

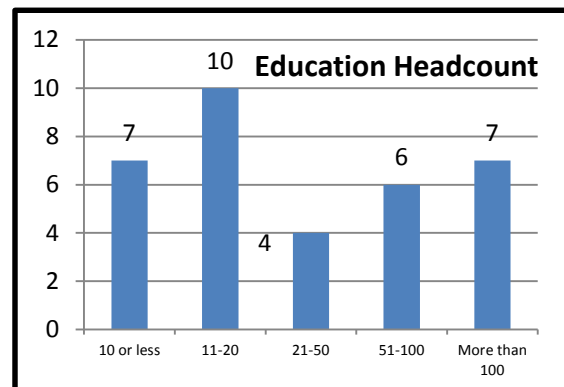
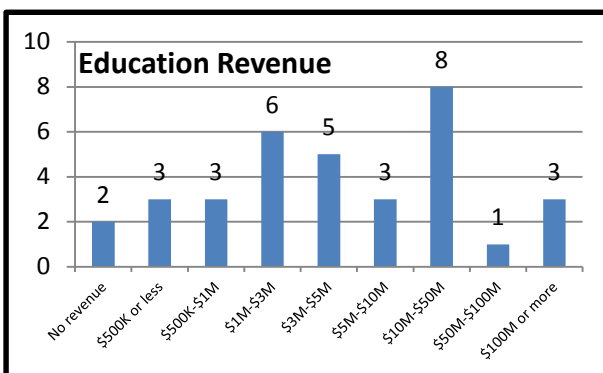
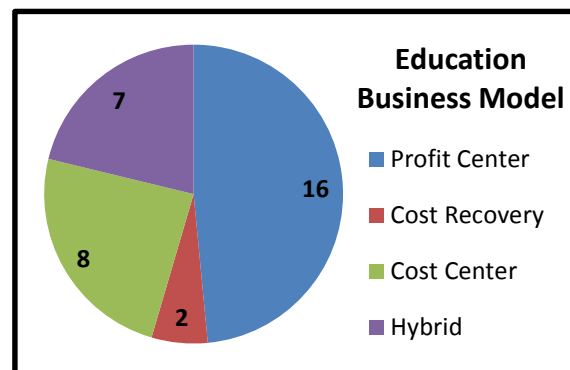
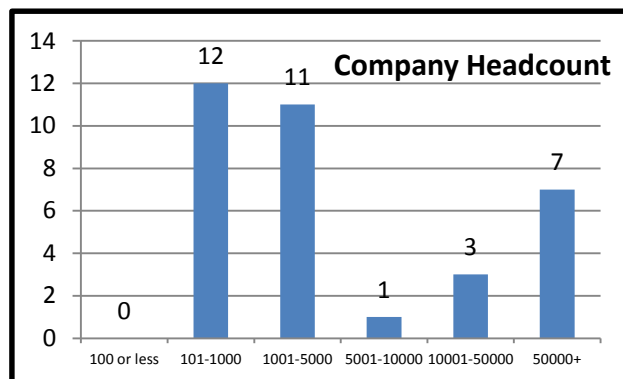
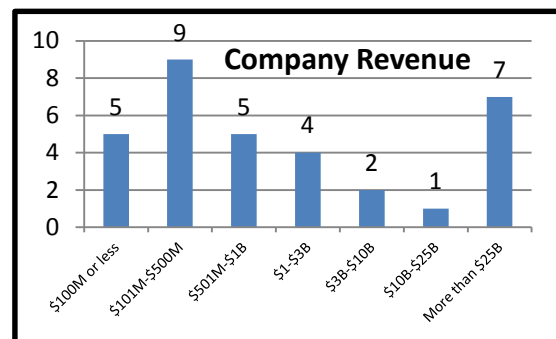
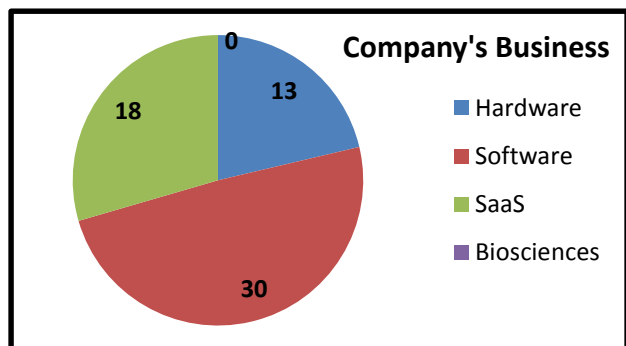


CEdMA Training Market Barometer

1st Quarter 2015 actual and forecast for 2nd Quarter 2015

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 $\pm 12.5\%$. 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. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. There were 31 responses for global and only 3 for North America so the combined 34 profiles are as follows:



Summary

The unweighted average uses all responses as entered, whereas the weighted average uses the size of the revenue, taking the relevant education value, so larger companies have a bigger impact. These observations are weighted and based on trendlines of 4-period moving averages, giving yearly changes.

Revenue: Grew just over 3% in the last four quarters

Profit: Grew 2% in the same period

Live Classroom: Volumes have increased 2% in the last four quarters, having risen from flat in 2013

Virtual Classroom: Volumes have increased nearly 6% over the last four quarters, back from 3% in 2013. Live and virtual classroom data underline the expected trend to virtualize.

