White paper

The Sales Development Landscape 2023: Research Report

The return of hybrid outsourcing

Introduction

This survey was conducted in Q4 2022, as the global technology industry reached the peak of the long boom that started after the Great Financial Crisis.

Peter Kirwan
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The effects of the Covid-19 pandemic, including buoyant demand for PCs and hybrid working, was beginning to fade. In the US, e-commerce and digital advertising growth rates—also turbocharged by the pandemic—had turned downward. Nasdaq, venture capital funding and the IPO pipeline started to decline in January 2022. By the time this survey was in the field, IDC was reporting a 15% YOY decline in traditional PC shipments during Q3 2022.

For many working at corporate level, however, Q4 2022 was a moment of relative calm before storm. Labour markets were still tight. Hiring freezes had not yet become job loss programs. On this basis, this survey offers a snapshot of sales development just as the technology industry was coming off the boil after a lengthy period of growth.

2022 was also a year in which the proportion of technology companies pursuing a mixed strategy of in-house and outsourced sales development reached the highest levels recorded during the three years of this survey's existence.

In part, the increasing popularity of Blend of Both (or hybrid) strategies was a response to unpredictable business conditions. Uncertainty emphasised the need to maximize efficiency more than ever.

We hope you find this survey of our industry useful. If you want to discuss how Blend of Both outsourcing can help your organization, please don't hesitate to get in touch. Whatever 2023 holds in store, we believe that working with a high-quality outsourcing partner remains the best way of addressing the many challenges of sales development.

About this survey

This is the third annual survey of sales development strategies in the global technology industry undertaken by Foundry Sales Development Services (SDS). Like the previous surveys, this one is global: it examines how technology companies approach sales development in North America, Europe, Asia Pacific/Japan and Latin America.

Senior and junior managers

The 399 respondents who contributed to this year's survey all have responsibility for the sales development function. We use the word "function" because tech companies don't always operate explicitly labelled sales development teams. Quite often, aspects of sales development are folded into inside sales teams, the marketing organization or even customer success teams.

We pay a lot of attention to the views of sales development managers and directors who operate at the sharp end. These respondents typically manage sales development teams on a day-to-day basis.

This survey also includes the views of more senior executives who exercise responsibility for the sales development function at a higher level. Many are

senior sales managers. One-third have additional responsibilities in marketing. Others formally work within customer success teams or product development. In smaller organizations, these senior managers often operate at C-level.

Respondents by job title

32%
Marketing management

27%
Business development management

41%
Sales management
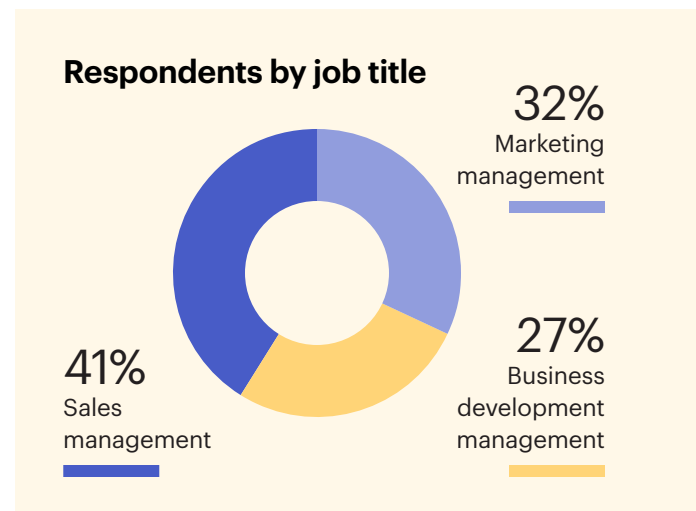
Technology sub-sectors [22]

The 399 respondents in the survey all work within the technology and telecoms sector, for companies with a B2C or B2B focus (or sometimes both). Respondent organizations break down into six major sub-sectors: e-commerce, software and services, electronics, hardware manufacturing, telcos and ISPs, cloud and data center service providers.

This survey was designed to explore how mid-sized and large organizations approach sales development. Over 40% of respondents work for mid-sized
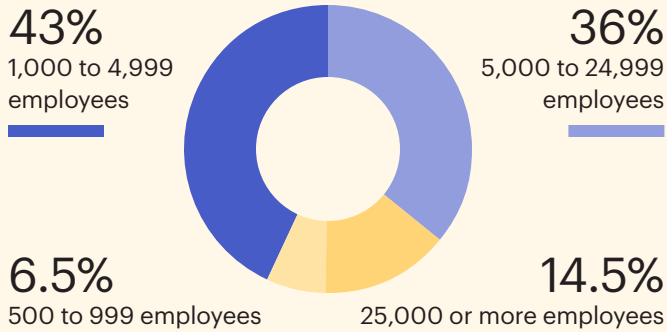
companies, defined as organizations with 1,000 to 4,000 employees. The largest single group of respondents (50.5%) work for organizations with more than 5,000 employees. A minority of respondents work for small organizations with fewer than 1,000 employees.

Respondents by organization size

43%
1,000 to 4,999 employees

36%
5,000 to 24,999 employees

6.5%
500 to 999 employees

14.5%
25,000 or more employees

Terminology

Sales development is sometimes considered to encompass prospecting and new business. Business development is sometimes defined to involve nurturing existing leads and moving them along the sales funnel. In this survey, we asked respondents about their organization's sales development function in such a way as to make clear that we were referred to both types of activity (i.e. both prospecting for new business and nurturing leads along the sales funnel). We have used the expressions sales

development and sales development representatives (SDRs) to describe the processes and personnel involved.

