

## ■ A Look at the Average Agency of Today

The average agency has more than one office, but not quite two. And that half an office might be a commandeered broom closet for some, but the fact remains that the single office agency is in the minority. Five states are covered by the average agency, and the products of 10 principals are carried into these territories by 3 salespeople.

If intentions are turned into action, we should see a dramatic increase in the number of salespeople employed by the average sales agency next survey. Fully 47% of those who responded stated they planned to add to their sales staffs within the next twelve months.

The average agency isn't a Johnny-come-lately. In fact, it has been in business for 15 years. And the gross revenue isn't anything to sneeze at. The figure stands at \$280,099.61. This figure is based on doing a gross business of \$4,402,986.34 for the year. What is the net after taxes? It's a healthy \$55,922.49.

On the personal side, the average agency was started from scratch by 83% of the respondents. Sixteen percent bought their agencies from someone else.

Now, we come to a very interesting statistic. Forty-five percent of the respondents told us that they represented foreign manufacturers. As we've been saying for quite a while, agencies are part of the global economy. And many of the domestic companies they represent also sell their products in foreign markets.

You might expect that those selling products overseas would be rather small. After all, the general parameters under which the average agency operates are bounded by domestic territories. However, 10% of those who responded claimed that they were selling products to foreign markets. And another 17% said they were planning to become involved in foreign trade in the near future.

Thirty percent of the respondents told us that they provided warehousing facilities for their principals, and another 43% perform the functions of distribution as well as representation.

What can we say about the profile of the average manufacturers' agency? First of all, the agency of today is a lot different than the agency of 10 or 15 years ago. The trend toward multi-person sales continues. This means that continuity is an important element in the business plan of most agents. And, of course, this translates into longer and more stable relationships between agencies and their principals. The average agency of today is business-oriented. Although the business of an agency is sales, we are very impressed with the realistic attitudes we see toward the management of a sales agency. From being professional about screening, hiring and training managing people to use sophisticated systems, including computers, the average agency has a lot to be proud of. (Figure 4)

## ■ The Incorporated Sales Agency

Most of the agencies in our survey have chosen the corporate structure for their business. And, as you might imagine, the statistics we uncovered for this form of agency ownership rather closely parallel the stats for the

**Figure 4**  
**A Composite Profile of the Average Agency†**

Average Number of Offices	1.50
Average Number of States Covered	5.17
Average Number of Manufacturers Represented	10.10
Average Number of Salespeople	3.46
Agencies with plans to add to their sales staff in the next 12 months	47%
Average Number of Office Staff	1.70
Average Number of Warehouse Employees	1.57
Average Number of Years in Operation	15.06
Average Gross Revenue in 1986	\$ 280,099.61
Average Gross Sales	\$4,402,986.34
Average Agency Net (after taxes)	\$ 55,922.49
Established Agency	83%
Acquired Agency	16%
Agency is the result of a merger	4%
Agency represents foreign manufacturers	45%
Agency selling products overseas	10%
Agency planning to become involved in international trade	17%
Agency provides warehousing	30%
Agency also acts as a distributor	43%
Agency with a showroom	8%
What major market do you sell to?	
OEM	56%
Wholesale/distributor	1.05%
Capital equipment in primary market	22%
Retail/mass merchandisers	14%
Capital equipment-manufacturing	27%
Government/municipalities	15%

†This profile was created by averaging responses from agencies operating under all forms of organization: Sole proprietorships, partnerships, and Sub Chapter-S corporations.

composite agency we just described. Rather than restate what you can read for yourself in the table, let's look at some factors that don't appear as numbers. And we'll try to evaluate in qualitative terms what some of the numbers mean.

Just after World War II, the average sales agency wasn't in much of a rush to incorporate. However, now that many agencies are as complex in structure and operation as some of their principals, incorporation is essential. The corporate structure not only helps to formalize an operating structure, but it has within it a legal mechanism for self-perpetuation. Unlike the partnership, which must be dissolved if a partner leaves, the corporation continues to exist no matter how the staffing changes.

In the past, we have always felt that under most circumstances the corporation structure was most beneficial from a tax viewpoint as well as from a structural viewpoint. Although it's too soon to give any general advice, the new tax laws do offer some very specific advantages. If you are not incorporated at the moment, this might be a very good time to get some professional advice from your tax accountant. (Figure 5)