

# Best Practices in Online Customer Training

*How to build a profitable online customer training  
business*

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December, 2004

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## Overview

According to our research, customer training and for-profit education is a \$3-4 billion market today, consisting of corporate customer education, for-profit training and education, and degree-granting for-profit education. It exists within the context of the overall \$85 Billion corporate training market and it is being impacted heavily by trends toward e-learning and online delivery approaches.

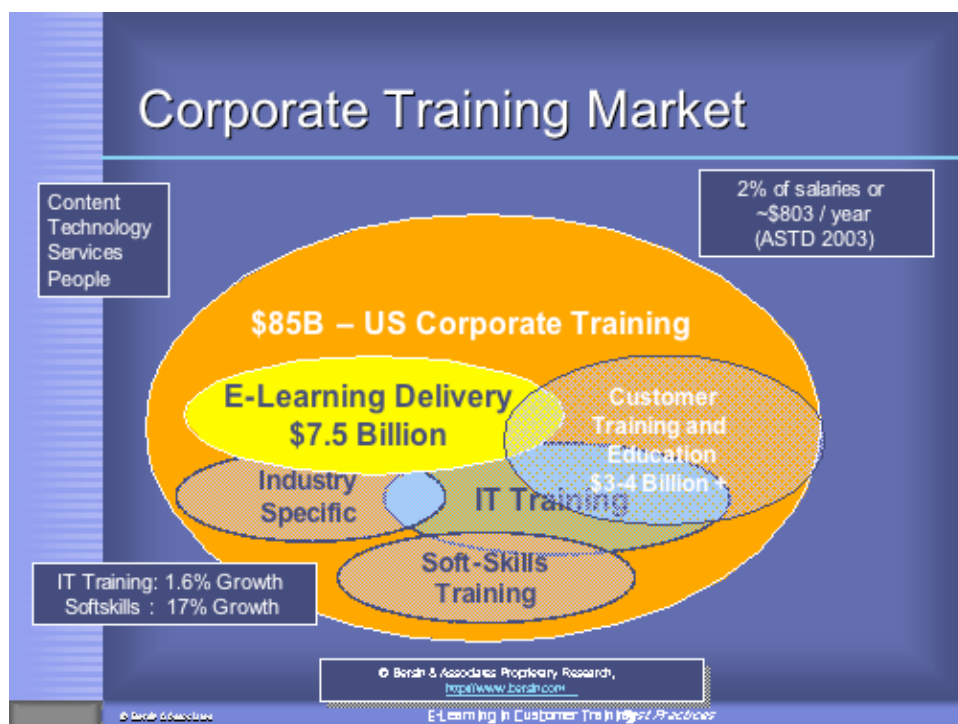


Figure 1: Corporate E-Learning Market and For-Profit Customer Training Markets

According to the 2003 Training Magazine survey of e-learning in corporate training, nearly 17% of corporate training is now conducted through electronic delivery. This leads to many questions about how to apply e-learning approaches to this important area:

- ① How should you apply e-learning to customer training problems? Where do different delivery modes fit?
- ① How does e-learning affect the business models and pricing of customer training? Will it cannibalize current revenue streams?
- ① What are the techniques and best practices today for creating high-impact, profitable customer training using e-learning approaches? Where do live, self-study, and other formats best fit?

## The Business of Customer Training

Before we explore the use of e-learning technologies and online delivery it is important to understand the business drivers of customer training. Each different driver leads companies to embark on slightly different e-learning strategies.

There are four major business drivers which cost-justify customer training programs:

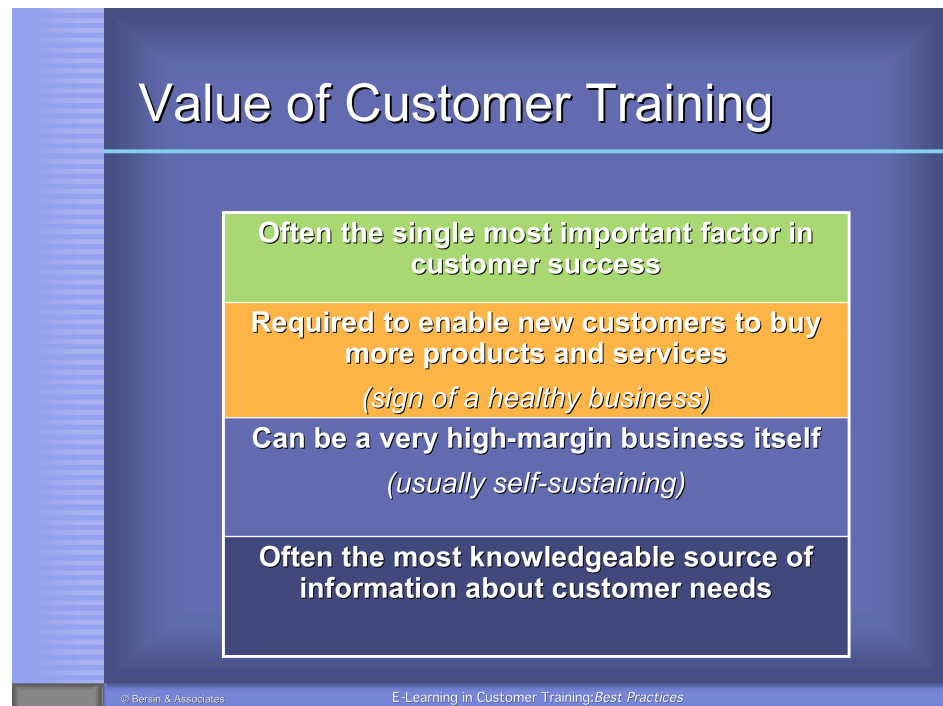


Figure 2: Four Business Drivers of Customer Training

1. **Drive Customer Success:** Customer training enables buyers to effectively utilize the products and services, which a company sells. The better a customer understands how to use a product, the higher their level of success and overall satisfaction.

*Example: Intuit Quickbooks can be a daunting product to business owners. A small amount of introductory training on the product and how it impacts small business accounting is mandatory for a small business person to gain value from their Quickbooks investment.*

Intuit has seen a four-fold increase in product referrals from accountants who have completed its new e-learning certification program.

2. **Increase Sales:** Customer training enables buyers to deeply understand how to use, apply, and customize the product or service they purchased. As they better understand the details of a product, they identify new opportunities to buy more. As new product features and models are announced, highly trained customers can more rapidly adopt them.

*Example: Oracle databases have thousands of man-years of R&D and hundreds of advanced features for configuration, performance management, and application development. By developing Oracle database administrators into experts, Oracle creates a set of customers who can embed Oracle databases into more applications and identify new needs for the product.*

3. **Make Money:** Customer training is a high-margin business itself.

*IBM, Microsoft, EMC, Lawson Software, and hundreds of other high-technology companies use their customer training businesses as a profit center. Education offerings are viewed as "products" – some are high value, high priced products; others are given away to enhance customer satisfaction.*

4. **Gain Product Feedback:** Customer training organizations are often the most knowledgeable sources of product feedback.


*In most companies the customer training organization works more closely on real-world applications than any other part of the company.*

We find in our research that customer training groups often focus on one or two of these strategies for different parts of their training strategy. A customer certification program may focus on driving customer success and generating training revenue. A series of customer webinars may focus more on increasing utilization and increasing sales of products themselves. Self-study programs may be focused on reducing the cost of support.

Companies with large customer bases and mature markets tend to focus more heavily on revenue-generating training. Companies announcing new products and entering new markets focus more heavily on free or low-cost programs to encourage adoption and growth in usage.

