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SOFTWARE TRAINING

Budget Tutorial for 2023

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Budget Tutorial for 2023

Budget Cheat Sheet

Budget Calculator Template

CloudShare.
Going virtual was only the first step.
Now it's time to up your game.

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Executive summary

This eBook provides software companies several essential steps to take when planning next year's customer training budget. Planning your 2023 training budget should be by now top of your priority list as we move towards the end of the year.

This guide will cover considerations such as weighing up training needs and understanding your existing capabilities to ensure the correct spending strategy is in place to set you up for a successful year ahead.

The steps we will cover are:

STEP 1 **Define your customer training needs**

STEP 2 **Evaluate your existing and required capabilities**

STEP 3 **Consider the world we now live in, and the trends shaping it**

STEP 4 **Invest in meeting your customers' needs (and your future scaling)**

STEP 5 **How to calculate your training budget**
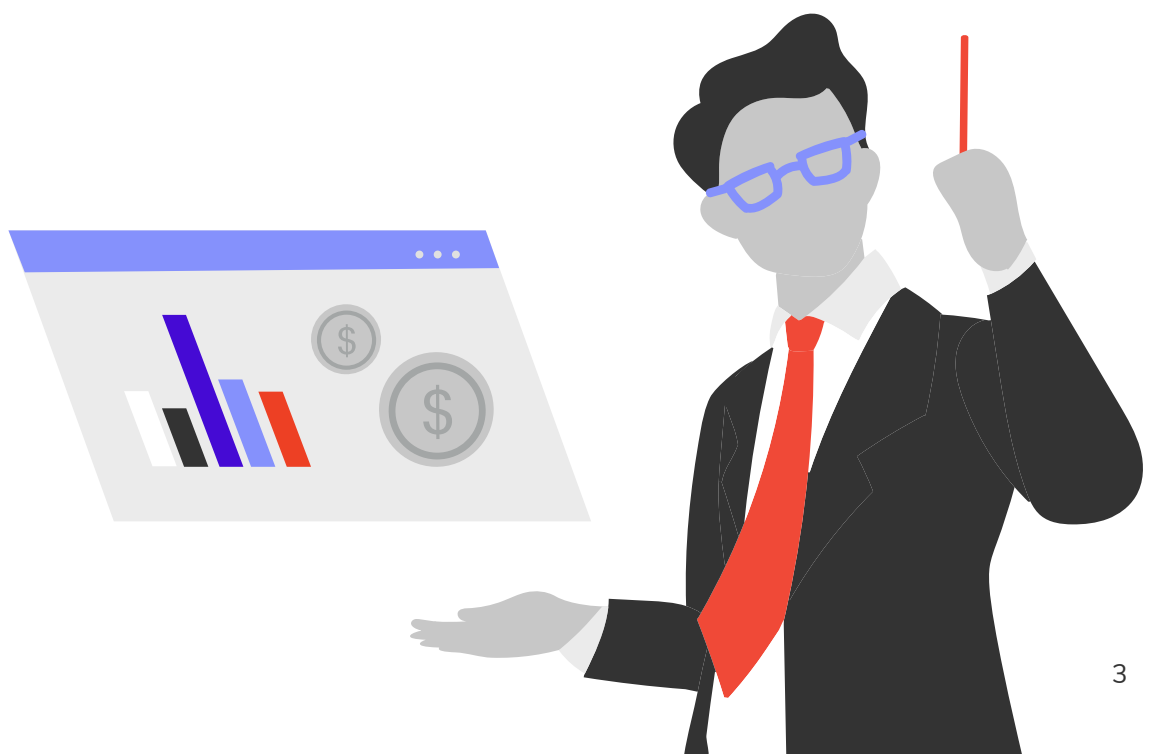
Who is this guide for?

Our guide is for software companies who provide their customers with training for their products. Training costs time and money and as a business, you need to decide how much you are going to invest in this service.

No chance you'll read this through?
Get the Cheat Sheet

In Q3 and Q4 of the year, software organizations should now be giving serious thought to their customer education programs and budget for 2023. Succeeding with this planning is the only way to achieve your training-dependent business goals in the coming year. Failing to properly prepare for 2023's training needs can result in dissatisfied customers, missed opportunities, and lost potential business growth.

Current circumstances

The ongoing reality of the COVID-19 pandemic also continues to have an impact on customer training and education budgets. Increases in remote and hybrid work mean organizations have had to fundamentally rethink how training is conducted – and how budgets are spent. This is new territory, with a lot of potential for missteps.

However, planning your training correctly sets the foundation for an evolving budget that can be expected to grow year on year, gaining the necessary internal buy-in each time, and delivering predicted ROI, whatever the future brings.
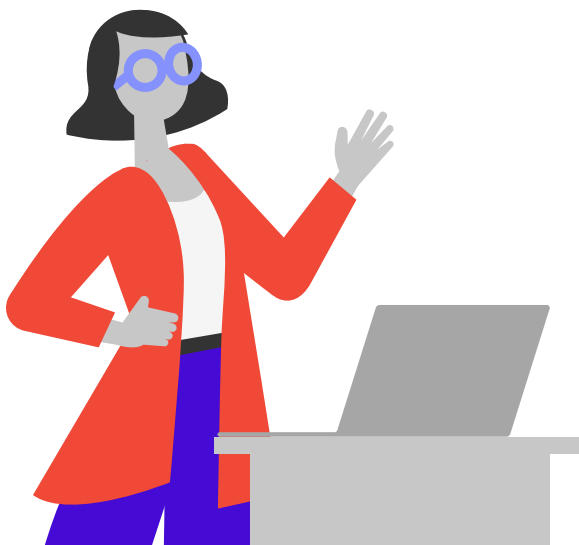
Let's get started with the key steps

>>

Step

1

Define your customer training needs

When putting together your company's training budget it's important to work out the needs you have when it comes to providing an efficient customer training/onboarding process, as well as the value that training your customers provides to your business.

