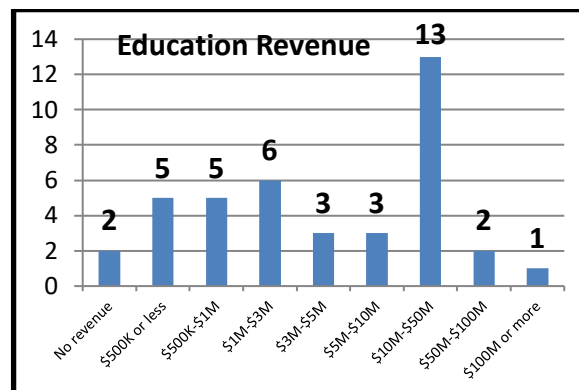
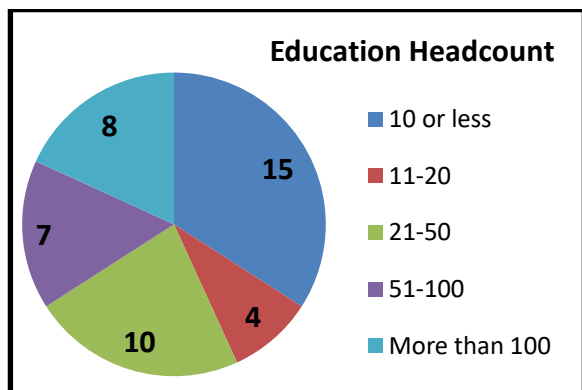
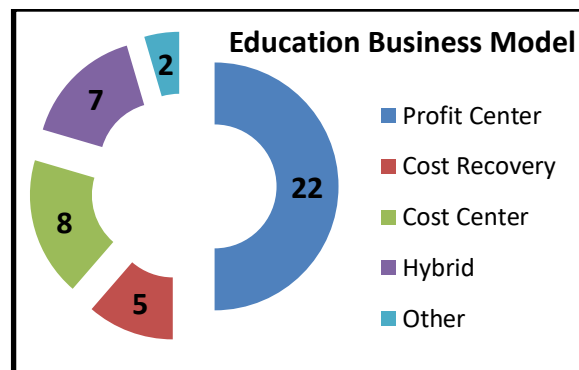
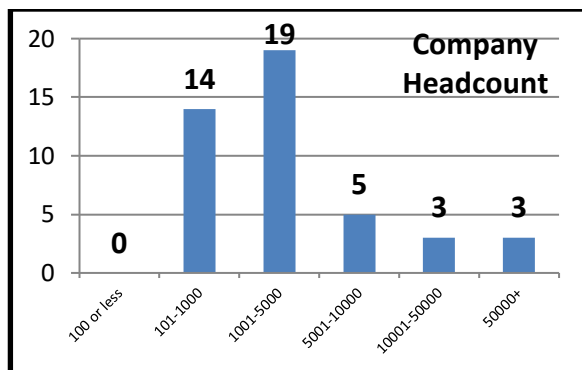
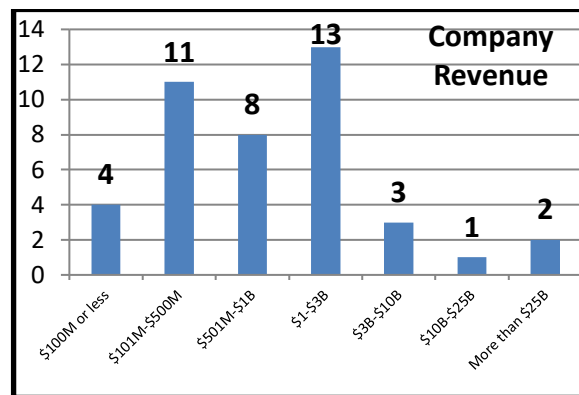
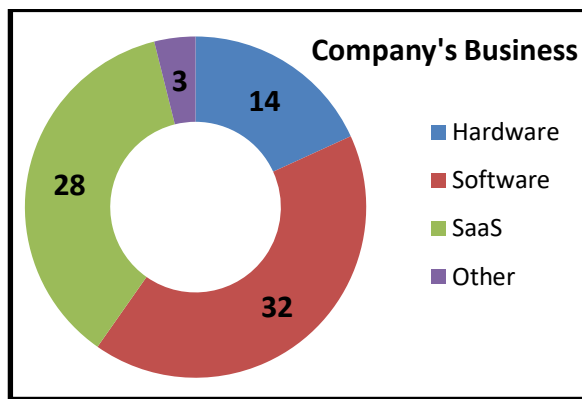




## CEdMA Training Market Barometer 3<sup>rd</sup> Quarter 2016 Actual

### 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 34 responses for global and 10 for North America so the combined 44 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 now 4% year-on-year, a steady increase from 1% in 2013.

