

ISD's Distributor Profit Report has been a key management tool for us at Gallagher Seals for the last 10 years.

Conducted annually, this report uses industry-wide distributor research to create a state-of-the-art practical guide designed to help us evaluate our company's financial and operating performance.

We use the results in two primary ways:

- at the owner or shareholder level, are we getting the right returns on our business – assets, investments, etc.
- at the operational or management team level, how does our performance stack up against the rest of the industry and against how we did the year before, or the year before that.

Overall, we want to know how our company's health is doing and where we need to focus in order to improve things. How are we doing against our strategic plan? Are we meeting our annual performance metrics and measurements? This is an invaluable tool for benchmarking our business results against our past performance, and against the industry.

ISD utilizes the services of the Profit Planning Group in Boulder, Colorado to conduct this survey and reporting process. Dr. Al Bates, Principal of the Group, provides extensive detail, presented in effective ways, readily understandable by non-financial managers. Our company is compared to the industry across a number of parameters such as

- Operating productivity ratios
- Asset productivity ratios
- Employee productivity ratios

And he explains what we should be looking to improve or fix. This is critical data for managing our company year to year.

For example, our management team evaluates how our gross margin compares to the industry – and then we drill down to find which components of the gross margin need improvement. We can check out those components or ratios that are average or poor and put a plan in place to address those. Eventually, we may even tie some of these metrics to individual manager performance.

We can assess how our employee benefits compare to others in the industry; how do our health care programs and costs stack up? We can see how competitive our employee compensation is – and assess where we need to make changes.

Sure, we have other data to use in running the company, but why should we limit ourselves when we can leverage an expert snapshot and evaluation of OUR industry along with how we stack up? This has been a huge value to us, and a key benefit to belonging to ISD. Want more detail? I'd be happy to speak with you. You can reach me at jkates@gallagherseals.com.

Sincerely,
John Kates, CFO
Gallagher Seals