I DON’T COST YOU MONEY! I MAKE YOU MONEY!

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By
William Horton
I don’t cost you money! I make you money!

Or Gone with the Windows

William Horton
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The hero of our story

Position: Chief Learning Officer
Company: Technology and Research Associates, aka TaRA
In job: 5 years
With company: 10 years
Problem: Rightsizing, downsizing, cutbacks, and outsourcing have plundered her once seven-figure budget and her corner office with floor-to-ceiling windows.

Charlotte O’Hara
Targeting organizational goals

1. Pick a primary goal

2. Develop an economic model showing the benefits of meeting the goal

3. Show how e-learning helps achieve the goal

4. Design e-learning to do so

Charlotte lists corporate goals

- Sell more conventional training.
- Get products to market quicker.
- Promote products and services, inside and out.
- Sell e-learning for profit.
Sell more conventional training

Use e-learning to enhance and draw new customers to classroom offerings

Use e-learning as a loss-leader

- Provide short “teaser” e-learning to promote classroom training
  - High-priority subject
  - Strong instructional design
  - Concise
  - Point to classroom training for more
- Enhance classroom offerings with e-learning components
  - Pre-class briefings
  - Multimedia demonstrations and presentations
  - Post-class discussion forums
- Free-up critical resources for more popular classroom training
Charlotte does the math

**Classroom offerings per year** | 100  
---|---  
$ \times $ **Profit per offering** | $5,000  
---|---  
= **Current annual profit** | $500,000  
**Additional classroom sales** | 15\%  
**Additional classroom courses** | 15  
= **Additional classroom profit** | $75,000  
- **Annualized cost of e-learning** | $50,000  
= **Total additional profit per year** | $25,000

How else?

**What are other ways that e-learning can increase sales of classroom training?**
Get to market quicker

Use e-learning to enhance and draw new customers to classroom offerings

The value of time to market

Product – sales life-cycle phases

- Phase one
  - Products are unique, no direct competition
  - Profits are high
- Phase two
  - Competition emerges
  - Profits are moderate
- Phase three
  - Next-generation products appear
  - Profits low

I might add, that TaRA is seldom first to market. We usually lag behind by about 2 months.

Pappion McQueen
VP Med. Equipment

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How e-learning trains quicker

Get spreadsheet from horton.com/using/

Charlotte does the math

With conventional training

Travel to the office 1 Day
Conduct training 2 Days
Follow-up meetings 1 Day
Return home 1 Day

= Time per office 5 Days
x Sales offices 15 Offices

= Total time required 75 Days

Or 15 Weeks
Charlotte does the math

With e-learning

<table>
<thead>
<tr>
<th>Task</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-study of marketing material</td>
<td>1</td>
</tr>
<tr>
<td>Online presentation with Q&amp;A</td>
<td>2</td>
</tr>
<tr>
<td>Testing and sales simulations</td>
<td>1</td>
</tr>
<tr>
<td>Follow-up online discussions</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total time required</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

Or **3.2** Weeks

Conventional training was **15** Weeks

Savings of almost **12** Weeks

Or **3** Months

How else?

What are other ways that e-learning can help get products to market sooner?
To train more quickly with e-learning

You need to …

- Prioritize training subjects
- Use existing materials
- License courses on general subjects
- Use live speakers
- Use instant messaging and discussion forums
- Record presentations by knowledgeable, but busy, people

Promote products & services

Use e-learning to sell conventional products and services both inside and outside the organization
From the Boss

Memo

Sales drive this company. Our sales force has to sell, sell, sell! And you have to support them any way you can—even if that means cutbacks in your own departments.

William Sherman
CEO
aka
“Scorched-Earth Bill”

Radical idea!

Give away e-learning to boost product sales!
Charlotte gathers facts

- Sales of software upgrades is a captive market
- Only 25% of customers buy upgrades
- Each upgrade adds $100 profit per unit sold
- 300,000 customers are online

Charlotte does the math

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential customers online</td>
<td>300,000</td>
</tr>
<tr>
<td>x Percentage to take e-learning</td>
<td>5%</td>
</tr>
<tr>
<td>= Customers to take e-learning</td>
<td>15,000</td>
</tr>
<tr>
<td>Will purchase after e-learning</td>
<td>40%</td>
</tr>
<tr>
<td>- Would have purchased anyway</td>
<td>25%</td>
</tr>
<tr>
<td>= Additional sales percentage</td>
<td>15%</td>
</tr>
<tr>
<td>Additional units sold</td>
<td>2250</td>
</tr>
<tr>
<td>x Profit per unit</td>
<td>$100</td>
</tr>
<tr>
<td>= Additional profit</td>
<td>$225,000</td>
</tr>
<tr>
<td>- Cost of e-learning program</td>
<td>$150,000</td>
</tr>
<tr>
<td>= Total additional profit</td>
<td>$75,000</td>
</tr>
</tbody>
</table>
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Promoting products and services

How else?

