



RANDOM LENGTHS

THE WEEKLY REPORT ON NORTH AMERICAN FOREST PRODUCTS MARKETS

Random Lengths 2016 Forest Products Industry Compensation Survey (revised)

Revision notice — Issue of May 13, 2016

Compensation Survey results revised

Results from Random Lengths' annual compensation survey published in three Through A Knothole articles



THROUGH A KNOTHOLE

last month contained inaccurate information because of an error in tabulating the data. The correct results follow.

This revised report of the entire series is available on our website at www.randomlengths.com, then In Depth, then Random Lengths TAK In Depth. Or, you can request a printed copy be mailed by sending us your name, company name, and mailing address by fax to (800) 874-7979, or by email: rlmail@rlpi.com. The revised data will also be reported in the Random Lengths annual Forest Products Industry Compensation Survey Special Report, which will be available in June.

Part 1— Issue of April 15, 2016

Mill sales managers' income down second straight year

Mill sales managers' average compensation declined for a second consecutive year in 2015 despite a slightly longer workweek and added managerial responsibilities.

Managers who responded to Random Lengths' annual compensation survey expressed confidence that earnings would rebound sharply in 2016, while mentioning myriad factors that could threaten income goals this year.

A total of 313 mill, wholesale, and retail sales managers responded to this year's survey, down from 349 last year. This marks the third year Random Lengths has conducted the survey electronically, using the website Survey Monkey. The survey was previously mailed to selected recipients. Participation has increased in the last three

years. This year, 65 mill sales managers responded, down from 74 in 2015.

As usual, we caution that year-to-year comparisons are not precise. Data varies each year as different recipients may respond to the survey, which is anonymous.

Average reported income among mill sales managers in 2015 fell to \$122,282, down 17% from \$146,471 in 2014 and trailing the 2013 record \$150,773 average by 19%. Base salaries accounted for 88% of mill managers' compensation packages, up from 85% the previous year. Bonuses made up 9% and commissions 3%.

Mill managers in the West reported the highest average compensation at \$126,307. Western Canada led the way in 2014, while the South was the leader in 2013. This year, those regions ranked last and second to last at \$US116,370 and \$120,783, respectively. The north, which includes the

How Mill Sales Managers Are Compensated

	West	North	South	Western Canada	Eastern Canada	All Regions
Average Earnings (U.S. dollars)						
2015	126.3	121.3	120.8	116.4	124.4	122.3
2016 (est.)	147.6	126.9	121.4	121.3	123.1	132.0
% Receiving Benefits						
Car	13	57	37	55	0	31
Health Ins.	83	71	74	91	60	78
Dental Ins.	78	43	63	91	60	71
Life Ins.	70	57	47	82	20	60
Disability Ins.	52	29	32	82	40	48
Pension	13	14	11	54	60	23
401-K	83	86	58	9	0	57
Responses	23	7	19	11	5	65

Earnings in \$1,000s

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Northeast and Upper Midwest, averaged \$121,300. Average income in Eastern Canada was \$US124,398.

Managers supervised an average staff of 15 workers, up from 10 in last year's survey. The average workweek increased slightly to more than 49 hours. Average compensation increased unevenly with the number of employees supervised: respondents managing 6-20 workers reported the highest income at \$135,736; managers with no direct supervision responsibilities earned an average of \$126,214; and those supervising 1-5 followed at \$116,830.

Respondents with college degrees earned an average of \$121,525. Managers with a high school education earned an average of \$134,100.

Survey respondents expect 2016 average compensation to reach \$131,995. Managers in the West were most bullish, predicting an average income of \$147,606. In 2015, mill managers projected the year's compensation to reach \$152,295, which was 20% more than reported average compensation turned out to be last year.

Unfavorable currency exchange rates, an influx of imports from Canada and overseas, weaker-than-expected housing starts, and an ailing global economy were among the most common issues managers in the U.S. mentioned as threats to meeting income goals in 2016.

The average age of mill managers responding to the survey was 53, on par with the 2015 survey. By region, the average age ranged from 50 in north to 56 in the West. Respondents reported working in the industry an average of more than 29 years.

Respondents spent roughly 60% of their workweeks selling wood products, down slightly from 66% in last year's survey. Managers used the Internet in 54% of total transactions, unchanged from last year's survey. ■

Part 2 — Issue of April 22, 2016

Wholesale manager income hits 8-year high

Wholesale/distribution sales managers' annual income increased for the fifth consecutive year in 2015, reaching the highest average since Random Lengths began conducting the survey annually in the late 1990s, surpassing the 2007 record of \$150,906. They took on more managerial responsibilities, but still spent roughly the same percentage of their workweek selling wood products compared to results from last year's survey.

