

DETERMINE THE ROI OF YOUR E-LEARNING PLATFORM

A practical guide for calculating the
ROI of a learning management system



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INTRODUCTION

Many organisations are leveraging learning technologies to augment their training programmes, drive efficiencies, and improve business performance.

And as organisations continue to invest in e-learning, it's clear that learning management systems are here to stay, offering benefits ranging from better engagement and user experiences to training content for learners, automated and customised reporting and certification management, and cost savings compared to in-person or face-to-face training. But articulating and demonstrating these many advantages isn't the same as presenting the return on investment (ROI).

The purpose of this eBook is to highlight a number of areas that business leaders can use to determine the business impact of their e-learning platforms. Whether you are investing in an LMS for the first time or are unhappy with your current e-Learning platform and are considering switching, as you make your way through the book, you'll learn not only how to estimate Return on Investment (ROI) for your LMS, but also some practical steps on how to maximise your ROI.

Read on to find:

- The definition of and use cases for Return on Investment (ROI)
- How to set measurable goals and benchmarks
- Steps and formulas to calculate the business impact of your training programmes
- Tips to maximise your LMS ROI
- LMS features that enhance your investment

UNDERSTANDING ROI

‘What’s the Return on Investment?’ may be the number one question you’ll get asked by senior leaders when you present the case to launch a new L&D initiative. Executives, Board Members and other key stakeholders are always interested in understanding how their investments will translate into business growth.

ROI is simply the financial metric for evaluating the financial consequences of investments and related actions. **ROI represents the financial value that can be derived from an investment.**



The bottom line: Determining the financial value of your LMS

When it comes to assessing the ROI of an LMS, there are three main areas to consider:

- Does it contribute to improving business performance?
- Does it contribute towards adding revenue?
- Does it contribute towards saving money?

Your LMS should enable you to answer “yes” to at least two of these questions, and you’ll need to be able to demonstrate just how they are contributing.

Improved business procedures

An LMS can help you simplify most of the steps required in conducting many aspects of L&D training. The advantages of pooling most of these tasks onto a single LMS platform are high, resulting in much more efficient processes. Some simple examples include:

- Custom reporting allows organisations to choose which metrics they would like to track, as well as how they prefer to view this data. Moreover, automated report scheduling, in combination with custom reporting capabilities, allows organisations to specify not only who receives this data, but how often, helping eliminate time-consuming manual reminders and queries.
- Your LMS can help ensure that employees are trained and certified in critical areas, such as safety and security, operations, and customer service. This helps organisations meet compliance and regulatory requirements and ensure it meets their legal obligations. This in turn reduces the risk of legal action and fines and helps protect the organisation from potential liability.

87% of organisations that invest in an LMS see a positive ROI within just two years

GITNUX, 2023

- A scalable LMS can grow with your organisation, making it easy for the administrators to add new employees, courses and features as needed.

This kind of scalability ensures that your investment in the LMS continues to remain valuable as it's easy to expand and serve more learners without increasing staff administration costs.

- By automating various aspects of your LMS platform, you can save time and resources for both administrators and learners. For instance, automated enrolment, progress tracking, and reporting can streamline the learning process, allowing your employees to focus on other tasks while allowing you to serve more users without increasing workloads.

Additionally, automation can lead to more accurate data collection and analysis, further enabling you to make well-informed decisions about how e-Learning is impacting your business.

Making money

Most business decisions are swayed by whether or not something will make the business money - and utilising a learning management system is no different.

An LMS provides your business with a fast, simple, and convenient way to offer your employees the

chance to develop their skills and grow within your organisation. The quicker and easier that your employees are able to upskill - for example, using the LMS to standardise and strengthen your employee onboarding processes - the more likely this will have a direct and measurable impact on your company's bottom line.

- Employees who experienced comprehensive, structured onboarding are 58% more likely to still be working at the same organisation three years later.
- LinkedIn Learning found that 94% of employees would stay with a company longer if they felt the employer was invested in their career.

“The most effective professionals are constantly learning, they take the time to apply what they have learned, and they continually work to improve themselves.

JOEL GARDNER

UNDERSTANDING ROI

In short, an LMS can make a significant difference to attracting and retaining top talent.

