

Sales Outsourcing Guide

What you need to consider before outsourcing your sales.

Before considering whether outsourcing part of all of your sales is appropriate for you, let's get a clear understanding of what Sales Outsourcing is.

What is sales outsourcing?

Our definition of sales outsourcing is: "*Contracting another company to execute part or all of your sales process*"

You can think of a typical sales process including:

- lead generation
- lead qualification
- preparation of bid & proposal
- sales negotiation and closing
- implementation and order fulfillment
- post sales support and customer retention

So, sales outsourcing could cover all or any of these tasks within the typical sales process.

The reality is that businesses have been outsourcing their sales for as long as there have been retailers. Using other companies as a route to market is effectively outsourcing part of your sales process to someone else.

Since the rise of call centres and telemarketing agencies, companies have also been "outsourcing" lead generation and lead qualification to third-parties. And with in-bound call centres it is now common to outsource post sales support and customer retention too.

Independent sales agents are an established option in some sectors, and channel partners, such as a reseller or distributor, are simply another outsourced sales resource; they provide an indirect route to market and fulfill many, if not all, elements of the typical sales process.

However, with the rise of Business Process Outsourcing (BPO), a number of dedicated "Sales Outsourcing" vendors have become a strategic alternative to sales agents and indirect channels.

Which sales outsourcing model is best?

Let's examine two established models for outsourcing a sales force, Sales Agents and Distributors/Resellers and compare them with the BPO solution of Sales Outsourcing.

Sales Agents

Sales agents are self-employed individuals who sell products on behalf of your company on a “commission only” basis. Commonly selling into retail or manufacturing, sales agents typically have established contacts and carry multiple products; they’re the classic travelling “rep”.

Whilst a commission only sales force outsourcing option seems an ideal solution, it does have limitations.

Sales agents specialise in servicing a defined market, either geographical or industry sector. They are typically only interested in products that will be of interest to their existing contacts.

So, if your product does not fit into an existing market currently serviced by sales agents, then sales force outsourcing through agents is not the best strategy.

Also, to gain UK national coverage you may need to hire around 8 to 12 independent sales agents which would need dedicated management resources to get the best out of your outsourced sales force.

Distributors & Resellers

Another solution for sales force outsourcing is an indirect channel network. Distributors and resellers vary in one important aspect from independent sales agents: they own the customer (which is why they are called an indirect sales channel).

So, whilst a sales agent sells on behalf of your company, distributors and resellers buy your products and sell them on. You therefore lose control over the end customer and the ability to sell additional products and services directly.

As with sales agents, both distributors and resellers focus on their own sector niche. You should research your market to identify the best indirect partners for outsourcing your sales force.

Sales Outsourcing Vendors

Until recently, there were little sales force outsourcing alternatives to sales agents and resellers other than building a direct sales force in-house. This option requires substantial capital and expertise; the cost of hiring, training and managing a direct sales force can be eye watering.

So, if a direct sales force is so expensive, why would anyone have one? The reason is *control*.

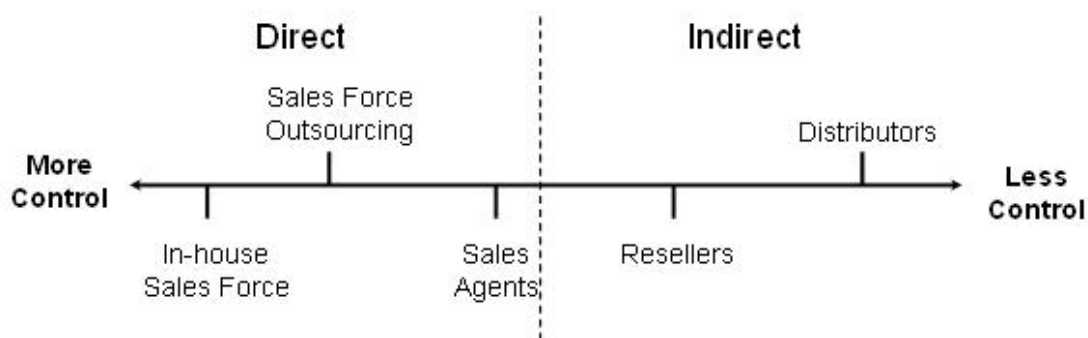
As sales agents and resellers are selling your products on a commission or margin basis there is little control over what they do and how they do it. With in-

house sales people, paid a base salary and bonus/commission, a company has direct control over its markets, customers, pricing, etc.

This can be a critical factor in very competitive or emerging markets.

However, with the growth of the BPO sector, sales outsourcing is emerging as an alternative to building in-house sales teams.

Because you contract sales outsourcing vendors to deliver part or all of the sales process you can control sales activity, markets targeted, pricing etc in the same way as an employed sales force.



Sales outsourcing vendors operate as a service provider making them an ideal partner for companies with limited in-house sales expertise. Remuneration can be a combination of fees and/or commissions. For established products with defined sales processes, the focus can be towards commission; with emerging markets and/or products with longer sales cycles more fee element is typical.

Also, sales outsourcing vendors operate as if they are part of your company, developing direct customer relationships, and only representing one client within each defined market or sector. This is better for companies with “big ticket” products and services requiring a “higher touch” consultancy sale.

In summary, compared with indirect channel partners and independent sales agents, sales outsourcing vendors are now a strategic solution to building a direct sales operation representing your company directly.