**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 consistent at 6% for the last two years.

**Public (scheduled) classes** is revenue for ILT and VILT and now showing flat, having peaked at 2% in 2014.

**Private (one-customer) classes** is revenue for ILT and VILT, and showing an increase of just over 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 a 7-8% increase having grown steadily from a 4% increase in 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 has fallen to 2% having been over 5% a year ago.

**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, an increase of 3.2% in 16Q2, but a decrease of 0.7% in 16Q3.

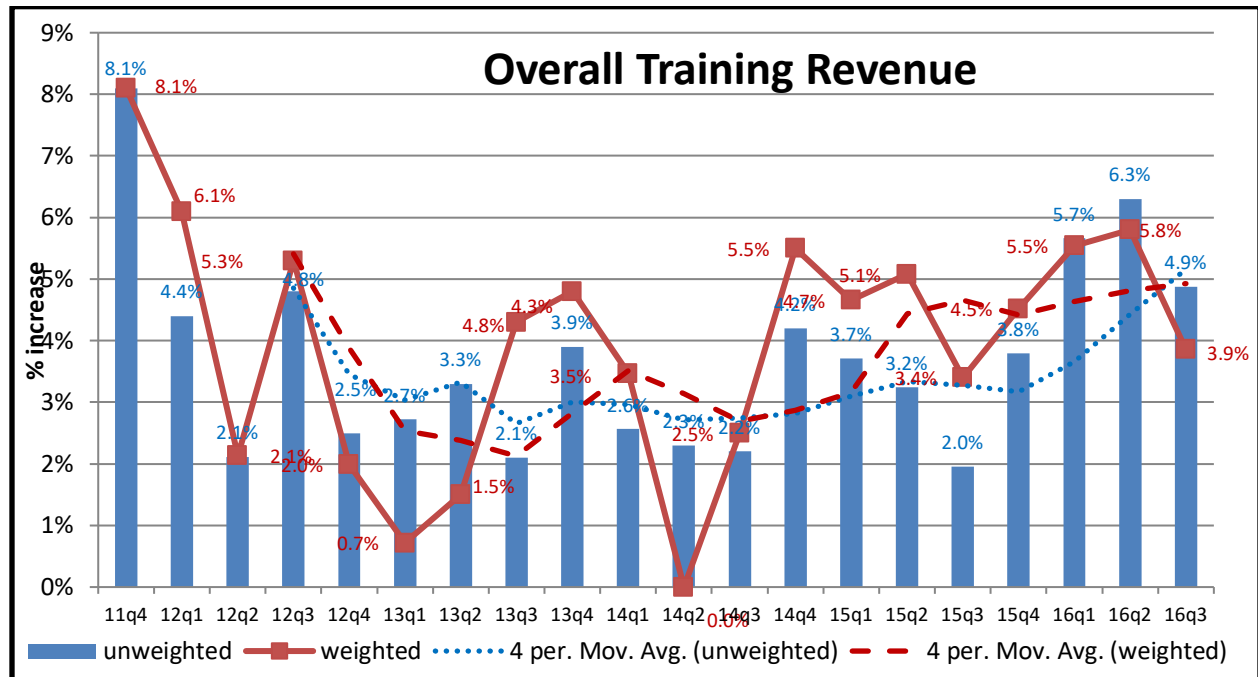
**Learning Technologies** is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. There was a decrease of 2.3% in each of 16Q1 and 16Q2, and even 2.4% in 16Q3.

**New Learning Modalities** is all revenue for social learning, gamification, microlearning, mobile. There was an increase of 12.1% in 16Q1, 7.3% in 16Q2 and 7.4% in 16Q3, compared to the same quarters in 2015.

