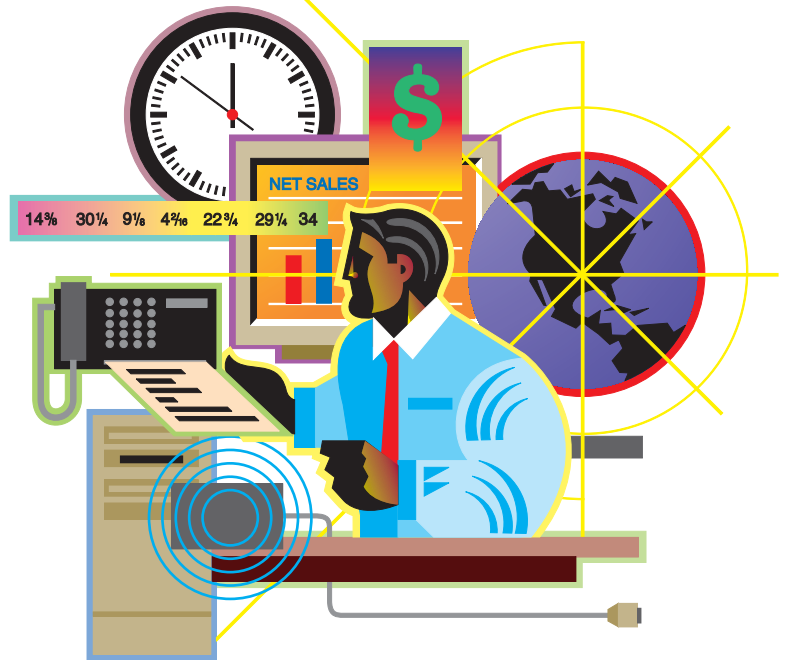


An Updated Profile Of The Manufacturers' Sales Agency

Viewed alone, the figures that make up this year's MANA Agency Profile Survey present an interesting snapshot of the typical association member firm, and, when pieced together, a picture is painted of an entrepreneurial venture in which the agency owner and his partner (if, in fact it is a partnership) appear to be fairly well paid. In addition, the reps that man the helm of their respective companies are increasingly casting their eyes on international waters, all while they grow more and more dependent



Finances and Benefits (last full fiscal year)

	2002	2005	Low	High
Value of all principals' shipments	\$12,752,449	\$17,035,758	\$1,000	\$800,000,000
Commission paid to agency	n/a	\$741,393	\$6,000	\$30,000,000
Buy/sell sales volume	n/a	\$857,079	\$1,000	\$14,000,000
Other income, fees, misc.	n/a	\$473,227	\$1,000	\$18,000,000
Agency Owner's gross income	\$167,945	\$147,005	\$3,000	\$1,100,000
Partner or #2's gross income	\$109,706	\$101,777	\$4,000	\$585,000
Company provided term or whole life insurance	49%	49%		
Fully paid auto to owners and partners	62%	60%		
Fully paid health insurance to owner and partners	61%	65%		

upon high-tech business/communication tools.

It's only when viewed against the results of past surveys, however, that the focus is tightened and observers are able to see where the rep has been, and perhaps predict where he's going:

- For instance, according to this year's survey, the agency owner's gross income averages out to nearly \$145,000. On the other hand, what does it mean that this figure is down more than 14% vs. MANA's Agency Profile Survey of just two years ago? The same question can be asked as it applies to the agency partner's gross income, which shows a dip of nearly 9% from \$109,705 in 2003 to a little more than \$100,000 this year.

