

Compensation & Benefits Practices for Northeast Region Chemical Distributor Sales Reps

**NACD Northeast Region Meeting
Seaview Hotel & Resort, Galloway, NJ
September 2011**

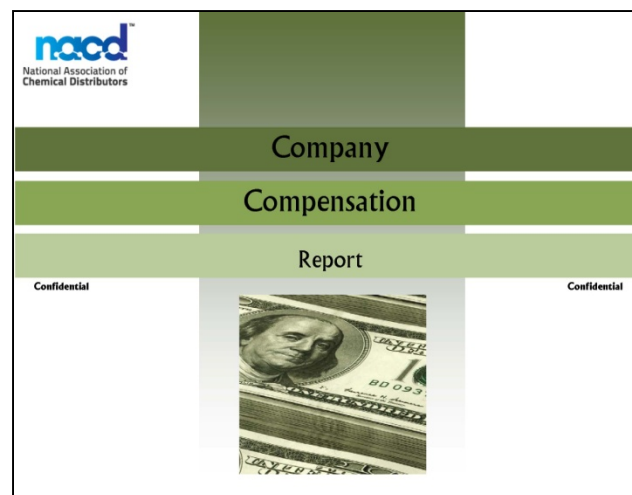
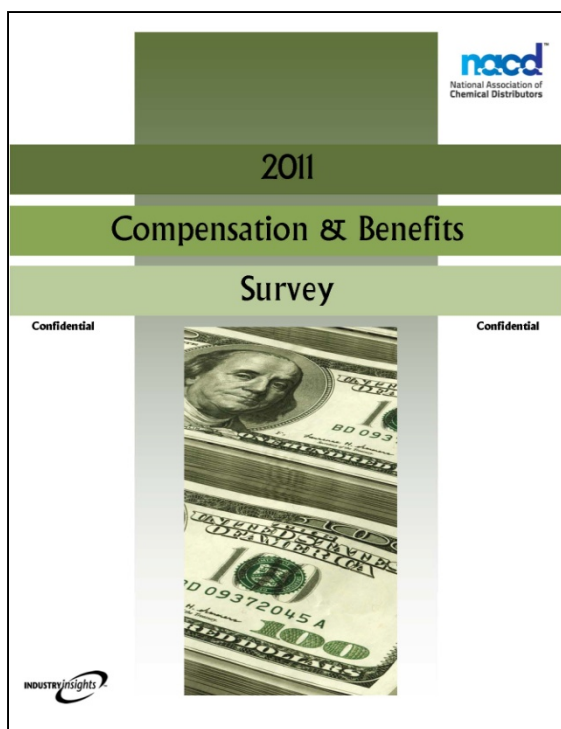
**Presented by:
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Compensation & Benefits Practices for Northeast Region Chemical Distributor Sales Reps

- **NACD 2011 “Compensation & Benefits Survey Overview”**
- **Northeast Region Distributor Sales Rep Practices**
 - Compensation (base salary/incentive pay)
 - Commissions/Bonuses/Incentives Policies
 - Company Car Practices
 - Other Awards/Incentives Practices
- **Compensation of Other Employee Positions**
- **Employee Benefits**
- **The Importance of Paying for Performance**

NACD 2011 Compensation & Benefits Survey

1. An overall industry report



2. An individual Company Compensation Report

NACD 2011 Compensation & Benefits Survey Overview

- **Compensation of Salaried/Commissioned Positions**
- **Compensation Plans by Position**
- **Hourly Employee Wages by Position**
- **Employee Benefits (for Salaries and Hourly Employees)**
- **Health Insurance Practices**
- **Retirement Plans**
- **Vacation, Sick Leave, and Bereavement Policies**

NACD 2011 Compensation & Benefits Survey Overview

- **Data Organized by:**
 - **All Companies**
 - **Geographic Region**
 - **Sales Volume Size**
 - **Type of Operation (LIQ, FPP, BPM)**

