CEdMA Education Market Barometer

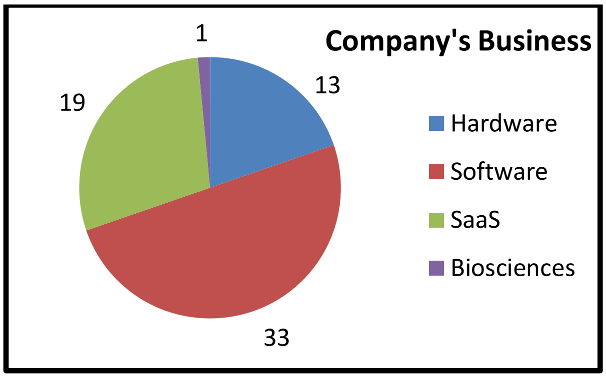
4th Quarter 2011 actual and forecast for 1st Quarter 2012

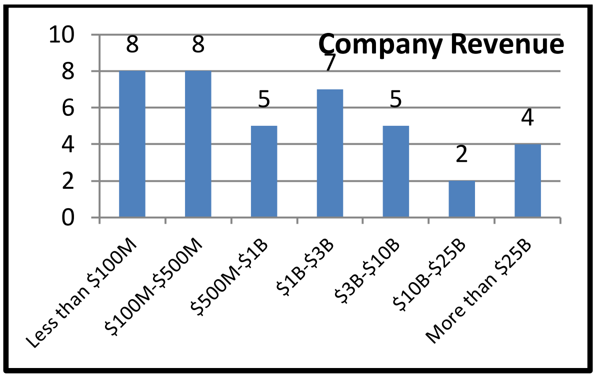
Introduction

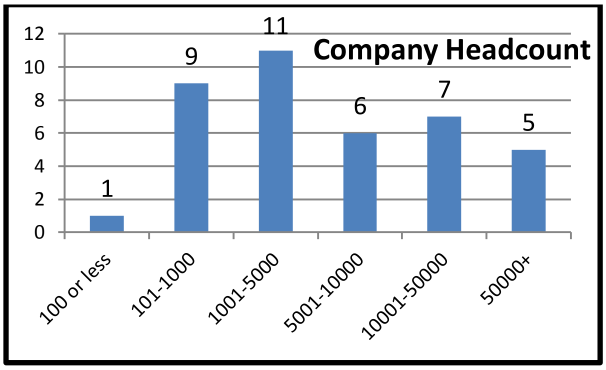
This report is compiled by CEdMA for its members about their Education businesses. It is based around a series of absolute growth or decline percentages in the range +- 12.5%. Revenue and volumes refer to training services delivered in the quarter and not future bookings. Members were asked to indicate whether their data was for the world-wide business or that for North America.

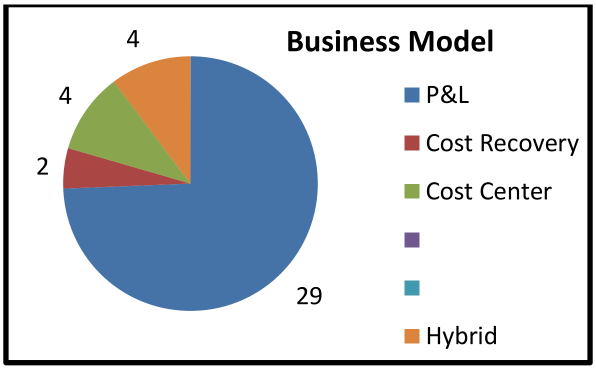
World-Wide Businesses

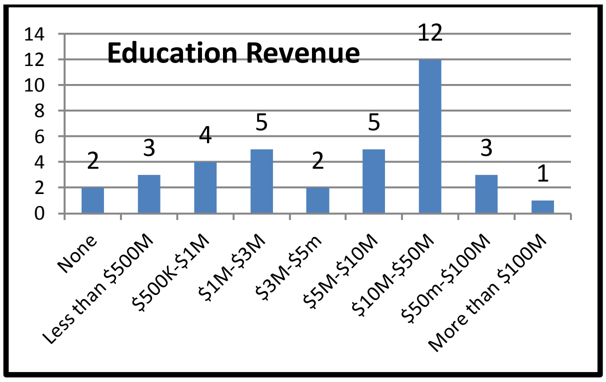
There were 39 responses for world-wide and their profiles are as follows:

