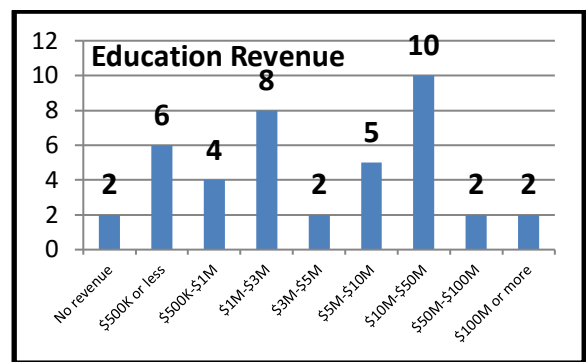
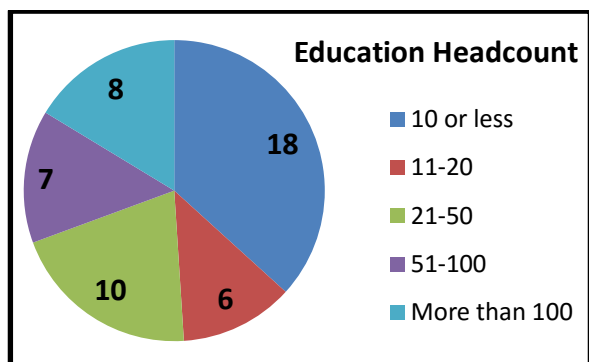
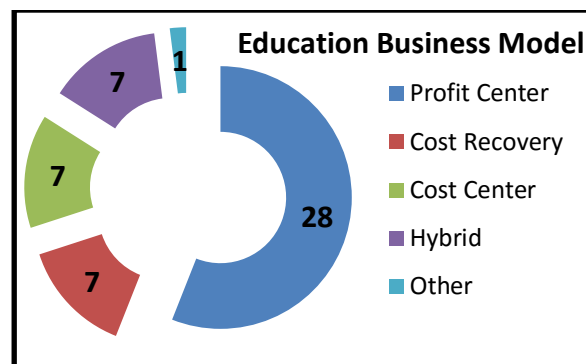
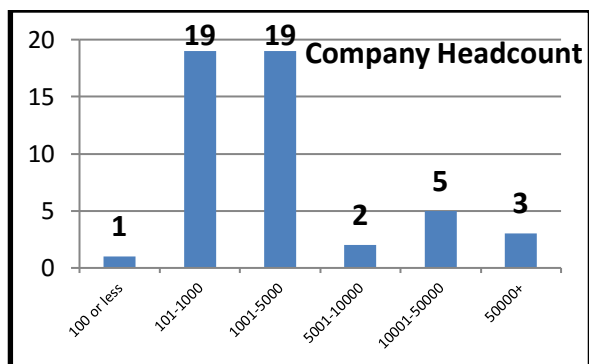
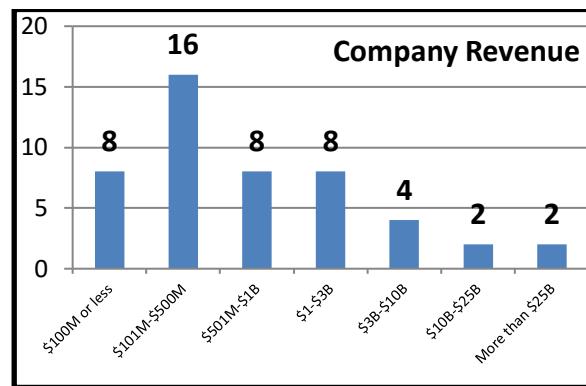
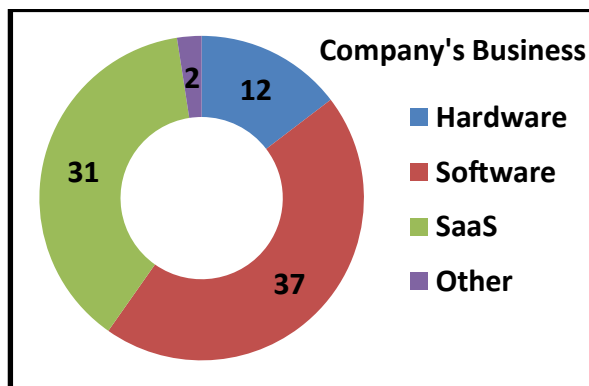




CEdMA Training Market Barometer 2nd Quarter 2016 Actual

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 42 responses for global and 8 for North America so the combined 50 profiles are as follows:



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. This is now steady at a 5% increase year-on-year.

Operating profit is revenue minus all fixed and variable costs, excluding allocations, divided by revenue.

The growth is 3-4% year-on-year.

Live Classroom (ILT) is all revenue when the instructor is in the same physical location. Growth was flat in 2013 but is now 2%.

Virtual Classroom (VILT) is all revenue for instructor-led training via the web, with or without virtual labs. Growth dropped to 1-2% during 2013 but has been 6% for the last two years.