Take a top-line view

Knowing how customer training currently supports your business goals and how it will need to support them next year is an important first step when trying to calculate how much to invest in your customer onboarding/training process.

Goals may include:

- Reducing customer churn
- Strengthening customer relationships
- Boosting customer satisfaction / loyalty
- Increase in product renewals
- Growing profit

Consider your sales success

Consult your customer success teams and understand what to expect in the coming year. Are your customers' training needs expected to expand? If so, your training department may need to grow to facilitate an influx of new customers that will require onboarding.
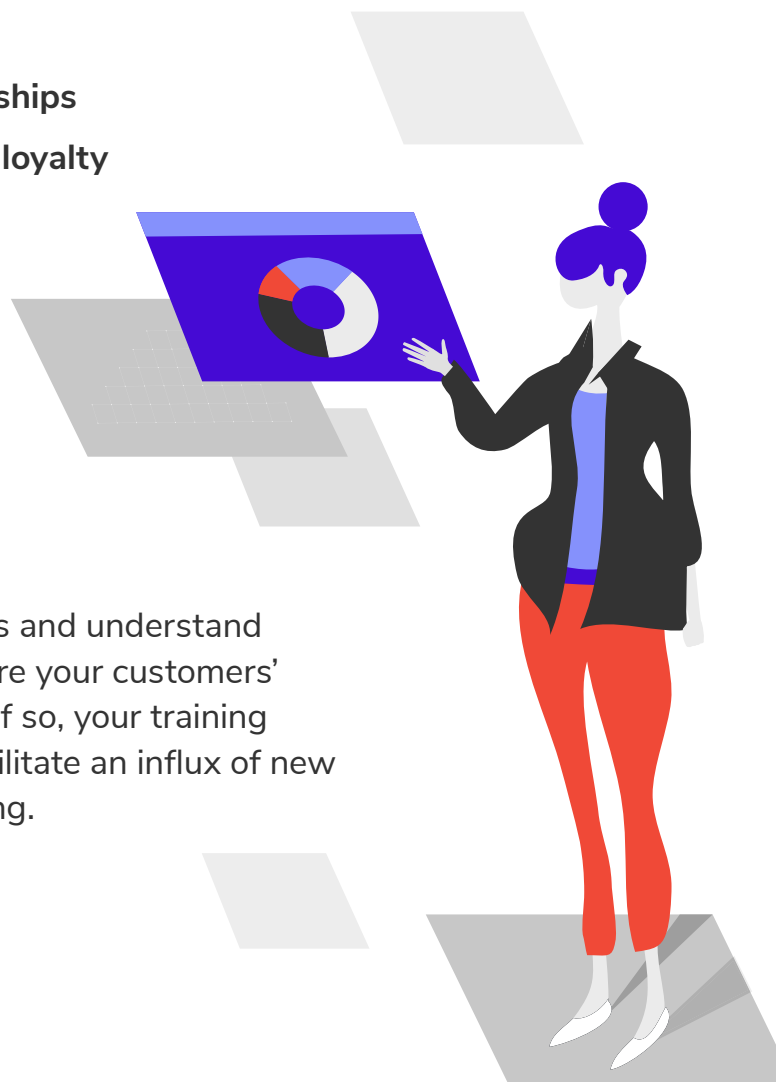
Analyze how your training has performed so far

The key question here is this:
Is the training you currently provide effective?
Investigate whether your training processes met your KPIs for 2022.

KPIs may include:

- **Increase in customer engagement**
- **Time to competency**
- **Time to value**
- **From trial to paying customer**

You should know the customer churn rates and the level of competency of students who have completed the training.

Unified experience

Customer education is an overarching process that essentially starts from pre-sales engagement with prospects. From pre-sales to onboarding to ongoing education, your organization should approach these in a way that delivers a unified experience for customers.
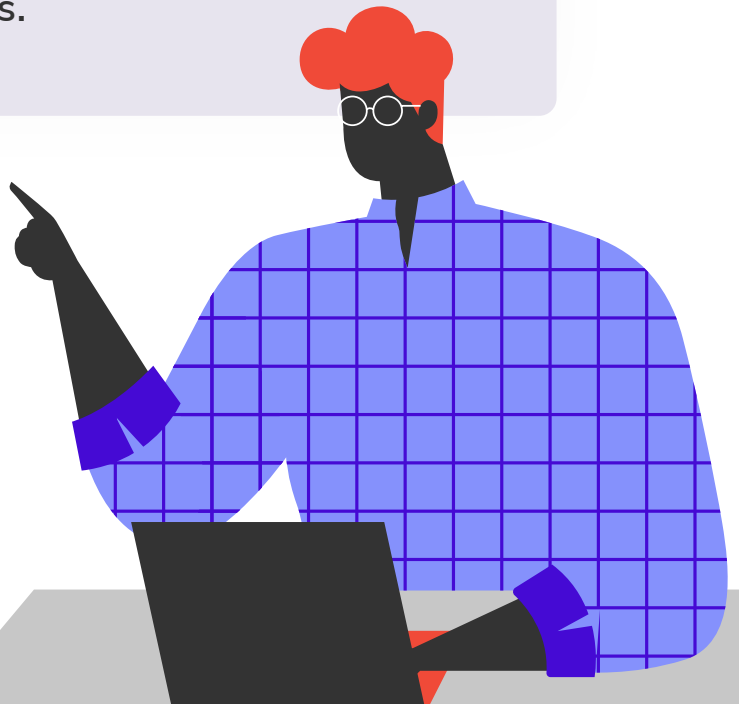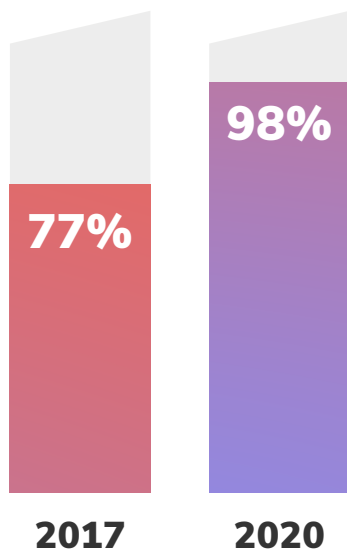
Where will your training take place?