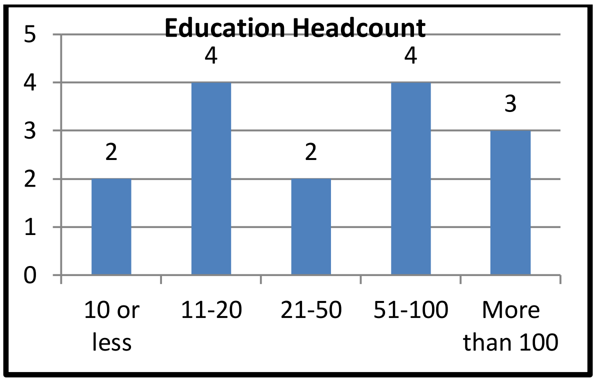












As this is the first quarterly report, we have no history to which we can compare, so the data shows just the growth/decline for 11Q4 and forecast for Q1/12 in % and absolute number of members.

Note that in all tables, U shows the number of members whose choice was “up”, F shows “flat” and D shows “down”.

The unweighted average is the average of all responses whereas the weighted average uses the size of the company multiplied by the growth/decline rate, so larger companies have a bigger impact.

We have data for global businesses and North America only, as chosen by member input. The EMEA barometer with more detailed questions is provided by CEdMA Europe and available in Goldmine.

Financial Feedback

Total Training Revenue	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
unweighted	36	8.1%	28	4	4	5.5%	24	9	3
weighted		8.1%				4.5%			

The unweighted total training revenue grew 8.1% in 11Q4 compared to 10Q4, while the unweighted forecast for 12Q1 is 5.5% compared to 11Q1. In comparison, the weighted total training revenue grew 8.1% in 11Q4 compared to 10Q4, while the weighted forecast for 12Q1 is 4.5% compared to 11Q1. This suggests that the larger companies are forecasting a slightly smaller revenue increase in general for 12Q1, and that the growth rate is declining.

Total Training Profit	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	34	5.7%	23	6	5	4.7%	19	12	3
weighted		5.4%				6.3%			

The unweighted training profit grew 5.7% in 11Q4 compared to 10Q4, while the unweighted forecast for 12Q1 is 4.7% compared to 11Q1. In comparison, the weighted training profit grew 5.4% in 11Q4 compared to 10Q4, while the weighted forecast for 12Q1 is 6.3% compared to 11Q1. This suggests that the larger companies are forecasting a larger profit increase in general for 12Q1. Together with revenue, this means that with lower revenue growth there must be greater efficiencies or cost savings.

Activities (Customer and Partner Training)

In all these activities, members are forecasting smaller increases for 12Q1.

Training Days for Live Classroom	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	39	4.8%	26	6	8	3.6%	20	9	9
weighted		4.1%				4.1%			

For ILT, both unweighted and weighted for 11Q4 and the forecast for 12Q1 show a steady growth rate, but the growth is slowing down.

Training Days for Virtual Classroom	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	38	6.8%	33	4	1	4.4%	24	10	3
weighted		7.3%				6.2%			

VILT showed a larger weighted increase of 7.3% year on year, but falling to 6.2% for 12Q1, suggesting that the larger companies have been more successful in 11Q4, and may remain so in 12Q1. But the forecast is for a smaller increase overall. As expected, VILT is growing faster than ILT, but surprisingly the growth is not accelerating.

# Enrollments for e-Learning Sessions	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	33	5.1%	19	12	2	4.0%	20	12	2
weighted		7.8%				5.5%			

e-Learning shows a very similar trend to VILT with larger increases than ILT, but a slowdown in growth forecast for 12Q1.

# of Certification Attempts	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	31	4.5%	16	13	2	3.4%	13	15	1
weighted		3.8%				2.1%			

The increase is forecast to be slightly lower in 12Q1, with larger companies having smaller increases.

