



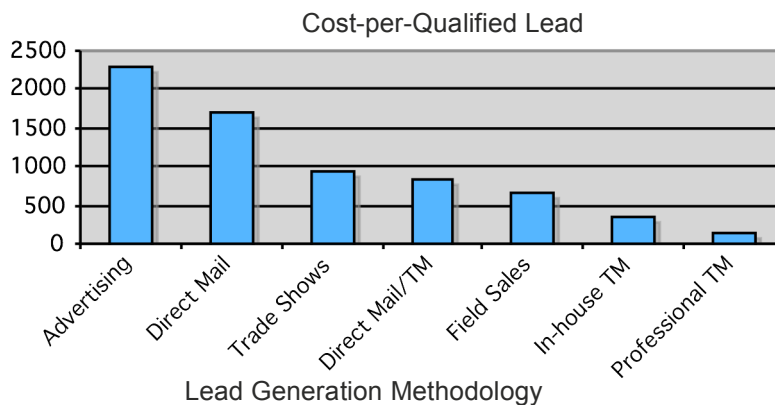
BECAUSE THE FUNDAMENTALS ARE NOT OPTIONAL.

JV/M, Inc.
Need Sales?

How to Find Qualified B2B Telemarketers Part 4 of 4

Introduction

A study by JV/M showed that, for most businesses operating in the business-to-business market, professional B2B telemarketing provides qualified sales leads at the lowest possible cost when compared to other forms of marketing and lead generation. As shown in the graph below, professional outsourced business-to-business telemarketing results in a cost-per-qualified-lead that was less than *half* that of in-house telemarketing, and an even smaller fraction of the cost-per-lead of advertising, direct mail, trade shows, or even having



salespeople generate their own leads.

Given the allegedly lower cost of leads from sources such as the Internet (for example, \$1/click, or \$15 per lead from a leads service,) as well as the lower hourly wage of an in-house telemarketer compared to an outside service (\$8 versus \$40+), the question arises: How is this possible?

Part of the answer can be found in the definition of a “qualified lead.” In the case of the Internet, a lead is often defined as a “view” or a “click.” Date base providers define a lead as a name on a mailing list. And others define a lead variously as a “response,” an “exposure,” or an “inquiry.” To the salesperson who is the customer for any lead generation solution, however, a lead is only meaningful if it is a “meeting with a decision maker who has a need, and wants to talk with you about how you can help.” In this case, only leads that result in appointments matter; and therefore 90% or more of the views, clicks, exposures and names do not count – resulting in the “corrected” cost-per-qualified lead above. One can easily see how, given the definition of a lead as an appointment, telemarketing can be far cheaper.

The other question that this study raises, however, is how it is possible that in-house telemarketing, which can theoretically use the same methodology as outsourced telemarketing, could result in a higher cost-per-lead. The answer lies in the low availability of qualified telemarketers in the pool of applicants.

Problem Definition

Outsourced B2B telemarketing providers like JV/M are constantly challenged to generate qualified leads for a wide variety of clients. And the primary resource that firms use is the professional B2B telemarketer, along with an understanding of what works – and what doesn’t – in the marketplace. But success, for both the clients and the providers, hinges to a significant degree on the quality, sales skills and talents of the person on the phone.

According to the US Department of Labor, there are over 2.5 million telemarketers in the US, and countless others overseas. To be sure, this oversupply of labor has resulted in wages at or near the bottom of the scale for most telemarketers, regardless of quality. But for a firm that wants to generate qualified leads and real sales, the question of whether there are any real differences between telemarketers is an important one. It can

easily mean the difference between success and failure for a company, whether as a provider or as a user of the service.

After conducting dozens of campaigns, and interviewing, hiring and firing scores of telemarketers, JV/M began to believe that there were, in fact, identifiable differences between telemarketers. And these differences appeared to have a significant impact on the results of the campaigns. We easily saw that some telemarketers consistently delivered excellent results, while others failed, and needed to be fired after one or two campaigns. But we also began to notice attributes and behaviors that the consistently successful telemarketers displayed, and that the unsuccessful telemarketers did not. So we started to believe that if we could better predict who was going to be successful, and who would fail, we could increase our clients' success rate, our retention rate, and our profitability.

Certainly, because of the high cost of recruiting, selection and training, it was important to reduce the failure rate of new hires. For example, JV/M uses an online service that charges over \$300 per job posting per month, and has an ongoing need for new hires due to growth. The interviewing process itself can take anywhere from 15 minutes to an hour, at \$50-\$200 per candidate, regardless of whether the candidate is qualified. So with over 100 candidates responding to a typical ad, the cost-per-hire can easily exceed \$2500.

But the cost of failure is even greater for its impact on repeat business and profitability. Assuming a cost-per-lead of \$150, a cost-per-sale of \$600 and a close rate of 25%, a typical campaign (which might bill out at \$5000, and have \$3500 in direct costs,) might cost over \$1500 to find and close. Like many businesses, JV/M therefore doesn't really make a profit on an account until the campaign repeats, so initial success is crucial to our survival and success.

So the question of whether one could predict which telemarketers would be successful became vitally important. Hiring telemarketers who were more likely to be effective and successful on the phones can result in a higher probability of immediate success and repeat business by the client, as well as earlier and more likely profitability for the outsourced B2B telemarketing provider.

For the in-house shop, the same holds true. The cost of failure in hiring telemarketers includes wasted advertising, screening, interviewing, selection, on-boarding and training costs. It also includes a significant opportunity cost, and can breed resentment in the field sales force. It can sacrifice both market share and profitability to competitors, and waste enormous capital investment (e.g. for infrastructure,) and management resources.

