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Evaluating the Cost of Sales Calls

in Business-to-Business Markets

A Study of more than 23,000 Businesses

Prepared and conducted by: Cahners Research





Evaluating the Costs of Sales Calls in Business-to-Business Markets

By Susan Mulcahy

Each year companies face the challenge of being fairly compensated for the goods and/or services they provide to their customers. To negotiate for that fair value, companies rely on their sales representatives. Businesses trust their sales representatives to be the link between their customers and their profitability. But as this study reveals, sales representatives need to listen more to the wants and needs of their customers.

Our survey finds that the costs of a sales call continues to rise and it takes more calls to close a sale than ever before. Therefore, sales representatives need to make the most of the time they spend with customers. We found seventy-six percent of customers are currently frustrated with their vendor sales representatives. Lack of product knowledge, listening to my needs, and understanding my business, topped the list of grievances customers currently have about their sales representatives.

As we become more creative with our products and services, and search for more effective ways and methods to sell our products, it is important for us to make sure that we are adequately training and enhancing our sales people. Over half of the companies in this study admit to being too busy or too concerned about other issues to educate, evaluate, or update their sales force.

Each year it becomes more difficult to reach our target audiences. The most effective and profitable companies realize that it takes many different approaches and solutions to

reach their customers in an ever-changing and highly competitive world. A closer look into the sales channel and making the most of your sales personnel will eventually make an impact on your business. This report provides some insight into sales strategies we hope you can use to make your business grow and prosper in the years ahead.

Methodology:

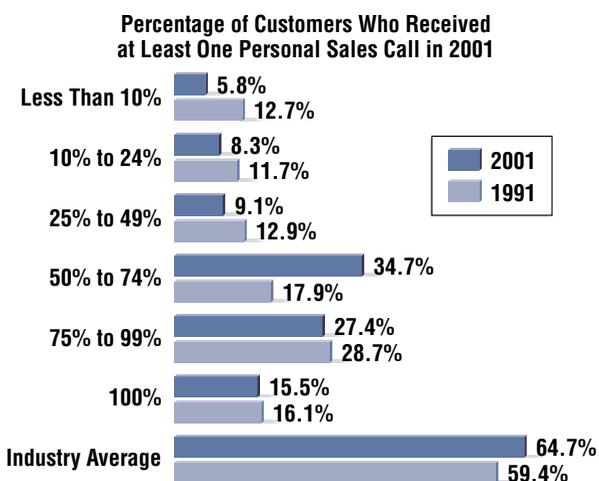
The sample for this research was selected from the Cahners database of businesses. More than 88,000 businesses were selected for this research. Results are based on the responses of 23,341 businesses who participated in this survey and stated they were involved in the recommendation, selection, specification and/or purchase of goods and services for their business. The businesses all described themselves as one of the following; building/construction, communications, electronics, entertainment, food, manufacturing, packaging, printing, retail and/or science. Cahners Research conducted this survey from July-September of 2001. For more information about this report or questions, please contact Susan Mulcahy at s.mulcahy@cahners.com

CARR Reports & Technical Notes:

The Cahners Advertising Research Reports are a continuing series of media research reports that study business-to-business marketing and trends. For more information or to view additional CARR reports see www.cahnerscarr.com

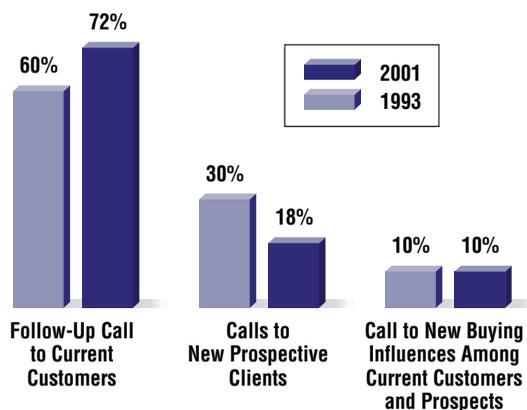


Do sales representatives personally call on every customer at least once a year?



Sales representatives personally call on roughly two-thirds of their customer base per year. Not surprisingly, sales representatives call most frequently on customers who have made purchases within the last 3 months. Sales efforts are most often targeted to frequent buyers of goods and services rather than sporadic purchasers.

