
Recession Reaction Report

(Compiled by NCWA December, 2009)

Wholesaler survey results

(based on 29 responses)

HAVE YOU MADE CHANGES?

Because of the economy have you taken any of the following actions:

Layoffs (22 firms reported layoffs)

- 2 warehouse employees in 2009
- 1 part time; 2 full-time eliminated
- Reduction in force of 10 people
- 1 person
- 5% of work force permanently cut
- Rotational (health insurance benefits kept up for staff); laid off 1 person
- Laid off "showroom assistants" (2) in Nov. 08; eliminated part-time help
- 13 layoffs in 2009
- 1/3rd of workforce reduced
- Approximately 6%
- 10% reduction – either retirement or layoff and not re-hired
- We laid off two warehouse employees at the end of 2008. Frankly, one and possibly both would have been let go anyway
- Approximately 10% of staff laid off
- We laid off approximately 10% of our work force in 2009 (5 people) for the first time in company history
- Warehouse and showroom
- Just 1; opened 2 branches; added 10 new jobs

Wage cuts (13 firms reported wage cuts)

- Salaried employees in branches 10%
- 2% cut for managers
- Management bonuses only
- 15% for salary; 10% for hourly
- Senior managers took a 10% wage cut for 7.5 months
- 10% across the board
- Approximately 70% of employees
- 10% for salaried personnel
- We haven't cut wages, but we did reduce our annual increases with a good rating from 3.5% to 2.5%
- We froze base wages and cut bonuses
- All holidays are now unpaid days (effectively about a 2% across the board wage cut)
- 5% pay cut for all in March; restored pay in June

Fewer hours (20 firms had fewer hours)

- No overtime
- Hours cut for 2 drivers
- Across the board reductions for all hourly employees
- Some truck drivers and warehouse employees
- 4 hourly associates effected (32 hours per week)
- Severely reduced overtime; reduced hours for 6% of work force to below 40 hours (temporarily)
- 30-32 hours for hourly (enough to maintain health insurance)
- Staggered hourly staff to reduce overtime

- Everyone is still full time, but overtime has been cut as best we can
- Overtime has been reduced dramatically; 2008 average weekly overtime (423), 2009 (169)
- Showroom and administrative positions; encouraged other employees to take unpaid time off
- Approximately 70% of employees
- Cut 10% and no overtime
- No, but overtime is down significantly
- 2 showroom associates on 4-day week
- No overtime; close some branches on Saturdays

Changes in benefits (12 firms)

- Health care
- Employees pay more for health insurance
- Eliminated 401k plan (too many hardship requests) and eliminated company paid health coverage for dependents
- None to date, however, we are facing a 45% increase in health insurance at renewal 01/01/10. This will put a dent in the number of folks who can use
- Suspended 401k company match, suspended YMCA (gym) membership subsidy; no company functions, i.e., picnic, Christmas party
- Increased employee doctor office visit co-pays
- Quit match of 401k
- 401k reduction
- We cut 401k employer matching contributions
- Higher employee contributions to health care premiums
- Increased employee share of medical; cut 401k match

Changes in commissions for sales personnel

- Increased sales "spiff" incentives on targeted products or lines

Are there other steps that you have taken (or plan to take) that you would be willing to share with the group?

- We look for cost savings wherever we can; we trained employees on profitable distribution
- All pick-up branch locations close at 4 p.m.
- We cut overtime
- Caps placed on amount of raises for hourly employees
- We cut overtime hours by 50%; we watched and reduced inventory levels
- Wage freeze implemented
- Freeze on wages
- Flex time for Saturday hours; no bonuses past 2 years; no raises past 2 years
- Rotational layoffs; everyone does everything; all drivers are now part time 20-25 hours per week; substantial owner wage cuts; no 401k matches
- Massive reduction in monthly expenses by eliminating incentive travel program; reduced Image Showroom Magazine ads; eliminated "luxuries" such as janitorial, decorative plants, employee travel, subscriptions
- Furloughed all salaried employees for a minimum of two weeks in 2009; looking into shared work program for first quarter of 2010
- We tied our employee expenses to a certain percent of our gross profit and made cutbacks accordingly
- Closed under-performing branches
- We bring outside sales force in one day a week (mandatory to reduce travel and cover shortage of inside sales support)
- There was attrition and we did not rehire
- Purchasing and credit management now assumed by top management; swing counter to warehouse and delivery as needed
- No raises