## The Three Basic Business Models

There are three basic business models for customer training and education. The business model describes how a company cost-justifies its customer training and has a major impact on the e-learning strategy.

Customer Training Business Models		
Model	Focus	Key Issues
 <b>1. Delivered as a Profit Center</b>	Programs managed as <i>products and sold based on customer value</i>	Pricing and Margins Flexible Delivery Options Blended Programs Library/Subscription Certification Programs
<b>2. Reduce Support and Service Costs</b>	Programs offered at <i>low cost</i> and online to reach all customers	Offered at lowest possible cost Bundled into support offerings Bundled into the product itself
<b>3. As a Sales and Marketing Tool (emerging)</b>	Programs offered for <i>free</i> to encourage customers to buy	Low cost, highly appealing web-based programs, often on Kiosk or web site

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Figure 3: Three Basic Business Models

Depending on the maturity of the product and size of the company, companies tend to use one or more of the three.

### I. Customer Training as a Profit Center

The clearest and most common way customer training is managed is as a profit center. The customer training operation must “pay for itself” in revenue and hopefully over time generate a profitable return on investment. When companies manage customer training as a profit center the e-learning strategy can be difficult to develop, because:

- ⌚ E-Learning requires new capital investment for LMS, tools, and content development
- ⌚ E-Learning may reduce the price one can charge for a given program (see the pricing section below)
- ⌚ E-Learning requires hiring new people and developing new skills which must be cost-justified.

When companies view training as a profit center, they first embark on e-learning to reduce delivery costs. Live e-learning using tools like Webex, for example, greatly reduce the expense of classrooms and travel – for both the provider and consumer of training. As a result, a well-developed live e-learning program may in fact be **more profitable** than a traditional instructor led program.

Once organizations get started with e-learning, they then realize that e-learning can often create new training revenue streams. For example, Best Software (case study included in this report) found that by creating a library of self-study and live e-learning they could sell subscriptions to their customer training and actually increase training revenue.

Salesforce.com “embeds” live e-learning and replays for subscribers as part of their annual subscription fee.

Often times profit-center training is delivered by authorized training partners or authorized training centers. As shown below, these channel partners create much greater reach and reduce capital costs – and can leverage e-learning programs developed internally to broad audiences. Microsoft, Cisco, and many other technology companies use this channel approach to dramatically broaden their reach. Best Software uses e-learning to differentiate channel offerings from direct offerings: introductory instructor-led training is provided by partners and ongoing updates via e-learning and live e-learning are provided by Best.

## **2. Customer Training to Reduce Support and Service Costs**

A second way to model customer training is to identify how much time and expense is saved in support by providing training directly to customers. In this approach many training programs are provided at cost or for free to incent customers to educate themselves.

This is now the most common way that desktop software companies support their products – tutorials and online help systems are designed to provide basic solution training to reduce the cost of support. Intuit’s Quickbooks training was cost-justified using this model, even though the company also generates profit from the training itself.

A good example of this model is the training provided by Salesforce.com. Salesforce.com has thousands of clients who pay monthly fees to use their online system for sales automation and customer relationship management. Since the company is growing rapidly and wants all customers to take advantage of a wide array of new features, live e-learning and replays of key training is provided at no cost to subscribers. Essentially the cost of training is “embedded” within the subscription fees – giving customers the perception that they are getting value-add training at no cost.

## **3. Customer Training as a Sales and Marketing Tool**

One of the biggest differences between e-learning and traditional training is that the delivery cost can be very low. This means that online training can actually be used as a tool for advertising, marketing, and sales. Many banks and financial institutions, for example, have created online “courselets” which teach current and prospective customers how to be better investors, how to refinance their homes, etc. One of the largest of these was Schwab University, a free online university of courses designed to help Schwab customers and prospects learn how to become better investors.

These programs are built as marketing programs and often built and managed by the sales and marketing organization. As e-learning becomes easier to deploy and lower in cost, we expect this market to grow rapidly. Companies like Starbucks, Nike, Sephora, and other retailers are looking to add customer e-learning kiosks into their stores.

## Differences between Customer Training and Employee Training

Audiences for customer training are far more demanding and harder to predict than employee training.

It is very important that any training professional understand the stark differences between employee training and customer training.

	Employee Training	Customer Training
Driver or "Owner"	Driven by HR	Driven by Product Groups or Sales
Audience Skill Level	Targeted toward known skills	Must meet a wide variety of backgrounds and learning needs
Audience Motivation	Usually Voluntary May be directed They're not paying	Highly motivated Demanding (they're paying) Pragmatic
Audience Expectations	May be High May be Low If they aren't happy, they just drop out	High and Critical Instructor must be Excellent If not satisfied, they will want their money back or worse.
Technology Infrastructure	Most learners are "behind the firewall" and can be supported in a secure technology infrastructure.	Must be available on the Internet, in store locations, and through other external locations.
Learning Management Data Issues	The source of information about learners is the internal HR system.	The source of information is the Sales or CRM system, and, often, many learners are prospects who must self-register.
Business Rules and LMS Issues	Manager Approvals Learning Plans Certification Programs	Many Complex Transactions: Training Credits Bundled with Products Library Cards Time Expirations, Renewals E-Commerce with Refunds Transcript Delivery and Exchange

Figure 4: Differences between Employee and Customer Training

## Customer Training is a Product, not Just Education

As the chart above indicates, there are major differences in the audience, technology, and LMS requirements for customer training vs. employee training.

One of the most important things to consider is that customer training is a “product business.”

Each course must be considered a revenue-generating **product**, which has a:

- ① Target customer, identified by customer size, role, and stage in the sales process;
- ① Development and delivery cost, price, and computed profit margin
- ① Revenue target
- ① Marketing strategy and set of marketing programs
- ① Sales strategy and often a sales team.

Most successful customer training organizations have sales teams or sales quotas assigned for customer training. They offer training “credits” bundled with products and have special promotions, newsletters, flyers, and ongoing marketing programs to encourage customers to regularly attend and purchase training. Customer training does not sell itself. If you want to be successful, you must put in place a plan to market and sell customer training.

## LMS Issues Vary Widely

One of the key issues which vary between employee and customer training are the complex business rules and e-commerce requirements in customer training. Learning Management Systems which are configured for employee training can rarely satisfy customer training needs well. Customer Training systems require extensive e-commerce systems and must accommodate price changes, refunds, courses bundled with products, library cards (ie. unlimited training for a set period of time), and interface with the CRM or sales processing system. We recommend strongly that most companies separate the management and administration of customer training from employee training.

For details on the Learning Management Systems market, please read our study on Learning Management Systems<sup>1</sup>

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<sup>1</sup> *LMS 2004: Facts, Practical Analysis, and Trends for Corporate Buyers, Vendors and Consultants*, a detailed analysis of LMS systems, market, and vendors, available at <http://store.bersinassociates.com/lms-2004.html> .

A customer training manager is a “product manager” who must think about the market, pricing, promotion, sales, and support for their product.

## **Content Quality is Critical**

There are many audience issues in customer training which vary from employee training. The biggest issue is that paying customers expect high-quality, well managed programs which deliver excellent business value. Employee training, by contrast, is often voluntary and if it is poorly delivered the employee will just “check out.”

As we discuss best practices in online customer training it is important to focus on quality and value. The technology approaches, and instructors you use for customer training must be tested, experienced, and well managed.