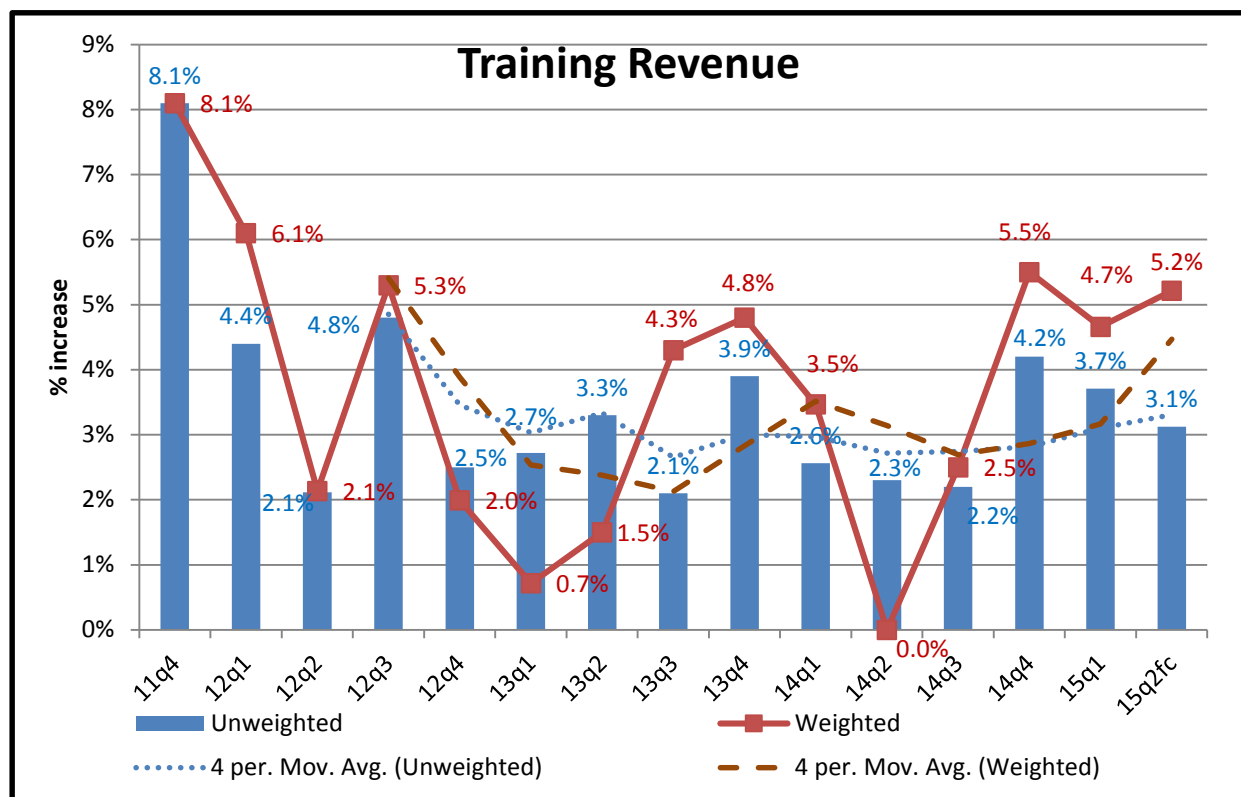
Public versus Private: Private class volumes grew 3% in the last year. Public class volumes also grew, now 1% having been flat the year before.

E-Learning: Volumes grew 8% in the last year, up from 5% before then.

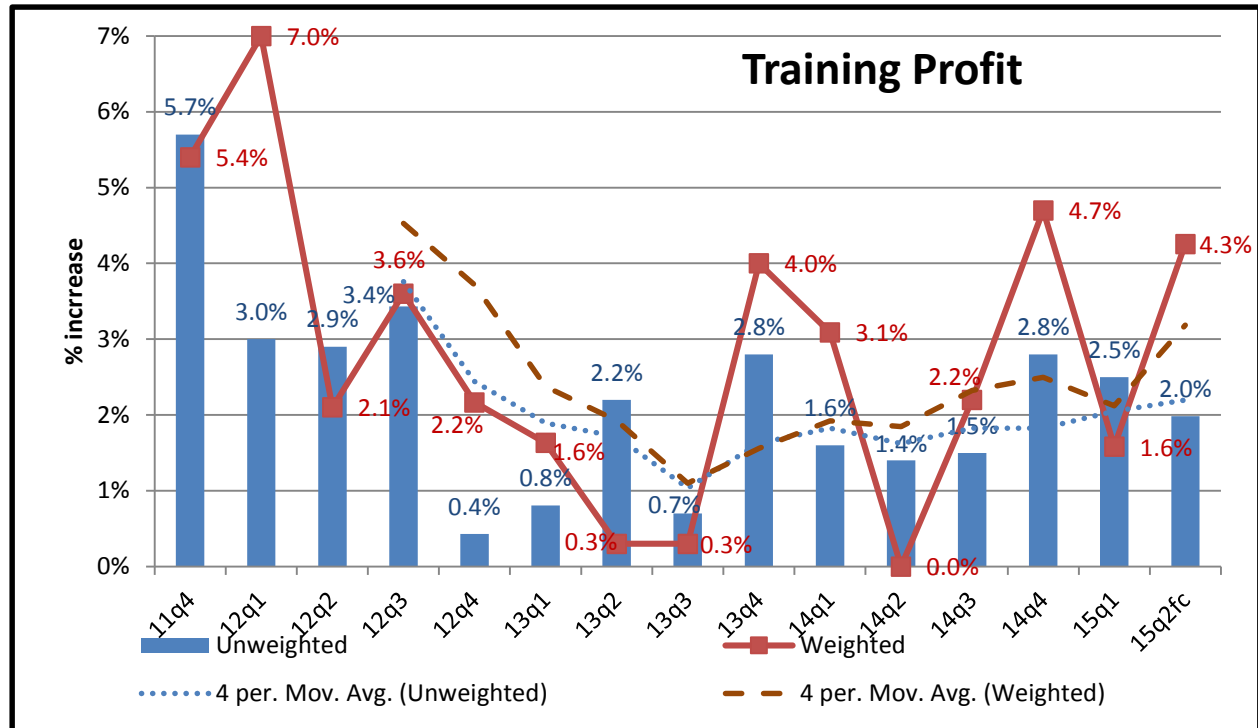
Certification: Is growing steadily at 5%, double from two years ago.