Think about how much of your training will need to be conducted in-person/on-premises, virtually, or hybrid. This will have an effect on how much you need to invest.

During the COVID-19 pandemic, the move towards virtual training reached a new peak.
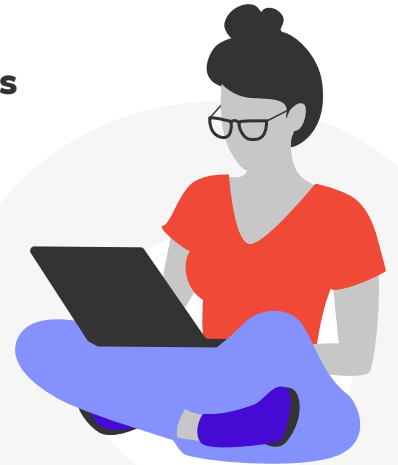
Companies leveraged virtual training

77%
2017

98%
2020

Source: Edge Point Learning

Virtual training looks like it might not just be simply a necessity in emergency circumstances but a permanent change.

reducing instruction time by up to

60%

costing

50%

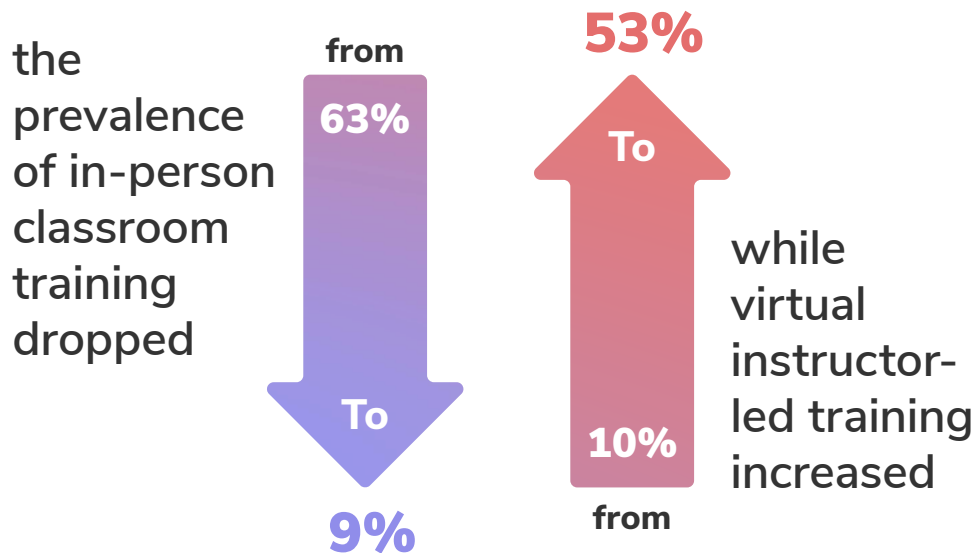less than classroom training

Reports suggest virtual training can be far more effective and efficient than other modes

Source:
The Ken Blanchard Companies

8

Self-led or VILT

It's also important to understand how much of your training is conducted via self-led methodology versus how much will be an instructor or virtual instructor-led training (VILT).

According to a report from Ken Blanchard Companies, over the course of the pandemic

the prevalence of in-person classroom training dropped

from
63%

To
9%

53%

To

10%

from

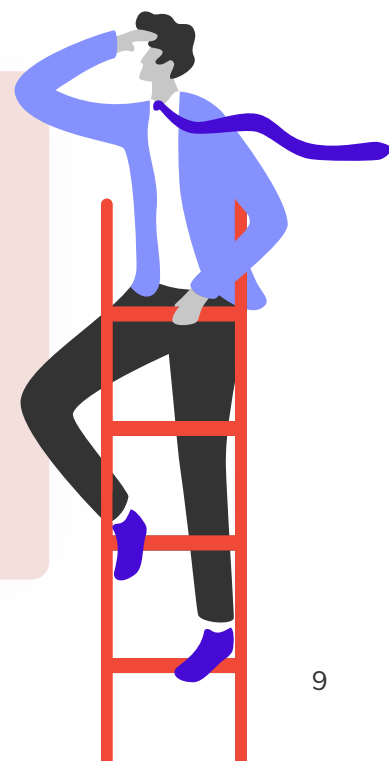while virtual instructor-led training increased

Source: The Ken Blanchard Companies

Key question
How close is your training setup to meeting your needs?

