

A PRACTICAL GUIDE TO OUTSOURCING

WHAT TO CONSIDER WHEN MAKING THE
DECISION TO OUTSOURCE YOUR SDR TEAM

An eBook by

demandDrive

Customized Demand Generation



"The concept of outsourcing isn't new to anyone—having a job done in a more cost-effective manner in a location outside your office is commonplace in the tech world. Yet for some reason, that idea hasn't matriculated into the sales development space."

Why?

That's the question we're going to be asking in this eBook. Because we know that outsourcing has incredible benefits, but it's not something everyone else has caught on to. So this isn't just a guide on how to outsource, but for all you naysayers out there it's a guide on *why* you should outsource (if the situation calls for it). Once we've done our best at educating you, we can start talking about implementation and strategy.

So read on to learn about the benefits of outsourcing your SDR team, what you need to do in order for the transition to be smooth, and what to look for in a potential partner. If any questions come up while you read, feel free to reach out!

Contact:

[AJ Alonzo, Director of Marketing](#)
aj.alonzo@demanddrive.com
(508) 283-5354

- OR -

[Jon Hanman, VP of Sales](#)
jon.hanman@demanddrive.com

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Addressing the False Stigmas of Outsourcing

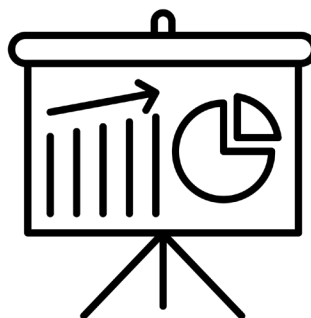
There are a handful of stigmas associated with outsourcing - especially in the world of sales development. These pre-conceived notions limit the potential that outsourcing has for many businesses, even with the prominence of Business Process Outsourcing (BPO) firms that provide other office functions (accounting, finance, customer service, etc...). Through our research, we've found four main culprits that impede the progress of outsourcing the sales development function: **Cost, Quality, Brand Representation, and Security.**



Cost



Quality



Brand Representation



Security

These stigmas are typically the top reasons a company would balk at an outsourced SDR model. The benefits, however, often outweigh the potential risks—something that a lot of organizations don't bother to explore. They're well documented, and companies can leverage experts who have built businesses around these specific processes (and often provide them at lower costs) so they can focus on perfecting what makes their business great.



Remember:

"You're a technology company, not a sales development company."

Let's dive into each one to better understand if outsourcing is the right answer for your business.

