The Definitive Guide to Tracking and Measuring Sales Training ROI

A guide for building your business case for sales training and gaining executive buy-in

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Introduction

Sales training is critical to attracting and retaining talent, boosting revenue and shortening ramp-up time for new hires. To remain relevant, it's no longer good enough to simply "check the box" on training completion. You need to prove that it's having a quantifiable impact on the bottom line. But how do you put a dollar figure on your sales training programs? For staffing leaders, the struggle is real: a recent LinkedIn survey found that demonstrating sales training ROI is a major challenge for enablement teams.

For training, learning and development (L&D) professionals, measuring the effectiveness and ROI (return on investment) of your training programs is the Holy Grail. Getting feedback from learners and obtaining course completion rates is easy, but getting an exact figure that quantifies the impact your training has made on the business is far more complex.

Demonstrating a quantifiable ROI not only serves to satisfy the demands of your company and executive leadership, but it will also help you check the effectiveness of each of your programs and iterate for continuous improvement. It also enables you to more effectively position your role and function as a strategic adviser recognized for impacting revenue growth, which champions your initiatives to win additional resources.

If you're a leader in a staffing firm responsible for improving sales and recruiter performance and you're struggling to demonstrate the value of your training, read on. This guide provides a framework for building your sales (and recruiter) training business case including how to track, measure and demonstrate a quantifiable ROI to gain executive level buy-in. The goal is also to help you ensure your voice is heard at the executive table so that you receive the resources you need to deliver best-in-class sales training for your organization.

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What is Sales Training ROI?

For the uninitiated, ROI stands for Return On Investment. Return on investment (ROI) is the ultimate measure of accountability. Within the context of sales training, it answers the question: For every dollar invested in sales training or sales enablement, how many dollars were returned, above and beyond the investment? ROI is an economic indicator that compares earnings (or net benefits) to the investment, and is represented as a percentage.

Here's the basic formula for Sales Training Return on Investment:

$$ROI = \frac{\text{Return on Training (Gross Profit Gained Post Training) - Training Costs}}{\text{Cost of Training}} \times 100$$

You're seeking an ROI greater than 100%. A 100% ROI means that you broke even. You've made back your investment but you haven't increased gross profit. An ROI of less than 100% means you lost money on your training investment.

Understanding Sales Training Metrics

Before we dive into the methods for tracking and measuring sales training ROI we first need to understand sales training effectiveness metrics There are three general types of metrics you need to understand for tracking and measuring the effectiveness of your sales training programs and quantifying your ROI.

1. Leading Indicators

2. Lagging Indicators

3. Return on Expectations (measuring skill, knowledge, behavior adoption)

Leading Indicators

Leading indicators give us early indications of performance and likelihood for future success. These indicators or "inputs" lead to results by showing the progress you're making toward your ultimate goal,

revenue growth. Conversion rates are a good example of leading indicators that can help you predict future sales performance and track and measure the impact of your sales training.

There are two primary reasons for tracking leading indicators. First, any sales training program worth its salt should help sellers improve their effectiveness, I.E, conversion ratios. Second, you're tracking and measuring conversion ratios that occur early in the sales process or at the "top of the funnel" because it gives you quick feedback on what is working or not working. This is what enables you to iterate your training for continuous improvement.

Finally, and this is very important, your leading indicators or "inputs" *influence* your lagging indicators or the "outputs."

Lagging Indicators

lagging indicators are the "outputs" or results of your training and generally take a longer time to measure and impact. Placements, gross profit, revenue and net new bookings are all common examples of lagging indicators. These metrics all share a common trait; *they measure the past.* The problem with measuring results or the past is it is too late to do anything about them. But you need to track and measure lagging indicators to quantifiably demonstrate the ROI of your sales training efforts.

The table below illustrates common sales leading and lagging indicators.

Leading Indicators	Lagging Indicators
Emails Send to Emails Replied Conversion	Time to First Deal
Outbound Calls to Connects Conversion	Time to Quota Attainment
Messages Left to Messages Replied Conversion	Sales Win Rate as a Percentage (Fill Rate)
Leads Called to Leads Qualified Conversion	Length of Sales Cycle (days)
Connects to First Meetings Booked Conversion	Deal Cycle Conversion *(how long deals sit in each stage of your sales process)*
Meetings to Job Orders Received Conversion	Increase in Weekly GP (spread)

Your objective is to demonstrate how your sales training is improving conversion rates and contributing to your growth.

Return on Expectations (measuring skill, knowledge, behavior adoption)

Many companies track and measure Return On Expectations (ROE) rather than ROI. This means setting behavioral targets for your training program. Rather than just trying to tie sales training to the financials you tie it to behavioral change. You track and measure whether or not your sales reps are actually doing what they were taught to do in training.

