	\$62,559	\$79,370	\$65,177
Salary & Commissions Per Sales Emp.	\$N/A	\$55,741	\$58,055	\$42,640	\$58,316	\$46,712
Payroll Per Sales Employee	\$N/A	\$67,004	\$69,324	\$49,025	\$63,981	\$54,578
Payroll Expense (% Of Sales)	N/A%	7.9%	8.0%	9.5%	7.2%	8.0%
Payroll Expense (% Of Operating Expense)	N/A%	35.6%	35.6%	33.6%	32.2%	31.0%
Sales Management						
Net Sales Per Sales Manager	\$N/A	\$8,060,875	\$8,053,084	\$2,372,254	\$10,838,866	\$4,786,228
Gross Margin Per Sales Manager	\$N/A	\$1,780,256	\$1,749,864	\$1,199,192	\$1,923,374	\$1,162,657
Salary & Comm. Per Sales Mgr.	\$N/A	\$91,735	\$	\$	\$109,726	\$60,507
Outside Sales						
Net Sales Per Outside Sales Emp.	\$N/A	\$3,456,091	\$3,931,155	\$2,027,804	\$4,047,631	\$3,108,167
Gross Margin Per Outside Sales Emp.	\$N/A	\$639,208	\$849,864	\$451,042	\$838,363	\$779,118
Salary & Comm./Outside Sales Emp.	\$N/A	\$45,541	\$45,630	\$46,191	\$89,124	\$70,538
Outside Sales Employees Per Sales Mgr.	N/A	2.1	1.2	1.0	2.6	1.3
Inside Sales						
Net Sales Per Inside Sales Emp.	\$N/A	\$3,293,305	\$3,293,305	\$1,717,330	\$3,527,855	\$3,555,707
Gross Margin Per Inside Sales Emp.	\$N/A	\$45,630	\$721,495	\$443,623	\$792,383	\$846,567
Salary & Comm./Inside Sales Emp.	\$N/A	\$45,541	\$45,630	\$25,750	\$50,878	\$38,818
Inside Sls. Emps./Outside Sls. Emp.	N/A	1.2	1.2	0.7	1.2	0.9
Invoices Per Inside Sales Emp.	\$N/A	8,397	9,087	13,062	10,212	13,031
Invoice Lines Per Inside Sales Emp.	N/A	29,143	32,857	18,607	39,545	67,000
Counter Sales						
Salary & Comm./Counter Sales Emp.	\$N/A	\$34,519	\$33,488	\$20,944	\$37,821	\$30,846
Residential Showroom						
Sal. & Comm./Residential Showrm. Emp.	\$N/A	\$35,000	\$34,692	\$N/A	\$38,500	\$26,130
Product Specialists						
Salary & Comm. Per Product Specialist	\$N/A	\$54,940	\$48,193	\$N/A	\$56,733	\$N/A

Delivery

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Delivery Expenses (% Of Combined Warehouse Sales)						
Driver Salaries & Wages	N/A%	0.8%	0.8%	1.3%	0.9%	0.9%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.1	0.1	0.2	0.1	0.1
Freight/Transportation Out	N/A	0.1	0.1	0.1	0.1	0.2
Trucks	N/A	0.7	0.6	0.8	0.7	0.5
Other Delivery Expenses	N/A	0.0	0.0	0.0	0.0	0.0
Total Delivery Expenses	N/A%	1.8%	1.7%	2.5%	1.9%	1.8%

Delivery Expenses (% Of Combined Warehouse Gross Margin)						
Driver Salaries & Wages	N/A%	3.5%	3.5%	4.8%	3.9%	3.6%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.6	0.6	0.7	0.7	0.4
Freight/Transportation Out	N/A	0.6	0.6	0.7	0.7	0.8
Trucks	N/A	2.9	2.3	2.8	3.3	2.0
Other Delivery Expenses	N/A	0.0	0.0	0.0	0.0	0.0
Total Delivery Expenses	N/A%	7.6%	7.0%	8.3%	8.5%	6.8%

Delivery Employee Productivity						
Number Of Delivery Employees (FTE)	N/A	7.1	7.1	8.0	8.0	2.0
Warehouse Sales Per Delivery Emp.	\$N/A	\$3,078	\$228,192	\$2,750	\$2,645,318	\$3,337,687
Warehouse G.M. Per Delivery Emp.	\$N/A	\$81	\$1,517	\$75,871	\$701,283	\$847,133
Salary & Wages / Delivery Emp.	\$N/A	\$7,88	\$7,265	\$22,817	\$29,944	\$24,754

Invoice Analysis						
Delivery Expense Per Invoice	\$N/A	\$5	\$4	\$4	\$5	\$4
Delivery Expense Per Invoice Line	\$N/A	\$1	\$1	\$1	\$1	\$1

Warehouse

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Warehouse Expenses (% Of Combined Warehouse Sales)						
Warehouse Salaries & Wages	N/A%	1.8%	1.5%	1.3%	2.2%	1.5%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.3	0.3	0.2	0.3	0.1
Equipment Repairs & Maint., Depr.	N/A	0.1	0.1	0.0	0.1	0.1
Insurance (Inventory & Whse. Equip.)	N/A	0.0	0.0	0.1	0.0	0.0
Other Warehouse Expenses	N/A	0.1	0.1	0.1	0.1	0.1
Total Warehouse Expenses	N/A%	2.3%	2.1%	1.8%	2.8%	1.8%

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Warehouse Expenses (% Of Combined Warehouse Gross Margin)						
Warehouse Salaries & Wages	N/A%	7.6%	6.5%	4.8%	9.8%	5.6%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	1.2	1.2	0.8	1.3	0.4
Equipment Repairs & Maint., Depr.	N/A	0.6	0.6	0.0	0.7	0.4
Insurance (Inventory & Whse. Equip.)	N/A	0.0	0.0	0.4	0.0	0.0
Other Warehouse Expenses	N/A	0.6	0.6	0.4	0.7	0.4
Total Warehouse Expenses	N/A%	9.9%	8.8%	6.4%	12.4%	6.8%

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Warehouse Employee Productivity						
Number Of Warehouse Employees (FTE)	N/A	14.7	14.7	15.0	15.0	2.4
Warehouse Sales Per Warehouse Emp.	\$N/A	\$1,704,966	\$1,744,400	\$1,987,247	\$1,505,771	\$1,987,247
Warehouse G.M. Per Whse. Emp.	\$N/A	\$440,623	\$62,910	\$567,000	\$384,183	\$548,555
Warehouse Exp. Per Warehouse Emp.	\$N/A	\$43,520	\$10,000	\$48,616	\$44,512	\$41,155
Salary & Wages / Warehouse Emp.	\$N/A	\$29,110	\$28,000	\$26,737	\$32,203	\$26,042

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Invoice Analysis						
Invoices Per Warehouse Employee	N/A	7,302	7,302	13,062	6,562	10,193
Invoice Lines Per Warehouse Employee	N/A	25,624	28,283	23,705	28,283	39,366

SAMPLE

Information Technology

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Info. Tech. Expenses (% Of Sales)						
DP/Info. Tech. Salaries & Bonus	N/A%	0.3%	0.3%	0.1%	0.3%	0.4%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.0	0.0	0.0	0.0	0.0
Depreciation Of Computer Hardware	N/A	0.1	0.1	0.2	0.1	0.0
Rental Expense Of Computer Hdwe.	N/A	0.0	0.0	0.0	0.0	0.0
Communication Cost	N/A	0.1	0.1	0.1	0.0	0.0
Amortization Of Software	N/A	0.0	0.0	0.2	0.0	0.0
Other Information Technology Exp.	<u>N/A</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
Total Information Tech. Expenses	N/A%	0.7%	0.6%	0.7%	0.5%	0.6%
Info. Tech. Expenses (% Of GM)						
DP/Info. Tech. Salaries & Bonus	N/A%	1.4%	1.3%	0.0	1.4%	1.6%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.0	0.0	0.0	0.0	0.0
Depreciation Of Computer Hardware	N/A	0.5	0.4	0.7	0.5	0.0
Rental Expense Of Computer Hdwe.	N/A	0.0	0.0	0.0	0.0	0.0
Communication Cost	N/A	0.5	0.1	0.0	0.0	0.0
Amortization Of Software	N/A	0.0	0.0	0.7	0.0	0.0
Other Information Technology Exp.	<u>N/A</u>	<u>0.9</u>	<u>0.2</u>	<u>0.4</u>	<u>0.5</u>	<u>0.8</u>
Total Information Tech. Expenses	N/A%	3.2%	2.7%	1.5%	2.3%	2.3%
Info. Tech. Productivity						
Number Of Information Tech. Emps. (FTE)	N/A	1.5	1.6	0.0	1.0	1.0
Sales Per Information Technology Emp.	\$N/A	\$22,530	\$30,383,715	\$N/A	\$28,288,654	\$18,649,000
Gross Margin Per Information Tech. Emp.	\$N/A	\$188	\$6,0376	\$N/A	\$6,194,351	\$4,015,478
Salary & Wages / Information Tech. Emp.	\$N/A	\$1,892	\$1,892	\$N/A	\$55,658	\$56,260

SAMPLE

General & Administrative

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Genl. & Admin. Expenses (% Of Sales)						
Management/Exec. Salaries & Bonus	N/A%	1.7%	1.4%	3.1%	1.7%	2.3%
Purchasing Salaries & Bonus	N/A	0.5	0.4	0.7	0.4	0.7
Accounting/Finance Salaries & Bonus	N/A	0.4	0.3	0.8	0.5	0.8
Clerical/Office Salaries & Bonus	N/A	0.6	0.5	0.8	0.6	0.8
Credit & Collection Salaries & Bonus	N/A	0.2	0.1	0.0	0.2	0.2
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	0.6	0.5	1.1	0.6	0.8
Furniture, Fixtures & Office Equipment	N/A	0.2	0.1	0.3	0.2	0.3
Insurance (General Liability, Contents, etc.)	N/A	0.2	0.2	0.7	0.2	0.4
Postage & UPS Expenses	N/A	0.1	0.1	0.1	0.1	0.1
Stationery & Office Supplies	N/A	0.2	0.2	0.4	0.2	0.4
Dues & Subscriptions	N/A	0.1	0.0	0.1	0.1	0.1
Contributions	N/A	0.0	0.0	0.0	0.0	0.1
Professional Services	N/A	0.3	0.2	0.3	0.2	0.4
Personal Property Taxes & Licenses	N/A	0.1	0.1	0.1	0.2	0.3
Bad Debts	N/A	0.3	0.3	0.3	0.3	0.4
G & A Travel & Entertainment	N/A	0.1	0.1	0.2	0.1	0.2
G & A Auto Expenses	N/A	0.1	0.1	0.3	0.1	0.1
Other G & A Expenses	N/A	0.3	0.5	0.5	0.2	0.4
Total General & Admin. Expenses	N/A%	6.1%	5.0%	9%	6.2%	8.9%