## Online Delivery Options

As with any form of e-learning, there are many delivery approaches for customer training. If you are new to e-learning and would like more detail, we strongly urge you to read our industry report **Rapid E-Learning: What Works®<sup>2</sup>** which will introduce you to the different options for building online content quickly and easily.

Briefly, the options for online delivery of customer training fall into two categories: instructor-led (also called “synchronous” or “live”) or self-study. As the following chart shows, there are many options in each.

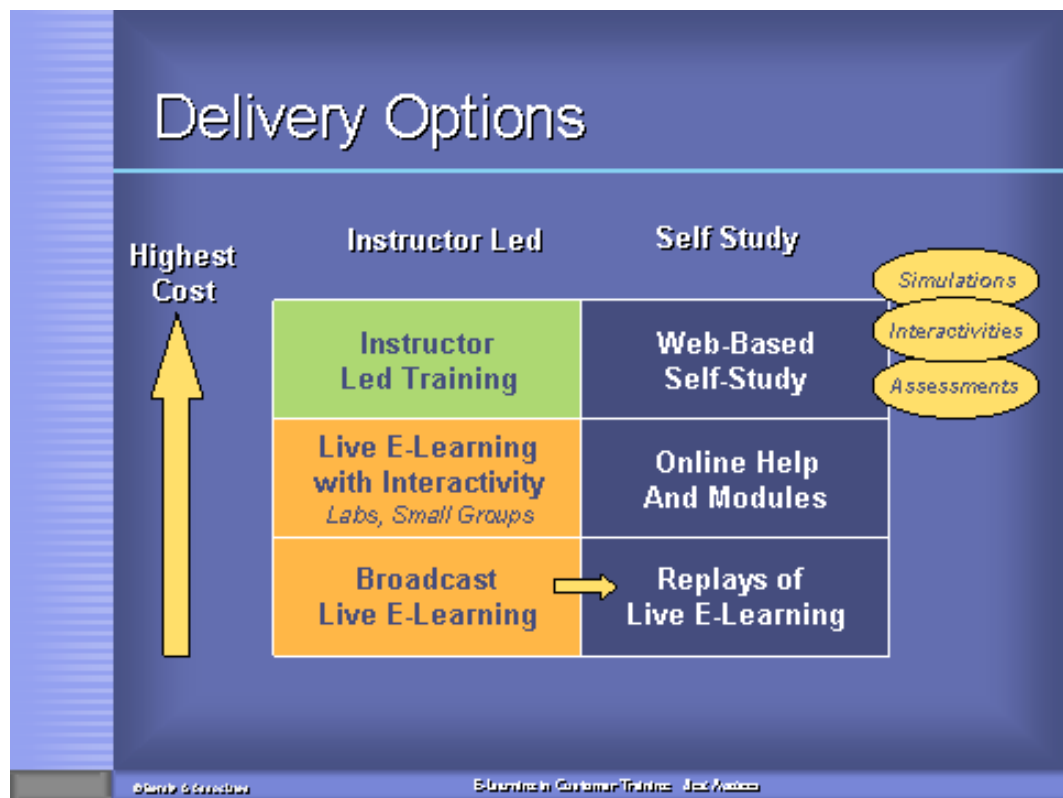


Figure 5: Delivery Options

<sup>2</sup> Rapid E-Learning: *What Works®* available to research subscribers and for purchase at <http://store.bersinassociates.com/relstudy.html> .

## Two Types of Live Programs

In this paper we discuss primarily live e-learning or those models shown in the orange boxes. There are essentially two types of live e-learning programs which companies deliver: Live E-Learning with Interactivity and Broadcast Live E-Learning.

### *Live E-Learning with Interactivity*

Live e-learning programs with interactivity can mimic a classroom. If you keep class sizes small (15 or less), the instructor can interact with each student online or via the phone.

These types of programs are those delivered with tools like Webex, Centra, Interwise and others. These programs are instructor led and are designed to mimic the classroom online. Class sizes are small (10-20 students at most), instructors answer questions and interact with learners through the telephone or chat media, and the program is highly instructional. Often in these programs the instructor will use an online laboratory and demonstrate the use of the product online. Tools like Webex and others include online lab capabilities and screen-sharing which enables instructors to group students into breakout groups, give them hands-on lab time, and assess them separately.

When delivered via a replay, these programs lose much of their interactivity but are still highly valuable for learners who want to understand a single topic or jump to a section that solves a particular problem.

These programs, when well managed, can be priced at 50%-80% of the cost of their instructor-led classroom equivalent.

### *Broadcast Live E-Learning*

Broadcast programs cannot command as high a price as interactive small-group programs – yet they can be very cost-effective and profitable.

The second approach to live e-learning is what we call “broadcast.” These programs are developed as web “seminars” or “webinars.” Typically here the audience is much larger (100s of learners and more) and the instructor is “delivering” information with much less interactivity. Typical tools used include polling and assessments to gain feedback – but in these programs the student should not expect to be able to interact much with the instructor.

These programs are often offered for \$100-200 per enrollment and often given away as a bundle with access to replays as part of a service contract or other product incentive.

## When to use Live vs. Self-Study Delivery

While live e-learning has become a popular solution for a wide range of learning challenges, it is not appropriate for all problems. Generally, live e-learning is best used when:

- a. The subject matter has a short life span or is constantly changing, and therefore programs need to be updated frequently;
- b. The training must be delivered quickly and there is no time to develop a web-based course;
- c. The problem requires a high degree of “demonstration” and “hands on” education to be delivered;

You have a world-class expert who has been teaching instructor-led training who you would like to leverage through a more efficient delivery approach.

### Self-Study provides Learning “On-Demand”

Remember that live e-learning requires that learners schedule time to attend. In exchange for this scheduled time, you must deliver a highly-interactive experience filled with opportunities to ask questions and see live demonstrations.

Many customer training problems are “on-demand.” When the customer encounters a particular problem, they need training to help them solve the problem. Self-study customer training should be designed to meet this particular need. It should be easily indexed so learners can find just the chapter they need to solve their problem.

Most self-study customer training is also offered through a library model. Customers buy “access” to the courses for a period of time, and they can complete as much or as little as they need whenever they need it.

### Cultural Value of Live E-Learning

One of the key issues we encounter in our research is the tremendous cultural value of traditional instructor-led training. Often customers want to attend a class to talk to other customers: How are other people dealing with this problem? Are others finding the same challenges we are? Can I get some tips and techniques from others?