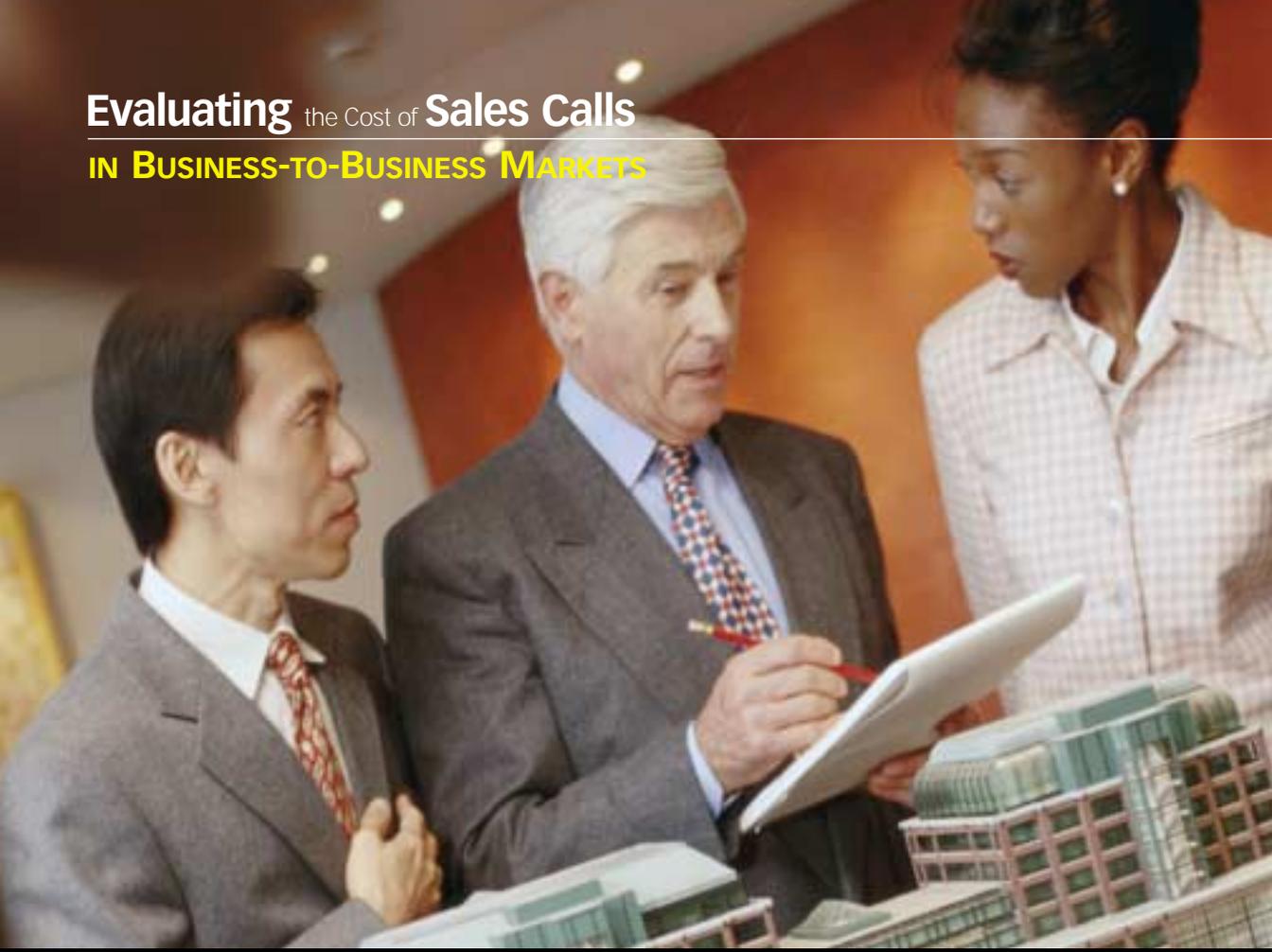
What percent of personal sales calls are made to new clients?