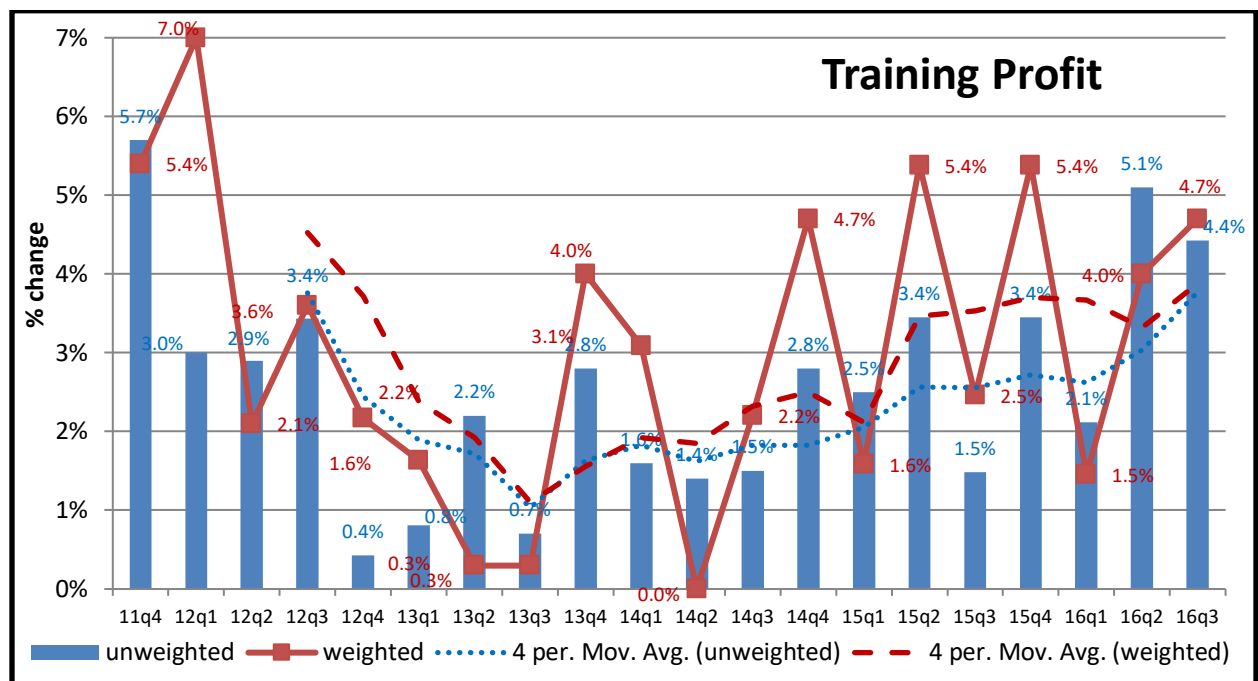
**Subscriptions** include all revenue from any of the above modalities included in subscriptions. There was an increase of 10.7% in 16Q1, 5.0% in 16Q2 and 11.2% in 16Q3, compared to the same quarters in 2015.

# Training Revenue and Profit

The unweighted total training revenue increase for 16Q3 (u=26, f=5, d=10) was 4.9%. The weighted total training revenue increase was 3.9%. The 4-period moving average is currently showing an increase of 5% for unweighted and 5% for weighted, too.

