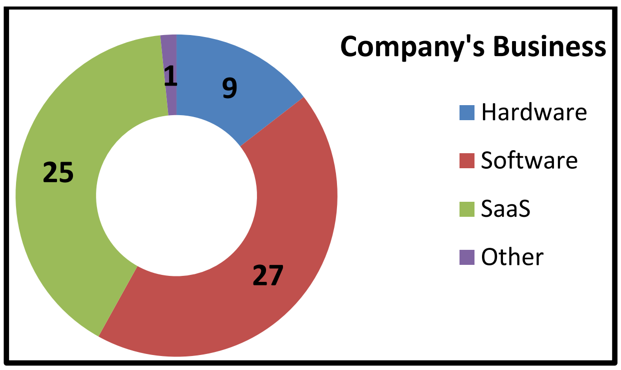
Computer Education Management Association Europe

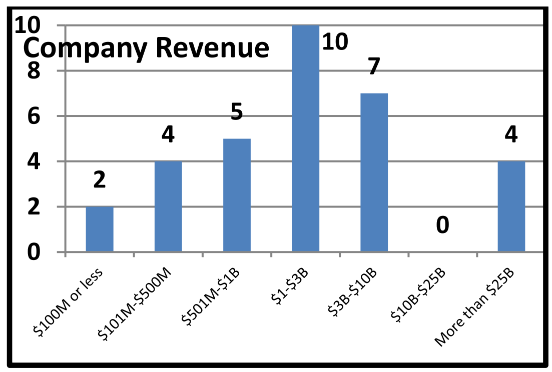
CEdMA Europe Market Barometer

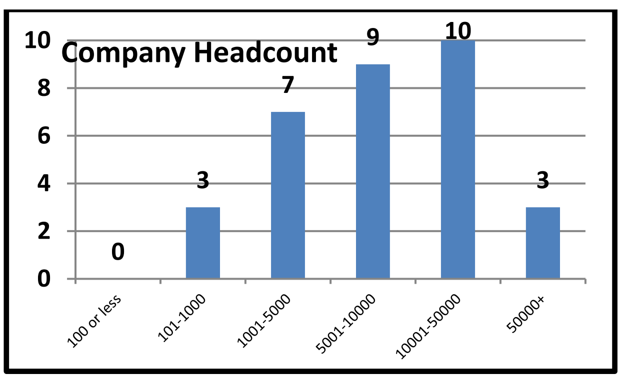
1st Quarter 2018

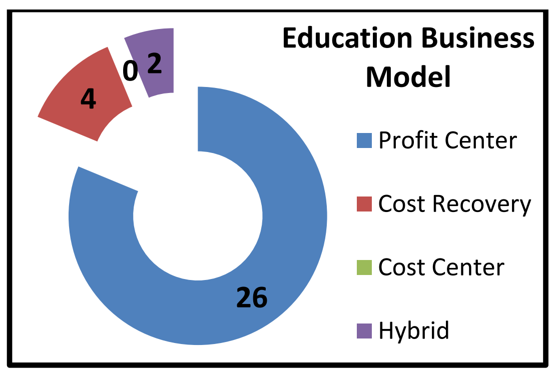
Introduction

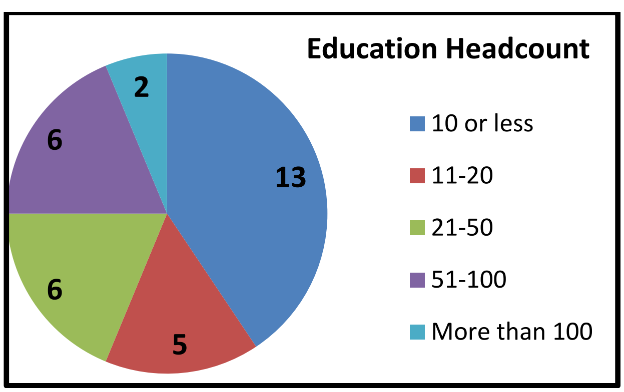
This report is compiled by CEdMA Europe for its members from input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +- 12.5%. Revenue refers to training services delivered in the quarter and not future bookings. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. This report for 18q1 actuals is based on input from 32 companies.