Sales Representative Total Compensation

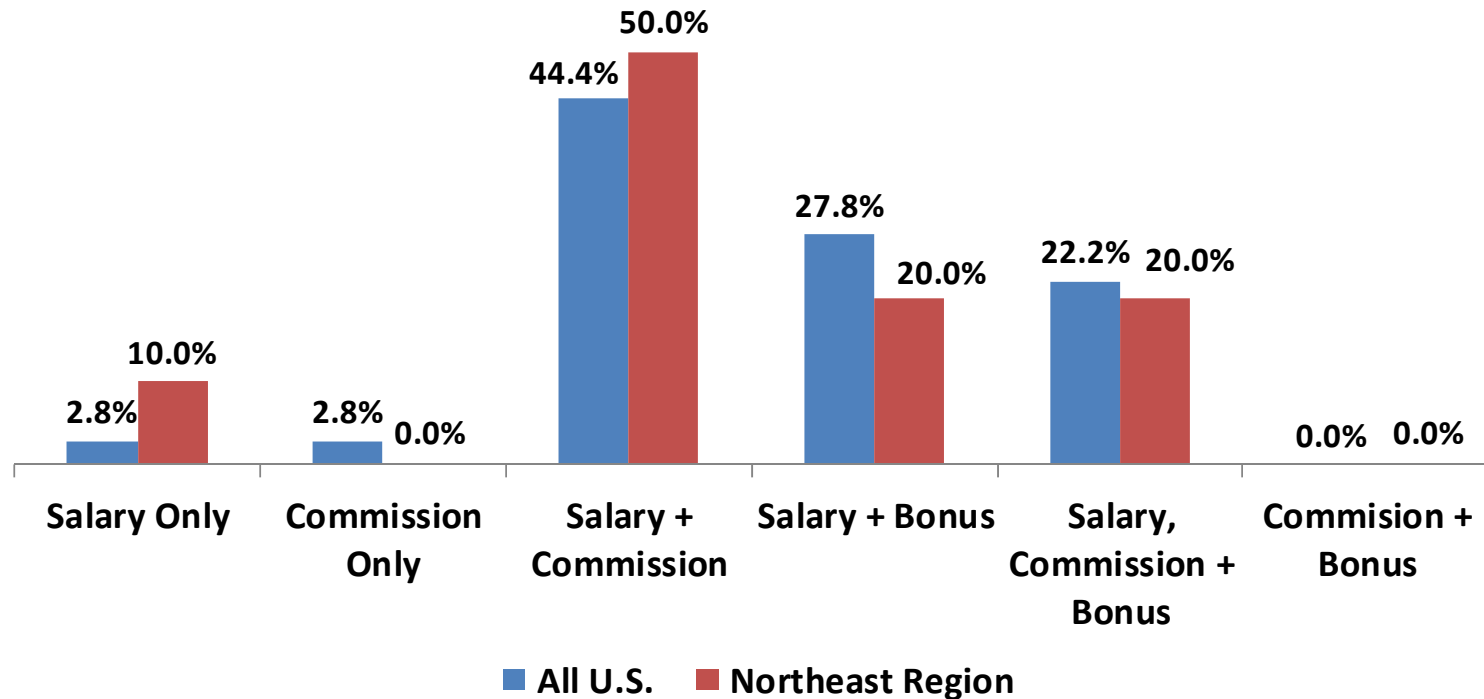
	Average	Median
All U.S.	\$113,118	\$100,000
Northeast Region	\$108,154	\$101,530
LIQ	\$81,258	\$77,500
FPP	\$123,057	\$118,250
BPM	\$105,585	\$85,754

Sales Representative Salary %, and Experience

	Salary as a % of Total Compensation	Average Years of Chemical Distribution Experience
All U.S.	85.8%	12
Northeast Region	93.1%	14
LIQ	100.0%	10
FPP	84.6%	14
BPM	84.6%	11