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Genl. & Admin. Expenses (% Of GM)						
Management/Exec. Salaries & Bonus	N/A%	7.7%	7.9%	11.0%	7.8%	8.9%
Purchasing Salaries & Bonus	N/A	2.3	1.6	2.5	1.8	2.7
Accounting/Finance Salaries & Bonus	N/A	1.8	1.3	2.8	2.3	3.1
Clerical/Office Salaries & Bonus	N/A	2.2	2.2	2.8	2.8	3.1
Credit & Collection Salaries & Bonus	N/A	0.4	0.4	0.0	0.9	0.8
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	2.7	2.7	3.9	2.8	3.1
Furniture, Fixtures & Office Equipment	N/A	0.9	0.4	1.1	0.9	1.2
Insurance (General Liability, Contents, etc.)	N/A	0.9	0.9	2.5	0.9	1.6
Postage & UPS Expenses	N/A	0.4	0.4	0.4	0.5	0.4
Stationery & Office Supplies	N/A	0.9	0.9	1.4	0.9	1.6
Dues & Subscriptions	N/A	0.5	0.0	0.4	0.5	0.4
Contributions	N/A	0.0	0.0	0.0	0.0	0.4
Professional Services	N/A	1.4	0.9	1.1	0.9	1.6
Personal Property Taxes & Licenses	N/A	0.5	0.4	0.4	0.9	1.2
Bad Debts	N/A	1.4	1.3	1.1	1.8	1.6
G & A Travel & Entertainment	N/A	0.5	0.4	0.7	0.5	0.8
G & A Auto Expenses	N/A	1.4	2.1	1.5	1.8	1.6
Other G & A Expenses	N/A	1.4	2.1	1.5	1.8	1.6
Total General & Admin. Expenses	N/A%	27.5%	22.2%	34.6%	28.6%	34.5%

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Genl. & Admin. Employees (Number Of Full-Time Equivalents)						
Purchasing	N/A	3.0	4.0	1.1	3.0	1.8
Accounting/Finance	N/A	3.0	3.0	1.1	3.0	1.2
Credit & Collection	N/A	1.5	2.0	0.4	2.0	1.0
Administrative Management	N/A	3.0	3.0	1.6	3.0	2.0
Clerical	N/A	4.0	4.5	1.1	4.0	2.0
All Other Employees	N/A	0.0	0.0	0.0	0.0	0.0

	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Invoice Analysis						
Administrative Expenses Per Invoice	\$N/A	\$18	\$16	\$25	\$19	\$15
Administrative Exp. Per Invoice Line	\$N/A	\$5	\$4	\$7	\$5	\$3

General & Administrative

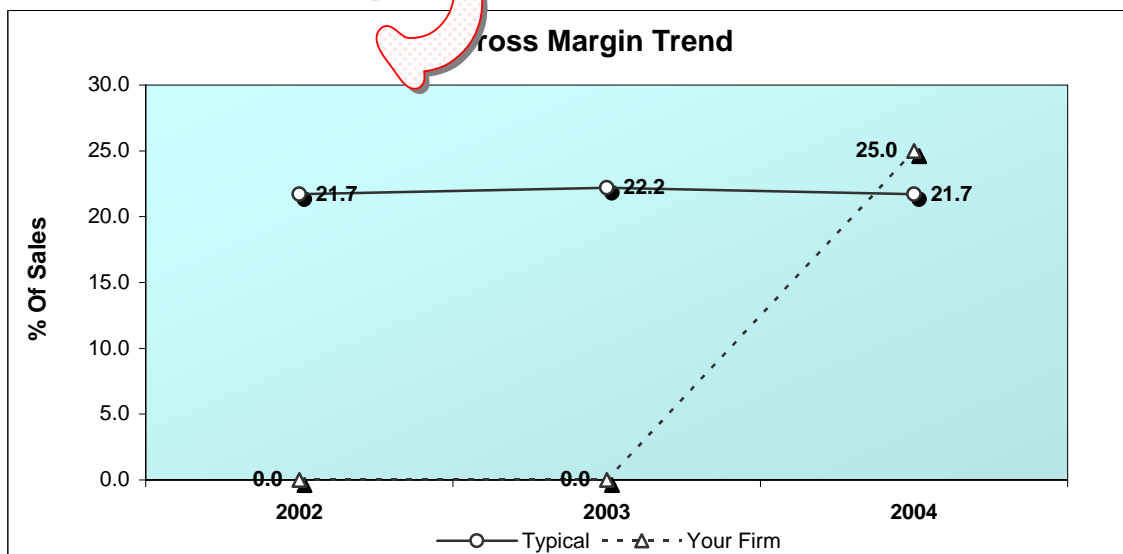
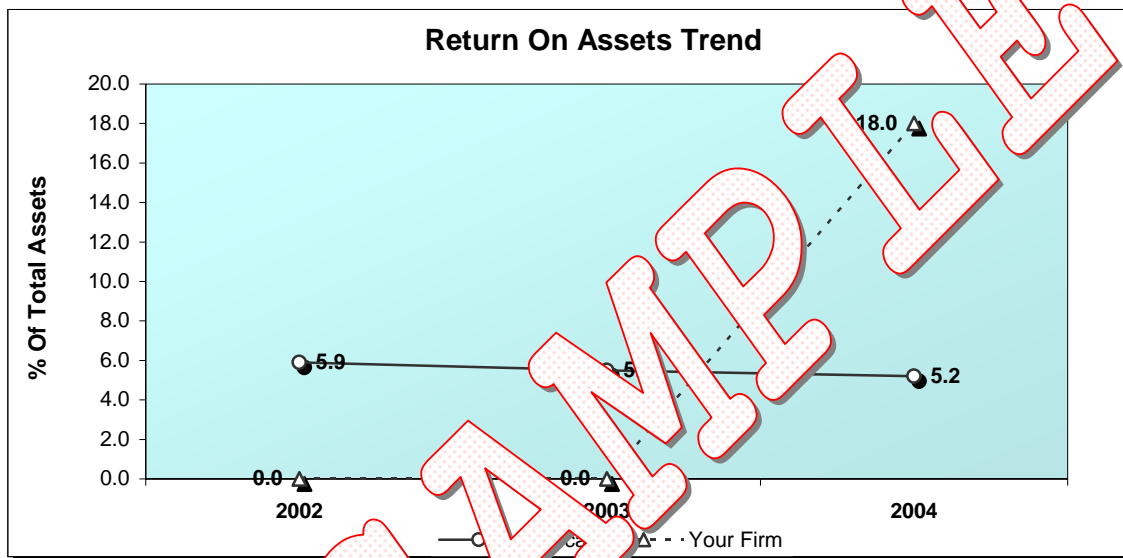
	Your Firm	Typical NAED Dist.	High Profit NAED	Sales Under \$6 Million	Commercial Contractor Emphasis	Over 90% Warehouse Sales
Purchasing						
Total Annual Purchases	\$N/A	\$27,865,000	\$37,120,081	\$3,270,810	\$32,219,976	\$5,417,455
Sales Per Purchasing Emp.	\$N/A	\$11,042,082	\$14,482,663	\$4,009,360	\$13,214,591	\$5,498,795
Gross Margin Per Purchasing Emp.	\$N/A	\$2,324,580	\$3,098,347	\$1,097,437	\$2,581,085	\$1,495,563
Salary & Bonus Per Purchasing Emp.	\$N/A	\$45,684	\$45,684	\$28,360	\$50,859	\$35,218
Purchases Per Purchasing Emp.	\$N/A	\$8,355,755	\$11,599,241	\$2,778,453	\$10,708,289	\$4,324,854
Accounting/Finance						
Sales Per Accounting/Finance Emp.	\$N/A	\$12,536,915	\$15,977,068	\$4,066,372	\$12,519,086	\$4,905,032
Gross Margin Per Accounting/Finance Emp.	\$N/A	\$2,732,647	\$3,389,678	\$1,106,963	\$2,488,300	\$1,233,487
Salary & Bonus Per Acctg./Finance Emp.	\$N/A	\$43,965	\$46,688	\$32,200	\$42,100	\$35,916
Invoices Per Accounting/Finance Emp.	N/A	35,000	43,496	27,000	31,995	29,163
Invoice Lines Per Accounting/Finance Emp.	N/A	121,838	154,678	100,300	141,435	156,983
Credit & Collection						
Credit & Collection Exp. (% Of Cred. Sls.)	N/A%	0.2%	N/A%	N/A%	0.1%	0.2%
Sales Per Credit & Collection Emp.	\$N/A	\$20,229,696	\$31,954,150	\$4,900,220	\$21,271,841	\$17,335,665
Gross Margin Per Credit & Collection Emp.	\$N/A	\$4,346,665	\$6,767,000	\$1,060,000	\$4,451,506	\$4,523,627
Salary & Bonus Per Credit & Collection Emp.	\$N/A	\$38,417	\$1,500	\$37,959	\$37,959	\$30,010
Invoices Per Credit & Collection Emp.	N/A	59,900	533	104	56,093	66,332
Invoice Lines Per Credit & Collection Emp.	N/A	223,800	387	42,300	232,564	298,966
Administrative Management						
Sales Per Admin. Management Emp.	\$N/A	\$2,100,430	\$1,008,420	\$1,981,557	\$12,106,893	\$6,216,333
Gross Margin Per Admin. Mgmt. Emp.	\$N/A	\$2,100,070	\$3,343,926	\$597,227	\$2,324,580	\$1,816,667
Salary & Bonus Per Admin. Mgmt. Emp.	\$N/A	\$40,679	\$171,003	\$77,000	\$145,617	\$83,683
Clerical						
Sales Per Clerical Emp.	\$N/A	\$6,353,808	\$7,897,791	\$3,448,490	\$6,560,553	\$5,133,281
Gross Margin Per Clerical Emp.	\$N/A	\$1,556,690	\$1,918,217	\$919,261	\$1,404,986	\$1,231,627
Salary & Bonus Per Clerical Emp.	\$N/A	\$31,771	\$30,591	\$N/A	\$30,551	\$27,241