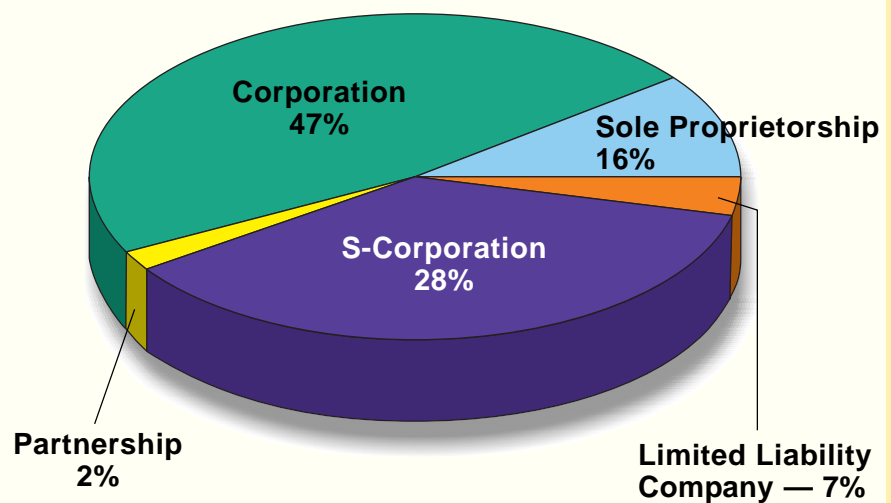
- While headlines of many newspapers across the United States decry the off-shoring of a growing percentage of this nation's manufacturing capacity, the fact remains that reps who participated in this survey are turning their business heads to where there is new potential. It's a little like the oft-repeated, perhaps anachronistic, response to a question that the 1930s famed bank robber Willie Sutton was asked: "Why do you rob banks?" In response, he said: "That's where the money is." So too is it for the reps who described where and to what extent they are looking overseas for business opportunities. As the charts that accompany this article are studied, it's especially interesting to note that while the top three non-U.S. countries in which MANA members represent manufacturers remain the same, number three two years ago — China — is now number one.

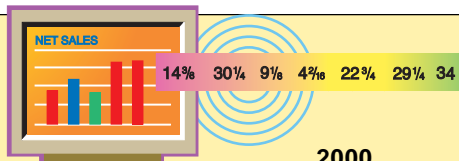
- And finally, and certainly related to the previous point, re-

Principal Owner's Profile

Average age	55 years
Occupational background	
Former sales manager	17%
Salaried salesperson	27%
Purchasing agent	5%
Engineer	17%
General manager	9%
Other	22%
Educational background	
Some college	17%
Associate degree or technical school completion	9%
Bachelor's degree	59%
Advanced or professional degree	19%
CPMR	7%
Other	4%

Agency Structure





Sales Agency Profile

	2000	2002	2005
Average number of offices	1.83	2.00	1.65
What major market(s) do you sell to?			
OEM	65%	61%	67%
Capital goods in primary industry	20%	16%	19%
Capital goods in manufacturing	25%	24%	25%
Wholesale/distributors	44%	44%	44%
Retail chains/mass merchandisers	9%	9%	8%
Governments/municipalities/institutes	16%	12%	15%
Contractors/architects	23%	18%	19%
Consumer	4%	2%	8%
Other	6%	9%	7%
Average number of states/provinces covered	5.87	6.00	6.87
Average number of manufacturers represented	10.45	10.00	10.53
How does this compare with the number of manufacturers you represented last year?			
More	42%	29%	24%
Fewer	38%	23%	26%
Same	20%	49%	50%
Longest principal relationship (in years)	19.19	19.25	20.53
Average number of salespeople (including yourself)	3.77	4.00	3.9
Agency plans to add to sales staff in the next 12 months			
Yes	46%	21%	26%
No	n/a	51%	50%
Possibly	n/a	28%	24%
Average number of office support staff	2.01	2.00	2.10
Average number of years in business	22.12	22.50	23.81
Current owner(s) established agency	74%	83%	67%
Agency is the result of a merger	5%	4%	7%
Plans for the continuity of the agency			
No immediate plans/dissolution upon retirement	30%	33%	40%
Sale to employees	36%	37%	31%
Sale to heirs (Note: 1% checked both sale to employees and heirs)	23%	20%	18%
Other	14%	15%	12%
Agency uses the following technology:			
E-mail	95%	99%	98%
Web site	42%	56%	60%
Cell phone	96%	98%	98%
Laptop computer	64%	70%	79%
Personal computer	96%	92%	90%
PDA ("Palm")	n/a	44%	51%
Teleconferencing	n/a	33%	41%
Video conferencing	n/a	4%	6%
Other	n/a	n/a	3%

spondents report their continued gradual movement toward greater dependence upon the technologically available communication tools that make international trade so easy. While the figures showing reps' dependence upon tools such as e-mail, cell phones and laptops are hardly surprising, the results of this year's survey confirm reps' continued march toward widespread — if not universal — use of these tools. For instance, it would appear that with the use of e-mail and cell phones (both used by 98% of our respondents) that there's not a whole lot more room for growth. At the same time use of web sites, PDAs, teleconferencing and video conferencing capability continue their gradual climb. And, for the first time in the survey, we're seeing mention of such tools as digital cameras, wireless technology and web cast meetings.

