

“Outsourcing Sales”

Asim Khan, CEO

Business Management Group, Inc.

620 Newport Center Dr., Suite 1100

Newport Beach, CA 92660

[asim.khan@bmgsof.com](mailto:asim.khan@bmgsof.com)

877-264-7657

### **Author Biography**

With more than ten years of international business experience, Asim Khan brings dedication and tenacity to his role as Chief Executive Officer of Business Management Group, Inc. Corporate presidents, government officials, and industry associations seek his hard-earned expertise in a wide variety of industries—commodities, energy, electronics, manufacturing, technology, and financial services to name just a few. Mr. Khan also serves on the boards of directors for several corporations and nonprofit organizations.

An Honorary Chairman on the National Republican Congressional Committee's Business Advisory Council, Mr. Khan takes your business seriously—whether managing a project, finding new overseas distribution channels, or developing business plans as a consultant. His technology background—a Master's degree in Technology Management from the University of Phoenix—combined with solid sales, financial, and operations experience have proven him to be an effective asset to many corporate teams.

### **Executive Summary**

Many companies make the decision to outsource sales in order to reduce operating costs and focus internal resources on developing the company's product or service. Outsourcing also provides access to a sales force with skills, experience, and existing contacts that would ordinarily not be available internally. Sales can be outsourced to field sales representatives that handle every aspect of selling on behalf of the principal. Reps serve as more than a source through which a product or service can be purchased. They know the needs of the customers and territories they serve and can develop relationships with both clients and manufacturers that focus on defining and meeting each customer's specific needs.

Paid on commission, field reps have a vested interest in selling for a company. Since they handle everything associated with sales, from recruiting to client entertainment to record keeping, the commission dollar covers much more than the sale itself. Well-qualified sales reps are certified in their field. They have intimate knowledge of their market, existing networks, and strong networking skills that provide a quicker and more cost effective means of moving products and services through the market efficiently.

## OUTSOURCING SALES

For many companies, the decision to outsource sales is based on the well-established idea that it is better to contract for services that are not within the scope of a company's true set of competencies. Outsourcing sales can reduce operating costs and allow companies to concentrate internal resources on what the company does best, developing a product or service. At the same time, outsourcing can give a company access to a skilled sales force with sales and marketing experience that would not be otherwise available.

Sales can be outsourced to field sales organizations that provide sales reps that are skilled in handling every aspect of the sales process on behalf of the principal. The principal is usually a manufacturer, but often enough, it may be a service company as well. In some cases, sales are outsourced for a specific purpose, such as to launch a new product or to expand overseas. During the start up phase or expansion process, companies often need to concentrate efforts on their product or service and cannot spend time or resources on hiring a sales team or developing a sales process. Instead, they can capitalize on the expertise of a company that already has sales systems and processes in place. Using field reps also gives the company access to executive level salespeople that they would not be able to put on their own payroll.

A successful partnership between sales reps and the firms they represent develops when the parties know their roles and have respect for each other. A synergistic relationship can then develop in which the sales rep becomes more than a means to a product for customers. Because field reps are well rooted in their territories, they have a strong sense of the needs of their customers and can communicate these needs to manufacturers and service providers, creating a

win-win scenario in which it is easier to move products and services through channels created by existing contacts and relationships with complementary industries.

It is estimated that 50 to 80% of manufacturers outsource sales to field representatives in at least some territories or markets. Unlike distributors, field reps do not take ownership of the goods they sell. Instead, reps represent the manufacturer and its product or service. Manufacturers typically pay a territory development fee to cover several months of market testing leading up to an initial order, after which, reps are paid a commission based on sales. Field representatives usually handle a portfolio of products that are related but are not in direct competition with each other. By representing more than one related line, manufacturers' reps can cater to the individual needs of both the company and its consumers. Reps can act as consultants, helping customers clarify their needs and finding appropriate products or services to fill those needs. Having multiple lines in a sales rep's portfolio enables the rep to gain access to more places than even the best single-line sales force would appeal to. The benefits of this kind of synergy will usually result in increased market share for companies that outsource sales.

