



## **TrainOne Client Study 1**

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September, 2009

**The subject of this client study is a top-five US wholesale (business-to-business) plumbing & HVAC company with over 20,000 employees, current annual sales of about \$11 billion, and locations in all fifty states.**

In 2005, they, with TrainOne's help, launched a comprehensive \$10 million customer loyalty training program – The Customer Loyalty Imperative – to help ensure consistently excellent customer service as a way to increase sales and profits. This program ran over four years, and remains the largest training program ever conducted by the company, covering some 31,000 students (95% of the entire company at all roles and levels, as well as all new associates and company acquisitions over the period). Training – a blended program of live instructor-led classes, online courses, and related programs – happened at about 1,000 corporate locations, and over 500 people were involved in its design, creation, and delivery.

The key training goal was to give associates at all levels the skills, tools, attitudes, and motivation to win customers that are loyal (not just satisfied), who always return to buy, and proactively refer the company to others. With an average per-customer annual purchase level of \$266,000, a small increase in customer loyalty and increased probability of referring other potential customers can have a major impact on bottom line sales and profits.

The President and CEO of the company called it “perhaps one of the biggest opportunities in our history” with the goal of “training our associates on the values associated with providing superior service” and providing “an opportunity to set ourselves apart from the competition.”

**Phase One** involved an eight-hour, in-person workshop to introduce the Customer Loyalty Imperative. **Phases Two through Four** consisted of 28 online modules designed around customer loyalty principles and real-world business scenarios. A detailed evaluation strategy (all five levels of the Kirkpatrick/Phillips evaluation model) was integrated into all phases.

## **Key Program Concepts**

**Leadership as Champions** – The company’s CEO/President and top executives provided the vision, support, and guidance for the initiative as well as participating in the training along with other associates. The initiative was guided by a cooperative effort between the company’s Marketing and Training Departments with input from across the organization.

**Blended Training** – The design included face-to-face training, on-line delivery, a flexible Web portal for access, and multi-level management reporting, etc.

**The Voice of the Customer** – A key feature of the training was the “voice of the customer,” captured primarily through videotaped interviews of loyal customers as well as customers that had left the company. Internal customers/associates also were interviewed and filmed. Scores of unscripted interviews provided the basis to identify themes, topics, trends, and real-world scenarios that were incorporated into the training. Video clips of customers were used to present scenarios and provide feedback to associates throughout the training.

**Multi-Level Evaluation and Continuous Improvement** – Given the unprecedented scope of the initiative, the Project Team leaned heavily on evaluation, constant brainstorming, and communication to continuously refine and improve the program, and keep it as relevant, fresh, and engaging as possible for associates at all levels.

