DBBasics INC

Sales Training Manual

Updated June 1st 2000

Introduction

Audience

This manual is designed for account representatives, managers, consultants, directors, instructors and anyone who wants to understand how and what we sell at DBBasics, Inc. The purpose of this manual is to define the benefits of the various services we offer and how we differentiate ourselves from our competitors by consistently bringing superior value to our clients. The ultimate goal of this material is to give you the information you need to better represent DBBasics to clients.

As you read each section, you will see certain sentences and phrases in *Italics*. Try to memorize these sentences and phrases word for word and use them in front of potential clients. They are tried and true and they will serve you well. Remember that only those things committed to memory will be of value to you when standing before a client. Read this material carefully. Highlight sections that apply specifically to you and take notes during training classes. After you have been on the job a few weeks, go back and re-read the material again. You will retain much more of this material after you have worked here a few weeks. Make it a habit to review this material a few times each year. If you earn your living through commissioned sales or manage a DBBasics' sales team, it is critical that you know this material in detail. Experience may be the best teacher, but it is also the most costly. Dedicate yourself to committing this material to memory before the lessons become too expensive.

"The trouble with experience is that she gives you the test and then the lesson."

Company Mascot and Philosophy

Our company mascot is the Rhino. Each month we give an award to the employee whose actions best exemplify rhino-like-behavior. Here are some of the virtues we draw from the Rhino:

1. He's always charging. He's focused on his goals and moving towards them with gusto and singleness of purpose.
2. He's tough. He has two-inch thick skin. He's not easily wounded by rejection or temporary setbacks.
3. He weighs literally tons. He is not timid. He considers himself a force with which to be reckoned.
4. He's optimistic. Once charging, there is very little that can stop him from reaching his goal and he knows it.
5. Best of all, he thinks he's a rhino and that's why he acts like a rhino.
6. He's not a cow. Cows are content to blend into the pasture, sit around and eat grass. Not our Rhino… no one's having him for dinner!

Market Segments

Mission Statement

"To skillfully and passionately assist our clients and our employees in leveraging their intellectual assets to their highest potential while having fun."

Marketing Mix Overview

DBBasics services three primary markets.

1. Corporate Transactional Market: These are the instructor-lead training events we offer to the Corporate Buyer on a transactional basis. They include both public and private classes. They are generally purchased on a per seat or per class basis although prepaid volume discounts apply. A corporate client almost always pays for these events rather than an individual. Hourly mentoring services are usually sold to this market. This market is won primarily through direct sales and lunch and learn promotional events.

2. Career Changer Market: These are certification track programs that we offer individuals who want to enhance or change their vocation. They include all of the classes and tests required for a particular certification. These tracks are almost always purchased by an individual rather than a company. Because these individuals are usually working during the day, these services are most often offered at night. This market is sometimes referred to as the night track. This market does not tend to produce repeat business the way the corporate market does. This market is won through mass marketing, free seminars and classes (loss leaders), recruiting trade shows and referrals.

3. Outsourcing Market: This is the most strategic market we service. In its fullest form, this service relates to the complete outsourcing of the accountability associated with managing a company's intellectual assets. A senior corporate official or team usually makes the outsourcing decision. It is a relatively long sales cycle. Outsourcing may be limited to various projects such as competency modeling, or the development of CBTs, courseware or tests. The renting of our software product is also associated with complete outsourcing. This market is primarily won through direct sales, seminars and white paper presentations.

Training Type Terminology

- **Developer Training:**

This is training designed for application developers such as Visual Basic, C++, Visual InterDev, etc. Programmers take this kind of training. Microsoft offers a certification track called the Microsoft Certified Software Developer or MCSD. We offer all of the training required for this certification track and administer the certification tests.

- **System Training:**

This is training designed for system engineers and administrators such as NT, IIS, Networking Essentials, etc. These students typically do not write software, but rather specialize in pre-written applications such as operating systems and tools. The Microsoft Certified Systems Engineer, MCSE, is a Systems certification offered by Microsoft. We offer all of the classes required for this certification and the Oracle OCP certification.

- **Application Training:**

This is training designed for “users” such as Word, Excel, Introduction to Windows, Power point, etc. These classes are typically less expensive than developer and system type training however the audience is much larger. Any computer user in any discipline is a target for this type of training.

- **Proprietary Training:**

This is training that is unique to a particular company. It has little value to the general public. It may include training on how to use internally developed systems, procedural training, or specific employee orientations. This is a large and relatively untapped market. Recent studies conclude that over 75% of all corporate training belongs in this category. We usually win these contracts by first winning the contract to develop the courseware or CBT.

Training Delivery Devices

There are many ways to deliver a learning event. There are both price and quality considerations in selecting the best combination of delivery vehicles.

- **Instructor Led**

This is usually the most expensive but often the most effective form of training delivery. Instructors and students interact directly with the class. Scheduling is an issue. Some predict that instructor lead training will lessen as CBT and Web based training increase, but statistics do not validate this. Much of training is evangelizing. It's getting people excited about using the technology at their disposal. It is very difficult to change a corporate culture through computer based training. People are inspired by human enthusiasm.

- **Computer Based Training (CBT)**

This is instructor-less training available from a web site or CD-ROM. Students can not ask questions but they can work at their own pace. This is usually very inexpensive. Students can bookmark lessons and even take assessments in some cases. The biggest difficulty with CBT training is that it often does not create a sense of urgency to complete the series.

- **Distance Learning**

Distance learning involves an instructor who teaches a class remotely. It may involve a conference call and a CBT or it may be completed integrated with two-way communications with students. Distance learning at its best occurs when the instructor can see each student's screen. There are technical and bandwidth issues to overcome but this training can be very efficient and cost effective especially if there are a lot of small pockets of remote users.

Commissions & Account Ownership

DBBasics believes in extra compensation for extra effort. To this end, our sales professionals are largely compensated based on how successful they are at generating gross margin. Our reps have virtually no compensation cap. They can earn as much as they their skills and work habits will allow.

How Commission Are Calculated

Public Seats

Commission for selling seats in public classes is determined by the profitability of the class and the number of paying students in the class. The commission rate is “3” plus the number of paying students in the class. For example, if there at 10 paying students in a class, the commission rate is 13%. Once the gross profitability of the class is calculated, 13% of this gross profit would be put into a commission pool. Each sales person will receive a portion of the 13% pool based on the percentage of revenue they contributed to the class.

The minimum commission percentage paid is 6% and the maximum commission paid is 16%. Pass Port and Block sales count as paying students. Night classes add 15% to costs when calculating profitability to cover the additional cost of mass advertising, instructor night bonuses and class dinners.

This system aligns our sales person’s goals with the company goals in several ways. It encourages us to have fewer, but larger classes. It encourages all sales persons to work together as a team. Whenever any sales person adds an additional student to a public class, everyone’s commission goes up by one percent.

Private Classes

The commission for private classes is not determined by student headcount, but rather by the overall profitability of the class. The equation for determining the commission percent age is the gross profit per day divided by 110. This percentage of the gross profit becomes the commission paid to the sales person. For example, if you sell at private four-day class for $10,000 with gross profit of $7,000, your commission percentage would be $7,000/(4*110) or 15.9%. Your actual commission would be the $7,000 times this percentage or $1113.

Oracle Classes

Oracle classes are calculated the same as regular public and private classes with a few exceptions:

1. Oracle charges us around 34% of the sales price as an additional costs when calculating profitability.
2. There are no courseware cost as Oracle provides it.
3. We do not get commission on students Oracle places in our classes directly, however these students do help to offset the costs of the class.

Consulting Services

Commission on consulting services is calculated at a flat 7% or the gross hourly margin. For example, if you bill out an instructor to do a small project or hourly mentoring for $175 per hour and his internal cost is $75 per hour, your commission would be 7% or the $100 per hour gross profit or $7 per hour. If he works at this rate for 200 hours (a typical small project), your total commission would be $1400. If there are other expenses such as travel that are not passed through to the client, they must be deducted from gross profit before commissions are calculated.

Outsourcing

Outsourcing deals tend to be very complex. Many services are provided and billed under various arrangements. Other services are not billed at all but given as part of the overall relationship management. For these reasons, commission on outsourcing deals is not based on profitability but rather on gross billings. 1% of gross billings is the commission on an outsourcing contract for the life of the original contract. We also pay $1000 for every KM presentation that leads to a $1 million proposal even if we do not ultimately get the account.

Commission Payments

Commissions are paid in your normal paycheck in the month after they were earned. This gives us time to collect the information for the month and validate it. Commissions are paid even if the money has not yet been collected however commissions can be reclaimed on bad debt. You should never extend credit without your manager’s permission.

Maximizing your Commission

Here are some suggestions on ways to maximize your commissions under the existing structure.

Wolf Packing

Other than courseware costs, the cost of our public classes is fixed regardless of the number of students. Once these fixed costs have been covered, every student is almost 100% profit. Focus on topping off these classes. Work with your peers to focus on certain classes with high probability of making. Large classes are the secret to very large payouts under this commission structure. Coordinate your efforts with your peers and you will all benefit form each other's efforts.

Oracle Conversions

Oracle often places students in our classes. You get no commission when this happens. Look over each roster and make sure that if there are Oracle enrollments, you get an opportunity to talk to them. Try to get them to call you directly to enroll for their next class rather than calling Oracle to enroll. Make sure you get this message back to the student's organization. Give them some personal benefit for enrolling with you rather than Oracle.

Avoid Discounting

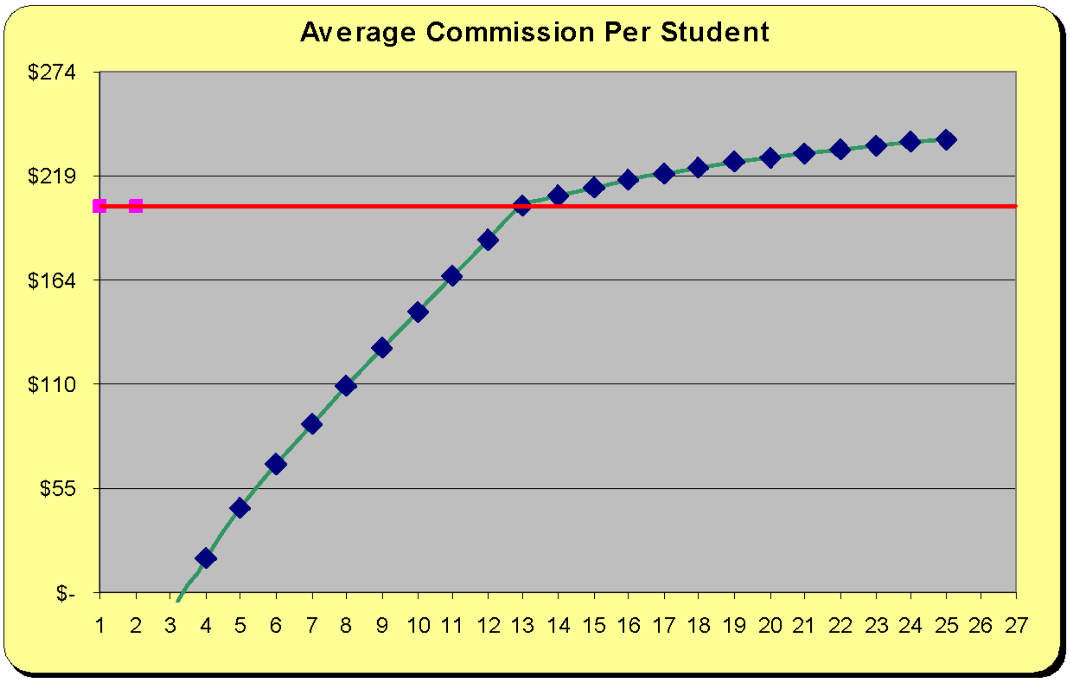
Corporate buyers tend to be less price sensitive. Don't discount too quickly, especially with Oracle training where we are the only certified provider in the state. Instead, try to justify your price. If the company is paying for the training, the student is not really motivated by discounts. Try to come up with some personal benefit for the student like a free shirt, or a free lunch with you during the class week.

Meet your Activity Metrics

Nothing is able to increase your commission like meeting your daily activity metrics. Especially focus on call volume and referral linking. Linking prospects back to they class the express interest in is a great organization and sales technique.

The Commission Estimator

The commission estimator is a spreadsheet you can use to estimate the commission you will get.   There is a tab for each type of training we do. Fill in the black spaces and it will estimate and graph your commission for public classes. If you click on the commission line on the graph and hover your cursor over the next number of students, you can see what everyone's commission will go up to if another seat is sold in that public class.



Remember that this is just an estimator based on the average retail sales price. It assumes that everyone sold seats around the same price. If you discounted a lot, your actual commission may be less. If your peers discounted a lot, your actual commission may be more.