In addition, some organisations may be seeking to use the LMS primarily to provide specific training and learning and selling courses online. With the right LMS, you can create, manage and sell your content as unique training experiences to create a thriving business.



Saving money

Every business watches how it spends its money and investing in an LMS provides a great way to save money on training and learning. The main way an LMS lowers an organisation's bottom line is by reducing corporate training expenses. Returns on Investment models consistently demonstrate that businesses save considerable costs on their training expenditure by using a Learning Management System and e-learning courses.

Full-time employees who use an LMS save an average of 157.5 hours per year

GITNEX, 2023

Moving training online negates the need for paper products, physical classrooms, and all the travel costs related to face-to-face traditional training, as well as making the processes around traditional training much more efficient.

But this is really only the beginning of money-saving opportunities that come when investing in an LMS. Other areas include:

- An LMS offers you the chance to standardise and consolidate your L&D practices across the organisation. All too frequently, separate departments operate using different learning platforms. Your company may be spending money on multiple training tools, which can quickly add up.

The learning experience is also likely to be fragmented because of this piecemeal approach. Gathering your learning programmes under a single LMS can increase cost-effectiveness, unify the learner experience, and reduce duplicate training efforts and expenses.

- A new LMS can also help you create a record of valuable 'corporate' knowledge, which will save your company money by helping you avoid lost productivity. While it might seem trivial, according to a study by Panopto, new employees spend 200 hours, on average, chasing down lost data. That's a lot of time that could be saved by proactively preserving information ahead of time.

An LMS that facilitates collaborative learning is even more effective because employees can create their own courses to document their processes and unique contextual knowledge.

Calculating ROI

Your online and offline training investments need to deliver quantifiable returns that can be seen in your organisation's bottom line. Senior executives will evaluate your planned programme performance based on costs and outcomes (financial value) driven by committed investments.

You need to calculate the ROI by comparing the expected benefits with the costs. This is easier said than done, as it can be very tricky depending on the use case(s) that lay behind the reasons for your decision to purchase an LMS. Indeed, there may be a number of components to factor in, depending on your business case.

Overleaf are the 4 key steps involved in determining your LMS ROI:

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- 1 Set measurement goals
- 2 Define the tracking and measurement approach
- 3 Aggregate the estimated costs of your e-learning project
- 4 Assess the estimated gains of your e-learning project



ROI formula

With ROI, we focus on the net benefits of the training - the benefits minus the costs. The formula for ROI looks like this:

$$\frac{(\text{Hard Cost savings} + \text{Top Line Revenue Benefits}) - \text{Cost of the system}}{\text{Cost of the system}} = \text{ROI}$$

But calculating ROI isn't as simple as just knowing a formula. What comes next are the necessary steps you'll need to undertake in order to measure the ROI of your new LMS training initiative.

Step 1: Set measurement goals

Go back to your business case and start with a clear idea of what you are trying to achieve. What are the initial goals of the project? What are the Key Performance Indicators (KPIs) so that you know when you succeed? These could include:

- Having the ability to track, measure and report training progress in real time

- Improving training completion rates and time to complete
- Increasing employee, partner, and customer engagement
- Reducing onboarding costs
- Reducing travel costs related to face-to-face training
- Having learning platform that scales with the needs of the business
- Reducing administrative time spent on training
- Improving customer retention rates and/or customer satisfaction
- Increasing revenue (if selling e-learning programmes)
- Having the ability to provide consistent training in different regions / languages

Step 2: Define the tracking and measurement approach

Once you have defined your goals, it's important that you understand how you will track and

measure the intended outcomes. And while many LMS benefits can easily be assigned a monetary value, others - such as enhanced customer loyalty or improved reporting and tracking of training progress - are harder to quantify.

However difficult, it's important that you determine as best you can how to track and value both the benefits and costs of your LMS to ensure that you have the appropriate data to measure the success of your programme.

Step 3: Aggregate the estimated costs of your e-learning project

Determining the costs of the training and your LMS is pretty straightforward. Typically, the following items should be factored into the costs:

- 1** Learning Management System (Licencing, hosting, etc)
- 2** Integration / configuration of the system
- 3** Support costs
- 4** Staffing Costs (including hours administering training courses)

5 Cost of Content or Course Development

6 Travel & Expenses for in-person trainings

7 Training Facilities (if applicable)

8 Training Materials

The cost of a learning management system doesn't necessarily stop with implementation. Too many businesses only consider up-front costs when looking to switch to a new LMS and calculating the real cost of a Learning Management System can be a complex task.

