

The Cold Facts About Cold-Calling



Creating Sales Management Excellence

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THE HISTORY OF COLD-CALLING

The purpose of this white paper is to present some facts, as I know them, regarding the process of cold-calling. I don't intend to present my opinions; rather, I'd like you to draw your own conclusions based on the facts associated with the time-honored process of cold-calling. First, a history lesson:

Cold-calling, as we practice it today, was first documented in 1873 by John Patterson, who was the founder of the NCR Corporation. I have read a copy of his 1895 sales training manual, and it very accurately describes the way in which we prospect today, in terms of face-to-face canvassing. I have to admit that, when I read that training manual, I realized how little the sales profession has advanced during the last 100+ years!

Granted, we have all sorts of new tools and tactics but, at the end of the day, selling is still best described as a process of proactively meeting strangers and then interesting them in changing part or all of the way they run their business and, ultimately, convincing them that an acquisition of your product or service will produce valuable benefits for them. That hasn't changed.

However, the buying process has changed dramatically. Moreover, the general business climate has changed significantly. During my early days with IBM, we went door to door in office buildings and solicited business; and we were very successful with that strategy and tactic.

From time to time, we'd have phone days where management required us to come into the office and "blitz" the telephones for a day to find business. And then again, on other days, several salespeople would team up in one salesperson's territory to blitz that territory and collect business cards for the salesperson. With 20/20 hindsight, these activities produced business but, in today's arena, would be considered very unproductive and wasteful.

I can't discuss cold-calling without making some comments about the changes in the marketplace. The buying process has changed dramatically. Stop and think about it. Just in the past few decades, the workload of today's business decision-makers has increased dramatically.

Administrative assistants and/or secretaries have been replaced with PCs, laptops, tablets, etc. As a result, the decision-maker of today is inundated with conversations and communication from above his/her level in an organization, below their level, from peers, and from the outside.

Seth Godin indicated in his book that the average business-to-business decision-maker receives 3,000 marketing touches daily. These touches include phone calls, letters, postcards, TV and radio ads, newspaper advertisements, magazine advertisements— you name it. Consequently, the world is very "noisy" compared to the good old days.

In addition to being exposed to 3,000 marketing messages daily, today's decision-maker takes 17 phone calls from people trying to convince him/her to buy their product, service and/or idea. As a result of this inundation, the decision-makers of today have extremely short windows of time to consider new products and services.

I can recall the time when decisions were made over weeks or months of the buying/selling cycle. Those same decisions (as measured in terms of cost, risk and/or impact) are now made in days, if not less. Consequently, the need to be at the right place at the right time, while age-old, is more important today than ever before. Consequently, we must rethink the ways in which we cold-call, in order to achieve optimum effectiveness.

VALUE OF SELLING TIME

I firmly believe that cold-calling in the 21st century is not selling. Rather, it is searching for someone to sell to. Essentially, we are engaged in a quest hoping to find a company and/or a decision-maker that has need for our products and services. This is searching; it's not selling. And, in my opinion, it is an extremely wasteful process, based on the realities of today's buyer's behavior.

For instance, studies show us that 90% of all cold calls (placed by phone) go into the voicemail. There are a myriad of training programs designed to show sales professionals how to leave effective voicemails, but the truth is you have just a few seconds of voicemail time to get the attention of a decision-maker. And, many decision-makers delete voicemails before they even hear the entire message.

Based on this 90% statistic, it then becomes logical to extrapolate and recognize that 90% of the investment (time, money, effort, etc.) is wasted. What other business function would be honored, if it were effective 10% of the time? I'll argue that we would immediately stop doing what we're doing, if any other business activity were effective only 10% of the time.

Stop and think about it for a second. Would you buy products that were effective 10% of the time? Probably not. Or, would you buy a car that would start 10% of the times that you needed to drive somewhere? Again, probably not. You wouldn't retain a manufacturing line that produced flawed products 90% of the time, would you?

So, why do we continue to do something that we know is effective only 10% of the time?

I believe because it's a habit. Managers tell salespeople, "Get on the phone and cold-call. Find someone that wants to buy." And, salespeople salute and dutifully get charging after that. Now, let's take a look at some more facts associated with this archaic process of searching for someone to sell to.

Studies have also shown that it takes approximately . . . and, again, this is across all industries . . . 10.7 hours of cold-calling or dialing to get an appointment. One has to dial the phone many times before the sales professional gets a live decision-maker on the phone. As a matter of fact, studies have shown that it costs approximately \$5.10 every time a salesperson picks up the phone and makes a cold call.

This \$5.10 cost is incurred whether or not the salesperson advances his cause towards a sale. Doing the math, it then looks like it costs approximately \$68 to have a phone conversation with a decision-maker. This is a result of the number of times that the phone must be dialed before a decision-maker gets on the phone. Remember, 90% of those dials go into voicemail.

Overall, on average, it takes approximately 10.7 hours of dialing to establish a face-to-face meeting. So, as you look at the numbers, why do we continue to cold call? Not only is it effective only 10% of the time, but it's very expensive all of the time. Now, the expense associated with cold-calling doesn't stop with the dollars that can be ascribed directly to the activity of cold-calling.

When a sales professional is "dialing for dollars", he/she is not doing that which helps him/her earn commissions and makes companies grow. They aren't selling. Salaries continue to be paid, fixed costs will also be paid, but there is no uptick in revenue that goes along with this activity. Sales professionals understand that this activity has a very low return-on-effort factor built into it.

VALUE OF SELLING TIME

Nonetheless, it is what many sales professionals do because it is the only vehicle available to them. I encourage you to explore new tactics. Cold-calling is extraordinarily ineffective for an entrepreneur who falls into the category of a seller/doer. The seller/doer is typically a small, professional services business that has to do the work/projects, et cetera that they have sold.

This business model has time conflict all over it in the fact that, the more work the seller/doer sells, the less time the seller/doer has available for selling. If some of that selling time is dedicated to searching, the return on effort is doubly negative in that they can't bill anybody for prospecting time and they aren't engaged with people that are actually interested in talking to them.

In summary, selling is most effective when a sales professional is face to face and/or engaged in a lengthy phone conversation with a business decision-maker or influencer who knows what results the salesperson's product or service produces. These results obviously have to have value to the prospect, from the prospect's point of view.

Engaging a sales professional or a seller/doer in discussions with people who don't know what you offer, have no interest in what you offer, or are thinking about acquiring the product, service and/or results that you offer, until you call them is an exercise in hope that is becoming incrementally less efficient and effective, over time.

Again, we would retain no other business activity that was effective only 10% of the time, but we continue to hope against hope that our valiant and, sometimes, futile cold-calling efforts will produce results. I hope this paper clarifies any questions you may have regarding cold-calling. Feel free to contact me, if you would like to discuss this topic further. As always, I wish youõ

Good Luck and Good Selling!!!

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