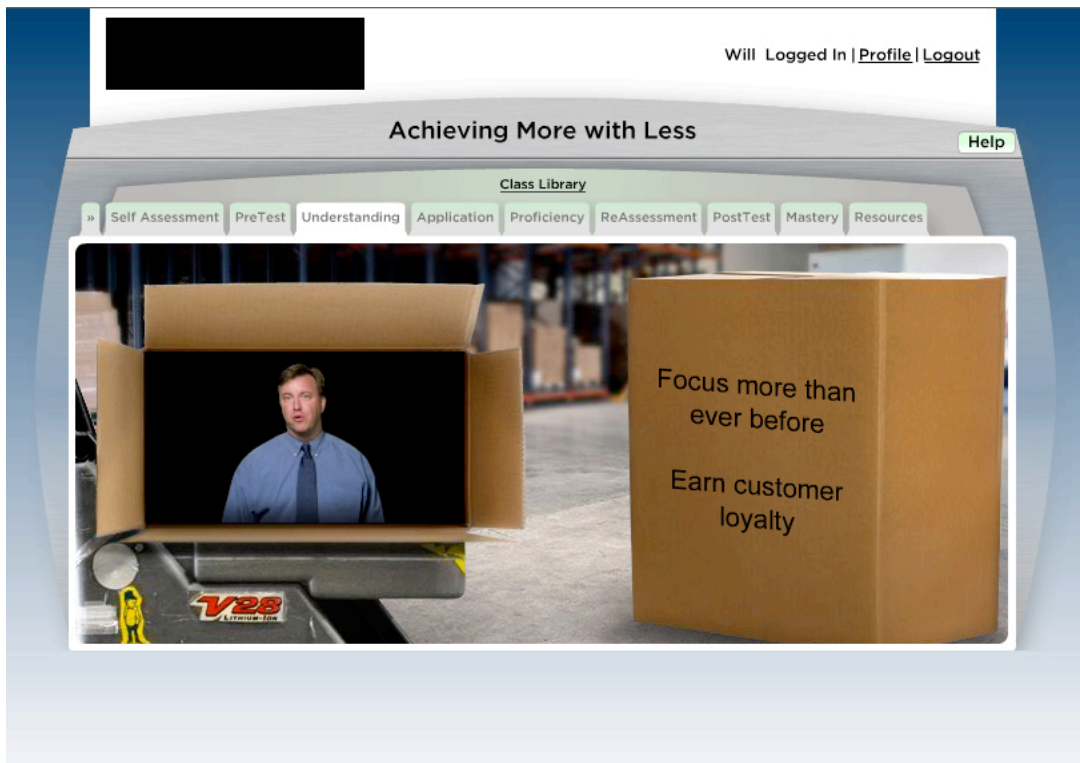
### **Key Program Requirements:**

- be relevant, interactive, and engaging to all associates at all levels
- feature the “voice of the customer” and real-world scenarios
- be scalable across the entire organization
- build on demonstrated best practices
- be aligned and integrated with other initiatives and corporate goals
- tie directly to improved business results – e.g.: sales and profits