For example, YOH enrolled a group of sellers in Menemsha Group sales training and one of their goals was to improve their conversion ratios of outbound phone connections to meeting conversions. They wanted to reduce the number of connections it took a seller to schedule a first time appointment with a new prospect. They were looking to shorten their sales cycle. To achieve this, we tracked and measured the following behavioral targets:

- Field adoption and application of the skill disarming

- Feld adoption and application of the skill checking for agreement

- Field adoption and application of our sales tool, sales call planner

Plan in Advance, Know Your Baseline Data

Before launching any training program, you'll need to be clear about what specific results you're looking to achieve and how the program will impact the business, and how you're going to track and measure it. You need to be sure to take your time analyzing your training content and understanding how it aligns with, and supports the company's goals.

The key to figuring out sales training ROI is to link it to measurable and quantifiable results.   Learner feedback surveys and course completion metrics are not enough. What you're looking for are metrics that show an improvement in your sales team's effectiveness and performance. To begin building your business case for demonstrating ROI, you need to identify how effectively your sales team is currently (and historically) performing. This means you need to collect some baseline data. Consider the following data points:

1. Average Deal Size in Gross Profit Dollars (Contract Placement): Determine on average, how long the average candidate assignment is in billable hours. Next, determine the average hourly gross profit per placement. Multiply the average hourly GP by the average number of billable hours per candidate assignment. This gives you your average deal size in Gross Profit dollars. Identifying this figure is key to every other metric that follows.

2. Average Time to First Deal: Identify your twenty most recent sales new hires and determine on average how long it took a new hire to close their first deal.

3. Average Time to Quota Attainment: Identify your twenty most recent sales new hires and determine on average, how long it took a new rep to meet quota attainment.

4. Overall Team Quota Attainment: Identify what percentage of the overall sales team is meeting or exceeding quota attainment

5. Average Weekly GP: Determine the mean for sales team weekly gross profit

6. Sales Win Rate or Fill Rate: Determine the sales team win rate (total job orders filled or opportunities won divided by the total number of job orders or opportunities received)

7. Length of Sales Cycle: Determine the average number of days it takes to close a job order or opportunity

8. Deal Cycle Conversion: Determine on average how long deals reside in each stage of your sales process before progressing to the next stage

These are examples of sales effectiveness metrics, all of which your sales onboarding and sales enablement function is designed to improve. These are the metrics that are near and dear to the hearts of your sales and recruiting leaders, CEO and CFO. And if they're not, they should be, which gives you the opportunity to educate them on what they should be tracking and measuring and why.

Capturing these metrics will give you a good handle on how your sales team is performing and where you might want to focus your sales training efforts. For each new group cohort that consumes your training such as sales onboarding, track and measure their results and benchmark them against your baseline data. Your objective is to continuously iterate and improve results.

Kirkpatrick Model to Measuring Sales Training ROI

When it comes to measuring the effectiveness of any training program, the Donald Kirkpatrick model established in the 1950s continues to be a solid reference point. Its four assessment levels are the perfect precursor to calculating your sales training ROI and collecting all the relevant information you need to quantify the value of

your training:

Level 1: Reaction and Planned Action: Usually a survey is issued immediately following a training program or event. This determines if salespeople and sales managers were prepared for their participation in training. Through interviews learners are asked if they think they've learned something, if they are going to use it in their daily life, if they liked the program, and if they would recommend it to their colleagues. Learners must explain what their expectations were, give full feedback on the experience, and say whether they felt engaged by the training course.

Level 2: This level evaluates to what degree learning took place and whether or not the learners obtained the skills and knowledge presented in the course. This is achieved through pre and post training exams, simulations and evaluations. This level answers the questions: do sales managers and salespeople recall the information accurately? Are they confident in their understanding of the information?

Level 3 Effective sales training doesn't just impact skills and knowledge but is also designed to change employee's sales behaviors. Tracking and measuring this level of transformation is monitored and reinforced over time. Data is collected that evaluates whether new behaviors and knowledge have transferred back to the job and are being demonstrated by sellers and their managers in their selling activities. Often, it is the sales managers themselves who evaluate whether there has been a change in employee behavior, using a checklist involving questions like these (depending on the content of the course):

- Has the employee stopped discounting?

- Has the employee stopped calling HR and started calling hiring managers?

- Has the employee improved the qualification of his/her job orders?

