

How Much Should A Sales Call Cost?

I sat in on the seminar after mine at an industry conference a few weeks ago, and the presenter raised the issue of the cost of an individual sales call. He quoted a national survey which indicated that the average cost of a sales call across the entire US economy is now approaching \$600. After the audience picked itself up off the floor, he admitted that the cost of a typical sales call in the printing industry is probably quite a bit lower than that.

According to this speaker, the average cost of a sales call in the printing industry today is approximately \$165.00, and of that figure, only about \$23.00 can be assigned to travel and other expenses. The remaining \$142.00 is the cost of employing the salesperson.

I sat in the audience thinking that I probably know of companies and salespeople where the cost of a typical sales call is really this high, but for the majority of quick/digital/small commercial printers I work with, it's not even close.

Beyond Belief?

Can you even imagine it costing \$600 to make a sales call? I can, and in fact, I've been on a few pretty expensive sales calls over the years. Back in my next-to-last "real" job (before I became a consultant/speaker/author/etc.) as the VP/Sales & Marketing of a large and fairly specialized commercial printing company, I went on one sales call that involved flying three of us from Philadelphia to Dallas on the evening before the meeting, hotel rooms, meals—including the extravagant lunch we bought as part of the sales call—and a rental car, all of which totaled up to more than \$3000. Of course, we won an order that day that was worth more than \$240,000, so I think you'll agree that the cost of that sales call was money well spent!

Even for this company, though, that sales call was not "typical." We had customers as far north as New York City, and as far south as Washington, DC, but most of our business was done within 30-40 miles of our plant in suburban Philadelphia. The sales call in Dallas was a visit to the home office of a company doing most of its business right in our market area. Still, I calculated once that the cost of an average sales call for this company was approximately \$90.00.

The arithmetic is pretty straightforward. If you have salespeople averaging \$85,000 per year in earnings—which we did—and those salespeople average 21 sales calls each week—which they did—the cash compensation cost of employing each salesperson averages \$77.83 per sales call. Add in expenses and benefits (including FICA) and you get to \$90.00 per call pretty quickly.

Q/D/SCP Level

At the quick/digital/small commercial printer level, I would expect the average cost of a sales call to be significantly lower than that. Let's say that you have a relatively new salesperson on a pace to earn \$24,000 this year, and he/she is making 8 face-to-face sales calls each week—maybe 6 on current customers and two appointments with new prospects. The cash compensation cost of employing that salesperson works out to an average of \$57.69 for each of those face-to-face sales calls.

Now, let's turn up the level of activity just a little bit and see what happens. If we can train and motivate that salesperson to increase his/her face-to-face sales calls by 50%—from 8 to 12 each week—the average cash compensation cost of each sales call drops to \$38.46. Get it up to 16 face-to-face sales calls each week, and two important things will happen. First, the average cash compensation cost of each sales call comes down (temporarily) to \$28.84. Second—and more importantly—I'm pretty confident when I tell you that any salesperson who doubles his/her activity level will see some increase in sales.

You'll note that I stuck the word "temporarily" in there. This reflects the simple fact that when sales volume goes up, so will the average cost of each sales call. But let's look at the numbers. If attaining a level of 16 face-to-face sales calls each week brought the salesperson up to \$30,000 in annual earnings, the average cash compensation cost of each of those sales calls would jump back up to \$36.05. That wouldn't bother me at all, though. I think anything in the \$30-40 range with a relatively new salesperson is pretty healthy for a typical quick/digital/small commercial printer.

How about a more experienced salesperson, say one who's on a pace to earn \$40,000 this year, and is consistently making the same 16 face-to-face sales calls each week you'd like to see from a less-experienced person. The average cash compensation cost for that \$40,000 per year salesperson would be \$48.08. (Just to make

sure you understand how I came up with that figure, it's \$40,000 divided by 52 weeks in the year, divided by 16 face-to-face sales calls each week. $\$40,000 \div 52 = \$769.23 \div 16 = \$48.08.$)

How about someone making \$50,000 per year; a hard charger who still manages 16-18 face-to-face sales calls every week. If we use an average of 17, the average cash compensation cost per sales call works out to \$56.56.

