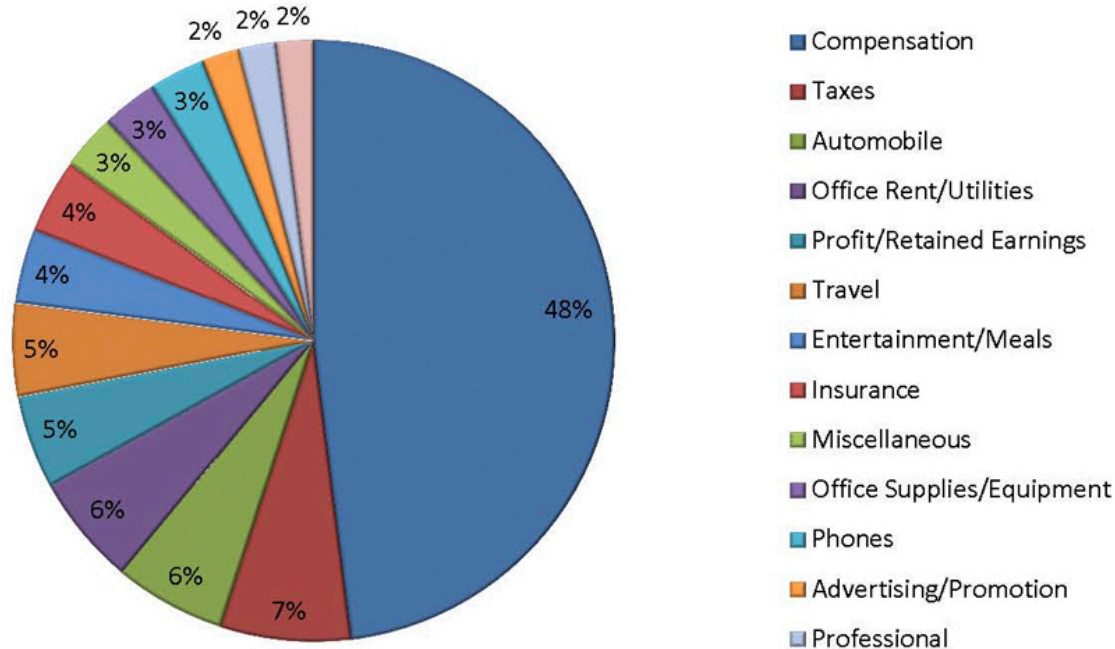


## MAFSI Reps - Commissions Well Spent

While all MAFSI reps may be different in size, shape, territory, market focus and lines...there is one critical component that drives their business and that is commissions. This year MAFSI Reps participated in a survey that looked at market trends for commission reinvestment. With 152 members contributing to the survey results, it gave us a well-balanced group of data to report on.

### So Where Do Your Commissions Go?



### Revenue and Costs

Most MAFSI Rep Firms have fewer than eight salespeople on staff and more than 70 percent have fewer than 5.

Most firms earn between 5 percent and 7 percent commission. Most of the MAFSI rep firms have sales under 27 million. Therefore, most of the 275-member firms have commission income of under \$2,000,000.

### Salespeople Cost

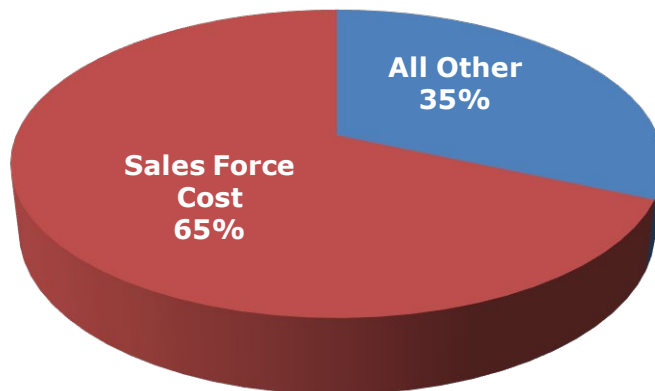
The business is all about the sales force. In the case of MAFSI rep firms, it costs \$81,000 - \$140,000 per salesperson annual with all of their expenses.