Instructor Utilization: Has shown a 4% increase over the last year, consistent with the increases in live and virtual volumes.

Revenue and Profit



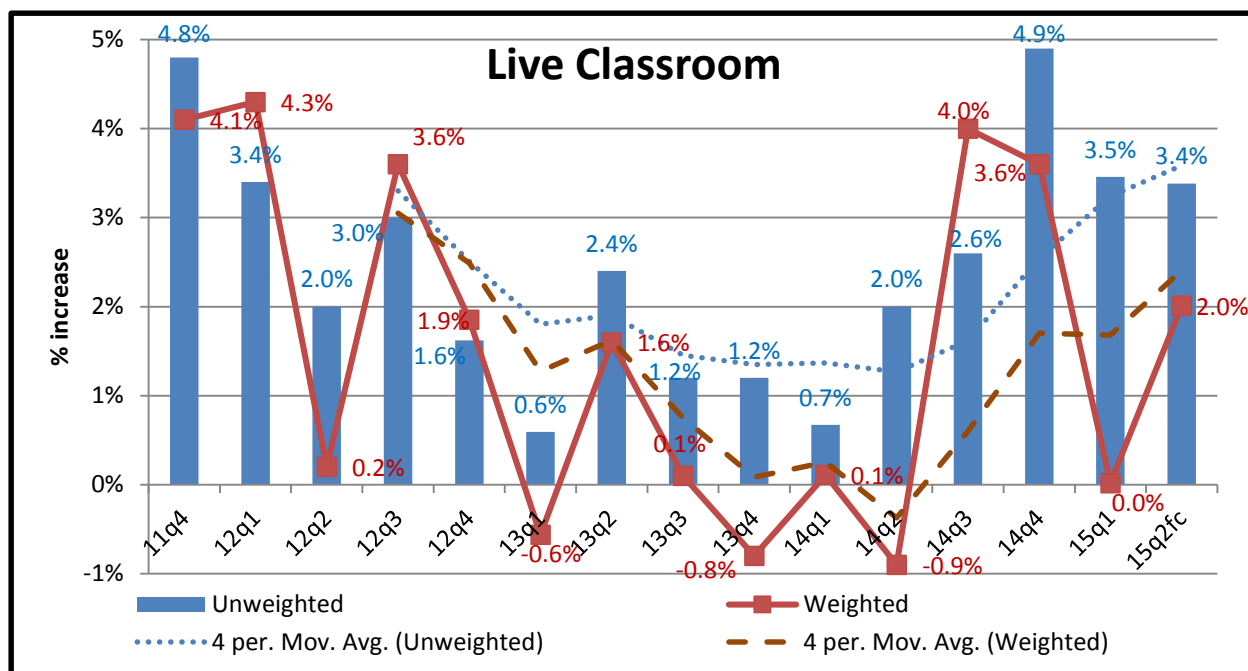
The unweighted total training revenue increase for 15Q1 (u=19, f3, d=9) was 3.7% against a forecast in the last report of 3.6%. The weighted total training revenue increase was 4.7% against 6.8% forecast. The forecast for 15Q2 (u=21, f=2, d=9) is 3.1% unweighted and 5.2 % weighted, well up from previous quarters. The 4-period moving average is currently showing an increase over 3% for both unweighted and weighted, about the same for the last three years.



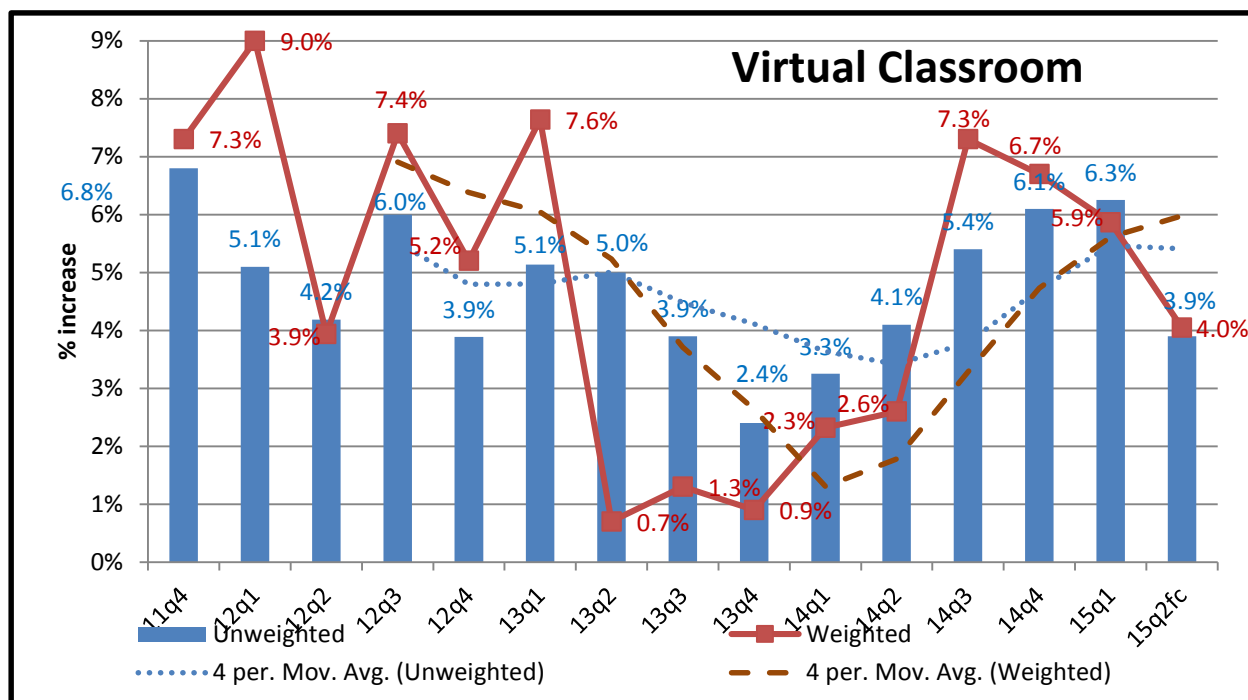
Training profit in 15Q1 (u=20, f=4, d=8) was a 2.5% increase against a forecast of 3.2 % unweighted, and 1.6 % against a forecast of 4.8% weighted. The 15Q2 forecasts (u=16, f=6, d=7) are 2.0% and 4.3% for unweighted and weighted, respectively. The training profit four-period trendlines currently show a 2% increase for both unweighted and weighted over the last two years and rising slightly.