Determining the non-monetary costs such as time and garnering the necessary resources to make it work are often overlooked. Data migration, customisation, specialised learning programmes, integrations with other systems, future upgrades, and 'onboarding' your users are all factors that need to be included in your calculations.

If your business produces its own training materials, will you need to purchase additional authoring software and pay someone to write

the copy, and produce the graphics and videos? Or will you outsource this? Or will you have to purchase ready-made e-learning content? Determining the monetary 'value' or 'gain' is not quite as simple and you have to look at both the gains for the organisation as well as for the learners.

Are there hidden costs or add-ons that may mean your chosen LMS may soon not be a viable option? Check out our '[Hidden Costs of Buying an LMS](#)' eBook for more LMS costing insights.



Step 4: Assess the estimated gains of your e-learning project

To properly assess the gains of your e-learning investment, you need to revisit the training goals you set in step 1. Measure the direct and influenced outcomes driven by your online training initiatives.

The Return on Investment can be calculated in several ways and may translate to an increase in cost savings, an increase in revenue, or possibly into a loss, each of which will impact the bottom line.

Some key measures that you should be looking at when coming up with the value that an LMS will contribute to the business include:

- Increased employee productivity due to the automation of manual tasks
- Benefits of a hybrid work environment
- Improved compliance by automated tracking of employee completions and certifications
- Benefits of teamwork (collaborative working in a digital learning space)
- Improved employee retention
- Money saved on traditional training
- Improved employee performance by providing a central place to access all the training materials they need to do their jobs effectively

To calculate the financial value of your e-learning platform, start by determining the cost of creating a single course (this should include all of the costs listed in step 3).

For example, let's say that prior to implementing your LMS, your training staff spent 8 hours developing each course and another 4 hours administering the course; and they get paid £50/hour.

Each course is sent to a designer, which costs £500. Also, trainers spend an average of £100 in travel costs to conduct the training.

Your current cost calculation would be:

$$\begin{aligned} & ((12 \text{ hours} \times 1 \text{ course}) \times £50 \text{ hourly wage}) \\ & + £500 \text{ design fees} + £100 \text{ travel costs} \end{aligned} = £1200/\text{course}$$

After implementing online training, your training team was able to reduce travel costs from £100 to £0.

Training administration time was also reduced by 2 hours. With the savings, your team had the resources to find new ways to deliver value to the business.

Your Project costs would be:

$$\begin{aligned} & ((10 \text{ hours} \times 1 \text{ course}) \times \text{£50 hourly wage}) \\ & + (\text{£500 design fees} + \text{£0 travel costs}) \end{aligned} = \text{£1000/course}$$

Let's say your team produces 10 courses per year. You'd need to multiply each case above by 10 and subtract the current cost from Project costs to calculate the e-learning platform's financial value:

$$\begin{aligned} & (\text{£1200} \times 10) - (\text{£1000} \times 10) \\ & \text{or } (\text{£12,000} - \text{£10,000}) \end{aligned} = \text{£2000 in savings}$$

And don't underestimate how much money can be saved simply by freeing up your staff with automated processes. An LMS can massively reduce admin costs with fast, automated reporting.

A good LMS can take dozens of hours of human effort spent every month on laborious admin tasks and produce the same results (with fewer errors) in moments. This allows managers and administrators to spend less time tracking and ensuring that each employee gets the training they need.

Companies using an LMS have 26% higher revenue per employee

BRANDON HALL GROUP

Don't forget it's the reverse order of the Savings Formula to calculate revenue growth:

$$\text{Project costs} - \text{Current costs} = \text{Revenue Growth}$$

Prior to launching the new sales training module, the sales team sold 1,000 units per year at a price of £3,000 each. As the sales team became better skilled in those areas, the sales team was able to sell 10% more units per year.

Now, instead of the usual 1,000 units per year, the sales team sold 1,100. As a result,

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annual revenue grew from £3,000,000 to £3,300,000.

