

The Payment of Commissions

It's all well and good to talk about commission figures in the abstract, but we would like to mention that it is the contention of MANA that commissions should be paid to agents upon shipment of the sold goods...not on the collection of payment from the customer. Although most manufacturers do observe this convention, we have heard more and more of manufacturers who are attempting to negotiate contracts with their agents in which the commission is paid when the manufacturer is paid.

Bluntly, this is totally unfair. The agent has spent his time and money in getting the order. And, remember, the agent is paid for **sales**. A manufacturer who sells through salaried salespeople pays his or her salespeople regularly, whether or not they have made any sales. An agent is only paid for the results of his or her sales effort. To withhold payment of commission until you are paid is simply and plainly unfair!

Agents Who Provide Warehousing and Other Services

We have expanded the scope of our traditional commission survey to include information on additional commissions paid for warehousing, invoicing and other services provided at the agency level. Thirteen percent of our respondents said that they did, indeed, receive additional commissions for other services. Fifty-eight percent said no, and 29 percent provided no response.

We next asked those who were receiving an additional commission to tell us how much and what they were being paid for. Note that this was a very general question; we have made no attempt to quantify the results. Our goal was simply to get a feel for the situation. Here are some of the write-in comments:

"We are paid \$350 per month by one of our principals to warehouse his products."

"Invoice and handling fees are negotiable."

"Cost plus 10 percent."

"Three to five percent for warehousing." (Note: five percent seems to be the most often reported figure for warehousing.)

"If we purchase and re-sell, 20 percent to 35 percent."

"Fifteen percent when annual sales goal exceeds two percent, three percent and five percent distributor commission on stock."

"Based on the number of pallets."

"Five percent for inventory and control."

"Twenty-five to 35 percent is distributor or stocking agent."

"One percent override on other agents' sales."

"Fourteen percent for food stores."

"One percent management fee."

Obviously, these responses have to be viewed in context of each agent's total operation. Our intention in adding this question was not to gather definitive data, but mainly to see just how many agents were receiving some form of additional commission for doing work other than selling. We got our answer, as stated earlier, 13 percent.

Agents Who Also Act as Distributors

Although few agents would consider themselves as being major players in the distribution field, some have taken on distribution chores over the years. Most who have done this have not done so with the notion of ultimately becoming a distributor. Rather, they have taken on some distribution functions mainly as expedients when situations demanded them. For example, one agent we talked with told us that a local supply of relatively small spare parts was necessary to keep his customers happy. The factory, it seems, was always slow in sending them directly to customers and, as a result, some switched to competitive products. To head off this problem quickly, this agent decided to act as a distributor for the principal only for spare parts. He still sells the primary equipment as an agent, but he buys and sells the spare parts. This agent has no intention whatsoever of expanding his distribution part of the business. The fact that he can store a few thousand dollars worth of spare parts in two file drawers of his office technically makes him a distributor. It hardly puts him in a league with the big distributors with thousands of square feet of warehouse space.

Now, how many agents act as distributors? Our respondents indicated that 25 percent do some distribution. Fifty-six percent said that they did not, and 19 percent did not respond to the question.