

# I DON'T COST YOU MONEY! I MAKE YOU MONEY!



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By  
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**I don't cost you  
money! I make  
you money!**

*Or Gone with the Windows*

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## The hero of our story



**Charlotte O'Hara**

**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.

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## 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.

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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**

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<b>Charlotte does the math</b>	
Classroom offerings per year	100
x Profit per offering	<u>\$5,000</u>
= Current annual profit	\$500,000
Additional classroom sales	15%
Additional classroom courses	<u>15</u>
Additional classroom profit	\$75,000
- Annualized cost of e-learning	<u>\$50,000</u>
= 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

Value of getting to market quicker		Scenario A		Scenario B	
Phase	Monthly profit	Months	Profit	Months	Profit
Unique (no competition)	\$500,000	0	\$0	2	\$1,000,000
1st generation (with competition)	\$300,000	10	\$3,000,000	12	\$3,600,000
2nd generation	\$100,000	12	\$1,200,000	12	\$1,200,000
Total			\$4,200,000		\$5,800,000
				Increase	\$1,600,000 38%

Get spreadsheet from [horton.com/using/](http://horton.com/using/)

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## 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
<b>= Time per office</b>	<b>5 Days</b>
<b>x Sales offices</b>	<b>15 Offices</b>
<b>= Total time required</b>	<b>75 Days</b>
	<b>Or 15 Weeks</b>

<b>Charlotte does the math</b>	
<b>With e-learning</b>	
Pre-study of marketing material	1 Day
Online presentation with Q&A	2 Days
Testing and sales simulations	1 Day
Follow-up online discussions	12 Day
= Total time required	<u>16 Days</u>
	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**

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## 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.

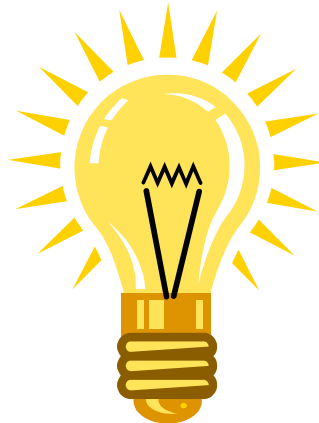


**William Sherman**  
CEO  
aka  
"Scorched-Earth  
Bill"

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## Radical idea!



**Give away e-learning  
to boost product  
sales!**

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## 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



Melanie J. Melanie  
Product Mgr. Software

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## Charlotte does the math

Potential customers online	300,000
x Percentage to take e-learning	5%
= Customers to take e-learning	15,000
Will purchase after e-learning	40%
- Would have purchased anyway	25%
= Additional sales percentage	15%
Additional units sold	2250
x Profit per unit	\$100
= Additional profit	\$225,000
- Cost of e-learning program	\$150,000
= Total additional profit	\$75,000



## Promoting products and services

The screenshot shows a Microsoft Excel spreadsheet titled 'UsingLearning.xls'. The spreadsheet is organized into sections with bold headers. The 'Promoting products and services' section includes the following data:

Item	Value	Unit
Potential customers online	300,000	customers
x Fraction who will take e-learning	5%	
= Number who will take e-learning	15,000	customers
Will purchase after taking e-learning	40%	
Would have purchased anyway	25%	
Additional sales percentage	15%	
Additional sales	2,250	units
x Profit per unit sold	\$100	per unit sold
= Additional profit from sales	\$ 225,000	
- Cost of e-learning program	150,000	
Net additional profit	\$ 75,000	

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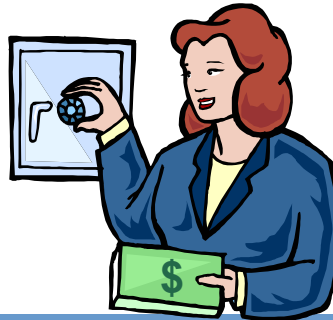


## How else?

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

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# Sell e-learning for profit



Turn the training department into a profit center



## Market analysis

Potential markets for e-learning products and services

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

And will pay for!