Reviewing successful and unsuccessful campaigns, and correlating them with a particular telemarketer, was easy enough. The harder question was how to identify what attributes mattered, and then how to screen for them.

What Matters?

Prior work at Honeywell, Lousig-Nont, and elsewhere identified that there are specific behaviors, attitudes, sales skills and sales responses that can be consistently observed in high performing salespeople. The Honeywell categories included product knowledge, competition knowledge, account and territory management, communication skills, selling techniques, sales presentation skills, specification control, bid strategy, business judgment and planning. Lousig-Nont uses approach and involvement, handling objections, closing techniques, ethics, questioning techniques, handling problems, qualifying prospects, prospecting and cold calling, making presentations, time management, sales skills, call enthusiasm and business judgment. And each category has defined skill and performance levels that can be identified in a candidate, and used for screening and development.

Building on this model, JV/M recognized that this list included some things that were relevant for outside salespeople but not for B2B telemarketers, and that there were others that were not on the list that seemed to matter for B2B telemarketers. Over the years, JV/M has settled on categories are relevant for screening and

developing professional B2B telemarketers, with specific answer choices that reflect the unique phase of the sell cycle in which the telemarketer is involved. The categories that correlated well with success for the B2B professional included the following:

Category	Issue
Getting past gatekeepers	Does the candidate know how to get past gatekeepers?
Voice mail	Does the candidate know when to leave a VM, and how to construct an effective one?
Sales skills	Does the candidate know how to conduct a good sales call, including its various phases?
Questioning techniques	Does the candidate know how to uncover needs, pain, problems and unmet goals?
Ethics	Does the candidate have a proper understanding of where the line between ethical and unethical behavior is?
Getting initial attention and interest	Does the candidate know how to get a prospect's attention and stimulate initial interest?
Objections handling	Does the candidate know how to handle objections?
Motivation	What motivates the candidate?
Business knowledge	Does the candidate have a basic understanding of how a business works?
Intelligence	Does the candidate have enough intelligence to conduct a meaningful conversation with a business decision maker?
Time management	Does the candidate have basic time management skills?
Qualifying prospects	Does the candidate know how to qualify a prospect, and know what qualifying a prospect means?
Closing skills	Does the candidate know how to close effectively?
Communication skills	Does the candidate have good communications skills?

In analyzing the behaviors of our B2B telemarketers, we were able to identify responses in each of these areas that correlated positively with our successful B2B telemarketers, and negatively with our unsuccessful B2B telemarketers. This resulted in our being able to develop a test that could be used to pre-screen candidates effectively, and avoid interviewing and hiring candidates who did not match the profile of our successful B2B telemarketers. Examples from this test are discussed earlier in this series of papers.

Implications

In pre-screening candidates with the Telemarketing Skills Assessment, it quickly became clear that the population of applicants was highly heterogeneous, consisting of five basic types of applicants shown in the following table, along with their typical response to failure, and their approximate prevalence in the applicant population:

Candidate Type	Description	Response to Failure	Approximate Percentage
Consumer telemarketer	Candidates are used to reading scripts, working with predictive dialers, and burning through lists. They generally lack the basic intelligence and sales skills to adapt to the higher level of selling required in the B2B market.	Ask for a new list.	60%
Field sales	Candidates usually have excellent sales skills and intelligence, but they generally require that the prospect is already qualified before engaging, and lack good time management skills. Most lack cold calling skills, and apply	Ask for a better list	10%

	for the job as a fallback for personal or professional reasons.		
Non-sales greedy	Candidates apply for the position solely to make money. They often believe that sales is the “best” way to make money, and that an outgoing personality is all that is required to be successful; but almost always lack professional skills of any kind.	Ask for more money.	10%
Non-sales humanist	Candidates apply for the position because they “like people,” and generally believe that such an attribute is all that is required to be successful in sales.	Ask for more time.	15%
Professional B2B telemarketer	Candidates have excellent prospecting skills, and work deliberately and diligently to improve them, and their results.	Ask for coaching.	5%

While it turns out that much of the value of testing can be gained by simply avoiding unqualified candidates, unless one understands what makes someone unqualified, it is nearly impossible to know whom to choose. Thus, companies are advised to identify specific sales responses that they would like to have, and screen for them with an inexpensive online test before expending any resources in interviewing.

Critically, though, given the low prevalence of qualified B2B professional telemarketers in the applicant pool, without pre-screening the chances of finding a qualified telemarketer, although statistically 5%, is effectively zero, since only large number of candidates would otherwise provide enough of a qualified group from which to have a choice in the matter.

Likewise, the results of the test demonstrate that it is virtually impossible to build a call-center staffed with qualified B2B telemarketers. Assuming that local candidates are required, a 100-person call center with 25% turnover rate and a 25% job-acceptance rate would need a pool of over 30,000 telemarketers in the area from which to draw, suggesting a prohibitive direct cost of recruiting - even with 2.5 million available telemarketers.

Conclusion

B2B telemarketing is the most cost-effective way to generate qualified leads, but it is dependant largely on the skills of the telemarketer. Over 95% of the applicants for a B2B telemarketing position are, however, unqualified for the job. This presents the typical company with two problems. First, they must know what to look for, i.e. which attributes correlate with success on the job. Second, they must contend with the low prevalence of qualified candidates, and so must pre-screen large numbers of candidates to find the qualified ones. Developing an online test to pre-screen candidates for the appropriate skills and sales responses, and then testing large numbers of candidates, is the most reliable way to build a high-performing telemarketing function, whether in-house or outsourced. In the absence of such a pre-screening process, the cost-per-qualified lead is likely to be higher, possibly equaling or exceeding the cost of competitive alternatives.