Hints on using the estimator

1. Don't type in the gray spaces as these calculate automatically. Select from the pull downs in white spaces.
2. Make sure you are using the correct spreadsheet version. Costs are very dynamic and subject to change quarterly.
3. Save a copy of the estimator to your desktop and rename the template for each class you want to track.

Account Ownership

Accounts are assigned to representatives based on three factors:

1. The reps proven ability to generate reasonable revenue from the account.
2. The reps current workload and account base. i.e. does the rep have enough time to pursue penetration of the account without cannibalizing his or her other accounts?
3. The reps proven ability to sustain acceptable quotas on all existing metrics.

How accounts are lost:

Accounts will be reassigned on a case by case basis if the rep fails to generate an acceptable margin from the account. Accounts will also be reassigned if the rep's activity metrics are consistently not being obtained. An account may also be reassigned if the specific account plan goals are not being met.

Order taking Versus Aggressive Account Penetration

It is our company's goal that our reps aggressively expand our business within their named accounts. These accounts are entrusted to a rep with the understanding that the rep will generate expansion within the account. This is similar to giving funds to an asset manager to invest on your behalf. The fund manager has done a good job only if the asset base increases under his or her efforts. Maintaining 5% of the training business at a large company year after year is not acceptable if we have the ability to provide 75% of that training.

We distinguish between "order taking" and "aggressive prospecting". Order takers simply field incoming calls from an existing account. They are typically paid administrative type salaries and no commissions. Our reps are much more than order takers. They are paid aggressive salaries and commissions because we expect account <u>expansion</u> not simple account maintenance. Revenue streams are considered company assets entrusted to skilled sales professionals for purpose of generating account growth.

Territories

For efficiency and logistics sake, it is our goal sales persons focus on the accounts that are closest to the geographic location. Representatives should not call into a restricted territory other than their own. Other territories will be established as necessary.

Office	**Restricted Area Codes**
Raleigh	919, 336, 910, 252
Charlotte	704, 864, 828
Greensboro	336

Open Territories

All other area codes are considered open and any rep can prospect in these areas. New territories will be names from time to time as offices open and become mature.

Understanding Your Commission Report

Our commission report is designed to give you a lot a valuable information. There are several purposes for this report. First of all, it is for you to use to check your commissions against. It can also tell you how you are doing in relation to your peers from an average margin and sales price perspective. Following are the definitions explaining each of the columns on your commission report and how to interpret them starting from left to right on the report.

Students

D – This D stands for DBBasics or total number of paying DBBasics enrollments

R – This R stands for Rep or the number of enrollments you placed in the class

O – This O stands for Other or Oracle enrollments that may offset the class costs

Check this number against your records. All paying students should count including passport and block users. Audits and retakes do not show up in this number.

Hrs
This is the total length of this class in hours. A five-day class would most likely have 40 hours here unless it was a night class. This is total class hours not just the hours that where in the reporting month.

Comm %
This is the percentage at which commissions will be paid. It is based on paying headcount for public classes and a sliding profitability scale for private classes.

% This Mo.
This is the percentage of the class that was held in the reporting month. All revenue and cost numbers to the right of this percentage are adjusted to reflect this percent. If a class spans into two monthly reporting periods, this number is the percent of the total commission being paid this month.

Loc
This is the location where the class was conducted for cost purposes.

<u>Costs Section</u>

These are the costs associated with each location and class broken down into an hourly amount times the number of hours occurring in the reporting month.

Facility:	Cost of the rooms. Offsite classes do not have this charge.
Materials:	Courseware costs. Oracle classes do not have this charge.
O-Head:	All classes share an overhead cost.
Vendor:	This is a per student fee we pay a vendor. This is for Oracle only at this time. It is based on 34% of the class revenue for sessions taught by DBBasics provided instructors. If this is an SSR class (taught by Oracle) then the factor is 70% of Session Revenue. This is to cover the fees that have to be paid to Oracle.
Other:	Any other unusual costs such as a finder's fee.
Night:	This is an additional cost for night track classes only. Currently at 15% of class revenue, this covers the additional costs for Night Track sessions such as instructor incentives, additional advertising and student meals.

Revenue Section

Session:	This is the total revenue for this class in the reporting month.
Rep:	This is the total revenue you (the rep) generated for the class.
%:	This is the percentage of the total class revenue generated by the rep.

Profit Section

Session:	This is the total profit for the session or total revenue minus costs.
Rep:	This is the profit generated by you the rep.
%:	This is the percentage of total profit generated by the Rep. It is total profit divided by rep profit.

Pricing Section

Avg:	This is the average price charged for a seat in this session. This is session revenue divided by all DBBasics placed students.
Rep:	This is the average price you the Rep charged for a seat in this session. This is rep revenue divided by rep placed students.
%:	This is the ratio of rep pricing to average pricing. This is (Rep pricing divided by average pricing times 100) minus 100. A positive number means that you on average sold at a higher price than your peers. A large negative percentage here means that you are discounting a lot more than you peers. Keep in mind that if you have a lot of passport of block users in the class, it may pull down your average pricing.

Margin Section

Avg: This is the margin (profit) for the session as a whole. It is session profit divided by session revenue. This number tells us how profitable the class was overall.

Rep: This is the gross margin you, the Rep, generated. It is rep profit divided by rep revenue. This is the real number to watch. Profit numbers are not as valuable as margin numbers. Margin tells us how much we made in relation to the revenue and resources that had to be committed to earn the profit.

Commission Section

Session: This is the total commission to be paid for the portion of the session falling in this reporting month. It is session profit time session commission percent (Comm %)

Rep: And finally, your commission for this session. It is session commission time rep profit %.

AvgPer: This is the overall average commission paid per student to all reps. It is the session commission divided by DBBasics placed students.
This number is included so that a direct comparison can be made back to the commission estimator.

RepPer: This is your (the rep's) average commission paid per student. It is rep commission divided by rep placed students.

Sales Metrics and Quotas

Metrics and a Sales Manager's Responsibilities

The following section is directed at sales managers however it is included here for every sales person to read because it explains why we have certain metrics and how your sales manager will interpret those metrics to evaluate your performance and to help you be successful. If you are a sale manager, have to deal with a sales manager or ever aspire to be a sales manager, it is important to read this section carefully.

Purpose

Although our managers have many diverse responsibilities, a sales manager's primary job is to make sure that his or her sales reps are meeting the company's expectations. The purpose of this section is to define what those expectations are and the metrics we will use to validate compliance. How well each reporting sales person meets these expectations will roll up to create the metric we will use to evaluate each sales manager.

Sales Margin Quotas versus Sales Activity Quotas

A sales manager has two types of primary metrics to consider while evaluating and managing his or her reps: *sales volume* and *sales activity*. Sales volume is concerned with how much a rep sold, at what margin, who purchased, what services, where purchased, etc. Sales volume metrics are based exclusively on what was actually sold. Sales *activity*, on the other hand, is concerned with what a rep is doing to generate future sales such as contact volume and the use of best practices throughout the sales process. Both of these types of metrics are important tools for the effective management of sales reps.

Sales *volume* is often the best indicator of how well a rep did two to three months ago. Assuming that our typical sales cycle is at least a month long and commission reports come out a month in arrears, this information is the best indicator of sales efforts two to four months prior to the report. Sales *activity* numbers are the best indicators of the sales volume that will be achieved over the next two to four months looking ahead. A skilled sales manager will use these two gauges to get both an historical and futuristic view of how his or her people are doing. Sales managers constantly have one eye looking to the past and one eye looking to the future. You can think of the sales volume report like the odometer in your car and the activity volume report like the speedometer. Sales volume reporting tells you how many miles you have covered previously and the activity indicators like a speedometer tells you how many miles you are likely to cover in the near future.

Observing the ratio of sales volume to sales activity will provide a sales manager with important insights into the people being managed. This information will help the sales manager to head off problems and to provide more accurate coaching. A rep may have a great sales volume and still not be working effectively. For example, a rep may simply be taking orders from sales generated from an overly expensive advertising campaign. A rep may also show a good volume in the short run by living off of last year's account building. Remember that some repeat business is really a given and would be there regardless of the rep's efforts. A seasoned rep can become unfocused and let activity levels drop off. It often takes a few months of declining sales volume before this is even noticed. An effective sales manager will keep a close eye on activity volume and try to fix problems before they show.

By the same token, a poor sales volume does not always indicate a bad hire. There can be many extenuating circumstances. A rep may pour too much time into a large account that goes dry. Sales volume numbers must be balanced with activity numbers when evaluating and coaching a rep. Most sales managers tend to focus too heavily or even exclusively on sales volume. Sales volume alone does not give us the insights we need to help our reps be successful. Volume reporting may tell us whom to fire, but it tells us nothing about how to help the reps we want to keep. Most reps that are doing the right activities will be successful given time and a high sales volume today is not necessarily an indicator of future success.

Sales managers must consider both sales activities and sales volumes. Sales volume is the ultimate indicator by which reps are measured, but sales management focuses more on activity reporting. If all we want to do is hire people, look at their sales volume and fire the ones who don't measure up, activity reporting is not necessary. A sales volume report will do fine, however this is not the art of sales management. A talented sales manager has an incredible ability to coach many poor performers into superstars. A savvy sales manager can also coach good performers into even better results.

It is important to note here that *sales volume can not be coached*, only sales activities can be coached. It is fruitless to tell a rep that they must produce more volume. Most reps would if they could even without being told. A sales manger's job is to help his or her reps to modify specific activities that will ultimately lead to the desired higher sales volume. A careful analysis of sales activities is the only way to effectively coach reps. Most sales managers need to focus less on sales volume and more on sales activities because focusing on volume does not give us the information we need to effect most changes. The sales manager's paradox is simply; focus on activities and the volume will follow.

Analysis of Sales Margin Reporting

Although not as useful in coaching, sales volume is the ultimate indicator of how a sales person is performing. It is the total dollars per months generated by a sales rep. Margin is the amount of gross profit being made each month on these sales. Sales volume must be considered in relation to other volume metrics such as margin and account ownership.

Margin

Part of a sales manager's job is to makes sure that reps are maintaining acceptable profit margins. New reps and even seasoned reps in a slump often have a tendency to trade margin for volume. This is not the art of sales. It is easy to sell almost anything if you give it away. Some base line margins must be established and maintained on average. Volume alone does not tell the complete story. Reps need to have the flexibility to close strategic low margin deals but on average established margins must be maintained. By the same token, some reps will have very high margins, but low total sales volume. Both margin and volume quota must be enforced.

Account Base

In addition to margin and volume, sales managers need to keep an eye on where revenue is coming from. Sales persons have a universal tendency to err on the side of closing all possible business regardless of its strategic value. Many times, a rep will focus on closing one strategic business for a short term gain at the expense of vastly more valuable accounts that are a little harder to close or have a little longer sales cycle. This is the single most dominant, common and tragic characteristic found among sales persons the world over. *The most important coaching information available to a sales manger from a sales volume report is not how much money is coming in, but from where the money is coming*. Sales reps must be managed and coached into focusing their efforts on the gifts that keep on giving. Very few IT services based companies ever got very large without focusing on and developing very large customers.

There are many advantages to *naming* or assigning strategic accounts exclusively to one sales person. It eliminates account confusion. It communicates the importance of the account and it rewards a rep for the extra effort needed to close larger and more strategic business.

There is, however, a serious down side to account ownership exclusivity. If only one rep is allowed to work the account and that rep does not work the account, not only is that rep unsuccessful, we have disallowed any other rep from working the account. Account ownership can be a very powerful and useful tool for a sales manager, but it can also be a formula for failure if the reps owning named accounts are not managed properly. A fundamental premise of account ownership is that every named strategic account must have specific expectations, consistent accountability and quotas.

If a rep has been assigned strategic accounts, the sales manager must make sure that these accounts are represented in the sales volume numbers. If a rep is hitting volume quotas, but not the specific volume quotas within assigned strategic accounts, then that account is probably not being worked. Call lists can be checked to verify this. It is a sales manager's job to make sure that strategic accounts are being worked. Looking at where volume is coming from will help a sales manager do “load balancing”. Reps tend to want all of the accounts possible named exclusively to themselves. It is a sales manager's job to make sure that each rep has enough accounts, but not too many to work effectively. It is not enough to see that a rep is hitting volume and margin quotas as a whole. Each rep must also show volume coming from each strategic named account or a sales manager may need to reassign that account.

Customer retention can be measured through specific sales volume numbers. Sales managers must make sure that reps are not always hunting but taking time to do account maintenance as well. Over zealous reps are often guilty of trading perfectly good existing business for new business. Sales managers watch the volume spread by account to see if any revenue stream is drying up. This could be an indicator of poor account maintenance.

