

NAFCD Releases 2007 Profitability Survey Results
Report to be Reviewed at NAFCD 36th Annual Meeting in Austin, TX
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CHICAGO – According to the annual survey presented by the National Association of Floor Covering Distributors (NAFCD), the financial performance between average and high-profit floor covering distributors continues to show a large gap of Return on Assets, 13.1% overall. The NAFCD Performance Index Report is the association’s annual profitability study of participating members and offers a benchmark to business owners on where their company falls within the industry.

Citing 2006 data, the report indicates that the typical floor covering distributor had sales of approximately \$37 million and a pre-tax profit of 1.6 percent. Comparatively, the high-profit firm had sales of approximately \$55 million and a pre-tax profit of 4.8 percent. This means that if the typical firm with the same sales base of \$37 million could move into the high-profit category, it would generate a profit of \$1.7 million, representing an additional 3.2 percent or \$1,186,784 in profits every year.

These significant profit variances indicate that there continues to be major differences between the typical firm and the high-profit firm, according to Dr. Albert Bates, founder and chairman of the Profit Planning Group. “We know that typical can be thought of as ‘good enough’; however in reality we can see that typical simply is not good enough,” says Dr. Bates.

“If typical firms want to increase their profit they must first examine and fully understand the factors of high-profit performance; generally called the critical profit variables (CPVs). Once fully understood, typical firms must then develop a plan to improve on those factors and apply them within their company,” comments Dr. Bates.

Sales growth, gross margin and payroll expenses continue to stand out as the most important CPVs across a wide range of industries, according to Dr. Bates. Firms that can successfully control these particular factors have a major financial advantage. However, it is important to note that no company masters all CPVs; however those who fall into the high profit category are those who are able to combine the CPVs to increase their profits.

The report provides NAFCD members the best industry-specific data available to direct budgeting and financial planning processes. The 2007 survey was conducted by the Profit Planning Group in Boulder, Colo., an independent research and executive education firm that conducts profitability research for more than 100 different trade associations, including NAFCD. Confidential surveys were completed by participating NAFCD members and submitted to The Profit Planning Group, which then formed an aggregate with other respondents and analyzed the data in terms of sales size, line of business, etc.

A summary of the 2007 Performance Index Report will be presented at the NAFCD 36th Annual Meeting, to be held October 25-27, 2007, at the Renaissance Austin Hotel in Austin, TX. Maurice Desmarais, NAFCD Executive Vice President, will review the results and provide suggestions on how to improve company performance, how to use the performance index to develop a plan and become a stronger firm in 2008. Registration for the event is open until October 12, 2007.

For more information about the NAFCD Performance Index Report, contact NAFCD Headquarters, 401 N. Michigan Ave., Chicago, IL 60611-4267; 312.321.6836; email: info@nafcd.org or visit the NAFCD Web site at www.nafcd.org.