

Appendix

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Survey of Sales Commissions*

Signals are mixed, but the trends are positive

Manufacturers and manufacturers' sales agencies are always interested in commission statistics. They like to look at their own picture and compare it with the national averages. But it's impossible to create national averages or to set standards because every agency/manufacture relationship is different. Products, markets, territory, agency size, types of services and a whole host of other variables make it impossible to create standards that apply to everyone. However, you can look at trend lines, and this is why we publish the new numbers against a background of the data from the previous survey.

In general terms, little has changed since we conducted our last survey two years ago. The results of the 1987 survey indicate that 44 percent of the commission rates reported were higher than last year. This, of course, means that 56 percent either remained the same or decreased. At first glance, this near 50-50 split of gains and losses may not seem too encouraging. However, we must point out that the split has always hovered in this neighborhood. And the average gains and losses are, for the most part, in tenths of a percentage point.

The real benefit from our survey can be found in the predictive value of the data. Some industries posted significant gains while others suffered some heavy losses. For example, food products and services saw a decline from 15 percent to 6.96 percent. On the other hand, those selling in transportation markets saw their average commissions increase from 5.49 percent to 12 percent. These figures, evaluated with other industry conditions, can give you an important edge in planning for agency growth.

When we reported data from our last survey (1985), we indicated that the lows were coming up and that there weren't any significant changes on the high side. This had the effect of bringing the numbers closer together. There have been no major changes indicated by this survey, but the trend continues. For example, those selling to the government have seen their rates increase from 7.33 percent to 7.42 percent.

All in all, the data indicates that the agency business is generally a healthy business. There are some weak spots, but the problems are industry-specific and not related to agency selling in general.

To help agents and manufacturers get a clearer perspective of the entire commission picture, we asked this

question: Are you receiving an *additional* commission or fee for warehousing? Seventeen percent said yes, they were receiving additional commissions or fees. Here are the averages:

Average high – 10.69 percent
Average of average – 8.96 percent
Average low – 7.26 percent

These numbers tell an interesting story. The traditional agency may be changing to accommodate needs of customers and manufacturers. Although we don't see this as a strong trend today, it shows the inherent flexibility built into agency selling.

Forty-three percent of the respondents act as distributors in addition to their representation activity. This is an increase of 3 percent over the past survey. Although we didn't ask for qualifications, it appears that most distributor activity is limited to a few small lines, and that these lines are not those generally carried by full-line distributors. In other words, the distributed lines are carried more as an accommodation than as an expansion of traditional agency activity.

□ How to Compare These Figures With Your Own Commissions

As stated earlier, there are no real industry standards, nor should the reader imply from this research bulletin that MANA advocates any industry standards with regard to commissions. Commissions range widely in some instances. Therefore, when you read the figures for the field you serve, it's best to think of them only in relative terms. Your commission may be higher or lower than the averages we have published, but it's important to remember that each agency/manufacture relationship is different than all the others. And each is usually negotiated on an individual basis. You may be providing service in addition to selling. You may be warehousing your principals' products. In fact, there are a number of services that agencies may provide for their principals in addition to selling. And these activities are frequently reflected in higher commissions. Thus, the variability in commissions in most fields. What we are saying is that you must factor in all of the variables — and remember that our figures were reported by agents and manufacturers from all corners of the country. Regional variations can exert as strong an influence as can any of the other variables we mentioned.

If you have been following our commission surveys, you know that commission percentages don't change much. The commission dollar figures change as the