

GPI 121 - Ask your CPA firm to compare your performance to that of others in the industry.

Ask your external CPA auditor for comparative ideas and comments. Ask them how your company compares to other companies the firm has analyzed since they cover dozens and maybe hundreds of other firms that may have the same problems and issues to solve as you. Your auditor has visited, audited and reviewed hundreds of other companies in all types of industries so he has one of the best databases to utilize. Ask him what is wrong with your company on a number of different levels. CPA firms will provide management reviews for a fee but in your case, he already knows your firm fairly well so he can get to a comparison summary faster than anyone.

Your CPA firm has great data and all of it can be derived without any company name disclosure. You do not care to know the specific company names; you want to know the industry trends and certain barometers and key indicators that will help you determine problems and potential cost savings areas. He is worth asking a number of questions, all without his revealing any of those firms' names. You only want to measure and know where your company stands among other participants in the market.

Questions to ask your CPA firm (statistics, organization type, financial performance, etc.):

- How well does our company do financially, compared to other players participating in the same market segment? Where does our net profit % compare? Where does our return on assets compare? Where does our return on investment compare?
- How does our company's heads per sales dollar figure compared to others competing in our market?
- What do you see about our firm that is out of line, more costly, less efficient or obviously ineffective compared to others that you privately audited and personally know?
- Is our firm's headcount in line with the industry? (Compare annual sales per head if that seems appropriate.) Is our people count higher or lower given our current sales level? Even if our overall headcount may be line with industry standards, what about the internal department or function numbers; headcount in sales, production or administration?

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- Given our number of facilities, does the average sales per facility seem correct, low or high compared to others?
- Do we generate about the same, higher or lower gross profit per operational unit (location) as others in our market?
- If we are lower on average concerning profit per facility, does it make sense for our firm to consider combining facilities in order to cut fixed costs and maximize gross profit generated per profit center?
- Are our sales and marketing expenses as a percentage of net sales in line with our business segment compared to other clients?
- Do we have healthy gross profit margins compared to others in our business? Are we higher or lower? If we are significantly different, where do you see the variance?
- How does our administrative expense percentage of net sales compare to others in the market?
- Are our insurance costs in line with the market segment?
- Is our property tax bill high or low or just about right compared to the industry? (i.e. tax bill as a percentage of depreciated net book value? Or historical cost? Or appraised value?)
- What are the average annual capital expenditures for other competitors in our market? Are we spending more or less than the average?
- What geographical markets are our company missing compared to the competitors? Where should we be if we are not?
- What do you see that is obviously different when you enter our facility and when you enter that facility of our competitor?
- Do we generate adequate cost data compared to other players in our market?
- Do we use our cost data to our advantage or are we missing any key statistics that should be tracked on a regular basis?
- Did you notice anything out of line concerning the company's pricing? Too many cheap items? Too many expensive options?
- Is there a part of the market that we have missed?
- Is there a part of the market that we should either change our marketing or consider abandoning?
- Do we need to shop for a better loan rates from what you have seen in the market?
- If your other clients are in the loan market and getting better interest rates than

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us, what are those notes? How unfavorable are we from your other clients?

- Are you aware of better banks or financial institutions that we should speak with to obtain favorable financing?
- Is our insurance cost in line with others in the industry? Are deductibles too high or too low? Is coverage adequate to cover the owners?
- Did you receive any negative comments from customers when you personally verified accounts receivable balances at yearend? Were there any complaints or comments about our quality?
- Is our electricity cost per kilowatt higher or lower than the others that the auditor shares as clients? Can the auditor get this information without company names in order to get some idea if utility costs are competitive or not? Auditing hundreds of clients should yield an opportunity.
- Does our company have any unclaimed property in this or any other state?
- What is our property tax as a percentage of net sales compared to others? If that is not a good financial measurement, what is a better one?
- How do we fare concerning labor benefits compared to others in our industry? (i.e. better or worse insurance life insurance, a 401K match, pension program).