

METAL TREATING INSTITUTE
2007 OPERATIONAL COST SURVEY

SALES

Sales for the 165 companies participating in the Metal Treating Institute Monthly Analysis of National Billings (as of December, 2006) amounted to \$865 million.

NOTE: Throughout this summary the year refers to the *calendar year in which the survey was conducted*. Of course, data from the preceding year are used in each survey. Thus, 2007's survey reports on 2006 sales, etc.

THE OPERATIONAL COST SURVEY

41 companies submitted their Cost figures in 2007 (compared to 58 in 2006). The Sales of these 41 companies amounted to approximately \$251.4 million and covered 1,810 employees.

Net Profit as a % of Sales for the 41 companies was 8.72%. In 2006 the average profit was higher at 11.12%.

Sales per Employee amounted to \$138,876 in 2007, higher than 2006's average of \$134,582. In 2007 Accounts Receivable amounted to 14.91%. In 2006 they represented 16.55% of Sales.

NOTE: The heading, "% More Favorable", which leads off column four in the last section of the report (Profit/Loss, Average Sales/Employee, and Accounts Receivable), is misleading when Accounts Receivable are considered. That is, for companies operating on the accrual method, it is preferable to have lower accounts receivable at the end of the fiscal year. The computer program calculates Accounts Receivable as a percentage of Sales. Companies with lower Accounts Receivable as a share of Sales have a higher value in column four. The figure in column four should thus be interpreted as the "% (of companies that are) Less Favorable."

Companies Reporting (Column 1)

This figure is the number of companies in the 2007 analysis reporting a particular expense. The maximum number reporting any category in 2007 is 41 -- the number of companies participating in the analysis. Notice that not all companies report every cost category. Only 14 report Spoilage, for instance. To make the figures in the table more realistic, all averages are based only on the number of companies that report a cost figure for the particular category. Dividing every figure by 41 companies would dilute the figures, making them lower than they should be and misleading for true comparisons.

Expense Category (Column 2)

These are the expense categories on the Profit and Loss statement you completed as part of the 2007 MTI Business Analysis Reporting Form. Following the expense categories appear totals for Costs, Sales, Profit/Loss, Average Sales per Employee, and Accounts Receivable as % of Sales.

Your Company (Column 3)

These are the ratios of each expense category (and Profit/Loss) to Total Sales for your company, e.g., what percentage Utilities was of 2007 Total Sales. (Total Sales = Net Sales + Other.)

% Companies with Lower Costs (Column 4)

This important column indicates what percentage of companies has a lower Cost per dollar of Sales than your company. This highlights the areas that seem open to improvement. This figure is calculated as:

Number of Companies with Lower Costs as % of Sales

Number of Companies Reporting That Cost

Your Sales Range (Column 5)

The four sales ranges are: (1) Under \$2 Million, (2) \$2 - 3 Million, (3) \$3 - 6 Million, and (4) Over \$6 Million. In this column only those companies in your Sales Range are included in the calculations of Expenses as % of Sales. Thus, this enables you to compare your company with others in your Sales Range, a good area of comparison.

All Companies Average (Column 6)

The ratios for all companies reporting a particular expense are presented here.

Companies with Profit/Loss (Columns 7-8)

The 41 participants in the yearly survey are divided into Companies with Profit and Companies with Loss. In 2007, 8 (19.5%) of the participants reported a Loss. In 2006, 21% of participants reported a Loss.

Lowest to Highest Average Costs (Columns 9 - 13)

This divides the participants into quartiles..."goals to shoot for." The averages are abandoned here with the better performances on the left of the median and the not so good on the right.

NOTE: In some instances, percentages appearing in the printouts for individual expense categories do not add up to the "subtotal" percentage. This discrepancy is simply due to the fact that not all companies report costs in every expense category. For example, in 2007 the industry-wide average for Sales Expenses was 2.13% of expenses. Yet the four individual items comprising Sales Expenses, if summed, yield 2.67%. The difference is due to the number of companies included in each calculation: 31 for Sales Salaries, 23 for Fringe - Sales, etc. By comparison, 41 companies were included in the calculation of the Sales subtotal percentage. Similarly, subtotals, when summed, may not equal the Total Costs percentage for the same reason. However, the percentages under the "Your Company" column should add up to the subtotals.

If you have any questions regarding the Yearly Operational Survey results, please feel free to contact Barry Sapolsky at 850-556-3404 (FAX: 850-668-2338) or email: sapolskyresearch@earthlink.net:

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Additional Analyses

Averages for Companies with Profit/Loss and Companies in Four Sales Ranges

	Companies with Profit	Companies with Loss	Sales Range: Under \$2 Million	Sales Range: \$2 - 3 Million	Sales Range: \$3 - \$6 Million	Sales Range: Over \$6 Million	All Participants
Number of Participants	33	8	7	6	13	15	41
Net Worth	\$3,669,767	\$4,409,203	\$886,243	\$912,470	\$1,547,222	\$8,188,107	\$3,805,979
Return on Invested Capital	21.07%	3.30%	38.50%	10.50%	19.08%	13.19%	17.93%
Quality - Metric	1.31%	0.85%	0.68%	0.54%	1.34%	1.55%	1.22%
Delivery - Metric	87.74%	96.69%	87.17%	98.20%	86.99%	90.75%	89.63%
Productivity - Metric	3.36	2.43	4.01	2.50	3.24	3.12	3.17
Utilities - Gas	\$527,878	\$547,701	\$134,288	\$172,272	\$448,647	\$895,726	\$531,732
Utilities - Electric	\$305,672	\$229,437	\$47,308	\$199,582	\$178,314	\$516,238	\$290,849
Utilities - Other	\$128,042	\$56,178	\$5,576	\$1,508	\$48,339	\$243,395	\$115,360

Metrics:

Quality: Percent of orders rejected versus total orders.

Delivery: Percent of orders shipped on or before original customer agreed due date.

Productivity: Sales dollars per total labor costs.