Activities (Customer and Partner Training)

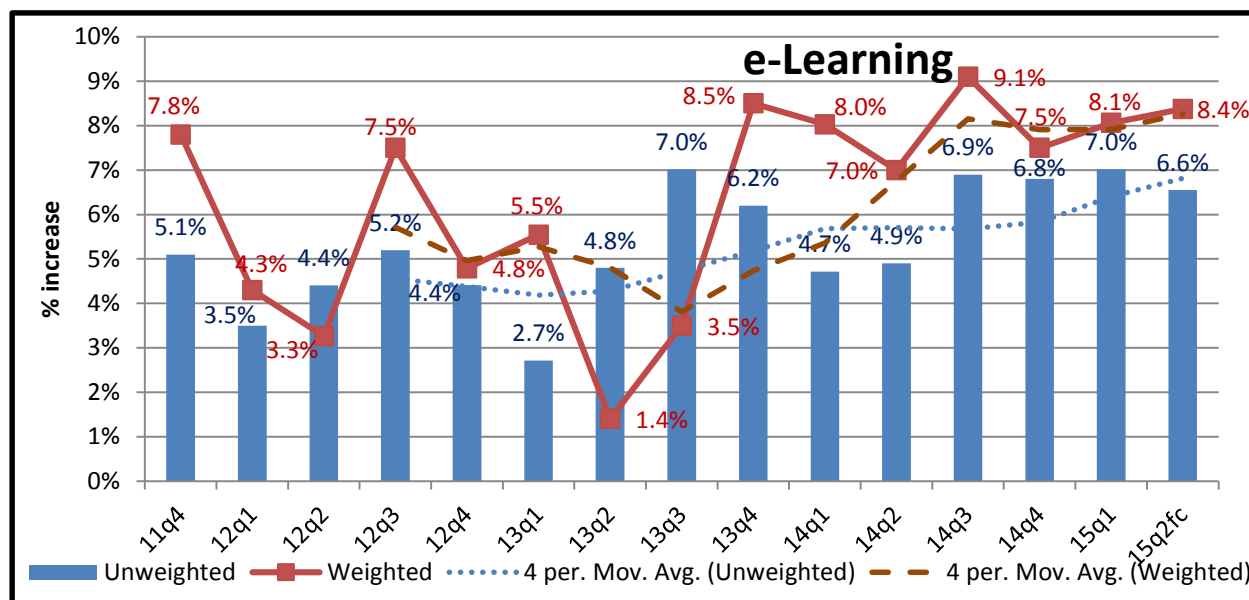
The unweighted live classroom volume increase for 15Q1 (u=25, f=5, d=4) was 3.5% against a forecast in the last report of 3.3%. The weighted live classroom volume increase was 0.0% against 3.3% forecast. The forecast for 15Q2 (u=22, f=7, d=6) is 3.4% unweighted and 2.0% weighted. Live classroom volume, however, is still increasing. The 4-period moving average has taken a swing upwards in the last 12 months and is now showing a 2% increase when weighted.