Thanks

Our thanks to the Foundry Sales Development Services (SDS) personnel who assisted with the development of the survey and the analysis of findings, including Karl McMahon, international sales development team leader. David Dulany, founder and CEO of Tenbound, a US-based research and advisory firm focused on sales development performance, was kind enough to share his views on the research with us. During the drafting of this report, we interviewed several practising sales development managers and directors from the technology sector. All contributed their views on an anonymized basis. Our thanks to them for sharing their thoughts. ∎
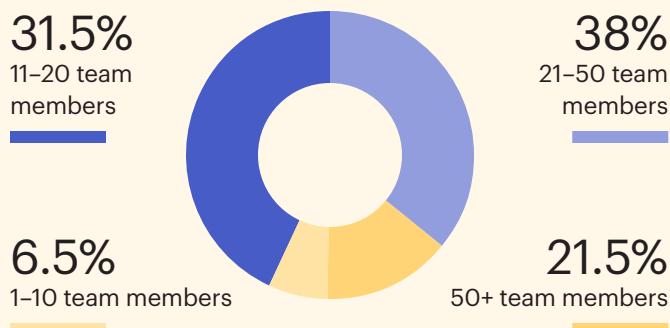
Chapter 1

The set up: what do sales development teams look like?

Sales development: team size

Sales development involves intensive training, coaching and management of SDRs. On this basis, the conventional wisdom argues that individual teams should operate with a maximum of between eight and 14 reps, depending on the calibre of the reps themselves and the complexity of the products or services being sold.

We asked our respondents about the number of SDRs operating in their region (i.e. in the US, Europe, Asia-Pacific or Latin America). Overall, the data suggests a skew towards larger regional sales development organizations. Six out of 10 respondents' organizations told us that sales development organizations in their region employed over 20 SDRs. A significant sub-set of organizations employed 50 or more SDRs per region. Around 40% of the overall sample operate smaller regional sales development organizations, comprising less than 20 personnel.

One correlation emerges from the data: organizations with large regional sales development operations have a higher propensity to outsource sales development activity. The larger the sales development organization, the more challenging it becomes to scale operations on an exclusively in-house basis.

What size is the in-house sales development team in your region?

31.5%
11–20 team members

38%
21–50 team members

6.5%
1–10 team members

21.5%
50+ team members

What percentage of your organization's sales development resource is focused on net new business versus expanding reach within its existing customer base?

44%
Expanding our reach within existing customer base

47%
Generating net new business

9%
Other
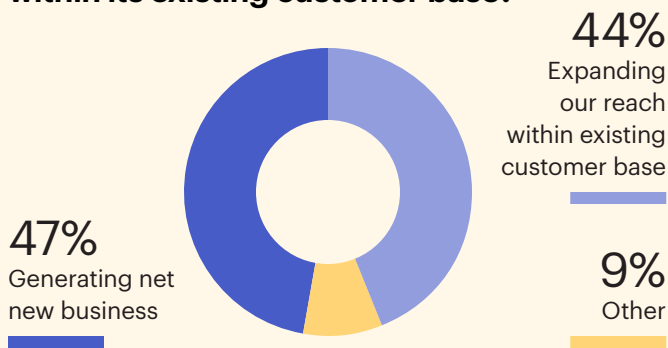
Net new vs. existing business

We asked respondents what percentage of their sales development effort is dedicated to net new business, and how much is dedicated to expanding reach among existing customers.

For all organizations apart from the smallest, the answer was an approximately 50/50 split. (Organizations with fewer than 1,000 employees understandably tend to emphasize new business more than existing customers.) Among the population of mid-sized and large organizations we surveyed, this is one metric that remained constant, regardless of respondent seniority, organization size, industrial sub-sector or regional presence.

The year of rebound

The overwhelming majority of tech companies (86% of our sample) use outsourcing suppliers for sales development.

The resulting market includes two types of clients. First, there's a small number—including many early-stage companies—that use outsourced sales development exclusively.
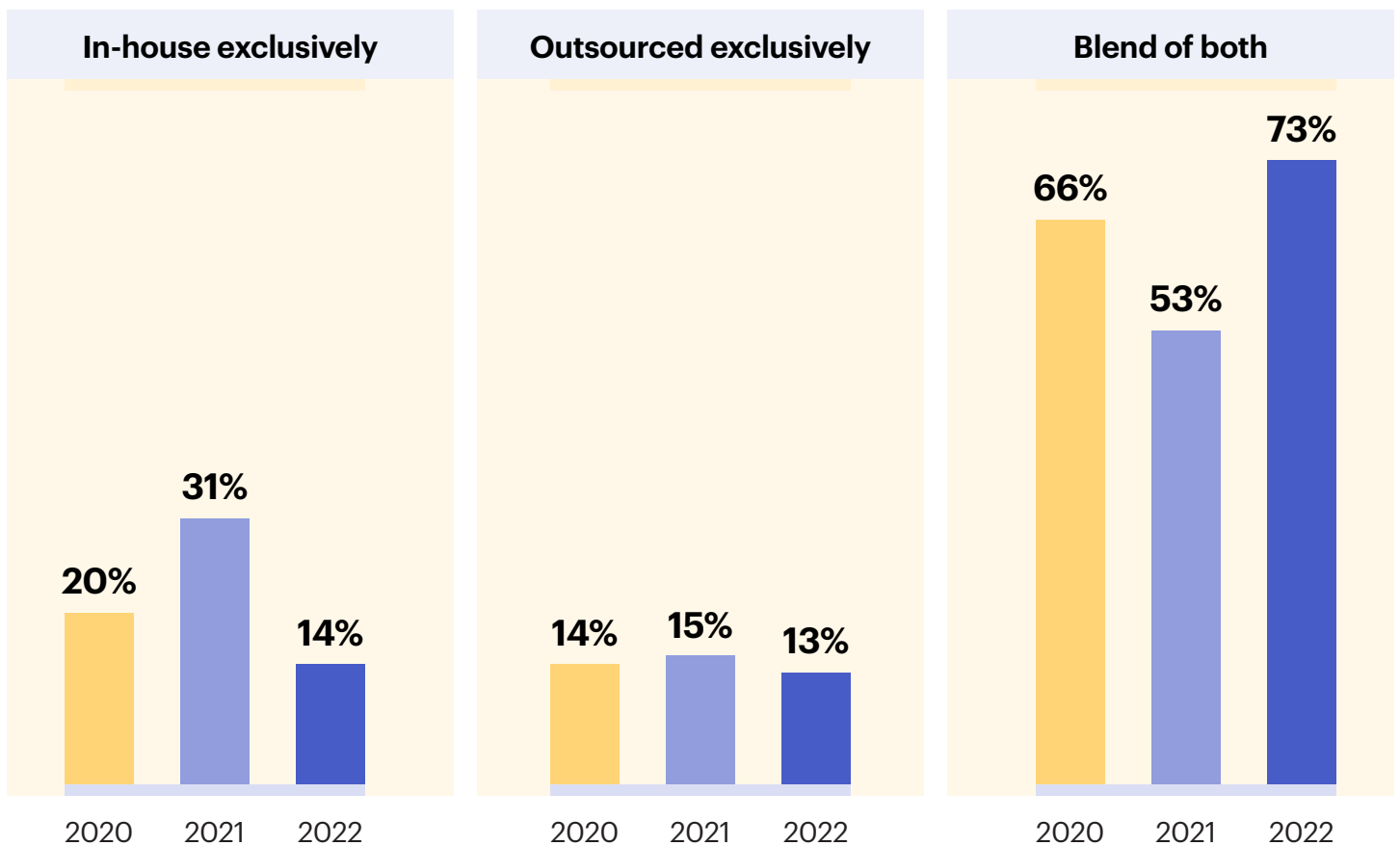
These companies may not be ready to incur the cost of scaling in-house operations. They may not have the bandwidth to run in-house and outsourced teams alongside one another, or they might still be developing products, messaging and playbooks. According to David Dulany of Tenbound, some of these companies will "do an in-house program, or they'll outsource for a while until they can find their legs and then they start to do in-house".