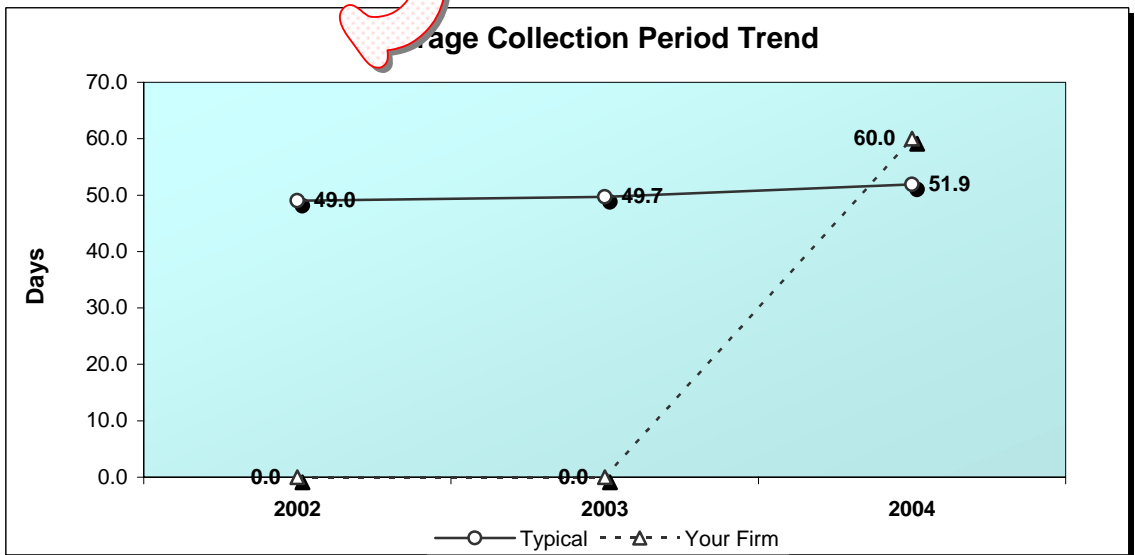
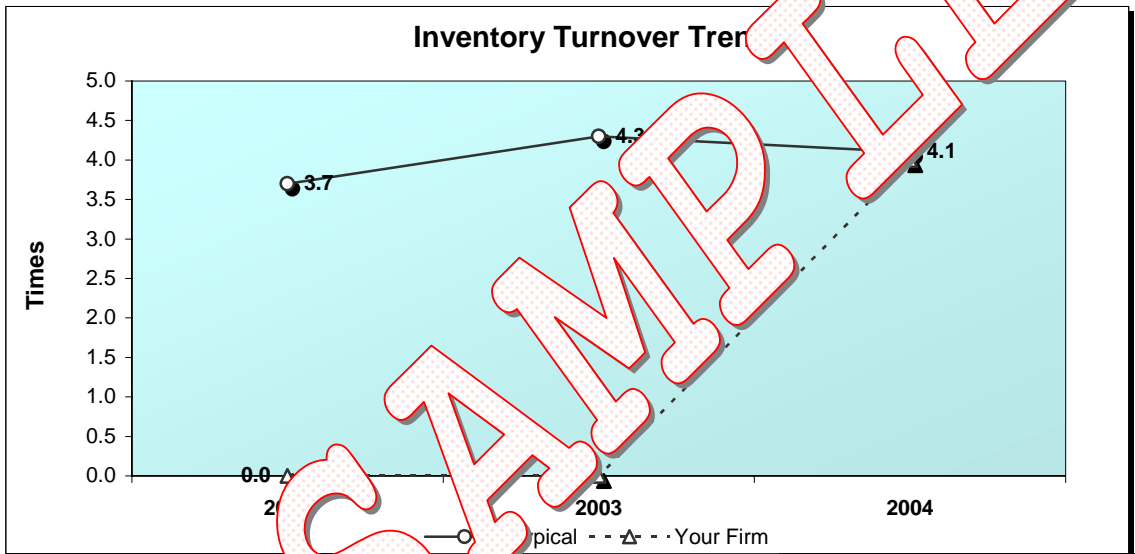
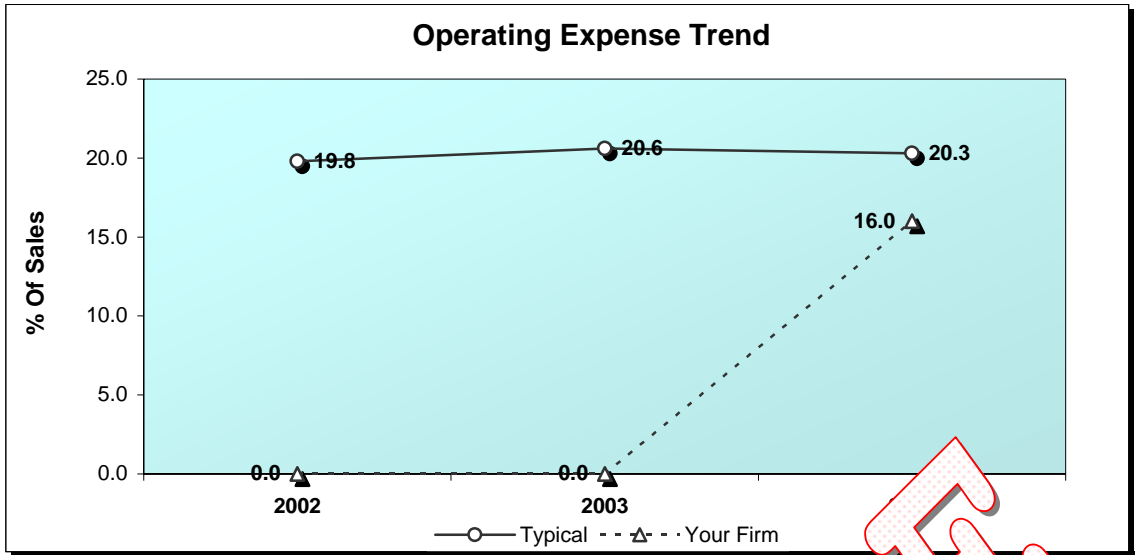
Trends & Variance

This section reviews your firm's financial trends and reports the "range of common experience" for all participating firms.

In the tables on the following pages, the unshaded trend columns show your firm's previous and current results. If your firm did not participate in one the years shown, a value of "0.0" is displayed in the graphs and "N/A" (not available) is reported in the tables. It is important to participate each year in order to gain the maximum benefit from this program.

The shaded columns in the tables report the lower quartile, typical value, and upper quartile of all reported values for each ratio. These figures help the reader quantify the variability of the data. The variance is greater for ratios with larger differences between the 1st and 3rd quartile values. This variance is the range of results experienced by the middle half of all participating firms and constitutes the "range of common experience".





Income Statement

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Fiscal 2002	Fiscal 2003	Fiscal 2004	Lower Quartile	Typical Firm	Upper Quartile
Sales						
Sales Volume (000)	\$N/A	\$N/A	\$N/A	\$14,898	\$34,757	\$81,678
Sales Growth	N/A%	N/A%	N/A%	9.1%	16.5%	23.3%
Strategic Profit Model Ratios						
Profit Margin (Pre-tax)	N/A%	N/A%	N/A%	1.3%	2.1%	3.4%
Asset Turnover	N/A	N/A	N/A	2.6	3.0	3.3
Return On Assets (Pre-tax)	N/A%	N/A%	N/A%	3.6%	6.3%	10.9%
Financial Leverage	N/A	N/A	N/A	1.7		3.5
Return On Net Worth (Pre-tax)	N/A%	N/A%	N/A%	9.3%		29.6%
Income Statement						
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost Of Goods Sold	N/A	N/A	N/A	77.5	79.5	79.5
Gross Margin	N/A	N/A	N/A	22.2	25.1	25.1
Operating Expenses						
Selling Expenses	N/A	N/A	N/A	7.4	9.8	9.8
Delivery Expenses	N/A	N/A	N/A	1.1	1.8	1.8
Warehouse Expenses	N/A	N/A	N/A	1.4	2.3	2.3
Occupancy Expenses	N/A	N/A	N/A	1.1	2.2	2.2
Information Technology Expenses	N/A	N/A	N/A	0.4	1.0	1.0
General & Administrative Expenses	N/A	N/A	N/A	1.4	7.2	7.2
Total Operating Expenses	N/A	N/A	N/A	18.1	23.0	23.0
Operating Profit	N/A	N/A	N/A	0.6	3.4	3.4
Cash Discounts Earned On Purchases	N/A	N/A	N/A	0.9	1.2	1.2
Other Non-Operating Income	N/A	N/A	0.2	0.1	0.5	0.5
Cash Discounts Allowed On Sales	N/A	N/A	0.5	0.3	0.5	0.5
Interest Expense	N/A	N/A	0.4	0.2	0.6	0.6
Other Non-Operating Expenses	N/A	N/A	0.0	0.0	0.1	0.1
Profit Before Taxes	N/A%	N/A%	N/A%	1.3%	2.1%	3.4%
Volume Rebates						
Rebates Received (\$)	N/A	N/A	N/A	204,120	643,538	1,477,401
Rebates (% Of Net Sales)	N/A	N/A%	N/A%	1.2%	1.6%	2.0%
Rebates (% Of Purchases)	N/A	N/A%	N/A%	1.5%	2.0%	2.6%
Sales By Type Of Sale						
Warehouse (Stocked Items)	N/A%	N/A%	N/A%	50.0%	64.2%	73.3%
Special Orders	N/A	N/A	N/A	0.0	8.8	15.0
Drop Shipments	0.0	0.0	0.0	17.0	27.0	36.1
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Margin By Type Of Sale						
Warehouse (Stocked Items)	N/A%	N/A%	N/A%	21.6%	23.7%	27.0%
Special Orders	N/A%	N/A%	N/A%	18.3%	22.5%	26.0%
Drop Shipments	N/A%	N/A%	N/A%	12.0%	14.3%	17.6%

Operating Expense Detail (Percent Of Net Sales)

