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## **Customer and Prospect Communications and Marketing Costs**

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The ability to effectively communicate with customers and prospects (potential customers) is critical to the success of a business. There are numerous ways to communicate product and company information to customers and prospects, however, each method of relaying information to business decision makers has a cost. For example, how much does it cost to send a sales representative to meet with John Doe at Acme manufacturing? Is the cost of making an in-person sales call (the cost associated with the decision maker contact) significantly more expensive than the cost of reaching the same decision maker through an advertisement in a business publication?

The following table outlines the average "cost" associated with reaching business decision makers via different communication channels<sup>1</sup>. Again, these are averages and are not industry specific, meaning that results may vary by industry and/or type of business. However, the data does provide insight into the cost associated with different communication and marketing strategies.

The table below, also presents a breakout of a typical marketing budget. Evidence suggests that the most efficient marketing techniques are exhibitions, advertising and direct mail, in that order. Data is not available for telemarketing or sales calls, however, the percent of the total marketing budget allocated to the various marketing techniques offers some insight into the effectiveness of each technique, and is consistent with the effectiveness of exhibitions, advertising and direct mail.

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<sup>1</sup> Source: Penton Media Inc., "What is the most cost-efficient way to communicate with business decision-makers." October 17, 1997.



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Agricultural Extension Service

Billy G. Hicks, Dean

<b>Communication/Marketing Method</b>	<b>Average Cost per Contact<sup>1</sup></b>	<b>% of Marketing Budget<sup>2</sup></b>
Advertisements in specialized business publications	\$0.32	11.5%
Internet	\$0.98	NA*
Direct mail	\$1.68	9.0%*
Business letters	\$13.60	NA*
Telemarketing	\$31.16	5.0%
Trade shows (Exhibiting)	\$162.00	14.0%
Industrial Sales Calls	\$277.00	47.0%
* Business letters, direct mail and Internet are all assumed to be categorized as direct mail		

The information above provides cost estimates associated with different marketing communication approaches. However, in addition to the cost information, it would be useful to have information on the effectiveness of each approach in terms of generating sales revenue. The revenue and cost information could be combined to estimate the return on investment (ROI) for each type of marketing communication approach. However, the revenue generating effectiveness for each of the aforementioned marketing communications approaches is not currently available. The lack of “marketing communication effectiveness” information is attributed to the difficulty and/or inability to track or measure the results of marketing communication approaches. To accurately estimate the effectiveness of a specific marketing communication approach, the following information would have to be collected:

1. Actual consumers would have to be identified and contacted.
2. Individual consumer purchase behavior would have to be measured and tied back to specific brand and/or product category purchases.
3. The impact of various advertising and market communications approaches would have to be measured and their of influence on consumers’ purchase decisions would have to be collected through market research and controlled experimentation.
4. There are lagged effects associated with different marketing communication approaches (the time that elapses between when a consumer is exposed to a marketing communication approach and when the product is purchased). These exposure-to- purchase lag effects would have to be identified and incorporated into measuring the effectiveness of an approach.
5. The impact of multiple product/service distribution channels on sales would have to be considered.

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<sup>2</sup>Center for Exhibition Industry Research, “*The Power of Exhibitions II.*”

6. In addition to the above identified factors, there are numerous other variables that can and do impact the timing of a consumers purchase or influence a consumers their purchase decision. These factors would need to be identified and measured to accurately measure an approaches effectiveness. .
7. The above information would have to be captured and analyzed over time

As indicated by the above steps the data needed to accurately evaluate the return on investment of a marketing communication approach is not readily available, if not impossible to obtain. However, a simple tracking program to evaluate the effectiveness of your marketing communication techniques can be designed and implemented. If only one marketing communication approach is utilized at a time, the sales it generates can serve as a rough estimate of how effective the strategy was in generating revenue. The total sales attributed to a particular marketing communications approach can then be used to determine the revenue generated per contact. Careful record keeping allows the cost associated with each approach to be calculated. A simple cost-benefit analysis can be calculated by combining the cost and revenue estimates. The simple cost-benefit analysis provides a indication of the feasibility of each marketing communication approach. However, A significant interval between marketing communication approaches is critical to accurately measure the impact of each approach and to avoid the approaches overlapping one another, an exposure-to-purchase lag.