

## 31.205-38 Selling costs.

(a) "Selling" is a generic term encompassing all efforts to market the contractor's *products* or services, some of which are covered specifically in other subsections of [31.205](#). The *costs* of any selling efforts other than those addressed in this cost principle are unallowable.

(b) Selling activity includes the following broad categories:

(1) *Advertising*. Advertising is defined at [31.205-1\(b\)](#), and advertising *costs* are subject to the allowability provisions of [31.205-1\(d\)](#) and (f).

(2) *Corporate image enhancement*. Corporate image enhancement activities, including broadly targeted sales efforts, other than advertising, are included within the definition of public relations at [31.205-1\(a\)](#), and the *costs* of such efforts are subject to the allowability provisions at [31.205-1\(e\)](#) and (f).

(3) *Bid and proposal costs*. Bid and *proposal costs* are defined at [31.205-18](#) and are subject to the allowability provisions of that subsection.

(4) *Market planning*. Market planning involves *market research* and analysis and general management planning concerned with *development* of the contractor's business. Long-range market planning *costs* are subject to the allowability provisions of [31.205-12](#). Other market planning *costs* are allowable.

(5) *Direct selling*. Direct selling efforts are those acts or actions to induce particular customers to purchase particular *products* or services of the contractor. Direct selling is characterized by person-to-person contact and includes such efforts as familiarizing a potential customer with the contractor's *products* or services, conditions of sale, service capabilities, etc. It also includes negotiation, liaison between customer and contractor personnel, technical and consulting efforts, individual demonstrations, and any other efforts having as their purpose the application or adaptation of the contractor's *products* or services for a particular customer's use. The cost of direct selling efforts is allowable.

(c) Notwithstanding any other provision of this subsection, sellers' or agents' compensation, fees, commissions, percentages, retainer or brokerage fees, whether or not contingent upon the award of contracts, are allowable only when paid to bona fide employees or established commercial or selling agencies maintained by the contractor for the purpose of securing business.

**Parent topic:** [31.205 Selected costs](#).