- It already completely meets our needs
- Close to ready – we may need to tighten a few screws
- Okay – we will need a little investment
- Not close at all – we will need to invest heavily

Step

2

Evaluate your existing and required capabilities

Once you have a good sense of your training requirements, it's time to review your existing training or onboarding capabilities. Consider our quick-fire evaluation of your current capabilities to help you evaluate what you may require:

- **Can your current training capabilities scale to meet your expected needs/growth across all your business locations/regions?**

- **What is your existing technology infrastructure? Is it primarily on-premises or cloud-based? How well will it cater to your needs in 2023 and beyond?**

- **If you need to deliver software training to users across multiple sites, do you have a cloud-based training platform to do that? And will this platform support the cloud service(s) you need to use?**

- **Does your platform facilitate all the learning modes you need? Do these include instructor-led learning and self-guided learning?**
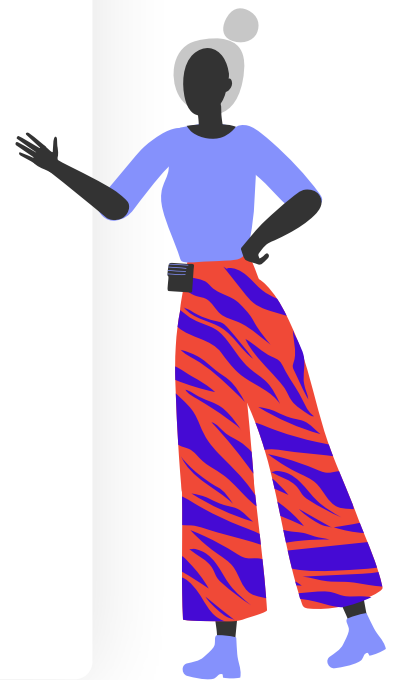
Based on the answers to these questions you will have a better idea of what level of investment is needed for your customer training in 2023 and can calculate it into your budget. See step 4 to understand the needs of your customers in the new virtual norm.

?

Key question
*Do your current capabilities allow you to meet
your customer training KPIs?*

- We are fully capable
- We will have to make new technology investments to deliver

Step

3

Consider the world we now live in, and the trends shaping it

The technology industry is never static and the pace at which new trends affect how businesses operate is certainly not slowing anytime soon. Without a doubt, the COVID-19 pandemic has had a massive impact on how software companies deliver training. Training platforms and where these platforms are hosted (public or private clouds) must be fit into budget considerations.

Trending toward digital experiences

Virtual software training is playing a significant role not only in overcoming challenges brought on by the COVID-19 pandemic but in providing the exceptional user experiences that are now expected by customers. [80% of customers](#) said experiences are as important as products and services. Your training technology investments need to be focused on creating personalized, engaging, and real experiences, and they should support self-paced training, virtual instructor-led training, or a mixture of both, to meet customer demands. The current trend toward improved customer experiences means that you must prioritize digital, experience-driven training.
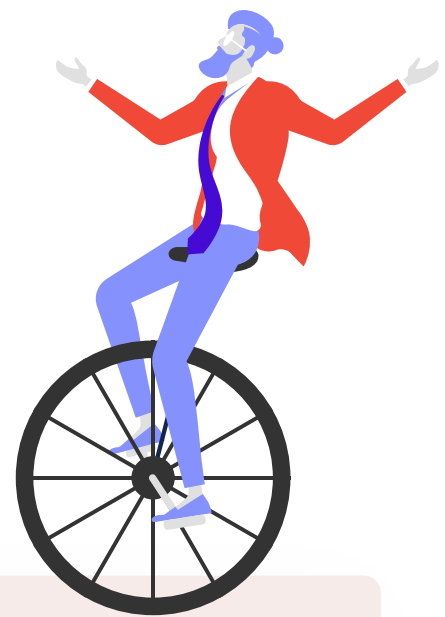
Don't get distracted by shiny things

If you're considering investing in AR/VR, think in terms of your short-term, medium-term and long-term goals. Is it likely these technologies will actually have the required impact on your customer education outcomes today or in the near future? When it comes to providing excellent customer training experiences, consistent content and valuable outcomes are what to focus on.