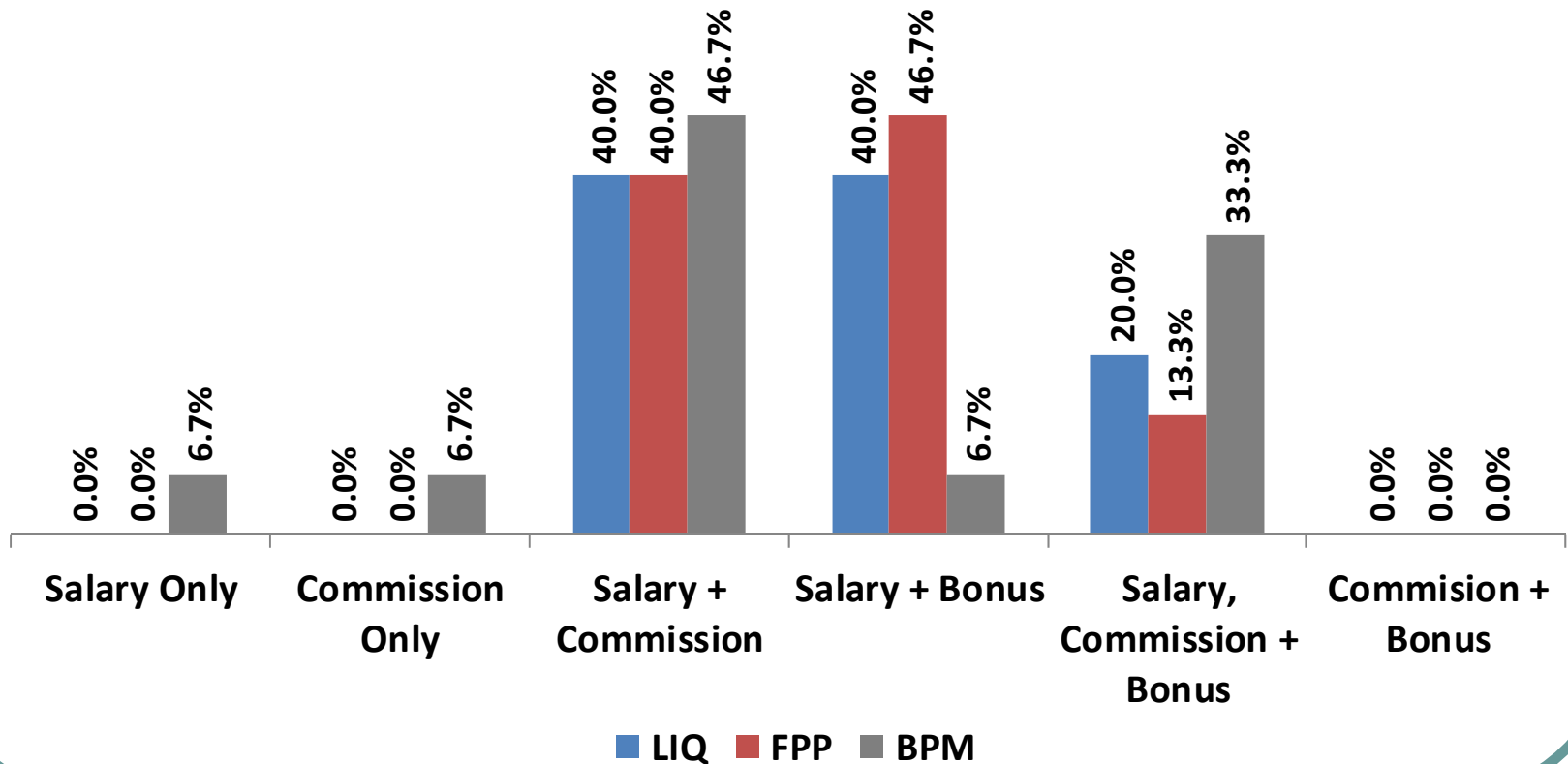
Sales Representative Compensation Plans

Percent of Companies Basing Compensation on Each Plan Type



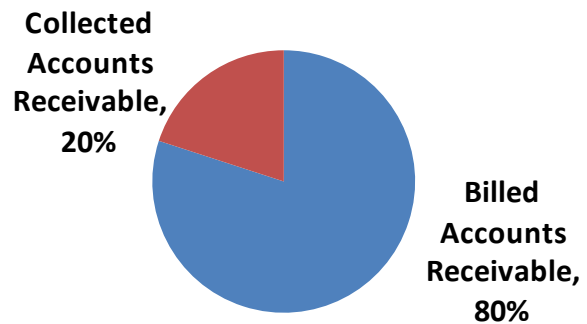
Sales Representative Compensation Plans

Percent of Companies Basing Compensation on Each Plan Type

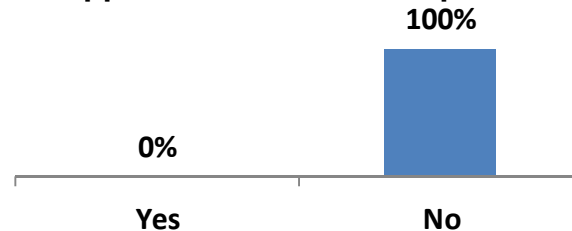


Other Northeast Region Distributor Sales Rep Practices

Commissions are paid on:

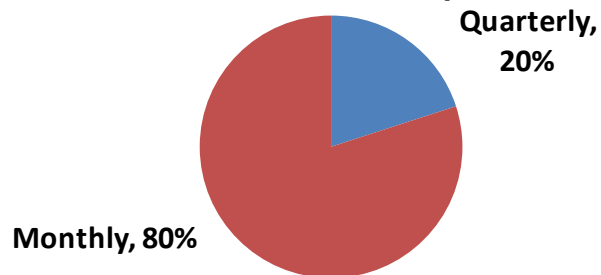


Is there an upper limit on sales compensation?

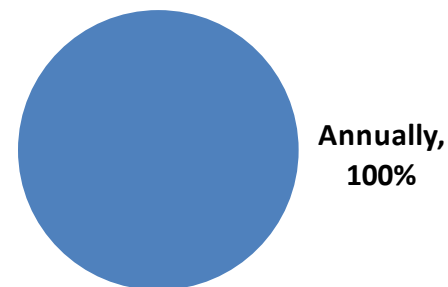


Other Northeast Region Distributor Sales Rep Practices

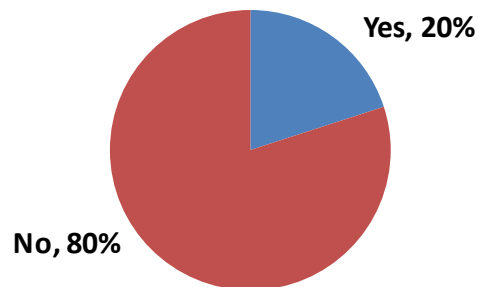
Commissions are paid:



Bonuses are paid:



Do you provide incentive trips/vacation awards?

