

# **Should You Set Up Your Own Sales Force or Should You Outsource It? Pitfalls in the Standard Analysis**

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### **Abstract**

Should you set up your own sales force or should you outsource it? The standard analysis uses a cost basis to answer this question. It assumes that the direct sales force is largely a fixed cost and that the outsourced sales force is largely a cost that varies with sales. It then calculates the sales quantity at which the costs associated with the direct sales force are equal to the costs associated with the outsourced sales force. It suggests that for sales above that quantity, firms should have their own direct sales force. This analysis has two serious problems. First, it is too simplistic; this paper details other cost factors not considered in the standard analysis but that should be. Second, the standard analysis is based only on cost; it ignores differences in coverage efficiency and selling effectiveness between the two sales forces, two important factors that are developed in this paper.