

# A CFO's Guide to Evaluating Inside Sales Post- COVID-19

(CEOs, Sales Leaders, and  
CMOs: this is for you, too.)

WHITE PAPER

*Shifting the structure of a sales team isn't something to take lightly. The impacts on your company are huge, and so is the potential disruption.*

*As social distancing and stay-at-home orders force many to work from home, sales leaders have needed to re-think field sales as their primary customer acquisition model. Moving field sellers to inside and remote roles have helped companies continue operations and keep focusing on growth in a time of economic turmoil. But the financial benefits have far-reaching implications beyond the current crisis.*

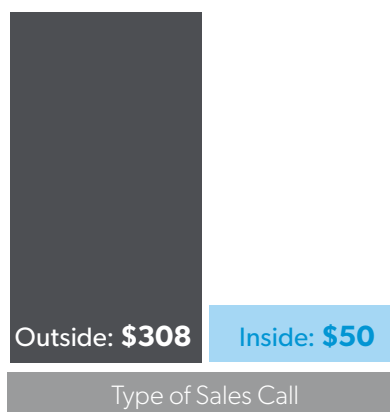
*By shifting to an inside sales or inside-heavy hybrid model, your sales department can use resources more efficiently and respond better to market conditions. Here are just a few of the ways an inside sales structure can benefit your bottom line.*

## Reduced Customer Acquisition Cost

PointClear reports that while an outside sales call costs a company \$308, an inside sales call costs just \$50. The disparity lies in the non-recoverable costs that outside sales teams typically incur simply to talk with a customer, such as travel expenses, hospitality, and so on.

Outside salespeople also tend to have higher salaries—between 15% and 18% more, according to MarketSource research.

When you add that salary differential to the reduced need for expense reimbursement, you find that the cost of sales is 40% to 90% lower for inside teams than outside teams.



### More Time Spent Selling

Inside sales reps spend approximately 13% more time actively selling than their counterparts in outside sales. This time is usually spread across more customers as compared to outside sales. An inside sales rep can make 100 or more calls per day, whereas it's not unusual for an outside sales rep to focus on just one or two meetings.

One survey of B2B SaaS organizations showed that a higher number of conversations per day correlates with higher quota attainment. Those with fewer than five conversations per day attained 63% of quota, while those with five or more had a 70% attainment rate. By sending fewer reps out into the field and focusing their attention on remote sales, you allow them to achieve more.

The combination of a lower cost of sales and higher quota attainment lead to a significant decrease in customer acquisition costs (CAC). A lower CAC means a higher customer lifetime value (CLV) and greater overall profitability for your company.

## Faster CAC Recovery

CAC is just as much about time to recovery as it is about overall spend. You're looking to recover your CAC **within the first year**, give or take. That's a lot easier to do when you're spending up to 90% less to acquire each customer. In that case, you can invest further in growth channels by allocating additional funding to sales and marketing. In time, you will find your CLV far exceeds your CAC.

## Broader Reach for Inbound Leads

When IBM shifted to an inside sales model, it invested in social media training and personalized web pages for its sales teams. This one-time expense led to a **55% increase in Twitter followers** for the company and significantly expanded the number of qualified inbound leads that the team received.

## Improved Sales Cycle Efficiency

According to **Sales Benchmark Index data**, eliminating travel time can improve the efficiency of your sales force by up to 150%. You're spending less to target more customers, and you're not losing anything in terms of the quality of those interactions. If anything, you will build stronger relationships with your prospects, most of whom generally prefer the convenience of virtual sales calls.

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The Sales Benchmark Index shows that even before the COVID-19 pandemic hit, prospects preferred not to meet face-to-face in about 75% of sales situations. Remote sales were already on an upward trajectory before COVID-19 and are likely to remain attractive long into the future, especially now that so many sales targets are accustomed to virtual interactions.

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## Improved Scalability

Outside sales teams play the long game, building customer relationships with the intention to close a large sale further down the line. That makes them extremely difficult to scale. Expansion means hiring more reps, which translates to a direct cost that is unlikely to pay off in the short term, and that has no guarantee of paying off at all.