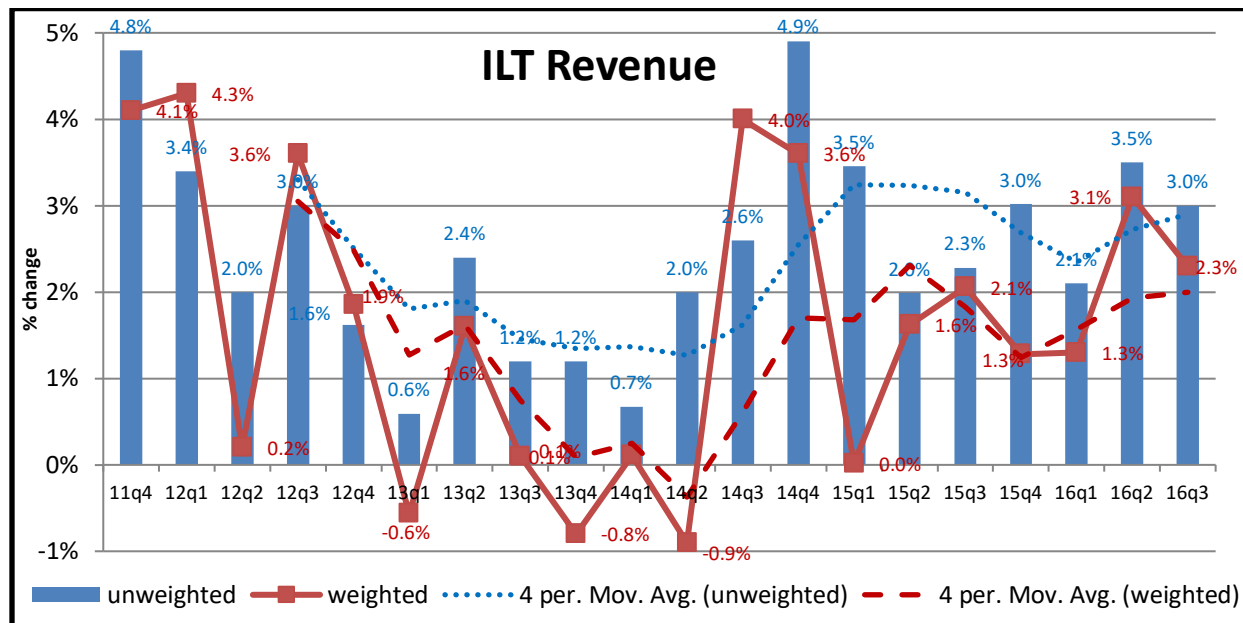


Training profit in 16Q3 (u=22, f=12, d=5) was a 4.4% increase unweighted, and 4.7% weighted. The training profit four-period trendlines currently show a 3-4% increase for unweighted and weighted alike.



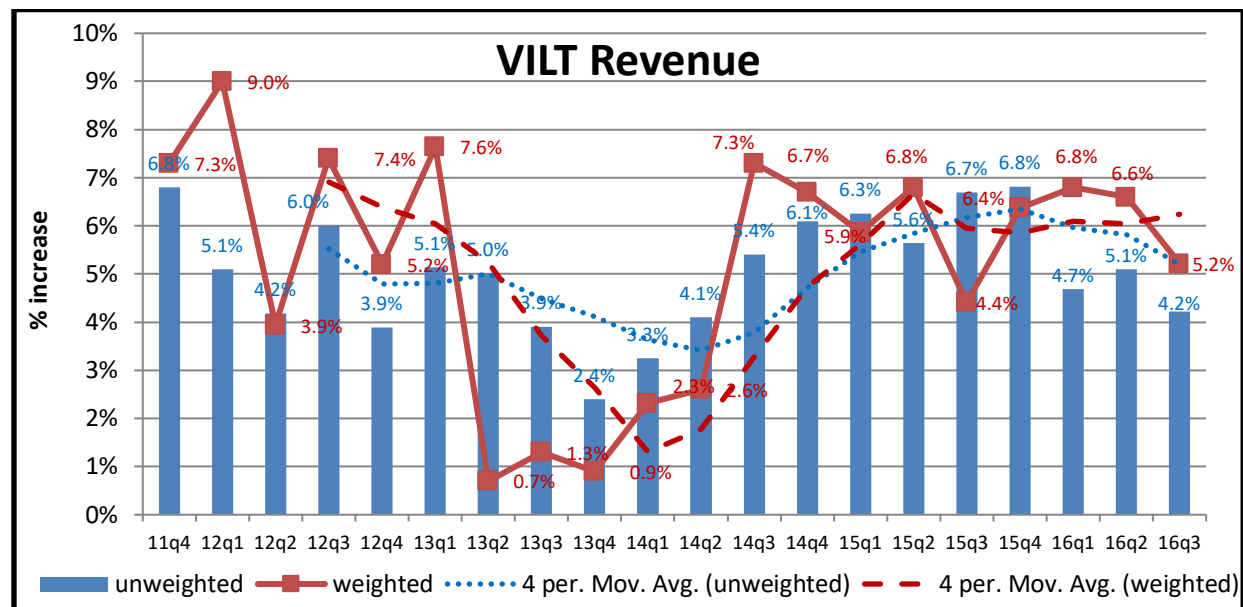
## Live Instructor-led Training

The unweighted live classroom **revenue** increase for 16Q3 (u=24, f=8, d=8) was 3.0%. The weighted live classroom volume increase was 2.3%. Live classroom revenue, however, is still increasing! The 4-period moving average is 3% unweighted and 2% increase when weighted.