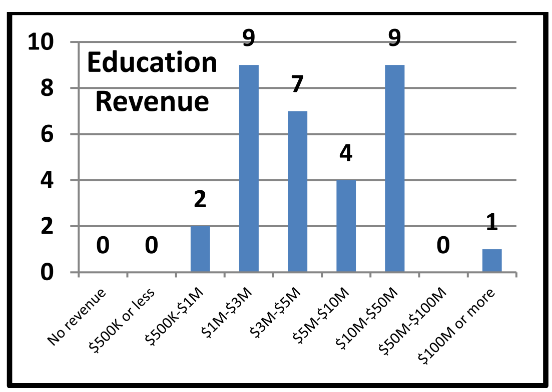












Changes to the Barometer

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

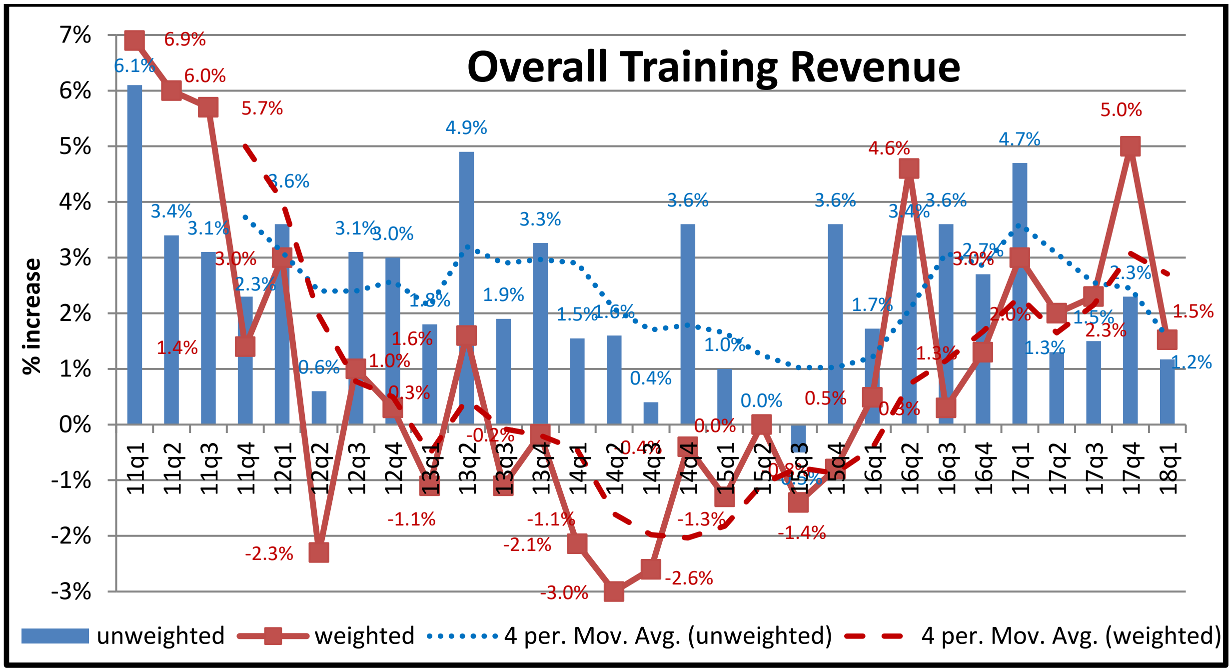
The unweighted average uses all responses as entered, whereas the weighted average uses the size of the revenue, taking the relevant education revenue value, so larger companies have a bigger impact.

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

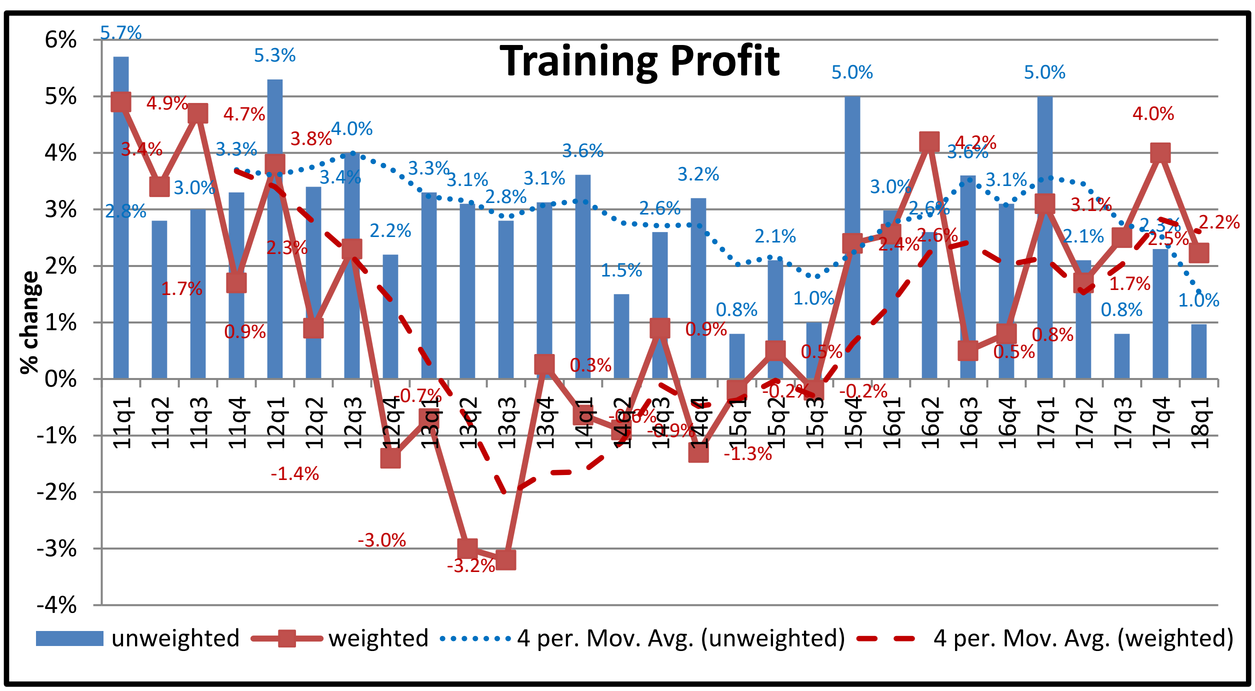
Total Revenue is defined as all recognized revenue. Having been down to negative 2% in 2014, the trend recovered to positive 2% increase in 2016, and is now just under positive 3% for the last 12 months.
Operating Profit is revenue minus all fixed and variable costs, excluding allocations, divided by revenue. The trend has recovered from a low of negative 2% during 2013 to a 2% increase in 2016 and is now holding at just under positive 3% for the last 12 months.
Live Classroom (ILT) is all revenue when the instructor is in the same physical location. It fell to negative 2% during 2014, recovered to flat in 2015, but is now showing a 1-2% decrease over 12 months.
Virtual Classroom (VILT) is all revenue for instructor-led training via the web, with or without virtual labs. The trend dropped from 6% during 2013 to 1% in 2014, rose to 3-4% in 2016 but is now back just under 3% over 12 months.
Public (scheduled) classes is revenue for ILT and VILT and the trend has now recovered to negative 2%, having been negative 3-4% in 2016/17.
Private (one-customer) classes is revenue for ILT and VILT, and showing an increase of 2%, down from 4% in 2016.
Self-paced is all revenue generated by training students without instructors, such as eLearning, video, and can be paid per use or by subscription. It's now showing an increase of 8% over the last 12 months 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/VILT/self-paced. The trend is now flat, down from a high of 4% in 2014-15.
Learning Consulting is all revenue generated by non-training education business like learning needs analysis, customization of material assessments, and mentoring/coaching after training. While it was flat for 2016, the trend is now negative 2%.
Learning Technologies is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. The "kick" in 17q4 has been maintained in 18q1 and trend is now 4% over 12 months.
N**ew Learning Modalities** is all revenue for social learning, gamification, microlearning, mobile. The trend of 8% increase across 2016 has not been maintained and has now fallen to 1%.
Subscriptions include all revenue from any of the above modalities included in subscriptions. With many companies starting subscriptions in 2015/16, the increase was 8% over 2016, but that has now dropped to 3%