In this case, you would subtract present costs from project costs (the reverse order of the savings formula) to find out the revenue growth value:

$$(\text{£}3,000 \times 1 \times 1,100) - (\text{£}3,000 \times 1 \times 1,000) = \text{£}3000 \text{ in revenue growth}$$

Once you've got the two formulas down, you're well on your way to proving the value of your e-learning platforms!



A simple example

Implementing an LMS allows your organisation to secure tangible and immediate savings in areas such as:

- Streamlining the onboarding process
- Customisable, robust and automated reporting
- Automated Certification management to meet regulatory compliance requirements
- Lower instructor fees and salaries and costs to produce, ship, store and update materials
- Reduced costs for travel and training facilities by moving training online Reduced time away from the job
- Reduced record-keeping costs
- Improved training efficiencies
- Automating the assigning of courses and learning paths

Next, you need to estimate the top-line revenue benefits. In this case, implementing an LMS allows your organisation to secure tangible and immediate savings in areas such as:

- Giving your employees more time to do their jobs (minimising time spent training)
- Speed up time-to-market for new products
- Standardise and strengthen your employee onboarding process for happier, better-prepared employees
- Standardised way to organise and distribute training courses

Calculating one-year ROI

Running through steps 1 and 2 above, you can use the formula below to calculate your one-year ROI.

$$\frac{(\text{Hard Cost savings} + \text{Top Line Revenue Benefits}) - \text{Cost of the system}}{\text{Cost of the system}} = \text{ROI}$$

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In our example:

Hard cost savings:	£50,000
Top line revenue benefits:	£30,000
TOTAL:	£80,000
Less cost of system:	£20,000*
Return before investment:	£60,000
Return before investment:	£60,000
Divided by cost of system:	£20,000
Return on investment:	3 (300%)

For every £1.00 invested in the LMS, you expect £3.00 of benefits in return. Thus, in the example above, your LMS investment would deliver 300% ROI.

**By way of comparison, an average annual cost for a hosted LMS system based on Totara or Moodle is between £10,000 and £30,000 - depending primarily on the number of users. Our fully hosted LMS solution can accommodate thousands of users - we have clients with tens of thousands of users, running as many courses as they need, available 24/7/365, and receiving real-time reporting on their individual learner's progress.*

MAXIMISING YOUR INVESTMENT

Having put together your [LMS business case](#) and fully articulated the priority feature list for your new Learning Management System, you should now have a clear idea on both those key features that your LMS needs to support, along with how it needs to align with your organisational objectives and any performance gaps that you're looking to bridge.

But before you make your final decision, it's worth looking at those LMS features that can really enhance your investment and ensure that you are getting true value for money.

It's very clear that there are many benefits to be had in switching to the right Learning Management System. Whether it's closing skill

gaps, empowering remote learners, the need for better reporting and analytics, or increasing the pace of onboarding new employees, having the right LMS is no longer a 'nice to have' for organisations that are looking to grow.



In particular, if you're looking at migrating to a new LMS solution, one of the key questions you need to address is if your current LMS has features that continue to offer value for money. Or is it time to look for a new LMS to improve your ROI?

Whether you're planning on investing in an LMS for the first time, or looking at switching to a new one, below are 8 value-for-money LMS features that should be at the top of your list.

48% of LMS users are dissatisfied with their system's analytics and reporting capabilities

FOSWAY GROUP

Robust reporting and analytics features

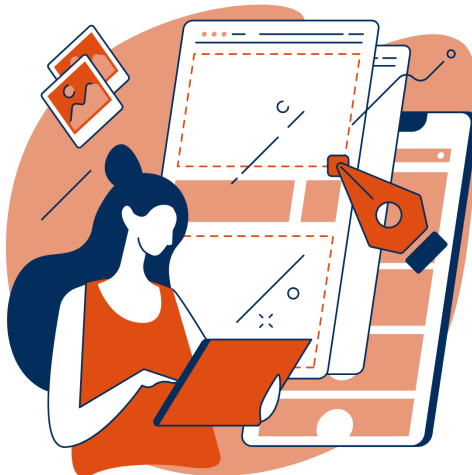
Businesses and organisations rely on analytics every day to make informed decisions in various areas of their business,, this should be the same for their learning and development strategy. Using LMS analytics provides a business with valuable data which results in better decision-making.

Learning and development managers can use analytics to uncover new insights into how their

users are engaging with content as well as how to leverage their learning programmes to drive improved decision-making, higher performance metrics, and greater impact on the business.

