# How Much Salesperson Can You Afford?

The starting point for today's discussion is that an outside sales presence is a near-absolute requirement for substantial sales growth in the quick/digital/small commercial market segment in the 21st Century. Sure, I hear stories about big customers showing up at the door—or more likely calling on the phone—and adding a significant chunk of sales volume to a printing company's top line, but it happens a lot less frequently than you probably think. Let me ask you this, did it happen for you last year? How about the year before that?

The fact of the matter is that there are people who will come to you, perhaps encouraged by direct mail, word-of-mouth, your Yellow Pages ad or some other form of advertising, a direct referral from a current customer, or even your website. There are far more people who won't come to you, though, and if you want some of their business, you have to go to them. In other words, *outside sales*!

I think it's also fair to say that big companies tend to fall into the "won't come to you" category, and there are several good reasons for that. First of all, big companies that buy a lot of printing are already buying it from someone—and the more they buy, the more likely it is that they're spreading their work among multiple printers. If one of their "stable" of printers lets them down, they just move the work to one of the others. And if they decide to add a new printer to the mix, they can usually choose from among companies already actively calling on them.

Here's the bottom line. No matter how proud you are of your direct mail or your newsletter or your website, you're mostly invisible to the "whales" in your market area unless a salesperson is actually calling on them. And that takes us back to my starting point…an outside sales presence is a near-absolute requirement for substantial sales growth in the quick/digital/small commercial market segment in the 21st Century.

**Harsh Arithmetic**

OK, that's actually the good news, because the bad news is that you can't afford to hire the salesperson you really want—a knowledgeable and experienced "self-starter" who will do the job without much supervision. It's not that those people don't exist, in fact, you can find lots of good candidates in most cities in the $50,000 to $60,000 a year price range. The problem is that you can't pay someone that much money in the first or second year. It's harsh arithmetic, perhaps, but it's also inescapable—assuming as I do that you want to make money yourself, not just provide a comfortable living for a salesperson!

The consideration of how much salesperson you can afford to hire starts in the same place for every printing company, regardless of sales volume, profitability, or any other variable. How much brand new sales volume can a salesperson realistically be expected to generate in the first year? In the second year? In the third year? Those are the critical questions, and the main variable affecting the answer to those questions is the printer's equipment list. To put it simply, if you're equipped to handle larger orders, you can expect higher sales volume.

I've been basing compensation plans for "typical" quick printers on the expectation of $100,000 of new customer sales volume in the first year. By typical, I mean operating nothing bigger than a small-format two-color press, and mid-range digital color and black and white printers. Add a small-format four-color press and I'll increase that by $50,000. Add mailing services and I'll increase it by $25,000. A 60 ppm color printer is also worth an extra $25,000, and so is a 100+ ppm black and white printer. A printing company with all of that equipment and capability could reasonably forecast $225,000 in new customer business from an inexperienced salesperson, but a "typical" quick printer cannot expect that kind of sales volume from any salesperson (except an established printing salesperson who brings established customers along, but you have to be very careful about guaranteeing income based on the expectation that will happen. More on that will follow.)

**Investment Tolerance**

Once we define a reasonable sales volume expectation, the next question is how much you're willing to pay for that sales volume. How does $50,000 in compensation for $100,000 in new business sound to you? When it's put in those terms, I hope you'll agree that you simply can't pay someone that much money to bring in that amount of sales volume! The trap many "typical" quick printers seem to fall into is the belief that a $50,000 person will somehow sell more than the printer's equipment predicts, but with painfully few exceptions, it just doesn't work that way. (The pain, by the way, is suffered by the printers who make this all-too-common mistake.)

Now, how about the established salesperson who brings established customers along? First of all, it's important to understand that I'm talking about new customer development here. An established salesperson might bring, say, $250,000 worth of customers along, but I would still not expect him/her to develop much more than another

$100,000 worth of new customers in the first year of working for a "typically" equipped quick printer. If you agreed to pay $1500 per month in salary and 10% commissions, that salesperson would earn $53,000 and I'd be happy enough to have you pay that amount—provided that the salesperson was selling at highly profitable prices! This is critically important, because taking on low margin sales volume at a high compensation rate is another of the very common traps printers fall into. A 15% compensation load is perfectly acceptable against a 25%-30% COGS. Against a 40%-50% COGS, it's a whole other matter!

Another critical issue is whether an established salesperson can actually bring customers along to a new company. A lot of that depends on the other printer's ability to defend those customer relationships when the salesperson leaves. It's a sad fact in the industry that most printers seem to abdicate "ownership" of those customer relationships to their salespeople, but that's not true of every printer, and I think it's fair to say that even a modest defensive effort with retain some of the customers in question. For that reason, I wouldn't guarantee an established salesperson a high salary. If he/she really can bring the customers along, I'll be happy to pay for that in commissions, but I'm not going to pay for it in advance! The bottom line here is to be careful about what you guarantee to an established salesperson!

**Another Trap**

How about the strategy of assigning some customers to a new salesperson? I like that strategy, mostly because the best way to learn about printing and selling is to have people to talk to and projects to talk about. The idea of assigning house accounts just to provide income for a salesperson is another trap, though. Please understand that a salary of $1500 per month coupled with the assignment of $5000 per month worth of customers at a 10% commission rate is exactly the same as a salary of $2000 per month in terms of the incremental cost to your business. A better strategy might be a salary of $1000 per month along with those assigned customers. Then you'd explain to the salesperson that those customers are essentially guaranteed income as long as he/she does a good job representing your company to them, and beyond that, they have growth potential as well. (Growth potential, by the way, should be the most important criteria in selecting customers to assign to a new salesperson.)

**Bottom Line**

The bottom line here is that your equipment and capabilities really dictate how much new business you can expect from a new salesperson, and that in turn dictates how much salesperson you can afford to hire. The arithmetic, however harsh, is inescapable. A "typical" quick printer can't hire a $50,000 per year person and expect a solid return on that investment. A "typical" quick printer needs to hire a $25,000 - $30,000 person.

Now here's the good news. You can get very close to the same level of performance from a $25,000 - $30,000 person that you can from a $50,000 person—if you're patient and careful in the hiring process! In my experience, the top half of the $25,000 - $30,000 people will outperform the bottom half of the $50,000 people, and better still, the top 10% of the $25,000 - $30,000 people will outperform 80% of the $50,000 people.

Don't spend more than you can afford to on a salesperson. If you're not growing profitably, you're probably better off not growing! And don't fall into the "more money must buy me a better salesperson" trap. It generally doesn't work out that way, and most of those situations have ended as very expensive mistakes!