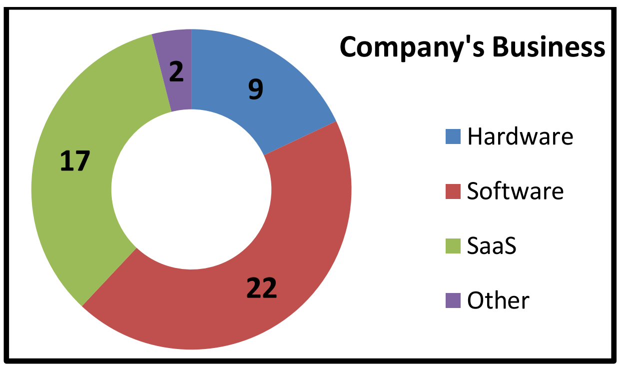
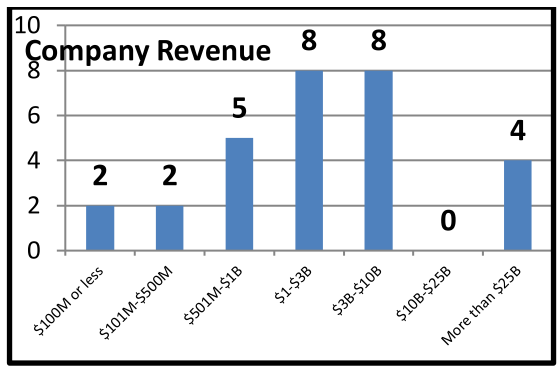
Computer Education Management Association Europe

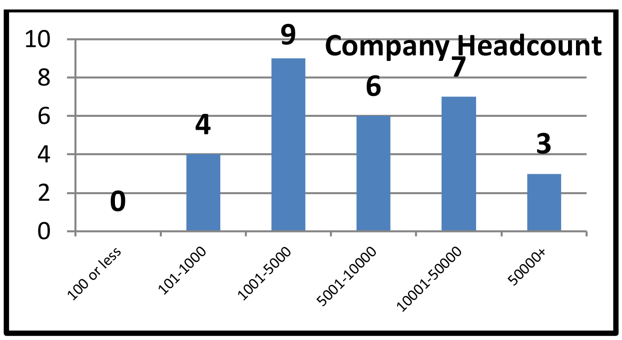
CEdMA Europe Market Barometer
2nd Quarter 2016

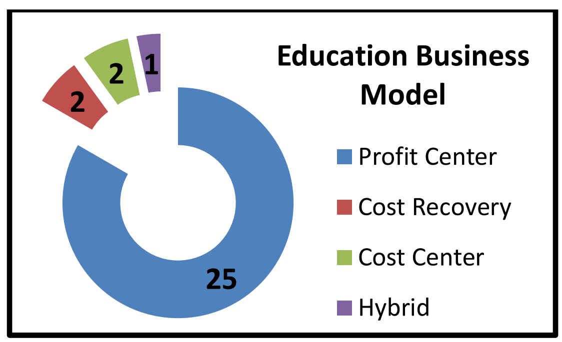
Introduction

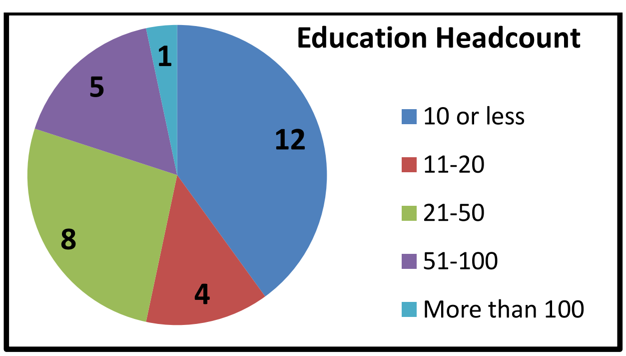
This report is compiled by CEdMA Europe for its members from input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +- 12.5%. Please note that was changed for 11Q4 and so the quarter numbers prior to that have been adjusted accordingly to be consistent with 11Q4 and going forward. Revenue refers to training services delivered in the quarter and not future bookings. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. This report for 16Q2 actuals is based on input from 30 companies.

