

# TELEMARKETING EXECUTION: **IN-HOUSE OR OUTSOURCE?**

How to evaluate the costs and ROI of in-house and outsourced telemarketing



**A 3D2B White Paper**

## Executive Summary

Today's B2B marketing organizations claim that the fundamental task of generating leads is their most significant challenge. Activities like social media marketing can be powerful, but they can also distract marketing from its core business objective, which is to generate qualified, actionable leads for sales.

Outbound lead generation via telemarketing promises to resolve this challenge. Telemarketing generates high-quality leads that empower sales to drive business growth. However, many marketers' budgets are being examined with a critical eye. The phrase "do more with less" has become a dominant theme in many marketing departments. Marketing is being tasked to generate higher quality leads and do so with ever-decreasing budgets. Once marketing recognizes that telemarketing can be part of a cost-effective lead generation program, the next step is determining how to go about it. The primary consideration is whether it should be done in-house or outsourced.

In this white paper, we'll examine the benefits and cost differences of both in-house and outsourced telemarketing. We'll offer detailed line items on the costs of performing telemarketing. We'll then compare the results achieved to determine a final ROI comparison. In the end, you'll have the data you need to make a case for telemarketing and implement it as a critical, cost-effective part of your lead-generation efforts.

## Making the Case for Telemarketing

Studies show that year after year, the greatest challenge for B2B marketers is generating high-quality leads. 65% of marketers say that generating traffic and leads is their greatest challenge.<sup>1</sup> At the same time, increasing the quantity and quality of leads remains at the top of marketers' main priorities. Increasing conversions sits in a distant third place.

As a result of their difficulties in generating leads, many B2B organizations find that closely aligning sales and marketing departments is a key challenge. The quality of leads usually stands at the center of the divide. In fact, sales teams never follow through on 50% of the leads generated by their marketing departments.<sup>2</sup> Fundamentally, sales and marketing have varying definitions of what constitutes a high-quality lead.

For these reasons and more, telemarketing plays an important role, whether it's to generate leads or qualify them before handing them off to sales. In fact as many as 88% of B2B businesses find telemarketing to be either very effective or somewhat effective in generating leads.

By and large, B2B marketers believe in the power of telemarketing. When done effectively, it can reduce the cost of a sale, reveal valuable market insight, allow marketers to vet prospects before they move too far along in the sales process, and build valuable, lasting relationships with prospective buyers.

The fundamental question then is how to go about incorporating telemarketing into other marketing activities. Let's compare in-house versus outsourced telemarketing in detail.

## The Disadvantages of In-House Telemarketing

There are many B2B marketers who understand the effectiveness of telemarketing in lead generation, but due to telemarketing's negative reputation, they don't accept it wholeheartedly. These marketers attempt to perform telemarketing activities in-house on an ad-hoc basis with existing or temporary staff.

This type of in-house telemarketing often proves ineffective and therefore expensive. Results are compromised by several factors:

- ▶ Calls are made by administrative assistants or junior team members who cannot fluently communicate marketing messaging or effectively establish relationships with customers and prospects.
- ▶ These team members have many other responsibilities that limit the time they can devote to telemarketing.
- ▶ An ill-suited caller will be discouraged by rejection and will find anything else to do.
- ▶ Telemarketing is often done informally with no supporting plan.
- ▶ Resulting sales are lower since these team members cannot effectively sell, up-sell, or cross-sell solutions.
- ▶ Many times, English-speaking team members are tasked to address the global telemarketing needs of the company, which are best performed in the native language.
- ▶ Telemarketing processes are haphazard, and calls are made slowly without a streamlined approach.
- ▶ Training, list development, and other responsibilities delay results.
- ▶ A lack of reporting capabilities prohibits the company from measuring telemarketing effectiveness.

What's more, in-house telemarketing requires management and specific management skills. Not every marketing manager makes for a good call center manager. A call center manager must effectively track results, train agents on how to respond to objections, and motivate staff in the face of rejection.

