Survey Shows Compensation Changes For MANA-ERA-NEMRA Reps

Surveys identify trends, can assist in strategic planning, offer warnings of things to come and generally provide great fodder for conversation. That's exactly the case with the ERA-MANA-NEMRA Rep Firm Employee Compensation Survey. The real import of any survey, however, is found in its historical perspective. In other words, how do this year's figures shape up vs. the last survey? It's only then that positives, negatives and industry winds can be sampled.

After comparing the most recent survey with the one completed two years ago, it's clear that in a general sense, the compensation picture hasn't been altered all that much. There are a couple of noticeable changes, however, that are bound to catch your eye. For instance:

- At least among the respondents to the survey, this year 34% of them indicate they are staffed at a level of one to three people. In comparison, 24% fell into that category two years ago. While the number of what we might term "small" agencies rose, the number of agencies in the four- to six-person range fell 6% from the previous survey.
- Jumping to the end of the survey, where respondents were asked to report specific compensation levels for their employees, there were a number of variations from two years ago.

In a positive direction, the following job categories reported noticeable increases:

- Starting with the positives, there was a marked increase in the compensation reported for a couple

Total Respondents: 441

Respondent's association affiliation(s):

	# of Responses	Response Ratio
ERA	147	33%
MANA	243	55%
NEMRA	96	22%
Other	35	8%

(Note: Some respondents belong to multiple associations.)

Where respondent firm's headquarters office is located:

Northeast	42	9%
Mid-Atlantic	46	10%
Southeast	58	13%
Midwest	143	32%
Southwest	42	10%
Plains	10	2%
Rocky Mountains	16	4%
West	55	12%
Pacific NW	17	4%
Canada	8	2%
Europe	2	0%
Mexico and Puerto Rico	2	0%

Number of years respondent rep firm has been in business:

Less than 5 years	36	8%
5–10 years	35	8%
11–20 years	91	21%
21–30 years	108	25%
31–40 years	63	14%
More than 40 years	105	24%

Respondent firm's total gross/commission revenue in 2004:

	# of Responses	Response Ratio
Under $250,000	81	19%
$250,000–$499,999	93	21%
$500,000–$749,999	77	18%
$750,000–$999,999	49	11%
$1 million–$1,499,999	41	9%
$1.5 million–$1,999,999	28	6%
$2 million or more	68	16%

Number of full-time employees (or employee positions) respondent firm had at end of 2002:

1–3	151	34%
4–6	114	26%
7–10	68	16%
11–15	46	11%
16–25	32	7%
26+	27	6%

Percent of respondent firm's total 2004 commission income that was spent to compensate *all employees* (including owners), excluding profit sharing, pension plans, auto reimbursements and other expenses:

40% or less	35	8%
41–50%	51	12%
51–60%	122	28%
61–70%	116	27%
71–80%	53	12%
More than 80%	56	13%

How respondent firms pay each category of employee (methods of compensation assume company pays all expenses):

	Straight salary	Salary w/bonus	Straight commission	Commission w/draw	Other*	N/A
Outside sales	5% 19	44% 182	23% 93	17% 70	7% 29	4% 18
Outside sales to distribution	6% 12	33% 72	9% 20	9% 20	6% 12	37% 79
Field app. engr./specification sales	11% 20	32% 61	7% 14	3% 6	1% 1	46% 86
Inside sales	27% 89	53% 174	3% 9	1% 2	2% 7	15% 49
Inside non-sales	43% 113	35% 92	2% 4	0% 0	4% 10	17% 45
Manager	11% 21	38% 71	4% 7	3% 6	3% 6	41% 78
Owner	16% 53	55% 182	11% 38	4% 12	8% 25	7% 23
Other	8% 10	24% 30	7% 9	0% 0	4% 5	57% 72

* The most common "other" compensation method being used by respondents to pay outside salespeople is some form of salary + commission (17 firms or 4%); five firms use pool plans; eight work with independent contractors or sub-reps; and six pay various support personnel on an hourly basis.

How satisfied respondents are with their current methods of compensation for each category of employee:

	Very dissatisfied	Somewhat dissatisfied	Satisfied	Very Satisfied	N/A
Outside sales	9% 38	17% 67	35% 143	36% 147	2% 9
Outside sales to distribution	6% 13	13% 27	21% 44	23% 47	36% 74
Field app. engr./specification sales	4% 7	7% 13	23% 42	22% 40	44% 80
Inside sales	8% 26	12% 39	38% 122	29% 94	13% 41
Inside non-sales	9% 22	6% 15	33% 83	36% 89	16% 40
Manager	5% 10	7% 13	24% 44	26% 48	39% 72
Owner	11% 35	8% 25	34% 107	41% 131	6% 18
Other	5% 6	2% 3	17% 21	17% 21	59% 74

of the job function categories. Information systems or information tech managers saw a startling 27% increase from the reported annual salary of $34,600 in 2003 to $44,081 this year. Other income progress was seen in the 12% increase for "other administrative personnel," and an 11% increase for "field applications engineer."

