

J. Michael Locke

Musings

#71: Keep Hiring Salespeople June 2, 2020

While I don't want to write daily about the social unrest, hard not to comment. Most Americans believe in protests but not riots. The violence against police and rampant looting are taking the focus away from the real dialogue which needs to occur on racial inequities. Good essay by Obama: [how-to-make-this-moment-the-turning-point-for-real-change](#). The organized anarchists (whoever they are) need to be arrested. Now to business.

I see a lot of companies make a simple mistake. They underinvest in salespeople and marketing.

Most companies will set a revenue target and then figure out the sales and marketing resource they believe they need to hit it. But what if they could drive more revenue if they invested more in the front end? If the market share is there and they don't, they have left an opening for the competition.

First, you need tight metrics on the cost of your sales and marketing efforts – the client acquisition costs (CAC). This would include things like the ramp time to full productivity for a new sales rep and the amount of travel you should expect per rep. You need attribution models on marketing to know which activities drove which leads. These aggregate costs (including the benefits burden and managerial expenses) are your full sales and marketing cost.

Now that you know the costs, you need to measure the return. You can afford a higher CAC if you have a higher gross margin product or service. You also can afford a higher CAC if you have a good lifetime value (LTV). In my opinion, you should invest in sales and marketing as long as the market is there to be taken. You can even afford some deterioration in your CAC as long as that CAC is below the gross profit of the business it brings in. Think about marginal revenue and marginal cost from Economics 101 – you maximize total profits by going until marginal revenue equals marginal cost *not* by maximizing the difference (margin).

The key is the available market and how much more room there is if you made the sales investment. You need to have good market sizing and competitive share information. Hopefully, you are in a growing market. Even if not, you can grow by taking share although usually has a higher cost.

If you are in a B2B business, your sales team will push back on continual hiring. They would prefer larger geographic territories so it is easier to meet and exceed their numbers. More salespeople will mean smaller territories and they will have to dig harder. That is what you want.

Let's get back to work.

Jml

Second Thoughts

Appears Kylie Jenner and her mom were inflating the numbers of her cosmetics company to make her one of the youngest billionaires. [inside-kylie-jennerss-web-of-lies-and-why-shes-no-longer-a-billionaire](#)
. All about promotion with those Kardashians.