Level 4 Business Impact: This level connects behavioral change including skill and knowledge adoption, and application of sales methodology and other learning outcomes to leading indicators such as:

- Outbound emails to emails replied conversion

- Connects to meetings booked conversion

This level answers the question: *Are attendees who have demonstrated they learned the material are actually performing better?*

Now that you understand the salient data points you must collect to quantify the value of your sales training, it's time to run the mathematical formulas.

Calculating the Financial Value of a Placed Candidate

To begin, you first need to make sure you understand the basic formula for calculating the financial value of a placed candidate/consultant. Consider the following assumptions. (you can get all of this data from your CFO / finance department)

1. Your company has 100 consultants on billing.

2. The average client bill rate for those 100 billable consultants is $102.00 per hour

3. The average placement (placed candidate) works 1,400 hours (per assignment)

4. Your average contract value in gross revenue is $142,800

You want to capture the average contract value in gross profit dollars because this is what your CEO, CFO and sales and recruiting leaders care about most. This is how your salespeople and recruiters earn commissions and how they're measured on whether or not they're actually paying for their seat.

Here is the formula.

$$\frac{\text{Client Bill Rate} - \text{Fully Loaded Cost}}{\text{Client Bill Rate}} \times 100$$

Assume The Following:

- Average Bill Rate: $102.00/hour

- Average Candidate Pay Rate: $72.00/hour

- Tax & Burden: 18%

- Fully Loaded Cost $84.96

- Average Hourly Gross Profit: $17.04/hour

- Average Contract Value in Gross Profit Dollars: $23,856.00

Once you quantify the financial value of a placed candidate you're ready to start tracking and measuring the ROI of your sales training program(s). So, what do you want to measure?

Sales Training ROI Scenario One

Let's assume you enroll a group of salespeople in a sales training program with the following assumptions.

Sales Training Program Cost Per Learner	$2,000.00
Number of Participants	5
Total Cost of Sales Training Program	$10,000.00

Let's assume all five participants average 2 placements per month or $47,712 in net new monthly (gross profit) bookings PRE-training for a monthly cumulative total of $238,560. Let's assume POST-training your five sales reps are now collectively averaging a cumulative monthly total of $620,256 in net new monthly (gross profit) bookings.

$$ROI = \frac{\$381,696 \text{ (Gross Profit Gained Post Training)} - \$10,000 \text{ (training costs)}}{\$10,000 \text{ (cost of training)}} \times 100$$

In this scenario you have a sales training ROI of 3700%. Pretty impressive!

Quantifying ROI of Improvement in Sales Win Rates

GDH Consulting wanted to improve sales win rates. To achieve the desired end result and achieve a positive ROI, they knew they first had to track ROE. They understood the cause and effect relationship between ROE and the uplift in revenue growth. They tracked and measured:

- Field adoption and application of scripts and playbooks introduced in training

- Field adoption and application of the *customer hiring plan* sales tool introduced in training

As field adoption of the skills, behaviors and tools grew, so did their sales win rate percentage. Within just a few months of training completion the overall sales win rate rose from 21% to 70% where sales reps applied the sales

tools and skills applied in training.

How do you quantify the impact of this dramatic increase in sales win rate percentage?

Let's assume their average contract value in gross profit dollars is $20,000. For every ten job orders **PRE**-training, they were booking $40,000 in net new gross profit bookings (fill 2 out of 10 jobs). **POST**-training they started booking $140,000 in net new gross profit bookings (filling 7 out of 10 jobs). They made a training investment of $50,000. Here is their ROI formula.

$$ROI = \frac{\$100,000 \text{ (Gross Profit Gained Post Training)} - \$50,000 \text{ (training costs)}}{\$50,000 \text{ (cost of training)}} \times 100$$

But wait, from looking at the formula it is pretty easy to see that their $50,000 investment delivered an ROI of zero, or break even. True, but <u>only on the first ten job orders it did</u>.

Let's extrapolate this improvement in sales win rates over one hundred job orders.

- **PRE-Training**: 100 job orders yielded $40,00,000 in net new gross profit bookings (20% win rate).

- **POST-training,** 100 job orders yields $1,400,000 in net new gross profit bookings (70% win rate)

Here is the ROI formula after just 100 job orders

$$ROI = \frac{\$1,360.000 \text{ (Gross Profit Gained Post Training)} - \$50,000 \text{ (training costs)}}{\$50,000 \text{ (cost of training)}} \times 100$$

After 100 job orders they had achieved a sales training ROI of 2,620%

Calculating Your Sales Training Costs

To determine your sales training costs, consider the following costs that contribute to sales training.

Travel. Airfare, hotel, dining and other expenses for a 2-3 day training event can cost up to $2,000 per person or more. If your sales training requires travel, don't forget to include SMEs and facilitators and all other members traveling and their expenses.

