

# ACME Corporation

World-Wide Training Organization (WWT)

April 18, 2011

# Case Study

Cost Center to Profit Center in Two Years

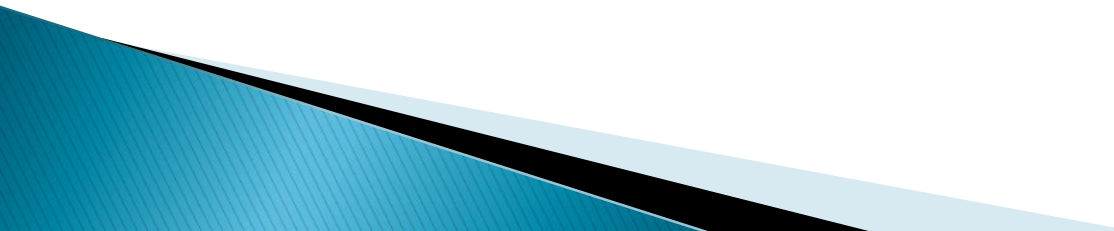
# ACME Corporation

- ▶ World-wide leader in the development and manufacture of storage devices for enterprise markets.
- ▶ As of 2011, 2,000 employees located world wide in all major geographies.
- ▶ Products sold through channel partners, OEMs, and direct sales.
  - Channel partners and OEMs account for 75% of all sales; direct sales are 25%

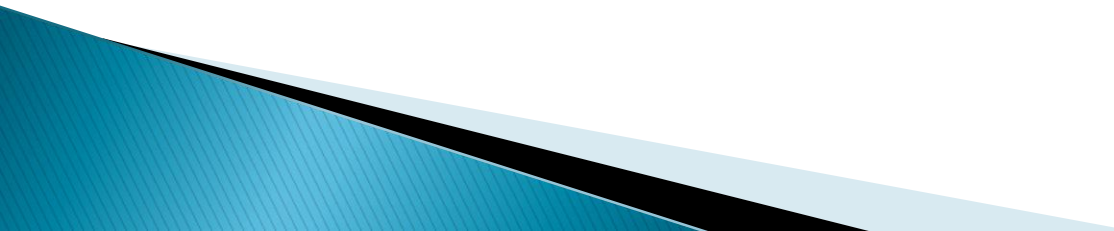
# History of the ACME WWT

- ▶ The WWT was chartered in 2005 as a cost recovery center with a twofold mission:
  - Create mindshare based on number of student enrollments (referred to as “touches” within the WWT organization)
  - Recapture a portion of the budget through external revenue
- ▶ The WWT was able to meet these goals year in and year out
  - Because of increased delivery of Web-Based Training and Virtual Classes, touches increased dramatically each year and revenue generation was considered okay.
  - Certification program generated mindshare and revenue.

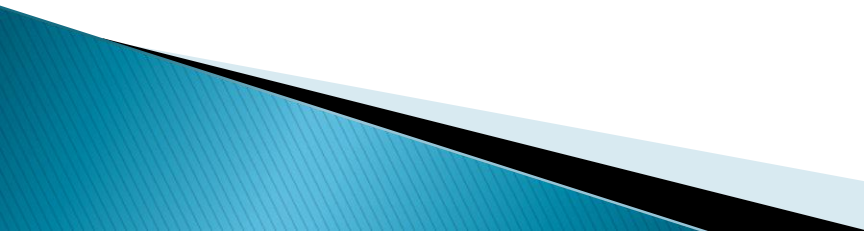
# Demographics

- ▶ The WWT organization delivers Instructor Led Training, Web-Based Training, and Virtual Training to customers in the America, EMEA, and AP.
  - ▶ Current budget is \$4,000,000.00 which includes salaries, travel, and capital expenses.
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# Organization

- ▶ Application team
  - ▶ Business Development and Certification Program
  - ▶ Delivery team
  - ▶ Development team
  - ▶ Operations
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# The Challenge

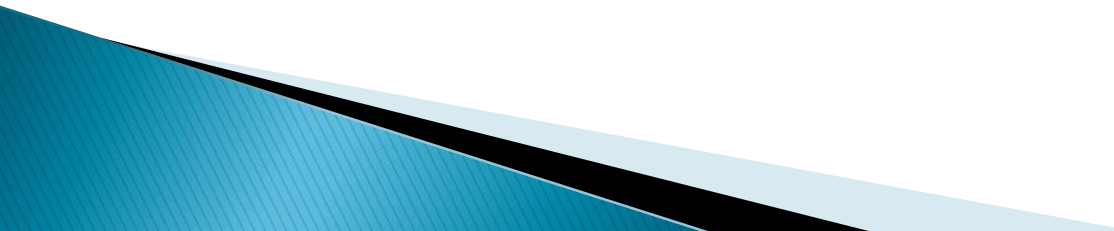
- ▶ Break even or become profitable sometime in 2013.
    - Current external revenue is \$500,000.00 but need to generate external revenue of \$3,500,000.00 within two years to break even
  - ▶ Continue to generate mindshare by increasing the number of student enrollments by 20% per year
  - ▶ Maintain at least 90% student satisfaction rating from end to end
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# Current Process