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Selling Expenses (% Of Sales)						
Sales Management Salaries & Comm.	N/A%	N/A%	N/A%	0.6%	1.1%	1.4%
Outside Sales Salaries & Comm.	N/A	N/A	N/A	1.7	2.4	2.7
Inside Sales Salaries & Commissions	N/A	N/A	N/A	1.1	1.7	2.0
Counter Sales Salaries & Comm.	N/A	N/A	N/A	0.4	0.9	1.1
Residential Showroom Sales Salaries	N/A	N/A	N/A	0.0	0.0	0.3
Product Specialist & Support Salaries	N/A	N/A	N/A	0.0	0.6	1.0
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.8	1.2	1.4
Travel & Entertainment	N/A	N/A	N/A	0.1	0.2	0.3
Advertising & Promotion	N/A	N/A	N/A	0.1	0.2	0.4
Auto Expenses	N/A	N/A	N/A	0.1	0.3	0.4
Telephone	N/A	N/A	N/A	0.2	0.3	0.4
Other Selling Expenses	N/A	N/A	N/A	0.0	0.1	0.2
Total Selling Expenses	N/A	N/A	N/A	7.4	9.0	9.8
Delivery Expenses						
Driver Salaries & Wages	N/A	N/A	N/A	0.6	0.6	0.8
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.1	0.1	0.2
Freight/Transportation Out	N/A	N/A	N/A	0.0	0.0	0.3
Trucks	N/A	N/A	N/A	0.3	0.3	0.6
Other Delivery Expenses	N/A	N/A	N/A	0.0	0.0	0.0
Total Delivery Expenses	N/A	N/A	N/A	1.1	1.3	1.8
Warehouse Expenses						
Warehouse Salaries & Wages	N/A	N/A	N/A	1.0	1.3	1.6
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.0	0.2	0.3
Equipment Repairs & Maint., Depr.	N/A	N/A	N/A	0.0	0.1	0.2
Insurance (Inventory & Whse. Equip.)	N/A	N/A	N/A	0.0	0.0	0.1
Other Warehouse Expenses	N/A	N/A	N/A	0.0	0.1	0.2
Total Warehouse Expenses	N/A	N/A	N/A	1.4	1.7	2.3
Occupancy Expenses						
Rent Or Ownership In Real Estate	N/A	N/A	N/A	0.7	1.2	1.6
Building Repairs & Maintenance	N/A	N/A	N/A	0.1	0.2	0.2
Utilities (Heat, Light & Power)	N/A	N/A	N/A	0.2	0.2	0.3
Other Occupancy Expenses	N/A	N/A	N/A	0.0	0.0	0.1
Total Occupancy Expenses	N/A	N/A	N/A	1.1	1.6	2.2
Information Technology Expenses						
DP/Info. Tech. Salaries & Bonus	N/A	N/A	N/A	0.1	0.3	0.3
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.0	0.0	0.1
Depreciation Of Computer Hardware	N/A	N/A	N/A	0.0	0.1	0.2
Rental Expense Of Computer Hardware	N/A	N/A	N/A	0.0	0.0	0.0
Communication Cost	N/A	N/A	N/A	0.0	0.1	0.1
Amortization Of Software	N/A	N/A	N/A	0.1	0.0	0.1
Other Information Technology Exp.	N/A	N/A	N/A	0.0	0.2	0.3
Total Information Tech. Expenses	N/A	N/A	N/A	0.4	0.7	1.0
General & Administrative Expenses						
Management/Exec. Salaries & Bonus	N/A	N/A	N/A	0.8	1.7	2.2
Purchasing Salaries & Bonus	N/A	N/A	N/A	0.2	0.5	0.6
Accounting/Finance Salaries & Bonus	N/A	N/A	N/A	0.2	0.4	0.6
Clerical/Office Salaries & Bonus	N/A	N/A	N/A	0.2	0.6	0.8
Credit & Collection Salaries & Bonus	N/A	N/A	N/A	0.1	0.2	0.2
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.4	0.6	0.8
Furniture, Fixtures & Office Equipment	N/A	N/A	N/A	0.0	0.2	0.2
Insurance (General Liability, Contents, etc.)	N/A	N/A	N/A	0.1	0.2	0.3
Postage & UPS Expenses	N/A	N/A	N/A	0.1	0.1	0.1
Stationery & Office Supplies	N/A	N/A	N/A	0.1	0.2	0.2
Dues & Subscriptions	N/A	N/A	N/A	0.0	0.1	0.1
Contributions	N/A	N/A	N/A	0.0	0.0	0.1
Professional Services	N/A	N/A	N/A	0.1	0.3	0.4
Personal Property Taxes & Licenses	N/A	N/A	N/A	0.0	0.1	0.2
Bad Debts	N/A	N/A	N/A	0.1	0.3	0.5
G & A Travel & Entertainment	N/A	N/A	N/A	0.0	0.1	0.1
G & A Auto Expenses	N/A	N/A	N/A	0.0	0.1	0.1
Other G & A Expenses	N/A	N/A	N/A	0.2	0.3	0.6
Total General & Admin. Expenses	N/A%	N/A%	N/A%	4.4%	6.1%	7.2%
Total Operating Expenses	N/A%	N/A%	N/A%	18.1%	20.4%	23.0%

Operating Expense Detail (Percent Of Gross Margin)

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Selling Expenses (% Of Gross Margin)						
Sales Management Salaries & Comm.	N/A%	N/A%	N/A%	2.8%	5.0%	5.9%
Outside Sales Salaries & Comm.	N/A	N/A	N/A	7.6	10.8	12.1
Inside Sales Salaries & Commissions	N/A	N/A	N/A	5.1	7.7	9.0
Counter Sales Salaries & Comm.	N/A	N/A	N/A	2.0	4.1	4.7
Residential Showroom Sales Salaries	N/A	N/A	N/A	0.0	0.0	1.5
Product Specialist & Support Salaries	N/A	N/A	N/A	0.0	2.7	5.0
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	3.7	5.4	6.2
Travel & Entertainment	N/A	N/A	N/A	0.5	0.9	1.4
Advertising & Promotion	N/A	N/A	N/A	0.4	0.9	1.6
Auto Expenses	N/A	N/A	N/A	0.4	1.4	1.8
Telephone	N/A	N/A	N/A	0.8	1.4	1.6
Other Selling Expenses	N/A	N/A	N/A	0.1	0.3	0.9
Total Selling Expenses	N/A	N/A	N/A	34.9	41.0	44.0
Delivery Expenses						
Driver Salaries & Wages	N/A	N/A	N/A	1.9	2.7	3.7
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.3	0.5	0.7
Freight/Transportation Out	N/A	N/A	N/A	0.0	0.0	1.3
Trucks	N/A	N/A	N/A	1.0	2.0	2.8
Other Delivery Expenses	N/A	N/A	N/A	0.0	0.0	0.1
Total Delivery Expenses	N/A	N/A	N/A	3.2	5.9	8.1
Warehouse Expenses						
Warehouse Salaries & Wages	N/A	N/A	N/A	4.4	5.9	7.1
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.7	0.9	1.6
Equipment Repairs & Maint., Depr.	N/A	N/A	N/A	0.2	0.5	0.7
Insurance (Inventory & Whse. Equip.)	N/A	N/A	N/A	0.0	0.0	0.3
Other Warehouse Expenses	N/A	N/A	N/A	0.2	0.5	0.8
Total Warehouse Expenses	N/A	N/A	N/A	5.5	7.7	10.0
Occupancy Expenses						
Rent Or Ownership In Real Estate	N/A	N/A	N/A	3.5	5.4	6.8
Building Repairs & Maintenance	N/A	N/A	N/A	0.4	0.9	1.1
Utilities (Heat, Light & Power)	N/A	N/A	N/A	0.9	0.9	1.5
Other Occupancy Expenses	N/A	N/A	N/A	0.0	0.0	0.2
Total Occupancy Expenses	N/A	N/A	N/A	5.2	7.2	9.1
Information Technology Expenses						
DP/Info. Tech. Salaries & Bonus	N/A	N/A	N/A	0.7	1.4	1.4
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.0	0.0	0.2
Depreciation Of Computer Hardware	N/A	N/A	N/A	0.1	0.5	0.7
Rental Expense Of Computer Hdwe.	N/A	N/A	N/A	0.0	0.0	0.2
Communication Cost	N/A	N/A	N/A	0.0	0.5	0.6
Amortization Of Software	N/A	N/A	N/A	0.0	0.0	0.2
Other Information Technology Exp.	N/A	N/A	N/A	0.3	0.9	1.5
Total Information Tech. Expenses	N/A	N/A	N/A	1.8	3.2	4.3
General & Administrative Expenses						
Management/Exec. Salaries & Bonus	N/A	N/A	N/A	3.8	7.7	9.5
Purchasing Salaries & Bonus	N/A	N/A	N/A	1.2	2.3	2.8
Accounting/Finance Salaries & Bonus	N/A	N/A	N/A	0.9	1.8	2.4
Clerical/Office Salaries & Bonus	N/A	N/A	N/A	1.1	2.7	3.6
Credit & Collection Salaries & Bonus	N/A	N/A	N/A	0.5	0.9	1.0
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	1.8	2.7	3.3
Furniture, Fixtures & Office Equipment	N/A	N/A	N/A	0.2	0.9	1.1
Insurance (General Liability, Contents, etc.)	N/A	N/A	N/A	0.4	0.9	1.5
Postage & UPS Expenses	N/A	N/A	N/A	0.2	0.5	0.5
Stationery & Office Supplies	N/A	N/A	N/A	0.5	0.9	1.0
Dues & Subscriptions	N/A	N/A	N/A	0.1	0.5	0.5
Contributions	N/A	N/A	N/A	0.0	0.0	0.3
Professional Services	N/A	N/A	N/A	0.6	1.4	1.5
Personal Property Taxes & Licenses	N/A	N/A	N/A	0.1	0.5	1.0
Bad Debts	N/A	N/A	N/A	0.5	1.4	2.1
G & A Travel & Entertainment	N/A	N/A	N/A	0.1	0.5	0.6
G & A Auto Expenses	N/A	N/A	N/A	0.0	0.5	0.5
Other G & A Expenses	N/A	N/A	N/A	0.8	1.4	2.6
Total General & Admin. Expenses	N/A	N/A	N/A	21.7	27.5	29.8
Total Operating Expenses	N/A%	N/A%	N/A%	85.0%	91.9%	97.0%