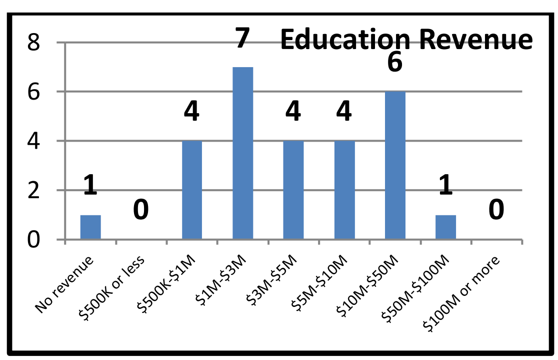












Changes to the Barometer

In response to member suggestions, we have changed the survey in the following ways from 16Q1:

1. We only collect data **about the quarter just ended**, not the "current" quarter
2. All questions **ask about revenue**, not some about volumes
3. We ask about the major modalities such as ILT, VILT and eLearning, plus additional services.

Summary

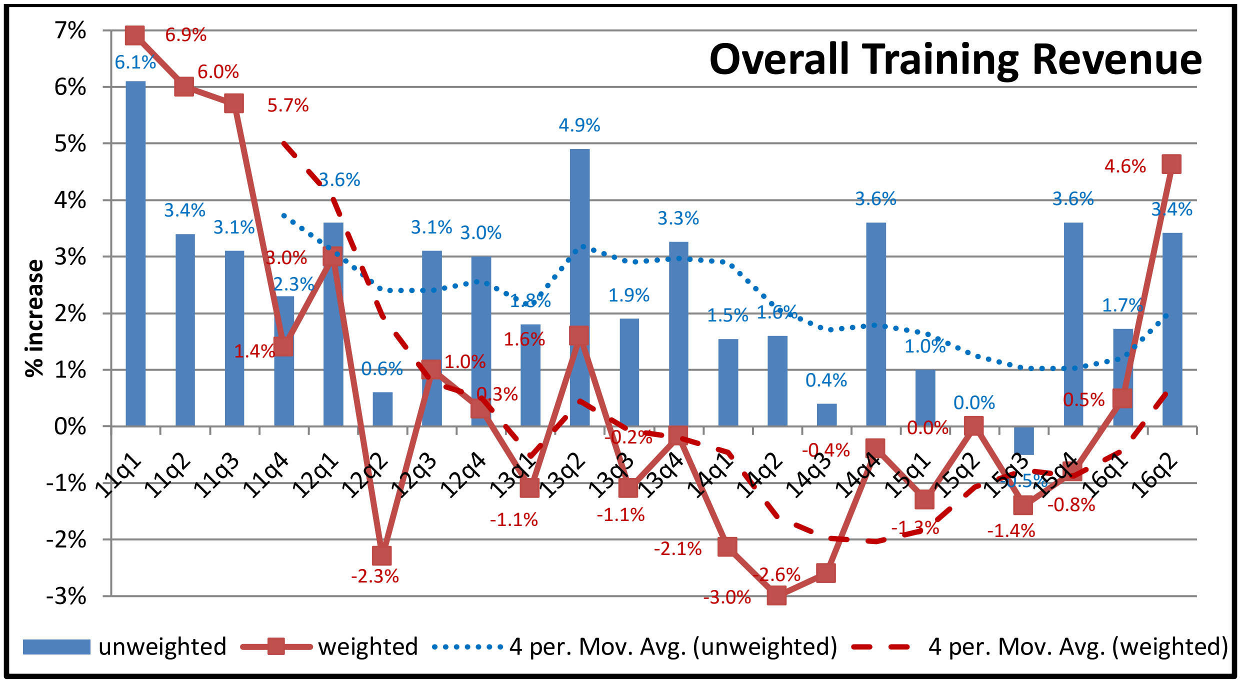
The unweighted average uses all responses as entered, whereas the weighted average uses the size of the revenue, taking the relevant education value, so larger companies have a bigger impact.

These observations are weighted and based on trendlines of 4-period moving averages.