Training Revenue and Profit

The unweighted total training revenue increase was a 1.2% in 18q1 (u=16, f=5, d=11). When considering the weighted numbers, it was 1.2%. The weighted trendline shows an ongoing increase of 2-3% when size of company is considered.

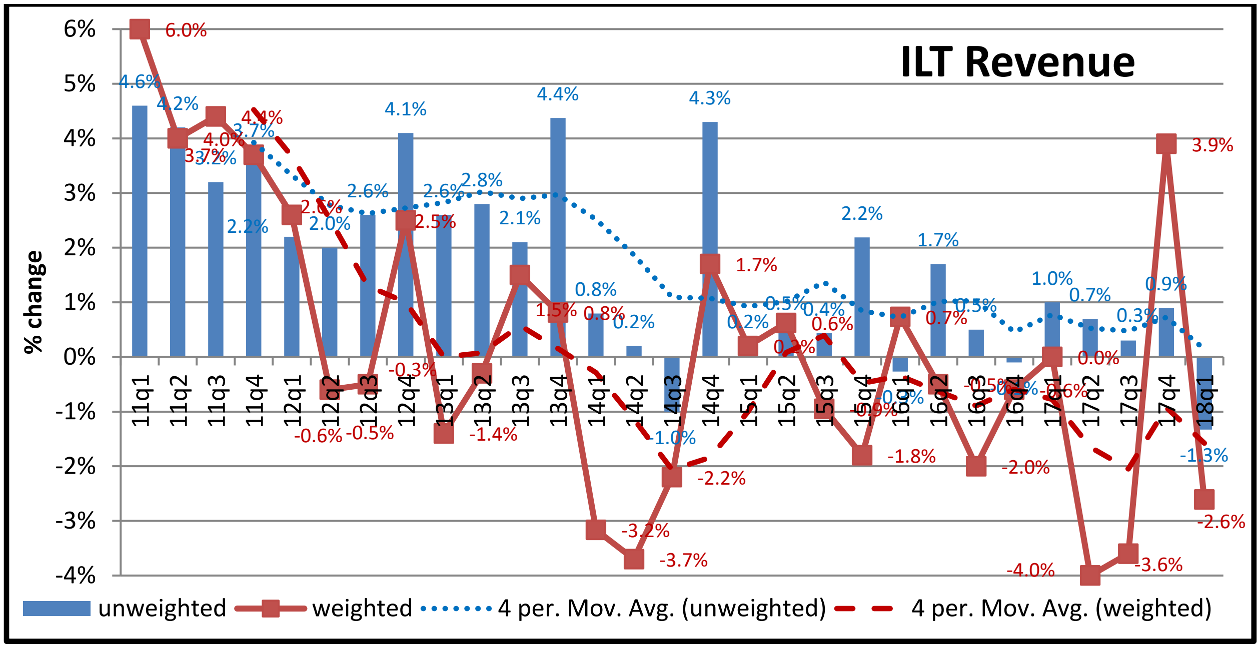


The unweighted total training profit grew 1.0% in 18q1 (u=13, f=9, d=9). And, with the weighted numbers, there was an increase of 2.2%. The weighted trendline shows an ongoing profit increase of around 2-3% over the last year when size of company is considered.