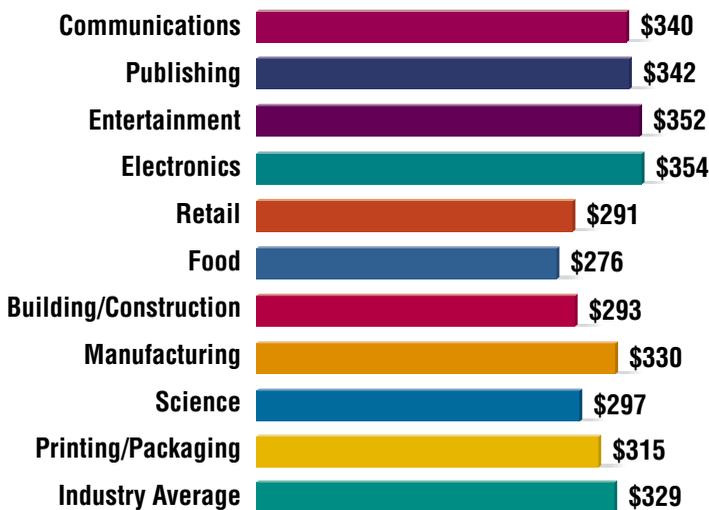
The average sales representative spends almost three-quarters of his/her active selling time with existing customers. Less than 20% of sales efforts are being focused on new prospective clients.

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What is the average cost of a personal sales call by selected industries?

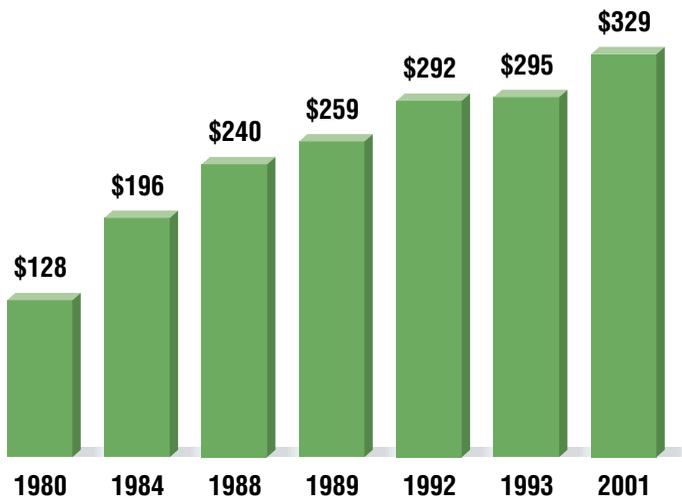


In 2001, only 15.5% of sales personnel called on their entire customer base (see page 2). This can be primarily attributed to the increasingly high cost of sales calls. The average business-to-business sales call currently costs \$329.00. Costs vary by industry sector, but almost all markets are currently over the \$295 average cost from 1993.



What is the average cost of personal sales call?

Cost of a Personal Sales Call



Since 1993 the average cost of a personal sales call has increased by 10%. As costs for calling on customers increase, businesses in this study reveal that making the most of a sales call is imperative. Targeting the most influential and frequent buyers and purchasers are where companies are trying to focus their resources. To hold down sales costs, nearly two-thirds of businesses studied in this research believe that they will be increasing their use of conference calls and video-conferencing.

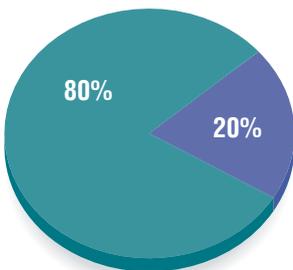
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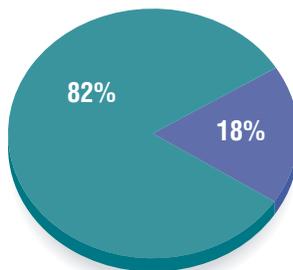


What percentage of sales are made by inside sales and by direct (in person) sales and how are selling budgets divided between them?

Share of Sales Made



Share of Company Sales Expense Budget

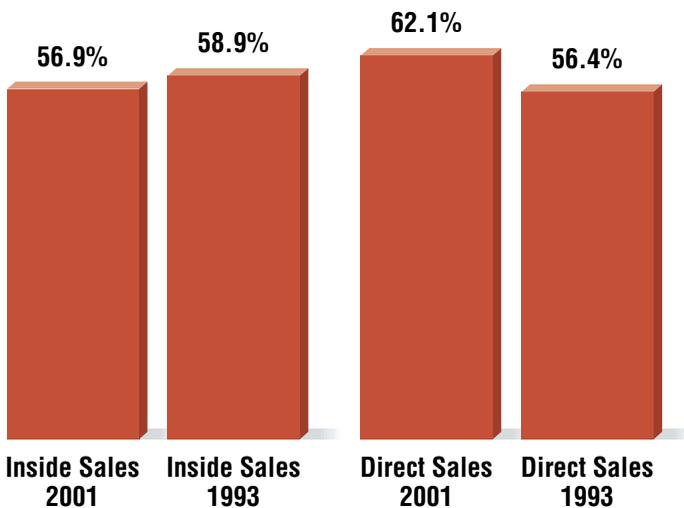


On average, eighty percent of sales calls are made by direct sales efforts. Consequently, direct sales have the majority of the sales expense budget. Inside sales, or sales efforts made by telephone, email and/or direct mail solicitations, account for one-fifth of a company's sales revenue.