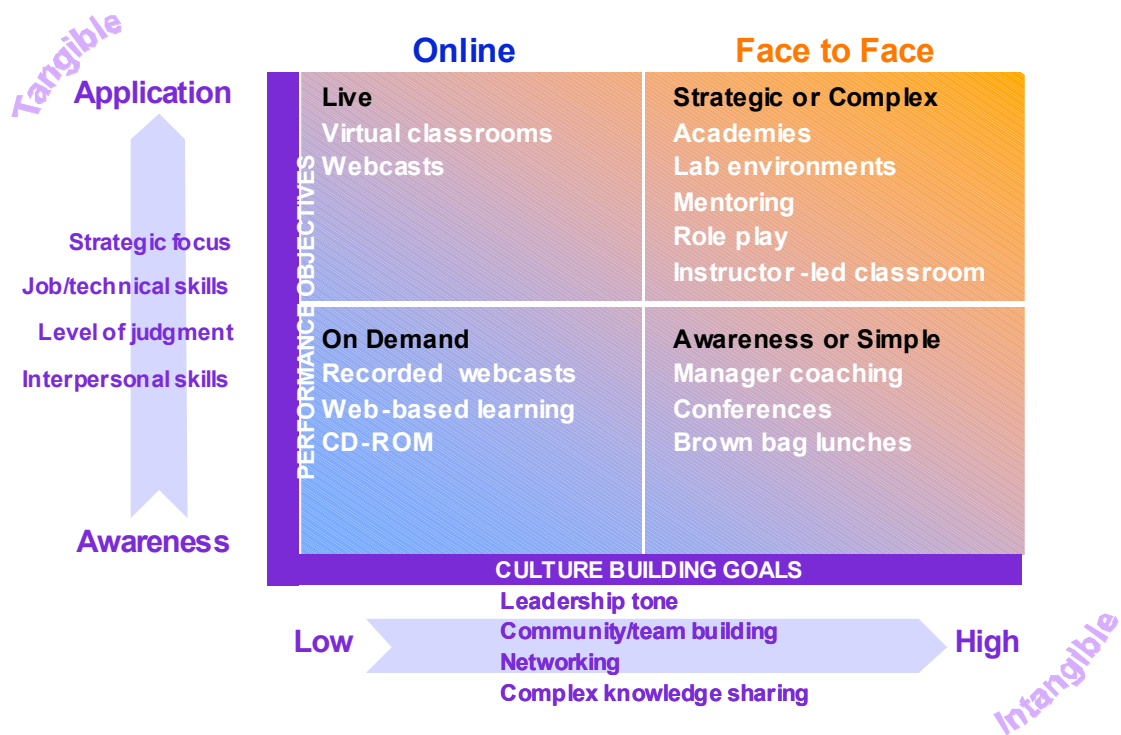


Figure 6: Cultural Value of Live Programs

## **Best Practices in Online Customer Training**

As the figure above shows, face-to-face or live programs can create a community effect that is impossible to develop with self-study. Live online programs create a small degree of this by using conference calls, breakout rooms, and highly interactive question and answer sessions.

As you will see from our case studies, many companies combine live e-learning with self-study and instructor led training into an integrated blended program. For more information on how to build blended programs, please consult our research on blended learning or *The Blended Learning Book™* by Josh Bersin<sup>3</sup>.

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<sup>3</sup> The Blended Learning Book, available at Amazon.com – more details are available at [http://www.bersin.com/research/blended\\_book.asp](http://www.bersin.com/research/blended_book.asp).

## An Example of How to Blend Delivery Approaches

One excellent example of how to blend delivery approaches is provided by the example below. This particular company has grouped their customer training into three categories: Introductory (100 level), Intermediate (200 level), and Advanced (300 level).

300 level courses are all taught via self-study. 200 courses are taught using live e-learning with interactive small groups. 100 courses are all taught in-class.

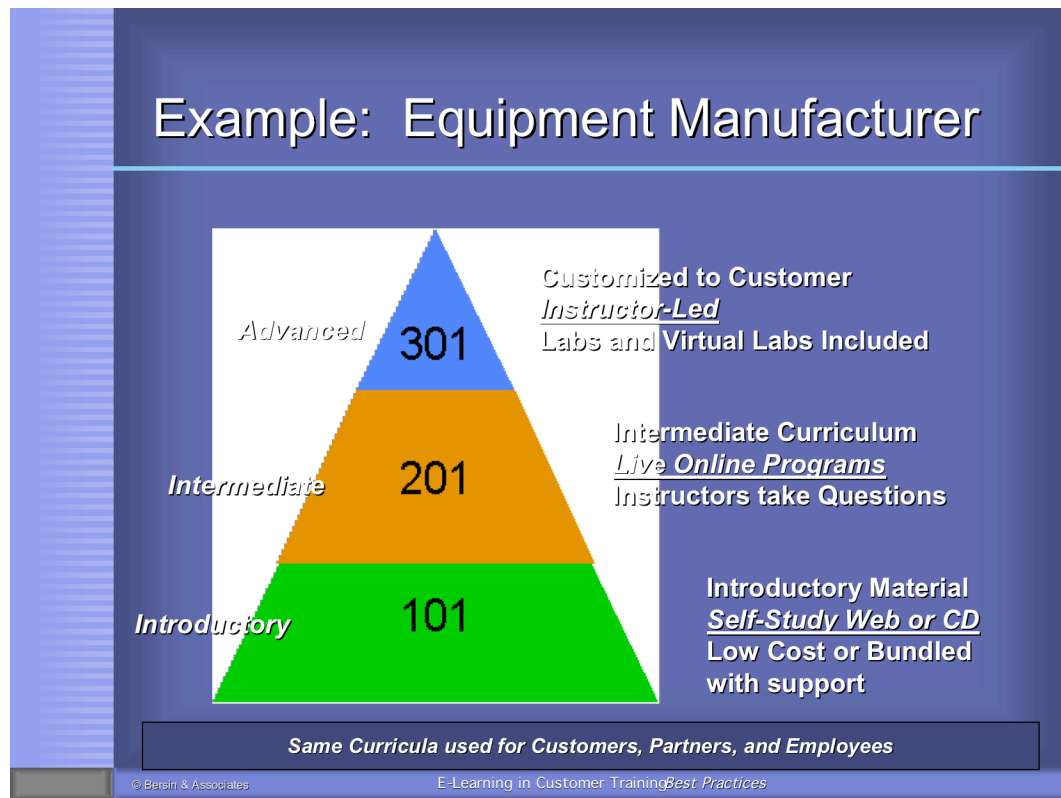


Figure 7: Blending Different Delivery Media into an Integrated Offering

In this example, the company has a very large customer base and has many customers which progress along the three levels to become product experts. The different delivery modes enable this company to price introductory courses much lower and save their valuable instructor resources for higher priced, higher value 200 and 300 level courses.

## Live e-Learning Best Practices

Live e-learning has evolved to the point where experienced companies have developed a well-honed methodology for its use. Many live sessions are conducted by subject matter experts (SMEs). In most cases, SMEs develop and deliver the material. Because SMEs may not be well versed in instructional design and can get into too much detail, using an experienced learning professional is critical. By working with an instructional designer, the SMEs' material can be made simpler and easier to follow, ensuring the quality of the content, design, and delivery. The partnership between the SME and an instructional designer, or other training professional, is a key factor in the success of developing live e-learning.

One company, Grant Thornton, developed a six-step process to coach its SMEs on developing effective live e-learning sessions.