Analysis of Sales Activity Reporting

Sales activity metrics are the best indicators of how hard and smart a rep is working today. This information generally comes from Goldmine call reports. Sales activity includes contact volume, scheduled events, note taking and the consistent use of best practices established for our sales process.

Contact Volume

Meetings, phone calls, emails, faxes, etc. are all considered contacts if completed with a prospect or client. Mass emailing and mass faxing does not count towards this number. Contact volume is the single most important activity indicator. It is the clearest metric for how hard a sales person is working today. It along with historical sales volume reporting can be very insightful for a sales manager. A high activity level along with a poor sales volume can indicate a need for sales training. A high sales volume level and a low activity level can indicate that a representative is an "order taker" living off the fat of the land or past efforts. Very high activity levels can indicate that a rep is not managing their time well and scheduling callbacks too frequently or that they have an inability to discern which clients to pursue. Activity levels are the best indicators of future sales volumes especially for the upcoming two months. A low contact volume may also indicate a reluctance to use automated sales tools. This is the most serious problem sales managers face. It will be discussed later. Sales managers are required to review contact volume levels and manage their workers to the organization's standard activity quotas.

Call List Histories

Most SFA tools can also produce a list of all contacts made by a sales person over a particular time period. This level of detailed analysis is not always required, but should be done once in while. If a rep argues that they are not hitting targets in a named account because there is no business to be had there, this may be the case or the rep may simply not have worked the account very hard. A review of the rep's calls will demonstrate how much effort has actually been put into each account. A review of some of the call histories can also give insights as to whether a rep is calling some contacts too often or not often enough. New reps especially tend to schedule callbacks too closely together. This is not only inefficient, but tends to lead to large call rollover later on. A discussion of a few specific examples can lead to some excellent time management coaching. Specific histories should also be reviewed to make sure that reps are taking adequate notes. Some reps do not document enough to sound familiar the next time they call a contact back. Other reps take so many notes that they are unable to meet call volume quotas. Excessive documentation can be a form of call reluctance and just as detrimental as taking no notes at all.

Rollover Ratio

This is the number of scheduled activities rolling forward each day in Goldmine. All reps are required to have the auto-roll over option turned on in Goldmine so that no scheduled activities are lost and forgotten about in the past. This feature also allows sales managers to evaluate the workload of each sales person. On average a rep should have no more than a few dozen calls rolling forward from the previous day. If a sales manager sees many calls rolling forward each day and sees a low contact volume, the rep is just getting behind because he or she is not working to meet call quotas. If the rep in this situation is maintaining contact quotas and is just not able to keep up with the scheduled activities, the rep may have too many assigned accounts. The sales manager may need to help this rep with priority setting and/or reassigning some accounts to other reps.

Meetings to Call Ratio

This is the number of in-person sales meetings in relation to phone calls being made. Phone calls tend to indicate order taking or prospecting. In-person sales meetings tend to indicate more strategic relationship building and higher level sales activities. There is no clear universal quota for this ratio. A sales manager should communicate to each rep individually the ratio of outside to inside sales expected. When this ratio is out of balance it may indicate many things. Some reps use outside sales as a form of call reluctance. They keep visiting the same clients where they know they will get a warm reception. Newer reps may go on in-person sales calls with anyone who will meet with them as they fail to do adequate prospecting and pre-qualifying phone work. This may be the case if the sales volume is also below expectations. Other reps may hide behind the phone in fear of making onsite presentations. This can lead to some volume from the account, but it is not likely to lead to an outsourcing deal or larger relationship with the client. What do you expect from a rep? Have you communicated it? Do you analyze what's going on?

Special Activities

Almost all organizations have some special activities they want their reps to focus on from time to time. It may be a particular type of account, offering or territory. Specific activity quotas can be put on these activities. Sales managers must evangelize these campaigns or best practices and consistently meet with each rep to review performance.

Special activity quotas are especially useful in getting reps to follow procedural best practices such as the tracking of clients who may be candidates to take some future training classes. Quotas in the past have been set for proactive resume submittals, knowledge management presentations, seminar invites, perm placements, etc. Special activity quotas can not only enforce ongoing best practices, they can also be used to rally your sales force towards a special objective. Keep in mind that special activity quotas such as R2Web sales, etc. are the most difficult to enforce because reps know that these are short term goals and not part of their ongoing long term evaluation process. For this reason, sales managers must be especially consistent when rolling out special activity quotas. Explain the reasoning, the time frame, the compensation, etc. And above all, do exactly what you say you are going to do. *Sales managers who ask for a particular activity and then never follow up to check the metrics loose credibility with their reps and have a very hard time leading them in the future.*

The Importance of Using Sales Automation Tools

Managing sales reps is arguably the most difficult management job there is. Getting reps to consistently use sales tools and even the most obvious best practices is an ongoing challenge. Sales people spend their days working around systems that clients establish to keep them out. They are told they must adhere to a particular vendor list and they immediately figure out how to work around it. *We want our sales people to be experts at circumventing client systems, but not our internal ones.* This is what makes sales management so challenging.

The fundamental non-negotiable rule that all of our sales people and sales managers must embrace is the steadfast use of our customer tracking software: Goldmine. Professional sales managers and reps will agree that they could not do their job effectively without such a tool. Trying to make thousands of sales calls and track hundreds of decision-makers without the use of an automated tool is as difficult as trying to dig a canal without the use of a shovel. A sales person refusing to use these tools may generate some sales volume relying on human memory and manual calendars, but they will not reach even one tenth of their potential. They can not do so because the human brain can not track all of the variables and bits of information necessary. They may get some business from a large account, but they will not be able to penetrate the account systematically. As they generate new business, they will forget to follow up on existing business. Their capacity is limited.

Sales managers must be experts in the use of their sales automation tool. It is the machine by which they run their business. Trying to manage a sales group by volume reports alone will never come close to producing the kind of results obtained by seasoned sales management professionals. It would be as inefficient as trying to run the accounting for a large company without the use of an accounting software package.

Methodology for Sales Management

The following methodology can be used as an outline for building a successful sales management process.

- Establish the required activities and best practices you want your sales reps to do.
- Set the metrics by which you will assess each rep's progress.
- Analyze both volume and especially activity reports monthly.
- Meet with each rep each month to review his or her metrics.

In general, reps will only do what you ask them to do and they will only do it then if they believe there will be a consistent accounting by their manager. And sometimes, they will only do this if they believe that there will be some compensation tied to that accounting. The key word here is *consistent*. Managers must be extremely consistent with their stated expectations and reviews. Metrics and best practices must be established and enforced uniformly company wide. It is important that management speak in unison on these matters as sales reps will actively seek out ways to circumvent the processes established for their success. It is in their nature to do so even though they may admit that doing so is self-defeating. No one likes to be assessed especially sales reps, but with proper education, reps will begin to accept that these systems are in place so that we can help them be more successful. These practices will give us the ability to scale as an organization. Once they are commonplace, the reps, sales managers and company can thrive.

Using Activity Codes in Goldmine

The simple rule is this:

"If it is not documented in Goldmine, it did not happen."

It is critical that all reps document each contact. This is important for several reasons:

1. So as to remember where you are with each account, what you have tried, what you have promised and when to contact again.

2. So that your metrics will accurately reflect the amount of work you are doing.

3. So that your claims to account ownership will be supported

Here are the activity definitions and codes we use in Goldmine. This code can be selected from the code field on the scene each time you clear an activity. Right clicking in this field will bring up the list of codes.

Contact Volume

No Code is used. There is no code needed here because all contacts count. This includes all customer contact such as calls, leaving messages, emails (except mass emailing), letters, outside sales calls, KM presentations, etc. All you need to do to is complete the activity and it will be logged.

Outside Sales Calls

Code is OUT. We can not just track meetings because many meetings are internal or not sales related. This is a meeting outside of the office with a prospect or client. Meeting with students here taking a class does not count.

Prospect linking

No code needed. The reference note says "referral" so Goldmine tracks this automatically for us. This is linking a prospect to the potential class. Right click in the referral tab area to make this link. Prospect linking is a tracked metric, but they do not count towards total contacts. The contact made to determine that this link was needed does count.

Special Interest Group

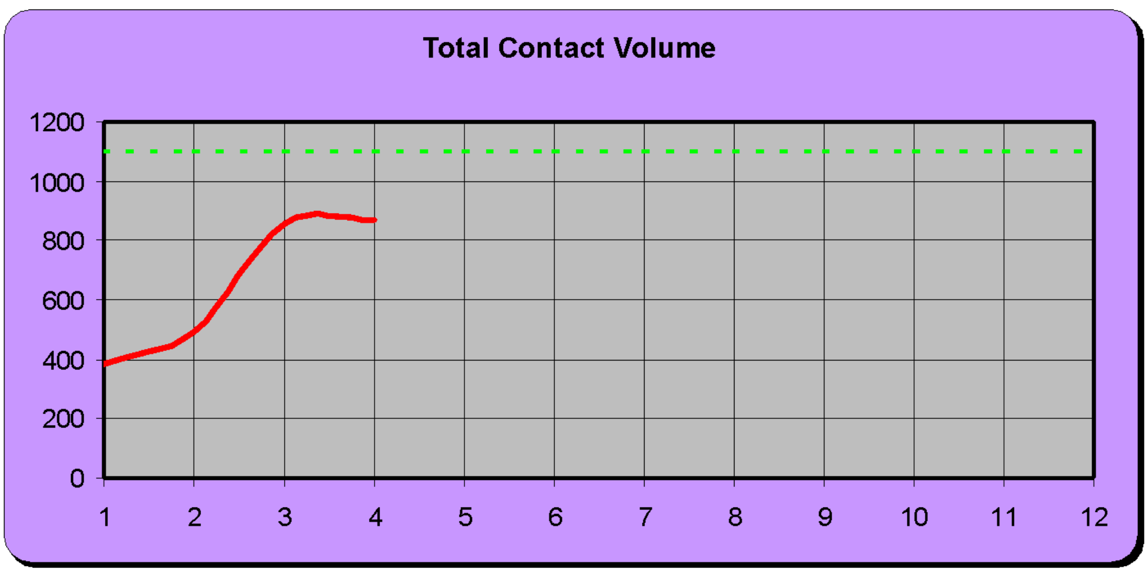
Code is SIG. This is attendance at a user group meeting.

Joint Sales Meeting

Code is JSM. This is going on a joint sales call with your immediate manager who listens and evaluates your presentation.

Presentations

There are two types. Knowledge Management Presentations code KMP and Lunch and Learn Presentations code L&L. These are all in the drop down boxes when scheduling activities. Although many people may attend these meetings, only one contact should have the code. Each meeting counts as one code not one for each person attending the meeting. If five people attend the meeting you will want to document that you met with each on their individual contact record. Each cleared meeting will count as a contact but only one of the meeting should have the special code.



Goldmine Best Practices

Roll Over Ratio

All reps should strive to keep rollovers on average under 50. Large roll over ratios are a sign that a rep is either not working very hard or that he or she has too many accounts. This may also mean that the reps is not using good time management skills in determining when to contact each prospect.

Alarms

We also need to make sure that all reps have alarms defaulted off under preferences. If an alarm is required, it can be turned on manually but we should not have scheduled activities defaulted to alarm. Reps using extensive alarms are most likely not using Goldmine's timed/timeless scheduling feature.

Timed/timeless Scheduling

All reps should be distinguishing between timed (time sensitive callbacks) and un-timed (basic prospecting calls). These show up in different places and make it much easier to set priorities. Some reps are not doing this and missing opportunities when calls back up in the same bucket.

Auto Roll Over

The Auto Roll Over option should always be turned on. This will keep reps from loosing calls in the past by forcing them to roll over to the current day.

Good Scheduling

Each rep should make sure that he or she is actually using Goldmine as a scheduling tool and not just a history logger. Calls should be spread over various days into the future. This demonstrates to us that the rep is listening for clues when to call a client back and using good time management skills.

How Overall Performance Scores are Derived

There are two major indicators of performance upon which every sales person is evaluated each month: an activity score and a margin score. These scores as a percent-to-quota are averaged together, being equally important, to form the combined score. The combined score, however, is not the true indicator of performance, but rather only one indicator of performance. The real evaluation is the subjective score given by a sales manager who takes into account many factors including the level of performance in each category independently.

Sales Managers use these independent and combined scores along with personal observations and the attainment of specific goals each month to come up with their subjective rating. *The final subjective ranking should not exceed one score level above the lowest independent score.* For example, if a sales person were at 200% of her activity quota and only 1% of her margin quota, the averaged <u>combined</u> score would be around 100%. This is not an "A" or "exceeds all expectations" kind of performance. The subjective (real) score given by the manager in this case could be no higher than a "D" or "below average" because the final score can be no higher than one grade about the lowest of these two scores independently.