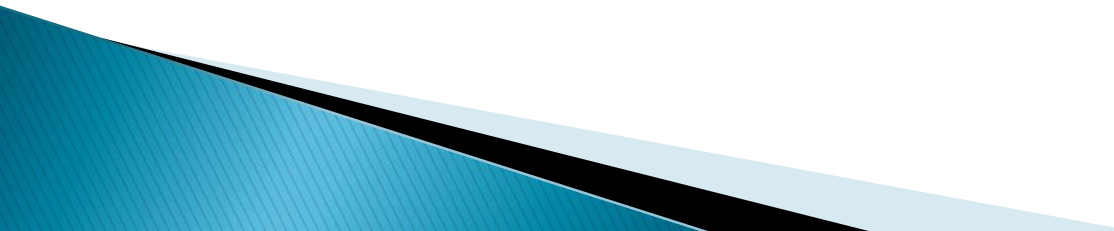
- ▶ Development primarily performed in-house
  - Some contractors used for specialized development but 95% of development is performed in house.
- ▶ Majority of course delivery is by ACME employees but some Authorized Training Partners (ATP) are used.
  - Breakdown is 75% employee; 25% ATP
- ▶ Lab stations are supported by internal lab space and external lab space rented from third parties



# Course Types

- ▶ Instructor Led Training: typically three to five days, onsite, private or public, with labs
  - ▶ Virtual Classes: deliver same material as ILT with simulated labs and product demonstrations
  - ▶ WBT: from 1 to 12 hours of training including narrated lectures, product demonstrations, and simulated labs
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# Marketing

- ▶ Marketing is primarily either as part of sales or through website or social media.
  - ▶ No direct marketing team for WWT.
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# Barriers to Revenue Growth

- ▶ Customers are often served by OEMS and Channel Partners who offer their own training or purchase training at a significant discount from ACME
  - Discount is 50% of list price for all training.
- ▶ No fee training. Channel partners and OEMs require no fee training to support product launches.
  - The no fee training represents 25% of all development costs. But content is reused for public courses.

# Barriers to Revenue Growth

- ▶ Sales often includes free ILT training and access to Virtual and WBT training as part of sales engagement
  - No method to obtain any portion of the sale based on training nor any method to calculate the “sales enablement”
- ▶ Revenue is not collected nor accounted for ACME employees who complete ACME training.

# Which Ways to Recover Cost

- ▶ Establish an accounting method to recover cost for internal training
  - Positive
    - Obtain funding to recover cost for internal training
  - Negative
    - Internal customers may balk at being charged or may want to obtain training elsewhere

# Which Ways to Raise Revenue or Reduce Costs

- ▶ Grow ATP program

- Positive:

- No additional development nor delivery costs
    - Expand into underserved markets
    - Replace in-house instructors

- Negative:

- Receive 25% of course revenue
    - Requires effort to ensure quality

# Which Ways to Raise Revenue

- ▶ Develop direct marketing program for WWT
  - Positives
    - Manage the sales process using inside sales and piggyback off of ACME inside sales team
    - No need to invest in full time headcount as WWT can buy services from existing inside sales team
  - Negatives
    - Selling training may conflict with other sales initiatives
    - No track record of potential revenue generation for inside sales

# Which Ways to Raise Revenue

- ▶ Increase Virtual Training Courses
  - Positive:
    - No travel expenses
    - Can teach as many students as in classroom and often more. No maximum enrollment, ILT courses limited to 12 students per class
  - Negative:
    - Charge 50% less than ILT courses
    - Diverts instructors away from ILT courses



# Which Ways to Raise Revenue

- ▶ Increase development and delivery of WBT
  - Positive:
    - Provides the majority of touches for the education business
    - No delivery costs; available anytime, anywhere
    - Courses with virtual labs can be priced much higher than traditional WBT courses and are in demand
  - Negative:
    - To obtain touches, courses are often priced for no fee.
    - Courses that are priced for fee are charged at 20% of ILT course
    - Does WBT cannibalize ILT and Virtual Class offerings?

# Which Ways to Raise Revenue

- ▶ Develop courses with specialized themes or lab access for higher fees
  - Positives
    - Create courses with specialized skills such as troubleshooting that incorporate more lab time
  - Negatives
    - Requires more lab access
    - Requires specific development skills that may not be available in-house

# Which Ways to Reduce Costs

## ▶ Outsource development

### ◦ Positive

- Increase delivery with flexible workforce, often for niche products or new technologies
- Reduces development cost by 25%

### ◦ Negative

- May not enable development of subject matter experts within the company
- Requires project management

# End of Case Study

Cost Center to Profit Center in Two Years