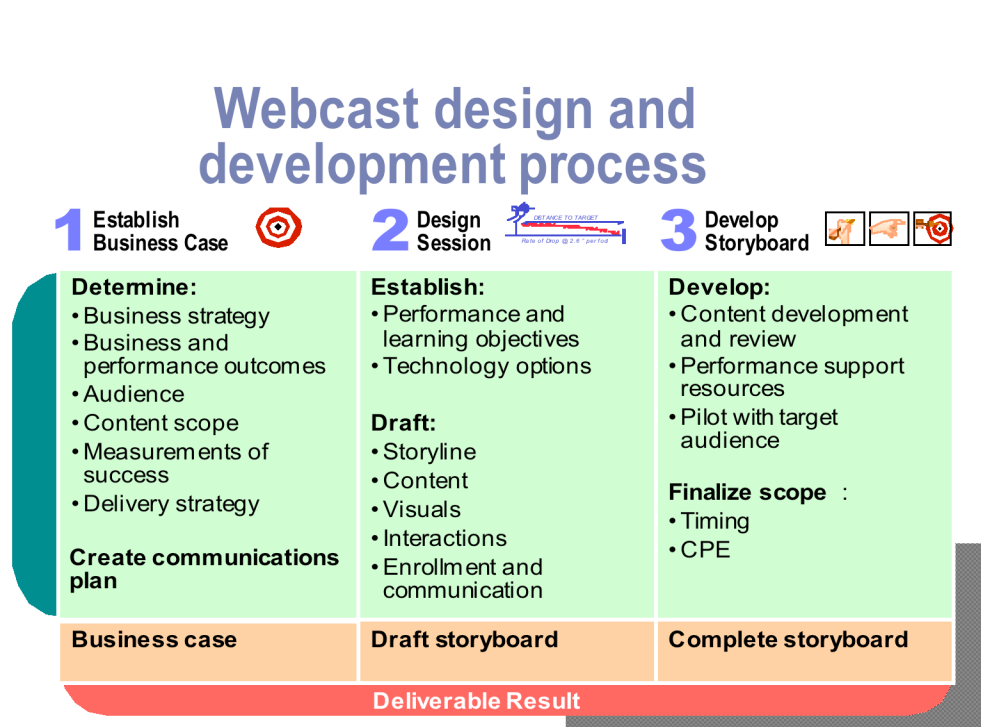


Figure 8: Live E-Learning Development Process

As with any training program, a live e-learning session should have a business case and instructional goal, including performance objectives. Establishing specific learning objectives help determine the content and the amount of detail to cover in a given session. After the objectives have been specified, storyboards can be used to provide overviews of the content and flow. The storyboards can then be used in discussions with internal stakeholders. This process allows plenty of feedback and revision before the final content is designed.

When developing the content, avoid acronyms that may not be recognized by all the customers or partners. Also, avoid using complex terminology—this occurs because the SMEs understand the material so well. Regular interactions, such as surveys or polling, during the event will help keep the learners engaged.

After the content is finalized, the final steps are preparing, delivering, and then assessing the training, as shown below.

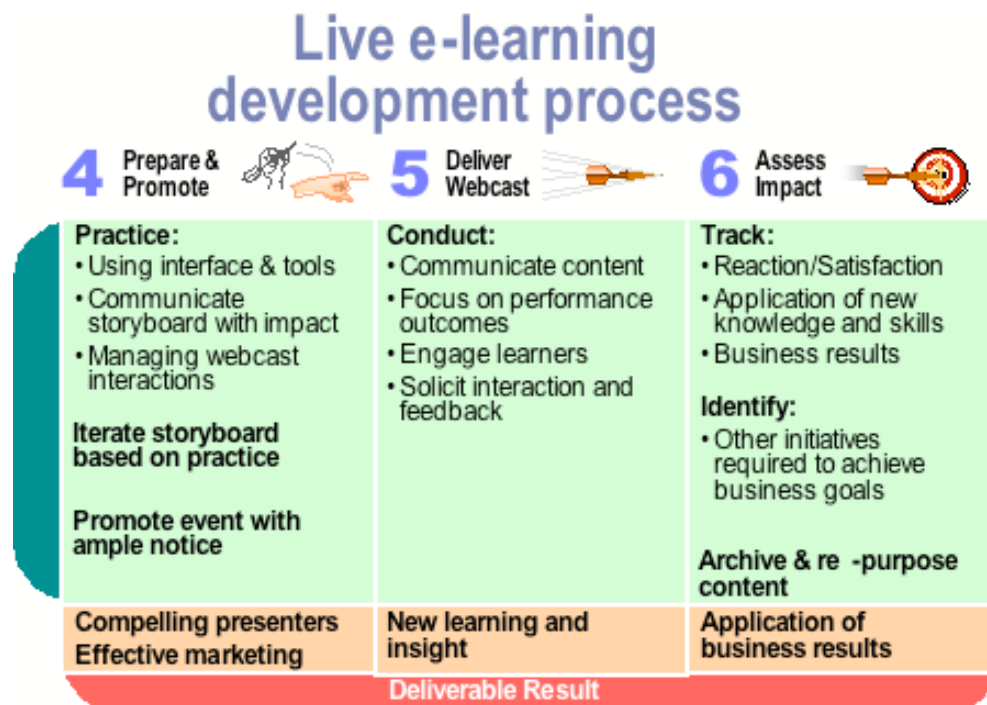


Figure 9: Final Steps in Webcast Design Process

### Practice

In preparing for the session, practice the entire event, at least once, to make sure the flow feels right and to rehearse the delivery. Practicing also gives the presenter the opportunity to feel comfortable with the tools.

### Use a Team Approach

With support and coaching from an instructor or other learning professional, SMEs enjoy presenting topics in their areas of specialty. Having an internal assist team helps the presenter feel confident and helps the event run smoothly. One member of the team monitors the event to make sure learners can see and hear everything. Another member of the team monitors a chat room to constantly look for questions and deal with learner problems.

A post-event survey should be sent to learners, so that the presenter learns how to improve his or her delivery, and the training team learns how to continuously improve the content and their process.

## **Special Facilities**

Most live e-learning sessions are delivered on a PC in the presenter's office or conference room. If your organization has a for-profit customer training center, or intends to make wide use of live e-learning, you may want to invest in special studios having microphones, speakers, and high-quality digital cameras. These state-of-the-art facilities enable presenters to conduct training sessions in a professional manner.

## **Recommendations for Live E-Learning**

From our research, we have compiled the following recommendations to help companies develop and deliver live e-learning sessions more effectively:

- 1. Don't Limit Yourself To A Single Presenter.**  
Use a moderator to introduce the speaker, and to manage polls, questions, and chats. A subject matter expert can present on specific topics. Your SME doesn't have to be a "celebrity" or even have the most professional presentation manner to be effective. He/she is the expert on a particular topic, and, as such, can be a compelling speaker and answer questions more effectively than the instructor.
- 2. Keep The Sessions Interactive.**  
Use polling and break-out rooms to increase interactivity and to keep the learners engaged. Break-out rooms can be used to group similar customers who can collaborate on specific problems or issues.
- 3. For Webcasts, Keep The Content Short (1 Hr) And Start And End On Time.**  
Make it clear in your communications that the event will start on time. Distribute any printed materials at least one week prior to class.
- 4. Rehearse.**  
Get the presenters comfortable with the content, delivery platform, and timing.
- 5. Use Two Computers: One For Presenting And One To View What Attendees Are Seeing.**  
What attendees are seeing often doesn't match what's on the presenter's screen.
- 6. Use Playbacks To Critique Your Performance.**  
In a classroom, the instructor rarely gets to see how well he or she did. In live e-learning sessions, the presenter can immediately view the replay and see how to improve performance.
- 7. Develop reusable content.**  
Recorded online sessions can serve as excellent self-study content. These self-study archives form the basis of your e-learning investment over time. Index these sessions in your LMS for learners who could not attend the session or for those new to the subject.
- 8. Document Your Process.**  
As you develop and roll out more live programs, you should have a turnkey, step-by-step approach for new presenters. As you learn what works (and what doesn't), codify these lessons and incorporate them into your ongoing methodology.

## Packaging and Pricing

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Best Software bases its online course fee structure loosely on 80% of its classroom course pricing, providing the fee is not less than what it costs to provide the training.

No discussion of customer training is complete without a discussion about pricing. When companies initially embark on customer training the first question they ask is “how much can I charge for this?” When replacing classroom training with e-learning approaches, most companies worry: “will I cannibalize my existing revenue stream?”

