

# DETERMINING REASONABLE COMPENSATION

## The Market Approach

The Market approach (AKA Industry Comparison Approach) attempts to answer the question: How much compensation would be paid for the same position, held by a non-owner in an arms-length employment relationship at a similar company.

**When to use the Market Approach?** \_\_\_\_\_



The market approach focuses strongly on the owner's business type and the specific position held by the owner: typically CEO or General Manager.



The market approach works well when only one occupation, (usually upper-management), is being compared to peers in the same industry, with similar company size and geographic area.



The market approach is favored when working with medium-large companies, where the owner is wearing only one hat: that of a general manager or chief executive.

Market Approach results generally include local (if available), state and national wage data. The theory: big-small businesses and medium business can pull from a larger area and attract candidates from around the state and/or country.

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