

ProSales

Sales Rep Survey -- Partial Results, August 2009

Aug. 18, 2009

During August 2009, PROSALES conducted an online survey of LBM dealers, distributors, and manufacturers regarding how the credit crunch and financial crisis in the United States had affected their businesses. A total of 685 people responded to at least one part of the survey, which was managed via the *SurveyMonkey.com* Web site. Complete results of the survey, including participants' written comments and results by region, were sent to survey participants. Here is a partial summary of the results.

Aside from providing results for all respondents, this report gives the results for several subgroups:

- **All Dealers:** All people who said their primary business was a building material dealers/lumberyard, molding/millwork specialty company, and short line specialty dealer. This *excludes* wholesalers or "other" respondents. (464 respondents)
- **Wholesalers:** All people who said they work at building material wholesalers. (111 respondents)
- **Bosses:** All who said they were a chairman, president, owner/partner, EVP, other corporate exec, general manager, store manager, and any other non-sales title. (257 respondents)
- **Sales:** All who said they were a sales manager, inside sales rep, or outside sales rep. (318 respondents)
- **Dealers \$1-10mln:** All those who met the "All Dealers" category above and who said their organization had annual sales of \$1 million to \$9,999,999. (184 respondents)
- **Dealers \$10-25mln:** All those who met the "All Dealers" category above and who said their organization had annual sales of \$10 million to \$24,999,999. (153 respondents)
- **Dealers \$25-100mln:** All those who met the "All Dealers" category above and who said their organization had annual sales of \$25 million to \$99,999,999. (166 respondents)
- **Dealers Over100mln:** All those who met the "All Dealers" category above and who said their organization had annual sales of \$100 million and up. (150 respondents)

Please contact PROSALES editor Craig Webb with questions or comments, as well as with ideas for future surveys.

Craig Webb
Editor, PROSALES
cwebb@hanleywood.com
202-736-3307

(Note: The numbers in parentheses below refer to the number of people in each group who responded to that particular question.)

1. What Is Your Firm's Primary Business?

| | All respondents (684) |
|---|-----------------------|
| Building Material Dealer/Lumberyard | 52.8% |
| Molding/Millwork Company | 9.9% |
| Short Line Specialty Dealer/Distributor | 5.4% |
| Building Material Wholesaler | 16.2% |
| Other | 15.6% |

Dealer Responses by Size

| | \$1 to \$10mln <u>(127)</u> | \$10 to \$25mln <u>(109)</u> | \$25 to \$100mln <u>(118)</u> | \$100mln and up <u>(93)</u> |
|--|-----------------------------------|------------------------------------|-------------------------------------|-----------------------------------|
| Building Material Dealer/Lumberyard | 68.5% | 80.7% | 87.3% | 78.5% |
| Molding/Millwork Company | 18.9% | 16.5% | 7.6% | 14.0% |
| Short Line Specialty Dealer/Distributor | 12.6% | 2.8% | 5.1% | 7.5% |

2. Type of Ownership

| | All <u>(678)</u> | Dealers <u>(463)</u> | Wholesalers <u>(109)</u> |
|---------------------------|---------------------|-------------------------|-----------------------------|
| Independent establishment | 74.8% | 71.7% | 76.1% |
| Part of a Chain | 25.2% | 28.3% | 23.9% |

Responses by Job Title

| | Bosses <u>(257)</u> | Sales <u>(314)</u> |
|---------------------------|------------------------|-----------------------|
| Independent establishment | 79.4% | 66.9% |
| Part of a chain | 20.6% | 33.1% |

Dealer Responses by Size

| | \$1 to \$10mln <u>(127)</u> | \$10 to \$25mln <u>(107)</u> | \$25 to \$100mln <u>(118)</u> | \$100mln and up <u>(93)</u> |
|---------------------------|-----------------------------------|------------------------------------|-------------------------------------|-----------------------------------|
| Independent establishment | 89.0% | 82.2% | 77.1% | 26.9% |
| Part of a chain | 11.0% | 17.8% | 22.9% | 73.1% |

