

Should I Hire An Outside Salesperson?

I get phone calls every month from quick printers who are somewhere in the process of implementing an outside sales program. That can mean anywhere from thinking about doing it, to developing a compensation plan, to trying to evaluate a salesperson's early performance. In the last month or so, most of the calls seemed to come from people in the "thinking about it" stage.

One of the callers simply gave me a quick description of his company and then asked me: "Should I hire an outside salesperson?" I told him that he could be asking me two different questions with that single sentence, but I thought I could help him to answer both of them.

Should I Hire...

The first reading of the question—for this caller and probably for many other QP readers—is should I hire an outside salesperson? In other words, should my company have someone out making sales calls. The answer to that question is almost certainly yes!

One of the ways a sophisticated marketer would view a market like this is that there are only two kinds of potential customers in the quick printer's world: the people who will come to you and the people who won't. If you are not already doing all of the business you desire—or can handle—with people who come to you because of advertising, promotion, word-of-mouth, or simply the convenience of your location, you need to gain some business from the people who won't come to you. And that means going out to them!

Granted, most quick printers aren't doing all of the business they can handle with people who will come to them. So there is an alternative to outside sales...more and/or more aggressive advertising and promotion. But as you consider that alternative, please consider these two things. First, advertising also has cost attached to it, and the better—and broader—your advertising is, the more it's likely to cost. Second, the way you search for customers has some bearing on the kind of customers you're likely to get. And while there are exceptions to every rule, I think it's largely true across the industry that direct mail and other common forms of advertising tend to attract smaller companies as customers. If you're looking for larger customers, direct sales is likely to be a far more effective way of initiating and developing business relationships.

Should I Hire...

I believe very strongly that the vast majority of quick printers should have someone outside making sales calls. So the second reading on the original question is should I hire an outside salesperson. In other words, should I add someone to my staff to handle this part of the business? I hope you'll agree that this should be a separate question.

How do you answer the question? Let's break the process down into several individual steps. I think the first consideration should be whether you—the owner—should be the outside salesperson for your company. So let's make the first component question simply this: should it be me or someone else?

Since you're the owner of the business, I'll let you answer that question—at least for now—solely on the basis of whether you want to do it. If you're interested in the challenges of outside selling, make the commitment to learn about selling and make the sales calls. I promise you that there's no magic to it. If you'll do nothing other than make—and follow up on!—that commitment, you'll make some sales. And if you'll continue to make the calls and learn and gain experience, even the least confident among you can turn into very effective quick printing salespeople. I've seen it happen many, many times!

If you're not personally interested in the challenges of outside selling, that's all right too. But remember, if you're still reading this article, you've hopefully already decided that someone has to be out there making sales calls in order to insure the success of your company. So here's the next component question: Should that somebody be brought in from the outside, or do you have your outside salesperson working for you right now in another capacity?

Printing Sales Knowledge Base

One of the points I make in Sales Management consulting and seminars is that there are four elements to what I call The Printing Sales Knowledge Base: product knowledge, market knowledge, operational knowledge, and selling technique. Product knowledge should be self-explanatory. Market knowledge covers an understanding of customers—who they are, what they want, etc.—and of trends in the marketplace. Operational knowledge deals with the way you

want your company to run; philosophy, policies, and procedures. Selling technique, of course, means the “how to’s” of selling.

Now think about this: Every one of your current employees has at least some level of product knowledge, market knowledge, and operational knowledge. They know something about your company, your customers, and your products. All that’s left is to teach them something about selling, and believe me, that’s the easy part. By far the most common complaints I encounter with printers who have gone outside their own companies for salespeople is that they don’t pick up the product knowledge and they don’t “become part of the team.”

Before looking for an “experienced” salesperson, I strongly urge you to consider the experience of your current employees. Simple arithmetic tells you that you’re likely to have greater success when you only have to develop one of the four elements of The Printing Sales Knowledge Base. And here’s another thought...with a current employee, your entry into outside sales can be made on a gradual, possibly part-time, and relatively low-cost basis.

The Cost Factor

Most of the problems I see in bringing on an outside salesperson are related to the cost factor. There are really only two ways to approach the investment—and it is an investment, that’s the only way you should look at hiring a salesperson. The first approach is to hire an experienced printing salesperson, which generally translates into a larger immediate investment. The other approach is to hire an inexperienced salesperson and accept the training challenge. The immediate investment is smaller, but the payback is likely to take longer too.