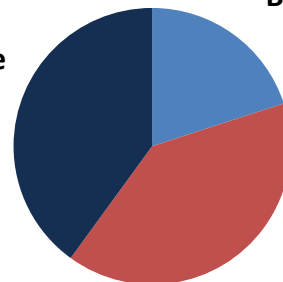


Company Car Policies for Sales Representatives

	% of Companies Providing a Company Car or Mileage Reimbursement
All U.S.	94.3%
Northeast Region	100.0%
LIQ	100.0%
FPP	100.0%
BPM	85.7%

Company car allowances are reimbursed based on:

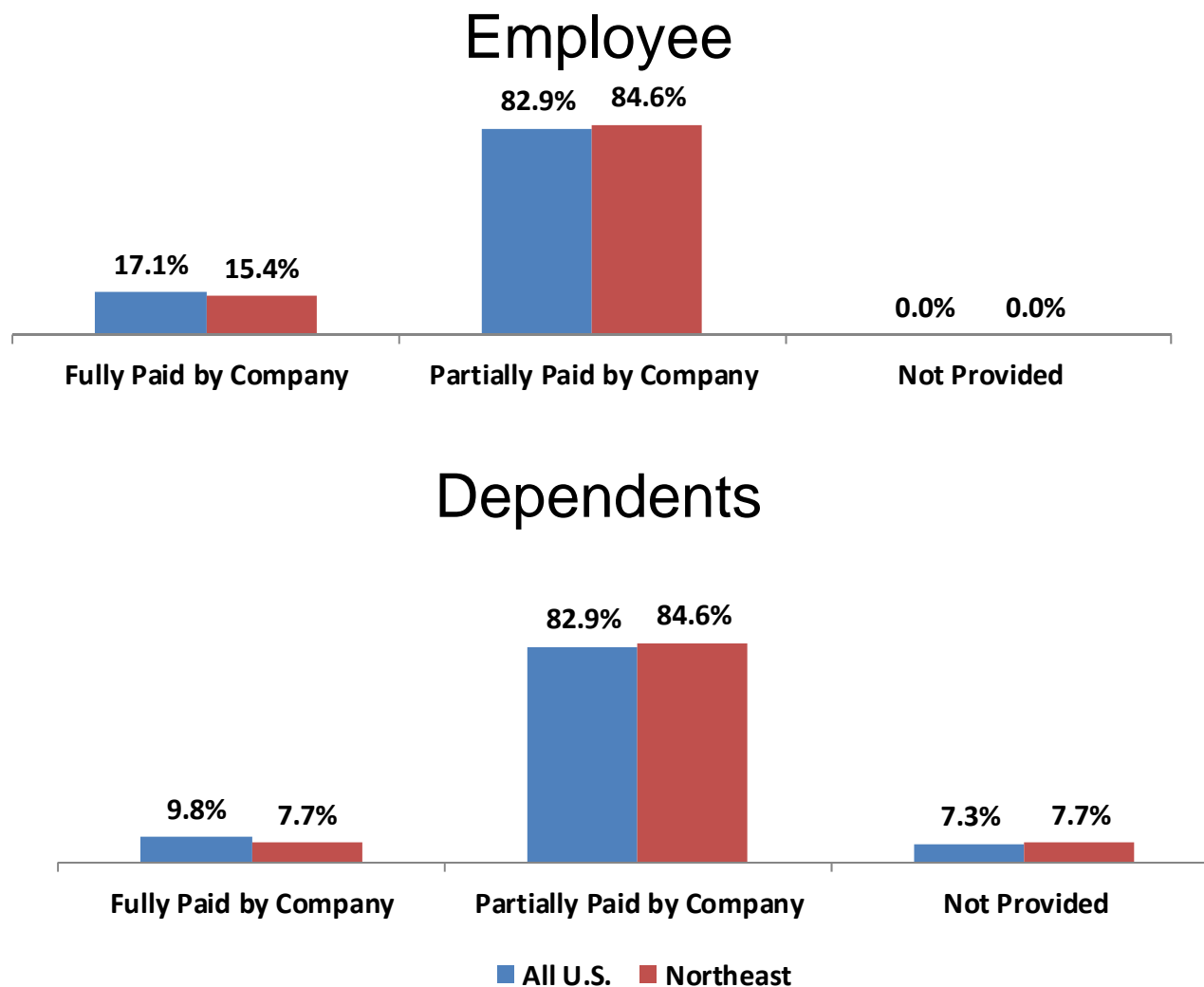
Fixed Dollar Amount (average of \$640/mo.), 40%