Public (scheduled) classes is revenue for ILT and VILT and now showing flat, having been 1-2% in 2014.

Private (one-customer) classes is revenue for ILT and VILT, and showing an increase of 2%, having been 3-4% in 2014.

Self-paced is all revenue generated by training students without instructors, such as eLearning, video, and can be paid per use or subscription. It's now showing an 8% increase having grown steadily from a 4% increase in 2014. However, there was a much smaller increase in 16Q2 (switch from volume to revenue?).

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/VILT/self-paced. The trendline is now 3% having been over 5% a year ago (switch from volume to revenue?).

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 an increase of 2.4% in 16Q1 and 3.2% in 16Q2.

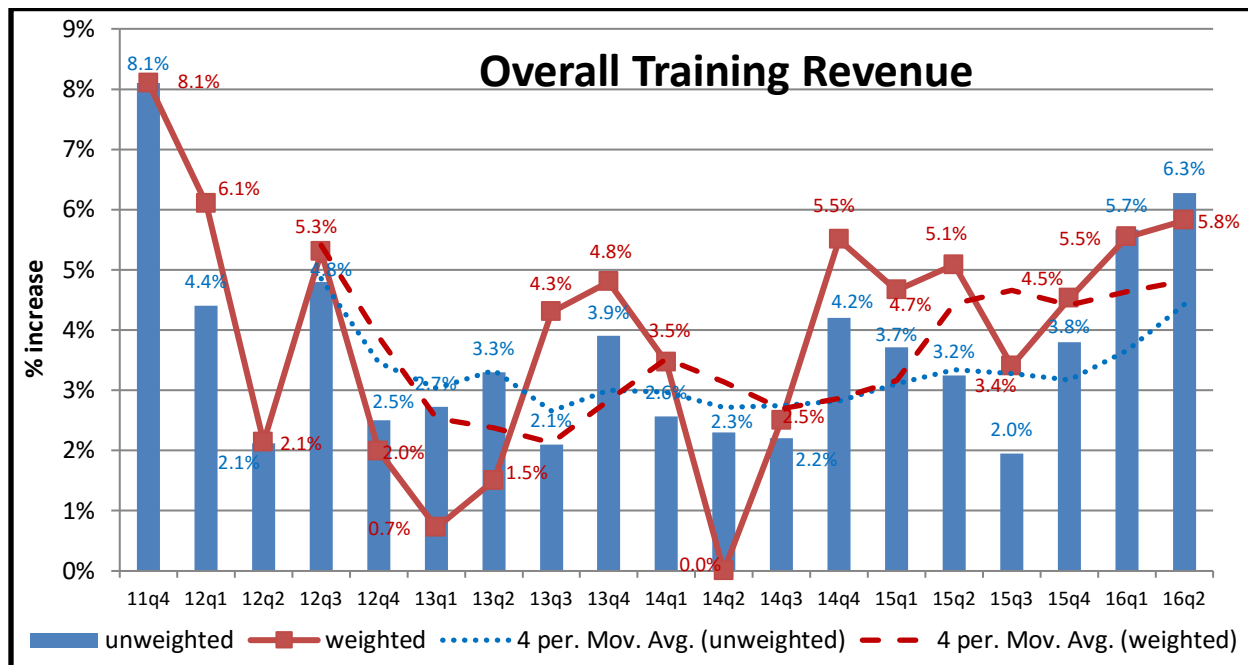
Learning Technologies is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. There was a decrease of 2.3% in each of 16Q1 and 16Q2.

New Learning Modalities is all revenue for social learning, gamification, microlearning, mobile. There was an increase of 12.1% in 16Q1 and 7.3% in 16Q2, compared to the same quarters in 2015.