The second, much larger, group use outsourcing alongside in-house teams in an approach we call Blend of Both. In this year's survey, three-quarters (73%) of respondent organizations said they are using a Blend of Both strategy, up from 53% last year.

This represents a return to the status quo. In 2021, the number of outsourcing deals fell, as tech companies focused on in-house operations in response to market uncertainty. This year's survey shows that in 2022, levels of Blend of Both outsourcing rebounded strongly to exceed levels last seen in 2020. Partly as a result, the number of companies that retain sales development exclusively in-house more than halved year-on-year.

Dulany sees the transition to Blend of Both as an indicator of maturity: "In the mid-market, sales development is often either in-house or outsourced. But as the companies get larger, they start to blend. They'll have an in-house team and an outsourced team, or sometimes multiple outsourced vendors for a variety of verticals or tasks."

How is your sales development function resourced?

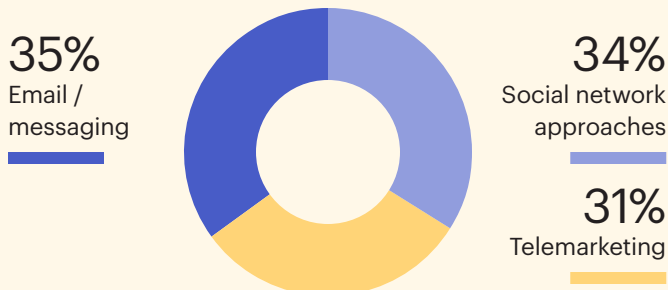| In-house exclusively			Outsourced exclusively			Blend of both		
20%	31%	14%	14%	15%	13%	66%	53%	73%
2020	2021	2022	2020	2021	2022	2020	2021	2022

Outreach modes

Respondents told us that their sales development teams place a roughly equal emphasis on three modes of communication: the telephone, email/messaging, and communicating via social networks.

The telephone currently sits at the centre of a debate about communication modes. One sales development director suggested a tactical reason for the decline of telemarketing: the fact that working the phones has become harder. "Once upon a time, you'd start getting conversations with people on your third or fourth touch," he said. "In the last few years, with the rise of working from home and hybrid working, that has doubled. Now it's somewhere between six to eight touches to get a conversation. If you have in-house SDRs focused on three or four touches, you're not even halfway there."

"The last three years have been challenging for telephone communications. We switched to a sales engagement platform."

— **Sales development director**

This sales development director suspects that some SDRs are giving up on the telephone too quickly. "After three or four failed efforts by phone, they are probably using LinkedIn to drop the guy a message."

He continues: "It's true that people are using their smartphones more for work now. It makes sense. People see notifications for LinkedIn messages, they read them. But I think if you spent more time and then put more touches into the contacts that you're trying to reach, you'd need to use social networking less."

For another in-house sales development director, Covid-19 changed everything: the telephone was increasingly replaced by a sales engagement platform that allowed SDRs to track activity across communication modes. "The telephone is best. But this started to change with Covid-19 three years ago. The last three years have been really challenging for telephone communication. We switched to a sales engagement platform. We'd get a dedicated meeting and then we'd get them on

As a percentage, how much focus do your SDRs place on the following outreach modes?

35%
Email / messaging

34%
Social network approaches

31%
Telemarketing

the phone. But simply calling them first time around: that became difficult."

Others buy into the argument that wider social trends are at play. These include the shift to self-service purchasing and the aversion some of us feel to making or receiving calls without forewarning. (Around one-quarter of smartphone owners in the UK, including many Millennials and Gen Zers, don't use their handsets to make calls. According to a recent study by TrustRadius, cold calls make 64% of B2B technology buyers less likely to purchase.)

