
A Move To Automatic Deposit Of Commissions

While it might be premature to identify the automatic deposit of manufacturers' reps' commission payments as a trend, there's no denying that reps like the idea — and they're not alone. Manufacturers that have already initiated the process point to it as a win-win situation for all involved.

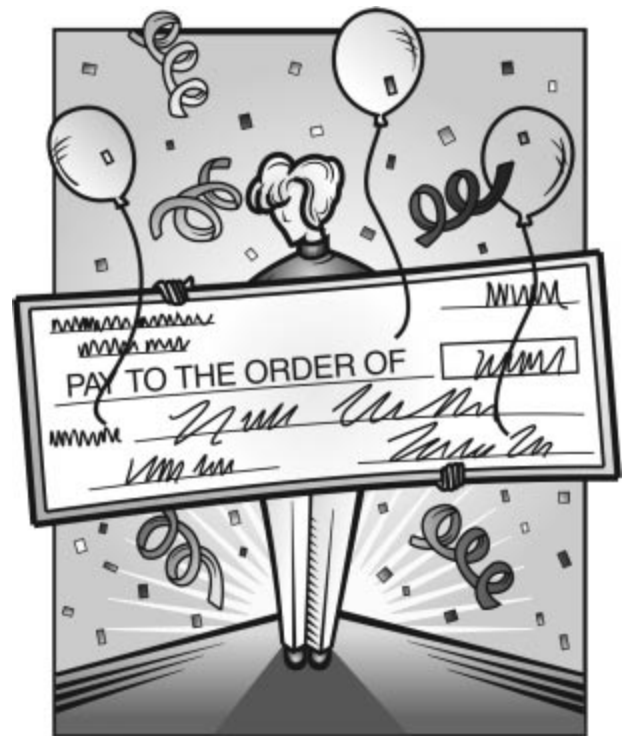
According to MANA member Todd Nelson, Nelson & Associates, Sante Fe Springs, California, "The move to automatic deposit is a very positive one and we do all that we can to encourage our principals to participate. So far I'd say that while only four of our manufacturers pay us that way, that translates into 35% of our income." He adds that the benefits of automatic deposit are obvious. "The money is placed in your account in a very timely manner. It usually gets there even before your commission statement arrives. On top of that, you don't have to run to the bank every time a check arrives in the mail."

While Nelson admits every effort is made to encourage manufacturers to pay commissions in this manner, there are still some that balk at the idea. "Typical of what we've heard from some is that 'We can't do it, because we've never operated in that manner.'" He's hopeful, however, that will change in the future.

Benefits Not Found Yet

One manufacturer admits the subject of direct deposit has been brought up internally, "but so far, our finance department maintains it hasn't found the savings in terms of time and money that are supposed to accompany the move." He adds, however, that the issue will be studied further, owing largely to the positive push being made by reps.

Consultant Dennis Means, The Marketing Company, Cleveland, Ohio, points to the move toward automatic deposit as one that benefits both sides in the marketing channel. From the rep side, he explains, "There's an appreciation for the fact that payments are made consistently in a timely manner. Reps no longer have to wait for the check to be processed by hand. In addition, funds are available immediately. Manufacturers that operate in that manner are equally positive. About the only negative I've



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heard occurs when an error is made and corrective action has to be taken after the fact. They admit, however, that it’s no different than when a manual check is used. They’ve got to follow up with a correction anyway, so what’s the difference? By and large, automatic deposit is a smoother, more efficient process that allows the manufacturer to track their commission payments.”

Another independent rep with strong feelings on the matter is Scott Lessing, Ewing-Foley, Inc. Headquartered in Cupertino, California, that agency has offices in Sacramento, Seattle, Spokane and Portland, where Lessing is stationed. “Obviously a safe, timely and well-established practice in other areas of the economy, direct deposit:

- Eliminates potential mail problems.
- Offers several days of ‘float’ while the check is in transit.
- Eliminates the extra time and expense of sending someone down to the bank every time a check comes in.”

