

## Chapter 12

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This case was prepared to serve as a basis for discussion rather than to illustrate either effective or ineffective administrative and management practices. All names, dates, places, and organizations have been disguised at the request of the authors or organization.

# MEASURING THE ROI OF AN E-LEARNING SALES PROGRAM

## Financial Services Company

*Lizette Zuniga*

This case study is focused on the ROI of an e-learning sales intervention. There are several aspects that made this project one to share with others. This particular case focuses on competency modeling, competency assessment, and evaluation components for the sales academy at a large Midwestern financial services company that was undergoing a large merger integration process. The learning group enlisted the assistance of LCZ Integrated Solutions to provide consultation for the competency development and evaluation aspects. This study outlines the business need for the intervention, the e-learning program, and the evaluation plan, including how data was collected and analyzed. Finally, the study concludes with the results from implementing the e-learning program as well as lessons learned.

### **Description of the Performance and Business Needs**

A large Midwestern company in the financial services industry implemented a revised sales program in its sales academy. There were three drivers for the revised program. First, the learning group identified the knowledge requirements and critical skills for their business and documented key competencies required to move the business forward. Not only did the content of the sales academy need to be revised to match the new competencies, but the time spent in training needed reviewing. Second, the former sales academy consumed three weeks of the new hires' time. A sig-

nificant impetus for the e-learning version of the sales academy was the need to reduce the amount of time spent in training and, thus, enable sales associates to generate sales earlier in their tenure. Finally, the company was in the process of acquiring a large company and wanted to capitalize on cross-selling its products. This meant that sales associates needed to increase their knowledge of all products and develop new transactions with existing customers.

Two additional issues of consideration occurring simultaneously were a new product launch and the fact that the call center was undergoing customer service training, which could affect customer satisfaction. An audience analysis confirmed that e-learning

was an appropriate medium for the sales associates. The analysis showed that there were 3,000 sales associates scattered throughout the United States and more than 200 countries around the world. Many of the sales associates were remote employees. As road warriors, these sales associates used laptop computers to access the company's intranet.

## Description of the E-Learning Program

The learning group enlisted the assistance of LCZ Integrated Solutions to assist with competency modeling, competency assessment, and evaluation components of this project. Additional outsourcing assistance was obtained to develop Web-based training.

The sales e-learning program was designed to improve the skills in the following seven competencies: general sales skills, technical knowledge of the products, customer focus skills, prospecting, negotiating, managing resistance, and gaining business results. A basic sales skills segment permitted the sales associates to test their foundational skill level. Refresher content guided the learners through specific competencies before moving into the remaining sales topics.

The assessment provided immediate input on strengths and areas of improvement for each member of the sales team. This information was tracked in a database and triggered an automatic individual development plan to improve skills in the seven competencies. The skill-gap assessment coupled with the e-learning design allowed individual sales associates to customize their learning experience. If the sales associate already had strengths in negotiating skills, then the program allowed the learner to bypass negotiating skills and focus on specific areas needing improvement.

## Evaluation Plan and Objectives

The learning management system (LMS) was the primary vehicle used to launch, score, and track the modules and the evaluations. At the close of each module, the learner was triggered to automatically complete a Level 1 evaluation. Figure 12-1 presents the full data collection plan.

The satisfaction goal (Level 1) was set for an average rating of 90 percent. Mastery learning checks

were embedded in the design of the e-learning modules. The learner was required to complete the mastery checks before completing the module. A goal of 85 percent correct was set for the mastery checks. Pre- and posttraining skill gap assessments (Level 3) were administered online to measure and track the level of sales competencies among the sales associates. A minimum score for the posttraining skill assessment, administered three months after training, was set for 80 percent. Other performance and business impact measures, which were tracked in an online sales workforce database, included the following:

- ability to contact 10 new prospects and conduct needs assessment on those prospects within a week after attending the sales academy
- number of sales proposals that the sales associates generated based on the assessments within 30 days
- number of new accounts opened
- weekly amount of dollars earned from sales in the first four weeks after sales academy
- monthly amount of dollars earned from sales thereafter
- number of customers retained out of total customer load
- dollar amount gained from new accounts
- reduction of time spent in training
- amount gained from cross-selling products (new initiative).

See figure 12-2 for the ROI analysis plan. To isolate the impact of the e-learning program, participants and their managers were asked to estimate the impact of the e-learning program on the business results. Confidence levels for estimates were used to adjust for any indecision (Phillips, 2003).

## Cost of the E-Learning Program

The total cost of the former sales academy was \$18,890,800. This included analysis, design, marketing, delivery, evaluation, and overhead costs. Each sales associate already owned an assigned personal laptop, and the company already had purchased an LMS; nevertheless, a proportionate amount of the hardware and software was allocated to this project. The costs of the program are illustrated in table 12-1.