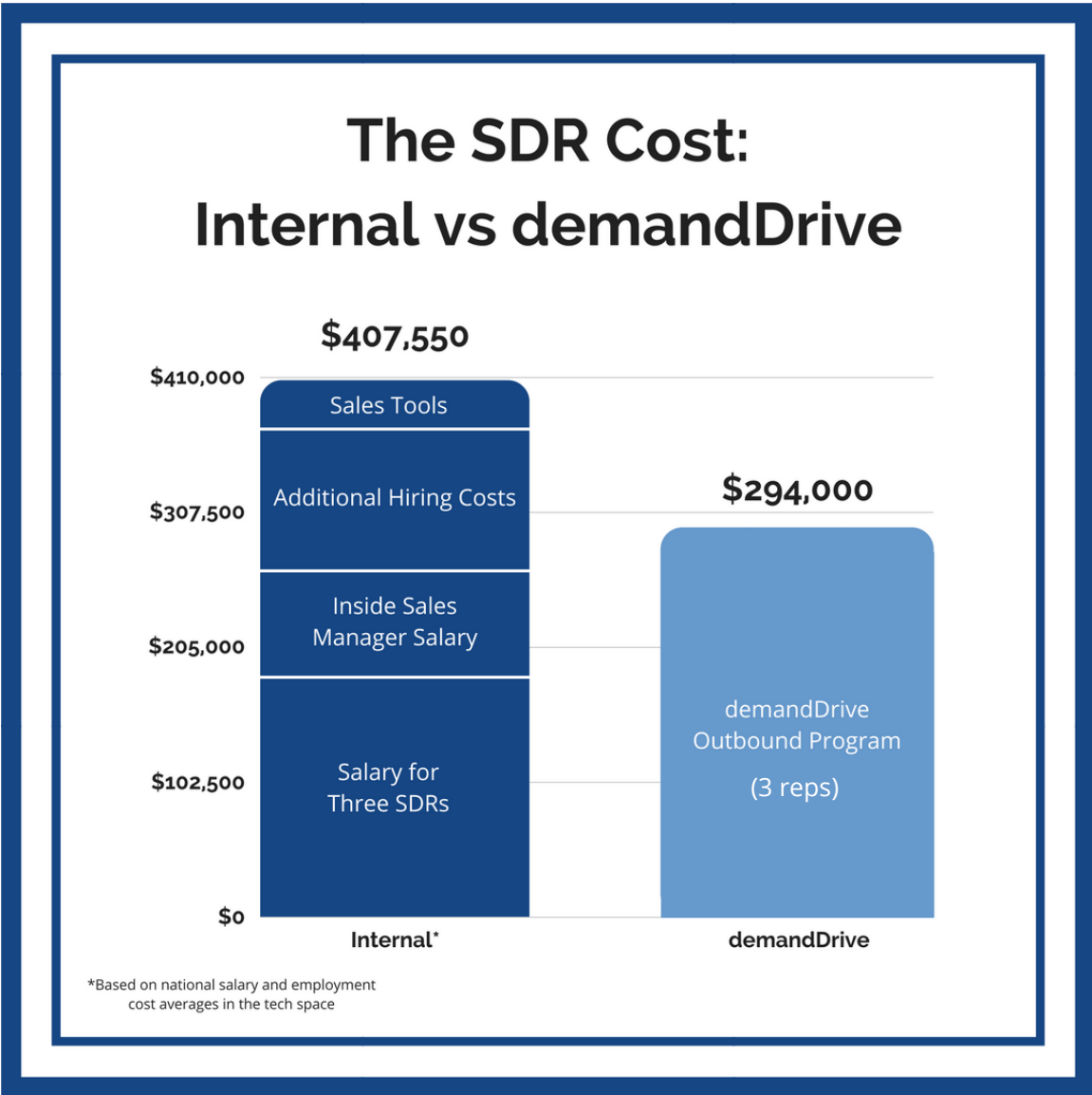


COST

When it comes to outsourcing your SDR team it's often assumed that your total cost will decrease (which is great), but you take a slight hit in quality to make up for that. Or, on the flip side, you could pay top-dollar (more than you might pay for an in-house team) and make sure the service reflects that.

What if I told you that you could **save over \$100K annually (for a 3 rep team)**, and you don't have to take that hit in quality to get it? Pretty compelling stuff. You're not going to get that with every firm out there, but there's a chance that you actually get the best of both worlds when you outsource instead of picking a compromise.

The main reason we see huge savings with the outsourced model is an oversight of **hidden costs**. Which makes sense - they're hidden for a reason. Teams budget for the SDR's salary, but they often neglect things like a manager's salary, sales tools, hiring expenses and taxes, spacial restrictions, etc...When it all boils down, you're often paying quite a bit more to bring your SDR team in-house rather than outsource.



Based on our program fees and the national salary and employment cost averages in the tech space, the price of an internal team vs. an outsourced function starts to even out at **6 reps**, and internal teams become more cost-effective at **10 reps**. That means if you need 6 or fewer reps to handle SDR duties, it makes more sense economically to outsource the function rather than build it in-house.

See what makes sense for you with our Cost Calculator below:

SDR Cost Calculator			
Use this simple calculator to determine the minimum investment you'll need to get an SDR program off the ground *		<i>*Numbers based on national salary and employment cost averages in the tech space</i>	
Key			
<i>Number of Reps</i>	The number of SDRs you want to have on your team		
<i>SDR Salary</i>	Fixed amount of \$59,500 OTE		
<i>Hiring Costs</i>	Things like employment taxes, health benefits, workspace and computer expenses, etc...		
<i>Manager Salary</i>	Fixed amount of \$31,500 per manager		
<i>Sales Tools</i>	License costs for CRM, data services, outreach tools, sales enablement, etc...		
Internal Cost (Yearly)			
Number of Reps	0	<i>Input # of Reps Desired</i>	
SDR Salary	\$ -		Fixed Costs: SDR Salary, Hiring Costs, Manager Salary, Sales Tools can be variable (license cost decreases when spread out over more employees)
Hiring Costs	\$ -		
Manager Salary *	\$ 31,500.00	Total Cost for an Internal Team	
Sales Tools	\$ 10,200.00		
<small>*Note: Manager Salary doubles after 8 reps (It's not recommended to have 9 managers be responsible for more than 8 SDRs)</small>			

We built a calculator to show you the numbers - give it a whirl! [Click to Download.](#)

It's important to note that in the above scenario you never have to fire a rep and no rep ever quits. You're assuming full retention when you project a budget, and we all know that's just too good to be true. The cost you put into hiring and training a rep goes out the window if they leave, and then you have to do it all over again. Sunk costs can't be predicted, so we left them out of our in-house model (it's less of a nuisance in the outsourced model), but know that when budgeting out the costs for an SDR team you have to take that into account.

