

Signature Press

PROVING TRAINING'S WORTH IN THE ANNUAL BUDGET



By John Ely
Spa Management

John Ely is senior vice president of marketing for Signature Worldwide, a training and business solutions company dedicated to helping clients create legendary experiences for their customers.

Ely is responsible for developing, implementing and evaluating strategic marketing and corporate growth plans, and has more than 16 years of industrial and consumer marketing experience.

For more information, call (800) 398-0518 or visit www.signatureworldwide.com.

For more from Ely, visit his blog, [Once Upon a Customer Experience](#).

As I write this, my annual budgeting time is quickly approaching. I find myself apprehensive about the process of determining how to spend my limited resources in a way that provides the biggest “bang for my buck.” I often struggle with defining what is just an expense versus a true investment. If I’ve done my homework right, then all of my expenses really should be investments in my company’s future. But how do you know when you’re spending money without a provable return?

A few years back, I was planning my annual corporate budget, and I had nearly \$200,000 to convert warehouse space into a training room. On the surface, it looked like a huge expense with little provable return. But after an investigation, we realized that it would be money well spent. Here’s how we came to that conclusion:

As a company, we were spending a lot of money on training (safety, sales, customer service, compliance, etc.). We also had a lot of money going out for travel and other outsourced training expenses. We had a large workforce spread across five facilities in Northern California. Most training initiatives required our administrative team to manage the logistics of scheduling the appropriate employees for the sessions and finding meeting space, hotels, travel, etc. In addition, most of the sessions were held in meeting centers and incurred additional expenses for meeting tools (projectors, podiums, microphones, computers...and much more). When we did the math, we realized that we were spending close to \$70,000 per year on these costs alone. That doesn’t include

the time that our administrative team was working on these problems instead of serving our clients.

With this knowledge, we knew that in just three or four years, the training room would more than pay for itself. Logistics were simplified by utilizing company meetings to schedule training times and using one local hotel for all incoming visitors. What we didn’t realize at the time was that we could also rent the space (we became the outsourced meeting room for other local businesses), and that the employees viewed this as an investment in our workforce! Over time, we decreased expenses, improved employee morale and built a very cool training room tailored to our needs.

Budgeting for training at a spa has the same inherent issues. How do I plan? How do I budget? How do I show a return? We all know training works, and we all believe in extensive training, right? Would you let a doctor operate on you who had only a few years training? Of course not...neither would the state medical board! The first step is to properly define all the training elements.

Planning and Budgeting

Start by outlining all training that is required and requested. It’s best to separate the training into practical elements:

- Assessment of the business issue(s) – Determine what gaps in knowledge your spa has and prioritize them.
- Design of the training and materials – If you have an internal training and development department, great. If you’re like most spas, you’ll need to rely

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on outsourced instructional design experts or companies that offer full-service training programs.

- Delivery of the materials and classes – Today we have a myriad of ways to deliver messages, instructor-led classroom training, online training (synchronous and asynchronous), podcasts, webinars, etc. What is best? I serve as a professor at a local university, and we've found that a blended approach of instructor-led and online resources works best for retention and behavioral change.
- Reinforcement of the training – This is often overlooked, but I like to use my piano logic. If I were simply going to teach you what a piano looks like, you'll probably need only one lesson. If I'm going to teach you to play the piano, you'll need constant reinforcement and evaluation to gauge progress and plan future lessons.
- Measurement of training – Here's where the ROI comes in to play. If I have a measurement system in place, I can show value on my training. A recent measurement of one of my client's programs showed that in the first two quarters of 2008, participating locations on my sales training program increased revenues by four percent. Those not on the program decreased by almost three percent for a seven percent difference!

The task of designing and delivering training internally may be overwhelming, and you might not have the resources you need, but most training firms will work with you to help outline training while staying within a budget.

Training programs can include but are not limited to, internal training, outsourced training, college and college equivalent courses, compliance and certifications training, mentoring programs, coaching

sessions, seminars and workshops. Be sure to plan for all when appropriating budget dollars.

Showing a Return

The cold, hard facts are that most managers, directors and executives need to show a return on their budgeted expenses. Training ROI may seem elusive, but good measurement techniques are paramount to showing how much of an impact your training programs have on your spa.

Some training is easier to show a return on than others. I mentioned sales training earlier. For sales-based programs, it can be as simple as tracking revenue, close rates, lead generation, sales cycles and profitability. Other training, such as certification or compliance, may mean you simply keep your licenses and ability to legally do business. Customer service/experience training has a reputation for being difficult to measure, but there are many methods to capture that data as well.

First, start the end in mind. What are your customer service goals, and what is your spa trying to accomplish with customer service and/or experience training? Are you looking for more repeat visits? More treatments per visit (upsells)? Increased employee retention and/or morale? Define what your ultimate customer experiences are, and structure the measurement around those goals.

A mystery shopping program is a great way to measure the effectiveness of customer experience training. A mystery shopper acts as a client (or potential client) and records the experience in accordance with a pre-determined list of objectives. Customer comment cards/surveys are also an effective way to measure service skills training. Many firms are switching to an online mechanism for capturing comment card data, which makes the data easier to administer and analyze.

Customer emotions play a huge role in the experience. In fact, some say the "experience" is all emotions. Some emotions spa customers report include feelings of contentment, being

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pampered, relaxed, secure, feeling important, inspired or respected. Along those lines, they also report that the spa environment may be comfortable, welcoming, entertaining, extravagant, hip and cool, elegant or sophisticated. Wouldn't it make sense to add these emotional questions to your surveys?

Recent statistics show that customer experience training really does make a business impact, especially in tight economic times when you are trying to position your spa against the competition. There might not be huge capital available for renovations or expansion, but you can ensure your employees are providing your customers with legendary service. A recent Harvard

Business Review article by Frederick Reichheld (HBR July/August 2008) states that just a five percent increase in a customer loyalty measurement can equate to 25-85 percent higher profitability!

Training also increases morale, decreases turnover and helps develop stronger relationships with your clients, all which provide a significant return on the training dollar. Whether your staff is five or 500, planning and budgeting for their development can pay huge dividends. You may justify \$200,000 for a new training room or \$20,000 for a service training program. Either way, by designing good measurement techniques, you'll greatly increase the likelihood of showing a valuable return.