

## QCommission Sample Plans Industry – Manufacturers Rep Agency

### Introduction

For manufacturers selling their products to end customers successfully is a critical part of their business. Manufacturers use many sales models to achieve this: fielding their own direct sales force, selling through wholesalers and distributors and also selling external manufacturer's representatives. Manufacturers can use one model exclusively or combine multiple models.

Manufacturers Rep agencies provide many benefits to manufacturers. Agencies can be available with wide geographic distribution and hence offer quick coverage across the country. They are also in tune with the local culture and business environment. The agencies would have expertise in the relevant product area. They could bring a large set of customer contacts. Overhead costs are limited. At the same time the manufacturer has considerable control over price and profitability. For all these reasons the Manufacturers Rep Agency is a flourishing business model with tens of thousands of firms representing national and international manufacturers. The Manufacturers Rep agencies commonly fall under the NAICS code of 425120.

**425120 Wholesale Trade Agents and Brokers**

*This industry comprises wholesale trade agents and brokers acting on behalf of buyers or sellers in the wholesale distribution of goods. Agents and brokers do not take title to the goods being sold but rather receive a commission or fee for their service. Agents and brokers for all durable and nondurable goods are included in this industry.*

Manufacturers Rep agencies can be a single individual, an agency with less than 15 agents or a master agent managing many smaller agencies. Most of the agencies tend to be small agencies with about 4 to 10 agents. They represent multiple manufacturers for a single product category in a single geographic area.

### Concepts

#### Agency Sales:

This is the typical sales model followed by the agency. The manufacturer's product is sold to end customers and order is booked. The order can be booked by the rep and forwarded to the manufacturer or the customer maybe asked to directly enter the order on the manufacturer's systems with the rep code being indicated. Pricing is largely controlled by the manufacturer, though in some instances discounting is allowed to the rep.

#### Incoming commissions:

Commissions are calculated by the manufacturer and the agency is provided a check for the commissions with an accompanying detail statement. This is incoming commissions to the agency and is the revenue for the agency. Incoming Commissions will be based on manufacturer's sales revenue.

#### Distributor Sales:

Some agencies also act as distributors for certain manufacturers. In this case they buy and resell the products in question. Products are bought at distributor's prices, marked up and sold to end customers.

**Rep commissions:**

The agency has the responsibility of calculating commissions for the reps associated. This will be rep commissions and is different from incoming commissions.

**Services**

Sales of any product being represented.

**Staff**

The following staffs are typically paid sales commissions in this business

Principal  
Sales Rep

**Transactions**

The transactions and data driving commissions and bonuses are normally:

Sales orders (customer sales orders to manufacturers)  
Invoices (agency's request to manufacturer to pay incoming commissions)  
Incoming Commission Revenue (manufacturer commission to agencies)

**Sales Commission and Incentives**

The agencies have contracts with various manufacturers representing their products. The agencies sell the manufacturers' products in their customer base, using their additional knowledge and sales skills. The customer typically places the order directly with the manufacturer naming the rep agency as the sales organization. The sales is then credited to the particular agency. Some manufacturers credit sales belonging to a certain territory, such as state or zip code, to one agency.

Manufacturer fulfills the orders and at the end of the month sends each agency a report detailing the sales received by the manufacturer that can be credited to the agency. Sometimes the manufacturer will also indicate which particular agent made the sale. The manufacturer also calculates the commission due to the agency and cuts a check.

The agency then splits the incoming commissions with its reps, based on pre-arranged commission schedules.

Commissions can be calculated and paid monthly.

**Plans**

These plans demonstrate various features of the QCommission product used in this industry. These plans are not intended to be comprehensive; they demonstrate the suitability of QCommission for similar plans.

**Sales Rep Plan**

This example plan is applicable to the sales rep in the agency.

**Basic Commission**

This incentive is paid every month. Sales rep gets credit for sales brought in by that person.

## Sample Sales Commission Plans

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Commissions are calculated on the incoming commissions from the manufacturer

Commission rate is: 60% of incoming commissions

### Sr Sales Rep Plan

This example plan is applicable to senior sales reps in the agency.

#### Basic Commission

This incentive is paid every month. Sales rep gets credit for sales brought in by that person. Commissions are calculated on the incoming commissions from the manufacturer

Commission rate is: 70% of incoming commissions

#### Product Special Commission

This incentive is paid every month. For any sales brought in by the sales rep for a product line that is particularly profitable to the agency, they agency provides an additional commission.

Product	Commission
High Margin products	5%

### Principal Plan

The agency principal who is typically the owner of the agency performs both a sales role and a management role. In addition to their own commission, they get overrides on all the reps' sales credits.

#### Basic Commission

This incentive is paid every month. Sales rep gets credit for sales brought in by that person. Commissions are calculated on the incoming commissions from the manufacturer

Commission rate is: 70% of incoming commissions

#### Principal Override

This incentive is paid every month. For all sales in the agency, the principal gets an override.

Commission rate is: 10% of incoming commissions

### Resources

[www.manaonline.org](http://www.manaonline.org)  
[www.repsadvisor.com](http://www.repsadvisor.com)