Team

Headcount	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	37	2.4%	16	13	8	3.0%	15	18	5
weighted		0.4%				0.8%			

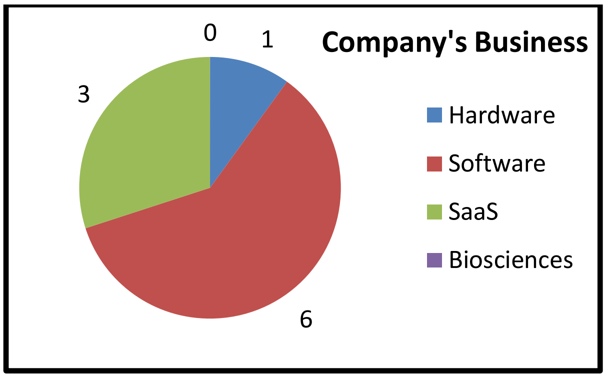
Headcount growth is lower than revenue or activity growth, which indicates that either current resources are being better utilized or external resources are being used to grow. The headcount rate is forecast to increase more in 12Q1 in comparison to 11Q4, so it might be that learning teams have to grow following quarters of revenue and activity growth. Note that the weighted increases are almost flat, which suggests that larger members are being challenged.

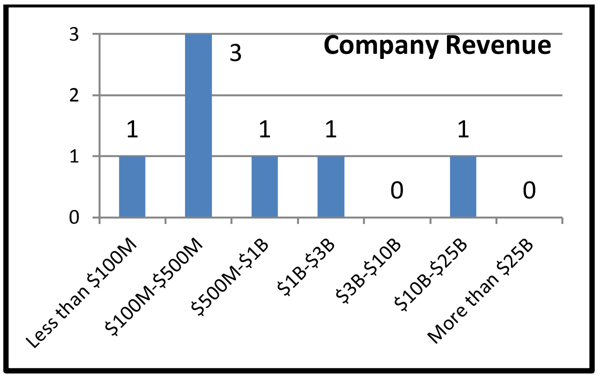
Instructor Utilization	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	36	4.4%	24	10	2	3.6%	20	14	2
weighted		2.6%				1.5%			

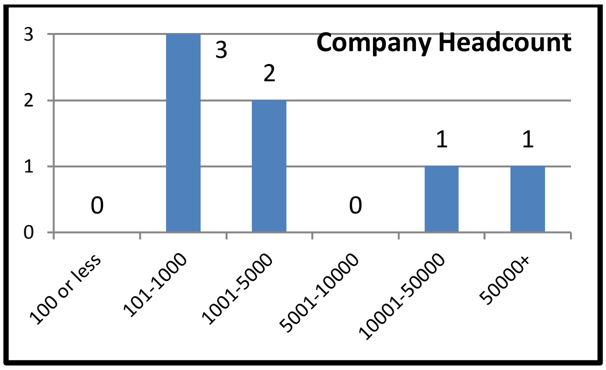
The higher growth in utilization compared to headcount underlines the assumption that incremental business is being covered with higher utilization. However the effect is reduced for larger companies both for 11Q4 and in the 12Q1 forecast.

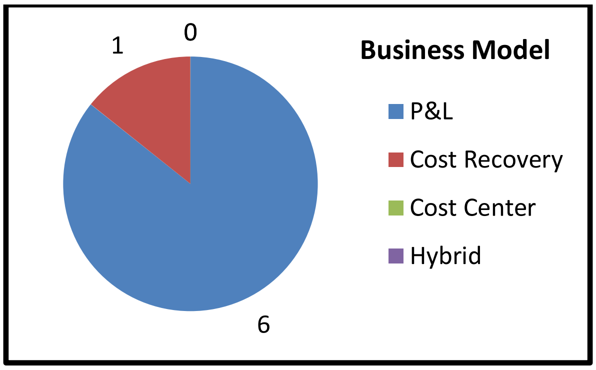
North American Businesses

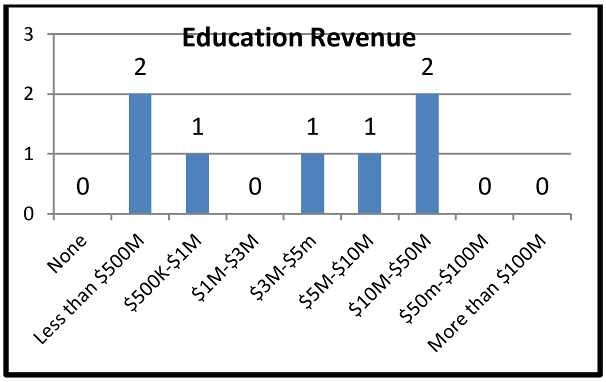
There were 7 responses for North American and their profiles are as follows:

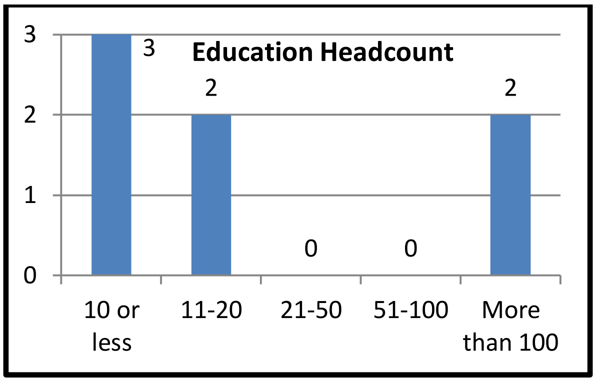












Financial Feedback

The number of inputs is very small so please read the comments with caution.

Total Training Revenue	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	7	5.0%	5	1	1	2.9%	4	1	2
weighted		8.1%				(0.9%)			

The unweighted total training revenue grew 5.0% in 11Q4 compared to 10Q4, while the unweighted forecast for 12Q1 is 2.9% compared to 11Q1. In comparison, the weighted total training revenue grew 8.1% in 11Q4 compared to 10Q4, while the weighted forecast for 12Q1 is -0.9% compared to 11Q1. This suggests that the larger companies are reporting higher than average 11Q4 but are forecasting a negative revenue increase in general for 12Q1.

Total Training Profit	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
unweighted	6	7.1%	5	1	0	0.8%	2	2	2
weighted		8.0%				(0.2%)			

The unweighted training profit grew 7.1% in 11Q4 compared to 10Q4, while the unweighted forecast for 12Q1 is only 0.8% compared to 11Q1, quite a change. In comparison, the weighted training profit grew 8.0% in 11Q4 compared to 10Q4, while the weighted forecast for 12Q1 is -0.2% compared to 11Q1. This suggests that the larger companies are forecasting a profit decrease in general for 12Q1. So the North America growth is much smaller than the global growth, even showing a decline in the forecast. But note that the number of inputs is very small.

Activities (Customer and Partner Training)

Training Days for Live Classroom	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	7	(2.5%)	2	2	3	(2.9%)	1	1	4
weighted		(3.8%)				(2.5%)			

All the changes for ILT are negative, with larger members showing worse for 11Q4 but doing better in comparison of 12Q1. This supports the common theme heard in the US Education business that more and more training has to be online.

Training Days for Virtual Classroom	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	7	6.8%	5	2	0	3.6%	3	3	1
weighted		12.0%				2.2%			

VILT on the other hand is showing good increases, especially for larger members. Conversely, the growth is forecast to be less for 12Q1, more so for the larger companies.

# Enrollments for e-Learning Sessions	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	5	6.0%	4	1	0	1.7%	2	4	0
weighted		4.5%				0.8%			

e-Learning has shown good growth, more so for smaller members, but the forecast is much lower, probably flat for larger members.

# of Certification Attempts	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	6	3.8%	4	1	1	4.6%	5	1	0
weighted		8.9%				4.4%			

Certification is certainly up for 12Q1, especially for larger members. There is a slight increase overall for 12Q1, the same weighed and unweighted.