The digital transformation boom

Businesses of all sizes had to accelerate their digitization for the sake of survival. It means that the opportunities for software companies have never been higher. It also means that customers may need to spend more time on getting to grips with new technologies and different ways of working. The bottom line: customer training is going up. You must make sure you are ready to manage the influx.
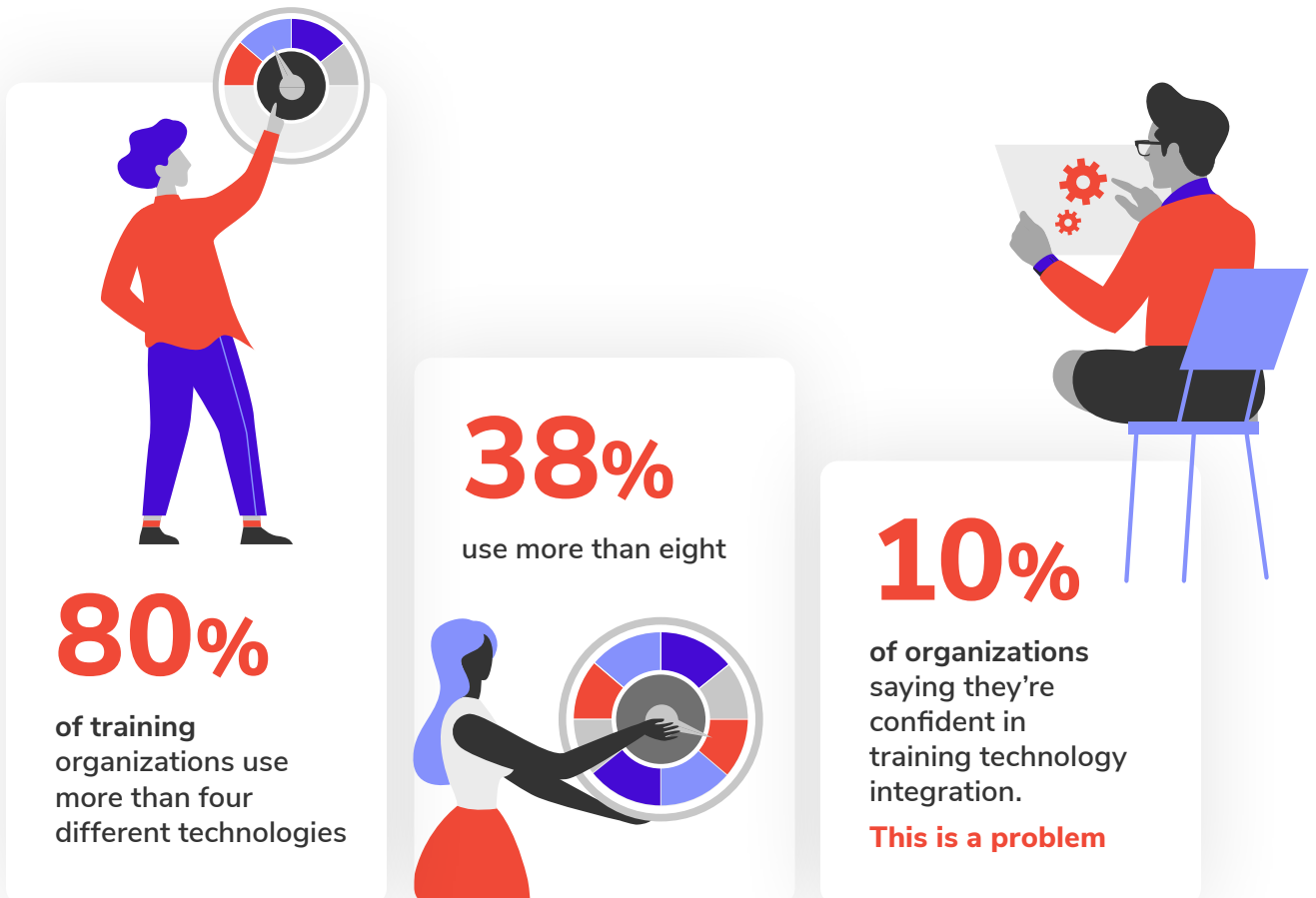
Take advantage of data-driven training

Instructors and administrators can benefit massively from analytics capabilities that deliver insights into trainees' progress. Not only does it give them firsthand knowledge on what is working well, but also insight into how to improve their programs.

Provide unified training experiences for customers

Technology integration has long been a weak spot for training organizations.

38%

use more than eight

80%

of training organizations use more than four different technologies

10%

of organizations saying they're confident in training technology integration.

This is a problem

Check out:

The IMG Global Learning Consortium.
The consortium has developed a Learning Tools Interoperability (LTI) specification. The LTI hopes to ensure integration capabilities are built into training technologies, and these include single sign-on, instant integration with learning management systems (LMS), and shared analytics. It's a standard for training technology providers to follow — and for training organizations to look out for.

Step

4

Invest in meeting your customers' needs (and your future scaling)

By now you've hopefully considered your training needs and evaluated your capabilities, and you understand the trends across the software customer training space that you should take into account when putting together your training budget calculations.

It's important at this point to look at your customers' training needs in the context of the new virtual norm we now live in.

Multi-cloud integration enables better flexibility

Organizations are increasing their cloud spending to meet remote work challenges, and in doing so, they're investing in services from a variety of cloud providers. However, many training platforms lack multi-cloud integration. It's important to consider that if your customers' IT environments are multi-cloud, using technologies that can accommodate their needs must be a priority.

Provide hybrid learning

The goal of hybrid learning is to find a flexible balance of online and offline that creates flawless experiences for everyone. This flexibility makes it incredibly useful for modern business users. People want or need to work from home, and this means taking part in training there too. Hybrid learning can facilitate this, but it also opens opportunities for growth due to its scalability. You can cater for trainees all over the world, all taking the same program, wherever they are.
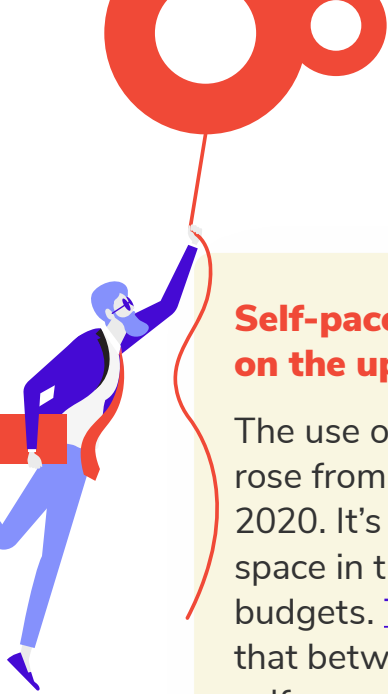
Self-paced learning is on the up

The use of self-paced training rose from 14% to 24%, during 2020. It's also taking up more space in training organizations' budgets. Technavio reports that between 2020-2024, the self-paced learning industry will grow by $6.71 billion. Providing self-paced learning helps customers in different time zones or who may struggle to meet instructors because of other scheduling conflicts. Included in self-paced learning is microlearning. A popular method of learning that is also at the user's leisure.

Getting personal is everything

To provide exceptional service for your customers you need to be able to build a personalized learning experience. Tailoring training journeys will help boost engagement and ultimately success with your product and allow you to demonstrate specific ROI from your training/onboarding programs.