Field reps have a vested interest in selling for the company, unlike distributors who may carry competing products. Field reps work under contract in a defined territory and handle the specific needs of consumers in that territory for the product or service they represent. Some reps handle a specific aspect of sales or marketing, such as qualifying prospects or negotiating contracts, while others handle all parts of the business of selling. Larger firms may even offer complementary services, such as public relations, marketing, and mergers and acquisitions. Since field reps make their own travel arrangements and pay other costs of visiting prospects on their

own, the cost of sales is further lowered for the principal company in the long run because the commission, which can range from 3-65% of sales depending on the product or service, covers more than just the sale. Since reps finance their own efforts, commission also covers recruiting, training, employee benefits, travel, client entertainment, record keeping, and other “behind the scenes” costs associated with sales and marketing. E-commerce and automation also play an important role in the ability of field reps to handle all aspects of sales.

With a dedicated purpose, field reps are simply in a better position to develop sales territories faster and more efficiently than internal salespeople. A good field rep can bridge the gap in communication that often exists between those who produce goods and services and those who use them. Reps with a great deal of market exposure benefit an organization with added insight into what customers are looking for. They are out in the field every day, collecting valuable information that companies can use to cater to their customers and increase sales. Reps can help companies determine what, if any, adjustments to product features, delivery methods, or other aspects of product development and delivery are needed.

Though there are clearly benefits to outsourcing sales, field service reps must be chosen carefully. The ability of an outsourced sales force to perform better than in house employees assumes that the reps are well qualified. The idea is to find reps that know the industry they will represent and can act as a resource to customers, facilitating the flow of goods in a way that matches their needs. Customers look to develop a stable long-term relationship with reps that know their culture and their needs and can negotiate with manufacturers and service providers to cater to those needs when necessary.

To determine whether a field service representative is qualified, companies should look for sales organizations that have a strategic plan for developing relationships in a given territory. Reps should demonstrate and articulate intimate knowledge of the market they will sell to. They should have strong networking skills and multiple contacts. Finally, well-qualified field reps are active in industry associations and are managed by professionals who are Certified Professional Manufacturers Representatives (CPMRs). This certification is acquired through a training program offered by the Manufacturers Representative Educational Research Foundation (MRERF). Further, individual reps can be qualified with a CSP (Certified Sales Professional) designation that is now available in the United States through a partnership between MRERF and the Canadian Professional Sales Association. The CSP designation qualifies individual sales reps by certifying that they have reached a measurable performance benchmark.

Before making the final decision to outsource sales to field service reps, some myths and misconceptions may need to be overcome. One common myth is that distributors can handle field sales just as well. But the truth is that a distributor cannot be an advocate for a particular company's product and the products of competing companies as well. Distributors are more concerned with making a sale than they are with selling a particular product. In contrast, field reps can work cooperatively with distributors and act as part of the manufacturer's support system for them.

Another myth is that field reps do not take a long-term perspective when dealing with potential and existing customers. The truth is that successful field reps must be invested in their clients, their territories, and their long-standing relationships with consumers. In many cases, a sale is closed over a significant period of time, and the process, from initial contact to delivery, is

most often handled not by the manufacturer, but by the field rep.

A third misconception about field reps is that they can only be given minimal control of the sales process. In reality, the amount of control given to field reps depends on how much control the manufacturer wants or needs. A good field rep does not need to be led by the hand and can be allowed to function independently. Of course, it is important to create a positive relationship with reps so that they will be motivated to act in the best interest of the manufacturer. Paying commissions on time, making clear the rep's value to other departments and involving reps in the process of decision making all help to strengthen the relationship, which can go a long way in helping a firm gain a greater share of the rep firm's time and commitment.