![CEdMA - the computer education management association logo]

CEdMA Education Market Barometer

1st Quarter 2012 actual and forecast for 2nd 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 global business or that for North America.

World-Wide Businesses

There were 38 responses for global and their profiles are as follows:

Company's Business pie chart — Hardware 13, Software 32, SaaS 18, Biosciences 1

Company Revenue bar chart — $100M or less: 7, $101M-$500M: 8, $501M-$1B: 5, $1-$3B: 9, $3B-$10B: 2, $10B-$25B: 2, More than $25B: 3

Company Headcount bar chart — 100 or less: 1, 101-1000: 11, 1001-5000: 12, 5001-10000: 6, 10001-50000: 4, 50000+: 4

Education Business Model pie chart — Profit Center 29, Cost Recovery 3, Cost Center 5, Hybrid 1

Education Revenue bar chart — No revenue: 3, $500K or less: 5, $500K-$1M: 3, $1M-$3M: 4, $3M-$5M: 3, $5M-$10M: 5, $10M-$50M: 9, $50M or more: 4

Education Headcount bar chart — 10 or less: 12, 11-20: 4, 21-50: 13, 51-100: 5, More than 100: 4

Revenue and Profit

The unweighted average is the average of all responses whereas the weighted average uses the size of the company in terms of number of the relevant education revenue multiplied by the growth/decline rate, so larger companies have a bigger impact. The charts also indicate the number of members who show for their business an increase (Up=U), flat business (F) and a decline (Down=D).
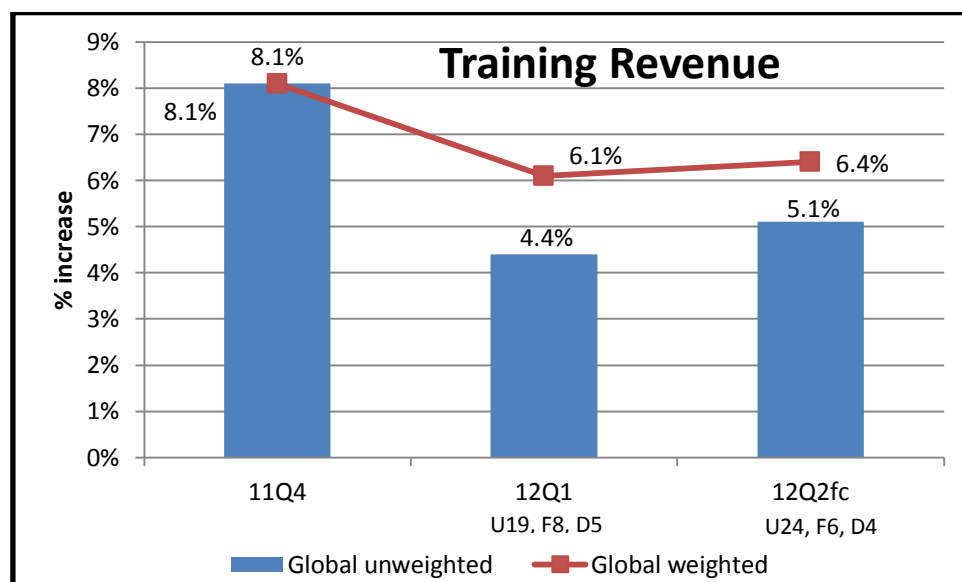