For us, this is the key distinction.

Is a direct sales channel the best fit for your business?

That's a very big question and one which we urge you to spend time thinking about. Read Lawrence G. Friedman's excellent book "Go to Market Strategy", it is the simplest and best book on the subject.

In essence, you need to consider a whole number of areas but we believe the top 4 are:

1. Does your potential customer want to work directly with your company or through a third-party? For example, do you have a product or service that requires a lot of support, consultancy or is highly configurable?
2. How accessible is your ideal customer? Are they easily identifiable, or are they best found through companies that are already serving them?
3. How much competition is there through indirect channels? Are people asking to sell your product or do you need someone to drive it hard to be noticed?
4. How much time do you have? It is estimated to take at least 18 months to develop a strong indirect channel to market. Would you be better concentrating on a few significant direct wins?

The reality is that you could choose a mixed-channel approach, using a combination of direct and indirect sales partners.

Do you outsource or hire employees?

The decision to work with a sales outsourcing company or hire employees often comes down to a number of key drivers:

- Fast access
- Conserve capital
- Reduce risk
- Lower management overhead
- Enjoy your business more

Fast access

Working with a sales outsourcing company provides rapid access to the specialist expertise that is right for your situation. For example, if you want to enter the UK market, you could engage one or more sales consultants in the UK with the necessary sector expertise to recruit local partners.

Consultants from sales outsourcing vendors are usually available to start assignments immediately, providing fast access to attractive sales opportunities without the delays and additional costs of hiring your own people.

Conserve capital

Hiring sales people can be one of the most high-risk and costly experiences for any small business. Recruitment costs, which can be up to 30% of the annual salary package, take a large slice of cash, plus other up-front costs including equipment and company car. For many small businesses, and particularly start-ups, the cost to get into the game can be prohibitive.

Rather than committing large capital sums to hire in-house people, business owners can access an outsourced sales resource through a specialist outsourced sales company.

A sales outsourcing consultant will be provided on a flexible contract to fit with your budget, and on a results-focused model that includes commissions. The outsourced sales agent will already have their own vehicle and equipment (as they're effectively self-employed) and there will be absolutely no recruitment fee.

This means that you can engage an outsourced sales consultant for between 3 to 6 months before you exceed the up-front costs you would have paid to a recruitment agency.

Reduce risk

In addition to saving huge up-front recruitment fees, many companies choose to outsource sales to reduce their risk. Getting a sales hire wrong can be a very costly mistake. It's not just the wasted recruitment fees and employment costs; failure in hiring the right sales person can lose customers and destroy reputations.

By working with a sales outsourcing company, you can engage with an outsourced sales consultant on a flexible, pilot basis. This could be a small project to see how things go before you scale up the operations, with the ability to terminate the relationship (without any employer obligations) at short notice.

For a small business, the ability to reduce risk by using an outsourced sales company is a big attraction.

Lower Management Overhead

For business owners without experience of running a sales team, using a sales outsourcing company will dramatically lower your management overhead.

Why?

Outsourced sales consultants are not employees, they are self-employed. A sales outsourcing company has its focus on delivering results; it's their business model after all.

Rather than chasing employed sales people to find where they are, developing processes to control their activities, and then wondering why they are not performing – you contract out the entire management overhead to your outsourced sales company.

They will have their own reporting systems, CRM, sales processes, etc, plus a sales outsourcing company will be experienced at sales operations and bring many years of sales management expertise to the table.

Enjoy your business more

This brings us to the final compelling reason why many small business owners choose to outsource their sales.

It may be heretical to state, by not every company wants to be (or can be) a global market leader. Some entrepreneurs want to build a profitable business that enables them to enjoy a particular lifestyle.

Even business owners with greater ambitions want to grow at a pace that they can control or focus on the aspect of their business that they enjoy.

Often, the most attractive reason to partner with a sales outsourcing company is that you just don't want to "do sales". Even if you enjoy selling, the whole aspect of prospecting and managing the sales process may leave you cold.

If this is the case, finding an outsourced sales company that can take your business and run with it is the best solution. Sales outsourcing companies exist to sell. They are run by people who will look at your business and see an opportunity to make money.

Many entrepreneurs find this liberating as they can get back to what they enjoy, be that product design, technical development, or whatever, and leave the sales to someone else.

Is there a downside; nothing's ever all one-way, is it? Here are two issues to consider:

Capacity

You never get 100% full-time focused on your sales. Flexibility and scalability come at the price of exclusivity. Most sales outsourcing companies have between 2 to 5 active non-competing clients at any one time. Make sure you get performance metrics built into the contract.

Commitment

A shared risk model is good but it needs to be balanced. If the client doesn't have "skin" in the game, in terms of fees, then the sales outsourcing company could simply walk away if the going gets tough (and it will). This is why commission-only sales people always seem a good idea but rarely deliver. Consider your sales outsourcing partner as a co-venturer. Fees should be high enough to maintain interest but low enough to motivate performance.

Summary

For companies needing growth without significant outside funding, sales outsourcing could be an appropriate model.

It is particularly suited to entering new geographic regions or non-aligned markets and its scalability allows companies to acquire market share without the associated costs of building an in-house team.

If you are a business owner or start-up entrepreneur looking to grow your business without the costs, risk and hassle of hiring your own sales people, partnering with a sales outsourcing company can be the answer you are looking for.

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