Balance Sheet & Financial Ratios

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Balance Sheet						
Assets						
Cash & Marketable Securities	N/A%	N/A%	N/A%	0.2%	1.8%	4.4%
Accounts Receivable	N/A	N/A	N/A	36.7	44.3	52.1
Inventory	N/A	N/A	N/A	28.0	37.7	41.6
Other Current Assets	N/A	N/A	N/A	0.8	3.2	4.7
Total Current Assets	N/A	N/A	N/A	81.8	87.0	93.1
Fixed & Noncurrent Assets	N/A	N/A	N/A	6.9	13.0	18.2
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities And Net Worth						
Accounts Payable	N/A%	N/A%	N/A%	24.7%	24.7%	30.3%
Notes Payable	N/A	N/A	N/A	0.9	13.7	25.4
Other Current Liabilities	N/A	N/A	N/A	3.1	6.7	8.6
Total Current Liabilities	N/A	N/A	N/A	28.7	45.1	60.5
Long Term Liabilities	N/A	N/A	N/A	5.8	5.8	13.5
Net Worth Or Owner Equity	N/A	N/A	N/A	28.0	49.1	56.7
Total Liabilities & Net Worth	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Financial Ratios						
Current Ratio	N/A	N/A	N/A	1.4	1.9	2.7
Quick Ratio	N/A	N/A	N/A	0.8	1.0	1.5
Accounts Payable To Inventory	N/A%	N/A%	N/A%	47.1%	64.6%	82.8%
Accounts Payable Payout Period (Days)	N/A	N/A	30.0	28.0	32.9	39.7
Debt To Equity	N/A	N/A	N/A	0.7	1.3	2.5
EBIT To Total Assets	N/A%	N/A%	N/A%	4.8%	7.5%	12.3%
Times Interest Earned	N/A	N/A	N/A	3.3	6.3	16.8
Asset Productivity Ratios						
Cash Sales (% Of Sales)	0.0%	0.0%	0.0%	2.0%	4.9%	7.9%
Average Collection Period (Days)	N/A	N/A	N/A	47.4	55.0	63.8
Credit & Collection Exp. (% Of Sales)	N/A%	N/A%	N/A%	0.1%	0.2%	0.3%
Bad Debts (% Of Sales)	N/A%	N/A%	N/A%	0.1%	0.3%	0.5%
Shrink As A Percent Of Sales	N/A%	N/A%	N/A%	0.0%	0.1%	0.2%
Shrink As A Percent Of Inventory	N/A%	N/A%	N/A%	0.1%	0.7%	1.6%
Inventory Turnover (Stock & Spec. Inv.)	N/A	N/A	N/A	3.7	4.5	5.2
Inventory Turnover (Stock COGS Only)	N/A	N/A	N/A	3.1	4.0	4.9
Inventory Holding Period (Days)	N/A	N/A	N/A	70.3	81.1	98.0
Sales To Inventory Ratio (Times)	N/A	N/A	N/A	5.1	6.0	6.9
Gross Margin Return On Inventory	N/A%	N/A%	N/A%	127.5%	150.7%	184.2%
Growth & Cash Sufficiency Ratios						
Growth Potential Index	N/A%	N/A%	N/A%	4.6%	9.4%	14.2%
Cash Cycle (Days)	N/A	N/A	N/A	86.5	103.2	123.7
Cash To Current Liabilities	N/A%	N/A%	N/A%	0.4%	4.0%	9.0%
Sales To Working Capital	N/A	N/A	N/A	5.5	7.6	11.8

Productivity Ratios & Customer Profile

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Employee Productivity Ratios						
Sales Per Employee	\$N/A	\$N/A	\$N/A	\$348,884	\$416,725	\$494,637
Gross Margin Per Employee	\$N/A	\$N/A	\$N/A	\$79,490	\$95,062	\$105,963
Payroll Per Employee	N/A	N/A	N/A	49,561	57,820	65,689
Contribution Margin Per Employee	\$N/A	\$N/A	\$N/A	\$28,056	\$37,242	\$45,303
Salary Per Employee	\$N/A	\$N/A	\$N/A	\$41,735	\$48,494	\$54,388
Payroll Taxes & Fringes Per Employee	N/A	N/A	N/A	6,756	9,326	10,941
Payroll Per Employee	\$N/A	\$N/A	\$N/A	\$49,561	\$57,820	\$65,689
Payroll Expense (% Of Sales)	N/A%	N/A%	N/A%	12.1%	14.4%	15.7%
Payroll Expense (% Of Operating Expense)	N/A%	N/A%	N/A%	64.0%	68.1%	71.8%
Personnel Productivity Ratio	N/A%	N/A%	N/A%	56.6%	49%	66.1%
Operating Productivity Ratios						
Total Annual Purchases (\$)	N/A	N/A	N/A	11,770,126	36,000	63,537,656
Warehouse Space (Sq. Ft.)	N/A	N/A	N/A	34,500	0	145,000
Sales Per Square Foot (Warehouse)	\$N/A	\$N/A	\$N/A	\$273		\$500
Inventory Per Square Foot (Warehouse)	\$N/A	\$N/A	\$N/A	16	\$60	\$81
Shipments Received Per Year	N/A	N/A	N/A	6,600	14,858	45,641
Purchases Per Shipment Received	\$N/A	\$N/A	\$N/A	\$93	\$1,454	\$2,706
Number Of SKUs (Stockkeeping Units)	N/A	N/A	N/A	9,004	15,000	33,000
Sales Per SKU	\$N/A	\$N/A	\$N/A	\$746	\$1,570	\$2,535
Inventory Per SKU	\$N/A	\$N/A	\$N/A	\$169	\$299	\$488
Invoices Filled Per Year	N/A	N/A	N/A	48,300	108,000	248,441
Sales Per Invoice	\$N/A	\$N/A	\$N/A	\$245	\$316	\$451
Total Operating Expense Per Invoice	\$N/A	\$N/A	\$N/A	\$52	\$67	\$88
Selling Expense Per Invoice	\$N/A	\$N/A	\$N/A	\$22	\$29	\$37
Delivery Expense Per Invoice	\$N/A	\$N/A	\$N/A	\$3	\$5	\$6
Administrative Expense Per Invoice	\$N/A	\$N/A	\$N/A	\$14	\$18	\$27
Invoice Lines Per Year (W/hs. & Direct)	N/A	N/A	N/A	206,000	402,694	782,967
Lines Per Invoice	N/A	N/A	N/A	2.8	3.4	4.0
Sales Per Invoice Line	\$N/A	\$N/A	\$N/A	\$67	\$92	\$159
Operating Expense Per Invoice Line	\$N/A	\$N/A	\$N/A	\$14	\$18	\$28
Selling Expense Per Invoice Line	\$N/A	\$N/A	\$N/A	\$6	\$8	\$13
Delivery Expense Per Invoice Line	\$N/A	\$N/A	\$N/A	\$1	\$1	\$2
Administrative Exp. Per Invoice Line	\$N/A	\$N/A	\$N/A	\$4	\$5	\$8
Customer Profile						
Number Of Active Customers	N/A	N/A	N/A	650	1,580	3,471
Sales Per Customer	\$N/A	\$N/A	\$N/A	\$14,802	\$23,997	\$41,417
Gross Margin Per Customer	\$N/A	\$N/A	\$N/A	\$3,447	\$5,533	\$8,769
Invoices Per Customer	N/A	N/A	N/A	49	76	104
Invoice Lines Per Customer	N/A	N/A	N/A	163	252	390
Sales By Type Of Customer						
Residential Contractors	N/A%	N/A%	N/A%	2.9%	15.2%	30.0%
Commercial Contractors	N/A	N/A	N/A	20.1	45.5	54.6
Industrials (OEM, Institutions, & Government)	N/A	N/A	N/A	7.6	32.2	47.8
Utilities	N/A	N/A	N/A	0.0	1.0	3.0
All Others	N/A	N/A	N/A	1.0	6.1	10.0
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sales

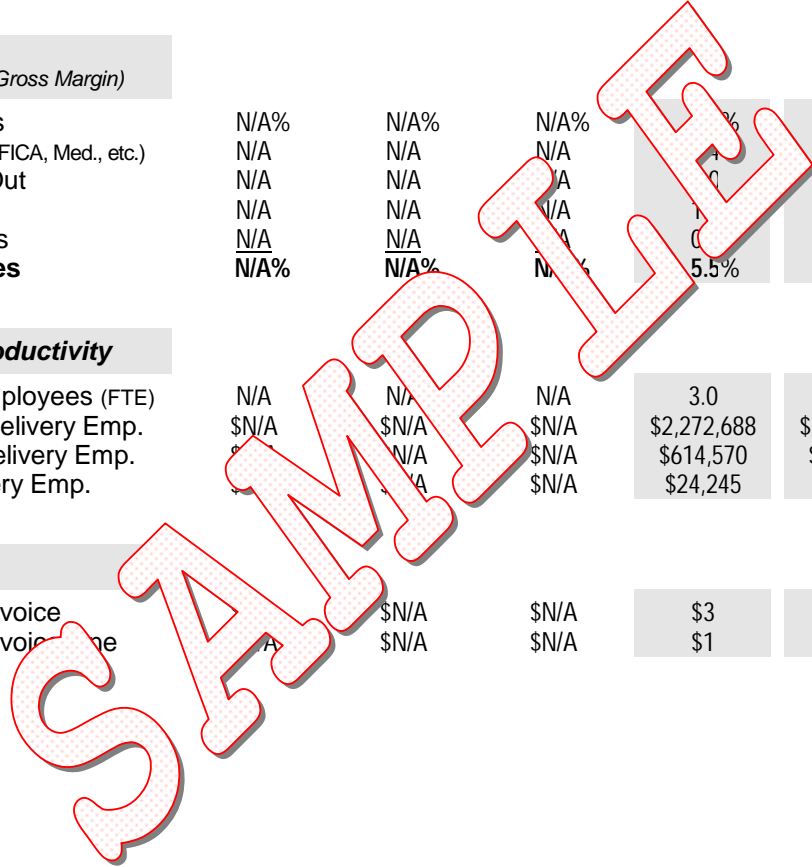
	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Selling Expenses (% Of Sales)						
Sales Management Salaries & Comm.	N/A%	N/A%	N/A%	0.6%	1.1%	1.4%
Outside Sales Salaries & Comm.	N/A	N/A	N/A	1.7	2.4	2.7
Inside Sales Salaries & Comm.	N/A	N/A	N/A	1.1	1.7	2.0
Counter Sales Salaries & Comm.	N/A	N/A	N/A	0.4	0.9	1.1
Residential Showroom Sal. & Comm.	N/A	N/A	N/A	0.0	0.0	0.3
Product Specialist & Support Salaries	N/A	N/A	N/A	0.0	0.6	1.0
Total Selling Salaries & Comm.	N/A	N/A	N/A	5.4	N/A	7.2
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.8	1.2	1.4
Total Selling Payroll Expenses	N/A	N/A	N/A	6.3	7.9	8.5
Travel & Entertainment	N/A	N/A	N/A		0.2	0.3
Advertising & Promotion	N/A	N/A	N/A		0.2	0.4
Auto Expenses	N/A	N/A	N/A		0.3	0.4
Telephone	N/A	N/A	N/A		0.3	0.4
Other Selling Expenses	N/A	N/A	N/A		0.1	0.2
Total Selling Expenses	N/A%	N/A%	N/A%	1.1%	9.0%	9.8%
Selling Expenses (% Of Gross Margin)						
Sales Management Salaries & Comm.	N/A%	N/A%	N/A%	2.8%	5.0%	5.9%
Outside Sales Salaries & Comm.	N/A	N/A	N/A	7.6	10.8	12.1
Inside Sales Salaries & Comm.	N/A	N/A	N/A	5.1	7.7	9.0
Counter Sales Salaries & Comm.	N/A	N/A	N/A	2.0	4.1	4.7
Residential Showroom Sa. & Comm.	N/A	N/A	N/A	0.0	0.0	1.5
Product Specialist & Support Salaries	N/A	N/A	N/A	0.0	2.7	5.0
Total Selling Salaries & Comm.	N/A	N/A	N/A	25.5	N/A	31.3
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	3.7	5.4	6.2
Total Selling Payroll Expenses	N/A	N/A	N/A	29.9	35.6	37.5
Travel & Entertainment	N/A	N/A	N/A	0.5	0.9	1.4
Advertising & Promotion	N/A	N/A	N/A	0.4	0.9	1.6
Auto Expenses	N/A	N/A	N/A	0.4	1.4	1.8
Telephone	N/A	N/A	N/A	0.8	1.4	1.6
Other Selling Expenses	N/A	N/A	N/A	0.1	0.3	0.9
Total Selling Expenses	N/A%	N/A	N/A%	34.9%	40.5%	44.0%
Sales Employees By Function						
Sales Management	N/A	N/A	N/A	1.0	4.0	9.0
Outside Sales	N/A	N/A	N/A	4.0	11.9	22.6
Inside Sales	N/A	N/A	N/A	5.0	14.4	25.0
Counter Sales	N/A	N/A	N/A	3.0	9.4	14.9
Residential Showroom Sales	N/A	N/A	N/A	0.0	0.0	2.0
Product Specialists & Sales Support	N/A	N/A	N/A	0.0	4.0	11.0
Total Number Of Sales Employees (FTE)	N/A	N/A	N/A	21.0	43.7	99.0
Invoice Analysis						
Selling Expense Per Invoice	\$N/A	\$N/A	\$N/A	\$22	\$29	\$37
Selling Expense Per Invoice Line	\$N/A	\$N/A	\$N/A	\$6	\$8	\$13
Sales By Type Of Sale						
Warehouse (Stocked Items)	N/A%	N/A%	N/A%	50.0%	64.2%	73.3%
Special Orders	N/A	N/A	N/A	0.0	8.8	15.0
Drop Shipments	0.0	0.0	0.0	17.0	27.0	36.1
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sales