How effective are direct sales and inside sales efforts?

% of Accounts Called on in the Last Year Who Made a Purchase



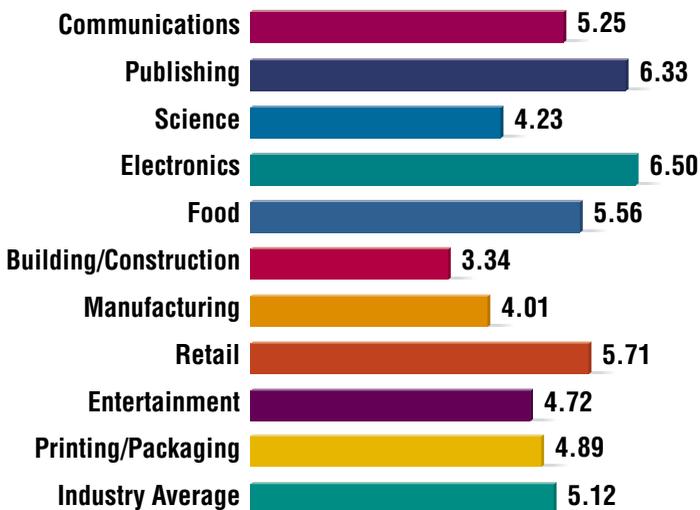
Both direct sales and inside sales efforts have been effective in 2001. Over half of the customers called on by inside sales methods have made a purchase. Almost two-thirds of sales accounts that were seen by sales representatives in person made a purchase.

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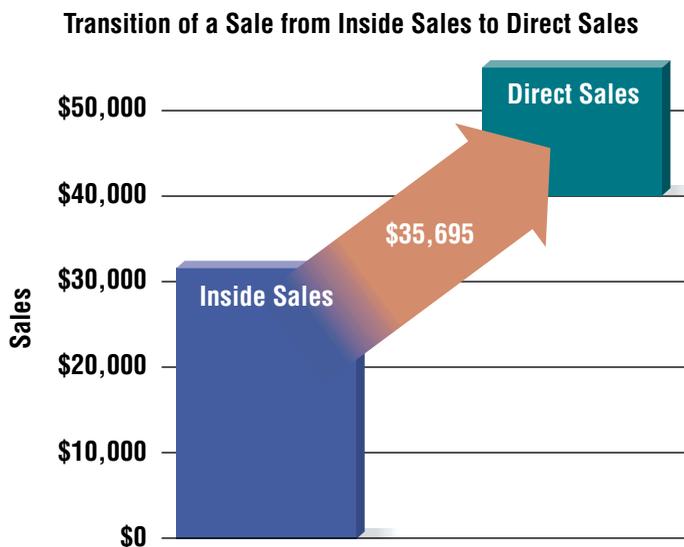
How many sales calls does it take to close a sale?



A typical business-to-business sale that exceeds \$35,000 takes an average of 5.12 calls to close. This number has increased 20% since 1989. Over 75% of companies in this study stated that a sale over \$35,000 now needs a combination of direct and indirect sales efforts. Over the next five years, businesses believe they will continue to struggle with increasing costs to close sales.



At what dollar amount is a customer transferred to an outside sales representative?