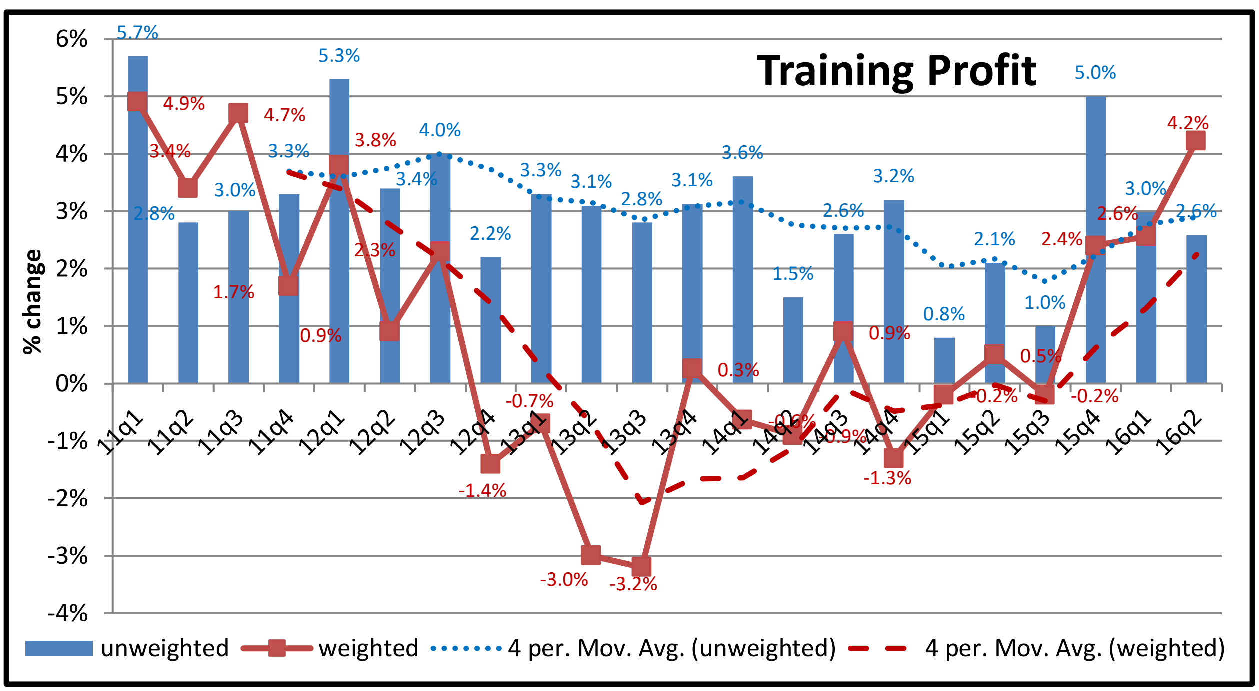
Total Revenue is defined as all recognized revenue. Having been down to negative 2% in 2014, it's recovered to nearly positive 1%.
Operating Profit is revenue minus all fixed and variable costs, excluding allocations, divided by revenue. Recovered from a low of negative 2% during 2013 to a 2% increase now.
Live Classroom (ILT) is all revenue when the instructor is in the same physical location. Fell to negative 2% during 2014 but now showing half a point under flat.
Virtual Classroom (VILT) is all revenue for instructor-led training via the web, with or without virtual labs. Dropped from 6% during 2013 to 1% in 2014 but is 4% now.
Public (scheduled) classes is revenue for ILT and VILT and now showing just under flat, having been negative 3-4% in 2014.
Private (one-customer) classes is revenue for ILT and VILT, and showing an increase of 3%.
Self-paced is all revenue generated by training students without instructors, such as eLearning, video, and can be paid per use or subscription. Now showing a 2% increase having been as low as negative 4% during 2014.
Certification is all revenue for certification business, such as exam fees and exam prep services, but excluding any exam prep training which is accounted under ILT/VLT/self-paced. The trendline is now 2-3%
Learning Consulting is all revenue generated by non-training education business like learning needs analysis, customization of material assessments, and mentoring/coaching after training. There was a decrease of 2.2% in 16Q1 compared to the same quarter in 2015, which has now turned around to an increase of 1.4% in 16Q2.
Learning Technologies is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. There was an increase of 3.6% in 16Q1 compared to the same quarter in 2015 which has now increased to 6.3% in 16Q2.
N**ew Learning Modalities** is all revenue for social learning, gamification, microlearning, mobile. There was an increase of 12.2% in 16Q1 compared to the same quarter in 2015 which has slowed to 2.6% increase in 16Q2.
Subscriptions include all revenue from any of the above modalities included in subscriptions. There was an increase of 11.3% in 16Q2 compared to 15Q1 which has slowed to 4.3% increase in 16Q2.

Training Revenue and Profit

The unweighted total training revenue increase was a 3.4% in 16Q2 (u=18, f=3, d=9). When considering the weighted numbers, it was a 4.6%. The unweighted trendline shows an ongoing increase of 2%, but when size of company is taken into account, it's recovered to nearly positive 1%.