Both the unweighted total training revenue and the weighted total training revenue had a smaller growth in 12Q1 as forecast in the last survey. However, both have been given a higher number in the 12Q2 forecast. The weighted value itself is higher which suggests that the larger companies are on average increasing at a better rate than the average. In general, the learning market seems still to be growing, but at a lower rate than in 2011.
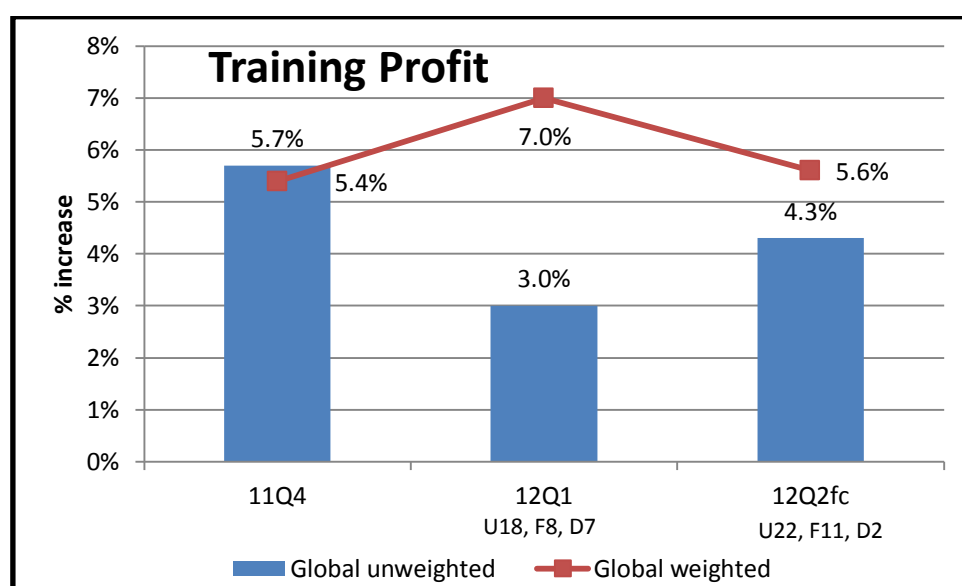
This is also true for training profit. The larger companies are forecasting a larger profit increase than the average for 12Q2. The profit growth gets closer to the revenue rate, which indicates that costs grow slower than revenue. Most training teams have probably optimized their variable costs to achieve this.

Activities (Customer and Partner Training)

Live classroom is still increasing but the rate has been slowing down for the second quarter in a row, as shown here.
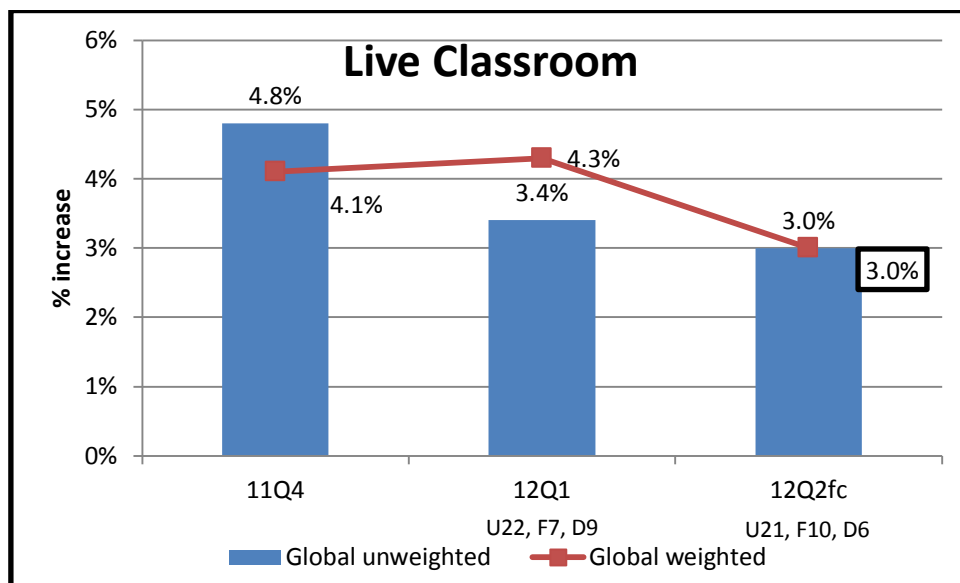