## Products and services

How to meet the needs of the identified markets

Products	Services	Related materials
<ul style="list-style-type: none"> <li>• Self-contained courses</li> <li>• Courses that customers can facilitate</li> <li>• Modules (objects) that customers can assemble</li> <li>• Raw materials, e.g. graphics &amp; animation</li> </ul>	<ul style="list-style-type: none"> <li>• Access to hosted courses</li> <li>• Course customization</li> <li>• Integration of customer content</li> <li>• Custom courses</li> <li>• Certificate programs</li> <li>• E-coaching &amp; tutoring</li> <li>• Online assessment and skills analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Documentation</li> <li>• Job aids</li> <li>• Handouts</li> </ul>

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### Self-directed e-learning

Enrollments per year	1500
x Enrollment fee	\$100
= Total revenue per year	\$150,000
Development costs per course	\$300,000
÷ Life cycle in years	3
= Annualized development cost	\$100,000
+ Administrative costs	\$20,000
= Total costs per year	\$120,000
Total revenue per year	\$150,000
- Total costs per year	\$120,000
= Profit	\$30,000

<b>Instructor-led e-learning 1</b>	
Class size	17
x Enrollment fee	\$150
= Class revenue	<u>\$2,550</u>
x Class offerings per year	50
= Total revenue	<u>\$127,500</u>
Development cost per course	\$30,000
÷ Life cycle in years	3
= Annualized development cost	<u>\$10,000</u>
+ Instructor salary per year	\$50,000
+ Administrative costs	<u>\$20,000</u>
= Total costs	<u>\$80,000</u>

<b>Instructor-led e-learning 2</b>	
Total revenue per year	\$127,500
- Total costs per year	<u>\$80,000</u>
= Profit	<u>\$47,500</u>



## Selling e-learning for profit

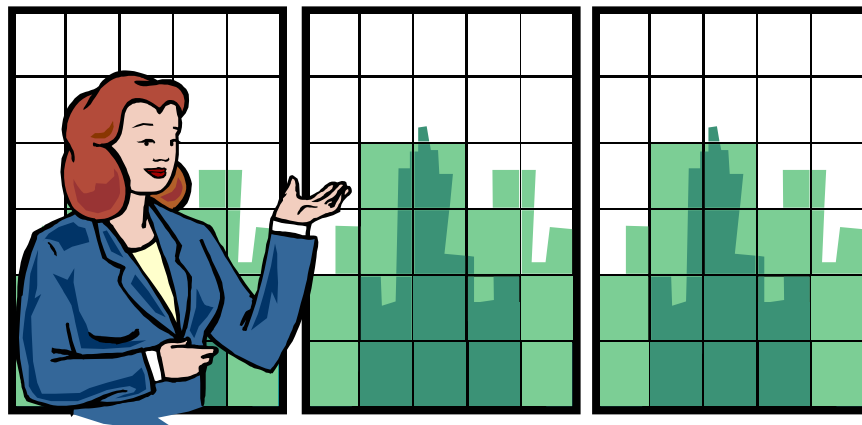
	A	B	C	D	E	F
1	<b>Selling e-learning</b>					
2						
3	<b>Self-directed e-learning</b>					
4						
5	<b>Revenue</b>					
6	Enrollments	1,500	learners per year			
7	x Enrollment fee	\$100	per learner			
8	= Total revenue	\$	150,000	per year		
9						
10	<b>Costs</b>					
11	Development cost	\$	300,000	per course		
12	+ Service life of course		3	years		
13	= Annualized development cost	\$	100,000	per year		
14	+ Administrative costs	\$	20,000	per year		
15	= Total Costs	\$	120,000	per year		
16						
17	<b>Profit</b>					
18	Total revenue	\$	150,000	per year		
19	- Total costs	\$	120,000	per year		
20	= Profit	\$	30,000	per year		
21						
22	Profit margin		20%			
23						
24						