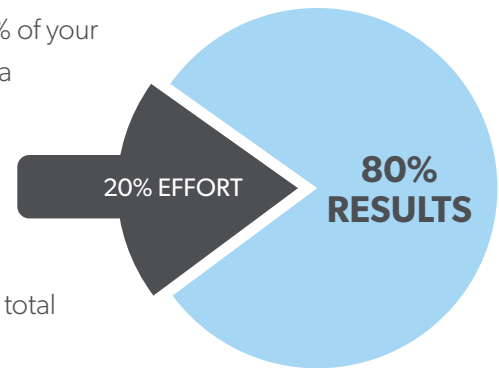
If you shift to inside sales or hybrid, you can reduce the risk associated with expansion. An inside salesperson can make calls to a new market without increasing overhead. That's not possible with an outside sales model.

## Increased Pricing Flexibility for New and Established Markets

When you spend less to sign each customer, you have fewer constraints on your pricing model. You may even be able to adjust your average sales price and enter new markets with more attractive positioning. Flexible pricing is also applicable to established markets, particularly in situations where expenses are variable.

## Less Dependency on High CLV Buyers

The Pareto Principle holds that 80% of your results come from 20% of your efforts. This idea is used to justify the investment that you make in a single outside sales rep spending hours or even days cultivating a relationship. If all goes as planned, these customers will have the highest lifetime value—but a higher CLV also means a greater risk if that customer defects to a competitor.



Smaller accounts may not amount to as high a percentage of your total revenue, but they do keep your revenue streams more balanced.

If a larger customer decides to churn, those smaller customers are still there to stabilize your accounts receivables and keep your monthly recurring revenue more consistent.

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According to a study by the Harvard Business Review, **76% of sales VPs** favor inside sales for pursuing small and mid-size businesses. Shifting to an inside sales model puts more of your resources behind those smaller accounts.

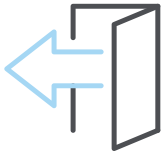
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## Opportunities to Shift Away from Fixed Cost Payroll

Moving to an inside sales model doesn't mean you have to do it yourself. You can choose to outsource your team, and by doing so, reduce your fixed payroll cost and move to a more variable model. This can improve your bottom line in the following ways:

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## No More Paying for Turnover



Sales has an average annual turnover of **25% to 30%**. That means you're losing between a quarter and a third of your salespeople every year. The cost of replacing each of those employees is estimated at **150% to 200%** of the person's salary. When you outsource, the service provider carries those costs instead.

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## Access to Resources Without the Overhead



Outsourced sales providers have access to specialized resources that carry a high overhead cost and are not readily available to most companies. These resources allow sales partners to perform value-added market segmentation, coverage modeling, and other tactics that improve the per-lead ROI. Outsourcing means that your company can benefit from the capabilities of these resources without having to purchase them directly.

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## Clarity for Your Balance Sheet



A fixed payroll may be easier in terms of budget, but it makes planning harder in the long-term. As a variable cost strategy, outsourcing allows you to pay for time spent or results achieved. It also provides you with more accurate data for your cash flow forecasts, since you can see how much you're paying to land each sale.

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## Access to Top Talent



**Top sales performers** aren't looking for new opportunities. The only way to get them on your team is by allocating valuable HR resources to sales rep recruitment. Many organizations do not have the scale or the unique recruiting capabilities to attract, hire, and onboard skilled sales talent.

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Outsourced sales partners have more justification for expending significant resources on landing those top performers. They also have the resources to invest in skills development for their sales personnel and drive the performance of their top sellers. Outsourcing sales allows you to benefit from the skills of these sales professionals without the associated cost.

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# Looking Toward the Future

As you consider the benefits of switching to an inside sales or hybrid model, consider both the short-term and long-term impact. In the near future, there's little to be lost by shifting away from face-to-face sales. The COVID-19 pandemic means that even the highest-value deals—traditionally the purview of outside sales reps—will have to be closed remotely if they have any chance of closing at all.

The future is still uncertain. It's unlikely that outside sales will be an attractive option for lower-CLV accounts in the future, and no one knows yet whether in-person sales will ever be as important as they once were. All signs point toward the advantage of shifting to inside sales, and the impact on companies' bottom lines may solidify this strategy for the future.

## Key Takeaways

- ➔ Inside sales models are associated with a lower CAC and the ability to reach more customers.
- ➔ When you reduce the overhead associated with outside sales, you empower your teams to spend more time selling and achieve a more efficient sales department overall.
- ➔ Inside sales teams are more scalable, especially for companies that aspire to broaden their market reach geographically.
- ➔ Inside teams are prime candidates for outsourcing. The right outsourced sales partner has the expertise and resources to fast-track your sales without requiring you to take on more overhead.



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