

Cost of a Sales Call

THE FACTS

How much are you spending on sales calls? Do your results justify the cost? Like most companies, you probably question if you are spending too much and getting too little.

What does the average sales call cost in a service industry like staffing? \$30 or maybe \$50? Try \$106.21. According to an article in *Sales & Marketing Management*, that is what you need to spend to send a rep on a sales call. This includes salary, travel, and the funds to entertain clients. It does not include training, sales force technology, and benefits.

On average, a sales rep makes approximately 15 real sales calls a week. This means they call on 720 clients a year. If each call costs \$106.21 — that's \$76,471.20 a year per rep. Multiply that figure by the number of sales reps you have to determine your total sales call expense. For example, if you have 5 reps, your cost of selling is \$382,356 a year. Pretty astonishing!

The Cost-Per-Call Index

	<u>Avg of All Reps</u>
ALL COMPANIES	\$113.25
BY INDUSTRY	
Manufacturing	\$158.74
Service	\$106.21
Retail	\$98.52
Wholesale Distribution	\$80.58
BY COMPANY REVENUE	
Less than \$4 million	\$86.52
\$4 million-\$19.9 million	\$107.06
\$20 million-\$99.9 million	\$116.65
\$100 million +	\$130.75

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With costs like these, carefully managing sales budgets becomes essential. Any careless spending by a rep could easily kill your margins. The key to controlling expenses is to establish a budget that allows sales reps to do their jobs effectively. To make it easier — and to compare with other companies — *Sales & Marketing Management* developed the Cost-Per-Call (CPC) index.

The CPC index is separated into four industries: manufacturing, wholesale distribution, services, and retail to account for market trend adjustments. As the chart indicates, manufacturing companies are spending the most money on sales calls. But sales managers in the manufacturing industry expect these costs. Most believe that a reasonable investment must be made in a client before they will see a profitable return. They recognize that direct sales are the best way to get their message across and sell their products.

KEEPING CLIENTS HAPPY

One of the main expenses for sales reps, is travel and entertainment. This is especially true in the service industries, where sales reps must spend a significant amount of time communicating value to the customer. More direct contact with prospects is required to close sales, and more time and money is needed to keep current clients happy.



In a survey conducted by *Sales & Marketing Management*, the average travel budget per rep in the service industry was \$10,500, and entertainment budgets were \$6,500. These numbers may be somewhat lower in the staffing industry since sales reps tend to travel locally and not spend as much entertaining clients. However, the costs are still substantial and must therefore be a part of their budgets.

One of the most expensive parts of entertaining is dining out. In a survey conducted by Runzheimer International (a management consulting firm specializing in travel and living costs), New York (Manhattan); Washington, DC; and San Francisco were found to be the most expensive places for business travelers to dine out. The least expensive were Macon, GA; Wheeling, WV; and Canton, OH. The results of a similar survey conducted by *Sales & Marketing Management* are shown in the table below. Other entertainment costs for staffing sales reps may include sporting event and other tickets, golf outings, gifts, and special holiday offerings.

Average Cost of Meals Per Person

Location	Breakfast	Lunch	Dinner
Atlanta, GA	\$11.05	\$14.83	\$29.06
Boston, MA	\$9.84	\$18.72	\$36.37
Buffalo, NY	\$7.59	\$12.12	\$22.01
Cleveland, OH	\$10.02	\$14.48	\$31.93
Dallas, TX	\$9.31	\$15.62	\$32.29
Denver, CO	\$9.00	\$14.28	\$25.93
Greensboro, NC	\$7.45	\$11.45	\$25.25
Los Angeles, CA	\$12.02	\$17.55	\$33.41
Nashville, TN	\$9.71	\$15.07	\$31.28
New York, NY	\$16.47	\$22.14	\$43.85
Phoenix, AZ	\$8.30	\$14.46	\$27.62
Pittsburgh, PA	\$7.75	\$11.98	\$26.11
San Francisco, CA	\$7.54	\$16.06	\$31.74
Washington, DC	\$12.26	\$19.98	\$37.17

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Companies in the service industry aren't the only ones shelling out extra cash to keep their clients satisfied. Generally speaking, all industries have become more competitive. Companies have smaller client bases, and are therefore willing to make extra investments to keep them.

CUTTING COST, IMPROVING EFFECTIVENESS

The rise in competition has also placed a greater importance on successful, cost-effective sales calls. There are several ways to improve the results of sales calls and better justify the cost.



- Put cost/quality control procedures into place. Make your sales reps document how they are spending their entertainment budgets. Have your sales manager periodically ride along with reps when they go on sales calls.
- For each visit, a sales rep must do something to advance a sale or relationship. This doesn't include dropping off paychecks, chatting with the secretary, or any other servicing activities. This means meeting another employee or providing information on a new applicant or service.
- Discourage your sales reps from doing nonrevenue producing activities like writing letters or copying. Have them use support people for those functions.
- Use direct mail to keep in-touch with clients and prospects. In a recent survey, Human Resource professionals overwhelmingly agreed that mail was the preferred way to be reached. Direct mail is also cost effective with an average cost of only \$1.00 - \$1.50 per piece. A consistent direct mail marketing effort will make sales calls easier. Prospects will already be familiar with your company, and the letters can provide an excellent topic for an initial conversation.
- Ask for referrals from existing clients. These can be both internal and external contacts.
- Provide the proper training for sales reps. This should include initial and ongoing training to keep reps up-to-date.

All of these are cost effective ways to improve the effectiveness of sales calls. The important thing to remember is that developing relationships with clients, and especially prospects, takes time. It could take as many as twelve contacts to win a new client.

Direct sales calls are an expensive way to reach clients. Therefore, as long as sales reps are a necessary aspect of selling, you have to make the most of every call. Train your sales reps to use their time efficiently, and to help them make each sales call meaningful.