Team

Headcount	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	7	2.9%	4	1	2	2.5%	3	4	0
weighted		(2.0%)				1.0%			

The unweighted increases for headcount are small and consistent for 11Q4 and the 12Q1 forecast. However, the weighted number is negative for 11Q4, suggesting that the larger members are being challenged. It seems to ease a little in 12Q1

Instructor Utilization	# inputs	11Q4	U	F	D	12Q1 F/C	U	F	D
Unweighted	6	2.1%	3	1	2	0.8%	1	4	1
weighted		0.4%				(0.1)			

Instructor utilization overall showed a small increase for 11Q4, but when weighted it was almost flat, showing that larger members probably decreased. The 12Q1 forecast is very small and when weighted even negative, so larger members are forecasting lower instructor utilization or flat.

Which subject areas saw the biggest increases in your training revenues in the last 3-6 months?

1. Applications Programming Training
2. Advanced modules of our software. Customers are buying more of our advanced products and we are seeing more training revenue as a result.
3. Onsite training classes
4. Onsites tied to new sub-software
5. e-learning, ILT for HANA and Mobility
6. Training Subscriptions revenue
7. B2B training
8. Live online a new offering...taking off quickly
9. Technical how to courses
10. Virtual Instructor Led Training; Management Training
11. Data Storage training
12. Everything across the board.
13. Operating system essentials.
14. Continue to do more tailored and customized training.
15. Live virtual classes
16. Technical and analytics
17. Advanced Learning Programs and Enterprise Adoption activities
18. Desktop and Application Virtualization, Service Delivery Networking
19. Virtual Training
20. Cloud and virtualization technologies
21. Advanced customized training (application specific)
22. Training for new products
23. Technical Education for Mobility Products
24. Custom projects and licensing of content development tools for related projects
25. Ecommerce Administration
26. On site delivery; end user training
27. Data Quality, Master Data Management
28. eLearning growth over 100% (but from a small number)
29. Onsite training and training credits
30. Greater increase for on-site training as well as customized training
31. E-Learning
32. New HW product release.

Which subject areas saw the biggest decreases in your training revenues in the last 3-6 months?

1. A couple of our core classes that may only have a single person manage a component of the software that the training relates to. These classes are now being replaced by our elearning, which we charge less for.
2. In person
3. Education software
4. Open enrollment revenues
5. Microsoft technical training
6. Certified military-use operating systems.
7. Anything needing travel
8. Public classes
9. In center training on basic topics
10. E-learning but that is because we have an outdated library and no plans to refresh it, we are taking a different approach
11. Legacy systems
12. Signal processing.
13. Training for stable products
14. Best Practise topical areas across all products
15. Managing ILT courses
16. In classroom training at our facilities
17. Data Exchange
18. Public classroom
19. Public ILT
20. ILT Public classes

What were the two greatest challenges you faced in running your business in the last 3-6 months?

1. Instructor Resource shortages; Sales under-pricing training
2. New partner training programs that involve incredibly high amounts of new course development, educating new partner relationship management teams on our training services, and the mandate that all partner courses to this point have been free.
3. Continued free training for Partners, and also Resellers
4. Sales interlock with reorg.... marketing externally
5. Transformation of Education content production and systems delivery
   Implementing a Multi-channel sales model in all regions
6. Continued uncertainty and slow grow in Europe
   Project training investments being placed on hold due to uncertainty
7. Not enough butts in seats
   Low product sales to training sales attach rate
8. Staffing--small team
   No alternatives to ILT--building out elearning
9. Flat resources with increasing demands
   Lack of depth of skills and specialist skills within team
10. Scaling for demand
    Measuring effectiveness of e-Learning
11. Obtaining budget for development resources.
    Providing enough instructors.
12. Too much to do with not enough resources
    - Need to create more course material
    - Need to meet demand for training

    Point B, being a revenue generating event, trumps efforts towards Point A always.