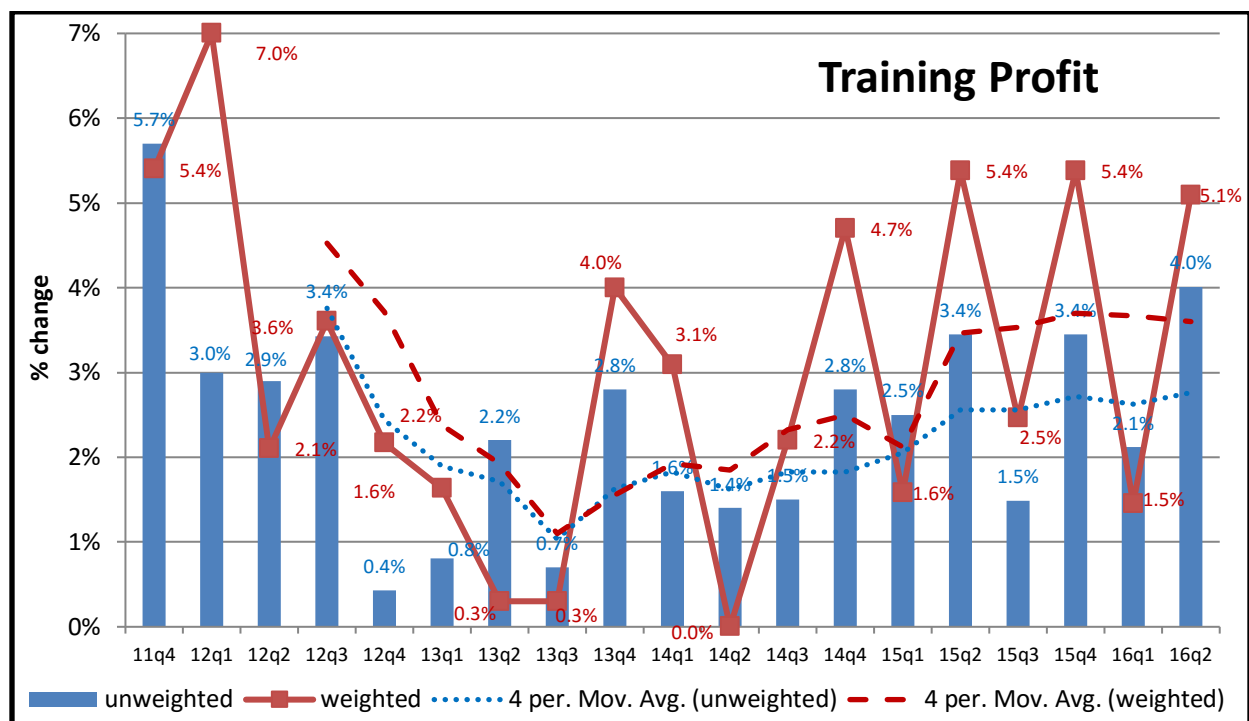
Subscriptions include all revenue from any of the above modalities included in subscriptions. There was an increase of 10.7% in 16Q1 and 5% in 16Q2, compared to the same quarters in 2015.

Training Revenue and Profit

The unweighted total training revenue increase for 16Q2 (u=36, f=7, d=4) was 6.3%. The weighted total training revenue increase was 5.8%. The 4-period moving average is currently showing an increase of 4% for unweighted and over 5% for weighted.

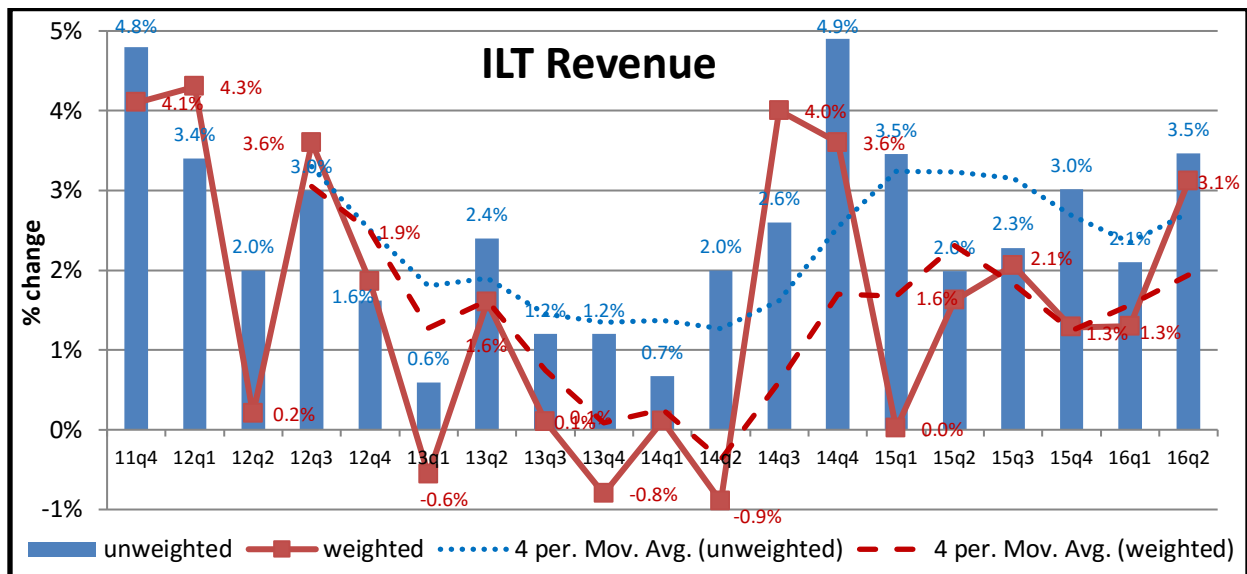


Training profit in 16Q2 (u=24, f=14, d=5) was a 4.0% increase unweighted, and 5.1% weighted. The training profit four-period trendlines currently show 2-3% increase for unweighted and 3-4% for weighted.