As an aside, it's interesting that one survey respondent answered "landline" in answer to the question concerning what technology he uses for communication. Maybe time really does fly, but it hardly seems that long ago that all we had to work with were landlines. How times have changed.

Declining Gross Incomes

Considering the first point mentioned — the declining gross incomes for agency owners and partners, contributing factors might be:

- Most industries served by MANA members suffered through the economic downturn of 2001-2003. During that time steady anecdotal evidence poured into MANA showing that owners were tapping savings and go-

While headlines of many newspapers across the United States decry the off-shoring of a growing percentage of this nation's manufacturing capacity, the fact remains that reps who participated in this survey are turning their business heads to where there is new potential.

ing to the bank in order to keep their agencies afloat. Notable exceptions surfaced in the reports received from reps in the health, medical and residential building industries. Particularly hard-hit were agencies selling electronic components.

- Global competition reached a zenith in this same time frame, particularly in the area of high-labor content, commodity or semi-engineered products. Margin compression in North American manufacturing was severe and rolled downhill to some of the rep firms' bottom lines as well. As a result, some misinformed domestic manufacturers reduced commission rates or shifted more tasks to their outsourced sales force with no additional compensation. (At the same time, the more strategic-thinking domestic principals were re-investing steadily in process improvement, new products and lean manufacturing techniques in order to maintain margins and commission rates.)

- Many rep firms experienced business failures during these

years but hung around long enough to report decreased incomes in response to this survey.

- Other rep firms, especially those selling commodity and semi-engineered products, succumbed to the pressure to represent lower-priced, offshore manufacturers rather than to go belly-up. While their incomes, too, suffered for a few years, recent reports show that many of these firms are starting to profit nicely as a result of their partnerships with foreign manufacturers.

An interesting side note is that it appears that most U.S. and Canadian reps still prefer to do business with North American manufacturers. Many state that they were forced to consider offshore sources only after domestic manufacturers threatened reductions in commission rates, shifted more work to the field — or both — rather than continuing to work as partners with their outsourced sales companies. Other reasons for representing foreign principals include accessing technology and products not available in North

For the first time in the survey, we're seeing mention of such tools as digital cameras, wireless technology and web cast meetings.

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America and the demise of some North American manufacturing companies and even industries.

International Trade Growth

Considering the matter of growth in international trade, is it any wonder that MANA:

- Has already conducted two very successful study missions to China for more than 90 association members?
- Has been a regular attendee/participant in the Hannover Fair?
- Maintains close relations and occupies a seat on the board of the International Union of Commercial Agents and Brokers (IUCAB)?

If there's a ready-made answer to that question, it can be found in the results of this survey over the last several years.

Consider these facts:

- Beginning with the survey in 2000, agencies have indicated an increase in the agencies representing foreign manufacturers to the tune of 51% to 56%.
- In that same period of time,

The point has been made time and again that laptops, e-mail, the web and cell phones allow them to be connected to anyone anywhere in the world.

agencies report their income from foreign manufacturers has grown from nearly 21% in 2000, to 25% this year.

• Perhaps the most telling result of the growth in international trade among MANA members is the fact that five years ago, a scant 19% reported they planned to become involved in international trade. That figure in this year's survey has grown to 44%.

The work of Pulitzer-Prize winning columnist and author Tom Friedman has often been quoted in these pages as he writes about the tremendous strides that the nations of Europe and Asia have made when it comes to developing an industrial base and then exporting products they manufacture to the United States. The already-cited figures would appear to back what Friedman has reported in both his books *The Lexus and the Olive Tree* and his new best-selling *The World is Flat*. The impact of China also is seen in this year's survey, however. While China in 2003 was listed as the number-three nation outside the U.S. in which MANA members are representing manufacturers, this year China has leapfrogged both Germany and Canada as the top country that reps are dealing with. It would appear that China's potential as a world economic power has only been scratched, and we'll see continued growth in the future.

Publisher's note: Doing business with China has proven to be both a threat and an opportunity. Readers will not be surprised to see MANA's lobbying position in the legislative section of www.MANAonline.org includes a demand for the U.S. Administration and Congress to assist domestic manufacturers in leveling the playing field vis-à-vis our foreign trading partners.

The Value of High-Tech Communication

Manufacturers' representatives firmly entrenched in international trade who have been interviewed and profiled in the pages of *Agency Sales* over the last few years speak with one voice when they cite the contributions that technology has made when it comes to their ability to trade with other nations of the world. The point has been made time and again that laptops, e-mail, the web and cell phones allow them to be connected to anyone anywhere in the world.