Mobile learning is a must-have

According to CNBC, by 2025, 72% of people will only ever access the internet via their phones. As well as this, it's said that mobile learners study an additional 40 minutes per week. When training technologies are mobile, training can be completed anytime, anywhere. If your organization is keen to deliver exceptional experiences, mobile-first solutions are essential.

Let your data drive

When it comes to predicting training engagement and forecasting for your budgets, you need to leverage your training data. The data you collect from the training you provide today can help you immensely tomorrow. With the right information you can improve the efficiency and performance of your training—seeing what is and isn't working—reduce costs and improve outcomes.

Step

5
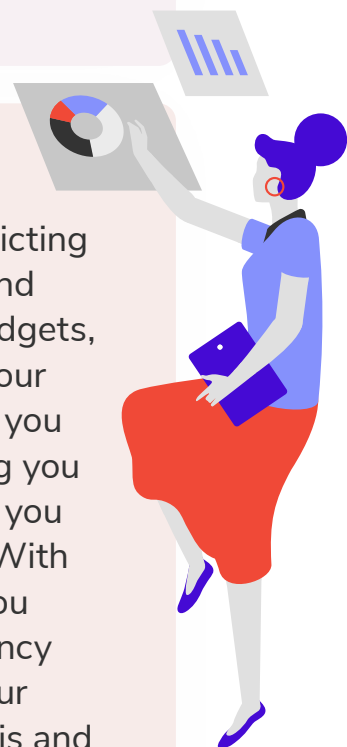
How to calculate your customer training budget

There are many figures we could suggest here but knowing how much to spend on your training and customer support will vary. However, there are certain figures to think about.

Essentially, any budget should balance between money coming in versus the money going out. So, a good place to start is by knowing your average revenue per customer and creating a revenue forecast to see what income you can expect in 2023. Then you should look at costs.

Pre-budget information to contemplate

- Select the period for the budget (2023, for the year)
- Know your sales prices per unit
- Have access to historical data
- Keep an eye on industry benchmarks
- Factor in market trends
- Take the size of your training team into account
- Consider changes to your business model
- Talk to your trainers/team and your customers

Calculate revenue forecast

For a cohesive training budget, you need to forecast the number of users based on customer training, acquisition and retention assumptions.

Here's how:

1

First, calculate your ARPU:
To calculate your ARPU you need to know the total revenue in a specific time period/number of users in that time period.

For example:
If your revenue for July 2022 was $100,000 and you had 1,000 users that month, your ARPU would be: $100

2

Then, to find your revenue forecast, multiply by your acquisition/retention assumptions:

For example:
If you assume you will acquire/retain 2,000 users for October 2023 your revenue forecast will be:

ARPU ($100) x 2,000 users = $200,000

Too much calculation?
Go to the quick Budget Calculator

Expand this for the year to get more accurate figures for your revenue forecast in 2023. You can also look back at previous years to see trends in customer spending. And don't forget the previous steps in this guide. For instance, spending on SaaS products is going up.
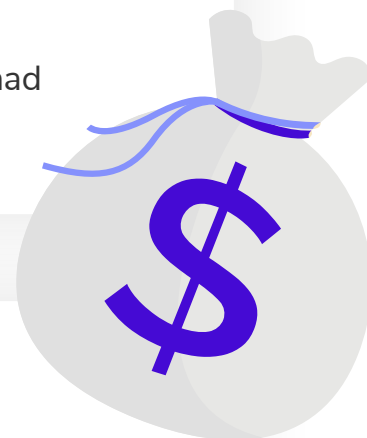
Calculate expenditure

You need to consider the costs of running a customer training program. Most software organizations use Customer Success Managers and implement customer retention programs as a model. You would also likely use an administrator to facilitate customer comms and other necessary support. Depending on your company size this team could be quite large.

Calculate your expenses based on the size of this team. Consider if there are other teams that are related to your customer training program that you need to factor in, such as a sales team. Add their expense here too.

You should consider:

- Salary
- Benefits
- Training (internal)
- Expenses
- Wellness
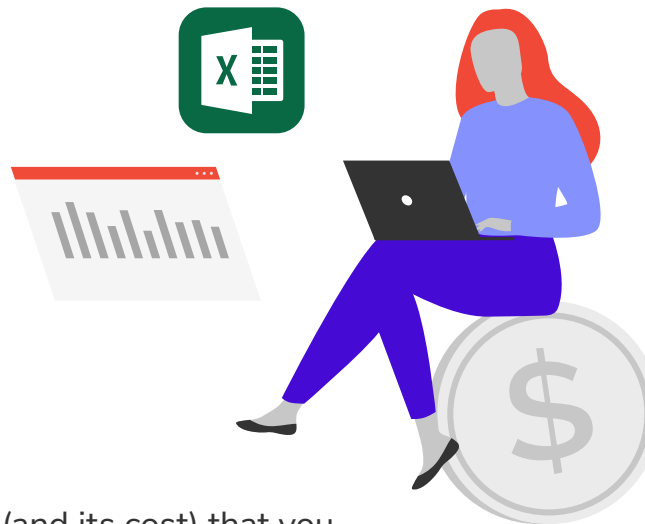
It's important to also factor in the technology (and its cost) that you intend to use for your training program. Learning Management Systems are considered the backbone of business education technology, but there are also learning experience platforms (LXP), data analytics to collect, measure, and analyze training activity to understand how to improve your training, as well as microlearning platforms, gamification, and immersive tech. All of these technologies have their place in the new virtual norm.

Add these costs up and you have a baseline cost for running your training program.