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Gross Margin By Type Of Sale						
Warehouse (Stocked Items)	N/A%	N/A%	N/A%	21.6%	23.7%	27.0%
Special Orders	N/A%	N/A%	N/A%	18.3%	22.5%	26.0%
Drop Shipments	N/A%	N/A%	N/A%	12.0%	14.3%	17.6%
Total Sales Department						
Sales Per Sales Dept. Emp.	\$N/A	\$N/A	\$N/A	\$716,414	\$863,202	\$1,059,180
Gross Margin Per Sales Emp.	\$N/A	\$N/A	\$N/A	\$166,166	\$189,759	\$231,733
Number Of Customers/Sales Emp.	N/A	N/A	N/A	25	37	55
Total Selling Expenses/Sales Emp.	\$N/A	\$N/A	\$N/A	\$65,500	\$76,773	\$88,228
Salary & Commissions Per Sales Emp.	\$N/A	\$N/A	\$N/A	\$55,700	\$55,741	\$64,705
Payroll Per Sales Employee	\$N/A	\$N/A	\$N/A	\$55,700	\$60,004	\$74,384
Payroll Expense (% Of Sales)	N/A%	N/A%	N/A%	6.3%	7.7%	8.5%
Payroll Expense (% Of Operating Expense)	N/A%	N/A%	N/A%	29.9%	30.6%	37.5%
Sales Management						
Net Sales Per Sales Manager	\$N/A	\$N/A	\$N/A	\$8,060,875	\$8,060,875	\$14,023,200
Gross Margin Per Sales Manager	\$N/A	\$N/A	\$N/A	\$1,780,256	\$1,780,256	\$2,919,344
Salary & Comm. Per Sales Mgr.	\$N/A	\$N/A	\$N/A	\$91,735	\$91,735	\$127,939
Outside Sales						
Net Sales Per Outside Sales Emp.	\$N/A	\$N/A	\$N/A	\$2,584,517	\$3,456,098	\$4,644,623
Gross Margin Per Outside Sales Emp.	\$N/A	\$N/A	\$N/A	\$572,796	\$749,208	\$1,039,514
Salary & Comm./Outside Sales Emp.	\$N/A	\$N/A	\$N/A	\$59,311	\$72,231	\$92,776
Outside Sales Employees Per Sales Mgr.	N/A	N/A	N/A	1.3	2.5	4.3
Inside Sales						
Net Sales Per Inside Sales Emp.	\$N/A	\$N/A	\$N/A	\$2,196,136	\$2,972,557	\$4,010,579
Gross Margin Per Inside Sales Emp.	\$N/A	\$N/A	\$N/A	\$498,881	\$638,616	\$888,698
Salary & Comm./Inside Sales Emp.	\$N/A	\$N/A	\$N/A	\$38,214	\$45,541	\$53,593
Inside Sl. Emps./Outside Sl. Emp.	N/A	N/A	N/A	0.8	1.2	1.5
Invoices Per Inside Sales Emp.	N/A	N/A	N/A	5,678	8,397	13,272
Invoice Lines Per Inside Sales Emp.	N/A	N/A	N/A	17,734	29,143	52,772
Counter Sales						
Salary & Comm./Counter Sales Emp.	\$N/A	\$N/A	\$N/A	\$28,986	\$34,519	\$40,589
Residential Showroom						
Sal. & Comm./Residential Showrm. Emp.	\$N/A	\$N/A	\$N/A	\$30,333	\$35,000	\$43,787
Product Specialists						
Salary & Comm. Per Product Specialist	\$N/A	\$N/A	\$N/A	\$42,949	\$54,940	\$66,745

Delivery

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Delivery Expenses (% Of Combined Warehouse Sales)						
Driver Salaries & Wages	N/A%	N/A%	N/A%	0.6%	0.8%	1.2%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.1	0.1	0.2
Freight/Transportation Out	N/A	N/A	N/A	0.0	0.1	0.4
Trucks	N/A	N/A	N/A	0.4	0.7	0.9
Other Delivery Expenses	N/A	N/A	N/A	0.0	0.0	0.0
Total Delivery Expenses	N/A%	N/A%	N/A%	1.5%	1.8%	2.5%
Delivery Expenses (% Of Combined Warehouse Gross Margin)						
Driver Salaries & Wages	N/A%	N/A%	N/A%	3.5%	3.5%	4.6%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.6	0.6	0.9
Freight/Transportation Out	N/A	N/A	N/A	0.0	0.6	1.6
Trucks	N/A	N/A	N/A	2.9	2.9	3.5
Other Delivery Expenses	N/A	N/A	N/A	0.0	0.0	0.2
Total Delivery Expenses	N/A%	N/A%	N/A%	5.5%	7.6%	10.1%
Delivery Employee Productivity						
Number Of Delivery Employees (FTE)	N/A	N/A	N/A	3.0	7.1	17.0
Warehouse Sales Per Delivery Emp.	\$N/A	\$N/A	\$N/A	\$2,272,688	\$3,078,873	\$4,521,120
Warehouse G.M. Per Delivery Emp.	\$N/A	\$N/A	\$N/A	\$614,570	\$814,908	\$1,126,378
Salary & Wages / Delivery Emp.	\$N/A	\$N/A	\$N/A	\$24,245	\$27,883	\$32,752
Invoice Analysis						
Delivery Expense Per Invoice	\$N/A	\$N/A	\$N/A	\$3	\$5	\$6
Delivery Expense Per Invoice Line	\$N/A	\$N/A	\$N/A	\$1	\$1	\$2



Warehouse

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Warehouse Expenses (% Of Combined Warehouse Sales)						
Warehouse Salaries & Wages	N/A%	N/A%	N/A%	1.3%	1.8%	2.3%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.2	0.3	0.5
Equipment Repairs & Maint., Depr.	N/A	N/A	N/A	0.1	0.1	0.2
Insurance (Inventory & Whse. Equip.)	N/A	N/A	N/A	0.0	0.0	0.1
Other Warehouse Expenses	N/A	N/A	N/A	0.0	0.1	0.3
Total Warehouse Expenses	N/A%	N/A%	N/A%	1.9%	2.3%	3.3%
Warehouse Expenses (% Of Combined Warehouse Gross Margin)						
Warehouse Salaries & Wages	N/A%	N/A%	N/A%	5.3%	7.4%	8.8%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.8	1.1	2.0
Equipment Repairs & Maint., Depr.	N/A	N/A	N/A	0.2	0.2	0.9
Insurance (Inventory & Whse. Equip.)	N/A	N/A	N/A	0.0	0.0	0.4
Other Warehouse Expenses	N/A	N/A	N/A	0.2	0.6	1.0
Total Warehouse Expenses	N/A%	N/A%	N/A%	7.3%	9.9%	12.7%
Warehouse Employee Productivity						
Number Of Warehouse Employees (FTE)	N/A	N/A	N/A	5.0	14.7	38.0
Warehouse Sales Per Warehouse Emp.	\$N/A	\$N/A	\$N/A	\$1,352,984	\$1,704,966	\$2,332,042
Warehouse G.M. Per Whse. Emp.	\$N/A	\$N/A	\$N/A	\$354,419	\$440,623	\$559,882
Warehouse Exp. Per Warehouse Emp.	\$N/A	\$N/A	\$N/A	\$34,918	\$43,523	\$50,097
Salary & Wages / Warehouse Emp.	\$N/A	\$N/A	\$N/A	\$24,577	\$29,110	\$34,577
Invoice Analysis						
Invoices Per Warehouse Employee	N/A	N/A	N/A	5,253	7,340	10,789
Invoice Lines Per Warehouse Employee	N/A	N/A	N/A	17,119	25,624	39,246

SAMPLE

Information Technology

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Info. Tech. Expenses (% Of Sales)						
DP/Info. Tech. Salaries & Bonus	N/A%	N/A%	N/A%	0.1%	0.3%	0.3%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.0	0.0	0.1
Depreciation Of Computer Hardware	N/A	N/A	N/A	0.0	0.1	0.2
Rental Expense Of Computer Hdwe.	N/A	N/A	N/A	0.0	0.0	0.0
Communication Cost	N/A	N/A	N/A	0.0	0.1	0.1
Amortization Of Software	N/A	N/A	N/A	0.1	0.0	0.1
Other Information Technology Exp.	N/A	N/A	N/A	0.0	0.2	0.3
Total Information Tech. Expenses	N/A%	N/A%	N/A%	0.1%	0.7%	1.0%
Info. Tech. Expenses (% Of GM)						
DP/Info. Tech. Salaries & Bonus	N/A%	N/A%	N/A%	1.7%	1.4%	1.4%
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.0	0.0	0.2
Depreciation Of Computer Hardware	N/A	N/A	N/A	0.0	0.5	0.7
Rental Expense Of Computer Hdwe.	N/A	N/A	N/A	0.0	0.0	0.2
Communication Cost	N/A	N/A	N/A	0.0	0.5	0.6
Amortization Of Software	N/A	N/A	N/A	0.0	0.0	0.2
Other Information Technology Exp.	N/A	N/A	N/A	0.3	0.9	1.5
Total Information Tech. Expenses	N/A%	N/A%	N/A%	1.8%	3.2%	4.3%
Info. Tech. Productivity						
Number Of Information Tech. Emps. (FTE)	N/A	N/A	N/A	1.0	1.5	3.0
Sales Per Information Technology Emp.	\$N/A	\$N/A	\$N/A	\$16,858,981	\$23,222,530	\$32,496,800
Gross Margin Per Information Tech. Emp.	\$N/A	\$N/A	\$N/A	\$3,633,083	\$5,085,188	\$7,337,891
Salary & Wages / Information Tech. Emp.	\$N/A	\$N/A	\$N/A	\$44,614	\$54,731	\$65,075