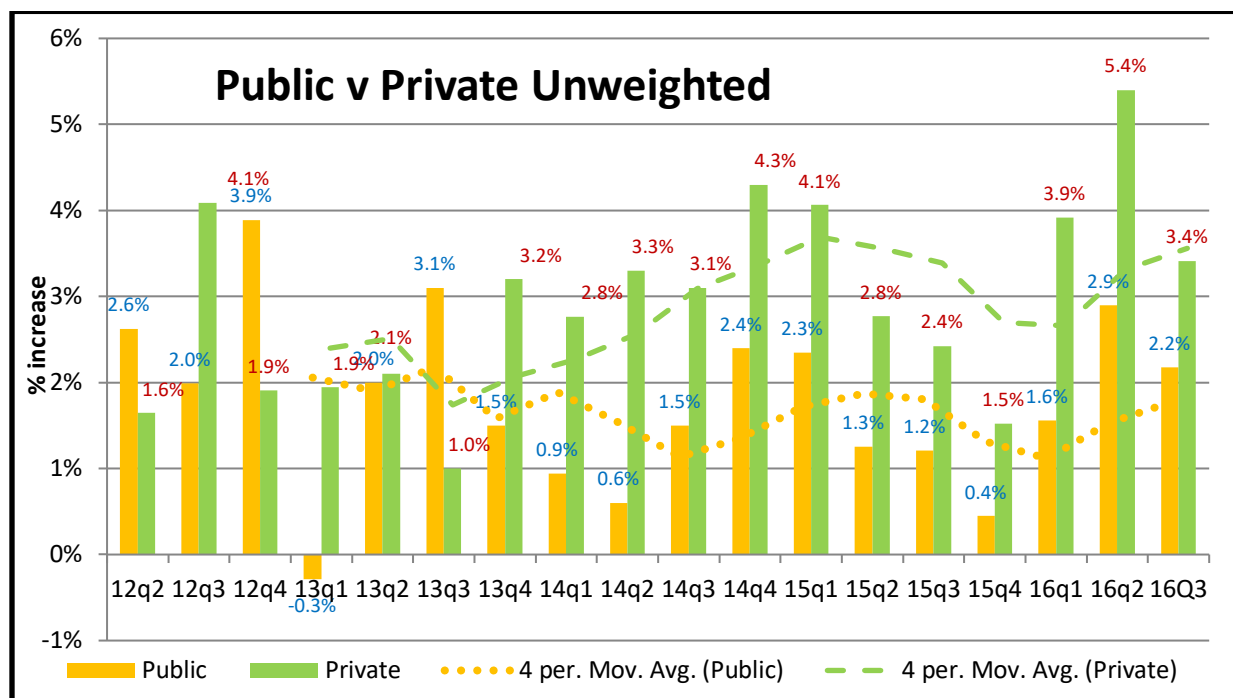


## Virtual Instructor-led Training

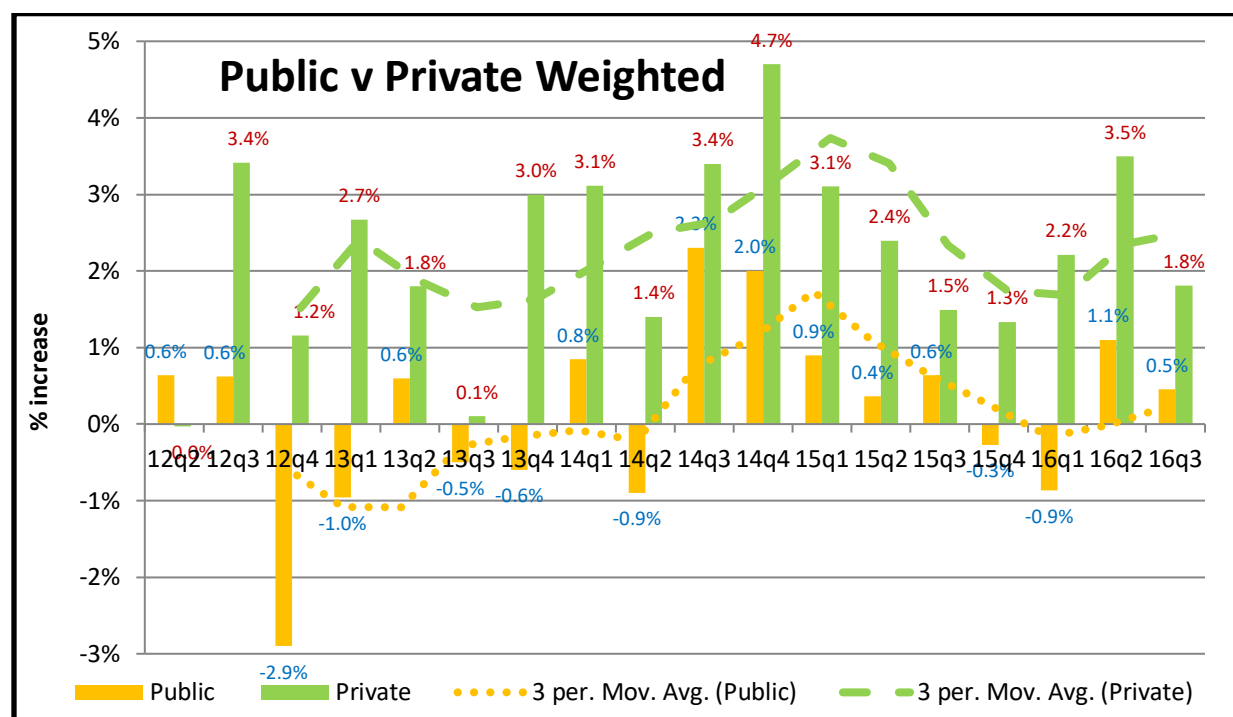
Virtual classroom on the other hand has been growing faster, apart from a small dip in 2013-14. The unweighted virtual classroom **revenue** increase for 16Q3 (u=27, f=11, d=4) was 4.2%. The weighted virtual classroom volume increase was 5.2%. The 4-period moving averages for unweighted has dropped to 5% but weighted is steady at 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 16Q3, by 2.2% public and 3.4% private. The trendline for public is 1-2% and for private is 3-4%. (Note that public is u=20, f=9, d=10 and private u=23, f=11, d=7.)