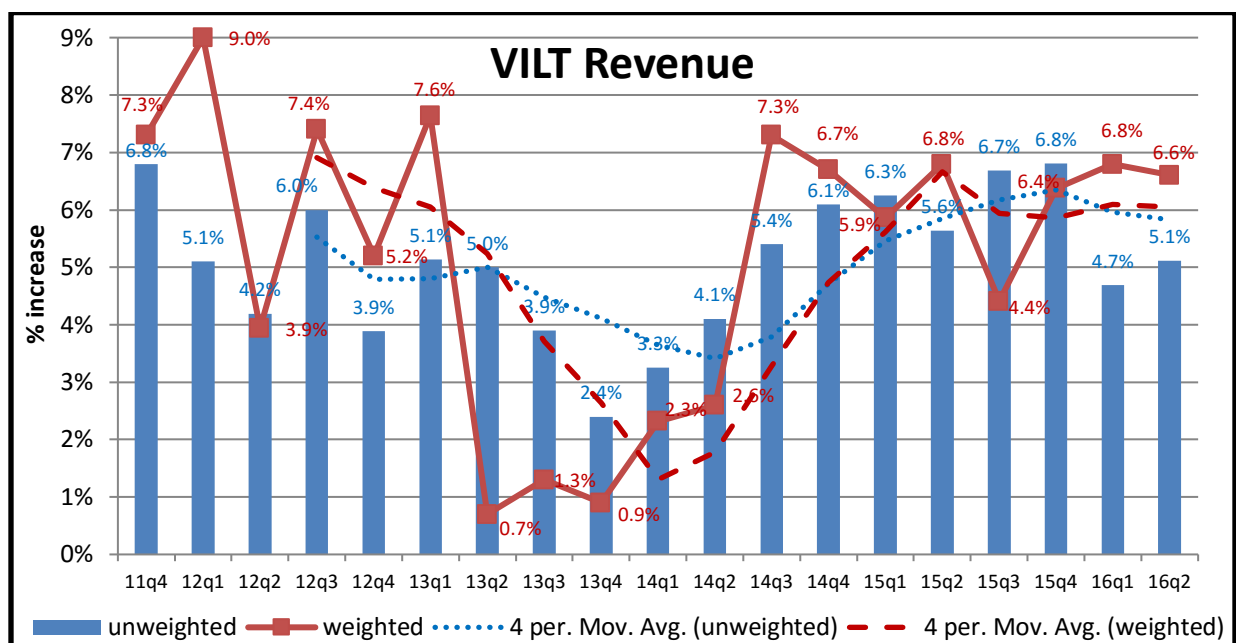
Live Instructor-led Training

The unweighted live classroom **revenue** increase for 16Q2 (u=27, f=9, d=8) was 3.5%. The weighted live classroom volume increase was 3.1%. Live classroom revenue, however, is still increasing! The 4-period moving average is 2-3% unweighted and nearly 2% increase when weighted.

