

How to Decrease the High Cost of Sales People

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Sales people are expensive—good ones *and* bad ones. Maybe it's easy to overlook for organizations churning out record sales numbers—but what about *everyone else* that markets to corporate training?

Some costs can be avoided. Beyond salary, commission and benefits, there are additional expenses you incur that come from inefficiencies.

We can illustrate this by exploring the Return-on-Investment (ROI) associated with *avoiding* the top prospecting productivity killer.

Normally, my articles are written for those of you living in the "prospecting trenches." This one is no exception—but it would be of particular interest to the CFO, Controller or "check writer" (whose investments in your sales and marketing environment are so important to your success).

Over the last five years of prospecting, we have discovered the shocking truth about prospecting within corporate training—75% of "tele-prospecting" time is WASTED using inappropriate, cheap lists targeting the wrong person. Instead, a wiser investment would be to use a "pre-drilled-down list" containing leaders within corporate training—responsible for:

- Spearheading projects
- Creating new initiatives
- Controlling the budget
- Making the decisions

Subbing out the drilling down "grunt work" creates an optimum environment for your sales people to **prospect efficiently**, *perhaps for the first time!* Securing such a specialized list requires a greater investment since there is so much "legwork" involved in building and, more importantly, *maintaining* it - BUT - the **ROI numbers are astounding** (see illustration below).

According to sales pipeline expert Chris Simone, breaking the sales process into two pieces—**bifurcation**—will "jump start" sales:

*"The traditional sales process starts with the initial cold call(s) to drill into the organization on a quest to discover the 'right' person. At this stage, sales people are using data provided on generic prospecting lists, or worse, data collected manually over the Internet. AFTER this time consuming process, conversations with the 'right' people occur and hopefully active sales processes follow. Therefore, **the front-end of the sales process is mostly characterized by basic, laborious tasks performed by highly skilled and expensive sales people.***

With a bifurcated approach, sales organizations better align their skilled resources with appropriately challenging activities (those crucial to achieving revenue goals) resulting in decreased cost AND increased revenue. This is the kind of trend that every Finance Executive and budget holder dreams about! Subbing out the laborious work of converting basic commercially available data into valuable prospect information will jump start

your sales processes.

What does this mean for you in practical terms? Rather than starting at ground zero, sales processes will start with meaningful conversations with the right people; and the enhanced preparedness and credibility of your sales people will result in more immediate transactions (i.e. shorter sales cycles) of higher dollar value. Simply put, this means MORE money SOONER! Does this sound like something that the CFO might be interested in considering?"

Applying resources specifically created to drill into corporate training organizations to find the actual decision makers and buyer influences will supply your inside or outside sales force with the information they need to be *highly efficient* prospectors! (See below for specific ROI numbers)

Using basic sales person costs (or substitute your own numbers!):

Hard Costs

Compensation Plan

- Salary (\$50K)
- Commission (\$25K on plan)

\$75,000

- Add Benefits (25% of \$50K = \$12,500)

\$87,500

Cost per week = \$87,500/52 weeks = \$1682.69

Given a 40 hour work week (hopefully, they put in more!):

Cost per hour per sales person = \$42.07

\$42.07 per hour—EVERY hour—regardless of their productivity! **So make sure they are always doing \$40 per hour work!!** For example, drilling down in search of the corporate training decision maker is \$14 per hour work—but they still cost you over \$40 per hour!

MORAL:

Don't make your \$40/hour sales person do \$14/hour work!

It's a poor economic choice—and they don't like to/want to do it anyway! Instead, sub it out for both cost savings AND better deployment of resources!

Soft Costs

It's difficult to quantify soft costs—but their costs are very real:

- Excessive turnover
- Lack of productivity
- Opportunity costs
- Lengthened sales cycle
- Lack of FOCUS—distractions take away CLOSING time
- Time to competency—time it takes to close the first deal

Calculate Return-On-Investment:

Say your sales people spend 50% of their time prospecting—20 hours. (Substitute your own numbers!)

Since 75% of prospecting time is wasted using inappropriate lists requiring drill-down (*verify this with your sales team!*), they are wasting 15 hours (75% x 20 hours) EVERY WEEK—and that costs you \$631.05 (15 hours x \$42.07 per hour)!

That's over \$2700 per month (\$631.05 x 4.3 weeks per month)! And \$32,562 per year!! A pre-drilled-down list costing \$5000 is **paid for in less than two months** in reduced losses...if you have ONLY ONE sales person!

Hard cost savings alone will pay for the list more than six times in less than one year—and the Return on Investment is nearly 650%! Now factor in soft costs savings like increased productivity, reduced turnover, greater job satisfaction and shorter sales cycle—and ROI skyrockets!

What if you have two, four or six sales people? The ROI numbers are staggering. Multiply that times each sales person you have—and ask yourself, "*Can we afford to continue wasting this much money?*"

Substitute lower hard costs if you wish—and less prospecting time—the ROI numbers are still quite compelling!

Patrick Ryan is the President of *Mentor Tech Group*, a Minneapolis-based company specializing in developing and maintaining market intelligence on corporate e-learning and training decision makers. Clients include *Thomson-NETg*, *Harvard Business School Publishing*, *American Management Association (AMA)*, *New York University (NYU)*, *Webex*, *Adobe*, and *The MASIE Center*. You can reach Patrick at pryan@MentorTechGroup.com or visit their web site at www.MentorTechGroup.com.