

The Cost of Poor Sales Recruitment Decisions

Many employers instinctively know that staff turnover costs them precious time, money and resources. Few, however, have sat down and put an actual dollar figure to the cost. Employers pay a hefty price for the recruitment of sales staff in particular, perhaps more so than any other category of staff. So what is it about sales recruitment that is so costly?

Many employers who attempt the sales recruitment process themselves are inexperienced in the art of recruitment, largely because they just don't get to do it that often. Many just 'wing it' and use unstructured recruitment practices that have notoriously poor outcomes. An ad-hoc approach which is often based on 'gut feel' rather than scientifically validated processes is not predictive of sales performance and results in poor recruitment decisions.

Hence experienced recruitment agencies that specialise in sales recruitment can 'add value' to the recruitment process. They have the background and expertise to use structured and valid recruitment processes that are known to be highly predictive of future on-the-job sales performance.

So what is the maths behind the cost of sales recruitment and that of getting it wrong? Getting sales selection wrong can cost you more than you've imagined. There are both some obvious, tangible costs to poor selection decisions, but some hidden costs that few employers have previously factored in, such as:

- Keeping a poor sales performer on too long who is not producing
- Having a sales territory vacant for too long
- A recruit with a poor 'cultural' fit for your organisation, potentially lowering morale and causing conflict in your team
- Using poor, unstructured sales recruitment processes which are not predictive of subsequent sales performance
- Using the wrong recruiters who have a poor understanding of your needs, of your industry, and of sales in general

All of this equates to loss of market share, lost customer relationships, loss of reputation, team disharmony, resulting of course in lost revenue and profits.

Case study

Let's now consider a sales recruitment scenario; the recruitment of a salesperson who earns a base of \$70,000 per year plus extras, who stays in your organisation for two months and doesn't work out.

Tangible financial costs – conservative estimates

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| • Advertising and sales recruitment agency costs | = \$ 12,000 |
| + | |
| • Induction / product training costs (in-house & external) | = \$ 5,000 |
| • Salary and benefits costs (incl. super, work cover, etc) | = \$ 15,000 |
| + | |
| • Additional costs (car, phone, travel, laptop, etc) | = \$ 4,000 |
| • Severance pay (2 weeks notice) | = \$ 2,700 |
| • Manager's time to recruit (20 hrs @ \$60/hr) | = \$ 1,200 |
| • Administration costs | = \$ 2,000 |
| • Sales lost due to poor performance (2.5 times salary is the average) | = \$ 29, 166 |

Estimated tangible costs total = \$ 71, 066

±

In addition: other 'hidden' costs – will vary from organisation to organisation

- Vacant territory and subsequent loss of sales opportunities
- Manager's and senior sales staff's coaching time
- Reduced team morale
- Damaged customer loyalty
- Potential litigation costs – unfair dismissal claims, etc
- Damaged reputation to your organisation

So clearly the tangible costs of poor sales recruitment decisions are **in excess** of \$71,000. The hidden costs are obviously difficult to quantify but add considerably to these tangible costs.

When quantified, it is easy to see how poor recruitment decisions can add unnecessary costs to your bottom line. Engaging an agency specializing in sales recruitment can save you both tangible costs and hidden costs, making it a wise investment decision!

For more information on sales recruitment or to contact us, visit the website at <http://www.myfirstsalesjob.com.au>