I hope you'll see the pattern. With a salesperson earning in the \$20,000's, you want the average compensation cost per sales call to be in the \$20's too. With a salesperson in the \$30,000's, you're pretty healthy with the average between \$30-40. With a salesperson in the \$40,000's, I'd like to see the cost average between \$40-50. We're basically talking here about it being a healthy situation when your average cash compensation cost per sales call is approximately .1% or 1/1000 of the salesperson's total earnings.

Important Point

Here's an important point you must consider in understanding how the cost of an average sales call relates to the health and profitability of your business. The only calls we're counting toward the average cost are face-to-face meetings with customers and prospects. Prospecting activities—like the kind of information-gathering cold calls I teach to my sales coaching clients—don't count toward this average. They are essential to the overall selling process, of course, because the way it works is that prospecting activity and follow-up creates more face-to-face meetings. If you want your salesperson to increase his/her sales call count and thereby decrease the average cost of each sales call, the first step you must take in sales management strategy is to motivate an increase your salesperson's prospecting and follow-up activity.

Another thing you must understand is that "social" visits on current customers don't always count either. If a "social" visit is necessary to maintain the relationship, of course, it does count. But if it only represents a way for the salesperson to kill some time, it does not. If 16 face-to-face sales calls includes 2-3 time-killing and purely social calls, your calculation must be based on the number of "real" sales calls, which will result in a higher average cost.

Remember, though, it's not really hard to upgrade a "social" call to a "selling" call. If that's something your salesperson needs to work on, I might suggest that you go into your "back-issue" files and pull out the September 1999 issue of *QP*, and re-read my article titled "A Few Thoughts On The Differences Between 'Servicing' And 'Selling.'"

Lowering The Cost

I think it will be very worthwhile for you to sit down and calculate the average cost of a sales call for each of your salespeople and for your company as a whole. If nothing else, it gives you a starting point toward improving what may now be a less-than-ideal situation. If your average cost is too high according to my standards, remember that you only have two ways to reduce it. One is to increase sales volume, and the other is to increase the number of face-to-face sales calls being made.

Please also remember, though, that an increase in activity is almost always the necessary first step toward an increase in sales volume. Without it, you can only *hope* that sales volume goes up. With it, you can generally *count on* seeing some increase in sales.

The First Rule Of Sales Management is to manage the things you can control, and while you can't always control customers and prospects and especially their buying cycles, you can definitely control your salesperson's activity level...at least to the degree that you tell the salesperson what you want in terms of activity, provide whatever training and support might be necessary in order for your salesperson to know *how to do* what you want, and then make it clear that you'll fire the salesperson if he/she doesn't do it! The Second Rule Of Sales Management is that not much happens without accountability!

Eliminating The Cost

I hate to say this, but I'm betting that at least a few readers will be thinking that my column this month reinforces the position that having a salesperson is a bad idea. I recognize that the thought of spending \$30-40—or more!—on every sales call can be frightening, especially at the stage where you're just getting started with a salesperson, or just thinking about hiring one.

The question I want you to ask yourself is this: can you afford *not to* have a salesperson? There's no question that a salesperson can make your business grow, but let's not lose sight of the way he/she will do that. It's really pretty simple! A salesperson grows your business by taking customers away from other printers!

I promise you that you have competitors trying to take your customers away from you. Some of those competitors may be counting on a Yellow Pages to do that. I wouldn't worry too much about those competitors (unless you do something that causes your customer to look to the Yellow Pages as the first step toward replacing

you!) Other competitors will be using direct mail and other forms of advertising. Those competitors wouldn't bother me too much either, again, as long as you're taking good care of your customers.

Some of your competitors are sending salespeople into the battle for your business, though, and this is an entirely different story. A salesperson brings a personality into the picture, and isn't it true that many of your competitors seem to be willing to sell at lower prices than you've been selling at, and lower prices than you want to sell at?

Consider this combination. The competitor's salesperson is a nice enough person, and he/she really seems to want a shot at (my) business. He/she is also offering lower prices than the printer I've been doing business with. (You!) Maybe I (your customer) should give this person a chance!

Can you afford to let that combination play out without having someone out there to defend your interests? You may be safe, but then again, you may not be. Please think about that!