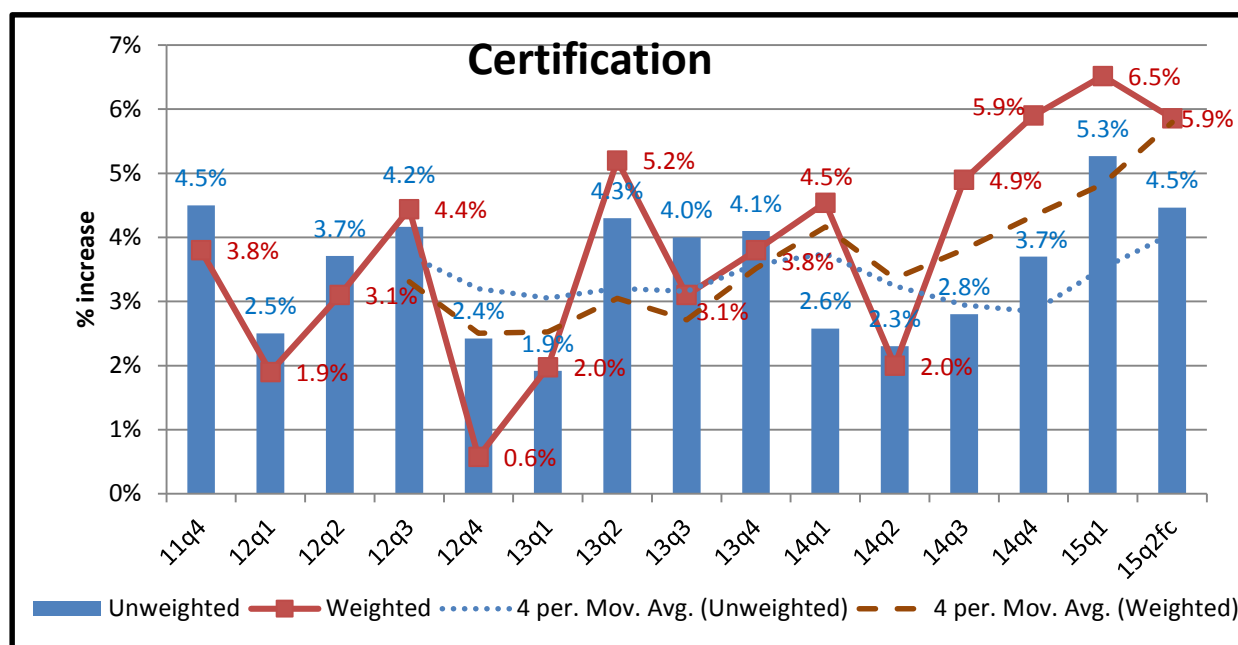
Virtual classroom on the other hand has been growing faster, apart from a small dip in 2013. The unweighted virtual classroom volume increase for 15Q1 (u=24, f=3, d=7) was 6.3% against a forecast in the last report of 4.3%. The weighted virtual classroom volume increase was 5.9% against 6.0% forecast. The 15Q2 forecasts (u=23, f=5, d=6) are 3.9% unweighted and 4.0% weighted, respectively. The 4-period moving averages for both unweighted and weighted have both risen to 5-6%. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.



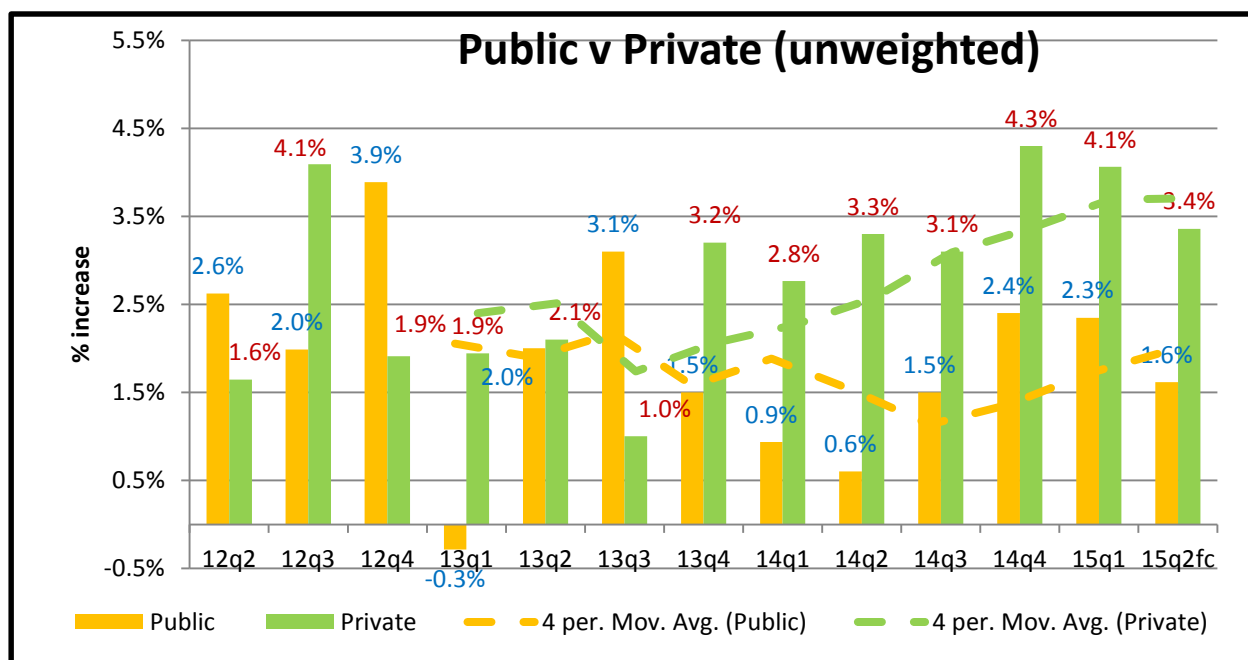
The unweighted e-Learning volume increase in 15Q1 (u=23, f=6, d=2) was 7.0% against a forecast in the last report of 7.6%. The weighted e-Learning volume increase was 8.1% against 7.6% forecast, showing a significant boost for all companies. The 15Q2 forecast (u=22, f=5, d=2) is 6.6% and 8.4% for unweighted and weighted, respectively. The growth over the total period has now overtaken virtual classroom. The 4-period moving average currently shows a 6-7% increase for unweighted and 8% for weighted.