Virtual classroom on the other hand is growing faster, especially for the larger companies who potentially jumped on board much earlier. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.
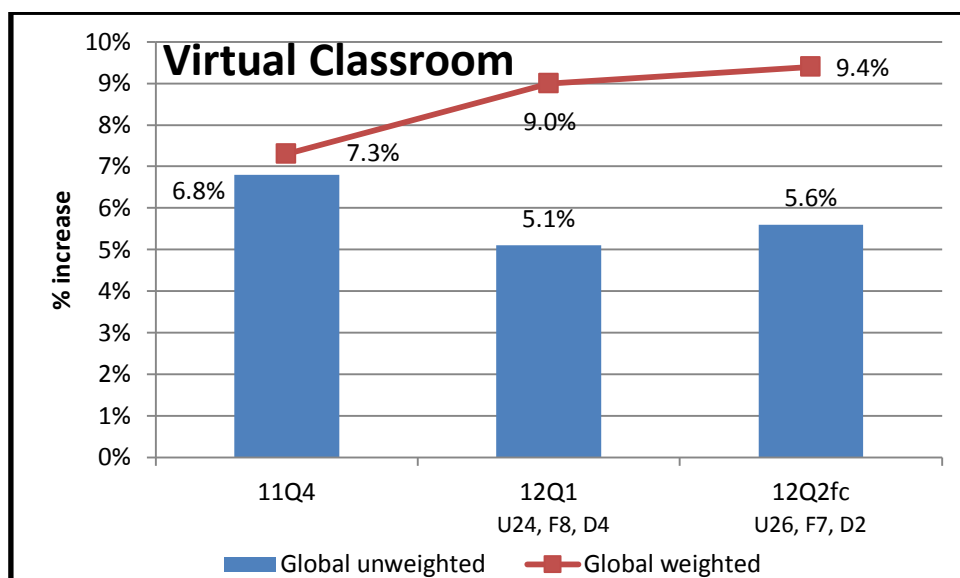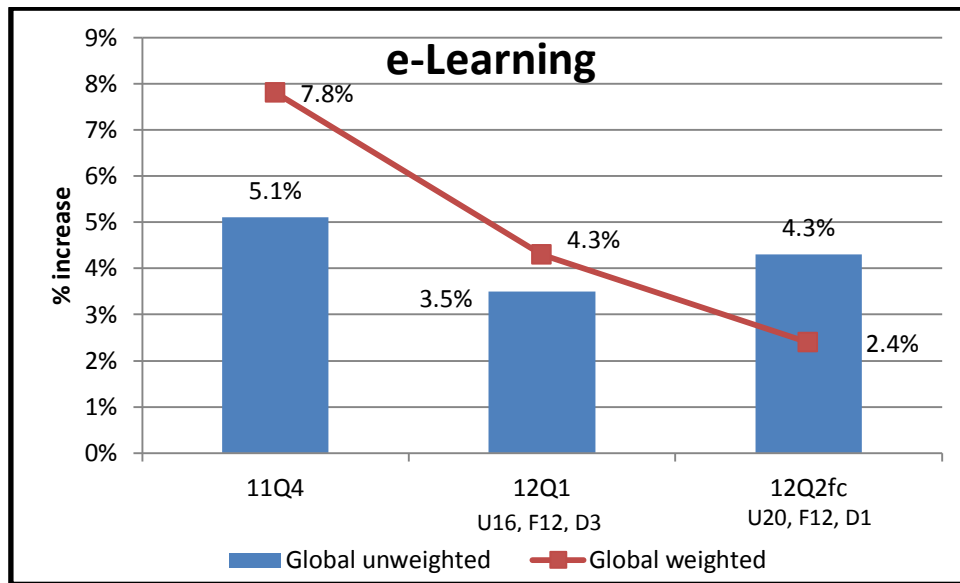
e-Learning

