

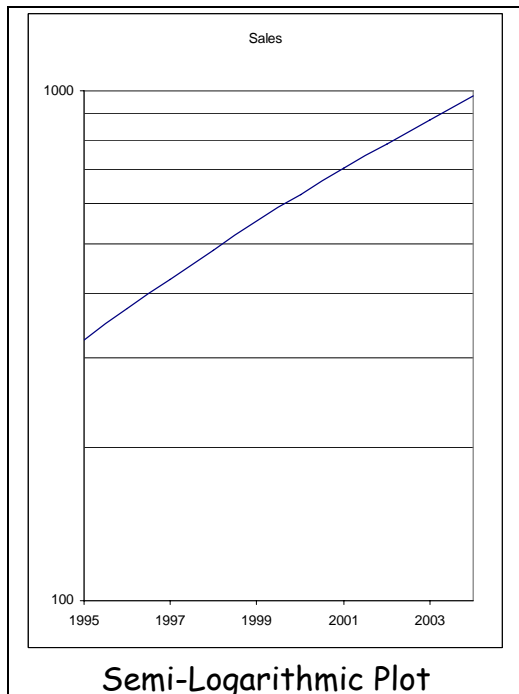
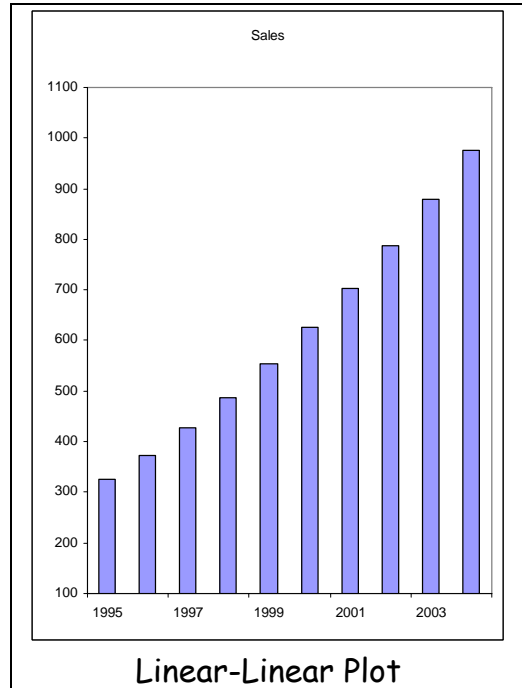
Tips, Tricks, & Techniques

Salesman Tricks

You have no doubt seen beautiful glossy colorful graphs of a companies performance factors in the Annual Reports that you peruse. Perhaps you have seen one similar to that shown on the right. This plot of Sales for the years shown shows an apparently increasing trend. The sky is the limit. Look carefully and you will find that the data is plotted on a linear scale.

Plotting the very same data on a logarithmic scale will show that the rate of growth (trend) is decreasing as shown on the lower plot

Is this a sign of a problem? Not necessarily. We have to look further to determine the scale of the Sales numbers. Are they stated in millions or billions? Let's consider...



If the Sales are shown in Millions, this would be a small-sized company in 1994 maturing into a Mid-Sized company sometime in 1998 as their sales past the \$500 million mark. We should expect that Small-Sized companies will grow a minimum of 15%, then the sales growth rate will decrease to 7% as it fully matures into a Large-Sized company with sales greater than \$5 billion.

If the Sales are shown in Billions, then this would be a company maturing from Mid-Sized to Large-Sized. It should be seen to pay a dividend so that we could reasonably expect a 15% return on our ownership through reinvestment of the dividends.

For us, it all boils down to a careful study of the data and wise application of our judgment.