Key questions are:

- *How can we make money from this?*
- *How should we price the online courses vs. classroom courses?*
- *What products or courses should we make available online?*

For-profit training should be run like a business, and as such, should have a detailed business plan outlining the strategy, competition, marketing plan, and financials. Each program should be closely monitored against its objectives. Those programs falling short should be revised or terminated. Remember that your customers will shop for training and if you price your offerings too high they will either (A) find another provider, or (B) teach themselves, often at the expense of your own customer satisfaction.

When turning training into a profit center, firms must pay careful attention to exactly what market and learning problem they are trying to address. A well-targeted training on a high-demand topic will be well attended. If the quality is good, the training should successfully meet its objectives. (Later in this paper, we will discuss examples of how some firms have successfully turned their customer training into profit centers.) If training is not targeted well, it will go underutilized, changing your customer education program from a profit center to a cost center.

### How Much to Charge?

When deciding how much to charge for online courses, companies must look at a number of factors. A baseline measure is how much it will cost to create and deliver the training, which can serve as a break-even point. Another factor is how much customers would be willing to pay, which can be captured through an informal or formal survey of clients or business partners. For comparative purposes, look at what other companies are charging, and how those fees relate to their classroom-based courses.

Best Software bases its online course fee structure loosely on 80% of its classroom course pricing, providing the fee is not less than what it costs to provide the training. Lawson Software, on the other hand, charges the same for an instructor-led course and the equivalent live virtual classroom session. In both cases, Lawson reasons, the learner has access to a live instructor. Learners in a virtual classroom may not get face-to-face time with the instructor, but they also have incurred lower travel expenses.

For live Webcast sessions, many companies charge \$75 to \$150 for a 1 to 1.5-hour session, depending on the complexity and depth of the topic. Smaller virtual classroom sessions, with hands-on application sharing and assessments, typically cost more.

The cost of telephony is another factor to consider in the pricing structure. Telephony is often the largest marginal cost of an online event. Some companies embed the price of telephony into the class where other companies have the student pay for the telephone service. This decision depends on your target audience.

Training resellers can greatly increase reach and time to market – but require commitment for support and will create channel conflict if you are not careful.

## **Authorized Training Partners**

As we discussed above, often you can scale your training further by creating channel training partners. Microsoft provides one of the largest training programs for channel partners through its Certified Technical Education Centers (CTEC's). Microsoft ensures that the CTECs deliver training that meets Microsoft's demands for quality and customer satisfaction. One way Microsoft does this is by using a hosted solution that enables learners all over the world to launch standard Level 1, 2, and 3 surveys. Job impact surveys are sent to learners and managers 60 days after training is completed. The survey data is stored in a central repository for easy analysis, allowing Microsoft to evaluate CTECs, and for CTECs to evaluate themselves. For a given program, Microsoft can rank CTECs on the satisfaction and learner levels provided to their customers. CTECs can use the system to evaluate the effectiveness of their instructors and results for different customer groups.

The revenue model varies, but companies charge their training partners for the initial certifications, training materials, and annual fees. Certifications may need to be updated periodically or, when a product or service is upgraded, partners may need to be recertified on the new features or services. In one company we interviewed, a typical three-day online certification program costs just over \$1,000, and a 1-hour online recertification program costs \$200.

Firms delivering in-house end-user training may encounter some competitive issues with their partners. Best Software, for example, provides live and self-paced training to its end users, while its Authorized Training Centers (ATCs) provide instructor-led training to end users. Best Software needed to carefully position its online training in order to differentiate it from the classroom training offered by the ATCs. The company decided that the ATCs would continue to deliver instructor-led training, providing an overview of the product features and workflows. These courses are usually one to three weeks in length, and are geared toward new customers. The online training, delivered directly by the company, is of shorter duration (one hour or less) and is geared toward new product enhancements or specific processes needing more coverage than provided by the instructor-led training.

Some companies mandate stricter certification requirements for their internal consultants or support reps than they do for their partners. At Lawson, the company's internal field consultants must go through a slightly more rigorous process to achieve certifications than Lawson's partner companies. Lawson uses this extra training and greater staff knowledge as a selling point for promoting its services to clients.

Companies are selling subscriptions to their online training modules and recorded live e-learning events.

## **Online Subscription Model**

Companies are also selling subscriptions to their online training modules and recorded live e-learning events. For end-user training, these subscriptions may be bundled with the product and support plans, so they can be sold at the time the customer buys the product or when renewing their support plan.

Lawson Software, for example, offers annual subscriptions to its web-based training library to both end users and internal Lawson employees. Courses are grouped into suites and prices vary depending on how many suites are needed: from a few thousand dollars for a single suite to several thousand dollars for all three suites. The annual service also includes access to the full range of web-based courses on Lawson software and solutions and to all live webcasts, of which approximately six to ten are held per month.

Similarly, Best Software sells its bundled self-paced modules to end users on an annual subscription basis. These modules are short (5 to 15-minute) sessions covering a specific process or out-of-the-ordinary tasks an end user might not remember from the classroom training's overview. Most subscriptions are priced at under \$1,000 for a set of 40 to 60 modules.

The next section describes a few examples of how companies are delivering successful online customer training programs.

## Case Studies

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### Best Software

Best Software, Inc. develops and supports automated business management solutions. The company is comprised of a wide range of product lines, including ACT! contact management software, Timberline software for construction and real estate, and Peachtree accounting software. The business units managing these product lines operate somewhat independently, since they have very different target customers and distribution strategies. Each group sets its own pricing for courses, determines the appropriate blend of learning, and manages its course registrations and marketing.

One product line, Timberline, is a \$10M business selling software to real estate developers, construction firms, and property management companies. Timberline has 22 separate software products geared toward helping customers manage projects, track costs, forecast cash flow, and evaluate properties.

Initially, Timberline's end user training was conducted at hotels, conference rooms, or where feasible, at customer sites. This instructor-led training required a great deal of travel and related expenses. Each session needed a minimum of 15 learners to break even – and not every session was able to attract this minimum number of attendees.

When their channel partners expressed interest in training end users, the company jumped at the opportunity. They developed a "Train the Trainer" program for their channel partners. One challenge was ensuring the uniformity of training across all partners. So they developed a mandatory certification program for Authorized Training Centers (ATCs) to standardize the training and to ensure the trainers met certain quality standards. The company successfully built a network of 80 authorized training centers across the U.S. and Australia for its Timberline product line.

The training continued to be delivered in classrooms by these certified instructors. Then, in 2000, the company made a push into e-learning, the ATCs initially perceived it as a threat. The company needed to find a way to position the online training separately from the instructor-led training provided by ATCs.

The solution was that the ATCs instructor-led training would continue to provide a broad overview of the products and workflows. These courses were typically one to three weeks in length and were geared toward new customers. Through this training end users became familiar with the main features of the software and could practice the workflows for primary tasks.

The online training, by contrast, would be shorter duration (one hour or less) and would be geared toward new product enhancements or specific processes needing more coverage than that provided by the instructor-led training. The company decided to split the online offerings into two components:

- 1) live webcasts focused on year-end accounting issues or new product launches; and
- 2) short, self-paced modules focused on task-oriented problems, such as setting up an employee in payroll. These five- to fifteen-minute modules would be bundled into sets of 40 to 60 along common themes or product areas.

Timberline needed to find a way to position the online training separately from the instructor-led training provided by its Authorized Training Centers.

## Pricing and Marketing Strategy

Timberline has charged its end users for training from the very beginning. When the ATCs were established, the company set up a revenue model based on certifications and annual fees. Trainers and ATCs also pay the company for training materials such as reference manuals and workbooks.