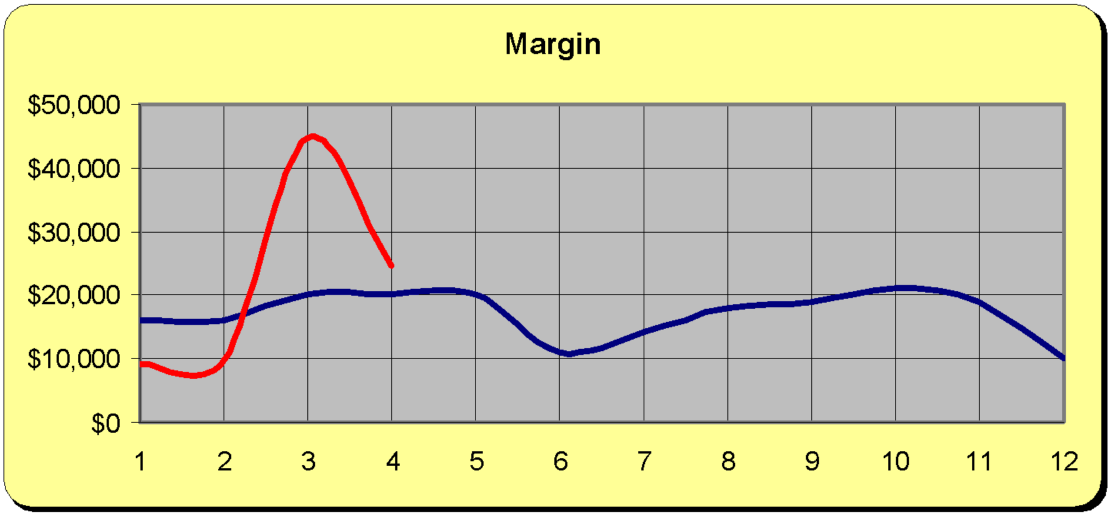
In the example below the combined average score is 70% but the Final Score can only be a 60% "D" because the lower of the two independent scores was a 50%.

Margin Score	90%
Activity Score	<u>50%</u>
Combined Average	70%

Subjective Final Score 60% (one grade higher than 50%)

This grading system emphasizes the importance of both metrics and the realities of our business. For example, when making a cake, you can not double one ingredient while leaving out another ingredient and hope for a successful outcome. Nor can you double the size of one wing of an airplane and justify leaving off the other wing.

This is intuitively fair. Persons who work very hard exceeding activity quotas may not have the margin show up for a month or two. These persons should have their low margin score offset by their hard working activity score. Likewise a person who is basically "order taking", that is high margin but low activity, should not be ranked "outstanding" simply by virtue of the accounts they happen to own. The true caliber of the sales professional can only be



determined by considering both their ability to maintain existing margin streams and grow their business through prospecting and deeper account penetration. The latter can only be accomplished through sales activities.

Emailing, Mass Emailing and Contact Metrics

Emailing is a double edge sword. It can be a powerful, fast and effective sales tool. It can also offend your client base and serve as a form of call reluctance. Here are some suggested guidelines for using email.

Avoid using mass email or Spam. This is when you send the same form message to a large number of recipients. Try rather to use personalized person-to-person email even if you are doing a lot of cutting and pasting of the texts. Mass emailing does have a place here but it should be used sparingly and carefully such as a tasteful broadcasting of a new training schedule. Remember that all mass emailing must be pre-approved by your sales manager and sent from the server not from any one desktop. It is a form of marketing that makes a large reflection on the company like a brochure and needs to be done with careful wording.

Mass emailing and email in general that lack personalization has an air of rudeness about it like the VISA card company that uses a tape recorded sales message to interrupt your dinner. Try to personalize all email messages with an explanation of why you think this information will be of use based on your specific knowledge of the client's needs.

There are other downsides to email. A personal "two-way" conversation is almost always better for selling purposes. It gives you an opportunity to gather intelligence, overcome objection and to ask for referrals. Such conversations can be effectively supplemented through the use of email, but email should never be viewed as a substitute for personal dialogue.

Email and Activity Metrics

We want to encourage our sales professionals to use email as a valuable tool but we also want to discourage them from hiding behind email to avoid sales rejection or from using mass email as a means to artificially inflate their sales activity numbers. To this end the following policy will be used:

Mass emails will not count as activity contacts. Individual and personalized email will count so long as the number of email sent in a given month does not exceed 30% of the total contact volume for that month. For example, if you have 1100 total contacts one month, no more that 30% or 330 of those contacts should come from emailing. You may exceed the 30% number if you deem it necessary, but the excess email messages will not count towards your activity contact metric. This policy will encourage our sales force to judiciously use email.

Our Training Services

Definition of Services

Training services are defined as those services that involve an instructor teaching in front of a class. They are public training, private training and customized training.

Before we begin a discussion of the various educational services we offer and how to sell them, it is important to understand that, strangely enough, the selling of these transactional services is not our primary goal. Your goal for the day might be to add on more person to that public class or to sell those mentoring hours, but we must never loose site of the fact that these are means to an end and not the end itself. Our ultimate goal is to become a partner with our clients to manage the outsourcing of all of the training and learning services. Each transaction sell is merely a step towards that ultimate goal.

Our true and final destination with clients is the complete outsourcing of the management of their intellectual capital. We are building an infrastructure that will provide all of the services and software necessary for us to do this better, faster and more cost effectively than our clients can do it internally. We will discuss this in more detail later.

Public Training

These are the regularly scheduled classes held at DBBasics, Inc. facilities. They follow a set outline and usually are not customized to meet the needs of a particular student. These classes are best for clients with generic training needs and less than five students to be trained. Public classes are also well suited for decision-makers evaluating the capabilities of new products. After custom training a large group for a specific client, public classes can be utilized for training new hires or stragglers. Our publicly scheduled classes are typically certified by the vendor such as CTEC for Microsoft tools and OAEC for Oracle. *Our custom classes can be non-certified or modified certified depending on the courseware and types of customization required.*

Custom Training

Custom Training is a class designed for a specific client. It can be conducted at DBBasics, but usually it is held at the client site. In addition to the price of the class, clients typically pay for the instructor's travel and lodging expenses. Custom classes are not listed on our public class schedule. They are arranged on the fly subject to our instructor's availability and the client's timeframe. There are some advantages to custom training. Custom classes can be taught when and where the client prefers. These classes can be customized to cover specific topics or tailored for a particular audience. This greatly maximizes the amount of benefit from the expensive "*down time*" training creates. Instructors also have greater flexibility to spend time answering students' specific questions. The down side to on-site training is that students are sometimes called away from class to perform work functions compromising their training experience.

Training Objection Handling

Objection: Will I pass certification tests after taking your training classes?

We can not promise you certification, but we can promise to do much more than other training companies to prepare you to pass certification tests. Our MS classes and courseware supplements are specifically designed to help developers and system engineers to pass MSCD, OCP and MCSE certification tests. Our systems classes for example, are designed around the MCSE Roadmap for certification and we are a certified Sylvan testing center administering these tests. All of our developers and trainers at DBBasics, Inc. have passed certification tests, getting some of the highest scores possible, with no training preparation other than the MCSD or MCSE training resources available to them through DBBasics. Our instructors give helpful advice about passing the certification tests during the class and we provide free study sessions and sample tests for students to practice on at no additional charge. We also offer a certification guarantee stating that you can continue to retake any class and utilize our certification preparation services at no charge until you are fully certified.

Objection: All CTEC Training is the same. You guys all offer the same stuff using the same materials.

A lot of our clients have felt this way before actually attending our classes. Few if any training companies have the breadth of real world experience that we have at DBBasics. We have successfully delivered over 800 custom software development projects and consult extensively with the networking and database tools we teach. Our instructors are real world developers, project managers and system engineers who typically teach no more than 50% of the time. The rest of their time is spent consulting with our clients in the real-world implementation of these technologies. They use these experiences to add interest and practical insight into the classes that they teach. *We fundamentally believe that if a company cannot consistently and successfully deliver major projects utilizing these tools, then they should not be teaching others how to do so.* We offer much more than a "talking head". Our real-world instructors will teach students how to work with and around a tool to get the job done. *We supplement the CTEC courseware with current relevant information such as bug documentation, incompatibilities, software patches and work-around fixes.* These are never a part of the static CTEC materials because they are printed once and never updated. *Our courseware supplements are an extension of our real world experiences with the products we teach.* *

*** Note** *You must be able to differentiate DBBasics, Inc. from any competitor. Learn your competitors in your local market. Think about how we are different. Perhaps they do not have a reputation as a software development company. Perhaps they are not a certified testing center. Be careful about trashing competitors, but feel free to tie facts to benefit statements. For example, many of the training companies in Raleigh have tried to deliver software development projects and failed. They have all given up on this as a profit center. We believe that a company that fails at delivering software development projects is not well qualified to teach others how to do it.*

Objection: **I thought DBBasics was just a software development company. I want a company that specializes in training.**

We are noted for our high profile custom application projects, but we have always had an education focus as well. We see these dual focuses as the secret to our success in both areas. It is through the real world implementation of these technologies that we are able to provide superior training and education services. We train thousands of students each year and go on to assist many of them with the real world implementation of these technologies. We offer much more than a training class. We offer complete knowledge transfer services that include mentoring and consulting. We believe that only companies that can utilize these tools in the real world should be teaching others how to do so.

Objection: **We use a particular VAR for our network services training because they offer a more complete solution including selling the hardware and software we need.**

Most companies that are offering technology evaluation and implementation services have closely aligned themselves with certain hardware and software vendors. They tend to be what is known in the industry as Value Added Resellers (VARs). For example, they may be a "Novell Gold Reseller" or a distributor for a particular hardware manufacturer. *Most VARs are focused on the sale of product and use services to facilitate that end.* It is very difficult for these vendors to recommend solutions for which they will not benefit through the sale of additional product. Their main focus and profits come from the sale of product. *"If all you have is a hammer, than everything looks like a nail"* or in this case, "If you make your money selling nails, then all your recommendations will require nailing." We differentiate consulting services at DBBasics by resisting the urge to resell product and by refusing to align ourselves with any particular vendor for the purpose of reselling their goods. While it is true that we are a Microsoft Partner, Oracle Training Center, Solomon Development Center, etc., these are technical alliances only. We do not resell any software or hardware from any of these vendors. *This allows us to be unbiased in making recommendations to our clients.* Often, clients will utilize us to analyze what hardware and software they need or even to write an RFP because of this built in objectivity.

Objection: **If I get my people training and certifications they will want more money or go work for a competitor who offers them more.**

This is a really poor argument, but one that we might increasingly hear. You may simply be hearing your client's frustration with the high turnover rates and escalating salaries currently being endured by IT managers. The fact is, better-trained employees are more productive and as such do command higher salaries. However, studies have shown that developing these skills in-house is generally more cost effective than purchasing these skills on the open market. Use your sales collateral to prove this point. Employees do feel some loyalty to employers who offer them career development. They will generally stay with an employer who invest in them if, when they become significantly more productive, their salary is adjusted accordingly. The problem is that many employers fail to recognize the significant increase in contributions being made by well-trained staffers. They tend to view the individual as being the same. If productivity increases by twenty percent and salary costs only increase by ten percent, there is a ten-percent overall savings to the employer. The cost of training is insignificant in relationship to the greater productivity being generated. We will discuss this more in the "Learning Curve Costs" section.

Facts/Benefits of our Training Services

For over a decade, DBBasics, Inc. has been providing training in the latest tools and techniques for professional software developers and system engineers. When selling our training services keep one phrase in mind.

"Real World Training"

This is how we differentiate our training from that of our competitors. Most of our competitors only offer training as a service. They do not specialize in delivering "real world" software development projects or in the implementation of the networking tools they teach. *We believe and have built our training services on the premise that only actively involved developers and system engineers are qualified to teach our classes.* There is a big difference between a *"talking head"* instructor and a real technology combat veteran. Most of the sales points discussed below center around the real world nature of our training. Use this phrase over and over again while differentiating us from other training companies and while selling our training services.

All Education Specialists should memorize the following sales point and be able to communicate them with conviction at the drop of a hat. Try to memorize the first few paragraphs.

1. Our Instructors have real world hands-on expertise

We require our instructors to have real world hands-on experience in addition to a professional training background. *Most of our trainers teach no more than 50% of the time.* They are continuously working with or managing real world implementations. They use these real world examples to add interest and practical insight to the classes that they instruct. You will not get an academic or talking head instructor at DBBasics. Our trainers have on average thousands of hours of real technical combat experience using the tools they teach. They can identify bugs in the products, new patches, and work-around-fixes. They can discuss application framework, roll out issues, pitfalls and best practices in relation to a particular tool.