> **"We do not have the right technology to support us"**
>
> **Percentage of each respondent category agreeing with this statement**
>
> Senior sales managers responsible for SD
>
> **36%**
>
> Sales development managers and directors
>
> **39%**
>
> Senior marketing managers responsible for SD
>
> **50%**

David Dulany of Tenbound thinks the preferences of younger employees is skewing the numbers away from telemarketing. The phone, he says, "could be the most effective way, but it really does depend on who you are calling, and their usual mode of communication.

"The younger generation, they never make calls. They just rely on text and social channels. And it's certainly true that if the SDRs are getting a lot of combative reactions, then they're going to want to switch to email. It's conflict avoidance, not wanting to disturb people."

It's worth noting is that the three-way mix of modes is no momentary aberration. It closely mirrors the result from the same question last year. Furthermore, respondents gave us similar responses regardless of organization size, level of outsourcing, job title seniority or industry sub-sector.

The telephone remains an important part of the mix. For many sales development professionals, it remains the tool of choice. But the days when the dial tone dominated sales development appear to be coming to an end.
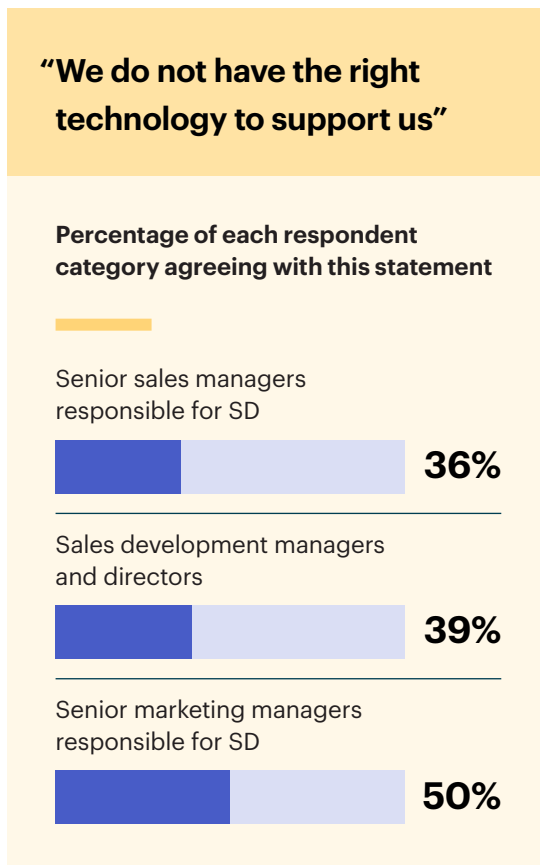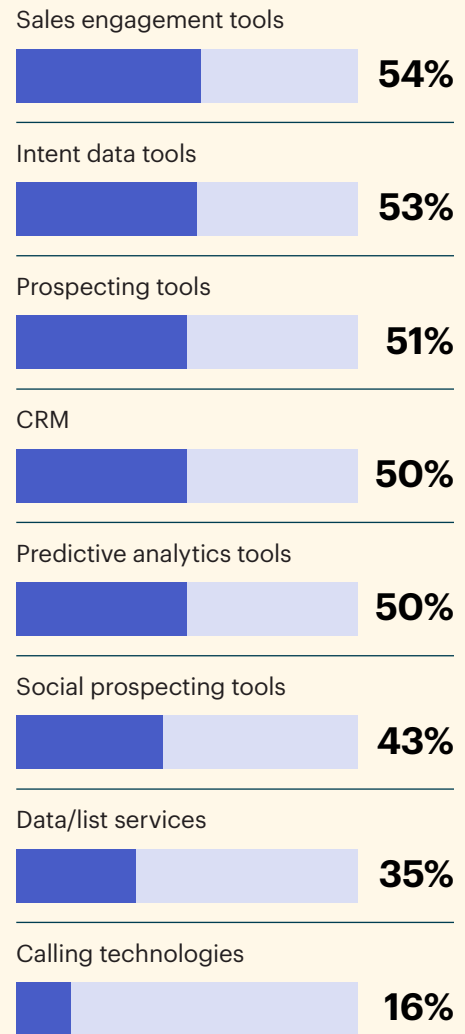
Technology stacks

Technology sits close to the top of any list of challenges confronting sales development. Overall, four out of 10 respondents (41%) agreed with the statement that "we do not have the right technology to support us".

This is one area in which operations-focused sales development directors and managers agree with their bosses. Four out of 10 junior managers told us that technology was a challenge, too. Notably, among senior marketers with responsibility for sales development, the number identifying technology as a challenge rises to 50%. When we asked all our respondents to identify the single biggest challenge presented by sales development, technology emerged second out of a list of nine possible options.

Three tools typically sit at the core of the SDR's job: sales engagement platforms, CRM and data tools. All three are highly rated by sales development managers as a whole. However, executives from different functional backgrounds tend to emphasize provision of one of these core technologies:

• Senior sales managers with responsibility for sales development emphasize CRM

What technologies do you use to support your sales development function?

Sales engagement tools
54%

Intent data tools
53%

Prospecting tools
51%

CRM
50%

Predictive analytics tools
50%

Social prospecting tools
43%

Data/list services
35%

Calling technologies
16%

• Senior marketing managers with responsibility for sales development emphasize sales engagement tools
• Sales development managers emphasize the use of intent data tools

The relatively high level of teams using sales engagement platforms almost certainly reflects a shift away from standalone telemarketing. The substantial year-on-year decline in teams using standalone technologies for voice calls (down to 16%) suggests the same. The all-in-one functionality of sales engagement platforms has significant appeal. As a sales development director described it: "It's all on one screen. It's a great tool for enforcing the cadences we want the SDRs to follow, and making sure the SDRs are following the right process. They open up the software in the morning and they can see all their jobs for the day. And their performance is all managed and tracked by the system."

What do we know about the data used by sales development teams? Last year, the number of sales development managers (at all levels of seniority) who said that they support their teams with intent data and associated tools was 42%. This year, it's 53%.