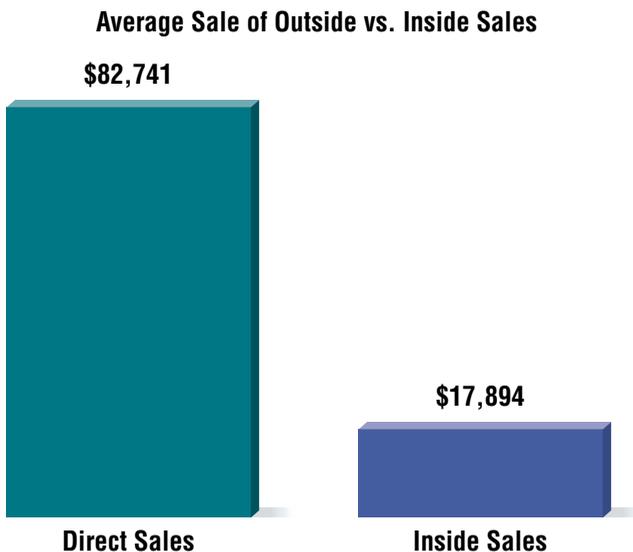


Once a customer reaches \$35,695 in sales, they are typically transferred to an outside sales representative who begins to call on them in person. Most organizations believe they can handle their customers, who have sales totalling under \$35,695 by using remote or non-direct sales methods.

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What is the amount of an average sale made by inside sales and direct sales

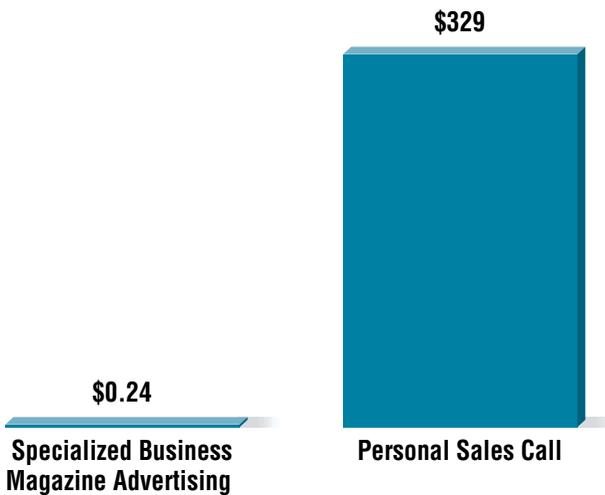


The average sale made by a personal sales call is \$82,741. This amount is substantially more than the \$17,894 average sale typically generated by inside sales methods. However, the cost of an outside sale is significantly greater than inside sales methods.



What is the cost per recipient for a specialized business magazine advertisement?

Cost of Reaching a Prospect



Note: The median score indicates the percentage of readers who remembered seeing the ad in the issue they surveyed. Calculations for specific publications can be done by using the same methods and calculations.

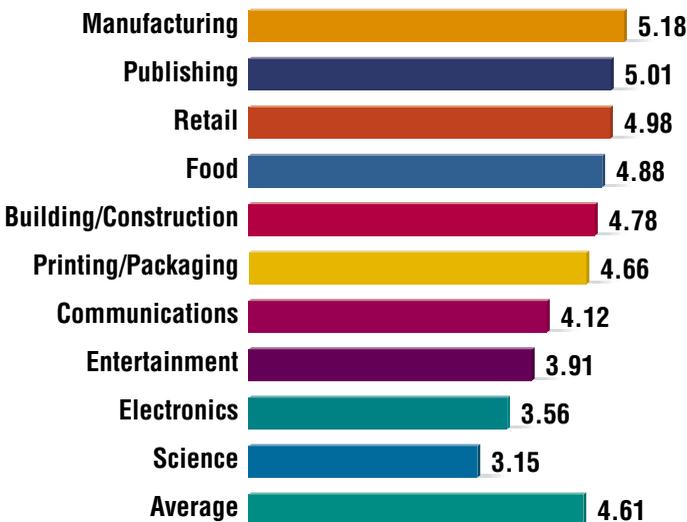
The cost of reaching a potential prospect or customer by using a specialized business magazine advertisement is significantly less than the cost of a personal sales call. Specialized business publications can be an efficient and cost effective way to reach buyers.

The average cost of a specialized business publication is based on calculations done by Cahners Research. The cost is calculated by using the averages of the following categories: the average circulation (74,116) was multiplied by the average current issue readership (93%). This figure (68,928) was multiplied by the median noted score for a one-page 4-color advertisement (50%). Lastly, this figure (34,463) was divided by the average rate for a one page 4-color advertisement placed one time (\$8,119) which equals \$0.24.

