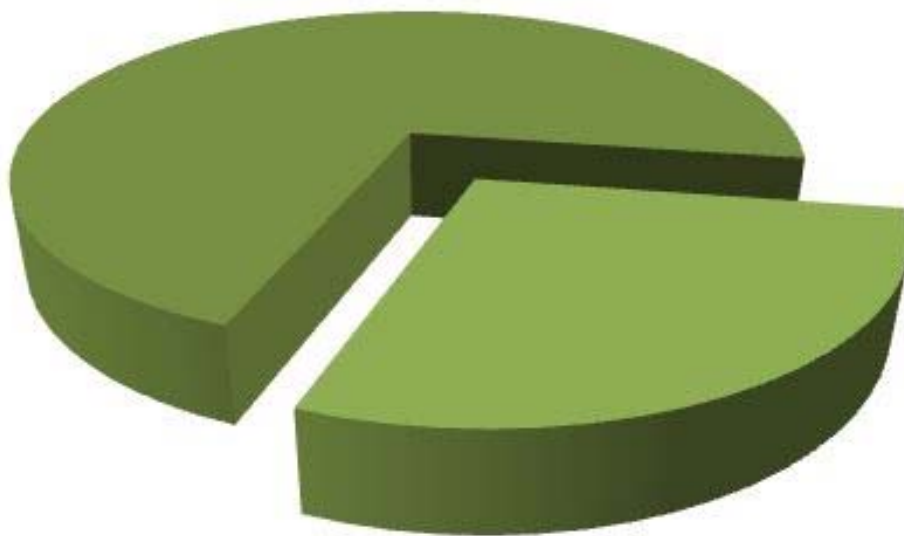


RECOMMENDATIONS

For Commission Splits for Internet Sales of Equipment



The goal of these recommendations is to find a mutually acceptable way to correctly and functionally compensate manufacturers' representatives for work performed.

Published as a service by:

Manufacturers' Agents Association for the Foodservice Industry (MAFSI)
1199 Euclid Avenue, Atlanta, GA 30307
Phone: 404-214-9474 – Fax: 404-522-0132
Email: info@mafsi.org – Web: www.mafsi.org

Recommendations Overview

There are two recommendations for commission splits for sales generated through internet based suppliers. The first is for equipment that requires an operation demonstration by the local representative and the second recommendation is for equipment that does not require a demonstration. It is assumed in this recommendation that internet based sales are not for large specified projects, and that traceable sales are for orders placed directly from the internet based company to the manufacturer for direct shipment to the end user. This effort would be greatly aided if the internet based sales company is willing to submit shipping reports to the manufacturers.

Commission Split Ranges for Internet Sales Equipment Requiring Demonstration - *typically cooking equipment* (See Figure 1)

Whether a product requires a demonstration is normally left to the discretion of the manufacturer. How much commission goes to each territory depends on the complexity/time required to perform the demonstration and follow-up.

Commission Split Ranges for Internet Sales of Equipment Which Does Not Require Demonstration (See Figure 2)

Whether a product requires a demonstration is normally left to the discretion of the manufacturer.

Sales Reporting

Sales credit is usually awarded to the manufacturers' rep whose territory from where the actual order originated. Due to internet based dealers having multiple offices, the sales credit is not necessarily awarded to territory where the purchase order is generated. Sales credit should be awarded to the territory responsible for handling the order process or to the territory responsible for specifying the product in the case that it requires no additional negotiation (i.e. chain spec). Additionally, it has been determined that many manufacturers' reps are bonused on volume. Sales volume credit should be split according to commission percentage.

This document is intended to facilitate discussions between manufacturers' representatives and manufacturers. Any manufacturers' representative and/or manufacturer are free to negotiate their own compensation terms with their partners. Each party is expected to independently decide what is best for its business and act accordingly.

Figure 1:

Recommended Commission Splits for Internet Sales of Equipment Requiring Demonstration (*typically cooking equipment*)

- 33% to 50% for the ordering territory
- 50% to 66% for the receiving territory

Figure 2:

Recommended Commission Splits for Internet Sales of Equipment NOT Requiring Demonstration

- 50% for the ordering territory
- 50% for the receiving territory

Manufacturer and Rep Implementation

Commission splits should be applied for all equipment sales regardless of order size. Manufacturer determines commission splits at time of order entry. This determination requires information on order destination. If prior knowledge exists of orders being placed via internet based suppliers, a Representative from either the ordering or destination territory should inform manufacturer of forthcoming business and have systems in place to document and track information. Internet dealers should provide a log of all orders placed on a monthly basis for manufacturer to review and perform commission/sales credit split.

Results of Implementation

- ✓ Manufacturer accounting will be simpler, with no revisions
- ✓ Remuneration will be properly placed
- ✓ Equipment demonstrations will be completed as necessary
- ✓ Representative commission tracking will become manageable
- ✓ The policy is simple and self-policing