SAMPLE

General & Administrative

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Genl. & Admin. Expenses (% Of Sales)						
Management/Exec. Salaries & Bonus	N/A%	N/A%	N/A%	0.8%	1.7%	2.2%
Purchasing Salaries & Bonus	N/A	N/A	N/A	0.2	0.5	0.6
Accounting/Finance Salaries & Bonus	N/A	N/A	N/A	0.2	0.4	0.6
Clerical/Office Salaries & Bonus	N/A	N/A	N/A	0.2	0.6	0.8
Credit & Collection Salaries & Bonus	N/A	N/A	N/A	0.1	0.2	0.2
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	0.4	0.6	0.8
Furniture, Fixtures & Office Equipment	N/A	N/A	N/A	0.0	0.2	0.2
Insurance (General Liability, Contents, etc.)	N/A	N/A	N/A	0.1	0.2	0.3
Postage & UPS Expenses	N/A	N/A	N/A	0.1	0.1	0.1
Stationery & Office Supplies	N/A	N/A	N/A	0.0	0.2	0.2
Dues & Subscriptions	N/A	N/A	N/A	0.0	0.1	0.1
Contributions	N/A	N/A	N/A	0.0	0.0	0.1
Professional Services	N/A	N/A	N/A	0.1	0.0	0.4
Personal Property Taxes & Licenses	N/A	N/A	N/A	0.0	0.0	0.2
Bad Debts	N/A	N/A	N/A	0.1	0.3	0.5
G & A Travel & Entertainment	N/A	N/A	N/A	0.0	0.1	0.1
G & A Auto Expenses	N/A	N/A	N/A	0.0	0.1	0.1
Other G & A Expenses	N/A	N/A	N/A	0.0	0.3	0.6
Total General & Admin. Expenses	N/A%	N/A%	N/A%	0.5%	6.1%	7.2%

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Genl. & Admin. Expenses (% Of GM)						
Management/Exec. Salaries & Bonus	N/A%	N/A%	N/A%	3.8%	7.7%	9.5%
Purchasing Salaries & Bonus	N/A	N/A	N/A	1.2	2.3	2.8
Accounting/Finance Salaries & Bonus	N/A	N/A	N/A	0.9	1.8	2.4
Clerical/Office Salaries & Bonus	N/A	N/A	N/A	1.1	2.7	3.6
Credit & Collection Salaries & Bonus	N/A	N/A	N/A	0.5	0.9	1.0
Payroll Taxes & Fringes (FICA, Med., etc.)	N/A	N/A	N/A	1.8	2.7	3.3
Furniture, Fixtures & Office Equipment	N/A	N/A	N/A	0.2	0.9	1.1
Insurance (General Liability, Contents, etc.)	N/A	N/A	N/A	0.4	0.9	1.5
Postage & UPS Expenses	N/A	N/A	N/A	0.2	0.5	0.5
Stationery & Office Supplies	N/A	N/A	N/A	0.5	0.9	1.0
Dues & Subscriptions	N/A	N/A	N/A	0.1	0.5	0.5
Contributions	N/A	N/A	N/A	0.0	0.0	0.3
Professional Services	N/A	N/A	N/A	0.6	1.4	1.5
Personal Property Taxes & Licenses	N/A	N/A	N/A	0.1	0.5	1.0
Bad Debts	N/A	N/A	N/A	0.5	1.4	2.1
G & A Travel & Entertainment	N/A	N/A	N/A	0.1	0.5	0.6
G & A Auto Expenses	N/A	N/A	N/A	0.0	0.5	0.5
Other G & A Expenses	N/A	N/A	N/A	0.8	1.4	2.6
Total General & Admin. Expenses	N/A%	N/A%	N/A%	21.7%	27.5%	29.8%

Genl. & Admin. Employees (Number Of Full-Time Equivalents)						
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Purchasing	N/A	N/A	N/A	2.0	3.0	6.0
Accounting/Finance	N/A	N/A	N/A	1.0	3.0	5.0
Credit & Collection	N/A	N/A	N/A	1.0	1.5	3.0
Administrative Management	N/A	N/A	N/A	2.0	3.0	6.0
Clerical	N/A	N/A	N/A	2.0	4.0	12.0
All Other Employees	N/A	N/A	N/A	0.0	0.0	2.0

Invoice Analysis						
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Administrative Expenses Per Invoice	\$N/A	\$N/A	\$N/A	\$14	\$18	\$27
Administrative Exp. Per Invoice Line	\$N/A	\$N/A	\$N/A	\$4	\$5	\$8

General & Administrative

	2002 To 2004 Trends For Your Firm			Range Of Common Experience For 2004		
	Your Firm 2002	Your Firm 2003	Your Firm 2004	Lower Quartile	Typical Firm	Upper Quartile
Purchasing						
Total Annual Purchases (\$)	N/A	N/A	N/A	11,770,126	27,865,000	63,537,656
Sales Per Purchasing Emp.	\$N/A	\$N/A	\$N/A	\$6,539,116	\$11,042,082	\$16,771,118
Gross Margin Per Purchasing Emp.	\$N/A	\$N/A	\$N/A	\$1,548,588	\$2,324,580	\$3,546,500
Salary & Bonus Per Purchasing Emp.	\$N/A	\$N/A	\$N/A	\$39,727	\$45,684	\$53,522
Purchases Per Purchasing Emp.	\$N/A	\$N/A	\$N/A	\$5,132,591	\$8,355,755	\$13,610,990
Accounting/Finance						
Sales Per Accounting/Finance Emp.	\$N/A	\$N/A	\$N/A	\$1,342,706	\$12,536,915	\$20,153,441
Gross Margin Per Accounting/Finance Emp.	\$N/A	\$N/A	\$N/A	\$1,548,588	\$2,732,647	\$4,471,482
Salary & Bonus Per Acctg./Finance Emp.	\$N/A	\$N/A	\$N/A	\$43,965	\$60,365	\$60,365
Invoices Per Accounting/Finance Emp.	N/A	N/A	N/A	35,000	35,000	59,673
Invoice Lines Per Accounting/Finance Emp.	N/A	N/A	N/A	63,970	121,838	241,807
Credit & Collection						
Credit & Collection Exp. (% Of Cred. Sls.)	N/A%	N/A%	N/A%	0.1%	0.2%	0.3%
Sales Per Credit & Collection Emp.	\$N/A	\$N/A	\$N/A	\$15,283,200	\$20,229,696	\$31,954,136
Gross Margin Per Credit & Collection Emp.	\$N/A	\$N/A	\$N/A	\$3,425,190	\$4,346,665	\$6,401,955
Salary & Bonus Per Credit & Collection Emp.	\$N/A	\$N/A	\$N/A	\$28,139	\$38,417	\$46,758
Invoices Per Credit & Collection Emp.	N/A	N/A	N/A	37,668	59,944	91,988
Invoice Lines Per Credit & Collection Emp.	N/A	N/A	N/A	131,434	223,896	349,115
Administrative Management						
Sales Per Admin. Management Emp.	\$N/A	\$N/A	\$N/A	\$6,281,749	\$9,400,433	\$16,602,662
Gross Margin Per Admin. Mgmt. Emp.	\$N/A	\$N/A	\$N/A	\$1,404,459	\$2,148,507	\$3,552,649
Salary & Bonus Per Admin. Emp.	\$N/A	\$N/A	\$N/A	\$91,432	\$140,679	\$212,809
Clerical						
Sales Per Clerical Emp.	\$N/A	\$N/A	\$N/A	\$4,331,484	\$6,353,808	\$12,114,825
Gross Margin Per Clerical Emp.	\$N/A	\$N/A	\$N/A	\$975,046	\$1,556,690	\$2,466,331
Salary & Bonus Per Clerical Emp.	\$N/A	\$N/A	\$N/A	\$24,891	\$31,771	\$41,570

Planning For Improved Results

Comparison Of Critical Profit Variables

	Typical NAED Dist.	Your Firm
Productivity		
Sales Per Employee Probably the best overall measure of marketing productivity.	\$416,725	\$N/A
Gross Margin Per Employee Measures the margin generated per employee.	\$95,062	\$N/A
Sales To Inventory Reflects the efficiency of inventory management.	6.0	N/A
Profitability		
Gross Margin Percentage Ability to sell at prices that cover operating expenses and earn a profit.	20.2%	N/A%
Operating Expense Percentage Expense control is crucial in achieving adequate profit.	20.4%	N/A%
Asset Management		
Inventory Turnover The most common measure of inventory utilization.	4.5	N/A
Average Collection Period Measures the number of days customer invoices remain unpaid.	55.0	N/A
Financial Stability		
Current Ratio Traditional banker's measure of financial stability.	1.9	N/A
Quick Ratio Ability to pay bills as they come due.	1.0	N/A

Critical Profit Variables And ROA Performance

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 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 accounts receivable 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 \$N/A without incurring an increase in fixed expenses
- Gross margin percentage is increased to N/A% with the same level of sales volume
- Fixed expenses are decreased to \$N/A without negatively impacting the sales volume generated
- Inventory turnover is increased to N/A by lowering inventory
- Average collection period is decreased to N/A days by lowering accounts receivable.
- 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 these examples, you will see how dramatically profit and return on investment are impacted by relatively modest changes in each of these critical profit variables.

Following the improvement examples, some 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.

Increasing Sales

2004 Reported And Potential Results

	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	N/A	100.0	N/A	100.0
Cost Of Goods Sold	N/A	N/A	N/A	N/A
Gross Margin	N/A	N/A	N/A	N/A
Fixed Expenses	N/A	N/A	N/A	N/A
Variable Expenses	N/A	N/A	N/A	N/A
Total Operating Expenses	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A
Other Income/Expenses	N/A	N/A	N/A	N/A
Interest Impact	N/A	N/A	N/A	N/A
Profit Before Taxes	N/A	N/A	N/A	N/A
ASSETS				
Cash & Marketable Securities	N/A	N/A	N/A	N/A
Accounts Receivable	N/A	N/A	N/A	N/A
Inventory	N/A	N/A	N/A	N/A
All Other Assets	N/A	N/A	N/A	N/A
Total Assets	N/A	100.0	N/A	100.0
Inventory Turnover (Times)				N/A
Average Collection Period (Days)				N/A
Return On Assets		N/A		N/A

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. In turn, will require an increase in interest expense to finance the additional inventory. If all 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 how to examine this issue you need to understand the distinction between fixed expenses and variable expenses.