3. What Is Your Job Title?

| | All (681) | Dealers (464) | Wholesalers (111) |
|--|--------------|------------------|----------------------|
| Chairman, president, owner/partner, EVP, other, corporate exec | 29.2% | 32.1% | 14.4% |
| General manager, store manager, department manager (except sales) | 12.3% | 13.6% | 11.7% |
| Sales manager | 13.5% | 10.8% | 21.6% |
| Inside or outside sales rep | 42.1% | 42.0% | 44.1% |
| Any other title | 2.8% | 1.5% | 8.1% |

Responses by Job Title

| | Bosses (257) | Sales (318) |
|--|-----------------|----------------|
| Chairman, president, owner/partner, EVP, other, corporate exec | 64.2% | |
| General manager, store manager, department manager (except sales) | 29.6% | |
| Sales manager | | 23.3% |
| Inside or outside sales rep | | 76.7% |
| Any other title | 6.2% | |

Dealer Responses by Size

| | \$1 to \$10mln (126) | \$10 to \$25mln (109) | \$25 to \$100mln (118) | \$100mln and up (93) |
|---|----------------------------|-----------------------------|------------------------------|----------------------------|
| Chairman, president, owner/partner, EVP, other, corporate exec | 44.4% | 34.9% | 30.5% | 14.0% |
| General manager, store manager, department manager (except sales) | 14.3% | 12.8% | 13.6% | 15.1% |
| Sales manager | 8.7% | 11.9% | 11.9% | 11.8% |
| Inside or outside sales rep | 31.7% | 37.6% | 42.4% | 58.1% |
| Any other title | 0.8% | 2.8% | 1.7% | 1.1% |

4. In Which Region of the U.S. Do You Live?

| | All <u>(683)</u> | Dealers <u>(465)</u> | Wholesalers <u>(111)</u> |
|---|---------------------|-------------------------|-----------------------------|
| New England (ME, NH, VT, MA, RI, CT) | 5.9% | 5.6% | 7.2% |
| Mid-Atlantic (NY, NJ, PA, DE, MD, WV, DC) | 14.3% | 12.9% | 20.7% |
| Mid-South (VA, NC, SC, TN, KY) | 11.3% | 11.6% | 4.5% |
| Deep South (GA, FL, AL, MS) | 15.4% | 15.3% | 15.3% |
| Mideast (OH, IN, MI, IL) | 13.9% | 15.5% | 11.7% |
| Midwest/Plains States (WI, MN, IA, ND, SD, NE) | 11.6% | 10.8% | 16.2% |
| Mid-South (MO, KS, AR, OK) | 3.7% | 3.7% | 2.7% |
| Texas and Louisiana (TX, LA) | 7.8% | 9.2% | 0.9% |
| Mountain West (CO, WY, UT, NM, AZ) | 6.6% | 7.3% | 7.2% |
| Far Southwest (CA, NV) | 4.2% | 3.4% | 6.3% |
| Northwest/Pacific (MT, ID, OR, WA, AK, HI) | 5.4% | 4.7% | 7.2% |

Dealer Responses by Size

| | \$1 to \$10mln <u>(127)</u> | \$10 to \$25mln <u>(109)</u> | \$25 to \$100mln <u>(115)</u> | \$100mln and up <u>(93)</u> |
|---|-----------------------------------|------------------------------------|-------------------------------------|-----------------------------------|
| New England (ME, NH, VT, MA, RI, CT) | 2.4% | 3.7% | 11.9% | 4.3% |
| Mid-Atlantic (NY, NJ, PA, DE, MD, WV, DC) | 11.8% | 11.9% | 9.3% | 20.4% |
| Mid-South (VA, NC, SC, TN, KY) | 10.2% | 11.9% | 16.1% | 8.6% |
| Deep South (GA, FL, AL, MS) | 17.3% | 16.5% | 9.3% | 12.9% |
| Mideast (OH, IN, MI, IL) | 21.3% | 19.3% | 13.6% | 7.5% |
| Midwest/Plains States (WI, MN, IA, ND, SD, NE) | 15.7% | 6.4% | 11.5% | 6.5% |
| Mid-South (MO, KS, AR, OK) | 4.7% | 4.6% | 4.2% | 1.1% |
| Texas and Louisiana (TX, LA) | 3.9% | 11.0% | 8.5% | 17.2% |
| Mountain West (CO, WY, UT, NM, AZ) | 4.7% | 6.4% | 5.9% | 14.0% |
| Far Southwest (CA, NV) | 3.1% | 3.7% | 3.4% | 4.3% |
| Northwest/Pacific (MT, ID, OR, WA, AK, HI) | 4.7% | 4.6% | 5.9% | 3.2% |