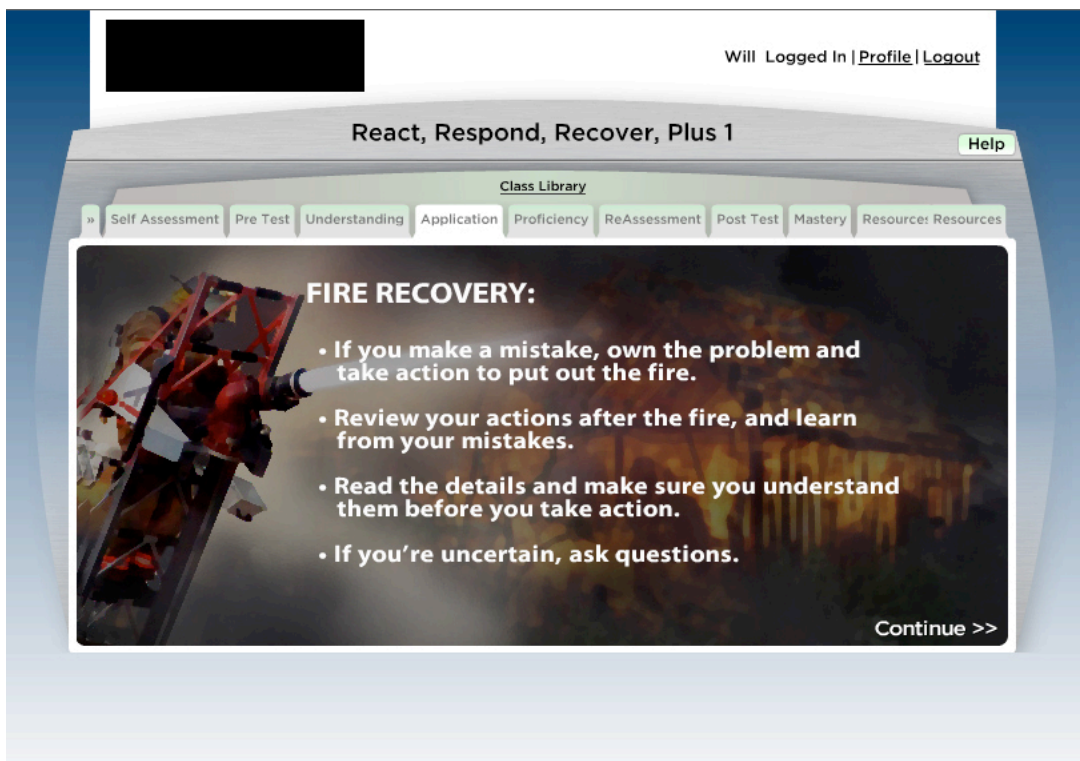
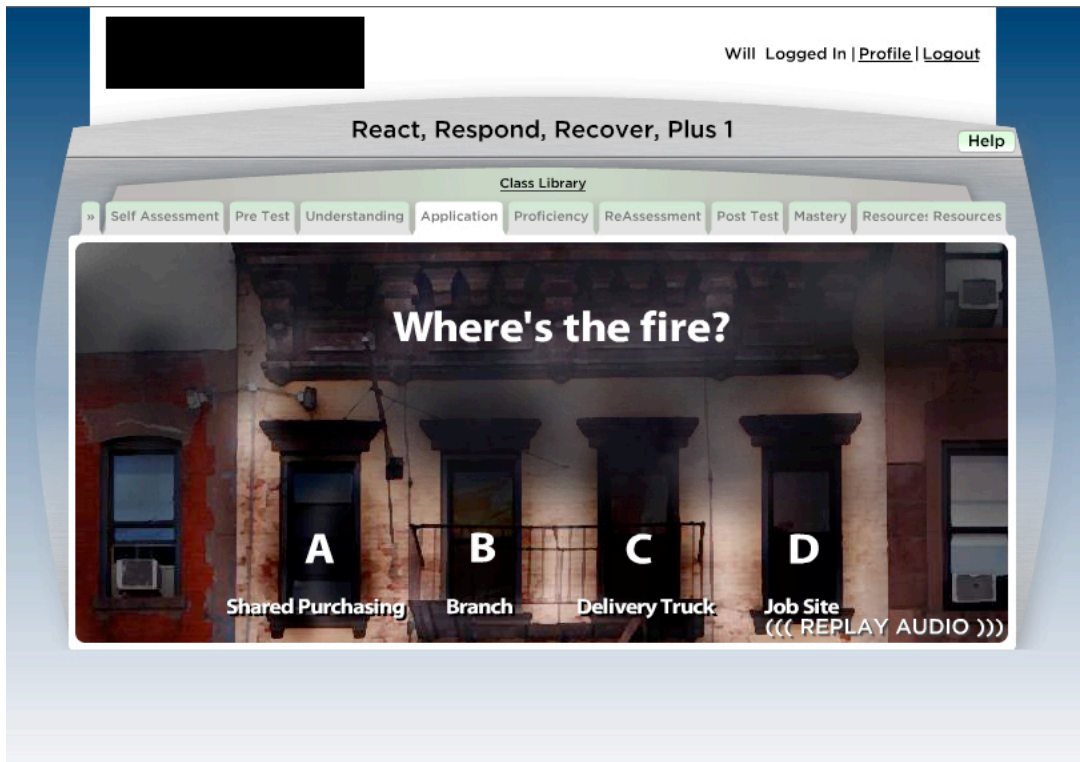
## Module Design

Based on best practices developed over the years at TrainOne, each module averaged 30-40 minutes in length and featured a four-lesson format:

**Lesson 1: Understanding** – A video lesson delivered by a Class Leader (in Phase 2, the Leader was TrainOne’s subject matter expert – Jeffrey Gitomer; in Phases 3 and 4, the modules featured associates from diverse areas of the company). Each module featured a different team-oriented theme (sports, workplace scene).