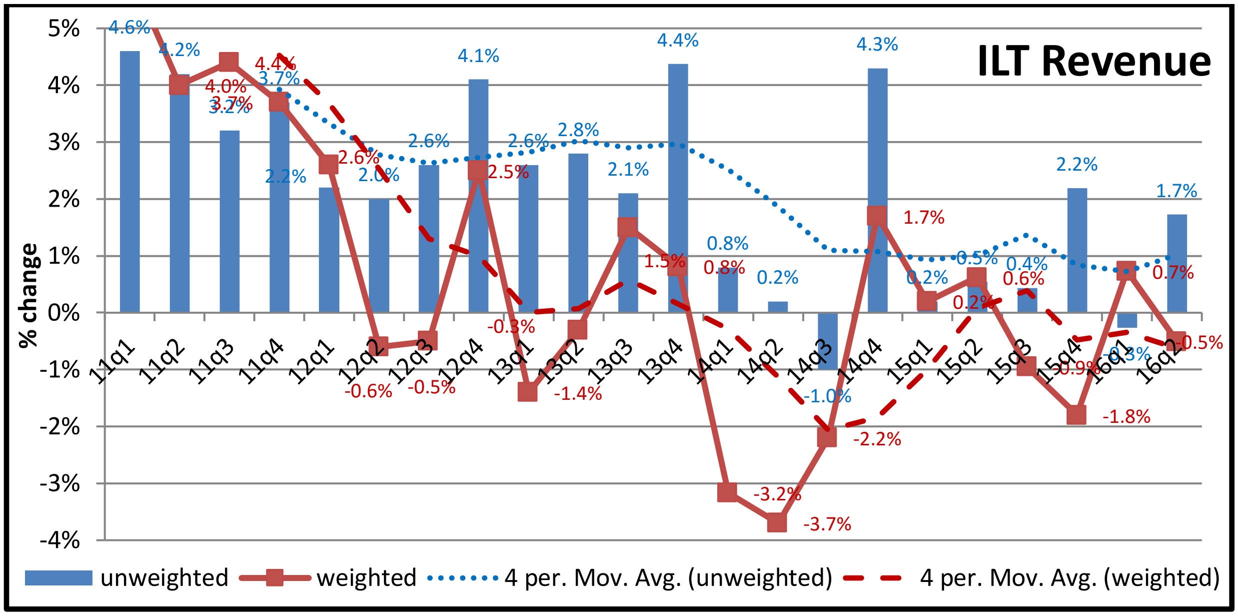


The unweighted total training profit grew 2.6% in 16Q2 (u=18, f=7, d=4). And, with the weighted numbers, there was an increase of 4.2%. The unweighted trendline shows an ongoing profit increase of 3% over the last year but when size of company is taken into account, it has now risen to 2%.