Some B2B organizations take a different approach to in-house telemarketing. These companies have a dedicated inside sales team. While it is their job to support field sales, the inside sales team has its own set of challenges when it comes to performing telemarketing tasks:

- ▶ Inside sales agents often garner higher salaries than temporary flex staff or junior members on the marketing team. These agents also receive benefits since they are permanent, long-term employees.
- ▶ Many times, agents are hired with the impression that they will be quickly promoted to field sales. This can lead to high agent turnover when promotions don't happen.
- ▶ The opposite may be true. The inside sales team may have a high turnover rate because its best agents are being promoted to field sales positions.
- ▶ High turnover requires expensive recruitment and training and reduces telemarketing effectiveness.
- ▶ These agents have other responsibilities and must support sales in many ways, reducing the time they devote to telemarketing.
- ▶ Inside sales agents can get burned out, making the same calls and communicating the same messages year after year.
- ▶ These teams sometimes lack insight into the latest telemarketing trends, systems, and processes. They are often isolated and receive one-time training and use the same systems and processes for many years.
- ▶ Legal ramifications can limit a company's ability to scale up or down when needs fluctuate.
- ▶ A lack of reporting capabilities prohibits the company from measuring telemarketing effectiveness.

The issue of effectively managing telemarketing agents remains. Whether calls are made on an ad-hoc basis by junior team members, temporary employees, or by inside sales agents, many B2B organizations lack qualified managers who know what it takes to run a telemarketing operation efficiently.

Additionally, since inside sales teams are so closely integrated with field sales, there can be disagreements as to how quality leads are best achieved. This lack of alignment between the two organizations can create internal battles between personnel.

## The Benefits of Outsourced Telemarketing

There are just as many advantages to outsourced telemarketing as there are disadvantages to performing it in-house. When a company offers telemarketing as one of its primary services, its experience and expertise are simply too great to ignore. Compared to a junior marketing team member or inside sales rep, an outsourced telemarketing company will achieve measurable results.

Outsourced telemarketing agencies often prove more effective because they typically:

- ▶ Have many years of telemarketing-specific experience
- ▶ Specialize in B2B and know what it takes to sell to a discriminating B2B buyer
- ▶ Have many clients to leverage best practices
- ▶ Agents can change programs when they feel they are burning out
- ▶ Have experience with multiple vertical markets
- ▶ Understand the complexity of B2B products, pricing, and value propositions
- ▶ Assign high-quality, college-educated agents
- ▶ Employ multi-lingual, native-speaking agents to address global telemarketing needs
- ▶ Offer sophisticated and actionable reporting
- ▶ Can support different types of activities with various skilled agents

There are several other benefits that a telemarketing company can offer due to its improved experience and expertise.

### ***Conducting calls effectively***

When done right, telemarketing can directly and immediately gauge a prospect's interest in or need for a particular product or service. Agents can comfortably speak to prospects without a script and engage them in a dialogue. The agent can ask questions to ensure the relevance of the solution they're selling as well as explain the merits of complex product offerings.

### ***Establishing relationships***

Experienced agents can easily develop rapport and effectively establish relationships with prospects and existing customers. Prospects are much more likely to listen to a sales pitch if they feel that they have a relationship with the company.

## ***Generating qualified leads***

As mentioned above, sales teams are often frustrated with marketing leads that aren't qualified. An experienced telemarketing team knows the difference between a lead that's ready to buy versus a lead that isn't. Every lead handed to sales is thoroughly qualified. Any leads that aren't ready are sent into a nurturing process.

## ***Performing many types of calling services***

By specializing in outbound lead generation, these organizations are highly qualified to perform all kinds of telemarketing activities including lead generation, contact profiling, cold call marketing, lead nurturing, lead qualification, response handling, and more.

## ***Integrating with marketing activities***

Telemarketing improves the effectiveness of marketing endeavors. Due to better targeting, direct mail response rates have increased substantially in recent years, now coming in at 5% for prospect lists. It remains true that when marketers follow up with a phone call, the response rate can increase drastically—sometimes up to 25%.

## ***Handling employee attrition***

An outsourced telemarketing agency can cope with attrition in a much more stable way. Having many skilled agents on staff eliminates the need for long hiring and training processes when team members leave. This shortens the associated downtime and reduces ramp-up time.

In addition to these many benefits, it often takes just two or three months for an outsourced telemarketing team to prove its effectiveness. By comparison, it takes an average of six months to a year to determine whether an in-house lead generation team is producing results.

## The Costs of In-House and Outsourced Telemarketing

Due to the many disadvantages of in-house telemarketing, several studies show that the cost per lead is significantly higher when compared to outsourced telemarketing. Typically, in-house telemarketers invest an average of 10% of revenues, compared to 7% for outsourced telemarketing.