What are other ways that e-learning can increase sales of products and services?
Sell e-learning for profit

Turn the training department into a profit center

Market analysis
Potential markets for e-learning products and services

<table>
<thead>
<tr>
<th>Markets</th>
<th>What they require</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product users</td>
<td>Instructions on how to install, operate, and customize products</td>
</tr>
<tr>
<td>Third-party trainers</td>
<td>Courses and course materials to customize</td>
</tr>
<tr>
<td>Product resellers</td>
<td>Courses and materials to add to value-added product bundles</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Detailed information on what TaRA products require and what they produce</td>
</tr>
<tr>
<td>Internal employees</td>
<td>Job relevant training that fits their work schedules</td>
</tr>
</tbody>
</table>

And will pay for!
## Products and services

How to meet the needs of the identified markets

<table>
<thead>
<tr>
<th>Products</th>
<th>Services</th>
<th>Related materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Self-contained courses</td>
<td>• Access to hosted courses</td>
<td>• Documentation</td>
</tr>
<tr>
<td>• Courses that customers can facilitate</td>
<td>• Course customization</td>
<td>• Job aids</td>
</tr>
<tr>
<td>• Modules (objects) that customers can assemble</td>
<td>• Integration of customer content</td>
<td>• Handouts</td>
</tr>
<tr>
<td>• Raw materials, e.g. graphics &amp; animation</td>
<td>• Custom courses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Certificate programs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• E-coaching &amp; tutoring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Online assessment and skills analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Raw materials, e.g. graphics &amp; animation</td>
<td></td>
</tr>
</tbody>
</table>

## Self-directed e-learning

<table>
<thead>
<tr>
<th>Enrollments per year</th>
<th>$1500</th>
</tr>
</thead>
<tbody>
<tr>
<td>x Enrollment fee</td>
<td>$100</td>
</tr>
<tr>
<td>= Total revenue per year</td>
<td>$150,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Development costs per course</th>
<th>$300,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>÷ Life cycle in years</td>
<td>3</td>
</tr>
<tr>
<td>= Annualized development cost</td>
<td>$100,000</td>
</tr>
<tr>
<td>+ Administrative costs</td>
<td>$20,000</td>
</tr>
<tr>
<td>= Total costs per year</td>
<td>$120,000</td>
</tr>
</tbody>
</table>

| Total revenue per year        | $150,000 |
| - Total costs per year        | $120,000 |
| = Profit                      | $30,000  |
### Instructor-led e-learning 1

| Class size | 17 |
| Enrollment fee | $150 |
| Class revenue | $2,550 |
| Class offerings per year | 50 |
| Total revenue | $127,500 |

- Development cost per course: $30,000
- Life cycle in years: 3
- Annualized development cost: $10,000
- Instructor salary per year: $50,000
- Administrative costs: $20,000
- Total costs: $80,000

### Instructor-led e-learning 2

- Total revenue per year: $127,500
- Total costs per year: $80,000
- Profit: $47,500
Selling e-learning for profit

Get spreadsheet from horton.com/using/  

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Charlotte gets her windows back

Copyright © 2000-2003, William Horton Consulting, Inc. All rights reserved.
Design your e-learning to meet the goal.

Focus on your primary business goal.

Tell your management what you contribute.

Show the value of meeting the goal.

Show how e-learning contributes to meeting the goal.

Not the end
### References

If you want to go into these subjects more deeply, ...

<table>
<thead>
<tr>
<th>Publications</th>
<th>Training</th>
</tr>
</thead>
</table>
| ![Image](horton.com/using) | **Online Learning 2003**  
**Online Learning Manager Certificate**  
9/20 – 9/25  
**eLearning Producer 2003**  
11/11 – 11/14  
**TechKnowledge 2004**  
2/7 – 2/11 |

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<thead>
<tr>
<th>Websites</th>
<th>Webinars</th>
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</table>
| horton.com/using  
horton.com/managing | **Leading E-Learning** – 10/1  
**Evaluating E-Learning** – 11/5 |

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![Image](horton.com/using)

*Welcome to the companion website for Leading E-Learning by William Horton. Here you will find samples from the book as well as links to examples and resources.*

**Thinking about Buying it?**
- Preface
- Table of contents
- Sample chapter

**Already Own it?**
- Your Turn workbook
- Using E-Learning spreadsheet
- Examples referenced by chapter
- Components of E-Learning
- Accessibility resources
- More books by William Horton

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“If you want to go into these subjects more deeply, …”

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ABOUT THE PRESENTER

William Horton

William Horton has been designing technology-based training since 1971 when, as an undergraduate, he designed a network-based course for the Massachusetts Institute of Technology’s Center for Advanced Engineering Study.

William Horton is an internationally sought-after speaker and instructor. He recently delivered keynote addresses for the Distance Learning Conference in Madison, the Human Resources Association National Congress in São Paulo, the Information Technology Training Association conference in Barcelona, and the Knowledge Management Seminarium in Stockholm.

William Horton is a registered Professional Engineer, an MIT graduate, and Fellow of the Society for Technical Communication. He practices what he preaches. He is a recipient of ACM’s Rigo Award for contributions to software documentation and the IF Award (Germany) for industrial design.

William Horton is a prolific author. His books include Designing Web-Based Training, Designing and Writing Online Documentation, and Secrets of User-Seductive Documents. He is co-author of E-learning Tools and Technologies (with his wife Kit), Getting Started in Online Learning, and The Web Page Design Cookbook. He is also the author of three books in ASTD’s series on e-learning: Leading E-learning, Evaluating E-learning, and Using E-learning.

William and his wife Kit, the other half of William Horton Consulting, live in downtown Boulder, Colorado, just five blocks east of the Rocky Mountains, in a hundred-year old house they are lovingly restoring. The kitchen, which he and Kit redesigned themselves, was featured in the April 1999 and September 2000 issues of Better Homes and Gardens.

About William Horton Consulting, Inc.

For the past 15 years, the two-person team of William and Katherine Horton has helped organizations plan, design, justify, and perfect e-learning initiatives. William Horton Consulting, Inc., develops prototypes, critiques designs, leads Problem-Bashing® sessions, and conducts training in the design and management of e-learning.


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