COMPANY CARS

Do you provide company cars to:

Salesmen **(13 companies provide cars)**

Sales manager **(8 provide cars)**

Branch manager(s) **(9 provide cars or trucks)**

Others:

- Several members said they provide company cars to owners, CEO, senior management, officers, GM
- Some don't provide cars, but have a mileage allowance or issue a fuel card
- Car for regional territory manager

WHAT DO YOU EXPECT IN 2010?

The most common expectation was a 5% increase in sales volume for 2010.

The highest prediction was a 15 - 20% increase.

The lowest forecast was a 10% drop in sales.

Some expect volume to remain flat and others think increases will be in the 2 - 3% range.

Rep agency survey results

(based on 13 responses)

HAVE YOU MADE CHANGES?

Layoffs **(6 agencies have used layoffs)**

- 2 people
- None, but one truck driver quit and there was no overtime
- No layoffs but we had attrition and replaced very few
- Reduced sales staff by one of 5; we now have 4 including owner
- 1 inside sales person

Wage cuts **(8 agencies)**

- 10%
- Owners and non-owners both cut; 20-33% for employees
- 10% to owners
- Went to 4-day week March, April, May
- 6% to 25%
- For staff, owner and salesmen (income is down because sales are down)

Wage freeze **(5 agencies)**

- Second year
- No raises last year
- For all staff

Fewer hours for employees **(3 agencies)**

- 20-33% for employees
- For one employee

Changes in benefits **(5 agencies)**

- Raised deductible on health insurance
- No match for 401k this year
- Increase in cost of participation
- Increased health insurance deductibles
- Switched health care to H.S.A

Changes in commissions **(2 agencies)**

- Actually raised them with excellent results
- Yes. Owner and salesmen income down 40% from the "good old days"
- Same bonus formula – based on sales increase

Are there other steps that you have taken (or plan to take)?

- Reduced number of overnight sales trips; reduced number of people attending manufacturer's sales meetings; reduced attendance at conventions
- Dropped 5% 401k match
- No plans – nothing can be changed on the building/utilities that would make a material difference; only other major expense is payroll and barring additional economic retreat, changes have been made
- No other steps except that the company paid quarterly bonus for 3rd quarter only
- We cut expenses to the bone. Made up business plan...expenses match our income plan. No deficit spending. We are not the government.
- No. I think we've always run a tight business in good or bad times. Now that the money is down the bonuses are down, but we still are making more than we spend and that's how I do my accounting.
- We simply refuse to participate in golf outings, etc., that we might have participated in in the past
- Plan to revise pay/commission structures
- Reduce telephone service and lines; delay computer purchase

COMPANY CARS

Do you provide company cars to:

Salesmen **(6 provide cars)**

Sales manager **(3 provide cars)**

Others _____

- We pay car allowances per IRS schedule
- Mileage allowance
- We reimburse mileage – no change to reimbursement and will not discourage sales efforts by cutting reimbursements

- Car provided to owner; mileage paid to sales people

- All reimbursed @ .30 per mile

WHAT DO YOU EXPECT IN 2010?

The most common expectation was a 5% increase in sales volume for 2010.

The highest prediction was a 15 - 20% increase. The lowest forecast was a 10% drop in sales.

Some expect volume to remain flat and others think increases will be in the 2 - 3% range.

Other comments:

One person expects a decent increase, but said there is fear that "signs" of improvement may be fleeting.

Another said "We think we are at the bottom and have another 18 months at the bottom."