

A modern office workstation featuring a large computer monitor on a desk, a keyboard, and a high-back ergonomic office chair with a chrome frame and light-colored upholstery. The background shows a glass-walled office space with a window.

The Real Cost of a B2B Salesperson

In the Spring of 2020, many organizations furloughed or dismissed all or some of their sellers. In the short-term this allowed them to quickly stabilize costs while protecting revenue. Months later, we have reconciled to the idea that the COVID-19 pandemic will be with us for an indefinite time and the health and business climate will remain fluid.

Now, as businesses settle in to the next normal, they must rebuild pipelines and prepare for a return to growth. But what is the best way to do that? Can re-hiring sellers be justified in the absence of pipeline? Is the financial risk of bringing sellers back into the organization too high when future pipeline and revenue remain as unpredictable as the pandemic itself?

Full-service sales outsourcing can mitigate the financial risk and shorten time to build—or rebuild—pipeline and sales.

Sales outsourcing provides a flexible opportunity to assess, design, and quickly implement a go-to-market sales strategy in the current normal, while retaining the ability to quickly pivot should the environment change, as it inevitably will.

You can develop a strategy to optimize your sales expense and maximize your returns in this transitional environment by using high-value sales outsourcing, sometimes referred to as Business Process Outsourcing, or BPO.

Assessing the Costs

Is outsourcing a good financial move? A good place to start is by calculating the cost of a salesperson. Many leaders run a quick calculation of salary + bonus or commission + a percentage allocation of overhead and that's their number. But is that the *real* cost?

Not finding a published answer to this question, MarketSource financial analysts set to work to figure it out. Using proprietary data based on years of experience in the human capital and sales outsourcing industry, they built a robust model that accounts for all the costs incurred in recruiting, onboarding, training, supporting, and managing a salesperson.

B2B Sales Rep Expense Model™

Wages/Salesperson		
Salary		\$60,000
Expected Bonus/Commission		\$40,000
Total Wages		\$100,000
Employer Payroll Taxes & Benefit Cost		
Payroll Taxes (FICA, FUTA, SUTA, Medicare)	10.00%	\$10,000
Health Benefits (Medical, Dental, Vision)	7.50%	\$4,500
401K/Retirement	4.70%	\$4,700
Workers Comp	1.50%	\$900
Other Insurance (Life, etc.)	1.00%	\$600
Total Taxes & Benefits	24.70%	\$20,700
Recruiting, Training & Rehire Cost		
Average Recruiting Cost*		\$29,154
Average Training Cost*		\$36,290
2018 US Attrition Rate	27%	
Average Rehire Cost*		\$13,367
Total Cost to Recruit, Train & Rehire		\$78,811
Information Technology Cost		
Hardware (Laptop, Telephony)		\$1,200
Software Licenses (Sales Enablement, CRM, etc.)		\$2,500
Telecom Service		\$500
Database Administration		\$1,000
Program Reporting		\$3,500
Total Information Technology		\$8,700
Direct Overhead and Administrative Support Cost		
Payroll		
Human Resources and Employee Relations		
Benefits, Unemployment, and Workers' Comp Administration		
Bonus/Commission Calculation and Administration		
Travel/Expense Reimbursement System and Administration		
Asset Management		
Helpdesk Support		
Insurance (General Liability, Professional Liability, etc.)		
Office Space		
Management & Supervision		
Total Support	24%	\$24,000
Total Cost of a \$100K Salesperson		\$232,211

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Using this **true cost model**, CFOs can understand the *real* cost of one salesperson and evaluate whether outsourcing may, in fact, be a wise financial move.

Other Items to Consider in Cost Comparison:

- Management time associated with interviewing, hiring, and training
- Lost revenue and opportunity cost of turnover
- Performance management including employee severance
- Employment and workers' comp claims
- Risk mitigation by using outsourced service
- ROI—revenue targets for internal vs. outsourced
- Continuous improvement in sales process
- Time and cost in testing, adopting, and utilizing new technology

About the Author

As Director of Financial Operations for MarketSource, Matthew Hudson leads the financial operations team for MarketSource's commercial channel services business unit.

About MarketSource

Our sales teams deliver more than \$6 billion in revenue for many of the most well-respected brands in the world and a diverse mix of forward-thinking businesses. You can learn more about how MarketSource's sales experts will work with you to define your challenges and recommend turnkey solutions that produce results in new customer acquisition, new product launches, market share growth, optimized sales expense, and/or maximization of a mature product by contacting us today. 



Interested in Learning More?

Read the article: *Should You Hire or Outsource Your Sale Team? The CFO's Guide to Calculating Sales Expense* for more perspective.