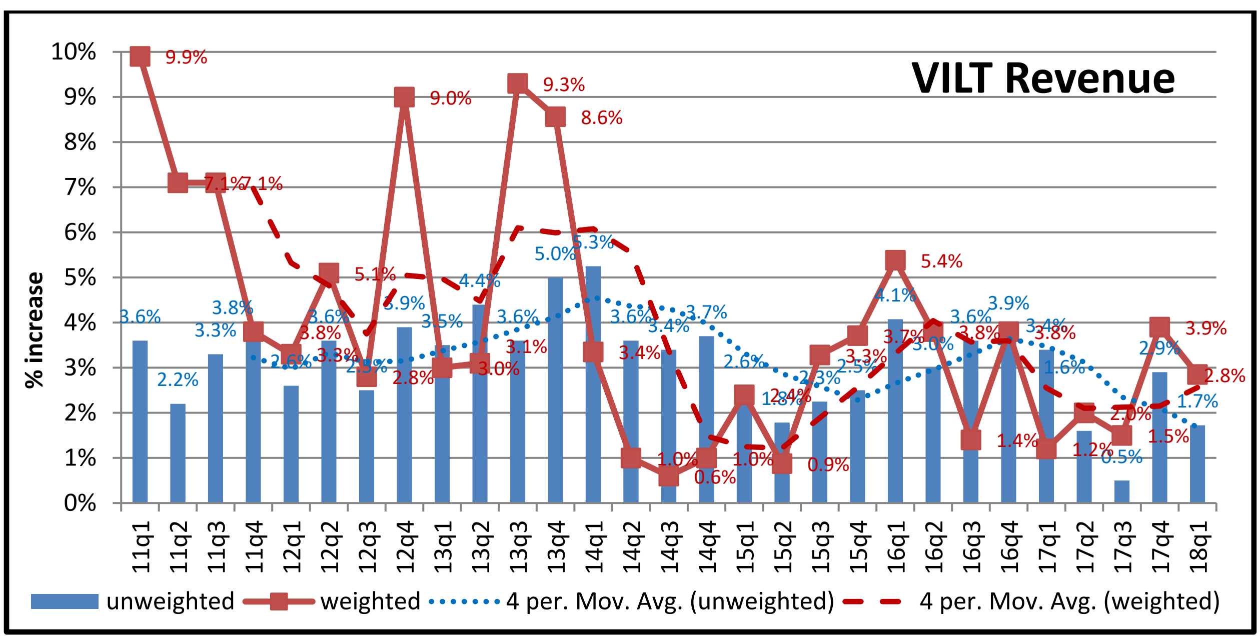
Live Instructor-led Training

This chart below suggests that ILT **revenue** for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 18q1 decrease was 1.3% (u=9, f=7, d=16) and the weighted number a decrease of 2.6%. The weighted trendline shows ongoing ILT revenue as negative 2% when size of ILT revenue is considered.