Item	Itemized Cost	Total Cost
<b>Evaluation Costs</b> <i>(continued)</i>		
Outsourced services .....	\$ 8,000	\$ 8,000
Hardware expense .....	100	100
Software expense .....	100	100
Other miscellaneous expenses .....		
Total Evaluation Costs for Program/Project .....		<b>\$ 15,000</b>
	<b>Total Program/Project Costs</b>	<b>\$ 4,995,800</b>

## Results

Overall, the number of hours spent in training was cut from 105 hours to 49 hours per sales associate. Annual earnings showed a revenue increase of approximately 13 percent. One-year tracking showed the following: Within a week after attending the sales academy, sales associates were contacting 10 new prospects and conducting needs assessment 80 percent of the time; the number of sales proposals that the sales associates generated based on those analyses within 30 days increased 22 percent; the number of new accounts open increased 32 percent; and the number of customers retained increased 8 percent.

Intangible results included customer satisfaction and retention. There was also a notable increase of motivation among the sales associates (table 12-2).

In terms of revenue earnings, the amount of dollars earned from new account sales increased 19 percent, from \$20,000,000 to \$23,800,000. The participants and their managers estimated that the revised sales academy contributed to 70 percent of the new account sales with a confidence level of 65 percent. The amount gained from cross-selling was \$120,000,000. The participants and their managers estimated that the revised sales academy contributed to 45 percent of the cross-selling earnings with a confidence level of 25 percent. The two revenue figures were converted to profit margin using a 30 percent margin rate, according to the financial averages of the company (table 12-3).

$$BCR = \frac{\$5,990,484}{\$4,995,800} = 1.2$$

**Table 12-2. Level 4 results of the sales academy program.**

Level 4 Evaluation Item	Results
Hours reduced in training per sales associate	56-hour reduction
Annual revenue	13 percent increase
New prospects contacted	10 per week
Needs assessment conducted	80 percent of the time
Number of sales proposals generated based on those analyses within 30 days	22 percent increase
Number of new accounts opened	32 percent increase
Number of customers retained	8 percent increase
Dollars earned from new accounts	19 percent increase (\$20,000,000 to \$23,800,000)
Dollars earned from cross-selling	\$120,000,000

$$ROI = \frac{\$5,990,484 \text{ (Benefits)} - \$4,995,800 \text{ (e-Learning program costs)}}{\$4,995,800 \text{ (e-Learning program costs)}} \times 100 = 19.9\%$$

<b>Hours Reduced in Training</b>	<b>Amount Saved</b>	<b>Isolation Adjustments</b>	<b>Final Result</b>
56	\$3,124,800	70% Estimate 65% Confidence	\$ 1,421,784
Amount of <i>increased</i> dollars generated from new account sales	\$3,800,000 (\$23,800,000 – \$20,000,000)	70% Estimate 65% Confidence 30% Profit margin	518,700
Amount of <i>increased</i> dollars earned from cross-selling	\$120,000,000	45% Estimate 25% Confidence 30% Profit margin	4,050,000
<b>Total Benefits</b>			<b>\$ 5,990,484</b>

An ROI of 19.9 percent means that for every \$1 invested in the program, there is a return of \$1.2 in *net* benefits, after costs are covered. These benefits are representative of annual benefit, showing the amount saved or earned for one year following the launch of the e-learning sales academy program. The benefits will continue after the first year and are likely to increase in the case of this program. Although the impact sometimes decreases in traditional learning settings after the first year, this is not always true for e-learning programs. Given the upfront technology and development expenses in e-learning, the benefits may increase significantly after year one.

This case study shows annual benefits, but ROI practitioners should consider the multiyear impact of e-learning programs. Accountants frequently use depreciation and amortization to spread out the costs of assets during the years a company intends to use the assets. Companies often use a conventional straight-line method of depreciation, which depreciates the same each year rather than depreciating more during the first few years after the purchase of a major asset. Overall, the straight-line method results in lower expenses, and, consequently, higher profits in the first few years after the purchase. Another method, which is used particularly for technology investments, is the accelerated method. It is strongly recommended that ROI practitioners partner with the financial analyst within the company to follow the preferred method of depreciation. When consider-

ing long-term impact, the shelf-life of the e-learning program in its current format must be determined (Groppelli & Nikbakht, 1995).

### Communication

Communication of the results is a critical step in the ROI process. It is also important to remember to customize communication according to the needs of the recipient. This particular study required three different forms of reporting. Figure 12-3 outlines the medium and the target audience for communication of the ROI results from this study (Phillips & Phillips, 2001).

<b>Communication Approach</b>	<b>Recipient of Communication</b>
Detailed report of the ROI study	<input type="checkbox"/> Project sponsor <input type="checkbox"/> Project team
Executive summary	<input type="checkbox"/> Executive team <input type="checkbox"/> Program participants
Summary of findings	<input type="checkbox"/> Future participants <input type="checkbox"/> Future managers