5. What Is the Annual Sales Volume of Your Organization?

| | All | Dealers | Wholesalers |
|------------------------------|--------------|--------------|--------------|
| | <u>(674)</u> | <u>(459)</u> | <u>(110)</u> |
| \$1 to \$999,999 | 3.1% | 2.6% | 0.9% |
| \$1 million to \$9,999,999 | 27.3% | 27.7% | 17.3% |
| \$10 million to \$24,999,999 | 22.7% | 23.7% | 21.8% |
| \$25 million to \$99,999,999 | 24.6% | 25.7% | 27.3% |
| Over \$100 million | 22.3% | 20.3% | 32.7% |

Responses by Job Title

| | Bosses | Sales |
|------------------------------|--------------|--------------|
| | <u>(253)</u> | <u>(315)</u> |
| \$1 to \$999,999 | 2.0% | 2.5% |
| \$1 million to \$9,999,999 | 32.0% | 20.3% |
| \$10 million to \$24,999,999 | 24.5% | 22.5% |
| \$25 million to \$99,999,999 | 26.1% | 26.0% |
| Over \$100 million | 15.4% | 28.6% |

6. What Percentage of Your Company's Sales Come from Building Professionals?

| | All | Dealers | Wholesalers |
|---------------|--------------|--------------|--------------|
| | <u>(681)</u> | <u>(465)</u> | <u>(110)</u> |
| 0% to 24% | 4.8% | 1.5% | 13.6% |
| 25% to 49% | 5.9% | 4.9% | 5.5% |
| 50% to 74% | 16.2% | 16.1% | 15.5% |
| 75% or higher | 73.1% | 77.4% | 65.5% |

Responses by Job Title

| | Bosses | Sales |
|---------------|--------------|--------------|
| | <u>(257)</u> | <u>(317)</u> |
| 0% to 24% | 3.1% | 4.4% |
| 25% to 49% | 7.4% | 3.2% |
| 50% to 74% | 16.0% | 15.8% |
| 75% or higher | 73.5% | 76.7% |

Dealer Responses by Size

| | \$1 to \$10mln | \$10 to \$25mln | \$25 to \$100mln | \$100mln and up |
|---------------|-------------------|--------------------|---------------------|--------------------|
| | <u>(127)</u> | <u>(109)</u> | <u>(118)</u> | <u>(93)</u> |
| 0% to 24% | 2.4% | 0.0% | 0.8% | 2.2% |
| 25% to 49% | 7.1% | 5.5% | 1.7% | 5.4% |
| 50% to 74% | 19.7% | 19.3% | 16.1% | 5.4% |
| 75% or higher | 70.9% | 75.2% | 81.4% | 87.1% |

7. How Many Outside and Inside Sales Reps Work at Your Location Today?

Figures given are averages for each group

| | All <u>(583)</u> | Dealers <u>(403)</u> | Wholesalers <u>(96)</u> |
|---------|---------------------|-------------------------|----------------------------|
| Outside | 11.12 | 9.52 | 13.21 |
| Inside | 6.64 | 6.50 | 8.40 |

Dealer Responses by Size

| | \$1 to \$10mln | \$10 to \$25mln | \$25 to \$100mln | \$100mln and up |
|---------|-------------------|--------------------|---------------------|--------------------|
| | <u>(117)</u> | <u>(103)</u> | <u>(96)</u> | <u>(72)</u> |
| Inside | 4.22 | 6.04 | 11.47 | 21.56 |
| Outside | 3.01 | 5.50 | 7.79 | 12.35 |

Note: While the question asked about how many sales reps work "at your location," in some cases it appears respondents listed all the sales reps in their entire network. One respondent in the \$100 million-plus category reported having 750 sales reps. That result skewed the numbers in the \$100 million and up category. It also led me to not both reporting results by region.