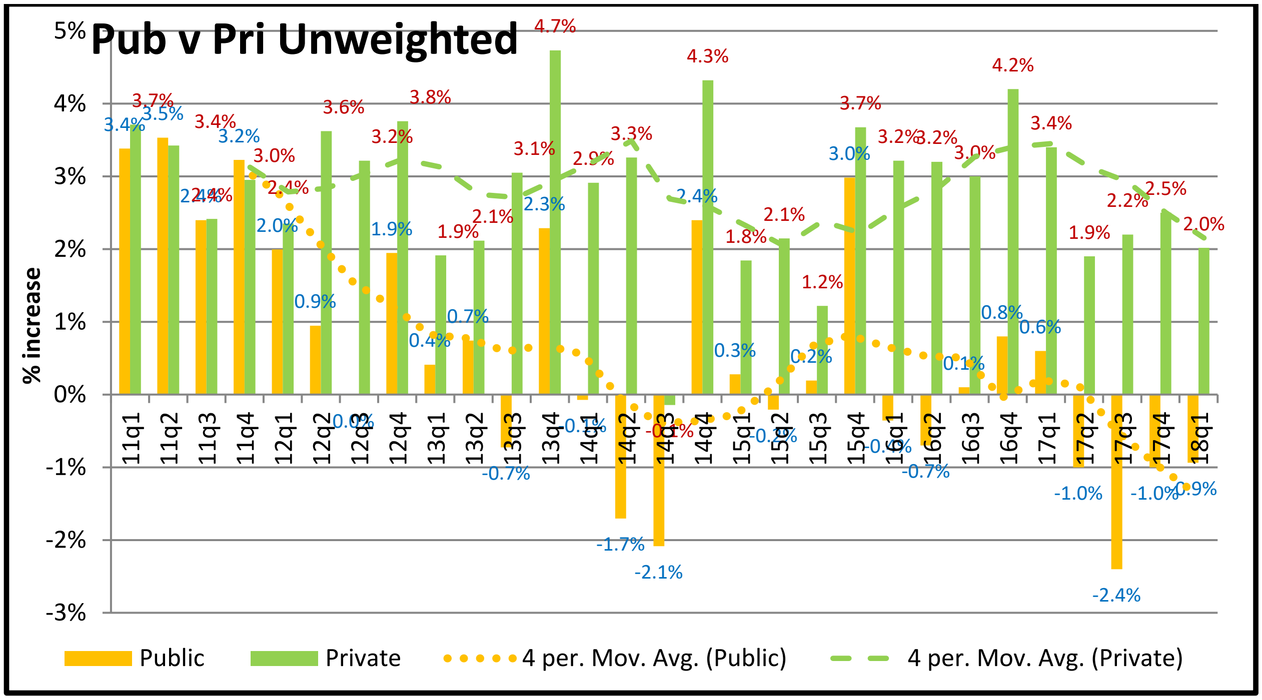


Virtual Instructor-led Training

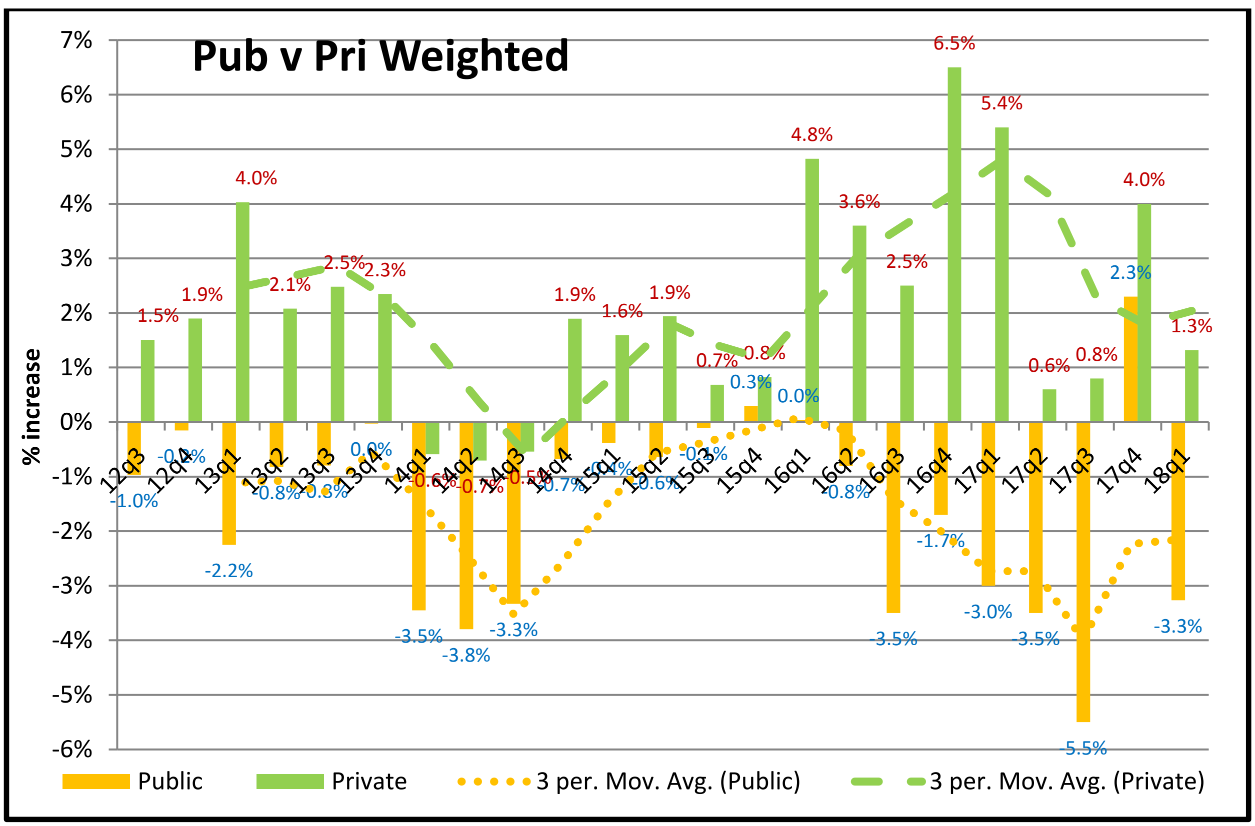
On the other hand, the VILT increase fell badly in 2014 but recovered. The unweighted 18q1 **revenue** increase is 1.7% (u=12, f=9, d=8) and the weighted increase is 2.8%. The weighted trendline shows an ongoing VILT increase of 2-3% when size of VILT revenue is considered, but it was 3-4% in 2016, having been 1% in 2014. Note that 3 of the 32 don't use VILT.



We are now asking you to forecast both public (u=13, f=6, d=13) and private (u=14, f=8, d=9) classes and have enough history to show that private classes show a consistent steady **revenue** increase of around 2%. Public classes have dipped to negative 1%. This shows unweighted values.

