

Calculating the ROI of an LMS

In today's economy it's essential to implement training programs that are strategically aligned with your company's business goals and objectives and that can have a positive effect on your bottom line. By incorporating a LMS into your training program you can realize measurable training ROI and immediate cost savings. Ideally, your LMS will provide the metrics you need to demonstrate ROI.

Listed below are examples of areas to measure ROI:

- Lower administrative costs for training program management
- Reduced travel and facility costs with eLearning and virtual classrooms
- Increased revenues due to faster employee time-to-proficiency
- Improved time-to-market training of sales, customer service, and business partners
- Increased revenues due to better customer service and higher levels of customer satisfaction
- Less financial risk associated with meeting regulatory compliance requirements
- Decreased employee turnover costs by providing focused training and development
- Improved company performance by ensuring training activities strategically align with employee development needs
- Reduced IT hardware and support costs by utilizing a Cloud-based LMS rather than an internally installed software system

Example One

You have fifty people from a national sales team booked on a 5- day classroom based training course. The eLearning course can be completed in three days:

Descriptions	Classroom Training	eLearning
Trainee costs	\$ 250,000	\$ 150,000
Course development	10,000	15,000
Trainer costs	5,000	0
Venue and meals	5,000	0
Equipment	400	0
Travel expenses	4,000	0
Hotel	15,000	0
Total	\$ 289,400	\$ 165,000

* The opportunity cost for each learner is \$1,000 per day

First year savings - \$124,400 (42.9%)

Example Two

You have two hundred people from a call center booked on a 1-day classroom based training course - 20 people x 10 one day classes. The eLearning course can be completed in half a day:

Descriptions	Classroom Training	eLearning
Trainee costs	\$ 40,000	\$ 20,000
Course development	1,500	3,000
Trainer costs	3,000	0
Equipment	400	0
Total	\$ 44,900	\$ 23,000

* The opportunity costs for each learner are \$200 per day.

The saving from eLearning is \$21,900 (48.7%).

Example Three

On average you have fifty new hires per year, the entire new hire process takes approximately one - 8 hour day. The eLearning course can be completed in 2 hours:

Descriptions	Classroom Training	eLearning
Trainee costs	\$ 5,000	\$ 1,500
Course development	1,500	3,000
Trainer/Manager costs	5,000	0
Equipment	400	0
Total	\$ 11,900	\$ 4,500

* The opportunity costs for each learner are \$200 per day.

The saving from eLearning is \$7,400 (62.1%). The following year development costs are paid for and the savings is \$10,400 (87.3%).