**Lesson 2: Application** – This lesson featured real-world scenarios through which participants would apply the principles presented in the Understanding section. The “voice of the customer” is featured either in presenting the scenarios and/or providing feedback based on the trainee’s actions.



**Lesson 3: Proficiency** – This lesson includes tips and motivation for applying the lesson consistently and integrating it into day-to-day activities at work and at home.

**Lesson 4: Mastery** – This lesson includes a brief video by the Class Leader on the impact mastering the principles will have on the trainee, the organization, and the customer, and steps to ensure the trainee is on the road to mastery.

### **Pre- and Post-Tests and Self-Assessments**

Each on-line module includes matching pre- and post-tests that measure skills gained and improvements in confidence and attitude on the subjects taught.

### **Coach and Class Notes**

Each on-line training module has a Resources section that includes Coach Notes for managers and supervisors (a lesson summary, recommendations for key questions, and activities to reinforce lessons in team and one-on-one meetings) and Class Notes for participants.

## **Program Promotion and Reinforcement**

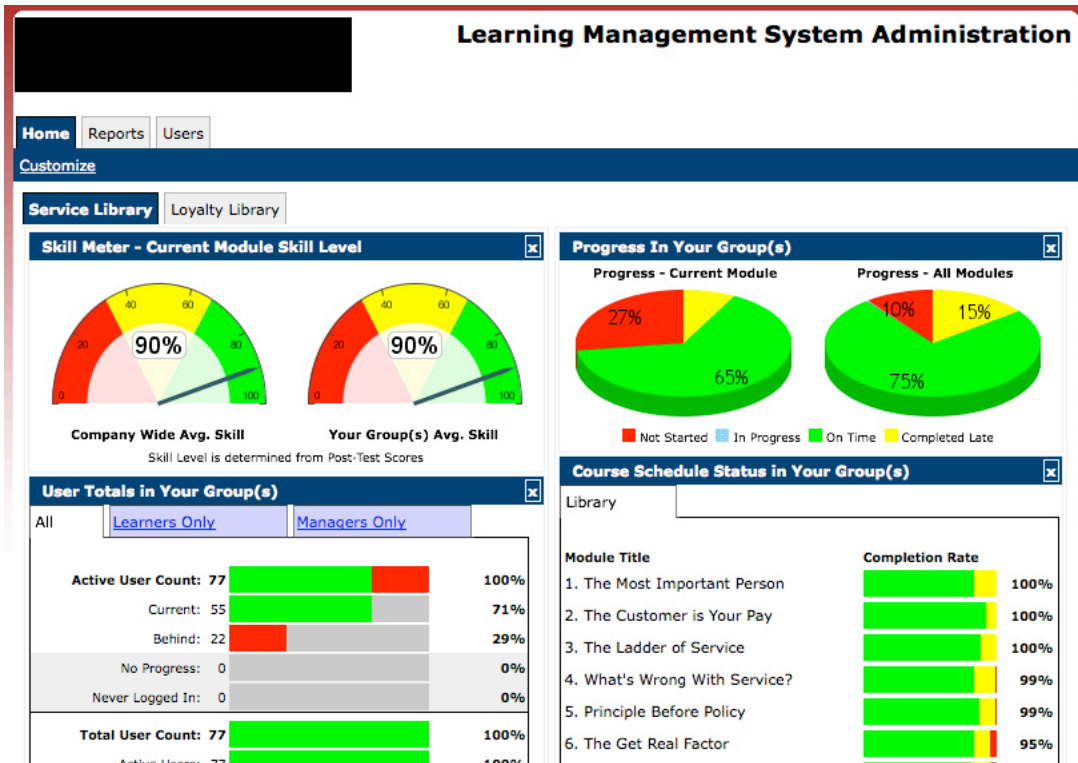
The company reinforced the program through regular messages and promotions in a variety of internal communication vehicles throughout the term of the program.