Also showing an increase of 6% is the "manager — with no account responsibility."

- On the negative side, "outside distribution salesperson" and "inside salesperson" saw their income fall 12% and 5% respectively.
- Staying relatively flat were the salaries for "administrative manager," "financial manager/bookkeeper" and the "manager — with some account responsibility."

Profit Sharing Down

Two years ago responding firms indicated that 70% had profit sharing or pension plans in place. This year, that figure fell a bit to 65%.

There were three questions in the survey whose results require a little bit of interpretation:

- Among survey respondents who indicated they are "somewhat or very dissatisfied" with their current compensation methods, 24% say they are unhappy with how they now compensate outside salespeople and are looking for plans that adequately motivate and reward performance. Among the 15% who think their compensation plans for inside sales personnel need improvement, most say they want to increase motivation. Furthermore, 14% feel their own compensation, as owners, needs revising. Some owners even went so far as to say they don't pay themselves sufficiently and several others indicate they are carrying the greatest burden for making the firm profitable, and as a result, their personal compensation is often reduced.

Among the 13% who indicate they changed their compensation method in the past two years, many indicated the changes were made in order to deal with lower company revenue. Six firms placed salespeople on straight commission-only compensation plans; several others moved to commission plus salary or draw; and several switched salespeople to salary-only compensation. A dozen firms raised or lowered their bonuses paid to salespeople, and some adjusted the methods used to calculate bonuses. Two firms indicated they stopped paying salespeople's expenses, but 15 agencies hiked sales staff compensation in some way to serve as a boost to their salespeople.

Percent of respondent firm's total 2004 commission income that was spent to compensate (no fringes, expenses or auto reimbursements) *all outside salespeople,* excluding owners/managers who do not have account responsibility:

	# of Responses	Response Ratio
20% or less	73	17%
21–30%	72	17%
31–40%	84	20%
41–70%	90	21%
51–60%	50	12%
More than 60%	57	13%

Percent of the total commission income generated by each salesperson that each salesperson earned in taxable income for 2004 (e.g., for a salesperson generating $400,000 in sales and earning $100,000 in taxable income, the percentage is 25):

	# of Responses	Response Ratio
20% or less	56	14%
21–30%	69	17%
31–40%	85	21%
41–70%	94	23%
51–60%	47	11%
More than 60%	61	15%

Percent of their firm's annual total commission income that respondents feel is fair/reasonable "cash" income for an *owner:*

	# of Responses	Response Ratio
10% or less	41	10%
11–20%	141	33%
21–30%	93	22%
31–40%	62	15%
41–50%	40	9%
51–60%	24	6%
More than 60%	22	5%

Does respondent rep firm offer a profit sharing or pension plan?

	# of Responses	Response Ratio
Yes	282	65%
No	155	35%

For firms offering profit sharing or pension plans, percent of total commission income contributed to those plans over the last three years:

2% or less	63	22%
2–3%	53	19%
3–4%	35	12%
4–5%	31	11%
5–6%	15	5%
6–7%	13	5%
More than 7%	76	27%

Of the 15% of survey respondents who indicated they would like to change their compensation methods within the next two years, most indicated they hope to change the incentives for salespeople so they are more accurately rewarded for performance. A number of agency owners are looking at various options, many of which involve combinations of compensation methods, e.g., commission plus draw or base salary plus bonus. A few are even looking at compensation plans in which salespeople pay their own expenses.

There is much more to be gleaned by studying the entire survey and comparing it to the figures from two years ago. If you wish to compare these results to the last ERA-MANA-NEMRA Compensation Survey, conducted in 2003, you can download the 2003 summary from the ERA web site. Just go to www.era.org/CMPSUR_03.pdf. ❐

Many thanks to all who participated in this survey!

Average 2004 compensation levels for respondent firms' various categories of employees, excluding fringes, expenses and auto reimbursements (figures in parentheses are the total number of respondents who provided average income data for each category of employee):

Outside salesperson (315 respondents)	$ 83,753
Outside distribution salesperson (85 respondents)	$ 66,869
Field applications engineer/specification sales (66 respondents)	$ 68,081
Inside salesperson (232 respondents)	$ 40,465
Administrative manager (95 respondents)	$ 43,754
Information systems or information tech manager (31 respondents)	$ 44,081
Financial manager/bookkeeper (87 respondents)	$ 39,269
Other administrative personnel (72 respondents)	$ 35,411
Manager (with *some* account responsibility, but not an owner, president or partner who owns more than 30% of the firm) (46 respondents)	$104,532
Manager (with *no* account responsibility, but not an owner, president or partner who owns more than 30% of the firm) (38 respondents)	$114,197