53%

of sales development teams use tools and platforms based on intent data.

By contrast, sales development managers appear to be using plain vanilla data less. Last year, 42% were pursuing these data sources to support their teams. This year, the proportion is down to 35%. Clearly, intent data is in the ascendant.
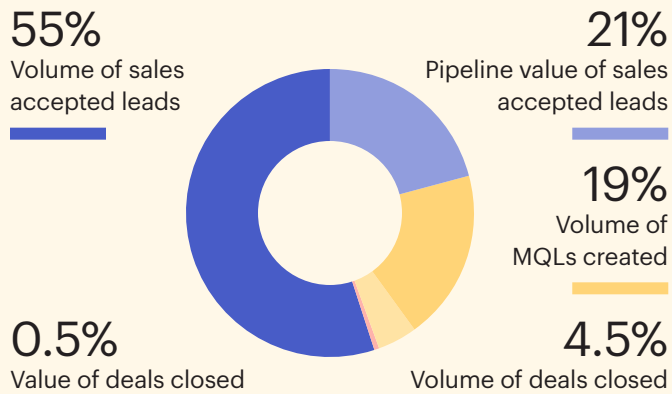
What does success look like?

A majority (55%) of sales development managers, particularly those at a more senior level, identify volume of Sales Accepted Leads (SALs) as the leading metric for measuring performance.

This metric focuses on what sales development representatives can

"Sales engagement tools are great for supporting the cadences we want the SDRs to follow. They open up the software in the morning and they see all their jobs for the day."

What is the leading measure of success for your sales development function?

55%
Volume of sales accepted leads

21%
Pipeline value of sales accepted leads

19%
Volume of MQLs created

0.5%
Value of deals closed

4.5%
Volume of deals closed

control. In a relatively uniform sales environment, its advantages as a scorecard are clear. The popularity of SALs as a metric also reflects

the challenge of attributing value to deals that close further down the funnel (some vendors gather this information systematically, but others don't, or can't).

However, the data also suggests that over one-quarter of operational sales development managers regard the pipeline value of SALs as their leading indicator.

Volume of MQLs (regarded by 19% as their leading indicator) is almost certainly a leading indicator for teams working on—perhaps dedicated to—event attendance and other marketing-led projects. ▮

Chapter 2

The challenges of sales development

Sales development involves a continuing effort to respond to highly variable demands by bringing together the right combination of human skills, technology and management oversight. It's an environment in which incremental gains make all the difference: the target is always moving and there's rarely a magic bullet to hand.

In circumstances like these, it's unusual for respondents to identify any single challenge more frequently than the others. More typical is the suggestion that multiple challenges contend with one another.
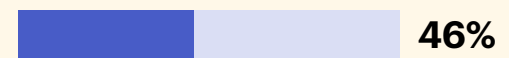
Junior manager anxiety

We asked the junior managers who have direct responsibility for sales development teams about their biggest challenges. We offered them a menu of nine possible challenges and told them to select as many as they felt apply in their situation. Here are their top five selections:

**What challenges does running an in-house sales development team present?
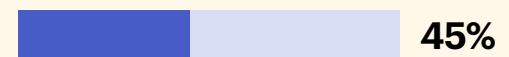[operational managers]**

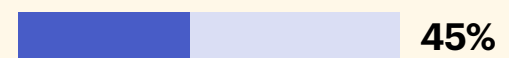We do not have the management expertise we need to run the team effectively
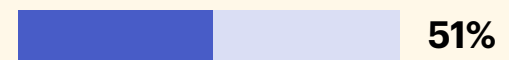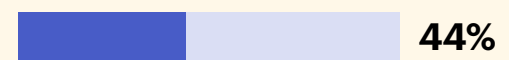
51%

We cannot hire and keep talented people

46%

The challenge of managing costs effectively

45%

We do not have the flexibility we need in terms of resource and expertise

45%

The requirements on the team change too quickly to keep up

44%

The challenge listed by the largest number might come as a surprise: 51% feel they lack the expertise to deliver results effectively. This number begs a series of questions. Are operational sales development managers being promoted into these roles too rapidly? Are they receiving the right kind of management support, coaching and training? Perhaps not.

The rest of this list encapsulates the working life of a sales development manager or director: the difficulty of hiring and retaining staff, the challenge of managing costs and the pressure created by highly variable demands in the context of fixed resourcing (a team of full-time employees with fixed headcount).

51%

of sales development managers and directors working in operational roles feel they do not have the management expertise to run their team(s) effectively.

Here is a similar list of perceived challenges, this time from senior sales and marketing executives responsible for sales development.

What challenges does running an in-house sales development team present? [senior managers]

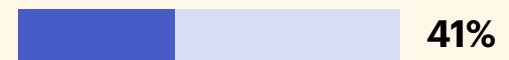We do not have the flexibility we need in terms of resource and expertise

43%

We do not have the right technology to support us

42%

We do not have the management expertise we need to run the team effectively

42%

We do not have the management time we need to run the team effectively

41%

The requirements on the team change too quickly to keep up

41%

Three out of the five challenges identified in the junior managers' list recur here, suggesting a sizeable degree of alignment.

However, two of the challenges on this list are specific to senior managers. The first is a lack of management time. The second is a belief that sales development teams need better technology (an argument we have come across already).

Next, using the same list of options, we asked all respondents to identify the single biggest challenge of sales development. Here are the challenges that each of our three groups identified:

- **Senior sales development managers (sales background):** The challenge of managing costs effectively

- **Senior sales development managers (marketing background):** We do not have the right technology to support us

- **Sales development managers and directors (junior managers):** We do not have a robust sales development strategy

What should we make of the fact that operational managers say they lack a robust strategy for sales development?

Perhaps the first thing to note is that only 16% of sales development managers said this. (It was a lengthy list: in second place was the challenge of managing costs effectively, selected by 13%.)