### **Extra Mile Campaign**

A by-product of the Customer Loyalty Imperative was the Extra Mile campaign. Early on in the creation of the customer videos, many individuals commented on associates' going "The Extra Mile" to serve them. This became the focus of a complementary campaign that resulted in hundreds of customer loyalty stories being submitted each year by managers and associates across the company. Selected stories featuring associates or teams of associates were published in three books. The Extra Mile stories also received attention in recognition campaigns, competitions, and an external marketing campaign. "Extra Mile" has become a common term and part of the culture of the company.

# Reporting

TrainOne's unique Learning Management System (LMS) includes a powerful multi-level reporting system that allowed the company's managers and leadership to monitor participation and learning gains in real time.



## Evaluation

The overall program evaluation strategy is based on the four levels of Kirkpatrick's evaluation model (1959, 1975) and the fifth level added by JJ Phillips (1996). Results were collected through a mix of quantitative instruments (on-line surveys of trainees and customers) and qualitative information (customer loyalty and "Extra Mile" stories submitted from associates and video-taped interviews with customers and associates).

**Level 1:** *Reaction of the trainees and what they thought and felt about the training as measured by annual opinion surveys on the training.*

To measure associate reaction and opinions on the training, we partnered with the company to conduct three large-scale online associate surveys over the project term. Over 10,000 completed surveys were collected from across the country, and they yielded comprehensive opinion numbers and some 15,000 associate comments – almost 90% were positive/favorable.

*Here are some key numbers obtained from the Associate Surveys:*

- 91% saw relevance and tangible value in the training
- 83% said they were implementing positive changes in the way they perform their job or communicate with customers or associates as a result of the training
- 76% felt more empowered to take action for a customer or associate based on the training

**Level 2:** *Learning and the resulting increase in knowledge or capability as measured by the average percentage increase between pre- and post-tests and self-assessments in the online modules.*

Key numbers from the module testing:

- There was a 10.22% increase between the pre-test and post-test scores (reflecting increased skill levels)
- There was a 4% increase between the pre- and post-self-assessments (reflecting increased confidence/attitude levels)

In other words, the associates came out of the training with improved skills AND higher confidence to implement the customer loyalty concepts covered in the program.

**Level 3:** Behavior or the extent of capability improvement and implementation/application of training at work.

As with all behavioral data, it's most valuable to focus on and measure real-world on-the-job behavior change. This level was measured in this case by the hundreds of participants' customer loyalty and "**Extra Mile**" stories, and scores of videotaped interviews of customers and associates.

Under the Extra Mile initiative, associates taking the training were asked to submit "Extra Mile" examples of customer loyalty. The company received hundreds of stories annually and collected them in three books which were printed and distributed within the company and featured in an advertising campaign. Managers have reported using the books as "business cards" when calling on customers and prospects to illustrate the commitment the company has to earning customer loyalty.

**Here is a sample of "Extra Mile" stories that illustrate the behaviors that resulted from the training ...**

**Todd S.: Sales – Ohio** Todd has been calling on a company who buys from the competition. He made a point of getting to know people working in a department not being serviced by the competition. One day, the competition failed to deliver a small order during a critical time. Todd drove 45 miles to his branch, got the materials needed, and left them on the manager's desk with a note stating, "Heard you were looking for these, they are free of charge. Please think of me on your next order." He got a contract from that company that is worth about \$200,000 per year.

**Result:** For an investment of some friendship and about \$10 in materials, they were able to secure a large contract!

**Jake B.: Outside Sales – Wisconsin** Twice, Jake worked overtime to customize an item for one customer, so that there would be no delay on their completing a job for their customer.

**Result:** The customer was so pleased they gave the company an order for all the materials on their job, which totaled about \$85,000.