A total of 178 wholesale/distribution managers responded to this year's survey, down from 207 last year. Respondents reported average compensation of \$151,770 in 2015, up 14% from 2014's average of \$132,892. Reported income was highest in the Northeast. Wholesale/distribution

managers in that region reported average income of \$208,750, up 19% from \$175,033 in last year's survey.

Western Canada was the leader in compensation the previous two years. Reported earnings in that region reached \$US163,865 in 2015, up slightly from \$US161,588 in last year's survey. Managers in the West reported average earnings at \$161,800, up 16% from last year's survey. Respondents in Eastern Canada were the only ones to report a decline in income. The average in that region plummeted to \$US100,585, down from \$US137,625 in last year's survey.

Wholesalers expect to earn an average of \$163,797 in 2016. Managers in the Northeast were the most optimistic, projecting income to reach \$198,583. In last year's survey, wholesaler managers' projected 2015 compensation of \$140,714 trailed the actual total.

How Wholesalers Are Compensated

	West	Mid-west	North-east	South	Western Canada	Eastern Canada	All Regions
Average Earnings (U.S. dollars)							
2015	161.8	122.8	208.8	147.4	163.9	100.6	151.8
2016 (est.)	172.1	125.5	198.6	166.1	179.0	100.5	163.8
% Receiving Benefits							
Car	27	33	31	20	40	0	27
Health Ins.	80	76	85	74	85	71	78
Dental Ins.	71	67	62	59	80	57	67
Life Ins.	63	64	69	54	65	43	61
Disability Ins.	36	45	62	35	70	43	43
Pension	5	3	8	4	15	14	6
401-K	68	79	69	61	15	0	60
Profit Sharing	17	30	46	20	20	14	22
Responses	59	33	13	46	20	7	178

Earnings in \$1,000s

Managers supervised an average of more than 12 employees last year, up from 11 in the survey of 2014. Average compensation rose in step with the number of employees managers supervised. Earnings ranged from an average of \$117,144 for respondents with no managerial responsibilities to \$167,577 for those supervising sales staffs of 6-20.

Wholesalers worked an average of 50 hours per week and spent 66% of their workweek buying or selling wood products. Those averages consistent with the 48.2-hour workweek reported in last year's survey, when respondents spent 67% of their work time trading wood products. Base salaries provided 61% of managers' annual compensation, while 27% of earnings were commissions and 12% came from bonuses.

The average wholesale/distribution manager in this year's survey is 50 years old, has worked in the industry nearly

27 years with an average of three companies. Respondents have worked for their current company for an average of nearly 12 years.

A little more than half of respondents (58%) were college educated with either a four-year or graduate degree. They rated job satisfaction at 7.8 on a 1-10 scale, down from 7.9 in last year's survey.

Wholesalers used the Internet in 48% of transactions last year, up from 42% in the survey of 2014 compensation. **■**

Part 3 — Issue of April 29, 2016
Retail managers report earnings increase in 2015

Retail managers earned more income amid mild fluctuations in the group's collective workweek, daily responsibilities, job satisfaction, and benefits in 2015.

Meanwhile, respondents offered various views regarding trade between Canada and the U.S. and the impact of offshore imports. The majority of respondents noted that the unusually strong dollar had a minimal impact on business and required few if any adjustments in operations. Some, however, acknowledged that exchange rates limited export potential and pulled more imports into the U.S. market.

A total of 70 retail managers responded to Random Lengths' annual compensation survey. Compensation in 2015 averaged \$103,853, up 8% from the \$96,448 average reported in the survey of 2014 compensation. Retailers in the West averaged the highest compensation at \$112,138, while respondents in Eastern Canada reported the lowest average income at \$US73,700.

Salaries accounted for 84% of managers' total compensation; bonuses made up 13% and commissions 3%. Those percentages are consistent with previous surveys. Retail managers with a college degree at some level earned an average of \$110,894 compared to an average of \$104,314

	West	Mid-west	North-east	South	Western Canada	Eastern Canada	All Regions
Average Earnings (U.S. dollars)							
2015	112.1	99.3	105.4	106.9	98.3	73.7	103.9
2016 (est.)	115.1	102.7	107.7	137.7	98.3	59.4	113.0
% Receiving Benefits							
Car	13	40	22	33	67	0	30
Health Ins.	63	76	78	73	100	50	73
Dental Ins.	50	52	67	53	100	50	56
Life Ins.	38	64	67	73	67	0	59
Disability Ins.	25	32	44	33	100	0	34
Pension	13	4	0	0	0	0	4
401-K	50	64	67	60	0	0	56
Profit Sharing	31	36	33	20	0	0	29
Responses	16	25	9	15	3	2	70

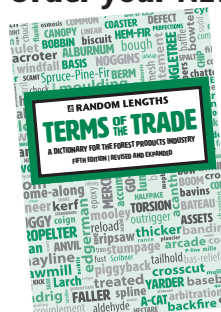
Earnings in \$1,000s

for respondents reporting no more than a high school education.

