

13.6: Outsourcing the Sales Function

Learning Objectives

1. Identify the primary types of outsourcing salespeople.
2. Characterize the strengths and weaknesses of outsourcing sales groups.

Some companies outsource certain sales functions. In this section, we'll introduce several types of outsourced salespeople, as well as the reasons for and challenges associated with outsourcing various sales activities.

Types of Outsourced Salespeople

A company can outsource part or all of the sales cycle. When a company hires a call center to make phone calls and set up appointments, it is outsourcing only the lead-to-suspect conversion portion of the sales cycle. In other words, every appointment the center sets up would be with a suspect. The suspect-to-prospect and prospect-to-customer conversions could then be the responsibility of either the outsourcer or another type of sales organization it hires for that purpose.

Independent agents are salespeople who are not employees of the company. They set their own hours, determine their own activities, and for the most part, manage themselves. Typically, they are paid on a straight commission basis—that is, based only on the revenues they generate for the company. Sometimes, however, they receive base pay, too. Independent agents often sell competing products from competing companies and are common in insurance markets. In other industries, agents are less likely to sell for competing companies. From the buyer's point of view, an independent agent representing multiple products lines should mean the buyer is in a better position to find the best offering with the least amount of hassle.

A manufacturer's representative is an agent that sells a manufacturer's product. Typically, they don't sell competing products; rather, they sell complementary products—products that the same buyer wants to purchase. So for example, an agent that sells bathroom faucets for one manufacturer might sell bathroom towel rods and mirrors for another manufacturer. When a company hires a manufacturer's rep, it does so because the rep is already selling to the desired market. Buyers are more willing to see the rep because of the broad array of products he or she offers.

We discussed distributors in Chapter 8. Distributors often have salespeople who complete the entire sales cycle. Recall that distributors receive and manage inventory. However, they may or may not take title to the inventory before reselling it. Industrial distributors often employ both field salespeople, who call on customers where they are located, and employ inside salespeople, who may sell products by phone or by e-mail at the distributors' locations as well as handle customers who come to those locations. Distributors are like manufacturer's representatives in that they can sell offerings from multiple manufacturers. Some distributors are exclusive, meaning they sell the products of only one manufacturer.

Advantages and Disadvantages of Outsourcing

Outsourcing some of its sales efforts can provide a producer with several advantages. We've already mentioned a few, such as gaining access to more buyers because the organizations and people to which the company has outsourced the work sells a broader array of products. Having a broad array to choose from is more desirable from a buyer's perspective. Moreover, outsourced salespeople have existing relationships with the buyers that can be leveraged. Thus, entering new markets, such as new product markets or new countries, via distributors, independent agents, or manufacturer's representatives can increase the speed at which the company's offerings penetrate a market. These people and organizations also possess key market information and understand competitors and their strategies—information marketers can leverage.

In terms of a company's costs, outsourcing can be less expensive. The company that outsources the work doesn't bear the responsibility and expense of training the salespeople, except to inform them about the company's products. In addition, because the salespeople often work on a straight commission basis, the company only pays them when they sell its products.

The disadvantages of outsourcing can be boiled down to one word: control. Distributors, manufacturer's representatives, and agents are independent. They can decide what to sell and when to sell it. Unlike an employee who can be required to offer your product, they can choose to offer a customer a competing product or simply a different product than the one you sell. Nor can you force them to make sales calls. If it is a beautiful day and the golf course beckons, you may find your rep somewhere on the links.

To deal with control issues, companies often create incentive programs to motivate independent agents and manufacturer's representatives. Attractive commissions are more likely to get your product mentioned on every call. So are spiffs. Spiffs (a term

that began as an acronym for *special promotion incentive funds*) are short-term bonus payments companies use to encourage salespeople to sell certain products. Also keep in mind that salespeople want to pitch products that are easy to sell and have short sales cycles. Why? Because they get rewarded for making sales. To the extent you can shorten a product's sales cycle and increase their conversions, you will gain their attention, time, and effort.

In addition to creating incentives for independent salespeople, a company will usually employ a sales manager to work with independent them. The sales manager's job is about selling as much as it is about managing, though. The manager has to constantly sell the agents on selling the company's offerings, and provide them with product information and tips that help them do so.

Finally, just as they listen to their own sales forces, good marketing professionals pay attention to what the independent salespeople and organizations they work with are saying. Not only can marketing managers create better strategies by doing so, they will create strategies that get used. In other words, the salespeople will be more likely to support those strategies with their own efforts because they believe in them.

Key Takeaway

Outsourcing the sales function can be done through distributors, independent agents, and manufacturers' representatives, as well as other types of sales organizations. The entire sales cycle can be outsourced or only parts of it. Outsourcing can cost less and requires less investment than a company-employed sales force. Moreover, independent agents, distributors, and manufacturers' representatives often have established relationships that make it easier for a company to enter and penetrate new markets.

Outsourcing the sales function(s) means that a company will lose some control over its sales activities. To counteract that loss of control, companies try to devise attractive compensation schemes, as well as effective marketing strategies for the independent sales organizations and people with whom they work. Companies also hire sales managers to manage the relationships with the outsourced sales staff.

Review Questions

1. Which parts of the sales cycle can be outsourced and to whom?
2. When does outsourcing make the most sense? The least sense? Why?
3. What can marketers do to make outsourced sales functions more likely to succeed?

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