Our instructors are our best training sales tools. Get them on the line with a training decision-maker whenever possible. Tell your prospect that she can discuss the course outline or possible customizations directly with the instructor. Fax over the instructor's resume and maybe a few really good evaluations from a recent class. Everyone knows that the quality of the instructor makes or breaks the class.

2. We have Hundreds of Excellent References

Over 500 different companies have chosen DBBasics to provide their IT training. Most of these companies are fortune 1000. Drop some big names of clients for which we do training. Check out our customer list in Raleigh and see if any of those accounts have a presence in your territory. Utilize our good name and reputation in the Triangle. Try to get your client to talk to some of the students that have attended our classes. Tell your prospects with confidence,

> *"If you have any concerns, I strongly encourage you to talk to some of the students who have taken training with us."*

3. Our classes are Cost Effective

Although our classes are among the most cost effective in the nation, the most expensive part of training is not the price of the class. The most costly part of training is the nonproductive "down time" companies endure while their developers come up to speed with a new tool. *IT professionals are very expensive these days and slow learning curves can cost thousands of dollars in lost productivity per student. In fact, the cost of the class is* *insignificant when compared to the real cost of learning a new tool. Developers and System Engineers must be thoroughly and systematically taught new tools in order to shorten these expensive learning curves.* Many IT professionals have taken a class with one of our competitors only to retake it with us. Their employers know that the cost of an additional class is insignificant in comparison to the cost of a prolonged learning curve due to poor training. Our training is cost effective up front, but even more important, it is cost effective after the class where it counts the most.

4. Real World Emphasis

Built around our real-time courseware and courseware supplements, our classes are designed to make IT professionals productive with a new technology as quickly as possible. We teach much more than what buttons to click. *We focus on how the tool is used in industry. Both the strengths and weaknesses of a tool are discussed and how real IT professionals work with and around that product to get the job done*. After all, we earn our living at DBBasics by successfully implementing these tools in the real world. *This emphasis on the practical helps our students in quickly becoming productive with a new tool by covering more relevant material faster.*

5. Our Training is Continuously Evaluated and Time Proven

Our classes, courseware and instructors have been evaluated by thousands of students over the years. *Only certified instructors who consistently average the highest student evaluation scores teach for DBBasics*. In fact, our instructors are financially penalized for less than outstanding scores. They must have excellent communication skills as well as the technical skills. *Our classes and trainers have been perfected over the years through these evaluations.* Our on-going quality assurance practices insure that our new classes maintain the same excellent level of consistence as our older courses.

6. Our Training is Flexible

Our training services provide flexible options to meet client's specific needs. Our public classes are offered regularly and they are inexpensive for training small numbers of students on an ad hoc basis. Our customized classes can cover topics that may be unique or of special interest to a particular organization. Specific tool kits, ActiveX controls, ODBC drivers, database issues, application framework issues, etc. can be incorporated into a class. Our instructors will work with our clients to develop the class outline that best fits their needs. Remember that the lower productivity caused by the learning curve after a class is the most expensive part of retooling. *Customized classes are great at targeting specific needs and minimizing this costly learning curve.*

7. Our Training is Hands On

Our typical class is designed for each student to have his or her own PC. Our training manuals are tightly integrated with the software solutions and examples disks. *Because programmers learn best by doing, our classes provide immediate "hands on" opportunities for students to apply each new technique as it is presented.* Our classes have been meticulously tailored to spend just the right amount of time on each topic. As new topics are presented, they are related to previously learned skills.

8. Our Facilities are Excellent

From the large roomy classrooms, to the high back tilt and rock chairs to the state-of-the art InFocus projector units, our training experience is top notch. Each room has its own climate control unit. Students enjoy all of the goodies they want during our classes.

9. **We offer the best of breed training materials for our clients**

For some classes, we believe that authorized courseware such as ATEC is superior, while in other cases, we utilize our internally developed materials. Still other times, we recommend the certified courseware but supplement it with more up-to-date information. For some advanced classes, there is no certified material available. At other times, we use our own courseware because the authorized courseware is slow to market and well behind product release dates. In general, we believe that most certified material is good especially in the MCSE track classes. *Authorized material, however, is quite static i.e. printed once and not updated again until the next version of the product is available. The best thing about our courseware and courseware supplements is that they are dynamic.* Whenever new bugs or incompatibilities are discovered or work-around solutions are published on the web, technical magazines or email forums, we integrate them into our courseware and authorized courseware supplements before the next class. *Unlike most authorized training companies that use pre-published literature exclusively, our materials are literally an extension of our own "real world" experience with the tools.*

Training Discount Programs

Passports

Passports are passes that allow the holder to take any class we offer for a year for a flat rate. If a student is planning on taking several classes, the passport is a great value over the cost of paying the full public price for class. Recommend passports to clients who are signing up for a second class. Tell them that we will credit some of the price they paid for the first class towards the price of the passport. Passports are a great way to reward and to lock your best clients into taking all of their training with us. Typically, passports are non-transferable. Passports are void if the passport holder leaves the company that purchased the passport. From time to time we may offer specific track passports or package certification testing in with the price of the passport.

Blocks

Blocks amount to prepaid volume discounts. A Block is a pre-purchased group of days of training. Blocks are purchased at a significant discount depending on the number of days purchased. Any person in the purchasing organization can use the pre-paid days to register for training if the block administrator at their company approves them. A Block is good for two years before it expires. Again, this is a great way to lock your best accounts into taking all of their training with us. The following are some benefits of purchasing blocks:

- **They save you money.** Call up your favorite training coordinator and say, *"I know of a way for you to knock up to 40% off the cost of your developer and system training this year."*

- **They save you time.**
  Clients do not have to get a new PO for every class. One PO takes care of everything.

- **They lock in your rate.**
  Our prices go up every year. Blocks allow a client to purchase training that can be used for up to two years at today's prices.

- **They do not limit your options.**

Blocks include classes we do not even offer yet. Any new classes we offer next year can be purchased using this year's blocks.

Certification Tracks

Certification Tracks are series of class and test bundled together that lead to a particular industry certification such as the MCSE, MCSD, OCP or DBO certifications. These tracks are usually include the following:

1. All required classes and courseware
2. All Sylvan certification test
3. Practice Self test Software
4. Night Classes include dinner

Our Consulting Services

Definition of Our Consulting Services

Whereas our public training classes are sold by the seat or by the class, our Consulting Services are typically sold by the hour. Our Staff is tasked with helping clients select, implement and utilize new technologies. They assist clients in evaluating the pros and cons of various tools and techniques. They consult on implementation and integration issues with legacy systems. They help clients determine *"best path" solutions* while considering benefits, costs and current skill base perspectives. They are focused on *knowledge transfer* rather than on providing a black box solution. They focus on empowering clients and helping to make clients more *self-sufficient.* Here are some of the consulting services we offer:

<u>Evaluation of New Technology</u> We can help clients evaluate new technologies such as development tools, databases, hardware, network operating systems, etc. Because we do not sell specific hardware or software like most of our competitors, our clients can be *assured of our objectivity.* It is important to consider the total cost of new technology implementation including the organizations' *learning curve* and long term maintenance costs. Our organization and consultants are especially well qualified for this task. They can help clients determine how to best utilize their selected technologies.

<u>Mentoring</u> Our instructors can work directly with one person or a small group to solve specific problems. We jokingly say during classes that if you like this instructor, you can take him back with you. This service is also a benefit that helps us in differentiating our training. Mentors not only solve problems, they also explain what they are doing and why.

<u>Implementation</u> We can do much more than hold a training class on new technology. We can follow our students back to their respective companies and work with them through the installation and implementation phases. We view this as an *extension of the learning process* where the theory of the classroom and the realities of their specific situation merge. Combining training with consulting is a powerful vehicle for knowledge transfer. In fact, we believe that an education-focused individual should conduct implementation consulting or else a valuable *teachable moment* may be lost.

<u>DBA Services</u> Besides teaching database technology like Oracle and SQL Server, we can also help our clients with the hands-on installation, version upgrades, data migration, performance and tuning and disaster recovery plans for these technologies. Our Data Base Administrators' goals

are the transfer of knowledge to our clients. Unlike many DBA consulting services, our company comes from a long history to application development. We have the internal expertise and experience to consult in the area of database design and the associated application development issues. Our DBDoctor program is a service where we evaluate Oracle database based on Oracle's published best practices and deliver a status evaluation to the client. This service is becoming very popular.

Project Seeding This is designed for a client who is moving to a new technology and has a project deadline looming. For this client, we offering team seeding where we supplement their staff with one of our mentors. The client takes full accountability for the deliverable, but our instructor works to assist the client's developers on the project by being on hand to answer questions and to analyze plans. This is a real value to the team as they have someone working with them who understands both the project as hand and the new tool being used. Seeding a team is a great way to increase the productivity of the entire group learning a new tool.

Prototyping Under this model, we assume responsibility for a short term (less than a month) deliverable or *proof of concept* application. These are short and very focused prototypes to be used by a client as part of a study. They are not applications ready for users and production and do not go through our typical project solutions QA process. They may, however, become the basis for a project solution.

Maintenance and Support We also offer on-going support as needed. Sometimes our clients will need network stabilization or assistance solving a specific software or networking problem. It may not be cost effective for our smaller clients to keep a high caliber MCSE or DBA on their payroll full time when they only need occasional support. For these clients we offer "*just in time*" IT services. Clients may purchase one week a month, two days per week, or any regular amount of our consulting services.

Retooling Programs This hourly consulting work is designed to help our clients decide how best to retool their IT staff with new technologies. It may include skill testing of their current staff, *curriculum development* and training rollout implementation plans. For example, COBOL mainframe developers may need to start out with an OOP overview class followed by a GUI design or RAD Concepts class. If they are not familiar with relational databases, an introduction to MS Access class might be appropriate. Their visual tool of choice might come next such as VB, VF or Powerbuilder. This training might be followed by classes in their chosen database such as SQL Server or Oracle. Depending on their development strategies, a class in web development such as VI or Java could follow. All of this might be topped off with a custom designed class on their new application framework. We might propose project partnering for a time. We might also design testing to certify the newly retooled developers.

Benefits of DBBasics Consulting Services

Following is a list of the benefits associated with our consulting services.

- **Our Consulting is Education Oriented**

Consultants in the IT industry tend to offer *black box* solutions only. Their typical procedure is to sell a tangible good, make it work and leave. The philosophy upon which our Technology and Education Division is built upon is very different. We view the implementation consulting as a continuation of the learning and knowledge transfer process. *Everything we do and the way we do it is designed to make our customers more self-supporting*. The educator's mindset is totally different from that of the typical tight-lipped, "keeper of the trade secrets" contractor's mentality. In general, clients will get more for their money in the long run utilizing our consulting approach than they will from our competitors offering non-education oriented service. Besides specific problem solving we can implement a more comprehensive program to transfer knowledge and skills.

- **Our Consulting is Comprehensive**

Unlike most network services consultants or system integrators, DBBasics has tremendous software development expertise. Infrastructure, after all, is there to support the application software we need. There are many benefits to having a company that really understands the development of custom application software and the foundations supporting it. We offer a more comprehensive solution from the network servers and firewalls to the application software and databases. Having one vendor who can provide all of these services is beneficial in many ways. It avoids the typical communication errors and *finger pointing* that often exists in multi-vendor solutions. When we take accountability for a solution, we take full responsibility for all aspects of that solution. *We are accountable*.

- **We are Total Solution Oriented**

As with any of our divisions, we can offer our clients lots of creative cross-division solutions. For example, one of our MCSE trainers/consultants may determine that a client needs a full time administrator for a system. He or she can get our staffing division involved to locate such an administrator for the client. We may discover that the infrastructure is fine, but the software applications need modifications. Again, we can offer a complete solution even if that solution is just training our clients to do the work for themselves.

- **Our Consultants are Certified Professionals**

As with all of our technical staff, new certification each year is mandatory. We encourage this by offering our consultants and trainers paid training, paid study time, paid certification testing and bonuses upon completion. It is unusual to find so many diverse new certifications within the same company. Our commitment to the systematic acquisition of new technology means that our clients will get the most accurate and latest technical information available from our consultants.

- **We tend to develop expertise with specific newer technologies early.**

Because of our education focus, our consultants and trainers tend to learn and gain expertise with specific new technologies earlier than most of our competitors. Because we must teach these technologies and develop courseware for them, our Technology and Education Professionals tend to be more experienced and familiar with new technology. There are a number of specific new technologies with which we have significant depth of experience. We can leverage this knowledge early on to assist our clients while some of our competitors simply learn at their client's expense. *We share our expertise with our clients rather than asking our clients to finance our learning curves.*

Knowledge Management Services

Defining KM Services

These consulting services are centered on implementing our methodology for managing intellectual assets. We define knowledge management as best practices applied to the comprehensive and systematic acquisition, development, organization, utilization and sharing of knowledge within an enterprise. Technical organizations and departments tend to have the greatest need for and benefit from knowledge management although non-technical groups have also benefited substantially from a KM initiative. We believe that knowledge management is the key to significant increases in productivity, employee retention and the effective use of training, HR and departmental budgets. To learn more about knowledge management it is important that you read our white papers on the subject.