Fixed Expenses: These expenses are 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, some 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.

Increasing Gross Margin Percentage

2004 Reported And Potential Results

	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	N/A	100.0	N/A	100.0
Cost Of Goods Sold	N/A	N/A	N/A	N/A
Gross Margin	N/A	N/A	N/A	N/A
Fixed Expenses	N/A	N/A	N/A	N/A
Variable Expenses	N/A	N/A	N/A	N/A
Total Operating Expenses	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A
Other Income/Expenses	N/A	N/A	N/A	N/A
Interest Impact	N/A	N/A	N/A	N/A
Profit Before Taxes	N/A	N/A	N/A	N/A
ASSETS				
Cash & Marketable Securities	N/A	N/A	N/A	N/A
Accounts Receivable	N/A	N/A	N/A	N/A
Inventory	N/A	N/A	N/A	N/A
All Other Assets	N/A	N/A	N/A	N/A
Total Assets	N/A	100.0	N/A	100.0
Inventory Turnover (Times)		N/A		N/A
Average Collection Period (Days)		N/A		N/A
Return On Assets		N/A		N/A

This exhibit demonstrates the impact of a 3% 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 a company's ability to sell products at prices that generate profit. It is typically the strongest single factor 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.

Reducing Operating Expenses

2004 Reported And Potential Results

	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	N/A	100.0	N/A	100.0
Cost Of Goods Sold	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Gross Margin	N/A	N/A	N/A	N/A
Fixed Expenses	N/A	N/A	N/A	N/A
Variable Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Operating Expenses	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A
Other Income/Expenses	N/A	N/A	N/A	N/A
Interest Impact	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Profit Before Taxes	N/A	N/A	N/A	N/A
ASSETS				
Cash & Marketable Securities	N/A	N/A	N/A	N/A
Accounts Receivable	N/A	N/A	N/A	N/A
Inventory	N/A	N/A	N/A	N/A
All Other Assets	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Assets	N/A	100.0	N/A	100.0
Inventory Turnover (Times)				N/A
Average Collection Period (Days)		N/A		N/A
Return On Assets		N/A		N/A

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 categorized 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.

Increasing Inventory Turnover

2004 Reported And Potential Results

	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	N/A	100.0	N/A	100.0
Cost Of Goods Sold	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Gross Margin	N/A	N/A	N/A	N/A
Fixed Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Variable Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Operating Expenses	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A
Other Income/Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Interest Impact	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Profit Before Taxes	N/A	N/A	N/A	N/A
ASSETS				
Cash & Marketable Securities	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Accounts Receivable	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Inventory	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
All Other Assets	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Assets	N/A	100.0	N/A	100.0
Inventory Turnover (Times)		<u>N/A</u>		<u>N/A</u>
Average Collection Period (Days)		<u>N/A</u>		<u>N/A</u>
Return On Assets		N/A		N/A

Inventory control impacts not only asset productivity, but also sales productivity and financial stability. Excessive inventory is expensive to carry. Carrying costs include such items as interest, personal property taxes and insurance. Further, financing excessive 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 results in lost sales. In short, the cost of carrying inventory has to be balanced against the profit opportunities lost by not having the 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.

Reducing Average Collection Period

2004 Reported And Potential Results

	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	N/A	100.0	N/A	100.0
Cost Of Goods Sold	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Gross Margin	N/A	N/A	N/A	N/A
Fixed Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Variable Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Operating Expenses	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A
Other Income/Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Interest Impact	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Profit Before Taxes	N/A	N/A	N/A	N/A
ASSETS				
Cash & Marketable Securities	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Accounts Receivable	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Inventory	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
All Other Assets	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Assets	N/A	100.0	N/A	100.0
Inventory Turnover (Times)				<u>N/A</u>
Average Collection Period (Days)		<u>N/A</u>		<u>N/A</u>
Return On Assets		<u>N/A</u>		N/A

Accounts receivable is a major sales generation tool. Excessively tight credit policies can have a significant negative impact on sales. If sales productivity is a primary driver of profitability, the consequences can be substantial.

However, an excessive investment in accounts receivable constitutes a serious cash trap. In addition, there is an on-going concern in accounts receivable that as collections slip, the possibility of an unanticipated bad debt loss escalates. Consequently, firms need to encourage sales, but without overly generous credit policies.

To ensure that accounts receivable balances are controlled effectively, the firm should focus on several issues:

- Developing appropriate policies to maintain credit as a sales generation tool
- Regular follow-up on past due accounts rather than having episodic "collection campaigns"
- The use of collection techniques that are friendly, but persistent

This exhibit demonstrates the impact of a **3.0% improvement** in the collection period. It does so by reducing accounts receivable while holding sales constant. The primary impact is on reduced accounts receivable carrying costs.

A Complete CPV Plan

2004 Reported And Potential Results

	Reported		Potential	
	Dollars	%	Dollars	%
INCOME STATEMENT				
Net Sales	N/A	100.0	N/A	100.0
Cost Of Goods Sold	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Gross Margin	N/A	N/A	N/A	N/A
Fixed Expenses	N/A	N/A	N/A	N/A
Variable Expenses	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Operating Expenses	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A
Other Income/Expenses	N/A	N/A	N/A	N/A
Interest Impact	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Profit Before Taxes	N/A	N/A	N/A	N/A
ASSETS				
Cash & Marketable Securities	N/A	N/A	N/A	N/A
Accounts Receivable	N/A	N/A	N/A	N/A
Inventory	N/A	N/A	N/A	N/A
All Other Assets	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Assets	N/A	100.0	N/A	100.0
Inventory Turnover (Times)		N/A		N/A
Average Collection Period (Days)		N/A		N/A
Return On Assets		N/A		N/A

This exhibit examines the impact of achieving a 5% improvement in all CPVs simultaneously:

- **Sales** increases to N/A
- **Gross Margin Percentage** increases to N/A%
- **Fixed Expense** decreases to N/A
- **Inventory Turnover** increases to N/A times
- **Average Collection Period** decreases to N/A days

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:

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

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/profittoolkit2005.xls>

Download and save the file to your hard disk. The password is . To save the file from Excel, select "File" and "Save As" from the menu then choose a folder and enter a file name.

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 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	N/A
Cost Of Goods Sold	N/A
Payroll	N/A
Fringe Benefits	N/A
Operating Profit	N/A
Profit Before Tax	N/A
Inv	N/A

Appendix: Ratio Definitions

Ratio	Calculation
Accounts Payable Payout Period (Days)	$\frac{\text{Accounts Payable}}{\text{Purchases}} \div 365 \text{ Days}$
Accounts Payable To Inventory	$\frac{\text{Accounts Payable}}{\text{Year End Inventory}} \times 100$
Asset Turnover	$\frac{\text{Net Sales}}{\text{Total Assets}}$
Average Collection Period (Days)	$\frac{\text{Accounts Receivable}}{\text{Credit Sales}} \div \text{Days}$
Cash Cycle (Days)	$\text{Avg. Collection Period} + \text{Inv. Holding Period} - \text{Accounts Payable Payout Period}$
Cash To Current Liabilities	$\frac{\text{Cash}}{\text{Current Liabilities}} \times 100$
Contribution Margin Per Employee	$\frac{\text{Contribution Margin}}{\text{Full-Time Equivalent Employees}}$
Credit & Collection Expense	$\frac{\text{Credit Collection Expenses}}{\text{Credit Sales}} \times 100$
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt To Equity	$\frac{\text{Total Liabilities}}{\text{Net Worth}}$
Defensive Interval	$\frac{\text{Cash}}{\text{Operating Exp.} - \text{Depreciation}} \div 365 \text{ Days}$
EBIT To Total Assets	$\frac{\text{Profit Before Taxes} + \text{Interest}}{\text{Total Assets}} \times 100$
Financial Leverage	$\frac{\text{Total Assets}}{\text{Net Worth}}$
Gross Margin	$\frac{\text{Gross Profit Dollars}}{\text{Net Sales}} \times 100$
Gross Margin Per Employee	$\frac{\text{Gross Profit Dollars}}{\text{Full-Time Equivalent Employees}}$
Gross Margin Return On Inventory	$\frac{\text{Gross Profit}}{\text{Average Inventory}} \times 100$
Growth Potential Index	$\frac{\text{Profit After Taxes}}{\text{Accounts Recv.} + \text{Inv.} - \text{Accounts Payable}}$
Inventory Holding Period (Days)	$\frac{365 \text{ Days}}{\text{Inventory Turnover}}$
Inventory Per Stockkeeping Unit	$\frac{\text{Average Inventory}}{\text{Number of Stockkeeping Units}}$

Ratio Definitions

<i>Ratio</i>	<i>Calculation</i>
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$
Operating Expense Percentage	$\frac{\text{Operating Expenses}}{\text{Net Sales}} \times 100$
Payroll Expense (% of Operating Expenses)	$\frac{\text{Payroll Expenses}}{\text{Operating Expenses}} \times 100$
Payroll Expense (% of Sales)	$\frac{\text{Payroll Expenses}}{\text{Net Sales}} \times 100$
Payroll Per Employee	$\frac{\text{Payroll Expenses}}{\text{Full-Time Equivalent Employees}}$
Personnel Productivity Ratio	$\frac{\text{Payroll Expenses}}{\text{Gross Profit}} \times 100$
Profit Margin	$\frac{\text{Profit Before Taxes}}{\text{Net Sales}} \times 100$
Quick Ratio	$\frac{\text{Cash} + \text{Accounts Receivable}}{\text{Current Liabilities}}$
Return On Assets	$\frac{\text{Profit Before Taxes}}{\text{Total Assets}} \times 100$
Return On Net Worth	$\frac{\text{Profit Before Taxes}}{\text{Net Worth}} \times 100$
Sales Per Customer	$\frac{\text{Net Sales}}{\text{Number of Active Customers}}$
Sales Per Employee	$\frac{\text{Net Sales}}{\text{Full-Time Equivalent Employees}}$
Sales Per Invoice	$\frac{\text{Net Sales}}{\text{Number of Invoices Filled}}$
Sales Per Invoice Line	$\frac{\text{Net Sales}}{\text{Average Number of Lines per Invoice}}$
Sales Per Stockkeeping Unit	$\frac{\text{Net Sales}}{\text{Number of Stockkeeping Units}}$
Sales To Inventory	$\frac{\text{Net Sales}}{\text{Average Inventory}}$
Sales To Working Capital	$\frac{\text{Net Sales}}{\text{Current Assets} - \text{Current Liabilities}}$
Times Interest Earned	$\frac{\text{Profit Before Taxes} + \text{Interest}}{\text{Interest}}$