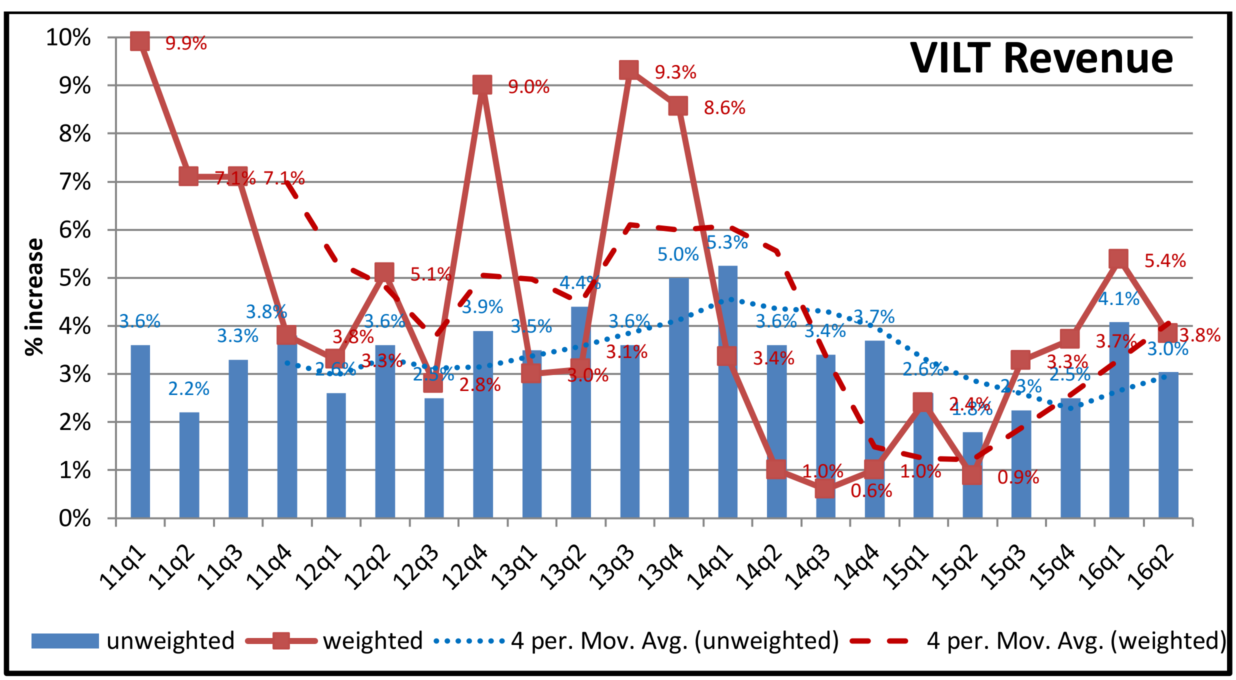
Live Instructor-led Training

This chart below suggests that ILT **revenue** for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 16Q2 increase was 1.7% (u=12, f=7, d=10) whereas the weighted number was a decrease of 0.5%. The unweighted trendline shows an ongoing ILT increase of 1% but when size of ILT revenue is taken into account, it is half a point under flat.