Integration capabilities

Integration capabilities offer you the opportunity to better incorporate necessary functionalities and features that sit alongside your LMS. Whether it's being able to integrate with third-party resources such as e-learning content providers or automating the flow of LMS data with your HR software, this capability not only enhances the User Experience but also makes the administration of the LMS much simpler.



An intuitive user interface

One of the key areas that many organisations struggle with is getting employees to more actively engage with the LMS. The top reason for this is often down to a poor User Experience. You should adopt a user-friendly LMS that is easy to navigate for every team member regardless of their technical ability. This should include intuitive dashboards that allow learners, managers, and admins to easily track online training objectives and identify areas for improvement.

Only 50% of users evaluate learning based on ROI, organisational impact, and job performance

LEARNING TECHNOLOGIES, 2019

Gamification

Gamification takes the key elements and mechanics of gameplay and applies them to areas such as e-learning lessons. The purpose

of gamification is to create a more engaging and motivating learning experience but most importantly it makes learning fun and more light-hearted - especially when compared with traditional lesson delivery. Learners are driven by a sense of accomplishment and making lessons more enjoyable means they are more likely to revisit the e-learning platform to learn more.

Certification

Certification is essential for compliance and skill-based training, as it gives you the opportunity to track individual performance and progress. Certifications also act as a badge of honour for your learners. Completing the training of a particular skill or course that results in a certificate help demonstrate their mastery over that particular skill or course. Online training certifications also give you the opportunity to track the performance of the learners, can increase a learner's motivation, and generally improves the overall training experience.

Data security

While not strictly speaking an LMS feature, it is critical that your chosen LMS partner has the necessary security so that any of your sensitive information doesn't fall into the wrong hands. You'll also want to make sure that the overall solution is able to ensure that only approved users have access to online training resources and personal info. These include data encryption protocols, login authentications, and backup storage on secured servers. Verify all the security measures that your LMS vendor has in place and how often they update their data protection protocols.



HOW HUBKEN CAN HELP

In order to get the best ROI for your LMS investment and to build the best business case, it's important to identify the key features that are going to help you achieve all of your L&D requirements, today and in the future.

We understand that building training programmes takes planning and care, so make sure the LMS you choose has all the features required to create, deliver, track and maintain all your training needs.

We realise there are many variables that will affect the cost (and therefore the ROI) of implementing your LMS, such as your industry, compliance requirements, the size of your company, public or private status, and others.

Need to get an idea of how much you could be saving with a professionally hosted LMS? Contact our LMS experts to find out more:

www.hubkengroup.com/contact

We'd be happy to discuss your objectives, develop an optimised solution, answer any pricing questions and generally help you put together your ideal LMS solution.

About Hubken group

One of the UK's leading
e-learning companies,
we have been
implementing dynamic
learning, compliance,
performance, and people
management solutions
since 2004.



As **Totara** and **Moodle** experts, we create premium e-learning platforms that transform organisational e-learning and training programmes. Working together, we help you make learning easy and engaging, creating opportunities for teams and businesses to grow.

You're in good company



What our clients say

From the first contact, everything was straightforward. The design team listened carefully to our requirements and came back with the design straight away.



Yellow Room
Learning

Perhaps the biggest benefit of working with Hubken is that **when I call them, I speak with a friendly expert.**



I would recommend Hubken for their **partnership approach, know-how, and focus on value.** Their understanding of our needs has augmented our own skills to help drive adoption and rollout.



Their extensive provision of services all met with our budget requirements. We like that **we can rely on them as someone to go to whenever we need.**



ST HELENS
BOROUGH COUNCIL

Other resources



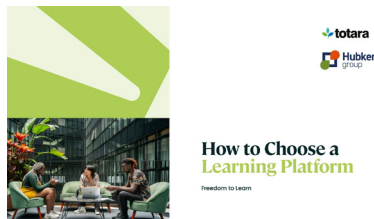
The Hidden Costs of Buying an LMS



Guide to building the perfect LMS



Building a better business case for a new LMS



How to choose a learning platform

Get in touch with Hubken Group

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We are always happy to talk about e-learning projects.
Get in touch with us and start the conversation to deliver
an e-learning solution that will make an impact.



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