Takeaway

Cost is clearly a big factor in determining whether or not to outsource your sales development function. When it comes to working with an outsourcing company, they often have set prices for a monthly (or quarterly/annual) program fee. There's always a little wiggle room, but generally, price breaks only happen if you add on more reps to the program. Finding someone in your price range is key, but where you can differentiate the good from the bad is **how they treat passed leads**.

That leads us to the next point...

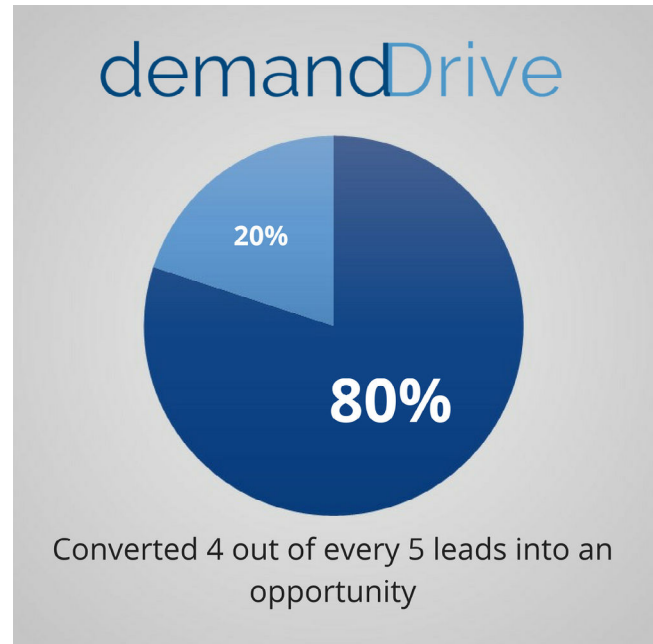


Like the above example, quality goes hand in hand with cost. If you pay less for something, you expect to get less in return. The same goes for the opposite. All of this depends on the pedigree of who you work with and what their base level of service looks like.

As experts in sales development, it's the jobs of those firms to deliver high quality leads directly to your sales team and let you focus on making your business the best it can be. If the company you're outsourcing to can be trusted to deliver high-quality results, let them do what they do best, regardless of what you assume based on their pricing estimate.



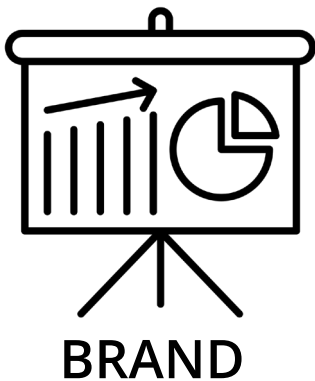
By no means is this an attack on your current processes—if you have something that works and drives revenue like crazy, don't change it. What it's telling you is to *leave the dirty work to the people who do it best*. Prospects come to your company for a product that's better than your competition. No need to try your hand at something else—leave it up to the experts and focus on making your business the best it can be.



You want results like these from your SDRs!

Takeaway

All in all, the message is really this: if you do the right research and select a reputable outsourcing firm, **your quality won't dip**. In fact, in most cases, you'll see a higher return on your investment than if you were to keep the function in-house. Sometimes it's best to leave a job to the experts - especially when it's a function as integral to your success as sales development.



When dealing with a function as front-facing as Sales Development, companies tend to want it in-house. SDRs are the face of your business after all, and first impressions matter. Your brand / company image is incredibly important (you'd be crazy not to think like that), and the thought is that when kept in-house it's easier to control.

If that's something you believe, answer this question:

Would you rather...