Quick reminder:
The value of successful customer training

It has been suggested by Gartner that 80% of a company's revenue comes from 20% of existing customers. And that a 5% increase in customer retention can increase a company's profitability by 75%. A new customer typically costs about 5 to 10 times more to acquire than to keep.

Calculate training cost per user

It's hard to pinpoint the exact cost per training per user as it depends on various factors. However, according to a report led by Forrester, the research consultancy:

○ **The maximum cost for customer training can reach up to $25,000/client**

○ **Average customer training costs range around $6,000/client**

That includes your baseline cost for running the training team, plus expenses may also occur due to surrounding aspects related to customer training:

○ **Marketing to increase client engagement**

○ **Customer service to address issues faced by buyers**

○ **Technical support: Offering advanced documentation, customer training, and product/service knowledge**

○ **Sales and account management to guide the client through onboarding**

○ **Analysis & metrics to identify at-risk customers, pinpoint problem areas, and rectify existing issues**
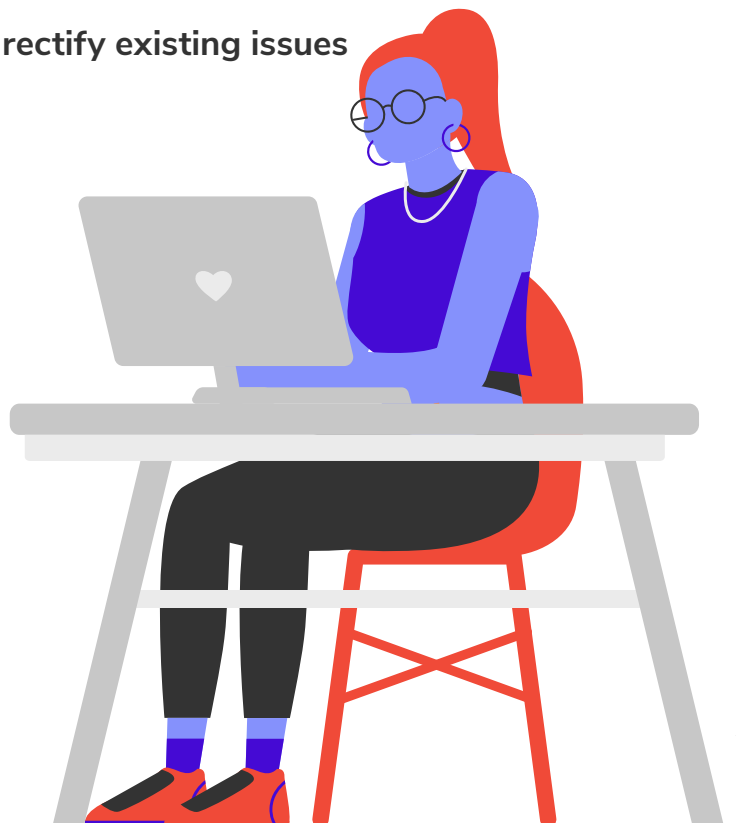
Factoring in the LMS cost

You may be considering investing in a learning management system (LMS) - either by using a third-party solution or perhaps even building your own. Regardless of the route you choose, it's important to factor in the cost to your training budget. Be sure to understand specific information such as:

- **How the licensing fee will be paid: annually (i.e. a lump sum) or monthly**

- **Installation fees and/or data migration**

- **A charge per user/learner**

- **Ease of use:** **should also be factored in as time spent by employees**
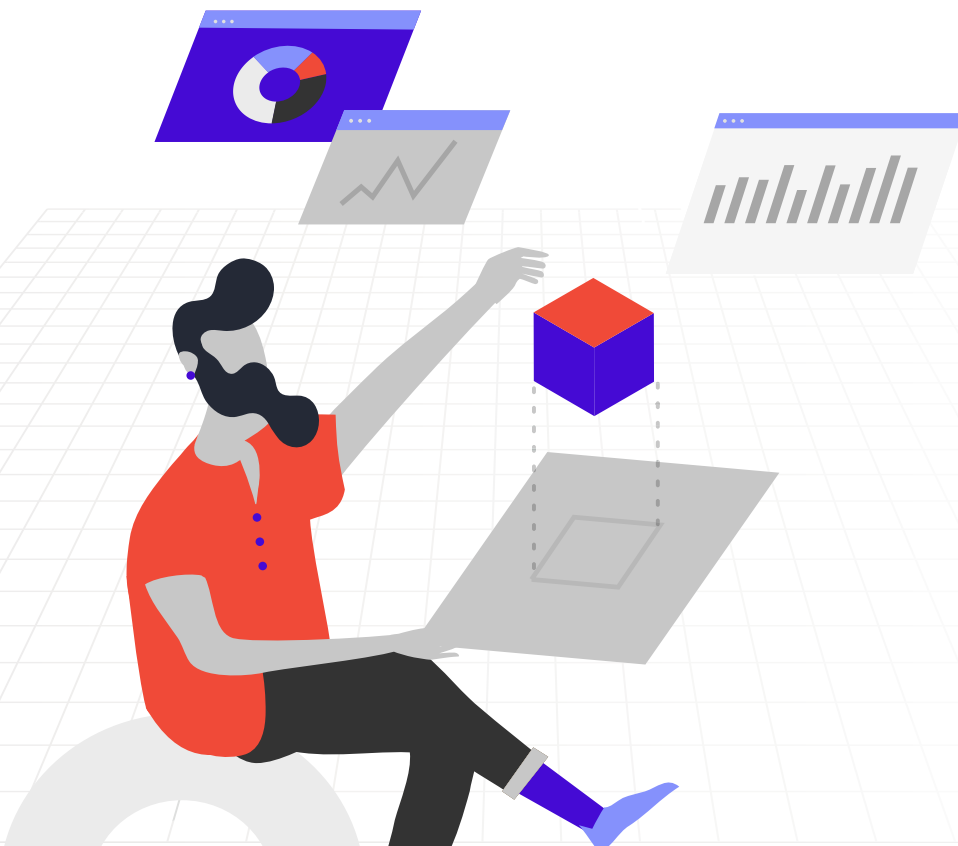
Calculating your expected ROI

Adding costs and comparing them to your revenue forecast can give you a good, rough idea of your expected return on investment. Expected ROI can be used to determine if a project, in this case a customer training program, is worth pursuing. Anticipated ROI uses estimated costs and revenues to determine the potential levels of profit.