8. On What Basis Do You Compensate Your Outside Reps? (Click All That Apply)

| | All <u>(548)</u> | Dealers/ <u>(371)</u> | Wholesalers <u>(91)</u> |
|---|---------------------|--------------------------|----------------------------|
| Percentage commission on billed revenue | 17.3% | 16.5% | 14.3% |
| Percentage commission on collected revenue | 14.1% | 12.5% | 6.6% |
| Percentage commission on gross margin | 35.4% | 40.4% | 33.0% |
| Percentage commission on billed revenue and gross margin | 12.8% | 14.6% | 13.2% |
| Percentage commission on collected revenue and gross margin | 12.6% | 13.8% | 12.1% |
| Straight salary | 24.1% | 21.3% | 27.5% |
| Performance/goal-based bonus | 12.8% | 7.7% | 28.6% |
| Team-based incentives | 5.1% | 2.7% | 9.9% |

Dealer Responses by Size

| | \$1 to \$10mln (103) | \$10 to \$25mln (98) | \$25 to \$100mln (95) | \$100mln and up (66) |
|---|----------------------------|----------------------------|-----------------------------|----------------------------|
| Percentage commission on billed revenue | 20.4% | 17.3% | 11.6% | 18.2% |
| Percentage commission on collected revenue | 13.6% | 13.3% | 7.4% | 10.6% |
| Percentage commission on gross margin | 35.0% | 37.8% | 40.0% | 57.6% |
| Percentage commission on billed revenue and gross margin | 7.8% | 12.2% | 25.3% | 13.6% |
| Percentage commission on collected revenue and gross margin | 13.6% | 20.4% | 11.6% | 10.6% |
| Straight salary | 33.0% | 16.3% | 21.1% | 10.6% |
| Performance/goal-based bonus | 9.7% | 6.1% | 9.5% | 6.1% |
| Team-based incentives | 1.0% | 3.1% | 4.2% | 3.0% |

A total of 66 respondents selected "Other." Survey respondents received a sampling of their responses.

9. Have You Changed the Way You Compensate Outside Sales Reps Since January 2008?

| | All (582) | Dealers (402) | Wholesalers (96) |
|-----|--------------|------------------|---------------------|
| Yes | 26.6% | 25.1% | 31.3% |
| No | 73.4% | 74.9% | 68.8% |

Dealer Responses by Size

| | \$1 to \$10mln (115) | \$10 to \$25mln (101) | \$25 to \$100mln (100) | \$100mln and up (72) |
|-----|----------------------------|-----------------------------|------------------------------|----------------------------|
| Yes | 21.7% | 32.7% | 23.0% | 22.2% |
| No | 78.3% | 67.3% | 77.0% | 77.8% |

10. If You Answered Yes To the Question Above, How Did You Change the Compensation Structure?

A total of 149 respondents answered this question. Survey respondents received those results.

11. Since January of This Year, Have You Been Approached by Any Sales Reps Who Were Laid Off by Other Companies?

| | All (580) | Dealers (401) | Wholesalers (95) |
|-----|--------------|------------------|---------------------|
| Yes | 77.4% | 77.1% | 77.9% |
| No | 22.6% | 22.9% | 22.1% |

Dealer Responses by Size

| | \$1 to \$10mln (116) | \$10 to \$25mln (102) | \$25 to \$100mln (99) | \$100mln and up (71) |
|-----|----------------------------|-----------------------------|-----------------------------|----------------------------|
| Yes | 63.8% | 79.4% | 84.8% | 84.5% |
| No | 36.2% | 20.6% | 15.2% | 15.5% |

12. Since January of This Year, Have You Recruited and/or Hired Any Sales Reps Who Had Worked Previously at Other Building Material Dealers?

| | All (578) | Dealers (401) | Wholesalers (94) |
|-----|--------------|------------------|---------------------|
| Yes | 42.6% | 47.6% | 27.7% |
| No | 57.4% | 52.4% | 72.3% |

