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IN PRACTICE November 2008

The Elasticity of Training

By Carol Decker

One of the most mindful discussions of our time is that of the world economy. During recessionary eras, expenditures become hard fought for and the pressure for increased revenue becomes more intense. The training field is no stranger to the negative effects of hard economic times—downsizing, reduced budgets for training, outsourcing of training and other human resource functions, and elimination of training initiatives or training freezes. Many in training often chalk this up to being something other than a profit center or claim that training is not providing enough to their organization in terms of ROI. However, training can also be examined from the standpoint of the basic economic concept called elasticity.

Elasticity, in economic terms, is the change in supply and demand based upon changes in prices. In the training field, dedicated funds to training may become elastic. For example, in bad economic times demand for training may go down when the cost of training remains the same or is higher than most people want to pay. In addition, a huge supply of training resources could cause the price of training to decrease or become more competitive. Understanding the reasons for elasticity can help an organization create a beneficial training supply and demand. In short, these items can help training personnel avoid recessionary effects and simultaneously assist in rethinking training program designs.

Availability of training substitutes. Are there many alternatives to the training you provide? If so, your training or training department is subject to the negative effects discussed above. When training is presented as a need, choices can cause individuals to switch to one training design or another. This emphasizes even more that your training should be unique, tailored, and worthy of the value you place on it, thus keeping the demand high and the supply low because it can't be duplicated.

Training price relative to purchasing power. When pricing your training solution, you must consider its relationship to the affordability of the buyer. If your price is low enough that a buyer will have no problem purchasing the service, the demand and supply for your training would remain unchanged and eliminate any elasticity. However, you should still consider pricing your training for its real value.

Training durability. If your training is exceptional, clients are less likely to look around for alternatives. More emphasis should be placed upon

developing such training programs that bring revenue and stockholder returns to organizations.

Training's other uses. The more uses training can serve, the more elastic supply and demand can be. If a program has only one use, for example, then demand and supply for the training are less likely to vary. Courses on topics like ethics, diversity, and discrimination can easily serve many purposes, while specific task training is more unique.

Reference

C.W. Lamb, J.F. Hair, & C. McDaniel, Marketing (9th edition).

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