Base Car Price, 20%

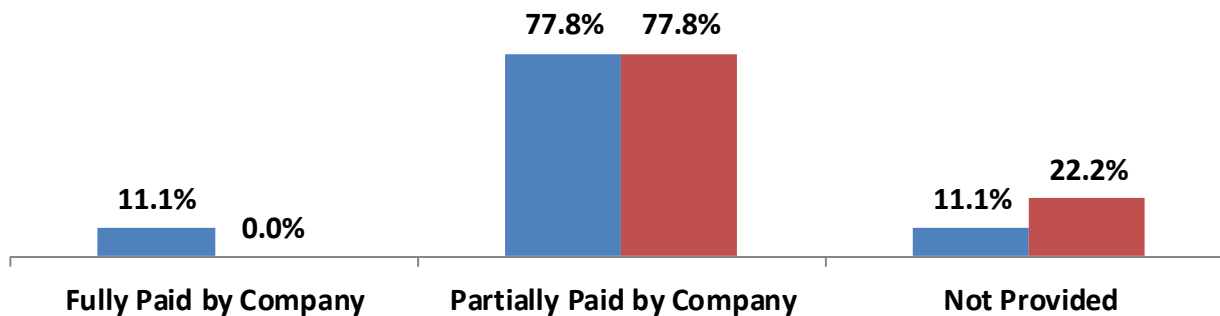
Mileage, 40%

Salaried Employee Medical Coverage— All US & NE Region

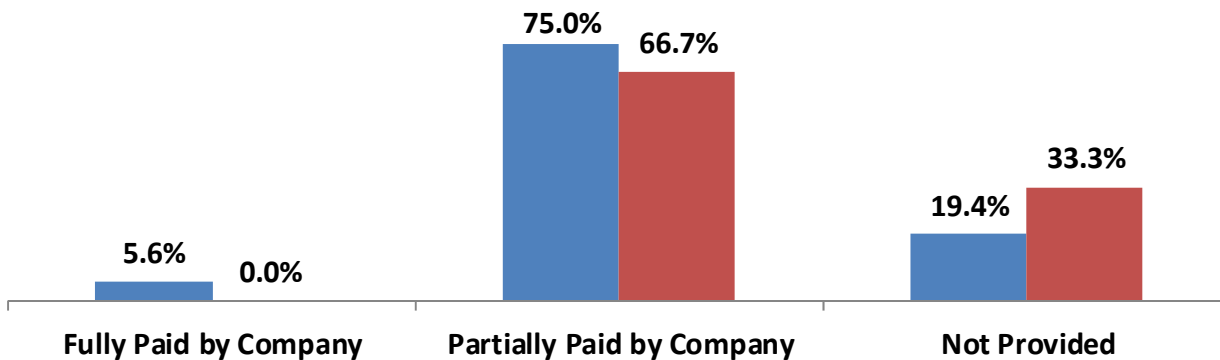


Hourly Employee Medical Coverage—All US & NE Region

Employee

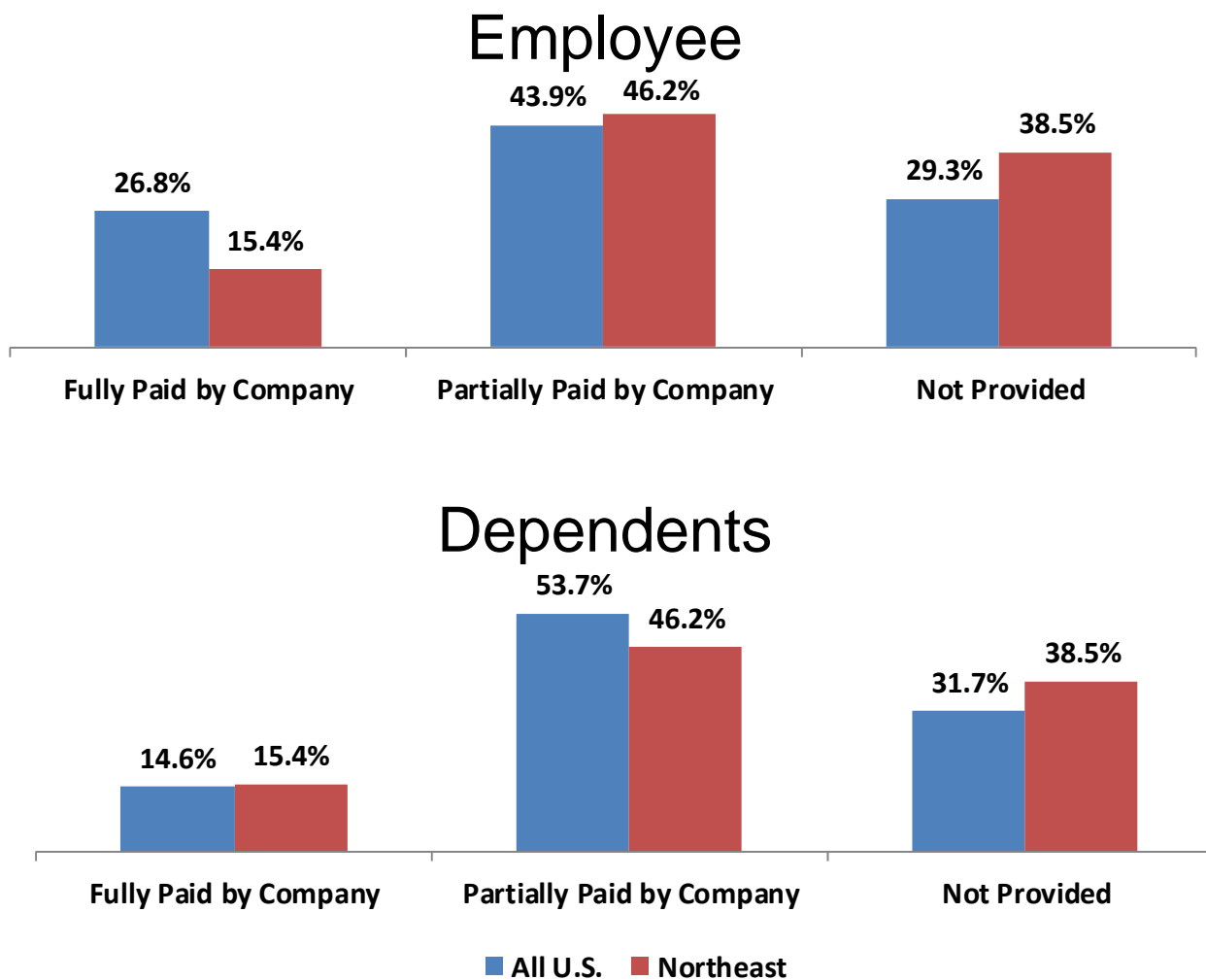


Dependents

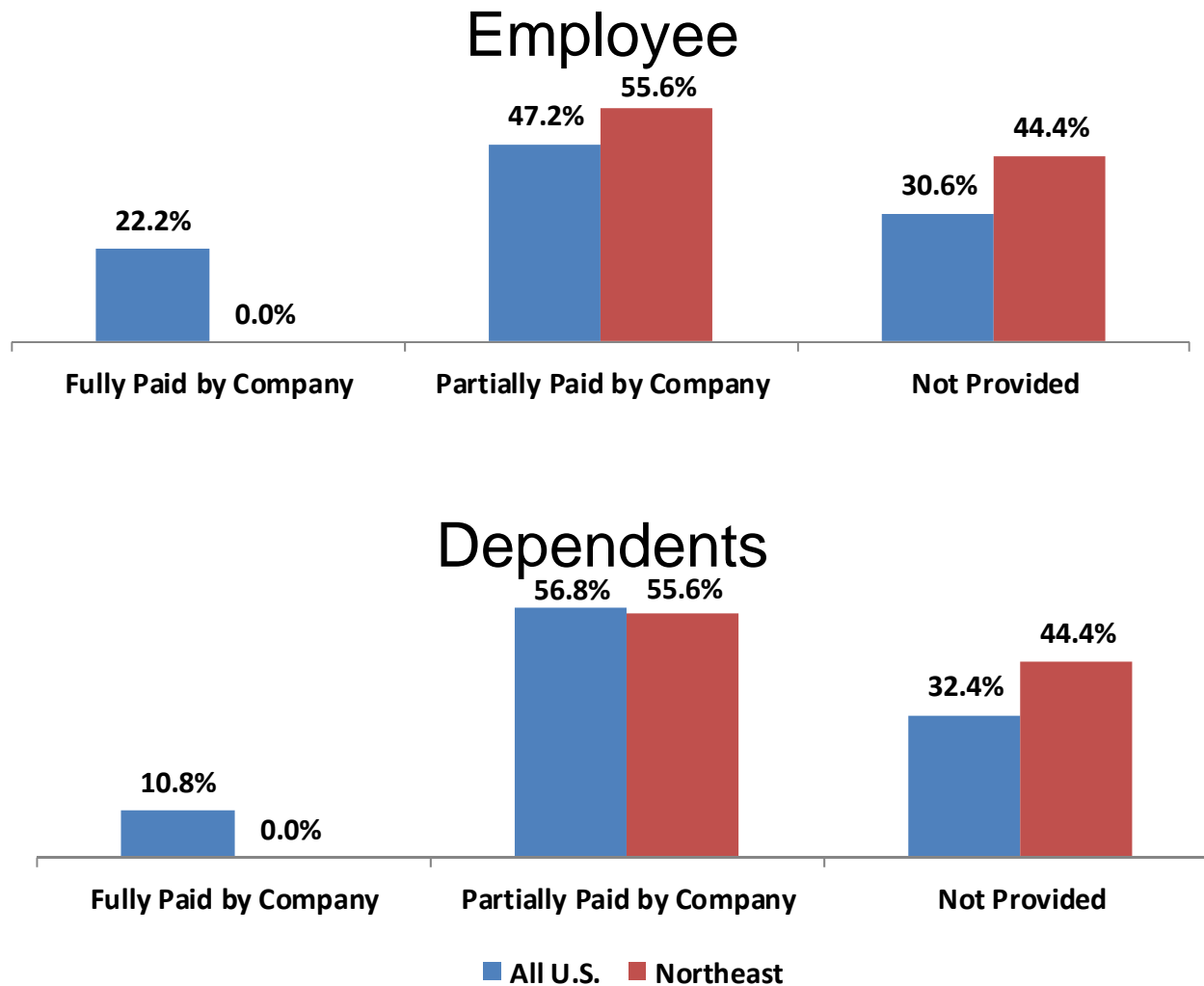


■ All U.S. ■ Northeast

Salaried Employee Dental—All US & NE Region



Hourly Employee Dental—All US & NE Region

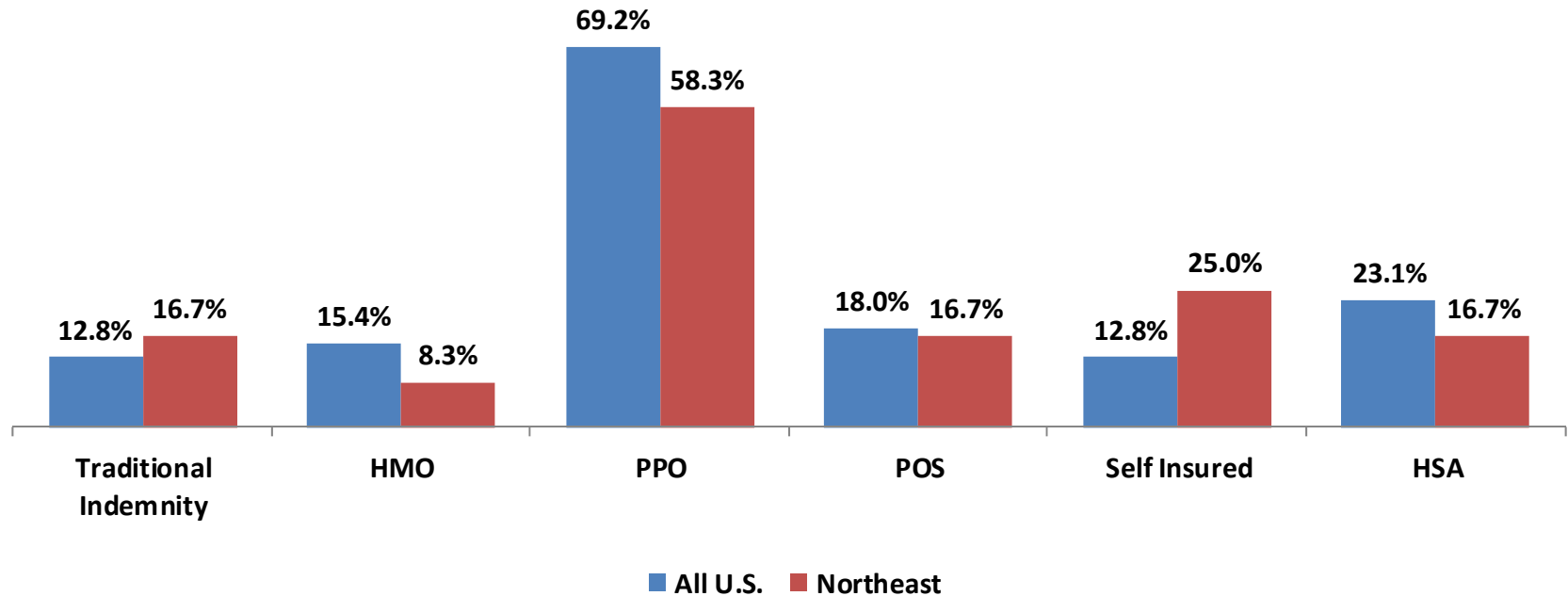