## Organizing Your Profit & Loss Statement

Most accountants would say sales salaries are above "cost of goods sold" but other expenses are below "the line." It is suggested that a rep firm create a modified P & L to account very clearly for all costs related to fielding the sales force.

After all, the sales force is the product that a rep firm is selling. It is the sales force that you are organized to sell to your principals. It is clear that both of you should know and understand the cost of fielding this "product."

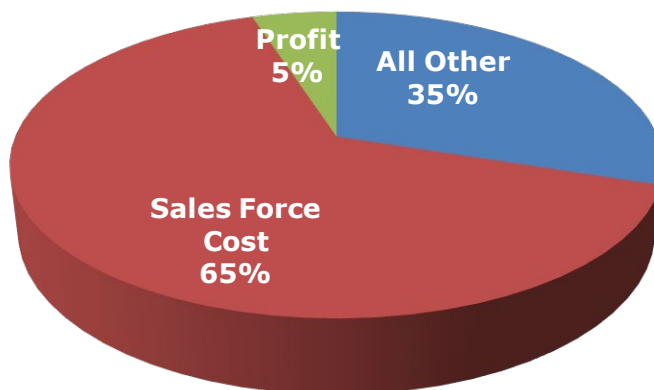
### Sales Force/All Other



## Accounting for Ownership

If the owner is a salesperson, he/she should be charged against the sales force just like any other salesperson. Except, it is probably not realistic to charge 100 percent of the owner's cost to the sales force. Therefore an allocation of the owner's cost to sales force makes sense. Some amount goes to sales force and the rest to administration.

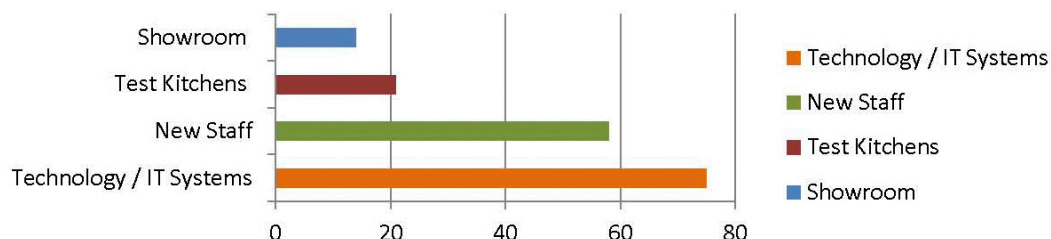
### Sales Force/Operating Expense/Profit



## Investing in Your Business:

Reinvesting back into the agency is different for each firm. Technology seems to be the main focus for many, as the demand for technology infrastructure is placed on agencies to help keep them current and competitive.