Dealer Responses by Size

| | \$1 to \$10mln (116) | \$10 to \$25mln (102) | \$25 to \$100mln (99) | \$100mln and up (70) |
|-----|----------------------------|-----------------------------|-----------------------------|----------------------------|
| Yes | 32.8% | 47.1% | 56.6% | 64.3% |
| No | 67.2% | 52.9% | 43.4% | 35.7% |

13. MANAGERS AND OWNERS: As a Rule of Thumb, What Percentage of Revenue Do You Expect To Lose (at Least Temporarily) When an Outside Sales Rep Leaves You for a Competitor?

| | All (433) | Dealers/ (296) | Wholesalers (71) |
|-------------|--------------|-------------------|---------------------|
| Zero to 4% | 20.1% | 18.2% | 23.9% |
| 5% to 9% | 23.3% | 20.6% | 35.2% |
| 10% to 14% | 21.5% | 23.3% | 11.3% |
| 15% to 19% | 15.5% | 15.5% | 15.5% |
| 20% to 24% | 10.2% | 10.8% | 5.6% |
| 25% or More | 9.5% | 11.5% | 8.5% |

Responses by Job Title

| | Bosses (218) |
|-------------|-----------------|
| Zero to 4% | 20.2% |
| 5% to 9% | 27.5% |
| 10% to 14% | 22.0% |
| 15% to 19% | 15.1% |
| 20% to 24% | 9.2% |
| 25% or More | 6.0% |

Dealer Responses by Size

| | \$1 to \$10mln (95) | \$10 to \$25mln (77) | \$25 to \$100mln (68) | \$100mln and up (45) |
|-------------|---------------------------|----------------------------|-----------------------------|----------------------------|
| Zero to 4% | 16.8% | 20.8% | 17.6% | 20.0% |
| 5% to 9% | 18.9% | 23.4% | 26.5% | 13.3% |
| 10% to 14% | 28.4% | 23.4% | 19.1% | 15.6% |
| 15% to 19% | 14.7% | 14.3% | 13.2% | 20.0% |
| 20% to 24% | 10.5% | 7.8% | 16.2% | 11.1% |
| 25% or More | 10.5% | 10.4% | 7.4% | 20.0% |

14. MANAGERS AND OWNERS: Now Suppose Your No. 1 Sales Rep Leaves for a Competitor. What Percentage of Revenue Do You Expect To Lose (at Least Temporarily)?

| | All (423) | Dealers/ (291) | Wholesalers (68) |
|-------------|--------------|-------------------|---------------------|
| Zero to 4% | 6.6% | 5.5% | 7.4% |
| 5% to 9% | 14.7% | 13.7% | 22.1% |
| 10% to 14% | 19.1% | 18.2% | 17.6% |
| 15% to 19% | 14.7% | 14.8% | 14.7% |
| 20% to 24% | 20.1% | 19.6% | 17.6% |
| 25% or More | 24.8% | 28.2% | 20.6% |

Responses by Job Title

| | Bosses (217) |
|-------------|-----------------|
| Zero to 4% | 6.5% |
| 5% to 9% | 17.1% |
| 10% to 14% | 18.9% |
| 15% to 19% | 16.6% |
| 20% to 24% | 20.3% |
| 25% or More | 20.7% |

Dealer Responses by Size

| | \$1 to \$10mln (94) | \$10 to \$25mln (77) | \$25 to \$100mln (65) | \$100mln and up (45) |
|-------------|---------------------------|----------------------------|-----------------------------|----------------------------|
| Zero to 4% | 3.2% | 10.4% | 4.6% | 4.4% |
| 5% to 9% | 14.9% | 14.3% | 16.9% | 8.9% |
| 10% to 14% | 19.1% | 11.7% | 24.6% | 17.8% |
| 15% to 19% | 12.8% | 22.1% | 10.8% | 13.3% |
| 20% to 24% | 18.1% | 20.8% | 18.5% | 15.6% |
| 25% or More | 31.9% | 20.8% | 24.6% | 40.0% |

15. SALES REPS AND MANAGERS: If YOU Left Your Company for a Competitor. What Percentage of the Dealer's Revenue Do You Believe You Could Take With You?