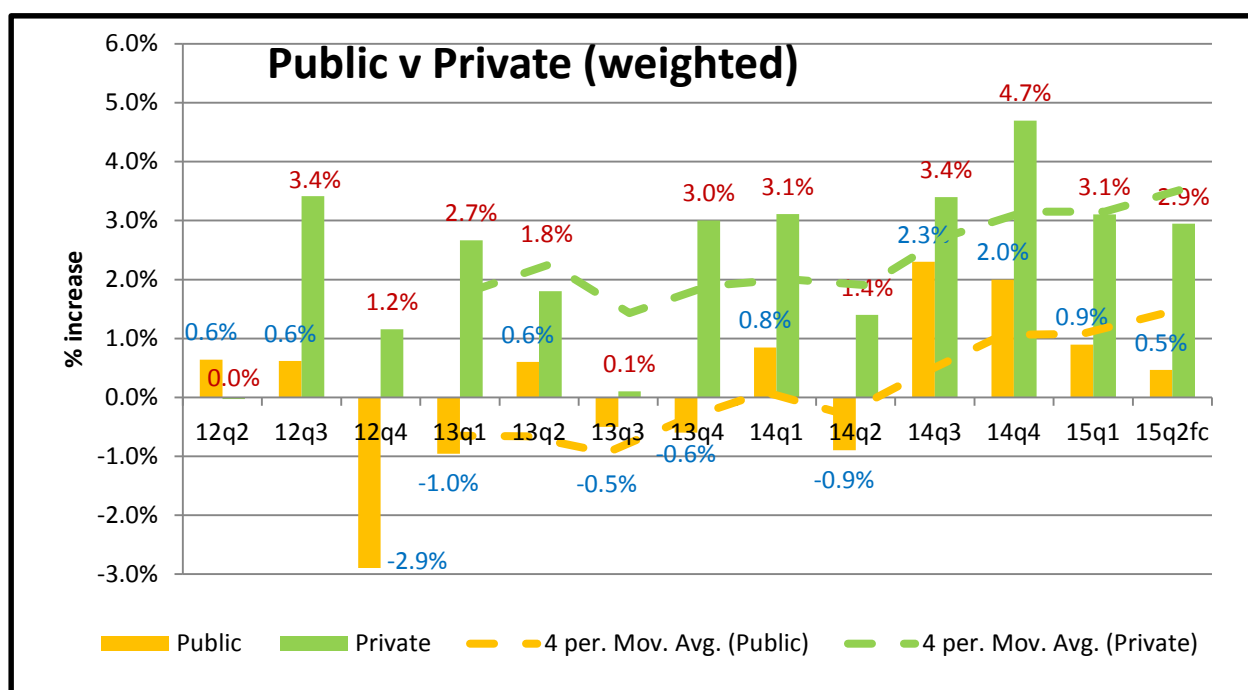
The unweighted certification volume increase for 15Q1 (u=19, f=7, d=2) was 5.3% against a forecast in the last report of 3.5%. The weighted certification volume increase was 6.5% against 1.4% forecast, quite a shift for larger companies. The forecast for 15Q2 (u=18, f=8, d=2) is 4.5% and 5.9% for unweighted and weighted, respectively. The 4-period moving average is showing increases of around 3-4% for unweighted and 5% for weighted.



We now include questions on public classes and private classes. After a “blip” in 13Q1, both volumes have increased in 15Q1, by 2.3% public and 4.1% private. The forecasts for 15Q2 are 1.6% and 3.4%, respectively. The trendline for public is almost 2%, but private shows well over 3%.

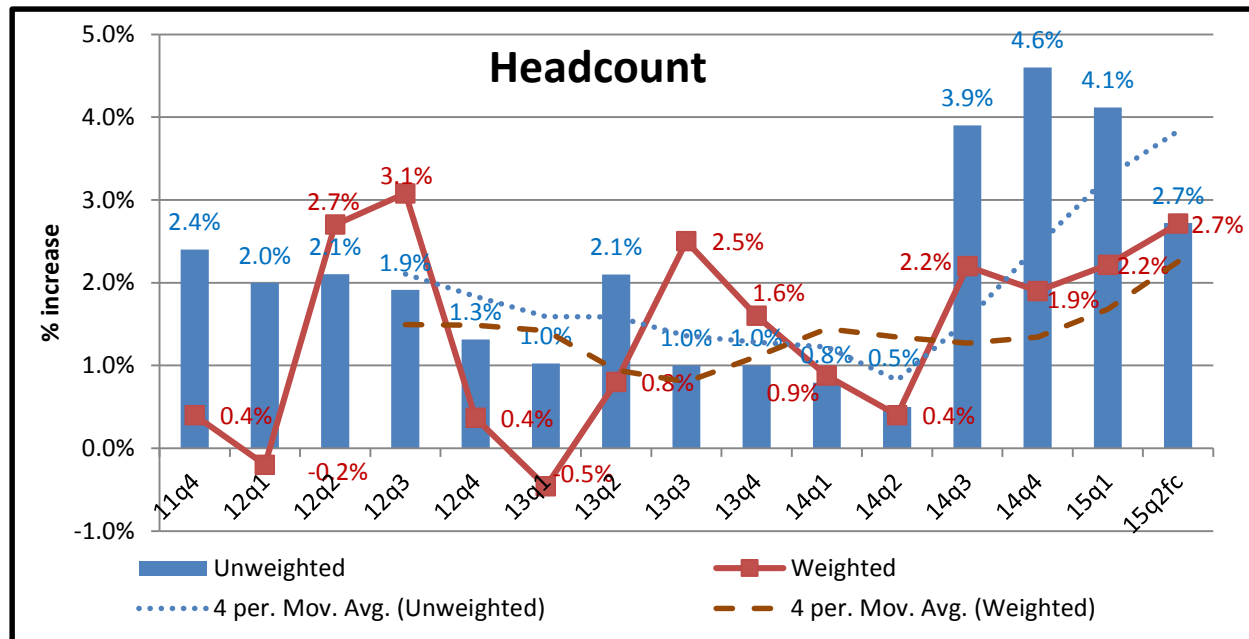


When weighting is taken into account, the changes are more dramatic. The 4-period moving average is 1% for public and over 3% increase for private. Also, there’s consistency with both unweighted and weighted trendlines.