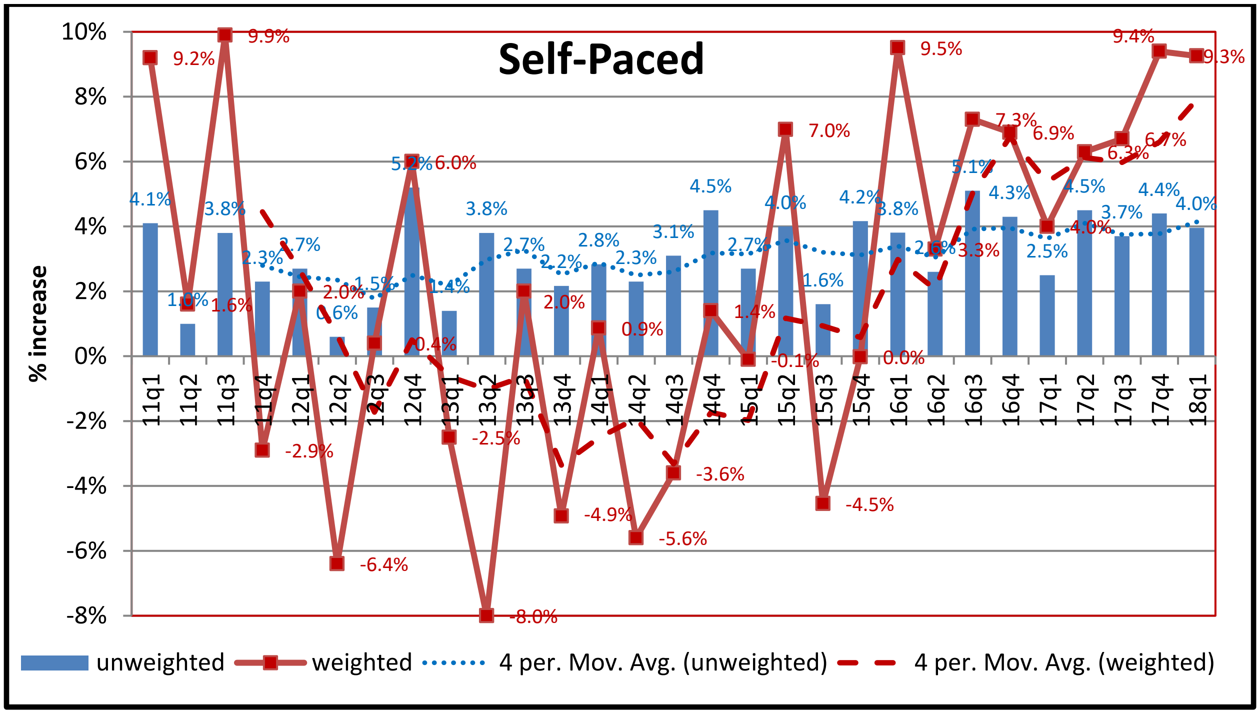


When weighted values are used, the **revenue** increases for public are negative 2% with private a 2% increase. The 17q4 result was anomalous.



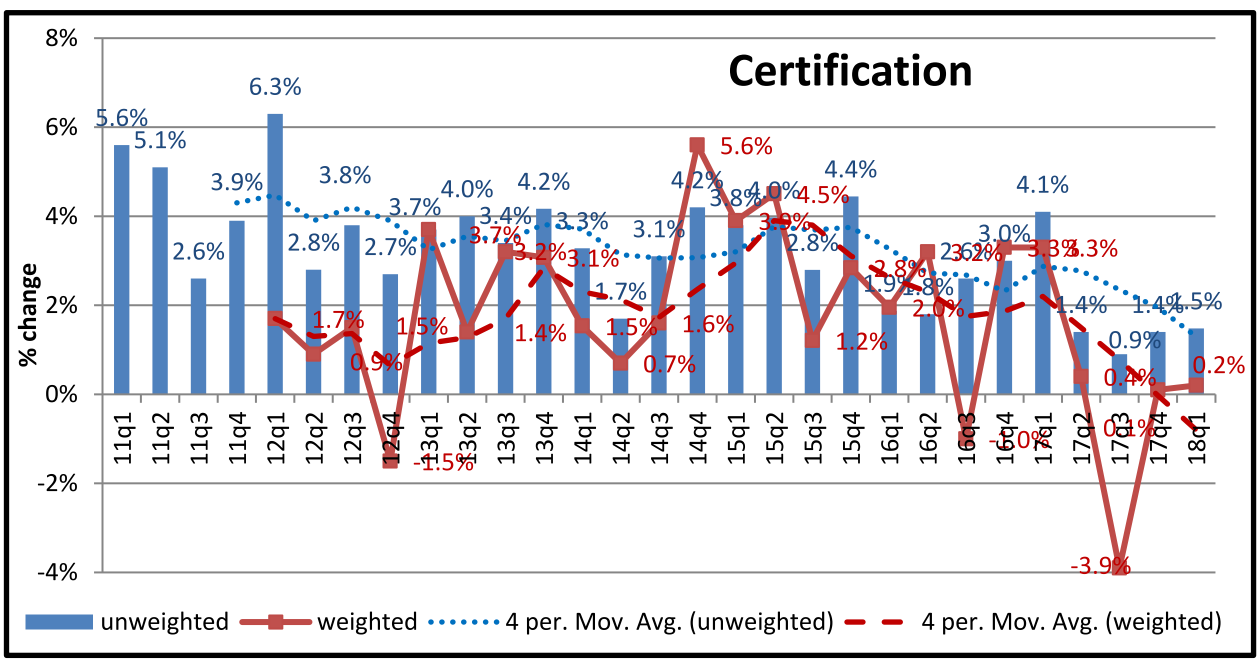
Self-Paced

The results for 18q1 (u=12, f=10, d=2) were 4.0% increase unweighted and 9.3% increase weighted. This shows how larger companies can have a significant effect on these averages. The 4-period moving average shows an 8% increase for weighted. Only 24 reported revenue, with 2 with no revenue.