**Tony G. (Branch Manager) & Erik Z. (Outside Sales) – Colorado** A customer ordered equipment from one location, but due to a tight work schedule couldn't wait for the supplier to ship the parts. The supplier agreed to expedite shipping, but could only deliver to another location – 15 hours away. Tony and Erik contacted the manager at the delivery location asking if he could keep his branch open after hours. Thirty hours and 2,000 miles later, the customer had their materials and the job was finished on time. A customer representative reported that this extraordinary service is the reason the company will primarily use the company from this point on.

**Results:** Internal customer loyalty is a direct line to external loyalty and increased business for us.

**Mike B.: Branch Manager – California** A customer purchased a product eight years ago from a competitor and experienced problems from day one. He called a branch looking for service and spoke with the Branch Manager. Mike and a highly-trained specialist visited the customer after work and were able to correctly diagnose the problem that the competition had repeatedly missed. They returned the next day to fix the problem that had festered for 8 years with \$10 in parts. The customer's words to Mike: "You are the only person who seemed to truly care about the bad performance I experienced...and to try to understand what was causing repeated failures rather than fixing the immediate problem."

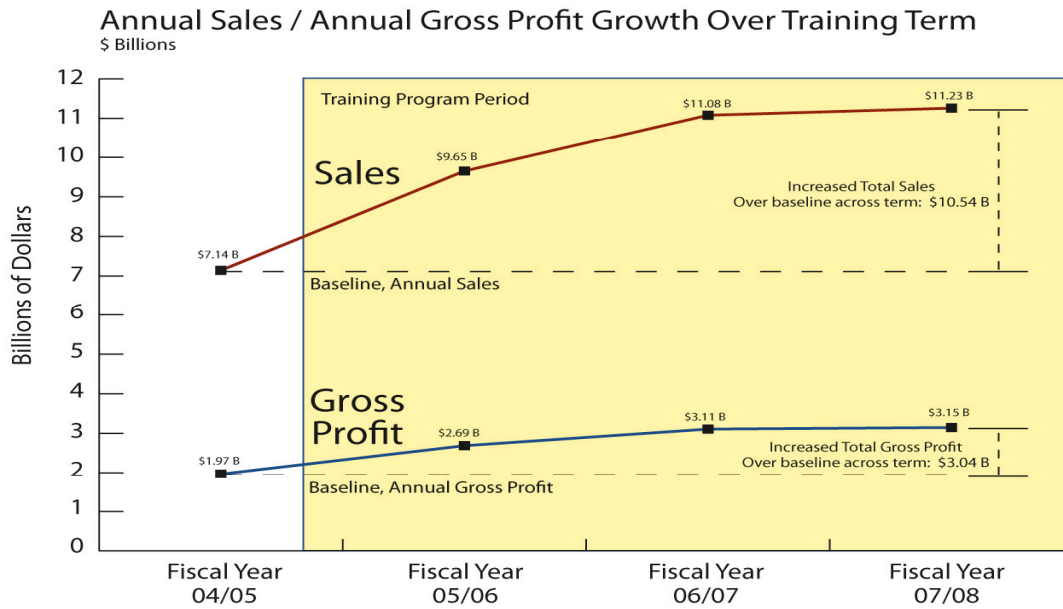
**Results:** Putting yourself in the customers' shoes and looking at long-term customer interest earned multiple service contracts worth many times the \$10 investment.

**Zak S. : Outside Sales - Ohio** Zak had been trying to earn business from a client for months. An opportunity arose when their regular supplier wasn't able to provide products they needed. The customer contacted Zak who borrowed a 20-foot trailer from a neighbor and left the next day at 5AM to personally ensure the customer had material by the 9AM deadline. Because of Zak, the company earned 100% of their business.

**Results:** Zak's efforts helped build relationships, earn a loyal customer, and 100% of the business.

**Level 4:** Changes in key business numbers and the effects on the business or environment resulting from the participants' training.

The main business impact of the Customer Loyalty Imperative was seen in increased customer loyalty survey results and improved sales and profits.