### How Are You Investing in Your Firm?



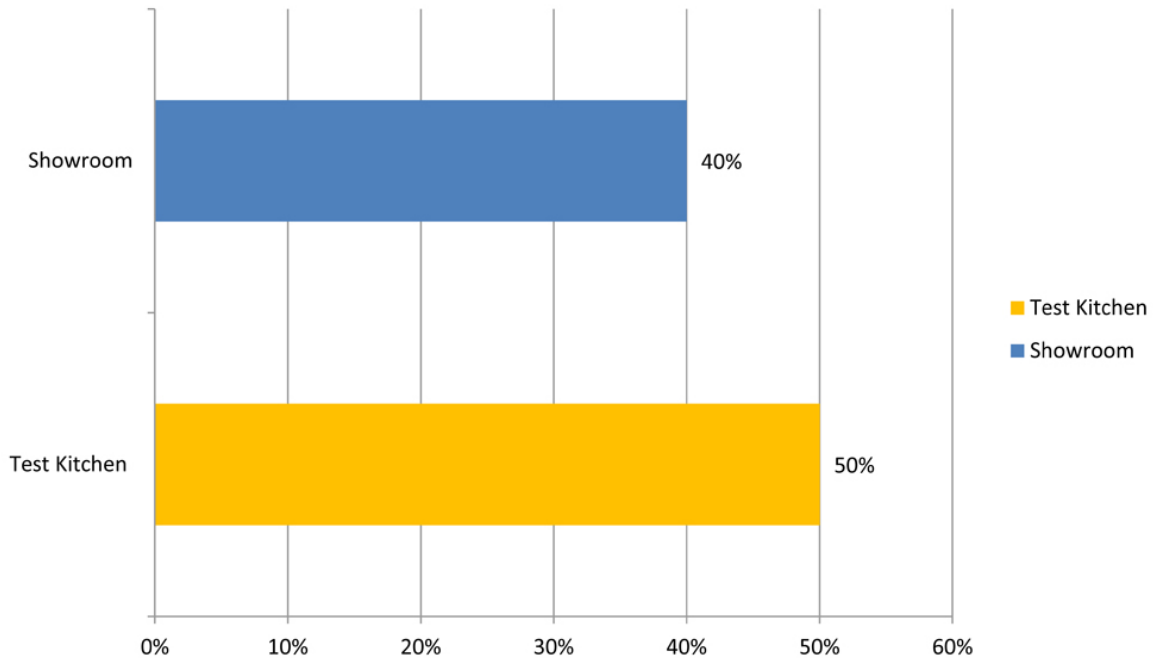
*Other areas of investment mentioned were website enhancement, staff training, vehicles, branding/marketing*

Technology means different things for different reps. Our survey indicated that the majority of expenditures were on mobile devices like iPads and Tablets that promote business function on the run. New software was also popular and servers and new operating systems received mention along with phone systems. What the data reflected is that mobile technology is of high importance to reps in order to stay competitive. This trend is on track with reports from Gartner Technologies who forecast that by 2013, mobile phones will replace PCs as the most common device for Web access and 80% of businesses will support a workforce using tablets. By 2014, 90% of organizations will support corporate applications on personal devices and social networking services will replace e-mail as the primary vehicle for interpersonal communications for 20 percent of business users.

With the current financial uncertainty, cutting travel and keeping operating costs in check were the top two steps reps have taken to control your expense budget this year. Unfortunately some responses reflected cuts to healthcare and salaries, as way to trim down and stay competitive within the marketplace. Some reps also took on more product lines to boost revenue.

### Let's Talk About Kitchens and Showrooms

When it comes to test kitchens and showrooms, this seems to be a focal point for many firms with 50% of you having test kitchens and over 40% of firms having a showroom. It is agreed that showrooms and test kitchens seem to be a solid business strategy, so what are the costs? Dependent upon product arrangements with manufacturers, a test kitchen and/or showroom is estimated to be anywhere between a \$30,000 - \$60,000 investment and while difficult to calculate payback the average was between 3 and 6 years.



Based on your responses, this investment delivers a range of benefits with the strongest selling point being the 70% close rate from customers who actually get to test drive their purchase first. Showrooms and test kitchens provide a perfect venue for training clients, dealers and consultants which is a win-win situation. The level of professionalism and commitment communicated by a showroom and test kitchen leads to new manufacturer lines wanting to use your agency.

Some manufacturers will provide marketing dollars and based on this survey 64% of you are engaged in a marketing agreement with your manufacturers. Contributions from manufacturers can be dollars based on percentage of sales which is the most common or a set marketing fund. Trade show support is also a great way for manufacturers to get involved. Dollar for dollar fund matching is also reported as a common way to partner with manufacturers in your marketing strategies.

At the end of the marketing channel is distribution and installation but not all of you engage this far along the pipeline. Based on your responses only 44% of reps perform some sort of distribution and only 19% fulfill through to installation.

Commission is the life blood of every rep firm. How they chose to distribute the commission is an individual decision. One thing is clear, investing back into your firm through staff, facilities and technology is the key to running a successful MAFSI agency.