Respondents supervised an average of 12 employees in 2015, up from nine in the previous year's survey. The size of sales staffs supervised had a relatively minor impact on retail managers' compensation compared to their wholesaler/distributor and mill counterparts. Retail managers supervising a staff of 6-20 workers earned \$92,682; those with 1-5 workers under their supervision earned \$114,062. Managers with no supervisory responsibilities averaged \$103,719.

Managers projected average income in 2016 to reach \$113,016, a 9% increase. Retailers in the South were most bullish on this year's prospects, projecting average income of \$137,733. Managers in Eastern Canada were at the bottom of the range, anticipating \$US59,400. Last year, retail managers projected 2015 income to average \$97,872, which was 5% less than they actually reported.

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The average respondent to this year's survey is 54 years old, has worked in the industry 31 years with two companies, and has been in his or her current position for more than 17 years. The average manager in last year's survey was 54 with 30 years of experience at two companies and had spent 14 years in their current position.

Managers worked an average of 49.2 hours per week, up from 47.7 hours in last year's survey, and spent 46.5% of their work day buying wood products, compared to 48.3% in 2014.

Retailers used the Internet in 38.2% of transactions, on par with a year-ago. Managers ranked job satisfaction at 8.1 on a scale of 1-10, up from 7.8 in last year's survey. Managers purchased 68% of their wood products on the open market, 20% through contracts, 3% through VMI programs, and 1% through other means. ■

Part 4 — Issue of May 6, 2016

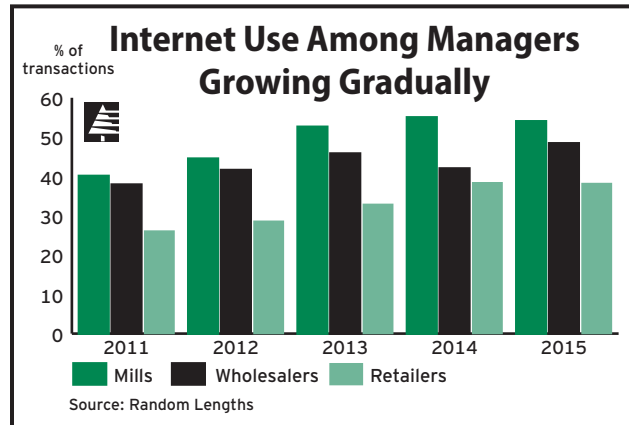
Global economy, foreign trade concern industry

An uncertain global economy, a tenuous U.S. housing market, and the strong dollar were the most mentioned potential barricades to wood products industry managers' compensation goals in 2016, results from Random Lengths' annual survey indicate.

Respondents offered varied opinions when asked about the extent to which exchange rates impacted business, and foresaw an array of adjustments this year to compensate for currency values, including none at all.

This year's survey asked mill, wholesale/distribution, and retail sales managers to identify one or two key issues in the marketplace that harbored the most potential to hinder compensation goals this year.

Managers in all three groups frequently mentioned concern about the health of regional and global economies. Some noted that the U.S. housing market remained in recovery mode and could slip back into a recession. If housing starts are weaker than the majority of early-year projections, compensation at all levels of the



wood products distribution system could be negatively impacted.

Corresponding concern about contraction in the oil industry were also cause for concern among respondents. Respondents noted that the oil industry's health, or lack thereof, in some regions historically impacts housing starts.

Trade with China also was mentioned as a key factor. Mill managers expressed concern that a reduction in exports to China could create a supply-demand imbalance in domestic markets.

Fallout from this year's presidential election and volatility on Wall Street were also concerns among managers. Some wholesalers noted that staff turnover and an inability to attract skilled traders could weigh on overall compensation this year. Wholesalers also said that mills selling directly to retailers and end users more frequently could trim compensation at the distribution level.

Many managers among all three groups said currency exchange rates would prompt little or no change in their companies' approach to the market, and expected to reach compensation goals amid the strong dollar.

Others, however, noted that exchange rates could alter the trading dynamics between the U.S. and Canada, and pull heavier volumes from offshore into the U.S., while discouraging overseas exports. To see all comments, go to www.rlpi.com, then In Depth, then Surveys. ■

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