13. Obtaining funding to implement more direct sales resources to grow the business in the coming year.
    Repercussions from Organizational changes shifting responsibilities for major departmental areas to new leaders.
14. Scale and resources to build
15. Sales attachment, internal finance rules constantly changing
16. Inadequate systems to manage our pre-paid credit business, resulting in manual tasks.
    Customers delaying purchasing decisions, especially in Europe.
17. Too much to do, too few resources
    Economy - nobody is confident enough to commit to long term training
18. Improving certification and security for certification exams
19. Maintaining revenue growth at the same levels as prior year. Coming to market with new course ideas.
20. Stabilizing the transactional in-center training business and employee costs going up in emerging regions.
21. Lab infrastructure capacity and Instructor capacity. Both will need to increase this year.
22. We have just gone through a complete business transformation and outsourced our training delivery and operations, thus the decrease in instructor head count and the increase in utilization. It's been a complete overhaul. We have improved our operating margin globally by 29% though..
23. Having enough resources to develop all we were asked to develop.
    Growth of custom business.
24. Scaling delivery resources to meet demands.
    Reskilling SMEs and Instructors on cloud and virtualization technologies.
25. Technology issues
    Staffing changes
26. Growth with limited system support (LMS).
27. Much of our training from the past couple of years has come from customers migrating from one product to another. That migration has slowed and our biggest challenge is finding revenue opportunities to replace the decrease in migration.
28. Demand for more training outside fundamentals
29. International instability of the business
    Trying to keep up with the volume of requests for services
30. Customer budget cuts
    Staffing
31. Sales reps are disengaged from selling training. Their comp plan changed, and training doesn't count for much anymore.
32. Managing growing demand and staffing
33. Management turnover
    Sales disengagement
34. Staffing during peak times
    Keeping everyone focused on the end result
35. Lower customer budgets
    Travel restrictions/costs
36. Hitting P&L targets
    Managing free partner and internal training requirements vs P&L
37. Reliability of virtual infrastructure, and looking to improve it
    Access to subject matter experts
38. Delayed software release put training revenues in jeopardy because of cancelled classes in anticipation of new release.

Merger of documentation team into training organization; this is a really good thing for future synergy but the transition and ramp was a distraction for core education services initiatives.

39. Cost of travel and travel restrictions for ILT participants
    Pace of course content change
40. Greater need for online/ web-based training, yet there is limited time/ capacity to design and develop this type of training
41. Economic downturn in Europe
    Attaching training to product sales
42. Getting attendance at public classes
    Training partners fast enough and deep

Please add any other comments or observations you have on the state of the IT training market

1. Seems all over the map at the moment, very hard to predict future demand due to the effects of economic uncertainty in Europe, US economic growth also weakening.
2. Expectations for our IP are increasing, and it appears that our customers have the expectation that IP should be free. They will pay for instructor time and expertise but want our content indefinitely, and many times for no or low cost. This is forcing us to re-think what we make available to customers, re-think our pricing, to provide what customers truly want and need in today's mobile world.
3. Slow growth in developed markets - strong growth in Asia
4. Am seeing the need to move away from classroom based learning and remotely driven solutions in EMEA as becoming more prevalent.
5. It is awesome!
6. Customers are delaying purchasing decisions, and decisions require more levels of approval. Customers continue to value access to an expert who can accelerate their adoption of technology.
7. Tough. Everyone wants training but they don’t want to pay!
8. Cannot give financial data other than what is public
9. Asia/Pac localization required for expansion in this geography.
10. General growth post-recession worldwide.
11. We have enjoyed two consecutive years of growth in our training business. Although that has been a positive development, we are still unclear if that will continue into next year.
12. Customers asking for even more variety of services and tools but wanting to negotiate far more on the details of legal terms and specifications.
13. Our customers want more advanced training. They are becoming more savvy.
14. We don't sell our training by subject area as right now only focused on partner subscription model.
15. Customers are getting more sophisticated; they know more about training. This can lead to increased investment, but also means that many questions are asked.
16. Customers are looking at more of a just-in-time training approach.
17. I expect more and more training revenue to come from license carve outs. When license revenues are so large (each transaction might be a few million dollars) it is hard to justify Ed Svcs as an add-on. It is easier to include it as part of an overall customer enablement/on-boarding experience. But then it requires setting limits so that it isn't taken for granted by customers.
18. There is a move for more agility within organisations to be able to be more flexible in their offerings and in particular in the format of the type of training, e.g. virtual/online training. Social media like You Tube enables participants to gain the knowledge that they need in a faster and more convenient way. People moving into the work force have a desire to learn in a new way and larger organisations historically using ILT need to be able to adapt as demand for this format increases, whereby the gain elements or modules/"snip-it" of information for quickly.