



# Calculating The Cost of a Failed Cold Call Attempt



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## CALCULATING THE COST OF A FAILED COLD CALL ATTEMPT

Paul Madott

Managing Partner, Everest Performance Group Ltd.

Prospecting for new business is typically part of an organizations *"go-to-market"* sales strategy therefore it is essential to know what the true cost of this activity is.

This analysis focuses on the estimated cost per *"cold call"* by calculating the true cost per employee, per hour with the assumption of three (3) outbound *"cold call"* dials made per hour.

Operating expenses that we have considered include:

### 1. Annual Base Salary

Typically, the most expensive cost associated with any employee is their annual base salary. For the purpose of this analysis, we will use \$40,000.00 per year. When we divide these annual figures by the 52 weeks in a calendar year and then again by the average 40 hours per workweek, we arrive at \$19.23 per hour per Sales Representative.

$$\mathbf{\$40,000.00 / 52 Weeks / 40 Hours per Week = \$19.23 per Hour}$$

### 2. Health Benefits

Health benefits vary per organization so we will use an average spend of \$5,000.00 per year per Sales Representative. This equals \$2.40 per hour per Sales Representative.

$$\mathbf{\$5,000.00 / 52 Weeks / 40 Hours per Week = \$2.40 per Hour}$$



### 3. Training and Onboarding

The next expense that we will consider is training. Sales Representatives require skillset training as well as continued training on their products and services offered. For this analysis, we have used a figure of \$3,000.00 for annual training per representative. When we divide this amount by the 52 weeks in a calendar year and then by the 40-hour workweek, we arrive at \$1.44 per hour for training per Sales Representative.

$$\mathbf{\$3,000.00 / 52 Weeks / 40 Hours per Week = \$1.44 per Hour}$$

### 4. Management's Annual Base Salary

An expense that can easily be overlooked when analyzing the cost of a failed "cold call" is the Sales Manager or Team Leader's annual base salary. Every sales team has a Manager. Based on \$40,000.00 per year in base salary for the sales representative, we will use \$60,000.00 as an annual base salary for their Manager or Team Leader. One assumption that we have made for this analysis is that each Manager is responsible for a team of 10 Sales Representatives. By dividing the hourly cost of the Manager by 10, we arrive at a cost of \$2.88 per hour for the management of the Sales Representative.

$$\mathbf{\$60,000.00 / 52 Weeks / 40 Hours per Week = \$28.85 per Hour}$$
$$\mathbf{\$28.85 / 10 Sales Representatives =}$$
$$\mathbf{\$2.88 per Hour}$$

### 5. Overhead

If an employee's annual base salary is the highest expense for an organization, overhead is not that far behind. Traditional overhead expenses include office space, utilities, insurance, administrative staff salaries, IT, office equipment & supplies, systems and telecommunications. Our research has led us to \$300.00 per week as a safe overhead expense per Sales Representative; which equals \$7.50 per hour.

$$\mathbf{\$300.00 / 40 Hours per Week = \$7.50 per Hour}$$



## 6. Marketing

Our next expense that we have considered is Marketing. Allocating a specific % of sales revenue generated per fiscal year is a very common method for developing a marketing budget. Our research has confirmed that 2% is a conservative number to use for this analysis. One assumption that we have made is that the organization is driving at least \$20,000,000.00 in annual revenue with a sales force of 25 representatives.

$$\begin{aligned} & \$20,000,000.00 \times 2\% = \$400,000.00 \text{ Marketing Budget per Year} \\ & \$400,000.00 / 25 \text{ Sales Representatives} / 52 \text{ Weeks} / 40 \text{ Hours/Week} \\ & = \$7.69 \text{ per Hour} \end{aligned}$$

## 7. Attrition

Our final expense to consider unfortunately is Attrition. Not every Sales Representative hired works out. Turnover varies per industry and per company. We have seen it has high as 50% to as low as 10%. Based on a sales force of 25 we will use 10% attrition, which is conservative, within the first 12 months.

### THE TOTAL COST OF A FAILED "COLD CALL"

When we sum up all of the associated costs outlined in this article, we arrive at a total cost per hour for each Sales Representative to be \$45.25.

If we then assume that your Sales Representative makes 3 outbound cold call attempts per hour, we arrive at a cost of **\$15.08 per attempt.**

<u>Company Expense</u>	<u>Hour Cost per Expense</u>
Annual Base Salary	\$19.23
Health Benefits	\$2.40
Training and On-Boarding	\$1.44
Manager Annual Base Salary	\$2.88
Overhead	\$7.50
Marketing	\$7.69
	<b>\$41.14 per Hour</b>
Attrition @ 10%	\$4.11
Total Hourly Cost per Sales Representative	<b>\$45.25 per Hour</b>
3 Outbound "Cold Call" Attempts per Hour	<b>\$15.08 per Attempt</b>



## Can your organization afford \$15.08 per “cold call” attempt or more per Sales Representative and not have it yield any Return on Investment?

### Note

The “cost” of each outbound attempt will fluctuate based on the total number of attempts made per hour.

Outside of a traditional “inside sales” environment, three attempts per hour is a conservative metric based on our research.



Paul is the Managing Partner of Everest Performance Group Ltd. He works with a wide range of clients helping them increase their profitable revenue, gain new market share and develop their current and future sales leaders.

He lives in Toronto with his wife and their two children.

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