However, this isn't the first time a perceived lack of strategy has been highlighted in these surveys. This year, it was junior managers who raised it. Last year, it was senior sales managers responsible for sales development who placed a lack of strategy top of their list of biggest challenges.

In addition, other sub-groups associated with sales development have a tendency to identify the lack of a robust sales development strategy as their biggest challenge.

What challenges does running an in-house sales development team present?

"No robust SD strategy."

Product development and customer service executives with responsibility for SD; business development managers and directors

"Not enough management expertise to run SD effectively."

C-suite level, responsible for SD

"We cannot hire and keep talented people."

Sales VPs and above, responsible for SD teams

"Requirements change too quickly to keep up."

CMOs, responsible for SD

"We do not have the right technology to support us."

Marketing VPs and above with responsibility for SD

The many meanings of strategy

As much as anything else, strategy is defined by what you don't do. For many sales development managers and directors, a lack of strategy might simply mean that the need to make trade-offs between powerful stakeholders is relentless.

David Dulany of Tenbound has some sympathy with this viewpoint: "The sales development managers and directors are at an intersection between some really strong personalities and agendas within the company. Sometimes they report to marketing, sometimes they report to sales. They also have to deal with account executives and SDRs. It's no picnic. They are being pulled in a lot of different directions."

Perhaps this points to an underappreciated truth: the fact that in many organizations, sales development isn't in a position to set its own strategy, because its primary purpose is to service other powerful and competing interests. ▪

> **"Sales development sits at the intersection of some really strong personalities and agendas. It's no picnic. They are being pulled in a lot of different directions."**
>
> **— David Dulany, Tenbound**

Chapter 3

Now & the future: account-based selling

Increasingly important

Sales development managers and directors take a modest view of their specialism's importance. Asked whether they believe sales development will become more or less important to their organization, two-thirds (64%) say they believe its importance will stay the same. Less than one-third believe that sales development will become more important.

87%

of senior sales managers believe that sales development is becoming more important.

Only 42% of operational sales development managers agree.

The contrast with the senior managers who sit above them is substantial. Among senior sales managers responsible for sales development, 87% say that sales development is becoming more important. Among marketing executives responsible for sales development, 82% say the same thing. Only around one in 10 of these senior

executives say that the importance of sales development will stay the same.

One possible explanation for this difference of opinion is that senior marketing and sales executives think about strategy in broader terms (it's what they're paid to do). They are familiar with the shift away from traditional relationships selling toward digital self-service. They also grasp the increasing potential of Account Based Marketing, which is raising the profile of sales development within the sales organization. Among junior managers focused on daily and weekly targets, these strategic shifts may be less evident.

Multiple priorities

Sales development teams perform many functions: in this year's survey, 87% of respondents identified three or more priorities for sales development in their organization from our list. However, some are emerging as more valuable than others within the queue of priorities.

Last year's survey suggested that account-based sales development was on a par with other pressing needs. Over half of respondents (52%) described account-based selling as part of the sales development team's scope of work. This year, we asked about account-based strategies in more detail. Specifically, we asked about two variants:

- **Account-based selling on named accounts**
  Typically, these are account-based strategies in an enterprise context involving relatively high Average Selling Prices (ASPs): $50,000 is often cited as the minimum hurdle to make this approach worthwhile. SDRs typically work in a dedicated group with account-based marketers, building cadences and developing a detailed understanding of a specific account, or a group of similar accounts.

- **Account-based selling on unnamed accounts**
  Typically undertaken on behalf of products and services with lower ASPs, this is the one-to-many face of Account-Based Marketing (and Selling). Marketers build account-based strategies, typically using marketing automation or a dedicated ABM platform, to nurture leads with content. SDRs become the voice of sales in the process, helping to guide as many leads as possible toward a purchase or an appointment with an account executive.

This year's survey suggests that working with named accounts is part of the scope of work for 56% of sales development teams. A further 51% of respondents said their teams were working with unnamed accounts. The percentages are similar to last year.

Current scope of work for sales development teams

[All respondents]

——

1. Account-based sales development (named accounts): **56%**

2. Account-based sales development (unnamed accounts): **51%**

3. Creating cross-sell and upsell opportunities: **48%**

4. Renewals: **47%**

5. Channel development: **45%**

However, respondents have become much more likely to identify account-based selling as the most important job that sales development teams will perform during the next 12 months.

Most important priority for sales development in 2023

[**All respondents**]

1. Account-based sales development (named accounts): **21%**

2. Renewals: **15%**

3. Cross sell/Upsell: **14%**

4. Account-based sales development (unnamed accounts): **14%**

5. Outbound prospecting: **13%**

In particular, the number of senior sales executives who see account-based selling to named accounts as the most important contribution of sales development teams has doubled YOY. In a discipline like sales development, where competing demands crowd in from multiple angles, this is a significant increase.

The rise of account-based selling

There's little doubt that the higher profile of Account Based Selling is linked to the way in which the account-based approach, and the use of intent data, have become dominant in B2B tech marketing.

Some clues to the nature of this shift are provided by Triblio, our sister company in the ABM space, which recently published its annual survey of tech marketers' account-based strategies. Triblio's research demonstrates how dominant Account Based Marketing (ABM) has become: on average, it now accounts for over half of all marketing expenditure in B2B technology companies worldwide.

In many organizations, the build-out of Account Based Marketing is being accompanied by an increased emphasis on Account Based Selling. Among other findings, Triblio's research suggests that:

• In many organizations, SDRs are ideally positioned to help drive Account Based Marketing forward. Why? Because on both sides, goals are aligned. Marketers say their primary goal in using intent data is to increase aligment between sales and marketing. Their secondary goal? To identify new accounts to target.

The build-out of Account Based Marketing is being accompanied by an increased emphasis on Account-Based Selling. SDRs are ideally positioned to drive account-based strategies forward.