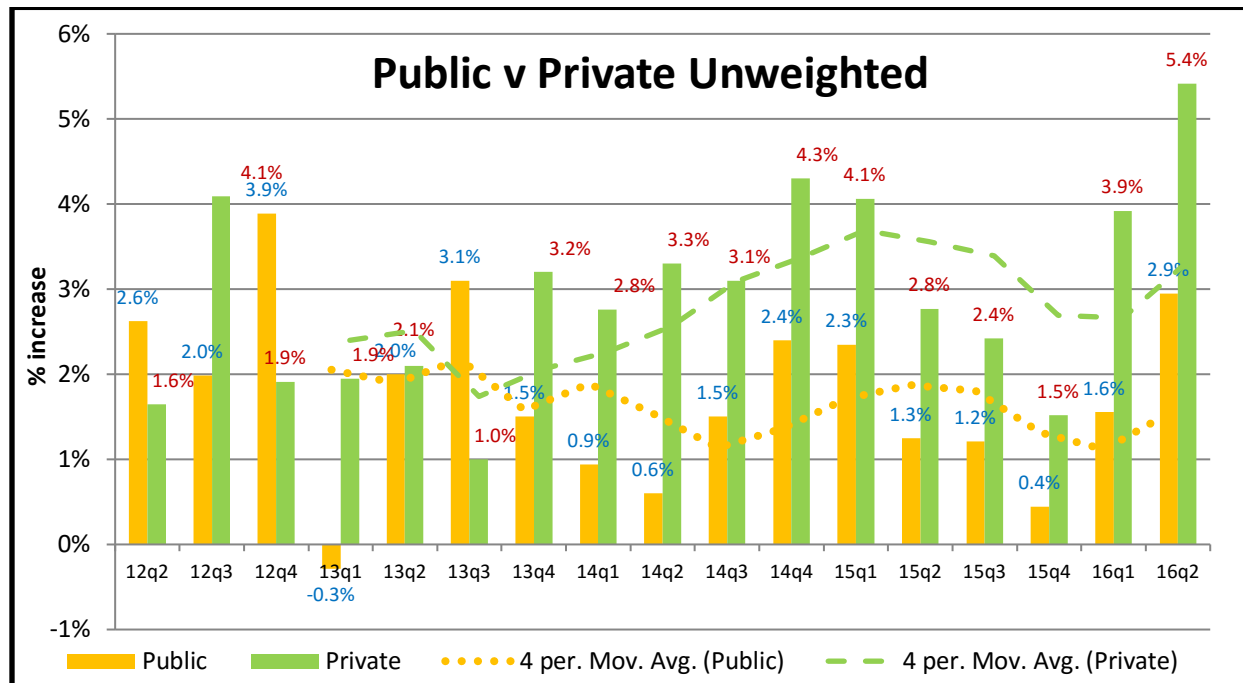


Virtual Instructor-led Training

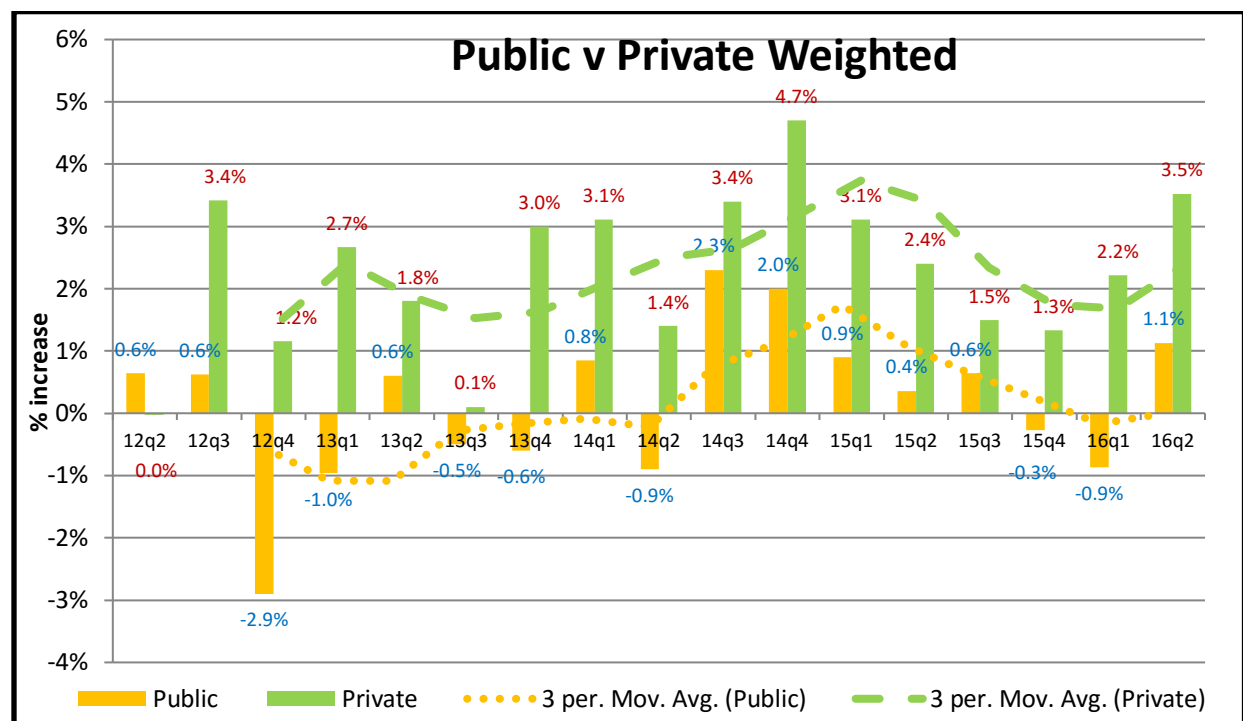
Virtual classroom on the other hand has been growing faster, apart from a small dip in 2013-14. The unweighted virtual classroom **revenue** increase for 16Q2 (u=31, f=10, d=3) was 5.1%. The weighted virtual classroom volume increase was 6.6%. The 4-period moving averages for both unweighted and weighted have both risen to 6%. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.



We now include questions on public classes and private classes. After a “blip” in 13Q1, both **revenues** have increased in 16Q2, by 2.9% public and 5.4% private. The trendline for public is 1-2% and for private is just over 3%. (Note that public is u=22, f=14, d=9 and private u=30, f=11, d=1.)