Lessing continues that “currently, about 30 percent of our manufacturers have established direct deposit relationships with us. Luckily, they are among our largest lines. Ironically though, direct deposit holds even more value for the smaller checks. The float time and expense of depos-

iting is a larger percentage of the smaller checks.”

Lessing voices a certain level of frustration when he says other manufacturers don’t follow the lead of the 30 percent of his principals who perform direct deposit. “Despite multiple requests into various levels of the organization, most of our partners cannot seem to get this done, despite the fact that they will direct deposit their own employees’ paychecks and in many cases their expense checks.” Typically, he says, when a manufacturer is asked, “they respond that ‘it’s coming,’ but nine to 12 months will pass and nothing will happen.”

Positives and Negatives

When asked to detail some of the positives/negatives for both manufacturers and reps when changing to direct deposit, Lessing offers, “I would hope the overriding positive for manufacturers is that they are interested in the timely compensation of their professional sales force. Why? Because we are important to their success.”

If that reason isn’t incentive enough, Rachel Sherwood, also with Ewing-Foley, offers “Once the process is successfully changed, then the manufacturer enjoys the benefit of less handling of documents. There are fewer keystrokes, more accuracy, and no chance of the check being lost in the mail.

As far as the rep is concerned, the efficiencies are even greater. He doesn’t have to check the mail and travel to the bank. Instead, he can stay on the phone or in the field in front of customers.”

In terms of negatives for manufacturers, Sherwood struggled before she offered, “I guess change might be the biggest problem. If individuals haven’t been working this way, it might be difficult for them to get comfortable with change, but the benefit for them is the assurance that their reps are paid on time.”

Lessing adds that another benefit of direct deposit is the increased visibility of funds. “Many rep agency owners aren’t the ones who open the mail — including checks. Since more and more people are now in tune with on-line banking, direct deposit offers the agency owners the benefit of keeping closer tabs on the agency accounts.”

Properly Using Technology

If Lessing and Sherwood are enthusiastic about the move to automatic deposit, so too is Dave Burnette, Wheatland Tube Company, Collingswood, New Jersey. Burnette is typical of manufacturers that have already made the move. According to the manufacturing executive, “If a manufacturer isn’t performing direct deposit of reps’ commissions, then

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I'd say to him that what he's done is go from the 'dull age' to the 'stone age' in terms of using technology properly."

He continues, "Since we already perform direct deposit for our payroll and expense accounts, it was no big move to continue on with rep commissions. About two years ago, we went to all of our reps and asked them to send us a blank check — just as other direct depositors do — so we could implement the plan. We made it mandatory for all of them — it's not an option." Thus far he's heard no negatives from his rep sales force.

Some additional comments on the subject include:

- Ron Hopkins, George O. Miller Co., Syracuse, New York — "From the manufacturers' standpoint, I can't identify any negatives. It saves them time and paperwork, and increases efficiency."

Hopkins says he's receiving di-

rect deposit from one manufacturer and is in talks with a second to make the move. "The only problem I incurred, and it's been fixed, is that initially I would receive the commission payment, but there was neither notification ahead of time that the payment was coming nor a breakdown of commission information. Subsequent to that initial effort, that has been fixed and everything has worked very well."

- Timing of payments — one manufacturer that made the move explains that prior to changing, "We conducted a study of when our manual checks were physically deposited by reps. We always sent our checks out by the 15th of the month. Our study indicated that the earliest a check had ever been deposited was the 21st. Armed with that information, we now transmit our payments on the 20th of the month. As a result, the change didn't cost

the rep a dime and they received their commissions at the same time — if not faster. We've been able to pay our reps in a timely, accurate manner, lower our administrative costs, and decrease our manpower. I can't think of a better situation." □

(Editor's Note: In the preparation of this article, several manufacturers contacted indicated they were not direct depositing commission payments and the subject had never been raised by them or their reps. However, after speaking with Agency Sales, they indicated a high level of interest, so much so that one manufacturer was conducting a survey of its entire rep sales force in order to gauge their interest. When the results of that survey are available, we will report it to our readership. In the meantime, readers who have additional thoughts on the subject are encouraged to contact the editor. E-mail: jfoster@manaonline.org).

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