| | All (462) | Dealers/ (311) | Wholesalers (85) |
|-------------|--------------|-------------------|---------------------|
| Zero to 4% | 7.6% | 6.4% | 9.4% |
| 5% to 9% | 13.9% | 12.2% | 17.6% |
| 10% to 14% | 13.0% | 12.5% | 12.9% |
| 15% to 19% | 13.2% | 11.9% | 20.0% |
| 20% to 24% | 14.9% | 15.4% | 10.6% |
| 25% or More | 37.4% | 41.5% | 29.4% |

Responses by Job Title

| | Sellers (245) |
|-------------|------------------|
| Zero to 4% | 4.5% |
| 5% to 9% | 12.7% |
| 10% to 14% | 12.7% |
| 15% to 19% | 13.1% |
| 20% to 24% | 15.1% |
| 25% or More | 42.0% |

Dealer Responses by Size

| | \$1 to \$10mln (85) | \$10 to \$25mln (82) | \$25 to \$100mln (73) | \$100mln and up (59) |
|-------------|---------------------------|----------------------------|-----------------------------|----------------------------|
| Zero to 4% | 8.2% | 8.5% | 6.8% | 1.7% |
| 5% to 9% | 7.1% | 11.0% | 16.4% | 15.3% |
| 10% to 14% | 15.3% | 13.4% | 15.1% | 6.8% |
| 15% to 19% | 10.6% | 12.2% | 15.1% | 8.5% |
| 20% to 24% | 17.6% | 15.9% | 9.6% | 18.6% |
| 25% or More | 41.2% | 39.0% | 37.0% | 49.2% |

16. What Does Your Facility Do To Help Reduce the Potential Impact of a Sales Rep Leaving the Company, Particularly if That Rep Goes to a Competitor?

A total of 316 people responded to this question. Survey respondents received those comments.

17. Do You Ask Any of Your Employees To Sign Non-Compete Agreements or Any Similar Commitments To Not Compete With Your Business Should the Employee Leave You?

| | All (520) | Dealers (361) | Wholesalers (85) |
|-----|--------------|------------------|---------------------|
| Yes | 29.2% | 26.2% | 33.7% |
| No | 70.8% | 73.8% | 66.3% |

Dealer Responses by Size

| | \$1 to \$10mln (108) | \$10 to \$25mln (95) | \$25 to \$100mln (88) | \$100mln and up (62) |
|-----|----------------------------|----------------------------|-----------------------------|----------------------------|
| Yes | 21.3% | 33.7% | 25.0% | 25.8% |
| No | 78.7% | 66.3% | 75.0% | 74.2% |

18. If Yes, Which Employees or Principals Are Asked To Sign This Agreement? Click All That Apply.

| | All (155) | Dealers/ (97) | Wholesalers (28) |
|--|--------------|------------------|---------------------|
| Investor (any part owner) | 14.8% | 10.3% | 17.9% |
| President/CEO | 29.7% | 29.9% | 28.6% |
| Other executive-level officers (SVP, CFO, CIO, CTO, other) | 38.7% | 36.1% | 50.0% |
| Sales manager | 63.2% | 57.7% | 78.6% |
| Outside sales representatives | 83.9% | 83.5% | 89.3% |
| Inside sales representatives | 36.8% | 32.0% | 57.1% |
| Branch manager | 36.1% | 37.1% | 46.4% |

13 respondents chose "Other" as a response. Survey respondents got those comments.

19. For How Many Months After the Employee Leaves Is the Non-Compete Agreement in Effect?

| | All (155) | Dealers/ (96) | Wholesalers (30) |
|-----------|--------------|------------------|---------------------|
| 6 months | 5.2% | 7.3% | 0.0% |
| 12 months | 51.6% | 51.0% | 60.0% |
| 18 months | 5.2% | 6.3% | 0.0% |
| 24 months | 38.1% | 35.4% | 40.0% |

15 respondents chose "Other." Survey respondents received those comments.

20. What Consequences Would the Ex-Employee Face if He/She Violates the Non-Compete Clause?

A total of 107 respondents answered this question. Survey respondents received those comments.

21. Please Enter Any Other Comments That You Feel Would Help Explain Your Views About the Care and Treatment of Outside Sales Reps

A total of 74 respondents answered this question. Survey respondents received those comments.