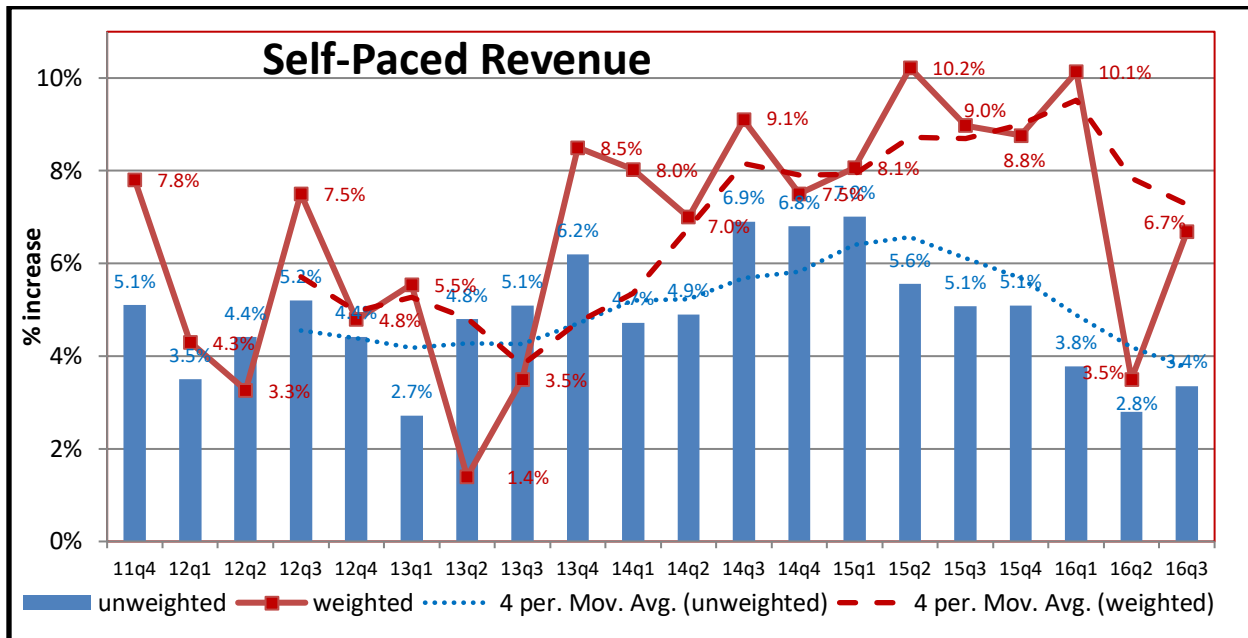


When weighting is considered, the changes are less dramatic. Public **revenue** has increased 0.5% and private **revenue** has increased 1.8%. The 4-period moving average is flat for public but is 2-3% for private. So, there’s consistency with both unweighted and weighted trendlines, but 2% apart.