Competency Modeling

Our comprehensive knowledge management consulting services incorporate areas such as the crystallization of an organization's technical vision, curricula development, needs analysis, establishing metrics, skills assessments, and the construction of a knowledge management matrix. Our knowledge management implementation methodology identifies the critical success factors and pitfalls associated with KM initiatives. Although such projects seem relatively straight forward, they are mired with obstacles. A recent study said that less than 20% of such initiatives actually succeed. We pride ourselves in our ability to facilitate these projects to success.

Performance Management

Knowledge management systems are built on accountability. Skills and proprietary knowledge must be quantified and validated. The use of metrics significantly improves material retention and affords us insights into the returns on our training investments. Studies have shown that students score on average 30% better on tests when they were made aware that there would be a test after attending training. Testing and the establishment of other good metrics such as evaluations and productivity measures underscore the fact that an organization expects a return on its skills-acquisition investments. Metrics are an important part of managing intellectual assets.

Intellectual Capital

Most corporate managers today would agree that their company's intellectual capital, (the knowledge and skills their workers possess), is their most important company asset. Yet, few organizations have taken the time to implement internal systems to comprehensively develop, monitor and measure these illusive assets. We encourage organizations to think about and treat intellectual capital as they would other corporate assets and to implement appropriate inventory control practices for these extremely valuable intangibles. Only when such systems and procedures are functioning can we effectively control the high costs of financing learning curves, low productivity, worker turnover and lost proprietary knowledge.

Courseware and CBT Development

As we work with clients to quantify required skills and knowledge by job function, we often discover that organizations have much proprietary knowledge such as internal procedures and nomenclature that have never been organized for transmission to new workers. We work with line managers to quantify this knowledge and to build appropriate training, orientation or reference material. Such material can increases productivity, reduce errors, encourage innovation and play a valuable roll in secession planning. These projects are typically small and not very costly, but their benefit can be enormous.

Application Hosting

Many organizations succeed in competency modeling only to have their implementation fail due to a lack of technical infrastructure. DBBasics offers a cost-effective and sophisticated software hosting service that allows our clients to manage every aspect of their intellectual capital through a simple browser interface. Whether you host your own software system or use our hosting service, it is our belief that knowledge management is only possible when job descriptions, skills, metrics, testing, learning events, evaluations and organizational and individual goals are all incorporated and linked together through a single comprehensive system. Most organizations today are plagued by diverse and isolated systems providing partial pictures put lacking the continuity to comprehensively manage intellectual capital.

Managing Intellectual Capital

The main difference between our KM services and our traditional training services is in the nature of the relationship we have with a particular client. Our training services are centered on specific isolated training events rather than an outsourced accountability for managing all of a client's intellectual capital. Our KM services include helping clients decide what to learn based on specific job descriptions, building custom curricula, establishing metrics to validate that learning has taken place and managing the logistics associated with putting many workers through this process on a continuous basis. In short, KM is an ongoing relationship as opposed to a specific training event. Our KM services include the following:

KM Matrix Consulting

This is the process of helping clients decide what skills/knowledge their organization needs to develop and maintain. This is accomplished by helping clients redefine their job descriptions and linking them to specific quantifiable skills. The deliverable from this process is a matrix showing how job descriptions are linked to specific skills. Skills are linked to specific metrics and metrics are linked to specific training media/events. These tables make up the knowledge matrix, which is the foundation for managing an organization's intellectual capital.

Metrics Consulting

This is the process of helping clients to establish ways of measuring the existence and level of certain skills/knowledge. It may include developing objective tests or other metrics such as customer surveys, peer assessments, manager evaluations or other productivity indicators. KM is built on the premise that all knowledge must be validated before it can be inventoried and utilized with confidence. Metrics also help to determine the need for and effectiveness of the training curricula.

Curricula Development

This is the process of helping clients to establish training events and learning media to assist knowledge workers in passing the various metrics. KM consulting often leads to the discovery that clients need custom classes, training materials, orientation programs, etc. to facilitate the transfer of proprietary organizational knowledge. Each of these may become a separate project unto itself.

KM Outsourcing

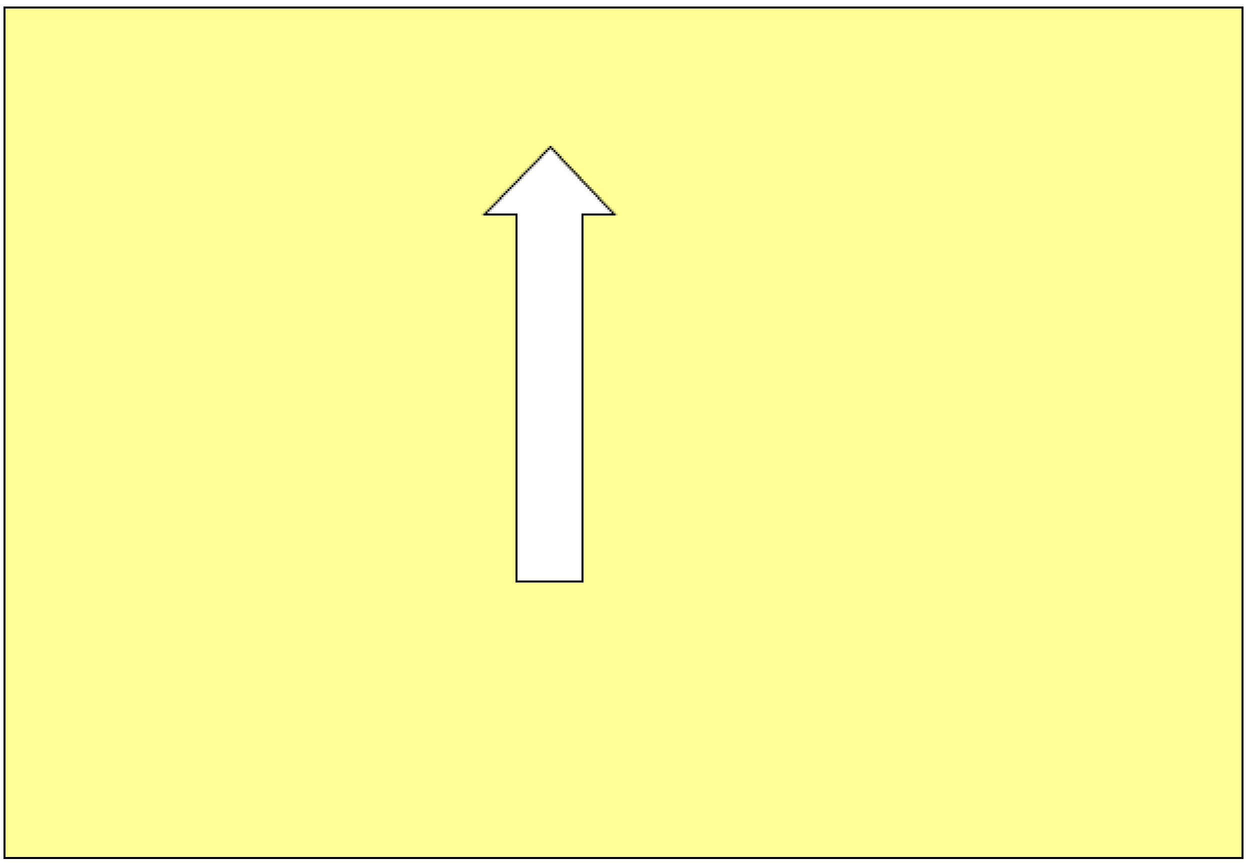
This is our ultimate home run goal. Once a client buys in to the belief that KM is a best practice that they should implement, the next question is "How will we do this?" The logistics associated with managing thousands of knowledge workers, job descriptions, training events, tests and metrics is daunting and requires a sophisticated software system. If we have done a good job of providing KM consulting and training, the client may consider us for complete KM outsourcing. KM outsourcing includes the following:

- We host the database/software used to manage their intellectual capital.
- We exclusively schedule and manage all training events.
- We develop their custom courseware, classes and learning media.
- We consult on all changes made to the KM matrix, metrics and classes.
- We help clients reach their KM goals and maintain threshold skill levels.
- We provide monthly KM reports to management.

The Customer Intimacy Continuum

How does our traditional training business relate to our new knowledge management services?

You can think of the various services we offer as a continuum moving from isolated one-time training events all the way up to complete outsourcing of all training and KM accountability. The graph below shows how we become more customer-intimate as we move from selling transactional training events towards a more exclusive and comprehensive consultative partnership.



This graph is represented as a continuum because selling our traditional training services is usually required before we can facilitate the sell of our KM services. Few clients, if any, will simply outsource their KM and training responsibilities to us without first establishing a level of trust in our ability to deliver basic training services. That would be like marring someone you have never dated. It is through our successful delivery of these basic services such as public and private classes that we will earn the right to discuss a more comprehensive relationship with a client.

We have many competitors today selling public and private training classes. Whenever there are a lot of vendors selling the same services and barriers-to-entry are low, the associated services will be viewed as commodities and margins will be low.

We have very few competitors today in the knowledge management market space. It is our strategic goal to leverage our low-margin commodity training services into high-margin knowledge management services.

How do we leverage our traditional training services into KM opportunities?

Glad you asked! As previously stated, we want to sell our traditional training services as a means to build trust with a client so as to earn the right to provide our more comprehensive KM services. Once a client is aware of us and pleased with the quality of our traditional training services, the time is right to try to leverage our casual vendor relationship into a more preferred vendor relationship. The way to do this is by offering a free knowledge management presentation/seminar. No one is going to purchase KM services over the phone. It is a long sales cycle usually involving several meetings and the successful delivery of several KM related projects before a client will entertain the idea of KM outsourcing.

Selling KM services is really a two-part sale. First, we must sell our contact on setting up a presentation and then we must use that presentation to show that client that they can benefit from our KM consulting services. Our first goal is to set up a KM presentation only. Do not discuss training or KM outsourcing with a client. Some training managers will view this as threat to their position. KM is ultimately sold to senior business decision-makers not to training managers, but training and HR managers can open the door to senior management for you. HR and training managers today are looking for ways to add more value and to increase the scope of their departmental job functions. If you discuss the concepts of KM with them, they will see it as a possible means to that end and may set up a meeting for us to present KM to their senior management. Once we have established ourselves as KM experts through such presentations, we will have moved from a casual training vendor relationship to a more preferred vendor relationship. Even if this client never completely outsources their training or KM management to us, we may still greatly increase our sales to this client of traditional training services, project work and KM consulting.

Getting clients to agree to our KM presentations is the key to ultimately selling our KM services. How do we do this? First, we should target training and HR managers. Students and training coordinators are not your best targets, although they can be useful in getting to a manager. KM, when fully embraced, dramatically increases the importance of both the HR and training roles within an organization. HR will no longer be considered simply as the administer of benefits but rather as the keeper of the organization's most precious assets; its intellectual capital. Training will no longer be viewed as necessary down time, but rather the all-important developer and quantifier of the organization's knowledge.

The more an organization embraces KM, the more important the functions associated with HR and training will become to that organization. Once HR and training managers see this, they will become your primary advocates in setting up our KM presentation to senior management. Our approach to HR and training managers should be, “Help me to help you.”

What objections might we face while trying to get HR and training managers to set up our KM presentation for us? First of all, we need to establish credibility. These mangers are perpetually inundated with vendors trying to get an audience so that they can hock their wares. The main objection you will face whether stated or not is “How do I know that you will not waste our time and my internal credibility by just giving a big sales presentation?” You must overcome this objection by assuring your contact that our discussion of this topic is academic and not simply a sales presentation. You must convince your contact that this presentation is informative and full of substance. Here are some facts that may help:

Our speaker has published several white papers on this subject, let me send you one.
We have delivered this presentation to senior management at several fortune 1000 organizations such as Glaxo, Wang Global, and Novartis.
Our speaker is the featured speaker at the KM summit in Boston next year. The same information presented there cost $1200 per attendee but it can be present to your organization now without charge.
Our presentation draws from the 1999 ASTD study of Best Practices of leading edge companies.

Each of these facts will help to reinforce the point that this presentation has benefit. It will be viewed positively and therefore your contact will be viewed positively for setting it up. Your contact will be viewed as a thinker and an innovator within their organization. You may not actually say this, but this is the personal benefit that you are trying to communicate.

What should I say to get a contact to agree to set up a KM presentation?