For the webcasts, it was difficult to decide what to charge initially. To determine the pricing, the company looked at a number of factors, including:

What will it cost to develop and deliver the online training?

How much would we charge to deliver this training in the classroom?

How much would an end user save by having online access to the training, and therefore not having to travel?

How much would end users pay for the training?

Most subscriptions are priced at under \$1,000 for a set of forty to sixty five- to fifteen-minute modules.

To answer the last question, the group interviewed customers at trade shows, through online surveys, and over the telephone. As a result of this feedback, the group defined a benchmark that online pricing would be roughly 80% of the pricing for an equivalent classroom course. In reality, the relative pricing for online training varies from 65% to 90% of the pricing for classroom training. But, as Steve Thiessen, Program Manager of Web Services at Best Software, puts it, "The last test for pricing of any online course is: 'Will we make money?'"

For the bundled self-paced modules, the company set an annual subscription price. These modules typically cover a specific process or out-of-the-ordinary tasks that an end user might not remember from the classroom training's overview. The subscriptions are bundled with the product and support plans, so they are typically sold at the time the customer buys the product or when renewing their support plan. To price these subscriptions, the company looked primarily at three factors:

How much will it cost to develop and deliver the online module?

How much would a comparable live session cost?

How much would customers be willing to pay?

Most subscriptions are priced at under \$1,000 for a set of forty to sixty five- to fifteen-minute modules.

After establishing appropriate pricing, driving attendance for webcasts is the next critical factor. The group found that giving ample notice to potential learners boosted attendance rates; in most cases, they begin promoting online training two months before the event. The company markets the training via their customer newsletters and on the corporate website.

Timberline learned that the frequency of training was another critical factor in attendance. Initially, the company offered frequent webcasts throughout the year, but found that attendance was lagging. They then began offering less frequent training aimed at big events, such as a new product launch and year-end accounting issues. The result: attendance soared.

Best Software has tried a number of different webcasting solutions over the past few years and prefers WebEx. Thiessen cites reliability as a key factor—attendees can get into WebEx easily, whereas firewalls presented problems for the other webcasting solutions.

### **Turning A Profit**

Timberline's marketing strategy paid off from the very beginning. The bundled self-study modules had an excellent adoption rate in the first year. As the sales force began selling the subscription package with new software sales and support plans, new subscriptions and renewals skyrocketed, resulting in a healthy increase in profits year-over-year.

For the live webcasts, the company saw revenues increase significantly from 2000 to 2001, primary due to the 9/11 terror attacks, which quelled travel for many companies. Revenues remained steady in 2002 and jumped again in 2003 as high bandwidth connections became more widely available.

Thiessen noted that customers are becoming more comfortable with technology in general and with webcasts specifically. When the company first introduced the live webcasts, they offered free classes designed to teach people how to get into and use the WebEx service. Initially these free sessions were held daily. Then as attendance began to drop off, the free sessions were held weekly and then monthly, until all customers became comfortable with the technology and process.

Timberline continually works to improve its online customer training programs. "One thing we learned is that you need to differentiate your online training from your classroom-based training," said Thiessen. "And design it as online training from the start. You can't just 'chop up' your classroom training and offer it online."

The pricing for an instructor-led training course is the same regardless of whether the training takes place online or is hosted at a training facility.

## **Lawson Software**

Lawson is a leading provider of industry-tailored enterprise software solutions for organizations in healthcare, retail, banking, insurance, K-12 schools, and local/state government. Lawson's solutions include enterprise performance management, financials, human resources, procurement, retail operations, and service process optimization. The company has offices and affiliates around the world.

Lawson's corporate learning team provides training and materials to the company's 200 internal field service consultants and 30 partner companies, both of which are responsible for implementing Lawson software and solutions at customer sites. The learning team also develops and, in some cases, delivers end user training to clients on site or at a Lawson regional training center.

### **Certification Programs**

Lawson requires certifications of both internal field consultants and partners. Certification courses range in duration from one day to two weeks, depending on the topic. The certification training courses utilize a number of delivery mechanisms: virtual classroom sessions; recorded online sessions; self-paced online modules; and instructor-led classrooms; but many combine a number of modalities.

In one certification course, for example, learners must complete two web-based training modules as a prerequisite to a two week instructor-led class. A certification test is given at the end of the class, but afterwards learners must complete a number of hands-on exercises which are evaluated and graded in order to receive the certification.

By contrast, one of Lawson's advanced certification courses uses WebEx Training Center to deliver a three-day virtual classroom session. During the online course, instructors share the application with learners, who complete practice exercises using the actual application on a live server. A certification test is given at the end of the program and learners must achieve a passing score to receive the certification.

Lawson's internal field consultants must go through a slightly more rigorous process to achieve certifications than Lawson's partner companies. Internal field consultants must complete an additional set of exploratory exercises designed to instill a deeper knowledge and comprehension of the product. Following these exercises, learners must submit a written response based on the exercises—for example, why they would set up the application in a particular way for a hypothetical customer. These are evaluated and scored prior to receiving the certification. Lawson uses this extra training and greater staff knowledge as a selling point for promoting its services to clients.

For new software releases or updates, field consultants and partners must be recertified. These recertification programs focus on the changes or updates to the software and again may include a variety of delivery mechanisms, from recorded and live e-learning sessions to instructor-led classroom training.

Pricing for certification and recertification training depends on the length of the program. A typical three-day certification course, for example, costs \$1,050. The pricing for an instructor-led training course is the same regardless of whether the training takes place online or is hosted at a training facility. In either case, the learner gets the benefit of a live instructor, but with a live e-learning session, he or she does so without the additional costs and time for travel.

## **End User Training**

Most end user training is provided at the client site or at a Lawson training facility. In addition, Lawson delivers live webcasts to its end users. These are typically one hour in length and cover key concepts and basic information on new software releases or processes. The training team solicits ideas from the Global Support Center and field personnel on topics of interest or current “pain points.” Each Product Consultant-Trainer conducts approximately two webcasts per quarter, for a total of 30 webcasts per quarter. The schedule is tailored based largely on demand, with high demand courses repeating the following quarter. Lawson has learned that a relevant topic and a good course description demonstrating what people will learn are critical to boosting attendance at these live online events.

The Product Consultants-Trainers typically use PowerPoint slides to present information and demonstrate the software on a live server. Some of the webcasts are informational in nature, designed to give learners an overview of the software and tell them what’s coming; others focus on a detailed process with the objective of teaching learners how to complete this process on their own using the application.

## **Web-based Training Library**

Lawson also offers its online training courses as part of a web-based training library. The library contains over 275 web-based training courses, recorded webcasts, and virtual classroom sessions. End users and partners can take courses from the library on an individual basis. Individual courses are typically priced from \$100 to a few hundred dollars, based on course content.

Subscription prices vary from a few thousand dollars for a single suite to several thousand dollars for all three suites.

End users may also take courses from the library as part of an annual service, which entitles all users in an organization to unlimited usage of all courses within the library. For annual service pricing, courses are grouped into three suites: Human Resources; Financial; and Procurement. Prices vary depending on how many suites are needed: from a few thousand dollars for a single suite to several thousand dollars for all three suites. The annual service also includes access to the full range of web-based courses on Lawson software and solutions and to all live webcasts, of which approximately six to ten are held per month.

The library was started in February 2002 and has become increasingly popular. Today, there are 350 users enrolled in the annual service, and the library has received over 18,000 registrations over the last one-year period. The biggest users of the library are “power users” and IT managers, who are hungry for more detail on advanced topics. Lawson estimates the number of user registrations has grown 50% annually for the last two years.