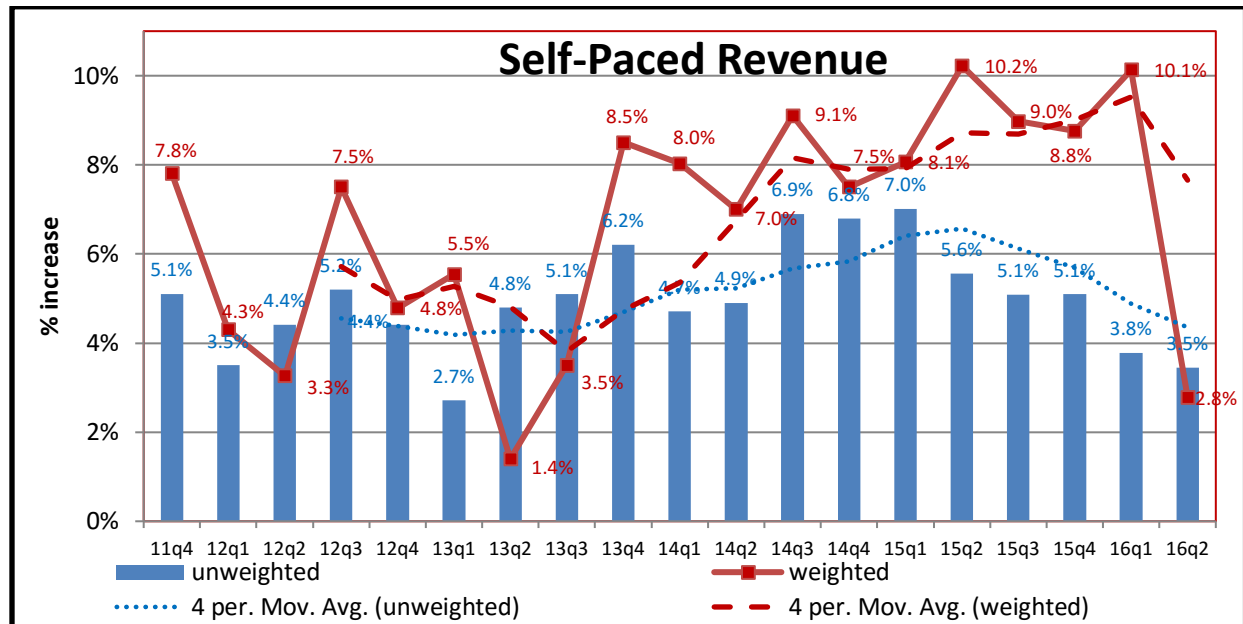


When weighting is taken into account, the changes less dramatic. Public **revenue** has increased 1.1% and private **revenue** has increased 3.5%. The 4-period moving average is flat for public but is just over 2% for private. So, there’s consistency with both unweighted and weighted trendlines, but 2% apart.



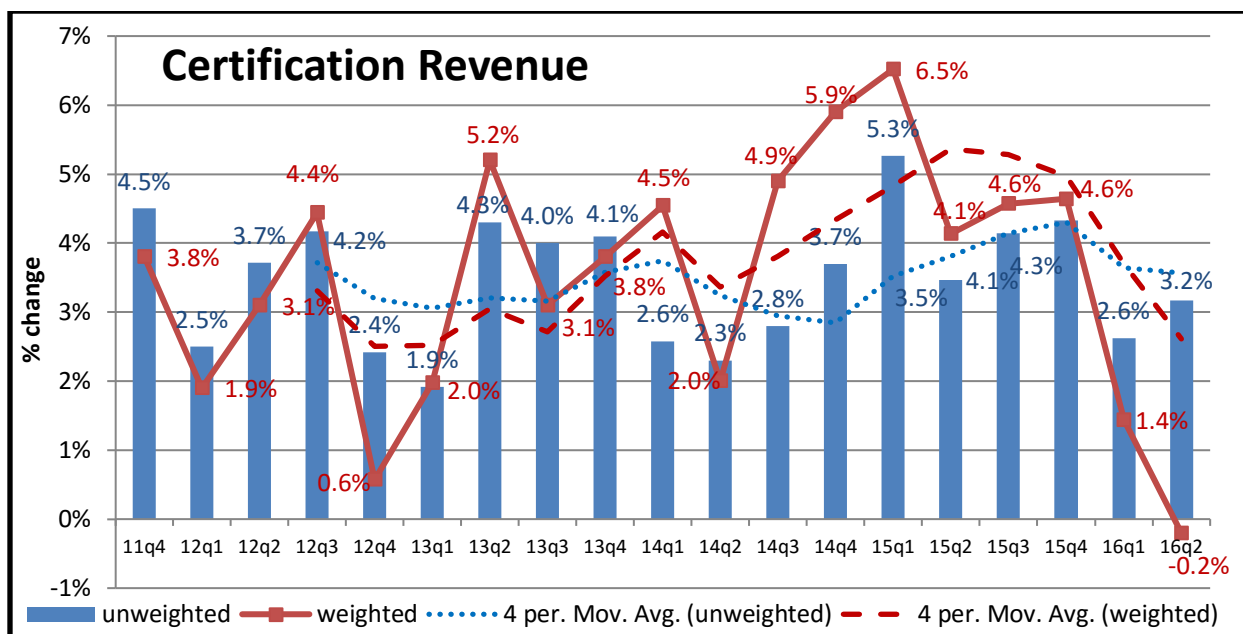
Self-Paced

The unweighted self-paced **revenue** increase in 16Q2 (u=23, f=16, d=3) was 2.8%. However, the weighted self-paced **revenue** increase was 2.8%, a much smaller increase than last quarter. The growth has overtaken virtual classroom. The 4-period moving average shows a 4% increase for unweighted and 8% for weighted.