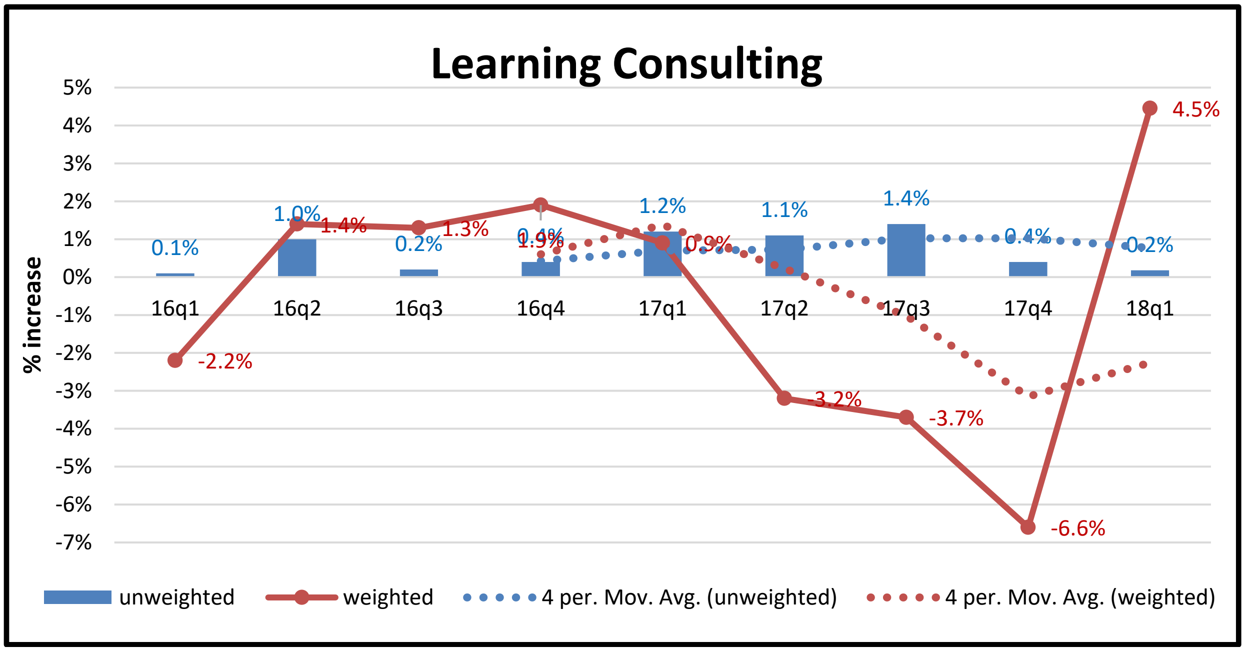
Certification

Up to 2015, certification reported an increase of around 3% 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 flat. The **revenue** increases for 18q1 (u=9, f=11, d=7) are 1.5% for unweighted but 0.2% when weighted. 27 out of the 32 reported certification revenues.



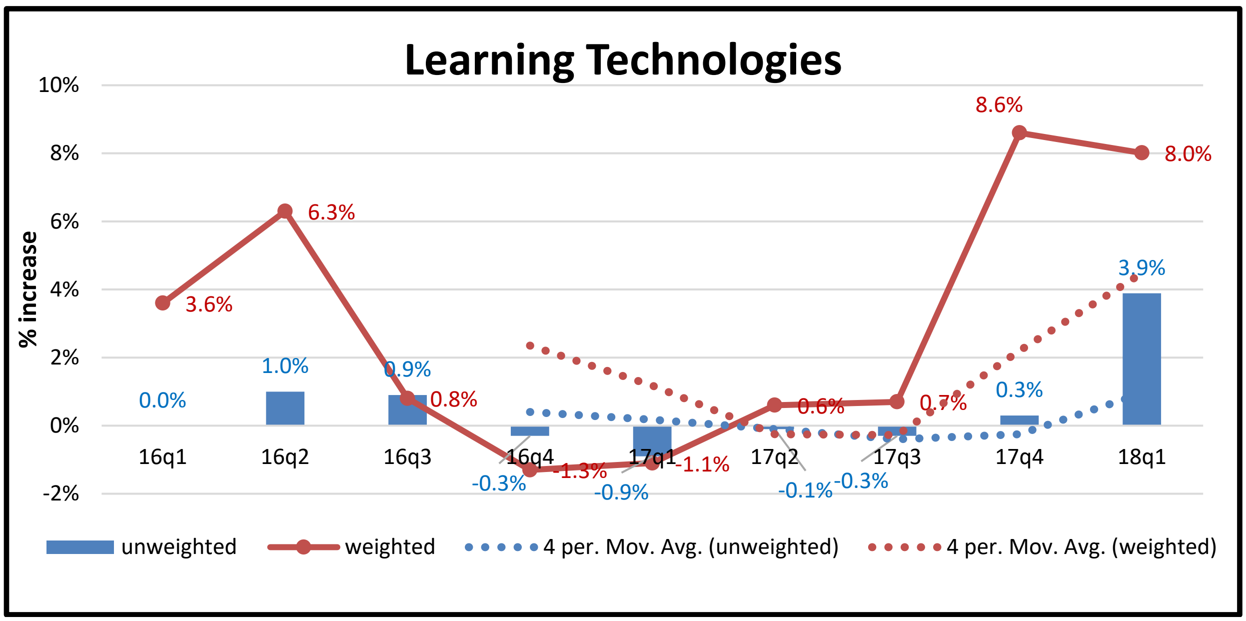
Learning Consulting

We now have over two full years reporting this area. In that period, the unweighted scores have largely remained flat. However, weighted scores have moved dramatically. The **revenue** increases for 18q1 (u=6, f=3, d=5) are 0.2% for unweighted but 4.5% when weighted. 14 out of the 32 reported consulting revenues. The four-period average for weighted is a 2% decrease.