Selected Other NE Region Employee Benefits

	Fully Paid by Company		Partially Paid by Company		Not Provided	
	Salaried	Hourly	Salaried	Hourly	Salaried	Hourly
Life Insurance Employee Dependent	66.7% 0.0%	44.4% 0.0%	16.7% 8.3%	33.3% 11.1%	16.7% 91.7%	22.2% 88.9%
Optical Employee Dependent	7.7% 7.7%	0.0% 0.0%	38.5% 23.1%	44.4% 22.2%	53.9% 69.2%	55.6% 77.8%
Short-term Disability	50.0%	33.3%	25.0%	33.3%	25.0%	33.3%
Long-term Disability	45.5%	37.5%	9.1%	12.5%	45.5%	50.0%
Maternity Leave	30.8%	11.1%	30.8%	44.4%	38.5%	44.4%
Educational Assistance	15.4%	0.0%	38.5%	33.3%	46.2%	66.7%

Health Insurance Plan by Type

Percent of Total



Healthcare Costs & Company Paid Premiums

Total Healthcare Costs as a % of Total Compensation

All U.S.	Northeast
13.1%	12.8%

% Increase in Healthcare Costs (2010 vs. 2009)

All U.S.	Northeast
16.9%	19.1%

% of Healthcare Premiums Paid by:

	Company	Employee
Employee Only Coverage		
All U.S.	82.1%	17.9%
Northeast	80.1%	19.9%
Family Coverage		
All U.S.	66.2%	33.8%
Northeast	71.7%	28.3%