<p>...trust an SDR with very little training making calls inside your office?</p> 	<p>...trust an SDR who has been through a rigorous training program making calls outside of your office?</p> 
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Brand representation is often associated with training (and should be). If the training program is lackluster then that will reflect on the capabilities of your SDR - regardless of where they sit. Some organizations that "specialize" in outsourcing will often under-fund and shirk the training process in favor of producing a high lead quantity (read: low quality), and those reps are **liabilities** when they represent you and your brand. That means picking the right partner is key.

"The value that your SDRs are bringing to the sales reps is shown in the pipeline revenue they generate..."



...and you can bet it's going to be higher than the accounts your marketing automation system will 'qualify'."

You **want** SDRs to be the face of your business. [The nurturing process becomes much more effective when a human follows-up versus a marketing automation system](#), and that means effectively training your reps becomes paramount. Unfortunately, a lot of the training programs out there fall short—either because they're expensive to maintain (both dollars-wise and time-wise) and fall by the wayside OR they were never fleshed out correctly in the first place. In that case, having an SDR in-house can be just as damaging as the perceived poor judgment of an outsourced rep.

Takeaway

Where your reps are located doesn't matter, it's **how they're trained** that determines the representation of your company. Whether that's in your office or in an outsourced capacity, a poorly trained rep will poorly represent your company. Same goes for a well-trained rep—putting them through a certified training program alleviates any worries that they might misrepresent your company and brand.

Speaking of representation...

Keeping a function as forward-facing and beholden to sensitive information (like your SDR team) close to the chest makes sense. It's a liability to have that info out of your control for fear that it falls into the wrong hands. SDRs have a lot of valuable information like contact details, conversation notes, pipeline revenue, client details, etc...that you want to maintain control over (especially if you're working with European companies now that GDPR is in effect). Letting that information fall into the wrong hands could damage your reputation and potentially get you in hot water with clients.



SECURITY

But...isn't that what you already do with your SaaS solutions? Hosting a software or solution off-site (or in this case, outsourcing it) is so commonplace these days it seems weird to think that your SDR function would be any different. Think of it like hosting your SDRs in "the cloud."

In truth, the flexibility and scalability of the outsourced SDR model outweigh the perceived risks when it comes to a lack of "security." Being able to add or subtract reps quickly and effortlessly AND not have it impact your overhead costs is a much better alternative to sourcing them yourself. And with the right contract structure in place (like an NDA) the "security risks" can be mitigated.

Takeaway

Just like you trust a host to manage your SaaS solutions, **you can trust a well-respected firm** to do the same with your reps. It's not always a liability to relinquish control of that info—the track record of the firm you work with determines whether or not you can trust them with your data. Doing your due diligence beforehand allows you to give another organization access to your data without constantly being concerned for its safety.



Dealing With the Wrong Hire

All of the above scenarios involving the in-house SDR team assume full rep retention - there's never any turnover and performance remains at peak levels. We all know that's too good to be true. So that begs the question:

What Happens When You Hire the Wrong Employee?

According to research done by the UndercoverRecruiter, investing in hiring, onboarding, and firing a new employee can end up costing around **30% of their first-year earnings**. These bad hires also negatively impact total sales opportunities - on average, **a failing SDR loses 10% of their total sales opportunities** compared to a strong rep. To compound this point, when you replace a poor hire with a new hire, you can expect your existing team to **lose 40% of their time** to hiring, onboarding, and training. Safe to say, you want to hire the right person for the job.



Turnover is a constant battle when it comes to hiring and onboarding new employees - it's virtually unavoidable if you continue to hire internally. The average tenure of an SDR is 1.2 years - a far cry from the 2.4 years seen in 2009. There will always be SDRs looking to advance their careers, individuals who aren't great fits culture-wise, and people who do not live up to interview day promises. No matter how much money you funnel into your recruiting and training programs, you will always have employee turnover - it's an unfortunate reality. Add that to the price of hiring and onboarding reps and the total cost of an internal team grows steadily higher.

Outsourcing sales development to an agency allows you to have a constant rotation of SDRs at your disposal. That outsourced company must deal with turnover as well, but based on the nature of the business, they're better equipped to promptly hire or replace a failing SDR. By eliminating the downtime of looking for a new rep, you can focus your efforts on other aspects of your business.

How Else Can a Wrong Hire Drain Resources?



Credibility Loss



Slippage



Ripple Effect



Credibility Loss: You want your brand represented in the best possible light, and one or two bad experiences with prospects can set you pretty far back. A bad rep can damage more than just your pipeline, they can hurt the name and brand that you've worked so hard to build.



