

Title of Survey: Training Credit Terms

Date Survey Initiated: 7/13/2005

Person Who Initiated the Survey:

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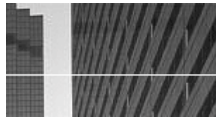
Original Survey Question:

If you run a training credit/token program where customers purchase some number of training units in advance, here's what I need to know:

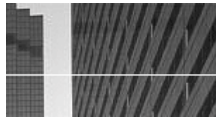
- 1) How long do your customers have to consume the training credits before they expire? (3 months, 6 months, 12 months?)
- 2) How did you decide how long to allow your customers to burn down the credits? Was it based on the average project length? Some other metric?

Responses:

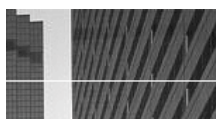
Respondent Information (Name, Company, Email)	Respondent Comments
Steve Barndollar, Juniper Networks (Networking Hardware/Software)	Term: 12 months Rationale: Finance views this product as a contract - education services gets revenue on a 1/12th monthly basis. 12 months fit a simple parameter for them operationally and financially.
Christine Souza, Wily Technology (Enterprise Application Management Software)	Term: 12 months They use 12 months for accounting and revenue recognition purposes. They have extended the 12 months on a case by case basis for project work or other terms that were negotiated. But the basic rule/process has been 12 months and they expire.
Sharon Morgan, Cognos (Business Intelligence Software)	Term: 12 months Since it was initiated long before her time, she can only assume it allows for the duration of the project life cycle with a safety margin. Also, her customers may not deploy the software to all the end users at once.
Jeff Fulciniti, Kronos (Workforce Management Software)	Term: 12 months
Melissa Kenig, Bentley Institute (Architecture, engineering, construction (AEC) and operations software) Term: 12 months	Term: 12 months It's a fairly large purchase that requires some time to utilize. They also have subscriptions and they do them for a year.



Janet Daspit, FileNet (Enterprise Content Management Software)	<p>Term: 12 months</p> <p>They've just initiated their training units program at FileNet, so they have "new" data. They allow 12 months from date of purchase for them to consume the training units - 12 months is ample time for them to get the system installed, implement their application, and get the training they need. Because their software is so complex, as are the implementations typically, they feel the 12 month period is appropriate.</p>
Jesse Finn (Formerly of Interwoven – Enterprise Content Management Software):	<p>Term: 12 months</p> <p>This mapped to the general opinion that many customers have a budget to spend on training for the year, and getting their PO request approved once during that period for our particular software training actually made it easier for the customer - especially true for state governments. Secondly, many customers change their mind on use or who will use, or delay aspects of their roll-out -- the one year period gives them the opportunity for both those scenarios. If you are doing a decent scoping job up front with new customers, you generally can come up with a year's worth of training needs! The more scientific reason is that after talking to many customers at focus groups, etc., they indicated it was easier to go for the budget for a year than try to remember each 6 months, particularly since most other agreements and volume use subscription programs were for a year. The key in all the above is to sell enough training credits to last the year but not go beyond it, and that goes to the pricing of the individual credits as well. They should not be priced too small per unit, nor priced too high per unit (sounds like the 3 bears!), and the denominations for purchase should make sense.</p>
Kelly Nielsen, ePiphany (CRM Software)	<p>Term: 12 months</p> <p>Rationale: I really don't think that there was any consideration given when they determined the length of time. Also, they have just implemented a policy where they will allow the customer to extend their unused training credit for an additional 6 months. The fee is 25% of the remaining balance which they deduct at the end of the initial term and recognize that portion as revenue.</p>



Jim Edgerton, Mentor Graphics (Electronic Design Automation (EDA) Hardware and Software)	Term: 12 months Rationale: They established their token program for twelve months solely because of Financial policies, but it turns out to be a really good timeframe for them. Its the right amount of time for their customers to plan for.
Ron Kesterson, ESRI (GIS and Mapping Software)	Term: 12 months Rationale: His accounting group pushed really hard for the one year period – they did not want to keep unrecognized revenue sitting around any longer. It's also sometimes difficult for federal clients to pay for something in advance before they actually receive the service. We've been successful in selling these chunks of training dollars to a few large government agencies (it does not take an organization long to go through \$10k). They are able to obligate, fulfill, and pay for a small chunk of training fairly easily. If they need more, they will be able to buy additional chunks of money.
Philip Layton, AspenTech (Supply Chain Management Software)	Term: 12 months or more Rationale: This assumes that we are not engaged in designing a longer term training program. If it is indeed the latter case, the credit usage will be specified on a yearly basis within the program definition, with the customer being able to "carry over" a certain portion of credits. The general reason for encouraging upfront use of the tokens is to get people to use the software sooner. The overall logic is: enable the workforce to use the software sooner -> deliver greater the value to the customer organization -> increase likelihood of purchasing more training and software in the future.



Nick Xenos, NIL America (Training and Consulting)	My experience is 12-18 months (and) sometimes you have to extend that to be the good guy. Be careful that the money is earmarked for training - since if a customer with credits runs out of money or wants PS done all of a sudden, the first place they will lean is the training credits, and whine a lot.
Keith Ackley (MIT)	<p>I think you need to consider a few things when you determine expiration dates for training credits. There is no right or wrong answer but there are strategies that you can use to support what you'd like to accomplish.</p> <p>1) If the customer paid list price for the credits (or some small discount) why would you penalize the customer for prepaying training? In this case, I would put an expiration on the credits for tracking purposes and then be very liberal about renewing or extending it. <i>[Authors note: Not always possible given financial reporting at a public company.]</i></p> <p>2) If the customer was given a large discount for purchasing training upfront and your goal is to either recognize the revenue very quickly or you think its important that the customer take the training early in the project you might want to put a short expiration period on them. In essence you say "sure I'll give you a discount but I want you to commit to training your staff so that we can exit the project and not put a big burden on our support staff.</p> <p>3) Another scenario is free training credits that come with the project. This can either be a negotiated item or a standard practice on each contract and is very similar to item 2 above. In these cases you usually want to put some burden to act on the customer so you may have the credits expire in 90 days or 1 year or some other time frame that makes sense for the project.</p> <p>Keep in mind that you, the vendor have a pretty good idea of what training you think the customer will need. On the other hand customers tend to put training off so using pricing and expiration dates to drive the desired behavior can be a good approach for both the customer and the vendor.</p>
Sharon Smith, nSight, Inc.	New Horizons sells training vouchers for their public classes with no expiration date at all. I worked there until late May and am now the Training Manager at nSight, Inc. in Burlington. We don't have a voucher/credits program here yet, but my thoughts would be to do a 12 month expiration program so that the clients are encouraged to use them. Otherwise, they go unused for years as was my experience at NH.