- 90% of tech marketers are using intent data within ABM to prioritize accounts for nurturing. Within sales development teams, a parallel shift appears to be happening, particularly inside larger companies. Last year, tools based around intent data were used by 42% of sales development teams. This year, 56% of teams are using these tools.

- In theory, Account Based Marketing generates better quality leads for sales teams because prospects are identified by their behavior within the sales funnel. Increasingly, marketers get something back in

51%

of tech marketers are using data from sales development teams for Account Based Marketing.

return. According to the Triblio research, data from sales development teams ranks among their most frequently-used sources of data for prioritizing accounts (used by 51% of marketers for ABM). ▮

Chapter 4

Sales development outsourcing: the client's perspective

What drives outsourcing?

Ideally, outsourcing solves the classic challenges associated with sales development. When we asked respondents about their motivations for outsourcing, 89% highlighted four or more drivers from a list of nine.

The key challenge addressed by outsourcing is the mismatch between variable demand and fixed in-house sales development resources. This expresses itself as a need to scale the sales development resource, to manage the cost of sales development more effectively, or sometimes as a simple desire to reduce costs.

A range of second tier motivations surround this core motivation. These vary according to each company's size and growth rate, but the most

powerful attractions involve the desire to gain access to skills, expertise, technology, local language skills and cultural understanding.

- **For small organizations (500-999 employees),** where tech stacks can be improvised, many respondents are motivated by the possibility of gaining access to "better technology than we have in-house". For these companies, however, the biggest driver is offloading tasks that eat into precious management time, in particular the time it takes to hire and recruit SDRs.

- **Among smaller mid-sized organizations (1,000-5,000 employees),** the things that small companies find attractive about outsourcing continue to matter. But new priorities come to the fore, including a desire for transparency around activity/

results and the need to support international expansion. Mid-sized companies frequently emphasize the need to acquire local cultural understanding and language skills.

- **For larger mid-sized organisations (5,000-24,999 employees),** the need to support international expansion remains. But another priority emerges: the need

to manage the costs of sales development more effectively.

- **For the largest organizations (25,000+ employees),** the need to access sales skills and sales development persists. But the biggest attraction of outsourcing for these enterprises is the way it allows management to scale the sales development function.

Biggest single motivation for outsourcing

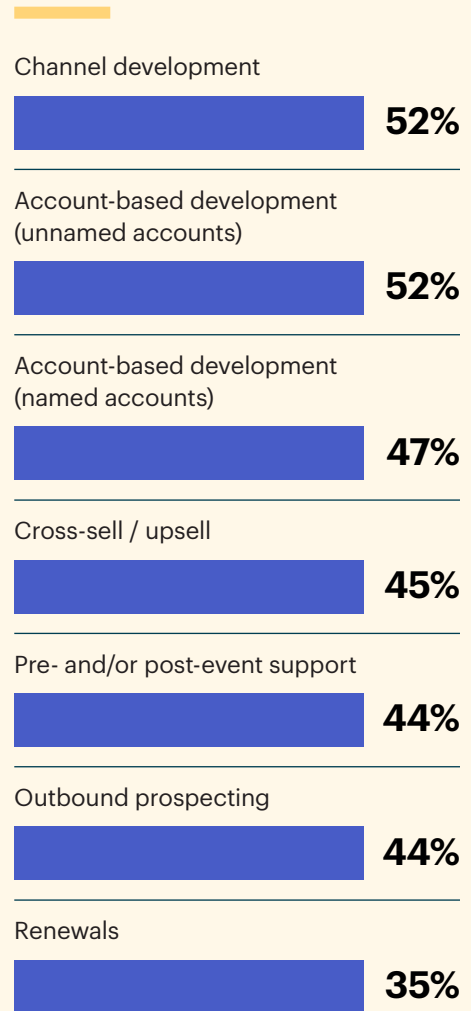| Small organizations	Small-medium organizations	Medium-large organizations	Very large organizations
[500-999 employees]	[1,000-4,999 employees]	[5,000-24,999 employees]	[25,000+ employees]
1. Avoid the cost and time involved in hiring and training	1. Access to language skills and local cultural understanding	1. To manage costs more effectively	1. To scale the sales development function
2. Access to better technology than we have in-house	2. Avoid the cost and time involved in hiring and training	2. Access to language skills and local cultural understanding	2. Access to language skills and local cultural understanding
3. Access to management skills and expertise	3. Increased trans-parency around activity and results	3. Access to sales skills and experience	3. Access to management skills and expertise

What gets outsourced?

Almost every respondent organization engaged in outsourcing (86% of our overall sample) told us that they outsource three or more aspects of the sales development process. Smaller organizations have an above-average tendency to outsource the high-volume job of developing unnamed accounts. Larger organizations have an above-average tendency to outsource cross-selling, up-selling and pre-/post- event support. In the middle of the pack, small to medium sized organizations are the most likely to outsource all aspects, with a heightened emphasis on account-based activity, cross-selling and up-selling.

Outsourcing is often the path chosen for particular activity streams. Here's how one of the sales development directors we interviewed described the process of outsourcing renewals, which our data suggests is outsourced less often than other activity streams: "For renewals, to get the best results, you need the outsourced SDRs to be fully integrated with the original account executive that sold the service, or the in-house SDRs. That's not necessarily straightforward for everyone who wants to outsource."

The percentage of clients willing to outsource events-related sales

Which parts of the sales development function do you outsource?

Percentages of total respondents

Channel development
52%

Account-based development (unnamed accounts)
52%

Account-based development (named accounts)
47%

Cross-sell / upsell
45%

Pre- and/or post-event support
44%

Outbound prospecting
44%

Renewals
35%

development increased in 2022. However, one sales development director suggested that for many, the trend to reinstate in-person events was premature: "I think a lot of vendors were banking on people wanting to get back to face-to-face events. In reality, a lot of their potential customers were still cautious, because of Covid-19 and the way that working from home altered their perceptions of travel."