Take the estimated income from your revenue forecast and subtract the estimated costs. Take that number and divide it by the costs and multiply by 100.

(Expected revenue – estimated costs) / costs x 100 = ROI
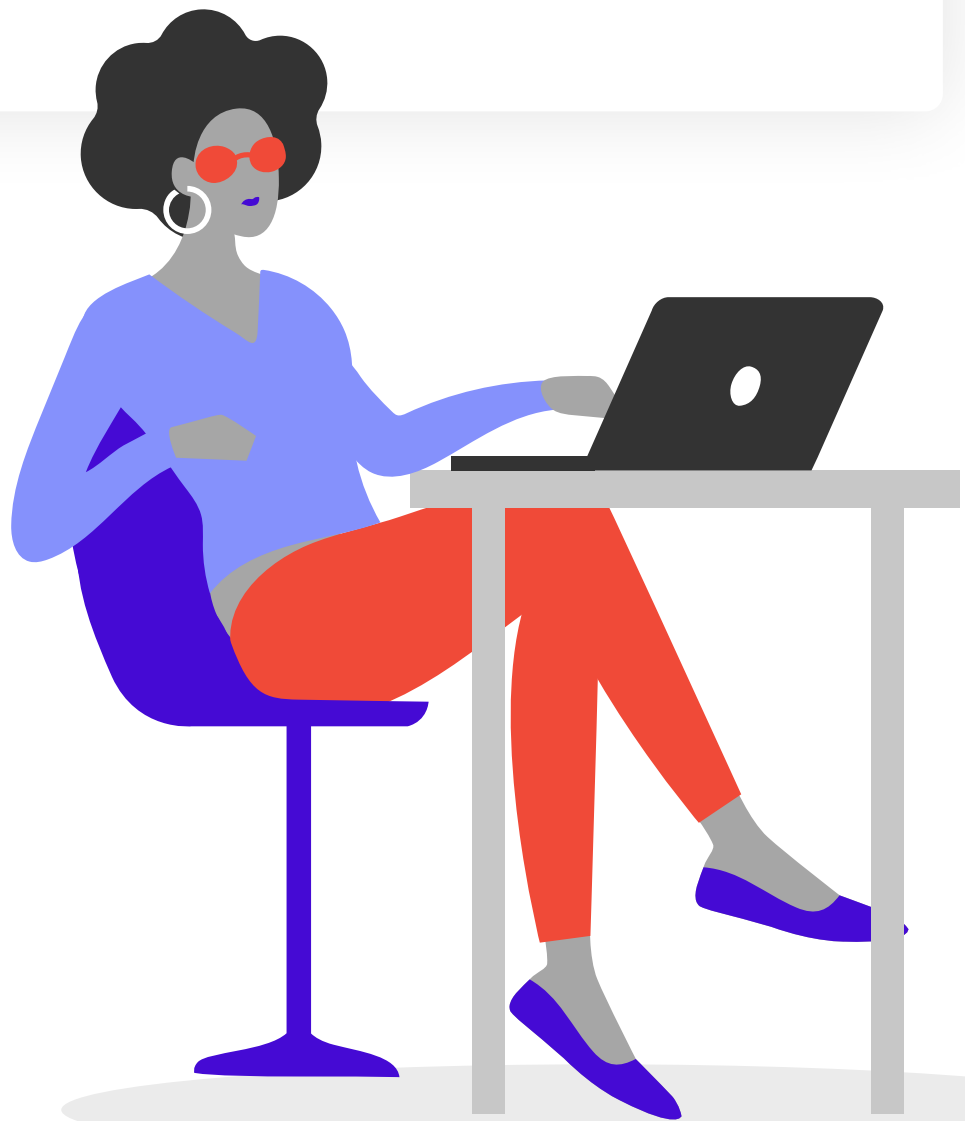
An accurate training budget is key for growth

The numbers and calculations used above are examples only and will vary depending on multiple factors unique to your organization. However, they will hopefully give you a sense of where you currently are when it comes to your customer training and where you hope to be in 2023.

In today's world, organizations should prioritize customer training investments that deliver flexibility, cater to all training scenarios required, provide a unified platform experience, deliver maximum ROI, and enable organizations to meet their KPIs.

The best way to ensure that investments meet these criteria is using the steps in this guide, invest in some real-time with the right stakeholders, and contemplate the key outcomes you would like to achieve in your customer training and onboarding in 2023.

About CloudShare

CloudShare is a leading product experience platform that helps software companies increase acquisition and retention with fully interactive POCs, demos, and learning environments. Our customers save time, control costs, and deliver more engaging experiences that close more deals.

CloudShare is proud to serve leading global software companies such as Atlassian, SAI Global, ForgeRock, Salesforce, and more.

Book a demo today and see how CloudShare can transform your sales enablement process.

To learn more about how we can help you improve customer acquisition and retention in your organization, get in touch with our expert team today.

Book a free demo now
and see how you could take your customer acquisition and retention to the next level.

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