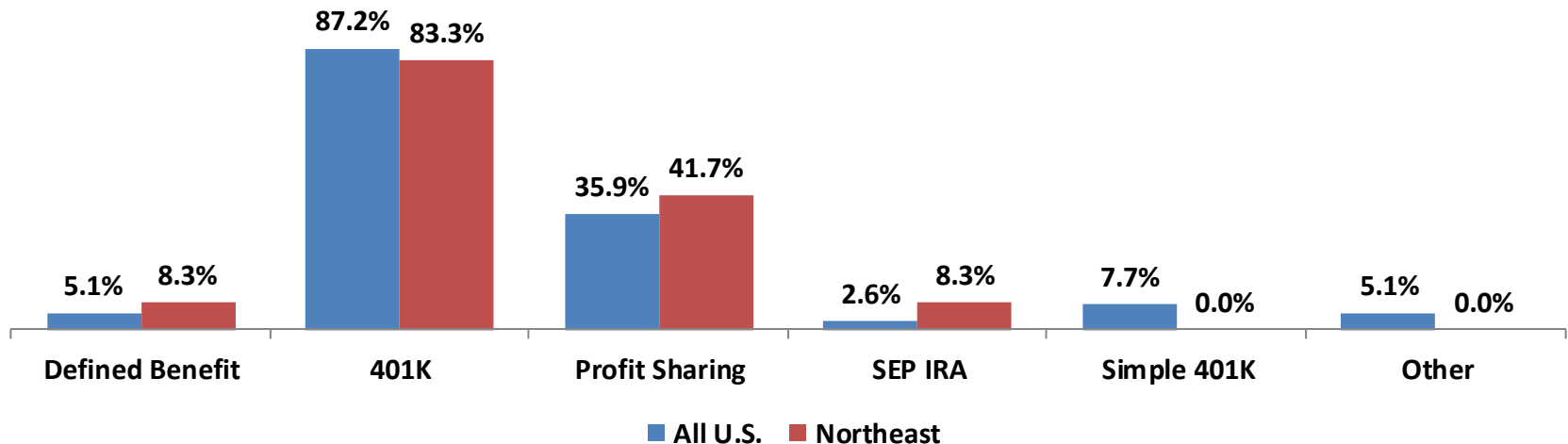
Retirement Plans

RETIREMENT PLANS

% of Companies Offering a Retirement Plan

All U.S.	Northeast
97.5%	100.0%

Type of Retirement Plans Provided
(% of Companies offering Each Type)



Vacation Policies—Average Vacation Days per Year(s) of Service

	All U.S.		Northeast	
	Salaried	Hourly	Salaried	Hourly
Less than 1 year	4.1	3.6	5.1	1.8
1 year	9.5	8.4	10.2	6.7
2-5 years	11.4	9.9	12.3	7.3
6-10 years	15.6	13.7	16.6	10.8
Over 10 years	19.4	17.1	22.0	14.6
Average # of Paid Holidays	8.9	8.2	9.6	7.4

Other Vacation Policies

	All U.S.	Northeast
Percent of companies that allow unused vacation days to carry over to the next year	35.9%	23.1%
Percent of companies that provide employees with compensation for unused vacation days	8.1%	18.2%

Total Compensation—NE Region for Selected Salaried/Commissioned Positions

	Average	Median	Salary as a % of Total Comp.
Chief Executive Officer	\$265,070	\$225,075	84.8%
Chief Operating Officer	\$181,510	\$147,000	100.0%
Top Financial Executive	\$168,519	\$144,057	94.4%
Accountant	\$52,657	\$55,469	100.0%
Office Manager	\$55,017	\$52,850	99.1%
Purchasing Manager	\$76,608	\$65,000	100.0%
Sales Manager	\$134,643	\$134,021	90.7%
Plant or Operations Manager	\$78,669	\$80,000	100.0%

Selected Positions—NE Region Hourly Wage Rates

	Average	Median	Average Years of Chemical Distributor Experience
Bookkeeper	\$20.32	\$19.49	14
Customer Service Person	\$19.12	\$20.00	10
Warehouse Helper	\$15.60	\$15.94	9
Truck Driver	\$21.12	\$20.00	15

Effective Employee Compensation—Paying for Performance

- If all employees are salaried, where's the incentive to produce?
- If all of your sales staff are paid commissions based on gross sales, where's the incentive to be profitable?

High profit firms have higher employee productivity than low profit firms.

High Profit Firms Have Lower Payroll Costs & Higher Employee Productivity

	Total Payroll as a % of GM (PPR)	Gross Margin/ Employee (000)	Sales/ Employee (000)
LIQ Firms			
High Performers	45.4%	\$168.2	\$935
Low Performers	53.9%	\$108.6	\$779
FPP Firms			
High Performers	40.9%	\$271.7	\$1,432
Low Performers	58.9%	\$184.9	\$1,142
BPM Firms			
High Performers	39.7%	\$234.0	\$1,158
Low Performers	50.3%	\$199.4	\$1,059

Enhancing Employee Productivity— Paying for Performance

If you want to improve profitability, it is important to develop programs to enhance employee productivity.

Possible Actions:

- Pay for performance
- Pay for “profitable” performance
- Don’t be a scrooge—take care of your #1 asset—Your employees, and they’ll take care of you.

Enhancing Employee Productivity— Paying for Performance

High profit firm employees typically have higher compensation than low profit firms.

**% Higher Compensation/Employee
for High vs. Low Performer Firms**

**All NACD
Respondents**

+12.9%

Employee Management in the Down Economy

- Avoid the tendency to unilaterally cut employee costs
- Find ways to make employees more productive, which will reduce employee cost as a % of sales and gross margin
- Take advantage of opportunities to find and hire excellent employees at advantageous wages as layoffs occur at other companies

Summary and Conclusions

- There are probably as many compensation plans as there are companies in the industry.
- However, there are common denominators of most commonly followed practices.
- We can learn from our industry peers.
- The most profitable industry firms have lower payroll costs (as a % of sales and gross margin) but pay more per employee.

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