Selling KM is not like selling a seat in a public training class. There are several sales that have to be made one step at a time the first of which is selling the contact on letting us come in and do a KM presentation. If you are unsuccessful in making this first sale, the process will probably end there.

Here is an outline that we can use to get a contact to set up a KM presentation for us.

Ask a probing introductory question about KM.
Explain the basic concepts of KM.
Explain the benefits of KM to the HR and training departments.
Establish the credibility of our KM presentation.
Try so set up a conference call with one of our KM consultants.
Establish the audience criteria.

The conversation can vary greatly depending on the responses of the contact, but this outline provides the general direction that a KM presentation sale might follow. The best way to demonstrate how this outline works is through the following example.

Sale Person: *The reason that I'm calling you today is to let you know about a free knowledge management seminar that we are offering to some of our better clients. Does your organization currently have a knowledge management initiative underway?*

Contact: *We are using Lotus Notes.*

Sales Person: *Well, there are a lot of collaboration tool vendors using the term knowledge management in association with their products, but what I'm talking about is the management philosophy of treating intellectual capital or "worker knowledge" as an asset and managing it as you would physical assets. The concept has really taken off recently and has become a recognized best practice at several leading edge companies. When organizations implement knowledge management, training/HR departments begin to be recognized as critically and centrally important to the overall process of managing an organization's most precious asset, its intellectual capital.*

Contact: *When is your seminar? Can you send me a brochure?*

Sales Person: *Actually we present the seminar privately to a few select clients who express interest in the subject. If you would like, I can send you a white paper we have published on knowledge management. You can review it and if you think your organization might be interested in learning more, we can set up a private seminar or luncheon. We can present the seminar in as little as an hour and a half.*

Contact: *Maybe. We have had a lot of vendors present their products and services to us lately.*

Sales Person: *I understand. This presentation, however, is very academic and insightful. In fact, much of the information presented comes from the ASTD 1999 study of the best practices of leading edge organizations. I assure you that this is not a sales pitch. It is a complimentary presentation that we are doing for a few of our best clients. Our speaker has published several white papers on this subject and has delivered this presentation to senior management at several fortune 1000 organizations such as Glaxo, Wang Global, and Novartis. Our presenter is also the featured speaker at the KM summit in Boston next year where there will be a $1200 admission per person to attend. I'm sure that after you review some of our white papers that you will agree that there is substance here for today's organizations.*

Contact: *Our calendar is really full.*

Sales Person: *Well then, would it be OK if one of our KM consultants contacted you? He/she has been working with companies similar to yours and will have some interesting insights as to what other organizations are doing and their results.*

Contact: *Well, maybe you guys could present it to my assistant and me.*

Sales Person: *We do not charge for these presentations, but* there *is one thing that we request. We ask that you try to have representatives from training, HR, IT and general management present. Knowledge management is built around creating efficiencies and cooperation between these parts of the organization and it is important that they all be represented. We discuss the centrally important role that the training organization assumes through knowledge management. This message is most effective when presented to senior management. Perhaps you could circulate our white paper around to see if there is interest from these groups. I believe that you will find that there is interest in this.*

There are many variations that this discussion might take, but try to cover all of the items on the outline dealing with objections as they come up. Some organizations will say that they do have a knowledge management initiative underway. In this case, ask them to tell you about it. Many group's definition of KM is building a data repository for information sharing, collaboration or groupware. You will need to contrast our more inclusive definition. The Knowledge Management Consortium, the largest KM association in the world, supports our definition. Do not get into an argument over this. You may simply need to avoid the word "knowledge management" if your contact is getting hung up on the phrase. Substitute "managing intellectual capital" for "knowledge management" and you should be OK.

You may face another objection when trying to qualify the audience. We want to make the sales cycle as short as possible. Meetings are time consuming and difficulties in scheduling them can stretch out a sales cycle for months waiting for the right combination of decision-makers to be available at the same time. The fastest way to collapse the sales cycle is by getting as many decision-makers together in the original presentation as possible. Trying to track these people down and present to them individually makes for a very long and expensive sales process while momentum is lost elsewhere.

If you are having difficulty closing the presentation sales, there are a number of things that you can say.

Would it be all right if I had the presenter give you a call to discuss the presentation?
Before you decide, would you please review (circulate) the white paper I am emailing to you?
Is there anyone else in your organization that might be more interested in such a seminar?

Remember your basic sales techniques. If you have not closed the sales, ask probing questions. There is obviously some objection that you have not overcome or do not know about. You may simply ask, "*Most the clients that we extend this invitation to are very excited about the opportunity, may I ask why you seem less interested?"* i.e. tell me your objections so I can deal with them.

Remember that every client contact must have a goal. Your goal (the sale) here is to get the client to agree to be your advocate in setting up a private KM presentation for their organization. If you are unsuccessful in selling your contact on the presentation, the chances of us selling any of our KM services to this organization are almost nonexistent. Don't give up. Try to engage our knowledge management consultants in the discussion. If you can not get one contact to be your advocate, see if you can find another. You may find advocates in training, HR, IT, general management, R&D and a number of other departments.

Practice your pitch until it sounds very natural. Don't read to your clients, just talk from the outline. If the contact asks you questions about KM that you can not answer, great. This is a wonderful opening to engage one of our KM consultants in the discussion. *You know that's a very good question. Would it be OK if I got one of our KM consultants to answer that for you?*
What is our Current KM Sales Process?

There is a three-part sale that needs to take place before any KM outsourcing or significant KM work will begin. Each of these sales must be successfully made or the process stops. This is a long sales cycle and can take one to six months to complete. As we discuss clients in the future, let's try to talk about what stage they are in as follows.

Sale Number One: We must sell the prospect on allowing us to come in and present our knowledge management papers and methodology to the right group of decision-makers.

This will be the responsibility of our insides sales force and Jennifer Chambers who will work together to get pass this first critical gate.

Sale Number Two: The purpose of making the KM presentations in person is to accomplish the second sale of gaining the clients trust and willingness to let us do billable consulting work for them. We do this by gaining credibility and by establishing ourselves as business process and IT consultants who can bring value to an organization. The second sale will be the primary responsibility of David Gardner. Jennifer Chambers will be David's primary backup presenter and in time, she will become our primary presenter. The goal of this meeting is to get the client to hire us to do short term KM consulting to identify various projects, organizational goals, etc. The deliverable from is effort will be a blue print or road map the organization would use to implement a KM system. Any billable work that we get out of this presentation will be considered a success and enough to move us to stage three.

Sale Number Three: Our ultimate goal is not short term consulting work, but complete KM/training outsourcing and large training projects. We will only get this opportunity by doing an outstanding job of consensus building and advocate finding throughout our KM billable consulting process. This is a very large and complicated sale. This will be the primary responsibility of Jennifer Chambers. In the future, other KM consultants will also share this responsibility as needed. This is where the magic happens as clients begin to think about the benefits of outsourcing their KM functions to us.

Every sale will not be a one, two, three process. We will sometimes get stuck between stages. For example, a contact may not be willing to grant us a KM presentation until we have present in person to one or two key gatekeepers. We may not get cleaning to stage three either as some clients may request a written proposal or some complimentary work to be done before they agree to any billable consulting. We will learn as we go always attempting to shorten the sales cycle when possible.

Our inside sales persons will stay involved in the process through each stage working with David and our KM consultants as a team. Surpassing our client's expectations is the key to building the trust that will ultimately lead to a customer-intimate and exclusive outsourcing relationship.

Selling individual seats in our public classes is a very difficult and relentless process. Each class must be refilled each time it is offered. It takes a lot of calls and work to fill these classes and if the classes are not sizable, we can lose money holding them. So why do we continue to put so much time and effort in selling public classes?

The primary goal of selling our public training seats is to facilitate the sale of our consulting services and to gain references within an account to leverage a large training outsourcing deal.

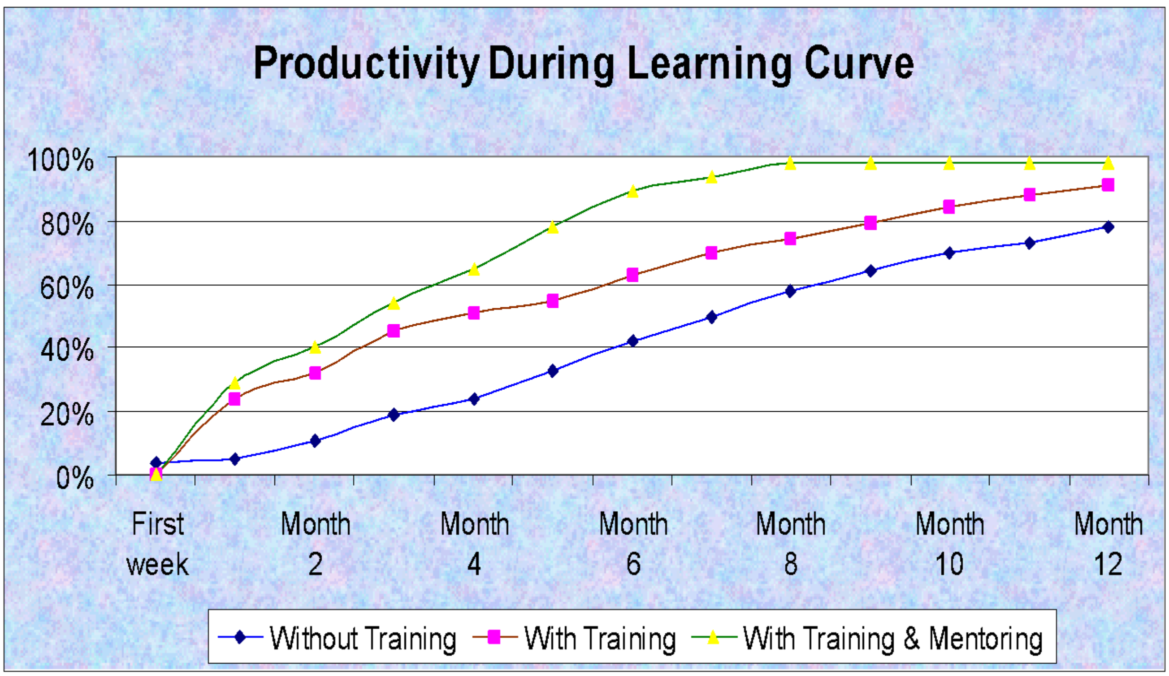
What is Training Outsourcing?

It is very expensive for our clients to maintain training facilities in house when education is not their core business. Nearly all Fortune 2000 clients have some kind of internal training program. We can assist our clients by providing a better training program while lowering their total cost for such training. There is a trend underway in corporate America today to outsource ancillary functions; that is parts of the business that are not the core focus of the business. We can capitalize on this trend by presenting our training as the "best of bread" in this area. If we can get our clients to examine what their internal training efforts are really costing them, they will seriously consider outsourcing. *When clients add up the costs of their internal facilities, computer depreciation, courseware and instructor down time and* *compare this to the volume discounts we offer, DBBasics' Training becomes a viable outsourcing solution.*

Because education is our main core competency, we have the economies of scale to offer better training services at a reduced cost to these customers. Mention outsourcing or volume discounts to a senior training decision-maker and see if you can get an audience. These deals can be very large and can require a lot of creativity and flexibility on the part of DBBasics to close. Invite your sales manager and marketing director along to such a meeting and work with them as a team to win this business.

Learning Curves and Costs

Many IT managers and training directors are focused too heavily only the price of a class or on the down time costs their companies must bear while their staff attends training classes. Our goal is to help educate and refocus these decision-makers on the much larger costs of low productivity due from a lack of quality training. As technicians learn new tools and techniques they are less than 100% productive, as some of their time is spent learning and making mistakes. This principle is demonstrated best on a graph showing how productivity increases over time as the new tool is better learned. This concept is referred to as the **Learning Curve**. Observe the various learning curves on graph 100A*.



Graph 100A

The most expensive part of learning a new tool or version of a new tool is not the cost of the class or the class related down time, but rather this incredibly expensive low productivity due to the learning curve. For example, if the fully burdened cost of a technician is $100,000 per year and he or she only averages 50% productivity that year due to a learning curve, than that person is 50% unproductive and the cost of his learning curve is $50,000. What if you had twenty developers in your department experiencing the same learning curve? Financing such a curve would cost $50,000 times twenty developers or a whopping one million dollars. Productivity is a major concern to business managers who realize these hidden costs, but IT managers often miss or underestimate these costs.