Slippage: Work that isn't being done has an associated cost. The time it takes for other reps to pick up the slack from bad/fired employees takes away from their own activity, and this means less closed deals or appointments booked. The opportunity cost of your top reps picking up the slack can spoil your sales process.



Ripple Effect: Just because one employee leaves/lazes around doesn't mean others won't be impacted. All it takes is one bad egg to ruin the basket, and when the basket is ruined it can be costly to replace/freshen up.



When you make a "bad" hire, it not only impacts the short-term productivity of your team but impacts long-term success as well. The reverberations of a bad hire sound into the future, as current employees must shirk their own work to train/onboard a new (new) hire while absorbing the responsibilities of the failed one.

Instead of uncovering sales opportunities, your current SDRs are going through the training process with the new hire to get them up to speed. Your sales managers are giving the new hire the same workshop they just gave to the old "new hire," and are less hands-on with the current team. Recruiting isn't building a talent pool, but instead depleting it to cover rapid turnover. It's a lose-lose-lose situation.

So now you know not only the value that outsourcing can bring but the importance of hiring the right person for the job as well. There are a ton of options out there for outsourced sales development partners, and they all promise top-notch results. Understanding the differences between them to make sure you partner with the right firm is a tedious, but necessary task. So here's the question: *How do you know the firm you're outsourcing to is the expert you're looking for?*

Picking the Right Outsourcing Firm

Outsourcing can be beneficial when done correctly—simple as that. Not really groundbreaking stuff, but knowing that it can go right should push you passed the pre-conceived notions mentioned in the first section of this eBook. Otherwise, the Fear, Uncertainty, and Doubt (FUD) that accompanies the idea of outsourcing takes over, and it never gets done.

So how do you find the right firm? Is there a list of criteria to look for when picking a company to help with outsourcing efforts? In short, no. Outsourcing isn't a "one size fits all" kind of operation, it should be custom-built to fit your needs as an organization. It's important to understand what's more compelling for you and your business and find a firm that can fit that rather than the other way around.

Here are some variables to look at and use as a barometer for success (they might be familiar):



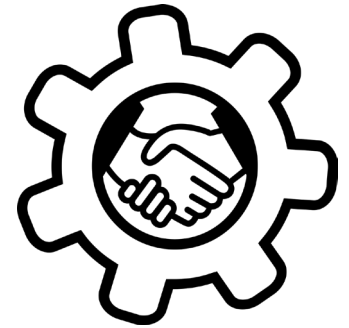
Look at their cost. Obviously, you want the best return on your money, so paying the lowest price possible seems like a solid option. *Wrong.* A company that's on the lower end of your price range might be peddling a sub-par service (we'll get more into how to determine that in a second). Similarly, a company that's touting a "premium service" at a high price-point might break your bank. Instead of looking at just hard numbers, look at what you get for the price point. Program fees often include just the SDR and their calling activity, but obtaining extras like:

- A dedicated Client Engagement Manager
- A certified training program
- Customized reports and dashboards

increase the overall value of the program. Getting the most bang for your buck goes beyond paying a low price—it involves covering some of the hidden costs mentioned above while simultaneously providing a top-notch service.

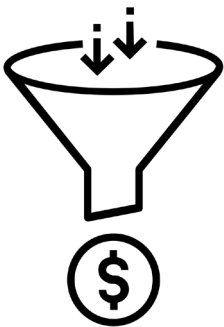
You can also differentiate good from bad based on how the firm treats its passed leads. Cost Per Lead (CPL) models are **not** the way to go when choosing an outsourced partner ([read more on that here](#)). In summation: Mismatched incentives and lower lead quality often make the model **more expensive** and yield a **lower ROI** than a flat-rate model. Measuring your partner on metrics like passed leads incentivizes them to give you as many leads as possible (we call them "vanity metrics") - not leads that have a higher chance at converting. Your team wastes time attempting to qualify these dud leads all while you pay top dollar for a service you could get from an intern. Get more bang for your buck by working with a model where you're only paying for the leads that match a pre-determined criteria and are further along in the funnel.

Look at their level of transparency. This relates more to how much you can trust the company you're trying to work with—when outsourcing a function like sales development it's very important to establish trust. Companies that are upfront about things like price, included services, their customer base, their projected metrics, etc...are companies you want to work with. An organization that keeps any of that info private is probably hiding it for a reason.