Certification

The unweighted certification **revenue** increase for 16Q2 (u=18, f=17, d=6) was 3.2%. The weighted certification **revenue** decrease was 0.2%. The 4-period moving average is showing an increase of 3-4% for unweighted but weighted has dropped to 2-3%. 44 out of the 50 companies offer certification.



Learning Consulting

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	32	5	22	5	0.0%	2.4%
16Q2	32	6	22	4	0.9%	3.2%

Learning Technologies

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	29	7	21	1	1.0%	(2.3%)
16Q2	31	3	25	3	0.3%	(2.3%)

New Learning Modalities

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	30	9	21	0	2.4%	12.1%
16Q2	31	4	27	0	1.0%	7.3%

Subscriptions

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	36	18	18	0	4.3%	10.7%
16Q2	34	15	17	2	3.8%	5.0%

36 companies replied (u=18, f=18, d=0) with a 4.3% increase unweighted but 10.7% increase weighted!

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

1. eLearning
2. Big Data; cloud applications
3. Americas/EMEA region strong and growing with implementation of outbound Education telesales team.
4. Classroom training for customers
5. All of our classes; currently we teach 5 courses, all ILT. I don't have any info on the ATC classes.
6. We just completed our first course, so Agent Tools Training saw our largest increase.
7. Private classes; Virtual classes; Learning Consulting; eLearning
8. Customized onsite training
9. General growth across product portfolio
10. Industry-related strategy (not software training)
11. Business process management
12. On-demand self-study; first course launched
13. Technical Support; audio
14. Overall live classroom training
15. Onsites
16. Subscriptions, since it is a new offering for us
17. Public Virtual Training Onsite Trainings
18. Finance and Administration
19. Certifications and subscription

20. VILT
21. Private classes and our train the trainer, content licensing is making an impact on customer sat and traction
22. Main product line
23. Self-paced
24. Developer Training
25. Networking; Storage; Security
26. Layer 2/3
27. All resource based delivery areas grew. Early stages of growing and developing a formal learning organization (was tied in under consulting with no one really focused directly on the business other than as part of the implementation). Public Virtual Classroom, Onsite delivery, learning consulting (NEW) and custom training (NEW) all grew based on operational focus.
28. Increase in customer sales resulted in increases across the board
29. Cloud; In-memory database; Supply chain
30. Live virtual and asynchronous
31. Private, bespoke training that combine multiple delivery methodologies
32. All our core products
33. eLearning
34. Our data management curriculum saw the biggest increases in revenue in the last 6 months. The next biggest increases were in business intelligence and solutions in that order.
35. data integrations; certifications
36. Security, Data Center
37. We launched a subscription model at the end of 2014. Bookings have continued to increase, and we are now seeing renewals come in at a higher than expected renewal rate. Subscription attachment to new sales is very strong, 80% or better.
38. more structure and organization
39. Private Training, Virtual Training
40. eLearning training
41. Our customer business is only one year old so that continues to grow.

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

1. Older, legacy products; ILT
2. Component development
3. APAC region
4. Internal training
5. Certifications; Public ILT open enrollment
6. End user courses
7. Video
8. Individual eLearning sales was down but most of our eLearning is included as part of subscriptions
9. Certifications
10. ILT student days
11. Public Classroom Training; Virtual training in some locations (Colombia and Chile)
12. Technical
13. Learning consulting
14. Classroom

15. Self-paced gated by the LMS
16. Varied across smaller volume product lines
17. Instructor-led
18. Virtualization; Management
19. Layer 4-7
20. Industry specific training
21. Non-technical subject
22. Open enrollment ILT
23. Our advanced analytics curriculum saw the biggest decreases in revenue in the last 6 months.
24. Release/delta training
25. Routing and switching
26. Live Classroom training (ILT) which are public/scheduled classes and Virtual Live Training are both down in Q1 and Q2.
27. Public Training (on premise)
28. Instructor-led training

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

1. No indication from leadership about whether they would like to see profits increase or make the systemic changes necessary to address the challenges below. Transparency and visibility into the Financial accounting,
2. Supporting the development of GSIs who claim to want training but refuse to spend any money on it. Keeping content current in the big data arena.
3. Developing new offerings in mature markets and low-end offerings for small/new customers.
4. Getting qualified Instructional Designers.
5. Meeting demand. We currently have a 5 to 7-week lead time to deliver classes to our customers.
6. Organizational changes, marketing
7. No one wants to pay for training
8. Resources; budget
9. Enterprise license sales
10. Inadequate funding; Resourcing training delivery
11. Sales mindshare and awareness of Education's incremental revenue opportunity. Pressures to further increase efficiency.
12. Customers trying to share subscription passes
13. Adapting to the rapid pace of change in the software. Tying efforts to key product adoption metrics
14. Rapid elearning development; keeping the curricula designer team energized
15. Launching on-demand self-study courses and virtual labs; Revamping ATC contracts
16. Our current training infrastructure (LMS) is not able to support the programs we run. Process by which subscriptions are sold and where revenue will be recognized.
17. Attachment to license, competition with Consulting on 'knowledge sharing services' provided
18. Getting new online mentoring program in place and launching subscription service
19. Moving back to a Revenue Generating Model selling Training again
20. Continuing to grow the business at a 30% run rate. Maintaining attach rates to license sales.
21. Release of products which are less education intensive; balance between short term revenue needs and long term offering development to catch the next wave