e-Learning continues to grow as shown by the unweighted averages. However, there was slowing growth in the weighted values suggesting that some of the larger members are seeing a slowdown. In general, the growth is smaller than from virtual, so the smaller growth in classroom is not automatically correlated with more growth in e-Learning
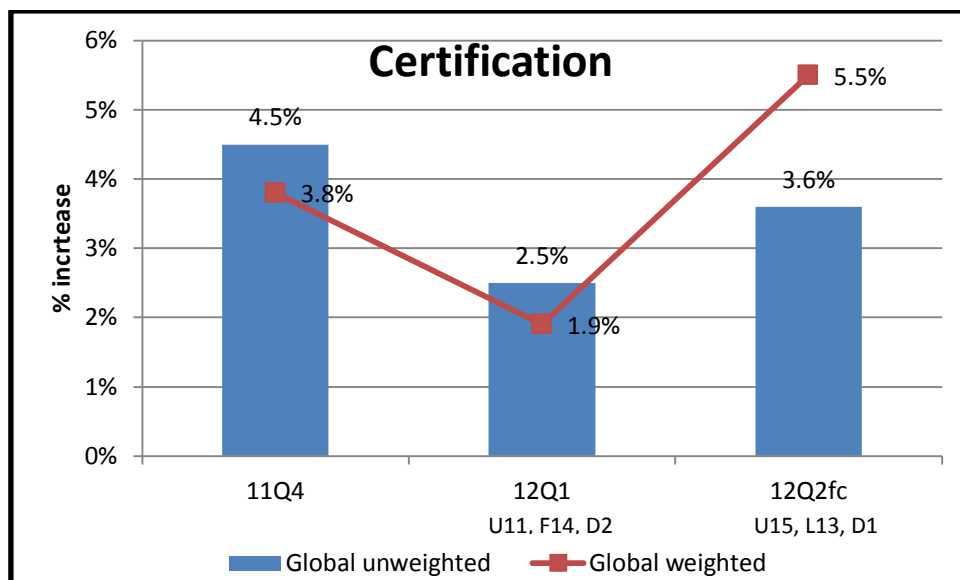
Certification

Certification increases were slowing down overall in 12Q1, but the forecast for 12Q2 shows a turnaround, especially for larger companies who in general have been in the certification game much longer and have often very large certification programs.