But rather than rely on general statistics, we'll examine the detailed, line-item costs of telemarketing and compare them to results achieved—whether performed in-house or outsourced.

There are many factors involved in determining the costs of in-house telemarketing, and it's important to consider the ways in which these numbers can change. In the tables below, we provide all of the figures necessary to examine the costs of in-house versus outsourced telemarketing:

- ▶ Every factor involved in budgeting for in-house telemarketing including agent salaries and the cost of phone systems
- ▶ The costs of hiring an external telemarketing agency
- ▶ Performance metrics measuring the effectiveness of the three types of telemarketing: in-house ad-hoc, dedicated inside sales, and outsourced

First, we'll show the cost of in-house telemarketing on an ad-hoc basis. In this scenario, calls are made infrequently on an as-needed basis. Existing marketing staff, administrative assistants, junior team members, or temporary employees make the calls. All factors required to support this function are included. The costs for this option aren't significantly high, but as shown below, the overall ROI achieved is quite low.

<b>IN-HOUSE (AD-HOC MARKETING SUPPLEMENT)</b>	<b>DIRECT COSTS (MONTHLY)</b>
<b>HUMAN RESOURCES</b>	
Agent Salaries (including benefits)	<b>\$4,000</b>
Management Salaries (including benefits) (1:7 manager-to-agent ratio)	<b>\$950</b>
<b>INFRASTRUCTURE</b>	
Phone Costs	<b>\$75</b>
IT (PC's, telephone systems, software, CRM solutions, Internet, etc.)	<b>\$185</b>
Office Space	<b>\$800</b>
Other Overhead (utilities, cleaning, maintenance, etc.)	<b>\$25</b>
<b>TOTAL COSTS</b>	<b>\$6,035</b>



Next, we'll review the costs of in-house telemarketing performed by an inside sales team. In addition to salaries and infrastructure costs, recruitment and training costs must be considered. As discussed above, inside sales teams tend to see high turnover rates, so there are additional costs to keep agents on staff. With all factors included, this option is slightly higher than ad-hoc in-house telemarketing. In fact, this is the most expensive of all three options.

<b>IN-HOUSE (INSIDE SALES)</b>	<b>DIRECT COSTS (MONTHLY)</b>
<b>HUMAN RESOURCES</b>	
Recruitment (assuming 33% annual turnover)	\$190
Agent Salaries (including benefits)	\$4,635
Management Salaries (including benefits) (1:10 manager-to-agent ratio)	\$665
Ongoing Training Expenses	\$100
<b>INFRASTRUCTURE</b>	
Phone Costs	\$75
IT (PC's, telephone systems, software, CRM solutions, Internet, etc.)	\$185
Office Space	\$800
Other Overhead (utilities, cleaning, maintenance, etc.)	\$25
<b>TOTAL COSTS</b>	<b>\$6,675</b>

Lastly, we'll examine the costs of outsourced telemarketing. With a flat fee of approximately \$6,250, this is the least expensive of the three options. The fee is all-inclusive with no extra costs for recruitment, training, or infrastructure.

<b>OUTSOURCED (ALWAYS ON / FIXED TEAM)</b>	<b>DIRECT COSTS (MONTHLY)</b>
Full Time, Dedicated Agent (all-inclusive)	\$6,250
<b>TOTAL COSTS</b>	<b>\$6,250</b>

## Determining ROI

After identifying the total monthly costs of each telemarketing option, we can examine the results achieved to determine the return on investment. As mentioned above, in-house telemarketing—whether with marketing support staff or inside sales—brings a significant set of challenges.

Let's first examine the ROI of in-house ad-hoc telemarketing. On average, telemarketing performed in this way generates approximately 950 calls per month. This yields about seven appointments and a closed deal rate of 0.42. With an average deal value of \$87,000, our total sales value becomes \$36,540. With costs totaling \$6,035, the ROI is 505%, and the total cost of sale is 17%.