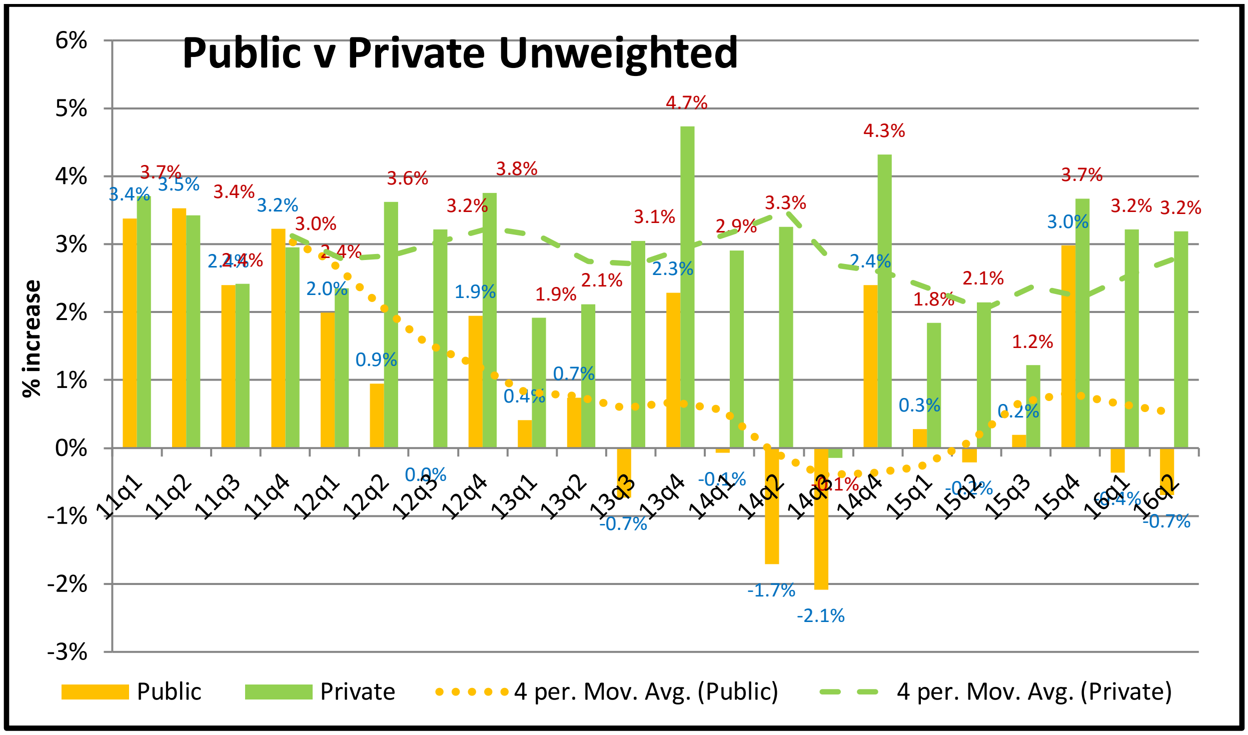


Virtual Instructor-led Training

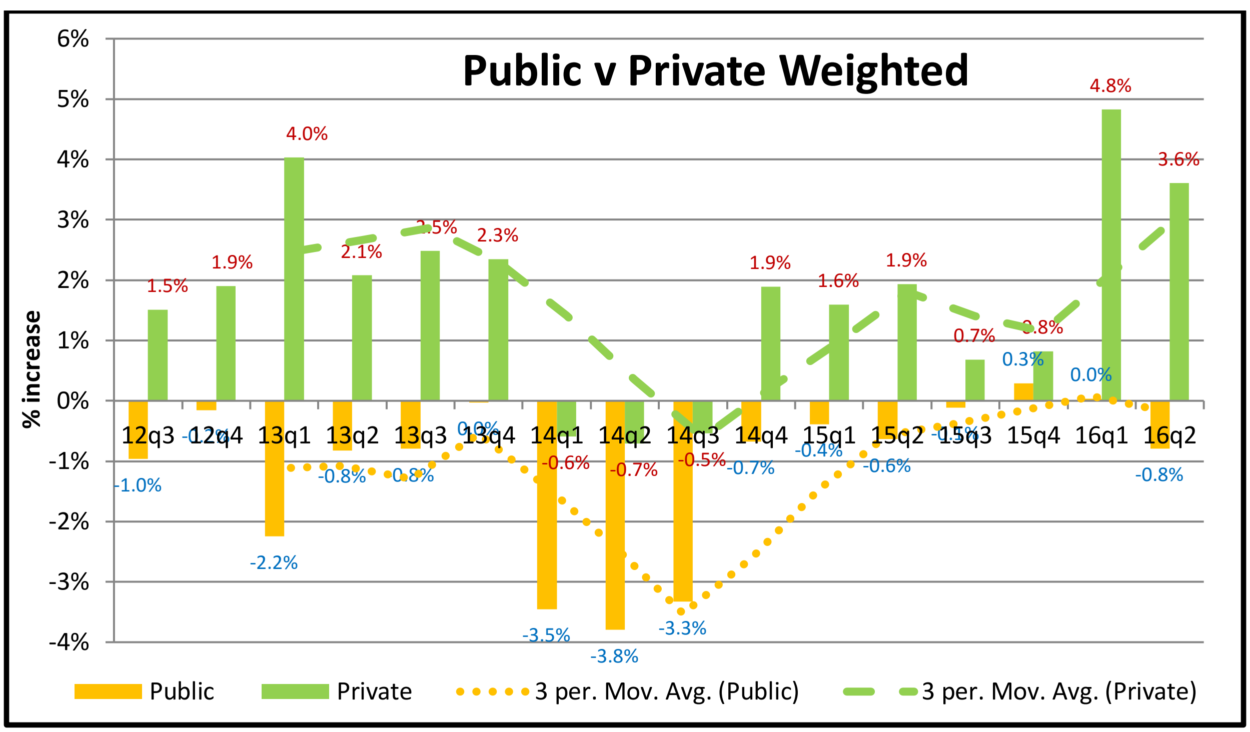
On the other hand, the VILT increase fell badly in 2014 but is now recovering. The unweighted 16Q2 **revenue** increase is 3.0% (u=14, f=10, d=4) and the weighted increase is 3.8%. The unweighted trendline shows an ongoing VILT increase of 3% but when size of VILT revenue is taken into account, it was 6% in 2013 but now rising to 4% currently from 1% in 2014. Note that 2 of the 30 don't use VILT.



We are now asking you to forecast both public and private classes and have enough history to show that private classes show a consistent steady **revenue** increase of around 3%, although falling from 4% a couple of years ago. Public classes have recovered from a period of decreases to show half a point **revenue** increase. This shows unweighted values.