22. Operational inefficiencies in learning management and registration
23. Content Development agility and Cat-herding partners
24. No change from Q1; Getting students to take our public classes; Keeping up with content development needs.
25. Customers are delaying onsite training; Keeping up with all product development
26. Budget
27. Limited headcount (not enough help)
28. Internal resources (applications)
29. Changes in Certification program; Insufficient resources
30. It is a new business having become a P&L effective Jan 1. Although all areas are in a state of build, Systems and operations is one of the more challenging areas. We launched a new LMS, are currently looking at best approaches for eCommerce and are running operations out of SFDC on custom-developed architecture designed for business requirements almost 10 years in the past. This has challenged our ability to scale along with the increase revenue and demand. Tied to this is ability to report and analyze in an automated way.
31. Meeting demand. Maintaining a healthy instructor utilization number. We are way over-utilized at the moment.
32. Getting sales to sell certifications
33. Switch from on-premise to cloud business model
34. Increase revenue by 30%
35. Funding of new technologies; Updating team skillset
36. Attach rates
37. Scaling organization to meet demand. Scaling technology infrastructure to meet demand.
38. To grow customer reach, we began providing a good deal of free e-learning content in the past year. We have been hearing from customers that they are requiring their staff to complete the free e-learning instead of scheduling live classroom or virtual classroom courses. While we are exposing more customers to learning content on how to use our software, the free e-learning is having a direct impact on training revenue.
Our data shows that customers are not completing the free e-learning. While our access numbers are high, completion rates are low (roughly 6%). The majority of our customers use e-learning as just-in-time performance support to answer "how do I do this task in the software." We are positioning e-learning as a valuable job aid versus a replacement for time with an instructor, but the allure of free is powerful.
39. Globalization content translations
40. Decrease in ILT purchases, adoption of learning services.
41. Staff turnover and ramp-up of new people.
42. Maintenance of content with respect to our aggressive release schedule. ILT classroom attendance at public classes.
43. Establishing foundation for structure, process, collecting content
44. Demand predictability/forecasting
45. Attach Rates and Marketing Support; Transitioning Instructors used to "classroom deliveries only" into virtual and on-demand modalities
46. Had to replace our LMS
47. Headcount to match growth. Still in a "startup" mode so expected to do more with less. Automating process (e.g. LMS with our financial system with SFDC) dependent on our business system group who are also stretched to the max.

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

1. Two years into my present role and I am convinced the Telecommunication industry is sluggish, change-averse and slow to innovate. As a small vendor playing in a space with big names, we're constantly struggling to keep Education Services relevant.
2. Customer expectations for the quality of the self-study experience continue to go up.
3. Improved software license performance and new customers.
4. Cyber Security market is surging in relevance and criticality. Push for greater operational efficiency evident across industry.
5. I'm seeing more teams come at this from a Customer Success perspective, where the objective is not to run a Services team on a P&L, but to operate in a cost center or cost recovery model that supports the customer behaviors that lead to retention and expansion.
6. People still want ILT as a premium service and I believe prices should be raised for this...and getting more students to take online mentoring
7. Customers are moving away from Instructor Led Training and moving more to Virtual training
8. The traditional training experience is broken. We've created a monster of death by PPT and click-monkey labs with no actual demonstration of learning gain.
9. No Change; the need for more and more content. Most people do not seem to want to take long courses, concise, choose your own adventure type learning.
10. Development and deployment of learning applications.
11. Demand for self-paced learning in place of ILT is growing.
12. There is a lack of business software in the market today to grow and drive a global education business. Everything seems to be built or customized in house. LMS vendors built to service an internal audience still with main value proposition of delivery and tracking. I would be very interested in any insight to what others are using to manage their commercial business.
13. With the unprecedented advances in computer power and data storage, organizations can now apply advanced analytics to big data to answer complex questions that they could not answer previously. There is a limited window of opportunity to help customers to skill up their workforce in advanced analytics and seize the competitive advantage. Customers cannot hire their way out of this skills problem, and they will need to grow the skills of existing staff who understand their data and business challenges. To address this need, we are growing our learning consulting capabilities to provide workforce transformation services.
14. Declining interest in virtual classroom continues
15. Procurement and Legal processes are becoming longer
16. Enhanced virtual platforms seem to be gaining in popularity; Grey Market introduction of extremely low cost options, normally self-paced or virtual
17. Starting to gain some momentum with subscription sales.