<b>IN-HOUSE (AD-HOC MARKETING SUPPLEMENT)</b>	PERFORMANCE METRICS (MONTHLY)
Completed Calls	950
Appointments Set/Leads Qualified (sent to sales)	7
Deals Closed (6% marketing qualified leads to sale)	0.42
Average Deal Value (constant)	\$87,000
Total Sales Value	\$36,540
<b>TOTAL COSTS</b>	<b>\$6,035</b>
<b>TOTAL ROI</b>	<b>505%</b>
<b>TOTAL COS</b>	<b>17%</b>

Next, we'll review the ROI of inside sales teams performing the telemarketing function. Similar to the ad-hoc telemarketing option, this option generates an average of 950 calls per month. This yields approximately eight appointments. But since inside sales reps are more adept at qualifying leads, we see a 10% lead-to-sale rate, which results in 0.8 deals closed. With our constant average deal value of \$87,000, the total sales value is \$69,600. This is more than double what we see happening with ad-hoc telemarketing. With costs totaling \$6,675, the ROI rises to 943% and the total cost of sale drops to 10%.

<b>IN-HOUSE (INSIDE SALES)</b>	PERFORMANCE METRICS (MONTHLY)
Completed Calls	950
Appointments Set/Leads Qualified (sent to sales)	8
Deals Closed (10% marketing qualified lead to sale)	0.8
Average Deal Value (constant)	\$87,000
Total Sales Value	\$69,600
<b>TOTAL COSTS</b>	<b>\$6,675</b>
<b>TOTAL ROI</b>	<b>943%</b>
<b>TOTAL COS</b>	<b>10%</b>

Lastly, we'll examine the ROI of outsourced telemarketing. For all of the reasons mentioned above, outsourced telemarketing yields significantly better results. With more calls completed per month (1,425), we achieve a total of ten appointments set. A 10% lead-to-sale rate results in a total sales value of \$87,000 (assuming the same deal value). This option has a lower cost of sale than either of the in-house options. So with a lower cost of sale and better results, we achieve a significantly higher ROI. The total ROI jumps to 1,292% and the total cost of sale drops to 7%.

<b>OUTSOURCED (ALWAYS ON / FIXED TEAM)</b>	PERFORMANCE METRICS (MONTHLY)
Completed Calls	1,425
Appointments Set/Leads Qualified (sent to sales)	10
Deals Closed (10% marketing qualified lead to sale)	1
Average Deal Value (constant)	\$87,000
Total Sales Value	\$87,000
<b>TOTAL COSTS</b>	<b>\$6,250</b>
<b>TOTAL ROI</b>	<b>1,292%</b>
<b>TOTAL COS</b>	<b>7%</b>

The table below shows a direct comparison of these figures. Clearly, outsourced telemarketing is an affordable option that yields great results and a strong ROI.

<b>FINAL COMPARISON</b>	PERFORMANCE METRICS (MONTHLY)
In-House Ad-Hoc ROI	505%
In-House Ad-Hoc COS	17%
Inside Sales ROI	943%
Inside Sales COS	10%
Outsourced ROI	1,292%
Outsourced COS	7%

## Conclusion

Telemarketing is an effective tactic to help B2B marketing organizations with their challenge to generate a high quantity of quality leads. The question marketers must ask themselves is how to execute the telemarketing function. In-house telemarketing—whether performed ad-hoc by marketing support staff or by inside sales teams—is fraught with difficulties. Outsourced telemarketing on the other hand, is less complex and highly effective.

Outsourced telemarketing results in more closed deals and higher total sales with a higher ROI. Ultimately, outsourced telemarketing enables marketers to strongly support their sales teams with quality leads that result in closed deals—enabling sales and marketing to work together as they contribute to the overall business growth.

### Endnotes

- 1 [The Ultimate List of Marketing Statistics for 2019, HubSpot, 2019](#)
- 2 [2018, Sales Enablement Benchmark Survey Report, Refactored, 2018](#)

## About 3D2B

Established in 2003, 3D2B provides B2B telemarketing and lead generation services to help foster customer relationships and boost sales across all industries. With offices in Rome, Italy and Tampa, Florida, 3D2B assists sales and marketing organizations across the globe. Founded on the principle of providing quality, specialized B2B telemarketing and lead generation services, 3D2B's agents are highly educated, natively speak the languages of the countries they cover and have industry-specific experience. For more information about 3D2B, visit [www.3D2B.com](http://www.3D2B.com).

## Learn More

To learn more about how 3D2B can help you generate leads and improve the effectiveness of your sales and marketing organizations, contact us at +1 813-320-0500 or +39 06 978446 60 (EMEA) or visit us at [www.3D2B.com](http://www.3D2B.com).

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