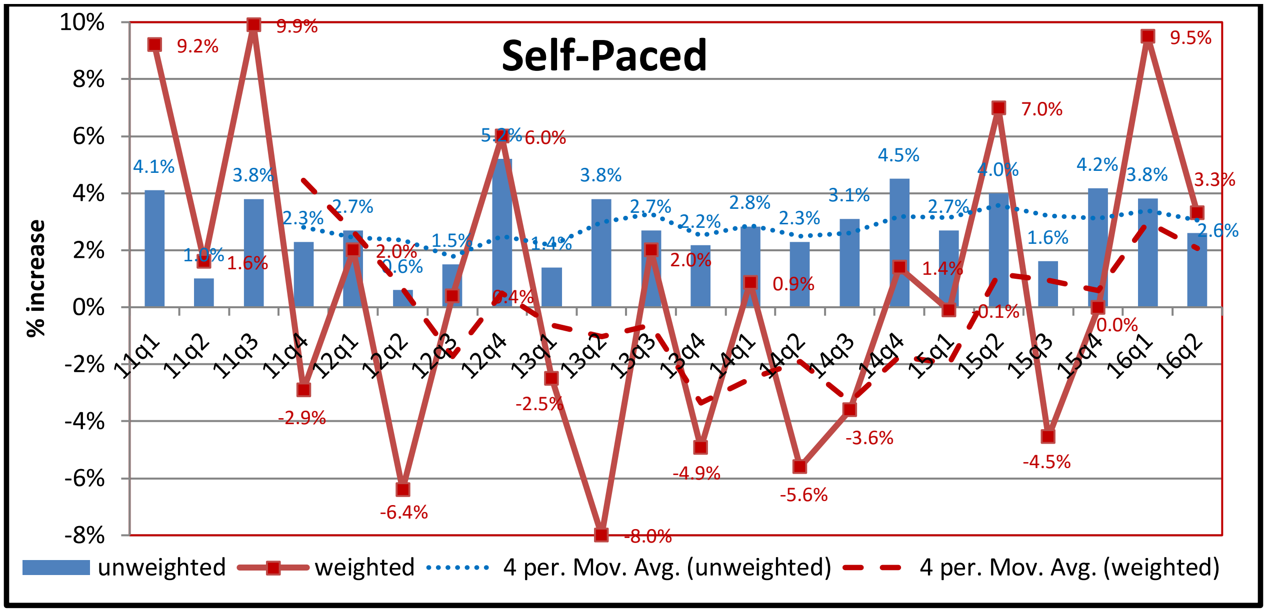


When weighted values are used, the **revenue** increases for public have recovered to flat with private around 3% increase.



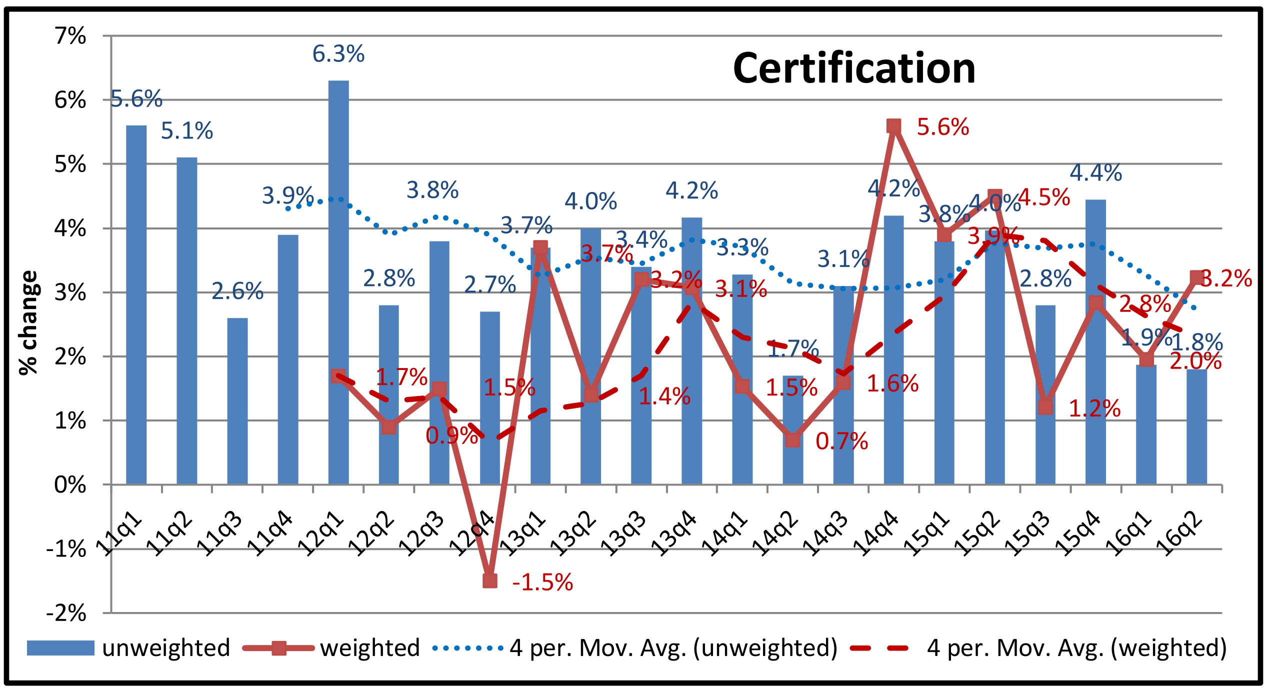
Self-Paced

The results for 16Q2 (u=9, f=13, d=2) were 2.6% increase unweighted and 3.3% increase when weighted. This shows how large projects in larger companies can have a significant effect on these averages. The 4-period moving average shows a 2-3% increase for both unweighted and weighted. Only 24 reported.



Certification

Overall, certification has averaged an increase of 3-4% year-on-year when unweighted. In that four-year period, the weighted scores grew from a 1% to 4%, too, showing a resurgence in the larger companies, but has now fallen back to 2%. The **revenue** increases for 16Q2 (u=18, f=13, d=4) are 1.8% and 3.2% for unweighted and weighted, respectively. 25 out of the 30 companies offer certification.