1. Total training program costs (internal and external): \$10 million
2. Total associates trained (including acquisitions and staff turnover): 31,000
3. Training cost per student: \$322
4. There were no other customer loyalty training programs in operation during this term. The Customer Loyalty program was the Company's largest training program ever done.
5. Gross profit increase above baseline was \$3.04 billion across the entire training term.
6. Point #4 above aside, even if this program's total effect (4 years/31,000 students representing over 95% of the entire company) accounted for only 1.5% of the four-year gross profit increase, that represents \$45.6 million – a return of 456% on the total program cost of \$10 million.
7. The U.S. economic slowdown began to have serious effects on the company's market sector around the middle of fiscal year 07/08, near the end of the training term.

As the above graph depicts, the most important key financial results – sales and gross profit – increased across the term of the training project. While these numbers at any company are affected by a number of business and market environment factors unrelated to training, the company feels certain that a portion of the growth and profit achieved is directly attributable to this Customer Loyalty Imperative training program.

Customer loyalty, while important at any company, is *crucial* in a company that works almost entirely in the business-to-business space and where the dollar value of each customer is high:

- 47.2% of the company's customers spent over \$100,000 per year in our product category
- 11.6% of the company's customers spent over \$1 million per year in our product category
- Spending range per customer: Minimum: \$15,600 Maximum: \$17.13M
- Average customer annual spending in the company's product category: \$266,000

Given these numbers, a small change in customer loyalty rates can translate into a very large increase in total sales and profitability.

Part of the evaluation for the Customer Loyalty Imperative was a program of customer opinion and loyalty surveys – over 15,000 customers from across the country were surveyed during the Customer Loyalty training term. Baseline customer loyalty figures *trended up by approximately 6 % between the beginning and end of the term.*

Based on total sales in excess of \$10 billion, a 6% change represents significant potential increased sales, based on long-term customer retention and higher rates of customers recommending us to other potential new customers.

Key customer loyalty survey numbers near the end of the training term:

- 75.1% of all customers surveyed ranked Service as “Very Important” to them (second only to Product Selection)
- 93.9% of all customers surveyed would recommend the company to others without reservation (Within this group, 61.1% said it was based on their relationship with the company, rating it “Very Important”.)

**Level 5: ROI – Sales, Profits or Savings vs. Training Costs**

The total investment in the Customer Loyalty Imperative (four years of instructor-led and online training for 31,000 associates) was \$10 million, which broke down evenly between internal costs at the company, and production, management, hosting and content licensing fees paid to TrainOne. Training cost per associate averaged \$322.

When evaluating ROI on this large training program, the company chose to focus on the single most relevant business number – gross profit. As the graph above illustrates, annual gross profit across the training term continuously increased, culminating in a Year 4 gross profit increase of \$1.15 billion over the Year 1 gross profit baseline.

Working with TrainOne, the company took a very conservative accounting approach when evaluating the overall dollar benefit of the training. Since, as noted above, many business factors unrelated to training affect both sales and profitability, they chose to attribute only **1.5%** of total gross profit increase over baseline across the four-year term to the Customer Loyalty training.

With this approach, they took the total increased gross profit over baseline across the four-year training period (\$3.04 Billion) and attributed 1.5% of it (**\$45.6 million**) to the Customer Loyalty training program.

Given the \$10 million program cost, this equals an ROI of **456%** on project costs.

*In the words of the CEO of the company's international parent organization:*

"I'm very excited about the results the Customer Loyalty program has given us. We've prided ourselves on being close to the customer, very well connected, and a sales and revenue-generating organization. Now TrainOne has shown us opportunities to be even better connected to our customers, and the results have just been unbelievable."

"I think the opportunity to introduce this to other companies in our group is appropriate at this time, and I'm excited that two of our other companies will soon be joining the Customer Loyalty family. We're excited about introducing it and the results that it will create."

**The parent organization has since adapted the program for its other companies in the U.S. and Europe.**