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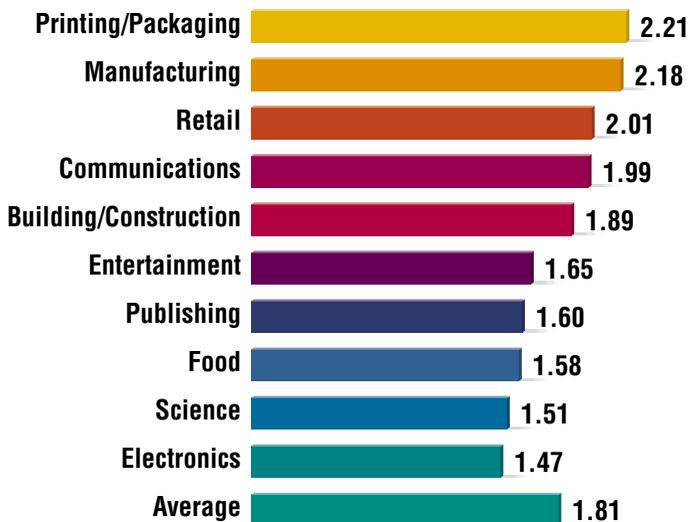
Average number of sales representatives customers speak with on the telephone per week.



In 2001, customers spoke with less sales representatives than they have in the past on the telephone. The average number of sales calls taken by customers over the phone is 4.61 per week. The number of calls may vary by industry sector, but sixty-eight percent of customers say they would like fewer telephone calls from sales representatives in 2002. Simply stated, customers have less time to speak with sales people.



Average number of sales representatives customers see in person per week



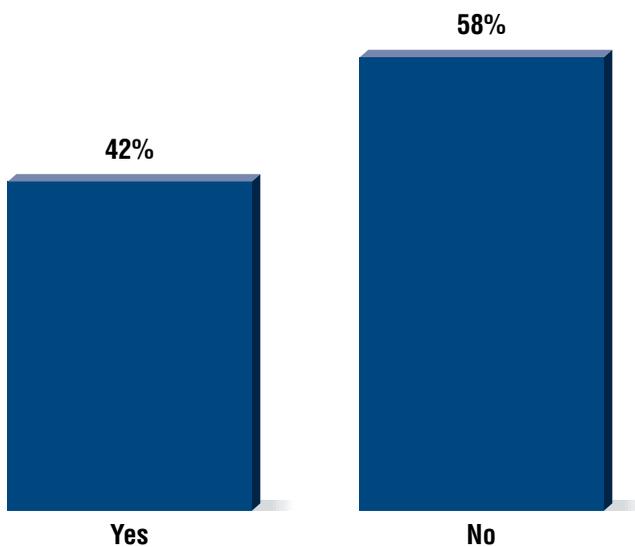
In addition to talking with sales representatives on the telephone less each week, customers are spending less time with sales people in person. On average, customers have only two in person sales calls each week. This means that any personal time sale representatives spend with their customers needs to be effective and productive.

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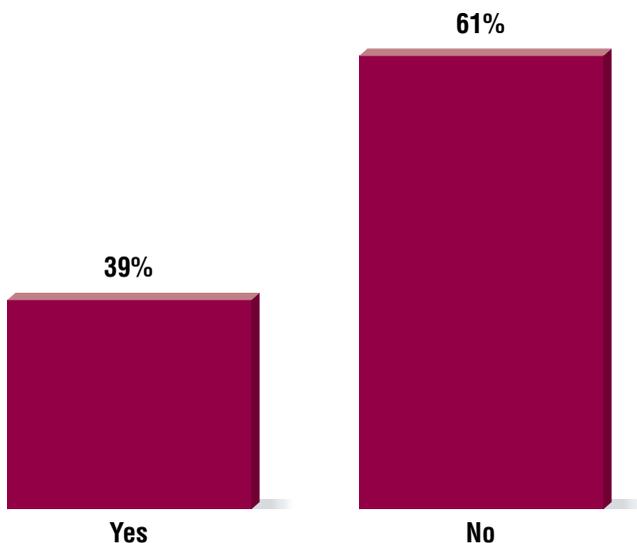
Company sales representatives can usually answer my questions?



Effective and productive time with customers means sales representatives need to devote time to adequately answering their customer's questions. Over half of customers state that sales representatives cannot answer their questions. This has added to many customers' unwillingness to see and speak with sales representatives on a regular basis (see pages 11+12). Sales representatives need to be better prepared for questions on calls by listening more to their customers' needs.



Company sales representatives understand my needs and are not merely just trying to sell their product?



Over ninety-percent of customers state they would like their sales representatives to be more of a resource to them. Sales representatives who understand the business, needs and pressures of their customers are sixty-nine percent more likely to come away with a sale.



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