Learning Consulting

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	18	4	11	3	0.1%	(2.2%)
16Q2	18	6	9	3	1.0%	1.4%

Learning Technologies

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	16	2	12	2	0.0%	3.6%
16Q2	17	2	14	1	1.0%	6.3%

New Learning Modalities

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	15	6	9	0	2.7%	12.2%
16Q2	17	4	13	0	1.5%	2.6%

Subscriptions

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	20	10	10	0	4.5%	11.3%
16Q2	20	9	10	1	4.3%	4.3%

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

1. New product training
2. Use of 'subscription', that is, training credits which enables training to be taken for a period of one year
3. Administration
4. None - sadly training is quiet. Scheduled was good in June and we won a large contract for a private course which helped the numbers
5. Big data
6. Cloud and Networking and consulting
7. Learning Technologies, substantial effect of year on year move to SaaS from Perpetual Licences
8. Onsite and Public Schedule
9. Virtual Class delivery
10. Cloud; Database technology
11. ELearning
12. Public Virtual Training
13. Certification
14. Mobile on-site classes
15. Async training
16. VILT & ILT
17. New product training; increase in customer related-projects; Partner training - this does not necessarily come with revenue
18. Onsite delivery

19. Training Subscription and Onsites Classes
20. Networking and storage
21. Data Loss Prevention
22. Tutoring and Customised Training
23. Custom Training
24. VILT although very small
25. eLearning subscriptions - new for fiscal '16.

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

1. Older products approaching EOL
2. Private onsites
3. eCommerce
4. Scheduled course bookings are getting later and later which makes it difficult to plan.
5. Certifications
6. Storage
7. Partner delivery - no new Partner training required
8. Nothing. Q1 was extremely successful
9. Public schedule live classroom based and on-site (one product only)
10. End user and change management
11. Industry specific courses
12. Public
13. Public Classroom Training
14. Windows 7,8.x
15. Technical Support
16. Public classes
17. Internal training
18. Public enrollment classes (ILT)
19. Mature licence products
20. Endpoint Management
21. Private Training
22. Public Classes; Adoption Services; eLearning
23. Public schedule training
24. In Center public classes.

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

1. Resourcing and getting information on new products early enough
2. Hiring and increasing attach rates.
3. Esri Inc have announced that the new elearning offering (which is free of charge for customer in maintenance) will be live in August. Need to ensure that the messaging is for a blended approach and that ILT provides great value. Moving to a new website and back office system
4. Predictability & forecasting

5. Content updates due to software versions upgrading. Upskilling instructors to keep up with new products / product versions.
6. Attach; Market awareness
7. Other (internal) training priorities resulting from change in CRM system meant that resources were severely stretched.
8. Successful launch of new products as well as implementation of dedicated telesales team
9. Grey market activity, limited Partner Program
10. *Creating single customer-facing proposition covering all the learning options available from all divisions of the company*Price sensitivity / slippage of projects*Automation of processes
11. Move from on-premise to cloud business model
12. Generating volume for certification
13. Pace of product updates (SaaS model); Hiring
14. Changing Operating Model - selling Training Again
15. Market uncertainty; Britain's decision to leave the EU.
16. Managing both an ATC program and my company's business
17. Recruiting instructors; Motivating the marketing department
18. Hiring; And hiring again!
19. Training attachment to product deals
20. Scale and new hire
21. Keeping the corporate sales team engaged and up-to-date
22. Maintaining reseller partner momentum.
23. Lack of approved contract Instructors with language skills other than English; No-shows in classes
24. Budget no longer being available, Training being used as leverage to win software deals
25. Headcount freeze; Free Learning
26. Training program delays impacted by delayed customer go-lives or postponed budgets; Low price competition in certain markets (France and Germany) continues to be a threat
27. Overall EMEA region is slow, recessions in southern Europe, and the concern of Brexit. We have been down a sales head count, causing slowness in our business

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

1. Difficulty in determining trends of ILT vs. self-paced (is the latter even viable in EMEA?). Lack of localized materials for training in EMEA.
2. Noting the swing towards technology-based subscription models, we are planning on creating something similar, which will likely align content for customer, partner and internal audiences at a foundation level
3. Our first quarter, so slow to start.
4. Revenue is no longer a driver for me - student days is the measure in use now.
5. Customers are moving away from Instructor Led Training and moving more to Virtual training
6. Adding more staff helps driving sales
7. Partners not willing to move to selling new learning modalities
8. More customers are looking to deliver their training themselves through a Train the Trainer program. IP protection is a concern. Customers in EMEA seem unwilling to move to digital guides and continue to rely on expensive paper manuals. We are now forcing this issue to make Digital Guides the default delivery mode.