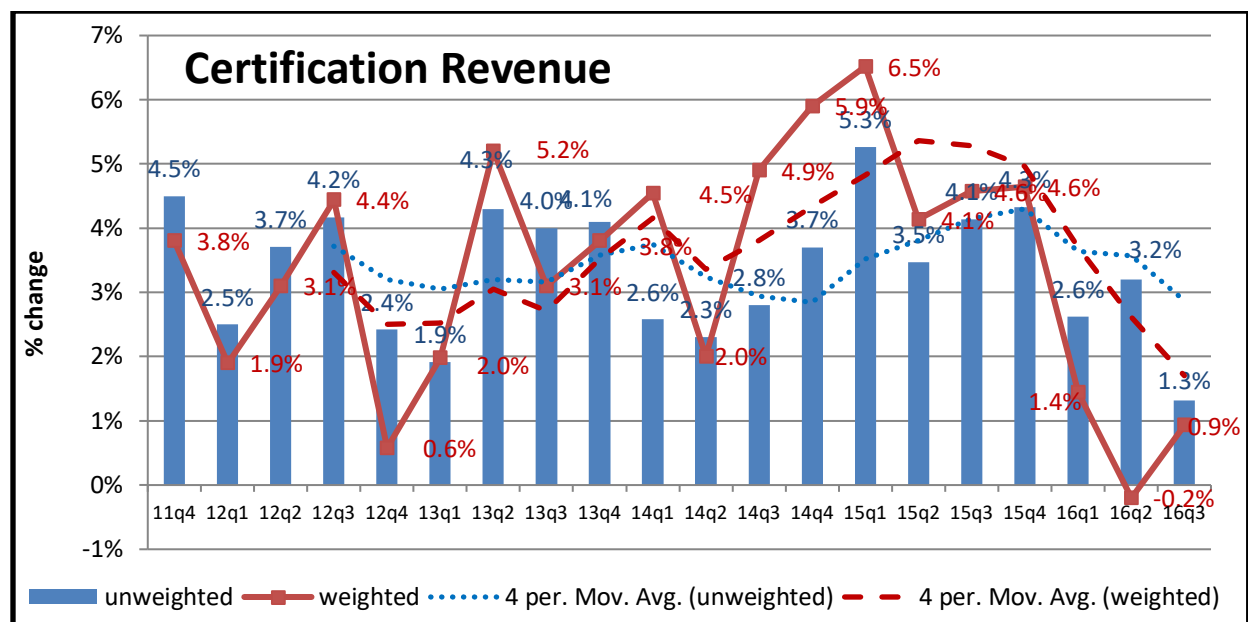
## Self-Paced

The unweighted self-paced **revenue** increase in 16Q3 (u=15, f=19, d=4) was 3.4%. However, the weighted self-paced **revenue** increase was 6.7%, a much greater increase than last quarter. The growth remains higher than virtual classroom. The 4-period moving average shows a 4% increase for unweighted and 7% for weighted.



## Certification

The unweighted certification **revenue** increase for 16Q3 (u=11, f=17, d=8) was 1.3%. The weighted certification **revenue** increase was 0.9%. The 4-period moving average is showing an increase of 3% for unweighted but weighted has dropped to 2%. 36 out of the 44 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%
16Q3	31	5	21	5	0.2%	(0.7%)

## 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%)
16Q3	27	3	23	1	0.9%	(2.4%)

## 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%
16Q3	29	5	23	1	1.6%	7.4%

## 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%
16Q4	33	13	18	2	3.9%	11.2%

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

1. Free eLearning
2. Finance and Administration
3. eLearning training
4. Consultative based learning services and subscription are the two major growth areas. We have been positioning subscription services for almost a year and the sales cycle is long in length and tied to enterprise SW commitment. We tripled our client base in Q3 based on closings. Also, we resolved some technology challenges around custom training and this has made a large increase in our learning consulting line of business where we deliver custom training for the end user.
5. We just completed our first course, so Agent Tools Training saw our largest increase.
6. Industry-related strategy (not software training)
7. Partner classes again
8. eLearning
9. ILT
10. Subscriptions, since it is a new offering for us
11. Train the Trainer
12. virtual ILT
13. Consulting; certification

14. Public classes and events.
15. Certification; eLearning subscriptions
16. Public Virtual Training; Training delivered in Central America and Caribbean
17. Private, bespoke training that combine multiple delivery methodologies
18. Increase in customer sales resulted in increases across the board.
19. VILT
20. Security, Data Center
21. Classroom training for customers.
22. Main product line
23. Technical Support
24. Cloud; In-memory database; Supply chain
25. Building/Launching LaaS; Self-Paced = LaaS
26. Self-paced training on core products
27. Private classes; Virtual classes; Learning Consulting; eLearning
28. Onsites
29. Renewal rates on training subscription revenue were 80% in the most recent quarter which was better than our running average. This had the most impact on our increase in revenue recognized for the quarter.
30. ILT Public Classroom Events
31. Layer 2/3
32. All our classes; Currently we teach 5 courses, all ILT. I don't have any info on the ATC classes.
33. 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.
34. Our customer business is only 1 year old so that continues to grow
35. Access Management certification
36. General onboarding of new customers
37. Virtual instructor-led training classes
38. OnDemand (self-paced/eLearning)
39. Private classes and our train the trainer; content licensing is making an impact on customer sat and traction.

