



TOOLINGU



FOUR WAYS TO MEASURE ROI OF FUNDAMENTAL TECHNICAL TRAINING

SALES
PROPOSAL

Training for sales representatives or agents typically falls into four categories:

1. Technology and application fundamentals
2. Product specific information
3. Sales skills
4. Organizational awareness

The first category on technology and application fundamentals is critical, often overlooked, and is the focus of this paper. If salespeople don't have general knowledge about the industry, applications and processes, they will struggle with differentiating their company's products from those of competitors or how to sell new items in the product line.

Considering that this type of knowledge is necessary for a competitive advantage, why does it frequently fall to the bottom of the sales training priority list?

The importance is often lost in translation. While sales managers may recognize the dangers of substandard sales training, many struggle with communicating the value of investing in human capital to higher-level decision makers.

If this sounds familiar, follow the lead of world-class companies that have learned to speak the language of leadership and make a business case for sales training as a tool to boost employee retention, build long-term customer relationships and increase sales.

This paper will demonstrate how distributors can tie their learning and development program to the bottom line.

Tooling U-SME provides examples of how to measure return on investment (ROI), showing the positive impact of learning and development in addressing four business pains:

1. Increase sales through improved cross selling (existing salespeople)
2. Accelerate onboarding (new hires)
3. Reduce turnover (existing salespeople)
4. Eliminate travel costs and keep reps in the field (existing salespeople)

“A salesperson might be an expert in abrasives but not in cutting tools. E-learning is very helpful for salespeople so they feel comfortable having conversations with customers. It gives them a confidence boost.”

– Mendee Hopper,
Director of Human Resources,
Hoffmann Group USA

FOUR WAYS TO MEASURE ROI

Measurement is the key to justifying ROI when it comes to sales training. Through training, you can address – and get measurable results for – the four business pains mentioned earlier.

1. Business Pain: Increase Sales through Improved Cross-Selling

Salespeople tend to sell what they know. A fundamental understanding of the highly technical products, services and applications in manufacturing is critical for industrial salespeople. Through enhanced technical training, reps can build the confidence they need to sell each product in a wide portfolio. This training helps salespeople improve sales call effectiveness, reduce missed opportunities, improve cross selling and increase their sales volume by selling more to existing customers. An added advantage is that reps will have the knowledge to sell on technical value, not just price alone.

Example:

A regional distributor merged, adding dozens of new products to its portfolio. A few months later, the company realized its salespeople remained focused on selling the existing products they knew well, ignoring the less-familiar new products. The company invested a nominal \$500 annually per person to assess individual's technical strengths and weaknesses and provide online technical training to address the knowledge gaps. The result was a 5 percent sales bump through cross selling, recovering the training investment in less than one month.

2. Business Pain: Accelerate Onboarding

A faster ramp up for new salespeople is a competitive advantage, helping generate sales more quickly. Incorporating Tooling U-SME in a more formalized onboarding program can accelerate onboarding so employees gain confidence, reduce time to competency and start adding value sooner. This is especially important for distributors that experience high turnover.

Example:

A company hired two salespeople, each with million dollar sales quotas. With accelerated onboarding that included technical training, the company was able to increase each salesperson's expected monthly sales by 5 percent. A nominal \$500 training investment per person was quickly paid for.

3. Business Pain: Reduce Turnover

Sales departments face high annual turnover for both inside (26.9 percent) and outside (25.7 percent) roles.¹ This comes at a high cost: the average cost per turnover is \$97,690.² Implementing a formal training program is one way to help with retention as people often cite the lack of professional development as a reason for leaving their jobs. For instance, a recent survey³ showed nearly one in three people left their previous job due to lack of skills development. A strong training program assures employees that a company is investing time and money in their development, which boosts morale and productivity. The end result is a better ROI from retaining a sales rep. After all, turnover also has a negative impact on customers.

Example:

A company with 25 salespeople was too busy to properly train its salesforce, leading to lost sales and a drop in morale. One star performer left to join the competition. The organization was faced with a high replacement cost of \$97,690 covering recruiting, lost sales, hiring, new training and ramp up time. Even worse, the competitor gained a top performer. Shortly afterwards, the company introduced a blended learning program consisting of eLearning, mentoring and coaching that increased sales rep confidence and sales. Assuming a nominal training cost of \$500 per salesperson for simple calculation purposes, the investment for the 25-member team was less than 13 percent of the turnover cost for one employee (or .5% per employee – a well justified investment to retain strong performers).

4. Business Pain: Eliminate Travel Costs and Keep Reps in the Field

According to ATD⁴, companies spend an annual average of nearly \$1,500 per person for training. By changing the way salespeople are trained – moving from traditional offsite training for fundamental and product training to a blended training model incorporating online training can reduce travel expense and keep reps in their territories and in front of customers. When live training does occur, the trainees get the greatest value out of their live sessions having fulfilled the prerequisites.

Example:

Each year, a distributor sends five salespeople to traditional offsite training for three days of fundamental and product instruction. After incorporating a blended learning program into its sales training, the company was able to eliminate one day of fundamental training. This saved travel costs and kept reps in the field. Assuming a nominal training cost of \$500 per person, the reduced travel costs alone covered the cost of training for the five reps.

¹“2015-2016 [Sales Effectiveness – Sales Acceleration Survey Research Summary Brief](#),” Richard A. Rocco, PhD, Assistant Professor, Director of Research Center for Sales Leadership, DePaul University.

²Ibid.

³“[Employee Retention: What Makes Employees Stay or Leave?](#),” Paychex Work, Aug. 2016.

⁴“[ATD Research: 2016 State of Sales Training](#),” The Association for Talent Development.

Priority: Retain Existing Business

Industry mergers and acquisitions create multiple challenges for sales teams. Often, this consolidation encourages key sales people to seek new opportunities, resulting in reassigned accounts.

This puts pressure on both incumbent and new salespeople. Incumbent reps must protect their existing customer base while mastering and selling new products that are added to portfolios. New salespeople must quickly acquire the technical acumen needed to have value-based conversations with their clients and become trusted advisors.

The bottom line is that poor customer service and lack of industry knowledge via improperly trained salespeople leads to lost business. It's really difficult to grow sales when you are losing customers.

The antidote? An investment in training, including efficient and cost-effective Elearning, gives employees the confidence to:

- ◆ Drive better discussions
- ◆ Cross-sell
- ◆ Handle issues
- ◆ Build customer loyalty.

Contact

For more information on how to tie Industrial Distribution Sales training to the bottom line, please call Tooling U-SME at 866.706.8665 or email info@toolingu.com.

About Tooling U-SME

Tooling U-SME delivers versatile, competency-based learning and development solutions to the manufacturing community, working with more than half of all Fortune 500® manufacturing companies, as well as 600 educational institutions across the country. Tooling U-SME partners with customers to build high performers who help their companies drive quality, profitability, productivity, innovation and employee satisfaction. Working directly with hundreds of high schools, community colleges and universities, Tooling U-SME is able to help prepare the next-generation workforce by providing industry-driven curriculum. A division of SME, a nonprofit that connects all those who are passionate about making things that improve our world, Tooling U-SME can be found at toolingu.com or on Facebook (facebook.com/toolingu) and Twitter (twitter.com/toolingu).

Measuring Training ROI for Your Company

Based on these four examples, companies should look closely at how their specific company data can prove the ROI of training to leadership. Input your organization's data into our online calculator to determine the ROI you might expect from sales training. www.toolingu.com/roicalc