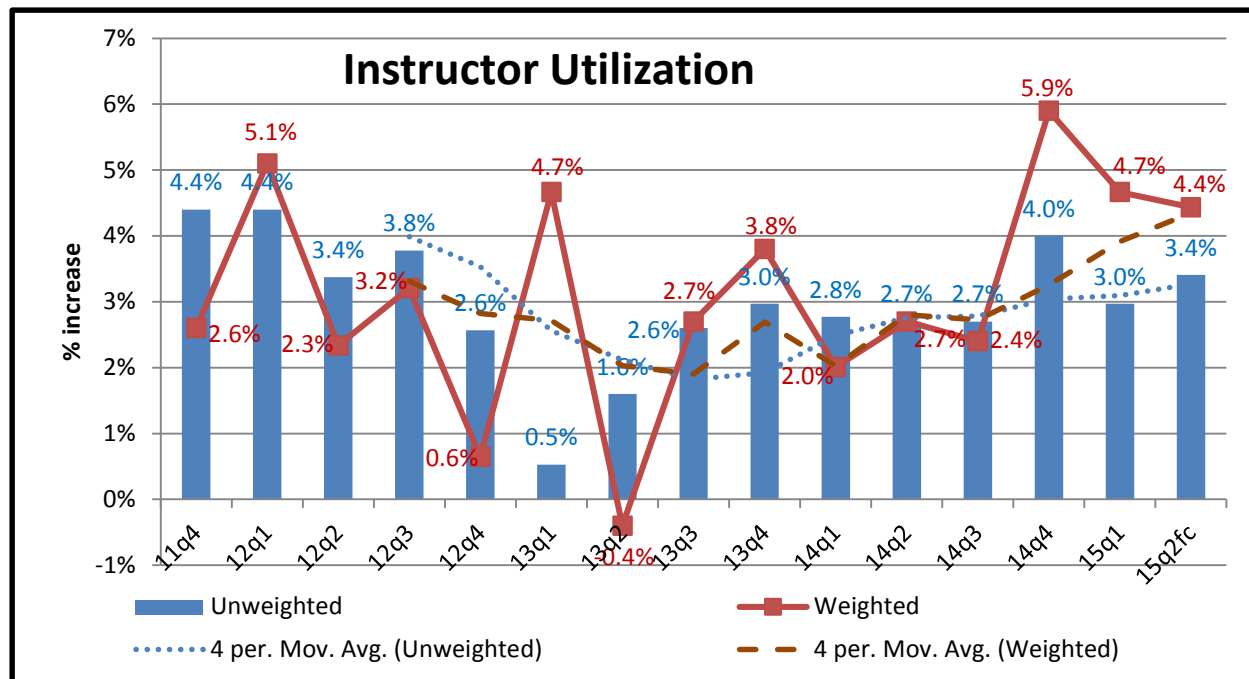


Team

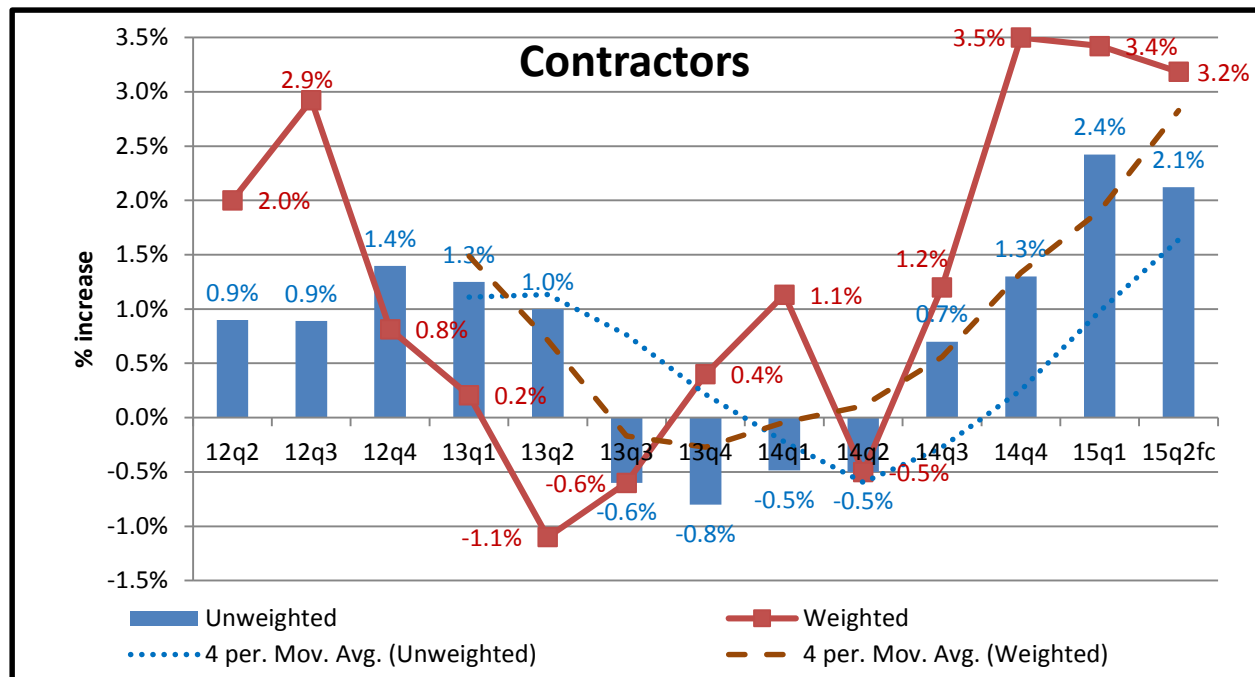
Unweighted headcount has largely remained constant over the whole period, with the weighted numbers showing more erratically. However, since 14Q3 there has been a spike upwards. The 4-period moving average currently shows increases around 3% for unweighted and nearly 2% for weighted.