Trust comes in all shapes and sizes, but when an organization trusts their body of work enough to deliver bad news proactively, you know you've found a great partner. A lot of companies will sugarcoat their results in the hopes that they retain you as a customer—not the best business practice. Instead, when a company delivers results as they are and works with you to correct them (creating a two-way street), it creates an environment of trust and progress. Combine trust and transparency like that with positive program remarks and you've found yourself a solid partner.

In tandem with making sure the transparency is high, you also have to look at the quality of the leads being promised - again, something you can't get in a CPL model. The process and methodology behind discovering leads is what sets a high-quality firm apart from another. Keeping it scalable and repeatable ensures that you're getting leads delivered on a regular basis, and they're the leads **you want to speak with**. Setting the expectations beforehand eliminates any kind of misaligned incentives and ensures that your team has a constant stream of sales leads to action. If a firm promises one thing and delivers another while remaining clandestine about it, they're probably not the firm for you.



Look at Results (at least on the surface). Don't look at hard numbers (like promised conversion rates or total expected leads), but look at things like customer reviews and case studies. Organizations that are happy enough to share their results with the public not only have the trust and transparency factor, but the results are good enough for both parties to feel comfortable about publishing them.

It's also important to look at what **metrics are measured to determine success**. When an organization ties their success to a CPL model, their incentives are misaligned with yours. When you're charged on a CPL basis the SDRs are incentivized to pass as many leads as possible, not just the best ones they can uncover. You want high-quality leads that have a good chance at closing, not just spaghetti on the wall. Finding a firm that works **with you to define a good lead** AND only gets paid on leads that match that quality is hard, but it's a much better alternative. That's usually the biggest factor to determine a sub-par service from a high-quality one—how much they work with you, not for you.

Remember to consider:

Brand: A company that touts their training program is more than likely a company that will accurately and effectively represent your brand — and you want to make sure your brand is represented in the best light. The damage that an untrained caller can do (whether they're in or out of your physical office) can seriously impact your current and future selling opportunities. A strong training program really helps prepare SDRs before they hit the phones, so you know they'll have your company's brand in mind.

"Rent-A-Callers" and other high volume/low-quality firms simply can't be trusted, as they often don't prioritize your brand when making dials. Going back to misaligned incentives, callers that only care about passing meetings won't care about how they represent your company—they just want raw results. On top of that, you're missing out on the value that a dedicated SDR could be bringing your sales team. Looking past those initial "vanity metrics" will help you find the firm that works for you, and not just for themselves.

Security: Companies that use SaaS solutions should be very familiar with the idea of outsourcing (at least a little bit), and the concept of hosting information on servers outside of your office closely mirrors the outsourced SDR function. It's one thing to know that you have to protect sensitive client data, but it's another to know that you're able to relinquish the hold on that data and trust it in the hands of another company.



This isn't just about finding a "trustworthy" company but instead coming to terms with letting go of your data in the first place. The flexibility and scalability of a high-quality outsourced model is too good to pass up. The right company will understand security is a concern, and treat your data with care. They'll often have NDAs available as well, just to hammer that point home.

To reiterate:



Finding the right outsourcing partner is **hard**. There are a TON of options out there promising similar results, and discerning between what's real and what's not is a tough task. Do your due diligence though, and you'll be rewarded with a partner that has your best interests and success in mind. That's someone who:

- Is Cost-Conscious - they won't break the bank but the price is also fair for the work
- Is able to deliver results - specifically the ones you're looking for
- Has your best interests in mind - their SDRs hold your reputation in their hands
- Values security - they won't misuse or damage sensitive information
- Is transparent - they don't sugarcoat results and they work with you to achieve success
- Above all else, is a **partner you like**. Work with people you like, not just people who will do a good job. It makes a HUGE difference.

What about a situation where you're considering an outsourced vendor, but it doesn't make sense to abandon your internal team? Outsourcing isn't *always* the answer, after all. That might be the case if:

- Your team is already driving revenue like crazy - if it's not broke don't fix it
- You have over 10 SDRs already (you can always try a bake-off if you're curious)
- Your training program is well-established and effective
- You minimize turnover by promoting from within and providing excessive perks

In the end, always explore your options. You never know what you might be missing.
Remember: Comfort is the enemy of progress.

Like what you read? Want to get in touch? Head over to our [Contact Us](#) page to connect with the demandDrive team!
We're also on Drift - feel free to [chat us on our website!](#)

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