How do you know which approach is right for you? It’s often a simple matter of economic arithmetic. One of my calls last month was from a quick printer who was considering hiring an experienced commercial printing salesperson who needed an income in the \$40,000 range. The quick printer was in the \$250,000 annual volume range. The salesperson claimed to have done almost \$300,000 in business last year, but you should never, never expect a salesperson to be able to bring all of his or her previous business along to a new company.

I told the quick printer that he was considering an extremely bad investment. “Look at the numbers,” I said. “You’ll have more than \$3300 in incremental payroll going out every month, and no reasonable expectation of getting in \$25,000 in incremental sales. Even with established customers and printing sales experience, I would base my planning on no more than \$10,000 in incremental sales. How many months can you afford to do that?”

My bottom line advice to this quick printer was to make himself the outside salesperson for his company. He’s going to have to do something he really doesn’t want to do, and he’s going to have to hire a part-time front counter person in order to free up the time to do it, but I see that as a much better investment under the circumstances. Even though it might take him longer to get significant sales volume coming in than an experienced salesperson, his cost of gaining those sales is going to be a lot lower. In other words, he’s going to make money on the incremental sales volume, it won’t all just pass through his hands to an employee.

Guidelines

Should you hire an outside salesperson, promote one, or do it yourself? There’s no blanket answer, but I’ll offer you these guidelines. If your current sales volume is \$300,000 or lower, you have to do it yourself. The cash-flow cost of the investment could be a problem in the first place, and it could easily take a year or more to get to the break-even point.

From \$300,000 to \$600,000, you have a little more latitude. At that level, you still have the option of doing it yourself, but you should also be able to afford the \$20,000-\$30,000 annual investment in an “entry-level” or relatively inexperienced salesperson—providing, of course, that you are profitable at your current sales volume. If you’re not profitable, you’d better work on that before you invest in outside sales.

That may sound strange coming from me, because I have always preached the power of incremental sales volume, and the idea that the next dollar in sales is almost always more profitable than the dollar before it. (The only time it isn’t is when you reach a plateau where you have to spend more money to handle that next dollar of sales. And that does happen, but the increments are pretty wide. I think most of you will feel that you have at least a little room to grow before you have to put on a new person or add a new piece of equipment or otherwise increase your cost base just to handle the business.)

When you’re near the beginning on one of these “plateau cycles,” you’ll always appear to have excess capacity, and profitability suffers. If that’s your situation, then all you really need to bring profitability back into line is increased sales volume. But there is often a different situation behind low profitability, and if you carry bad business habits into a growth phase, you’re doomed to be a “profit laggard” even at higher volume.

If your volume is in excess of \$600,000—and you’re profitable—you have even more latitude. At that point, you might be able to take the risk on an experienced printing salesperson with a following. As I’ve pointed out, it is a risk, because you get no guarantee that all of the business will actually follow along. But there is a significant

reward potential if much of it does, and it also stands to reason that a salesperson who developed customers once can do it again.

If your volume is well in excess of \$600,000, I recognize that I'm probably preaching to the choir. Offhand, I can't think of more than a few quick printers who have built and maintained a business in the \$1,000,000 range without an outside sales presence. Still, I hope today's article will give you something to think about in hiring your next outside salesperson.

Best Choice

Even with these guidelines, I want to close for today by telling you that I think your best choice—no matter what volume range you fit into—is to get yourself out of the shop and making sales calls. An owner who can sell will never be trapped, either by business conditions or by a salesperson's continued employment demands. An owner who can sell will be a more effective sales manager. And an owner who can sell will have a much better chance of turning a non-sales employee into an effective salesperson, taking advantage of all the experience that is part of The Printing Sales Knowledge Base, and taking advantage of the significant cost benefits—and risk reductions—of that practice.

When you come right down to it, an owner who can sell can contribute more to the bottom line of a quick printing company than anyone else can. And here's something else: An owner who can sell won't have to call anyone to ask about the wisdom of hiring a salesperson. The question will be should I hire another salesperson, and that will be a lot easier question to answer.