Initially Lawson found it challenging to get people to use the library. “It must become a company initiative to make employees realize the importance of it,” commented Paula Cartwright, e-Learning Services Manager. One way to do this is for the manager to build this into employees’ performance appraisals and curriculum paths. Lawson also found it necessary to demonstrate how the training directly impacts job performance. “Employees don’t want just information,” said Cartwright. “Part of our job is to make training immediately meaningful and show how it will improve their job performance.”

## **Going Forward**

Lawson has learned a great deal about how to successfully use online training for its customer and partner training. “You must include real-life examples related to the learners,” said Doreen Sullivan, Senior Product Consultant-Trainer, “It’s important to tailor the training and make it personal to the audience.”

One challenge with most live e-learning is understanding how well learners understand the material. Lawson plans to make more use of assessments and evaluations following the sessions to assess their impact. In addition, Lawson plans to use more blended solutions for all audiences, including prerequisite online modules to get learners up to speed on basic concepts before the training. Learners will stay much more engaged during an online session if they don't have to sit through a lot of basic information they already know.

The company is continually striving to improve the effectiveness of its online training. During Lawson's recent Conference and User Exchange event, the company showcased several interactive virtual classrooms using WebEx Training Center. These 90-minute classes included hands-on exercises, enabling learners to use the Lawson software on a live server. The ability for end users to actually try the software and their ability to interact with Lawson's subject matter experts made a great difference in the training. Sullivan commented, "It also made a great difference to us [subject matter experts] to be able to hear from the users directly. That direct feedback and experience will help us to better shape our training and our product direction." Lawson is developing a strategy to rollout these virtual classroom sessions to end users in 2005.

## Olympus

Olympus is a precision technology leader, designing and delivering innovative solutions in healthcare and consumer electronics worldwide. In North America, Olympus' Medical Systems Group focuses on healthcare products, accessories, and related services including gastrointestinal endoscopes, EndoTherapy devices, minimally invasive surgical products, and software used by hospitals, physicians' offices and ambulatory surgical centers.

Olympus' integrated software application, EndoWorks 7®, provides the capability to digitally capture and store clinical images and generate an electronic procedure report from the endoscopic examination.

### Post-Sales On-site Customer Training

Olympus typically provides a three-day on-site training course to medical personnel following the installation of the EndoWorks 7 application. The sessions include an overview of each software module by the instructor, followed by hands-on exercises. Each user has the opportunity to practice using the software; exercises are geared to helping users become proficient by the end of the three days.

### Live E-Learning "Refresher" Training

Due to customer staff turnover and changing end-user software needs, Olympus wanted to provide ongoing software training beyond the initial three-day on-site program. However, because physicians and nurses are extremely reluctant to spend time away from the office or hospital, they are unlikely to come to the training - the training needed to come to them.

As a result, Olympus designed "refresher" training programs to be conducted through the WebEx Training Center. These are typically 1 to 1.5 hour live online sessions providing an overview and demonstration of the application.

Olympus is launching its new refresher-training program in early 2005. Virtual classroom sessions will be held twice per month. The new features in WebEx's Training Center will allow the team to market the sessions as well as manage enrollments and payment. The interactive sessions will be divided into core training, covering the basic features, functionality, usage of the software, and intermediate/advanced training that demonstrates more complex functionality such as how to customize the EndoWorks 7 software. The new training also incorporates hands-on exercises. WebEx's multi-point sharing allows the instructor to pass the application to participants. In the future, Olympus plans to use breakout sessions to have participants work in small groups on targeted exercises.

### Training Right on the Desktop

Olympus typically packages its EndoWorks 7 software pre-installed on desktop computers. The company is now bundling a recorded WebEx session onto these computers. The user launches the 25-minute training module right from the desktop, and can return to the training module any time for a refresher. The primary benefit is that the training is immediately accessible. This is another way Olympus is adding value to its products and services - leading to fewer help desk calls and increased customer satisfaction.

Olympus now provides training right on the desktop, bundling a recorded WebEx session onto the computers its sells with its software.

Physicians can now gain hands-on experience with the software and interact directly with Olympus' SMEs – without having to travel to a training site.

### Pre-Sales Online Training

Olympus has concluded that live e-learning can be effectively used both *before* and *after* the product is installed. Often times, software subject matter experts (SMEs) travel to prospective customer sites to demonstrate the EndoWorks 7 software, but this proves to be quite expensive and time consuming.

Six months ago Olympus began using WebEx to deliver live, online demonstrations of their software to prospective customers. These sessions have become a critical sales tool in helping to sell the product. The application can be shared, so physicians and medical personnel are able to “test drive” the software. Physicians in particular, are key decision-makers in the purchase process, and being able to demonstrate the software is a critical part of the process. Through the WebEx sessions, physicians can now gain hands-on experience with the software and interact directly with Olympus' SMEs – without having to travel to a training site.

### Online Medical Equipment Training

Olympus has had great success using live e-learning for its software application training. Their next step is to use live e-learning to deliver its medical equipment training. Currently Olympus provides instructor-led training to nurses, physicians, and biomedical technicians on its endoscopic equipment. These one-day training sessions are conducted on-site at medical offices and hospitals and involve hands-on exercises and coaching on how to set up, use, and clean the equipment.

The company is currently beta testing a virtual classroom program through WebEx using a web camera for streaming video to demonstrate the proper use of the medical equipment. By supplementing the video with graphics, the training will be much more effective. “With hands-on lab capabilities and the emergence of multipoint video sharing, WebEx Training Center is quite simply the closest thing we can offer to delivering in-person training on our Olympus medical equipment,” said David Delgado, Technical Training Manager for Olympus Medical Systems Group.

Because customer access to high-speed connection and high bandwidth connections may delay their availability to the online equipment-training course, Olympus is developing a training program to compensate for this.

Olympus is bullish on the prospects for the new online equipment training and for using e-learning in its future training efforts. Delgado commented, “We are excited by the opportunities to provide medical application training to an audience that demands convenience. We haven't even tapped into the full potential of our training.”

## **The Bottom Line**

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The customer education business is being changed dramatically by e-learning. If you embrace the approaches shown here you can dramatically increase your reach and reduce delivery costs for customer training. Remember to segment your audience, focus on high-quality content, and think about your customer training as a product. As a product it must have a target audience, a marketing plan, a pricing strategy, a sales channel, and a profitability plan. Customer training and employee training are very different. If you take this business-oriented approach to customer training, e-learning can dramatically increase customer value and your revenue and bottom line results.

## About Us

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Bersin & Associates is the only research and consulting firm solely focused on What Works® e-learning research. With more than 20 years of experience in e-learning, training, and enterprise technology, Bersin & Associates provides a wide range of services including market research, best practices, vendor and product analysis, corporate workshops, corporate implementation plans, and sales and marketing programs. Some of Bersin & Associates innovations include a complete methodology for LMS selection and application usage, an end-to-end architecture and solution for training analytics, and one of the industry's largest research studies on blended learning implementations.

Bersin & Associates offers the industry's first e-learning research subscription, "The e-Learning Research Center" (<http://www.elearningresearch.com>), which offers up-to-date research, product selection guides, whitepapers, and access to other experts online. This service enables corporate training managers, vendors, and consultants to make faster, better decisions about e-learning strategy, programs, and technology.

Bersin & Associates can be reached at <http://www.bersin.com> or at (510) 654-8500.

## About This Research

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