The experience, rated

We confess: we were surprised by this finding. The notion that 99% of respondents describe their experience of outsourcing as excellent or very good would have amazed us, had something very similar not happened last year. (Last year, 94% said this.)

Perhaps the 343 respondents who answered this question were once again in a particularly generous mood.

We'll also offer a different perspective from David Dulany, CEO of Tenbound: "I'd typically say that the proportion of outsourcing deals where expectations are misaligned is higher than it appears here. That's not a knock on the outsourcing companies. But expectations are important, and they are not always aligned."

How would you describe your experience of outsourced sales development?

51%
Excellent

**48%**
Very good

1%
Fair

This is how an in-house sales development director described the need to manage the outsourcing relationship: "An outsourcer or contractor needs to be managed. They need information, training, regular updating. So we have weekly calls with our outsourced team, which is very helpful. They become part of our team. If you don't do that, and think they can do their job entirely on their own, it will not work."

The road ahead

Headcount within in-house sales development teams has come under pressure, especially during Q4 2022, as big layoff programs rolled through the tech industry. From his vantage point in Silicon Valley, David Dulany of Tenbound believes that many of

79%
of technology companies outsource three or more sales development workflows.

How will your organization's approach to sales development outsourcing change over the next year?

66%
A higher percentage of our sales development will be outsourced
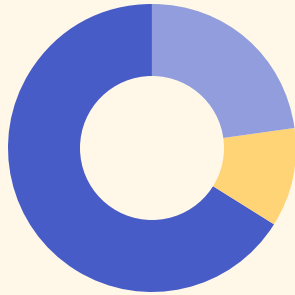
23%
We will decrease our outsourcing next year

11%
Outsourcing will remain the same

the current headcount reductions will turn out to be short-sighted: "A lot of companies right now are doing layoffs of their SDR team. At some point, they're going to realize that they need to start to growing again. But rebuilding in-house teams takes a lot of time and a lot of resources."

The key question is when the process of rebuilding might begin. Dulany takes a relatively benign view. "Everyone is in reaction mode right now. We're at the start of a lock-up period. I would give it another three to six months, and it'll start to come back."

In the meantime, Dulany believes that outsourcing will prove to be a solution for tech companies laboring under a hiring freeze: "They can stand up an outsourcing program

relatively quickly and get results fast. The sales development outsourcing market could be very busy during the next couple of years."

Dulany's view dovetails with what our respondents predicted on the eve of those big Q4 layoff programs. Across most respondent categories, two-thirds told us that they expect to outsource a higher percentage of sales development activities during the next 12 months. Less than one-quarter said that their organization will reduce the volume of work they outsource. Notably, respondents in North America were far more likely to forecast that they will outsource a higher proportion of sales development activity during 2023 (83% suggested this, compared with the global average of 66%). ▮

> **"At some point, tech companies are going to realize that they need to start to growing again. But rebuilding in-house teams takes a lot of time and a lot of resources."**
>
> **— David Dulany, CEO and founder, Tenbound**

Conclusion

Our latest global survey of the sales development landscape offers a snapshot of a vital sector at the top of the business cycle. As new strategies like Account Based Selling begin to dominate, others continue to mature (for example, the use of a wider range of communications channels to complement the telephone). This year, our key findings were as follows:

- **Vendors returned to the Blend of Both strategy.** 73% of respondent organizations are now combining in-house and outsourced sales development. This is the highest level of adoption we've seen during the three-year period in which we've been running this survey.

- **The proportion of companies that run sales development entirely in-house more than halved to 14%.** The percentage that entirely outsource sales development—mostly starts-ups and early-stage companies—remained broadly flat year-on-year at 13%.

- **The debate over outreach channels continues.** Working from home during the Covid-19 pandemic, and the rise of hybrid working after it, has reduced the effectiveness of the telephone as a channel. Sales engagement platforms, and rival communication modes, have grown in popularity.

- **Tech companies typically split their sales development activity right down the middle:** half of their effort is dedicated to pursuing new customers, the other half to up-selling, cross-selling and other activity among existing accounts. Volume of sales accepted leads (SALs) remains the key success metric for over half of the sales development managers we surveyed.

- **The operational managers who manage sales development teams on a daily basis are experiencing a moderate crisis of confidence.** 51% do not think they have the management expertise required. Only 42% of them believe that sales development is becoming more

important to their organization (87% of senior sales managers with responsibility for sales development believe this).

- **Account Based Selling is emerging as a key priority for sales development teams.** The number of senior sales executives who see Account Based Selling to named accounts as the most important function of sales development teams has doubled YOY.

- **The drivers of sales development outsourcing vary by company size (and level of development).** Small companies want access to better technology and the ability to offload responsibility for hiring. Mid-sized organizations typically need the language skills required for international expansion. The main motivation for the largest companies is outsourcing's ability to scale the sales development function.

- **Two-thirds of respondents anticipate that their organizations will outsource a larger percentage of sales development work during the next 12 months.**

The core argument for outsourcing remains economic, specifically the way in which outsourcing allows the sales development function to flex in response to the demands placed upon it. However, in a market where the vast majority of participants already outsource sales development (and often do so in a significant way), the economic argument seems largely accepted. It's notable how much emphasis respondents place on special-purpose motivations for outsourcing, whether these involve gaining access to better technology, language skills or management expertise. Whether this remains the case during an industry-wide downturn remains to be seen. ▮

About Foundry sales development services

Foundry sales development services provides specialist outsourced business development teams for technology vendors.

Our services help clients manage costs, improve conversion rates, and reach peak performance, without changing their in-house infrastructure.

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Work with us kit: https://resources.foundryco.com/download/work-with-sales-development-services

About Foundry

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