Facilities and Materials. Offsites start at $1,500 or more and that is just for the facility such as a conference room plus $75/person for each day.

Trainer/SME Hours. Outside experts can charge anywhere from $2,500 to $15,000 or more daily plus travel expenses.

Internally Hosted Training Events: Onsite training facilitated by internal leadership and the training department has a cost. Consider salaries broken down into an hourly rate and don't forget to add preparation time as well as facilitation time.

Lost Selling Time. How much is your sellers' time worth? Saving 2 out of 200 selling days would be worth 1% of each rep's average annual production. For reps selling $1M/year, that $10k/rep which quickly adds up!

FTE Salaries: If you conduct your sales training in house and don't require travel then you simply account for the training team's annual salary and break down how many hours are dedicated to:

      1. Creating, Updating, Repurposing Training Content

      2. Hosting Training Webinars, Workshops, Live Classroom Training, etc

      3. Coaching Individual Reps, Recruiters, Managers

      4. Preparing for Training and Coaching

Instructional Designer: Hiring an instructional designer to design storyboards, infographics, Powerpoint presentations and other material will range between $65 and $85.00 per hour. eLearning development with basic animation and "click and reveal interactions'' will cost between $3,500-$5,000 for 30 minutes of video output.

Technology: If you use a Learning Management System (LMS) or other online training platform(s), don't forget to factor in the software licensing costs. Licensing fees are typically based on a monthly user fee and can range between $35 and $50 per month per user. Depending on the platform there could be other fees involved including technical support, data storage and professional services.

Conclusion

Employee training and development is key to attracting and retaining talent and mission critical to the survival and growth of your organization. Despite that, only a fraction of staffing firms include a line item on their annual budgets. Instead, they wait until they have a budget surplus or some other trigger event before providing employee training. Enabling your recruiters and salespeople shouldn't be a fire-drill and it certainly shouldn't be treated as a necessary overhead cost!

So hats off to you for seeking out ways to quantify the ROI of your sales training and justify the resources you need to deliver best-in-class sales training for your organization.

On average, companies invest between 2% and 5% of payroll on sales training. For example, if you pay your salespeople an annual base salary of $50,000, you should be investing between $1,000.00 and $2,500.00 in annual sales training per employee.

Employee development and career advancement are 2 of the top 3 things millennials search for when accepting jobs. And only 50% of sales reps think their company provides them with the training they actually need to be successful.

Finally, here are some additional statistics to help support your business case and justify the budget you need.

- HR Magazine reports that companies investing $1,500 or more per employee per year on training average 24 percent higher profit margins than companies with lower yearly training investments.

- The American Society for Training and Development (ASTD) collected training information from over 2500 firms and found that companies that offer comprehensive training:

- Have 218 percent higher income per employee than those with less comprehensive training,

- Enjoy a 24 percent higher profit margin than those who spend less on training, and

- Generate a 6 percent higher shareholder return if the training expenditure per employee increases by $680

For additional sales training ROI resources please check out the Menemsha Group sales training ROI calculator at https://www.menemshagroup.com/roi-calculator. We also suggest the Mindtickle sales readiness value assessment ROI calculator. Mindtickle is our technology partner and recognized by G2, Gartner and Forrester as the product leader in sales readiness software. You can access the ROI calculator at https://www.mindtickle.com/resources/roi/

Next Steps

To learn more about Menemsha Group's sales and recruiter enablement solution including how we leverage innovative technology and modern learning methods to make winning behaviors repeatable and deliver predictable revenue growth, download our eBook, **Menemsha Group's Sales & Recruiter Enablement Roadmap for Scalable Growth.** In the eBook you will discover the tools, technologies, techniques, methodologies, content and processes we employ to help staffing and recruiting firms attain scalable, repeatable success. **Download it today!**

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About the Author

Over nearly a quarter-century, Dan Fisher has accumulated a successful track record in consistently driving revenue growth for staffing and recruiting firms as an individual contributor and sales leader. Since founding Menemsha Group in 2008, Dan has designed and deployed sales and recruiter onboarding, training, and enablement programs for hundreds of staffing firms. He has also coached thousands of recruiting industry professionals.
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About Menemsha Group

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- Content services
- Training services
- Coaching Services
- A SaaS-based, AI-powered recruiter enablement platform

Menemsha Group is also a Bullhorn marketplace partner. We help Bullhorn customers design and implement scalable and repeatable sales processes to drive Bullhorn adoption. We lead the refinement and validation of sales stage definition, alignment with the buyer's journey, exit criteria including verifiable outcomes, CRM workflow configuration, linkage to messaging, sales methodology, sales metrics, and sales forecasting.