Ease of international trade is hardly the only reason for embracing the world of technology, however. Aside from the fact that use of e-mail (98%) and the cell phone (98%) is just about universal, it's interesting to note the growth of PDA use (51%, up from 44% in 2003) and the implementation of video/teleconferencing. Our members tell us that these tools increase their efficiency and productivity, while allowing them to maximize their time in front of the customer — which is where they're supposed to be in the first place.

Other important information contained in this year's survey follows:

- Little change is seen in the major markets that manufactur-

ers' representatives sell to. The OEM remains number one, followed in order by wholesale distribution, capital goods used in manufacturing, contractors/architects, and capital goods used in primary industry.

- The length of time the average agency has been in business has edged up to close to 24 years. That, coupled with the fact that agencies boast lengthy tenures with principals (e.g., the average longest principal relationship is also close to 24 years) points to the fact that manufacturers' representatives are mature, and relatively

conservative businesspeople.

- Perhaps a sign of an improving economy is seen in the fact that a full 50% of respondents report there's either a possibility, or they definitely will add to their sales staffs in the next 12 months. Currently, respondents indicated that they employ an average of close to four salespeople — a figure similar to what it was two years ago.

- The average age (55 years old) of the agency owner is up just a bit from 2003. Most agency owners cite backgrounds as sales manager, salaried salesperson, purchasing agent, engineer and



International Interests

	2000	2002	2005
Agency represents foreign manufacturers	51%	56%	57%
Average percentage of income derived from representing foreign manufacturers (from a high of 100% or a low on .01%)	20.59%	21.17%	25.25%
Agency sells products outside the U.S.	30%	22%	25%
Agency not currently involved in international trade but plans to become involved in the future	19%	16%	44%

Countries Outside the U.S. in Which MANA Members Are Representing Manufacturers

Country/Region	Number of Respondents
China	91
Canada	87
Germany	84
Japan	36
UK	26
Italy	24
Taiwan	24
Korea	17

Countries Outside the U.S. in Which MANA Members Are Selling Products

Country/Region	Number of Respondents
Canada	69
Mexico	54
China	14
Australia	9
Germany	8
South America	5
UK	5

Services in Addition to Selling

	2002	2005
Agency has warehousing facilities	24%	27%
How agency is compensated for warehousing services		
I buy & resell	74%	78%
Warehouse fee	20%	20%
Increased commission rate	13%	12%
Other	11%	8%
Average number of employees working exclusively in agency's warehouse operation	2.00	1.48
Agency has a showroom	8%	8%
Agency acts as a distributor	34%	37%
Do you generate non-commission revenues in other ways?	29%	32%
How do you generate these revenues?		
Consulting	49%	50%
Design	14%	12%
Engineering	19%	16%
Market research	19%	16%
Manufacturing (private label goods)	n/a	0
Other	43%	54%



general manager, before they took over the reins of a rep agency. It's always interesting, however, to look beyond the traditional path that so many agency owners have followed. For instance, participants in this survey indicate they were at one time everything from teachers; U.S. military personnel, including a Navy aviator; lawyers; and even a park manager.

- That 54-year old agency owner didn't get to where he is today without doing his homework in the classroom. When it comes to academic credentials, 60% have earned bachelor's degrees and an additional 19% possess an advanced or professional degree. Seven percent also have achieved recognition as recipients of MRERF's CPMR program.
- While 83% of respondents in

2003 indicated they were the owners who established the agency, only 67% occupy that position today. When it comes to having continuity plans in place for their agencies, 49% indicate that they plan to sell to employees or heirs, while 40% indicate they have no succession plans.

- When it comes to certain important perks for owners and partners, 49% of the survey participants indicate their company provides term or whole life insurance; 60% offer fully paid auto to owners and partners; and 61% provide fully paid health insurance to the owner and partners.

A Word About the Survey

While this narrative combined with the accompanying charts should provide a useful snapshot of the typical rep's business, there are a couple of points to keep in mind.

This article reported on the responses from MANA members. Not all MANA members participated. This should not be considered a scientifically-based survey; however, keeping in mind the survey's long history with the association's membership, it does provide somewhat of a measuring stick. The survey has been conducted for more than two decades, and it has been conducted with the goal of being able to put together the pieces of a puzzle that when completed creates a picture of the typical agency, how it performs, and how the marketplace continues to change.

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