Maybe as a result of the small increase in hiring but higher increases in volumes for live and virtual delivery, the Instructor Utilization increases have shown a steady increase. The 4-period moving average currently shows an increase of 3% for unweighted and but 4% for weighted.



We also added a question on the use of contractors in 12Q2. While the results overall have been erratic, the trendlines show that both unweighted and weighted are now showing greater increases.



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

1. Reporting, Workflow
2. Product fundamentals courses (product operating system courses)
3. Private classes and our free self-paced courses
4. Field Enablement, Internal Employee Training
5. Self-paced eLearning. Dedicated classes.
6. User Adoption and Change Management services, training delivered at customer site
7. New acquired products and products with major releases
8. Developer Training; Networking Virtualization; Security; Cloud Management
9. Fundamentals
10. OnDemand registrations
11. Introduction of new products and services and business intelligence courses.
12. Strategic acquisitions, cloud and technology
13. Data Science, new products
14. Customer skills
15. Security
16. Security and single-sign on technologies.
17. Onboarding training for new employees and new channel partners
18. Networking topics
19. All
20. All of our classes are product specific. We saw the biggest increase in our security products.

21. The subject areas have remained fairly consistent.
22. Basic product installation, configuration, management, some troubleshooting
23. Ethernet Fabrics
24. eLearning/informal training
25. eLearning courses much higher in demand, VILT increase in demand
26. New product feature topics; difficult topics

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

1. Year End/ Platform
2. Courses on our Net MRI product
3. We continue to offer fewer public classes due to lack of resources to staff them. All staff is delivering private classes mostly.
4. Partner Resellers
5. Instructor led classes
6. Public classes
7. # of virtual days (but student counts were up so that offset the impact)
8. Products with minor updates, patches, etc.
9. Virtualization Fundamentals; Virtualization Configuration; Product Overview
10. Advanced
11. In-person scheduled and account specific courses
12. Legacy products
13. Mobility
14. End of life products
15. No identifiable drops
16. End user technical training
17. Legacy operating systems
18. Our older products
19. The subject areas have remained fairly consistent
20. More advanced/specialty courses
21. Layer 4-7
22. Private Training
23. Americas private classes are down a bit
24. ILT courses much lower demand
25. Customization of content due to customer budget decreases

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

1. Hiring talent; Meeting growth targets; Building the organization to support future growth
2. New VP with a very prescription approach to the way training should be run. Splitting up of current team into enablement and customer training.
3. Continue to have LMS challenges to host video content. Scaling to meet hyper growth demand
4. Organizational shifts accompanied by changing priorities

5. Systems/Automation; Software Company Change
6. Too many concurrent projects - all important; Limited resources and time
7. Revenue for training; more social media type information for quick training; cost to create certification
8. Need to modularize our classes to make them more applicable to our users. Need to implement LMS
9. Customers less willing to attend multi-day classes, want shorter classes with very targeted agendas
10. Acquisition of new companies and evolving business and portfolio strategies
11. Culture and scaling
12. System limitations (LMS); Data integrity/integration
13. Keeping up with rapid product changes; Introducing new training and certification products.
14. Insufficient staffing. Low enrollment.
15. Actively transitioning a formerly all training sales team to a user advocacy function and this modification has created some challenges during the process of transition. With this change the training conversations have to begin to shift back to the named account representatives in Corporate (outside) accounts and to potentially several sales representatives as our inside sales teams have transitioned to product-specific tasks per rep whereby any one of several reps of could be having a training conversation. It's going to take some additional time to work through this change internally.
16. Acquiring adequate data in advance of need, to support training needs for new customers. Greater than anticipated demand, causing us to increase size of classes beyond our typical limits
17. Sales enablement and sales skills when selling e-learning subscriptions; Instructor mind-set shift to online teaching
18. Industry sales trends and completion; saturation of certifications for internals
19. Localization and Regionalization of content; Manager Training Program; Certification
20. Change management
21. Scaling the administrative function of the business to be able to handle the growth (100% Q/Q)
22. Merging two internal training groups into a single group
23. Export rules and sanctions for business in China, Russia, and defense customers in Middle East. Consulting organizations trying to poach all informal, and some formal, training business.
24. Keeping instructors up-to-date as we release updated classes to meet our rapid releases.
25. Creating scalable business process and practices to accommodate the growth. Managing expectations for free/discounted training.
26. Keeping pace with rapid growth of the company/demand. Partner training model--no charge, discounted price, or hybrid?
27. Current infrastructure does not support needs of business. Acquisition of new technologies/companies with little or no course material available
28. Customers receiving free of charge training from other departments. Customers using free e-Learning resources delivered within our products
29. Belt tightening at some of our larger customers. Development is maxed out.
30. Maintaining and updating training curricula
31. Customer budget decreases and lateness of Education positioning in the sales cycle

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

1. Accessibility for majority of content continues to be the challenge. In product videos, no charge content. For fee content we are seeing more and more requirements for private classes and onsite. Customers feel that virtual learning is not as affective.
2. When moving to subscription based models customer adoption is a critical piece that we are now addressing with dedicated headcount
3. Good business in niche markets where the training is tied to product sales.
4. Partners seem equally divided between those who want more ILT and those who want to minimize ILT
5. Multi-day classes are quite difficult for many of our target customers. They expect shorter and online training.
6. Seeing an increased demand in New IP training related to third platform (mobile) technologies -> programming, scripting, orchestration, virtualization, etc.
7. Automation and cloud/SDN starting to change the profile of learners; growing need for programming skills in addition to operational skills.
8. General slowdown in Q1 after holiday buying