Team
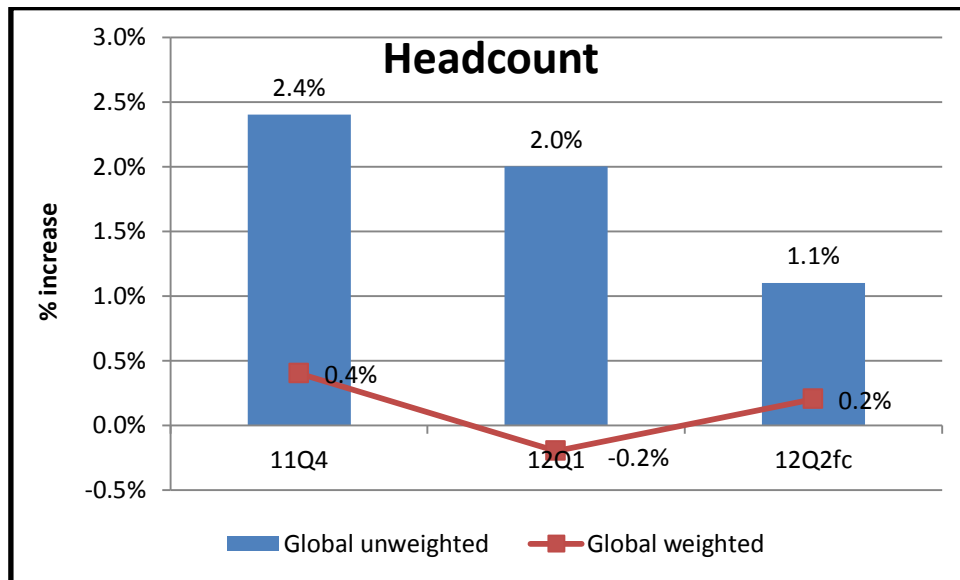
Headcount growth overall is low and slowing and for the larger companies in general it is already flat. This indicates that companies control their headcount expenses as the number one expense in the training business to increase margins, which also supports the margin data provided above.
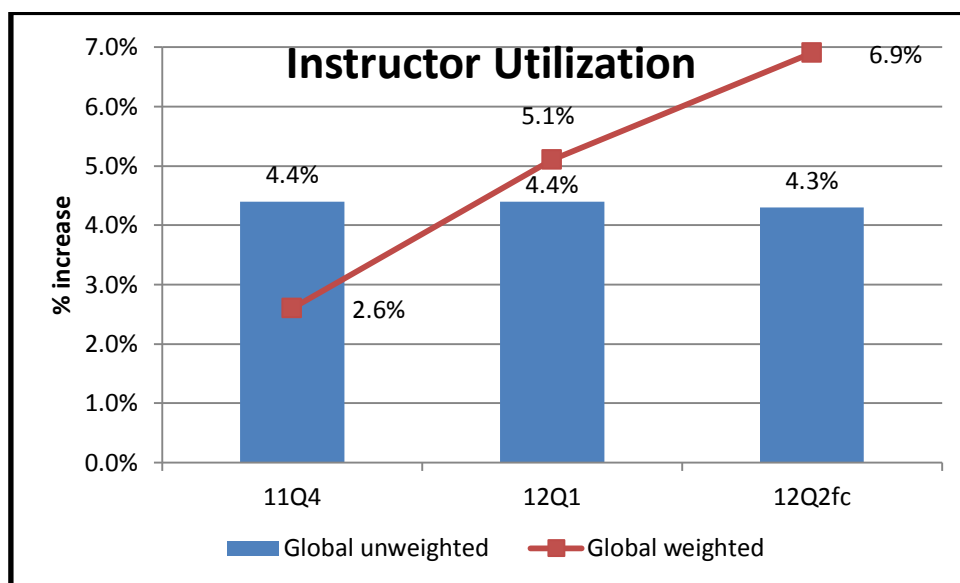
The higher growth in utilization compared to headcount underlines the assumption that incremental business is being covered with higher utilization. Larger companies are forecasting a much higher increase in 2Q12,so were even more successful to drive higher utilization.

North American Businesses

There were only three complete inputs for North America and so no analysis is possible.

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

1. IT Advanced Technical courses
2. Technical developer topics
3. Cloud & Proactive Operations
4. SIP, VOICE PORTALS
5. Product administration training
   Reporting and Analytics
6. Linux server administration
7. MFT Gateways
8. Subscription
9. N/A
10. eLearning
11. Mentoring. This is a coaching offering that has limited (or zero) pre-designed materials.
12. Security products
13. Certifications
14. Searches and Reports
15. Enterprise Adoption
16. Entry level Linux Administration as there is a large demand for that skill set in the market place, we also released a new version YOY so that drives demand
17. Product Specific Training (such as devices, services, software)
18. eLearning for basic training
19. Virtual Instructor-led
20. eLearning tool resale, elearning licensing, virtual classes, custom development work
21. None
22. Live Online
23. Classes on layer 2 and 3 IP
24. Software usage
25. Annual subscriptions
26. Virtual classroom
    eLearning
27. N/A
28. Customized private on-site training
29. We saw the biggest increase in customer customization of elearning solutions.

