

Appendix

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1987 Profile of the Manufacturers' Sales Agency*

■ The Business Structure of Manufacturers' Agencies

Reflecting the lessons we teach at seminars, and the advice of good attorneys and accountants, most sales agencies are full-fledged corporations. Fully 58.8% of those who responded to our survey reported that they were incorporated. The next largest group is made up of agents who choose to run their businesses as sole proprietorships — 26.05%. This can be a misleading statistic if you don't view it in the proper perspective. Although many of those who choose this form are one-person agencies, many are multi-person businesses simply operating under the laws governing sole proprietorships. The point is this: Don't think that just because an agency is operated as a sole proprietorship that it's small potatoes.

Next are the Sub Chapter-S corporations at 11.6%. Although the percentage of those choosing this form has hardly changed since our last survey, we think that our next survey in two years will probably be a little different. When the new tax laws finally shake out, we've been told that under certain circumstances this form of organization will have some significant benefits. If you aren't clear on the benefits under the new law as they relate to your organization, it might pay to check with your accountant.

Partnerships account for 3.7% of the population. Little change from our last survey. All we can say is that there must be some pretty enduring businesses out there working with this form of organization. Business consultants claim that the partnership is, from a personal point of view, one of the most difficult to manage. It's also very difficult to handle when a split occurs. (Figures 1, 2 and 3)

Figure 1
1987 Agency Business Structure

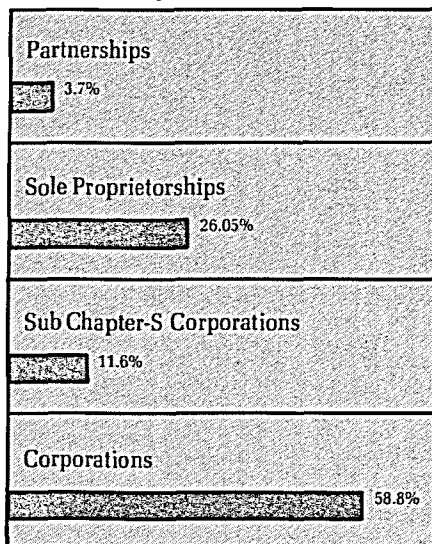


Figure 2
1984 Agency Business Structure

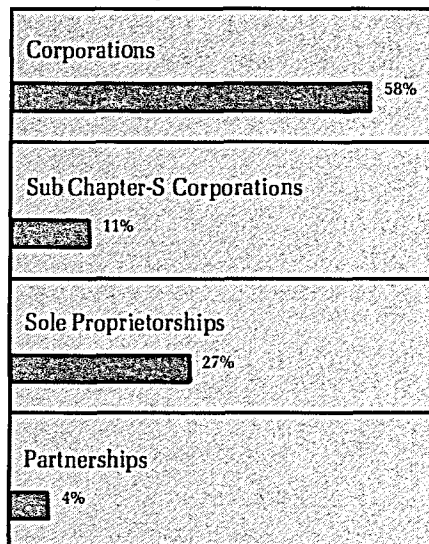
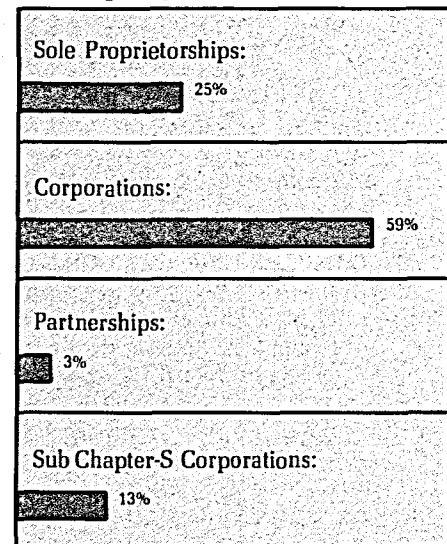


Figure 3
1981 Agency Business Structure



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