	Without Training		With One Training Class		With Training & Mentoring	
	Productivity	Cost	Productivity	Cost	Productivity	Cost
First week	4%	$ -	0%	$ 30,000	0%	$30,000
Month 1	5%	$157,700	24%	$126,160	29%	$117,860
Month 2	11%	$147,740	32%	$112,880	40%	$99,600
Month 3	19%	$134,460	45%	$91,300	54%	$76,360
Month 4	24%	$126,160	51%	$81,340	65%	$58,100
Month 5	33%	$111,220	55%	$74,700	78%	$36,520
Month 6	42%	$96,280	63%	$61,420	89%	$18,260
Month 7	50%	$83,000	70%	$49,800	94%	$9,960
Month 8	58%	$69,720	74%	$43,160	98%	$3,320
Month 9	64%	$59,760	79%	$34,860	98%	$3,320
Month 10	70%	$49,800	84%	$26,560	98%	$3,320
Month 11	73%	$44,820	88%	$19,920	98%	$3,320
Month 12	78%	$36,520	91%	$14,940	98%	$3,320
Total Cost	**44%**	**$ 1,117,180**	**63%**	**$ 767,040**	**78%**	**$ 463,260**

Assumptions

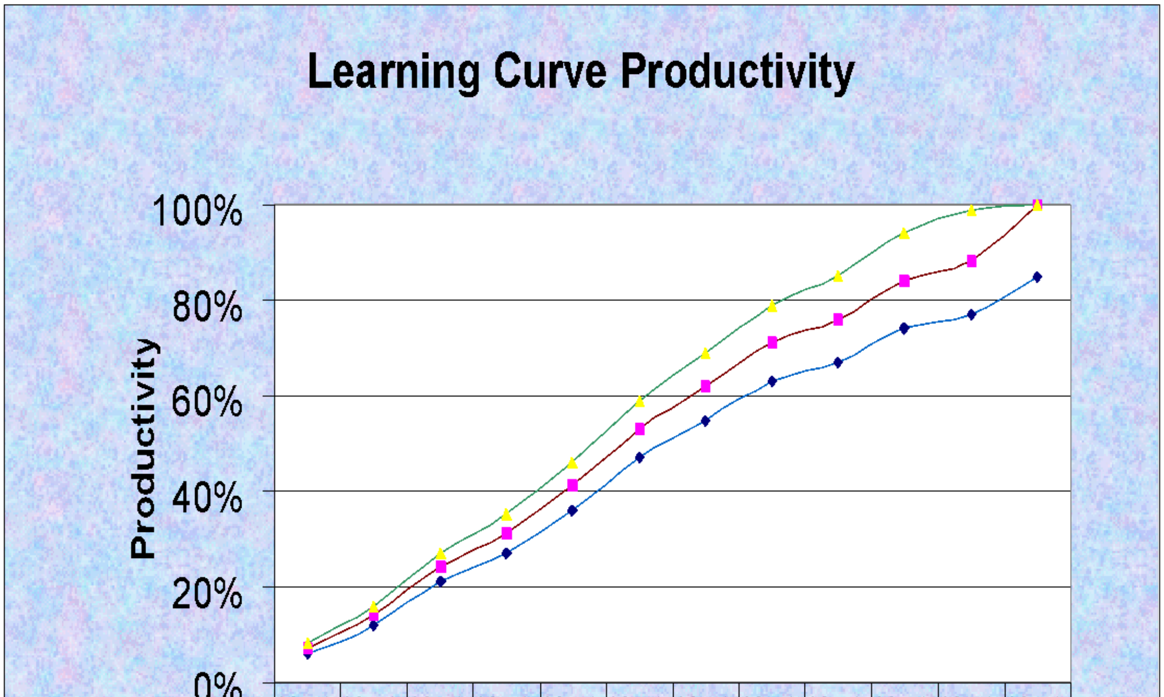
Number of Developers	**20**
Cost per month	**$8,300**
Training Class	**$1,500**

Table 100B

Even small increases in the rate of learning can lead to huge increases in overall productivity and costs savings. Table 100B demonstrates this principle. The table illustrates how overall productivity can increase at a more rapid rate when training and/or mentoring is utilized. Table 100B assumes a fully burdened cost of $8300 per month per technician and $1500 in class costs per student. This graph and spreadsheet is available and can be used as a sales tool. Plug in the price of the class being considered, number of staff to be trained and the average cost per technician and you can demonstrate to a client the estimated learning curve costs. The percent productivity to time ratio numbers used here will need to be accompanied by third party studies and other sales collateral, but in general, most IT managers will agree intuitively with this estimated curve based on their own experiences.

Better Training by 1% to 2%

Many IT managers and training decision-makers do not understand or appreciate the dramatic difference in productivity and costs that even a one percent increase in learning curve can bring about. They often view training as a necessary evil and group most training as being about the same. They tend to focus on price rather than quality. Whether our training class if $50 or $100 per week more or less expensive than a competitor's class is the wrong discussion to be having with a client. We need to focus decision-makers on the incredible value of training that can shorten the learning curve by even one or two percent. Study graph 200A.



	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Normal Curve	6%	12%	21%	27%	36%	47%	55%	63%	67%	74%	77%	85%
1% Faster	7%	14%	24%	31%	41%	53%	62%	71%	76%	84%	88%	100%
2% Faster	8%	16%	27%	35%	46%	59%	69%	79%	85%	94%	99%	100%

Graph 200A

Graph 200A demonstrates a learning curve with training as compared to a learning curve that increases productivity by one percent and two percent respectively. This graph is based on Table 200B.

	Normal Learning Curve		1% Faster Learning Curve		2% Faster Learning Curve	
	Productivity	**Cost**	**Productivity**	**Cost**	**Productivity**	**Cost**
Month 1	22%	$129,480	23%	$127,820	24%	$126,160
Month 2	32%	$112,880	34%	$109,560	37%	$104,580
Month 3	45%	$91,300	48%	$86,320	53%	$78,020
Month 4	51%	$81,340	55%	$74,700	62%	$63,080
Month 5	55%	$74,700	60%	$66,400	69%	$51,460
Month 6	63%	$61,420	69%	$51,460	80%	$33,200
Month 7	70%	$49,800	77%	$38,180	90%	$16,600
Month 8	74%	$43,160	82%	$29,880	100%	$0
Month 9	79%	$34,860	88%	$19,920	100%	$0
Month 10	84%	$26,560	94%	$9,960	100%	$0
Month 11	88%	$19,920	99%	$1,660	100%	$0
Month 12	91%	$14,940	100%	$0	100%	$0
Total Cost	**63%**	**$ 740,360**	**69%**	**$ 615,860**	**76%**	**$ 473,100**

Assumptions

Number of Developers	**20**
Cost per month	**$8,300**

Table 200B

Again, these numbers are based on the same assumptions as Table 100B. This spreadsheet can also be used as a powerful sales tool. Begin by discussing with a potential client the differentiating features of our training such as “real world instructors”, supplemented courseware, follow up mentoring services, etc. Get the client to agree that under these conditions, our training might be one to two percent better than a competitor who does not offer this level of quality. Your client will probably agree since this seems like such a small concession to grant. Once granted, you know that you can make this sale. Pull out this spreadsheet, plug in the numbers and demonstrate to your client the significance of training that promotes even a one percent faster learning curve. The price of the class is insignificant in relation to the real savings associated with higher productivity. This is the discussion we want to be having with clients rather than focusing on discounts and price reductions to win business.

The Importance of Trust

Totally outsourcing a deliverable requires a greater degree of trust in a vendor than utilizing the other services we offer. Project solutions usually have a longer sales cycle as various decision-makers in the process struggle to gain a feeling of trust with us. Once a project has been outsourced, the client has few options but to stay with that vendor. Switching vendors is time consuming and very costly, so most clients want strong warm fuzzy feelings before any PO's get signed. Trust is built by consistently doing what you say you are going to do. Look for opportunities to build trust. Tell a client that you will fax something over within the hour and do it. Tell a client that you will call at 10:00 on Monday and then make the call precisely at 10:00. If you promise an estimate by Friday, have it there on Thursday. These little things are very important as you begin to build the trust process. Look for opportunities to obligate yourself and then meet the obligation precisely as promised. If a client asks you to do something, do not look upon the obligation as a burdensome task, but rather a wonderful opportunity to prove trustworthiness. Dale Carnegie said it best,

> ***"Little things don't mean a lot… They mean everything."***
>
> **Dale Carnegie**

When obligations cannot be met as promised, let the client know as soon as possible and let the client feel your frustration in not being able me meet the obligation. If I tell a client that I'm sending over a fax right now, and then discover that someone in my office is sending a forty page fax out ahead of me, I call the client back and let him know that there will be a short delay. Building trust is important for all of the types of sales we produce, but especially so for project solutions.

Other Topics

New Hire Checklist

New education specialists at DBBasics have more systems and procedures to learn than any other type of salesperson. This may well be the most rewarding and challenging job you have ever had. You not only need to learn how to sell for each of our divisions and all of our internal software and tools, but also the T&E Boomerang System for tracking training related sales and classes. Only sales training is covered in this manual. The following outline is designed as a road map for you to follow through your training process. Check them off as you become comfortable with each section so that you will know that you have systematically covered each topic. Ask questions. Do not omit any of these topics.

Employee Orientation
Business Cards Ordered
Phone Training
Introduction to Key People
First Reading of Sales Training Manual
Goldmine Training
Email Training
Boomerang Training
Technology Training
Sales Goals Set
Set up Voice Mail
Joint Sales Call
Assignment of Accounts
Second Reading of Sales Training Manual
Meeting with each Division Director

Cold Calling Scripts and Strategies

1. Warm Call: **Follow up with any student/mgr. who has taken a public or private training class with us.**

"Hi, this is __________ with DBBasics. I was calling to follow up with you regarding the __________ class you took with us. How are things going with your (____)application/ (_____)database/ or NT/Unix, etc.?

We have additional knowledge transfer services to assist clients in implementing or enhancing their current environment. For (SQL Server/Oracle/NT/Unix), we have DBAs/System Administrators or System Engineers with over 8 years of industry experience. We've assisted clients in (then provide a couple short examples of systems we've delivered for clients depending on the technology—please refer to Technical Expertise document).

Is your company looking for additional assistance in getting your application/system up and running?"

Note: If a student has taken SQL Server, then they may need Windows NT assistance since SQL Server only runs in an NT environment. Ask the contact how they are using their new skills and what they are having difficulty with. This is an excellent lead in to our other services.

2. Cold Call: **In contacting individuals, offer them something free at the onset of the call.**

"Hi, this is _________ with DBBasics. DBBasics is a services company providing resources for IT managers. We provide knowledge transfer to organizations through technical training and network services and have also delivered over 700 software development projects. I'm calling today to see if you would be interested in receiving DBBasics' complementary electronic newsletter. Our newsletter covers today's technology trends (such as SQL Server, Oracle, Windows NT and Internet Application Development). It also includes tips and tricks for IS solutions and also qualifies you for invitations to our free educational seminars. Would you be interested in receiving this information?
The client says yes: Since we have provided something free to this client, they will feel somewhat obligated to tell you about their environment. Ask client:

"What technologies would you be most interested in learning about?"

“What are you currently doing with ________________ ?”
“Have you implemented the technology or are you in the process of evaluating the technology?”

If the client is implementing the technology, at this point, they may need assistance—suggest mentoring. Fax over a resume for the client’s review and also provide references for the client to contact.

If the client is evaluating the technology, then suggest training. (In the questioning process, determine the size of the opportunity and, if it looks like it is a good fit, suggest that the manager audit a day of one of our classes.)

Play up the value of our free seminars. Tell the client that we have had as many as two hundred IT managers attend these events. We often cosponsor the events with Microsoft, Oracle or other industry leaders. Lunch is included and software given away. Remember to get the client’s email address as this is the only way we can contact him or her with our news letter or seminar invitations.

Special Sales Techniques

Probing Questions

Try to find out the answers to these questions every time to speak with potential customers.

1. How are training decisions made? What is the permission process? Who are the decision-makers?
2. What specific technologies are they interested in and why?
3. What would influence this decision-maker? What are her goals? What would make her look good? What would make it easy for her?
4. What can I offer this decision-maker that she can not get somewhere else?
5. When should I contact this person again? How much of my time is this person worth in the sales process?

Give Aways

Use loss leaders when you need to do so to close the deal. Don't be a penny wise and a dollar dumb. Here are some of the loss leaders you can use.

Lunch&Learn

Make your client an offer they can not refuse. How about a free lunch and learn focused on a technology in which they are interested. While there, we can take a moment to pitch the virtues of our training. Our track record with these has been phenomenal. If you are not setting these up regularly, you are missing out on one of your most powerful sales tools.

Free Promotional Items

Feel free to give away DBBasics promotional items such as shirts and jackets to decision-makers you need to influence.

Free Class

If you've identified an important decision-maker, don't be afraid to give away a class for evaluation purposes. Say something like, "I'm so confident that you will find our training superior that I'll give you a class to prove it."