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

1. IT Application courses in a specific vertical
2. Self-service server administration
3. ITIL
4. Voice contact CONTACT CENTER
5. Enterprise software

6. Application-to-Application MFT
7. Scheduled Courses
8. NA
9. Live instructor led in person
10. Virtual training.
11. Storage products
12. Physical training classes
13. Ecommerce
14. Intro training
15. No major decreases, just courses with aging products have declined
16. Classroom training
17. Dedicated training sessions, public face-to-face classes
18. Follow-on training
19. Troubleshooting and design
20. Hardware Architecture Knowledge
21. None
22. Classroom training
23. Master Data Management
24. Public open enrollment
25. Mature products and products moved to other organizations

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

1. Delivery Resource constraints due to demand exceeding supply
   Unable to meet Demand for new courses in timely way due to resources
2. Managing a rapidly growing schedule and taking on partner training
3. Maintaining accurate project management when complexity is also increasing; ever increasing requirements of virtual lab environments
4. GROW without recruiting and MAINTAIN PRICES
5. Resources
   Staying on top of product changes
6. Trying to re-establish live training
   Change in management
7. Lack of sales incentives to sell training
   Training not budgeted for properly
8. Our Partner Model and Our Partner Model
9. Overall changes throughout the company that impact ability of company to execute and therefore impact downstream organizations like training.
   Adequate resources
10. Engagement with Partners
    Flat resources with increased demands
11. Engaging Learners
    Scaling Training solutions globally to account for Regional differences
12. Continued uncertainty in the market
13. Creating new content AND delivering existing material. We're set up for one but not both.

14. Attachment to license sales

    Carve-outs/discounts

15. We had a huge reorganization of the Sales force in Q1. Salespeople lost a lot of time learning new territories and new comp plans, and didn't sell much, including training, in Q1.

16. Managing Strategy Change

17. Getting courseware out close to product release

    Instructor burnout

18. Certification security

    Increase revenue

19. Product coverage

    Certification

20. Economy in Europe and Currency

21. Rolling out our managed training services program in EMEA and APAC continue to be a challenge

    E-learning is a challenge as we have not updated to new version so sales are in decline

22. Resources

    Implementing an eLearning strategy

23. LMS transition

    Certification growth

24. Legacy product training starting to wind down, finding replacement revenue is a challenge.

25. Shortage of headcount

26. Slower sales of new ASP customers; planning for pending acquistion a distraction for customers and internally

27. Lack of resources.

28. Getting sales reps to sell training, as their commission plan has changed to not value training as high as it did the year before

    Having enough resources to keep course materials up to date

29. Clarification on our mandate as to whether we are a profit center or cost recover center.

    Some departments want us to give away too much

30. Sales understanding the value sell of training and pitching appropriately.

    Investing time to get the network up to speed on many new trianing products.

31. Resources overloaded

    Implementation of new offerings

32. Right resources for all requests, as often location, skills of instructors and requests are not matching, so some instructors are under- and some over-utilized

33. Budget concerns, travel concerns

34. Hitting margin targets

    Headcount restrictions

35. Increase understanding of senior management about the training industry and required investments for success.

    Infrastructure.

36. Limited resources

    Meeting demand on scheduling

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

1. Seeing more demand for onsites as customers discretionary budgets get cut more than training budgets
2. We're wondering what, if anything, will be the next technology wave IT training dollars will be spent on. What will we have to do to compete for those dollars?
3. Volatile economy continues to impact all business with a lack of predictability or patterns which inevitable affects training as a domino effect.
4. Europe is in recession. Large training deals are still in the pipeline, but approvals are taking much longer than last year. Aerospace and defence spending is down around the globe, with the exception of Korea and India.
5. Virtual interest continues to increase
6. We saw an even bigger shift to eLearning for traditional training and Large programs for custom training
7. Also rolled out a new LMS
8. Customers have become "pickier" and want to negotiate more; also seem less sophisticated or experienced in selecting correct solutions or trying to negotiate. Selling requires more hand holding.
9. We have had a huge uptake on IP training
10. We see request becoming more customized requiring more modular courseware and fulfillment.
11. There is increase in demand for more online/ eLearning training which requires considerable time for initial development, but as the new work force coming into the market are accustomed to online and more accessibility provides challenges to meet this market.