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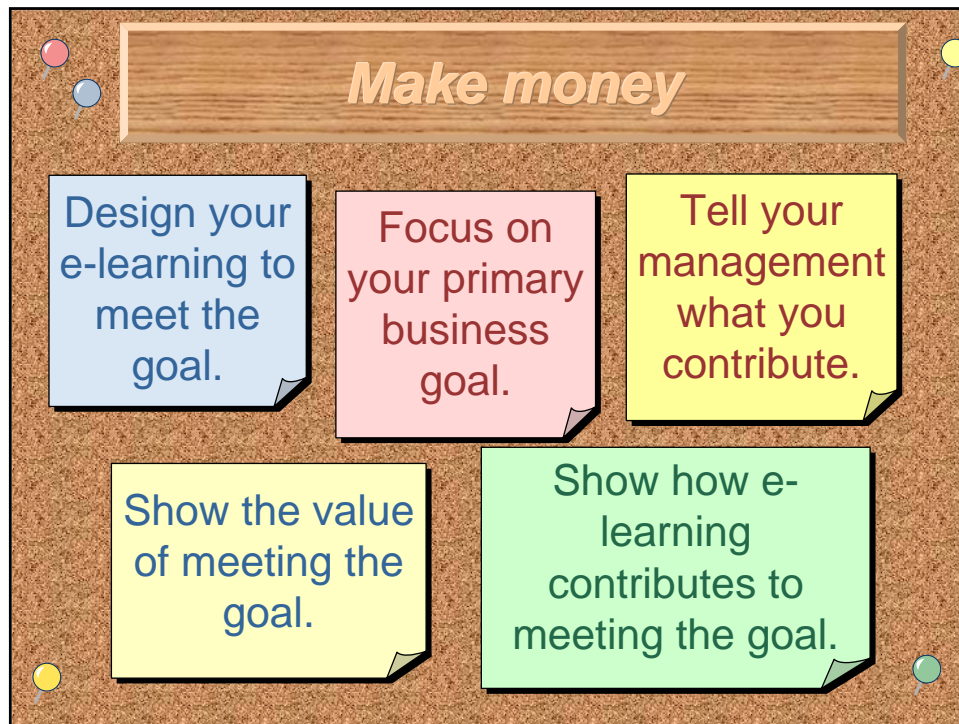


## Charlotte gets her windows back



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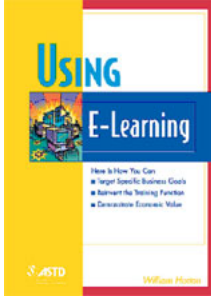





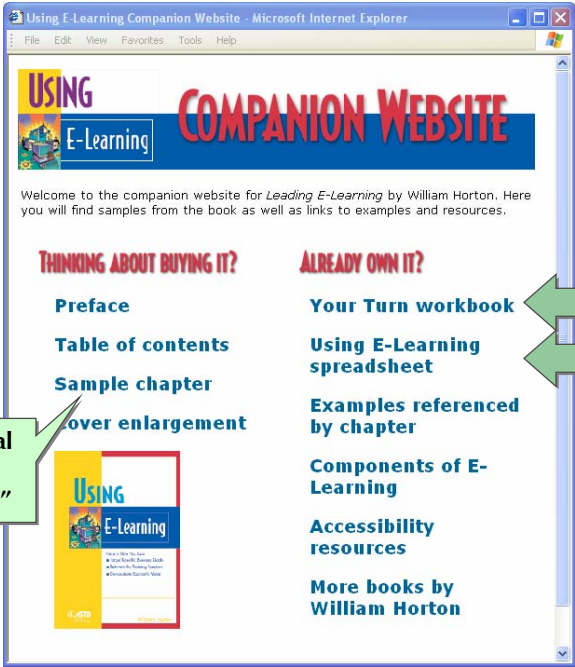
**Not  
the end**

## References

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

Publications	Training
 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
 www.elearningguid.com	
Websites	Webinars
horton.com/using horton.com/managing	Leading E-Learning – 10/1 Evaluating E-Learning – 11/5

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Using E-Learning Companion Website - Microsoft Internet Explorer  
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
- over enlargement

**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

“Potential of E-Learning”



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## ABOUT THE PRESENTER

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### 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*.

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### 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.

William Horton Consulting's client list contains both established and emerging companies throughout North America and Europe, including Alban Institute, Allen Communications, Apple Computer, Arthur Andersen, AT&T, Compaq Computer, Cray Research, DataChannel, El Paso Independent School District, Enlightened Leadership International, Ericsson, Exxon, Hewlett Packard, IBM, Indianapolis Center for Congregations, Intel, International Speakers Bureau, Instron, Lotus, Lucent, Macromedia, Microsoft, Mindlever.com, Northwestern Mutual Life, Nokia, Novell, SAP AG, SAS Institute, Sun, ThinkCAD Bleu, U.S. Army, Veterans Administration, and Wilson e-Learning.

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