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

1. Authorized Partner (kit) sales
2. Technical
3. Instructor-led training
4. In Q3 private and public classroom declined over Q1-Q2 mostly due to standard summer months and lack of registrations in North America
5. Non-partner public training saw a decrease
6. ILT student days
7. Classroom/onsite
8. Some decline in public courses
9. Release/delta training
10. Private (one customer) training events.
11. In-Center (=public) classes; Learning consulting
12. Public Classroom Training; Information governance training



13. Open enrollment ILT
14. Private training
15. Routing and switching
16. Internal training
17. Varied across smaller volume product lines
18. Industry specific training
19. Public Classes; Instructor Led
20. Public training
21. Certification; Public ILT open enrollment
22. Certification
23. Live Classroom training (ILT) which are public/scheduled classes and Virtual Live Training were both flat to down in Q3.
24. Self-Paced Online
25. Layer 4-7
26. Our advanced analytics curriculum saw the biggest decreases in revenue in the last 6 months
27. Live class room courses at headquarters
28. Public Training (on premise), certification
29. Self-paced gated by the LMS

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

1. Flat revenue trend through partners
2. Continuing to grow the business at a 30% run rate. Maintaining attach rates to license sales.
3. Had to deliver our first live instructor-led class on our new product at our first ever user conference. Standing up our software in a cloud lab environment for the first time (ReadyTech)
4. Tools and technology continue to be a challenge for us. We 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 - 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. Very disparate systems. We are in requirements gathering phase for 2017 deployment.
5. No wants to pay for training. Converting all ILT content to WBT. Trainer was laid off.
6. Adapting to the rapid pace of change in the software; Tying efforts to key product adoption metrics
7. Scaling organization to meet demand. Scaling technology infrastructure to meet demand.
8. Resources to do the work and LMS reporting
9. Getting new online mentoring program in place and launching subscription service
10. Demand for training in more languages and not enough budget to meet the demand; Increased SaaS based sales and the impact to education revenue without the company expectations for revenue changing with that shift
11. Global challenges in telecom industry; growth in specific type of product training and challenges to address the demand
12. Globalization budget cuts
13. Staff turnover and ramp-up of new people
14. Our current training infrastructure (LMS) is not able to support the programs we run. Some revenue associated with private training events is not recognized as Education in financial reports.

15. Need to overhaul the portfolio to adopt new learning technologies (freemium models); Go to Market model changed and not yet fully adopted
16. Moving back to a revenue generating model selling training again; Increase training offerings in local languages
17. Funding of new technologies; Updating team skillset
18. Meeting demand. Maintaining a healthy instructor utilization number. We are over utilized now.
19. Operational inefficiencies in learning management and registration
20. Decrease in ILT purchases, adoption of learning services
21. Getting qualified Instructional Designers
22. Keeping up with all product development; How to increase training demand
23. Managing growth of training within a climate of cost control within the overall product business
24. Switch from on-premise to cloud business model
25. Reduction in force, responding to shift in go to market approach
26. Product Sales; Education attach with Product
27. Enterprise license sales. Systems and reporting.
28. Resources; budget
29. Attachment to license, competition with Consulting on 'knowledge sharing services' provided
30. Maintenance of content with respect to our aggressive release schedule. Classroom training attendance and revenue have been flat in the past 2 qtrs.
31. Limited headcount; Added internal/employee training
32. Changes in Certification program; Insufficient resources
33. Meeting demand. We currently have a 5-7 week lead time to deliver classes to our customers.
34. 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%). Most 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.
35. Content Development agility and Cat-herding partners
36. 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
37. Training credit sales in EMEA
38. Working with Sales; Keeping up with need to innovate and incorporate training into our product
39. Print fulfillment for VILT classes and ensuring manuals arrive on time for VILT classes.
40. Attach Rates and Marketing Support; Curriculum Development timelines - too long to get materials to classroom
41. No change from Q1 - Getting students to take our public classes. Keeping up with content development needs.
42. Moving all eLearning into software maintenance. Releasing our brand new Training site (new LMS)

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

1. Continue to gain some momentum with subscription sales
2. 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.
3. 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.
4. 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
5. Declining interest in classroom and virtual classroom continues
6. Customers are moving away from Brick & Mortar classroom training
7. More demand for micro-learning
8. It is changing towards content chunks and repurpose virtually in hours vs days
9. As a startup, we're starting to see pressure to monetize more activities in training
10. Demand for self-paced learning in place of ILT is growing.
11. 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 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.
12. 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.
13. Enhanced virtual platforms seem to be gaining in popularity; Grey Market introduction of extremely low cost options; normally self-paced or virtual (Coursera and the like are making impact in the market)
14. 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.