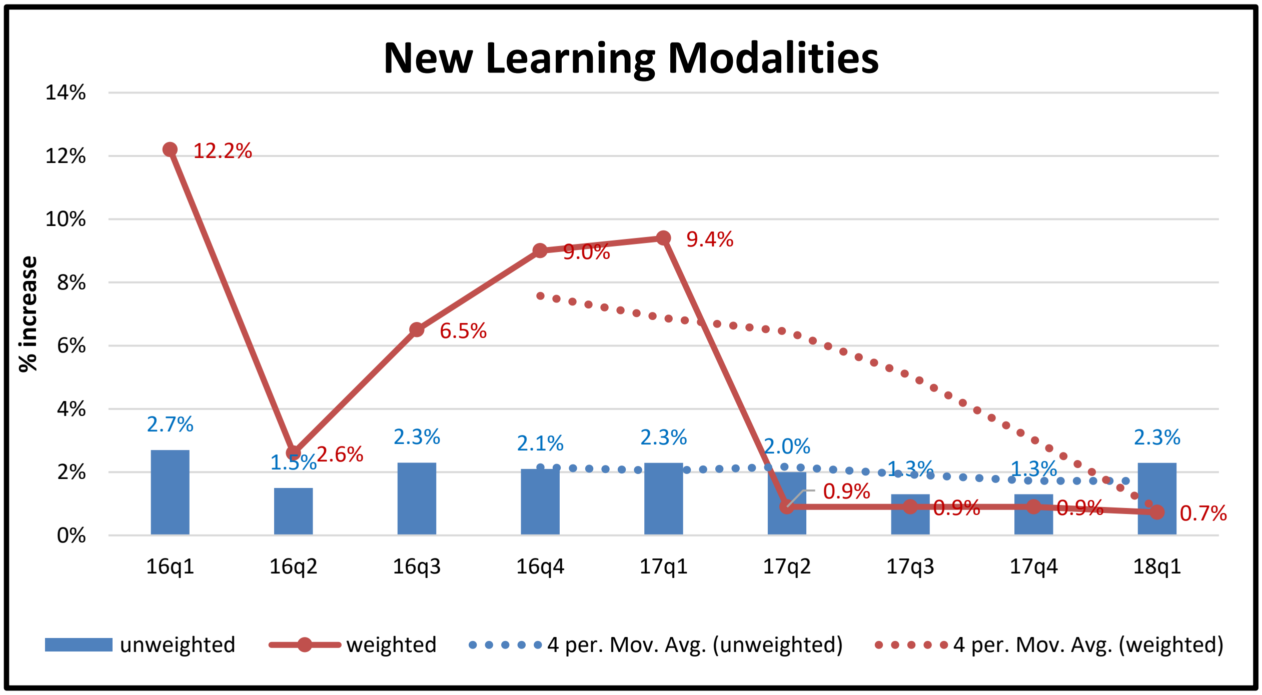
Learning Technologies

We also now have over two full reporting this area. In that period, the unweighted scores have hovered around flat except for this last quarter, but weighted scores now show significant increases. The **revenue** increases for 18q1 (u=4, f=5, d=0) are 3.9% for unweighted and 8.0% when weighted. The trendline for weighted is now 4%. Only 8 out of the 32 reported technologies revenues.



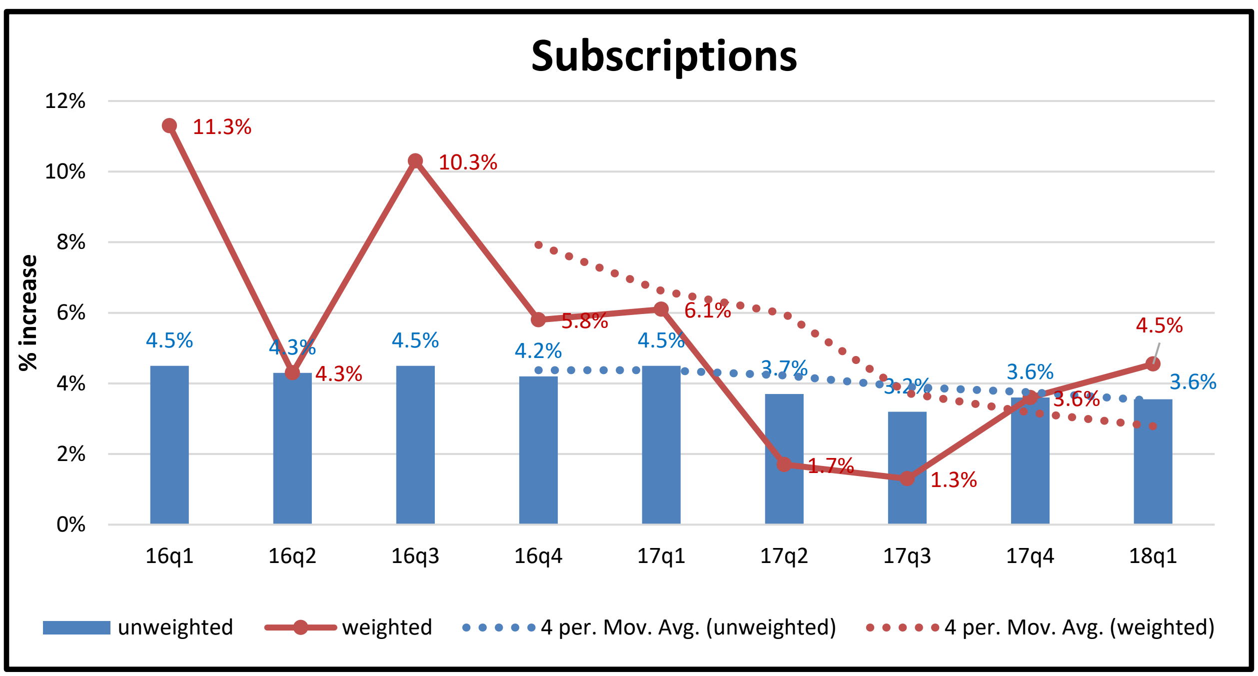
New Learning Modalities

In the two years since we started, the unweighted trendlines are 1-2%, while the weighted trendlines show 1%, but falling from 7%. The **revenue** increases for 18q1 (u=3, f=9, d=0) are 2.3% for unweighted and 0.7% when weighted. Only 13 out of the 32 reported new modalities revenues.



Subscriptions

In the last two years, both unweighted scores and weighted scores show 3-4% increases. The **revenue** increases for 18q1 (u=10, f=6, d=3) are 3.6% for unweighted and 4.5% when weighted. 20 out of the 32 reported using subscriptions.



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

1. Networking, Storage
2. Partner Training
3. Programming
4. Private Onsites; Education Consulting (Tailored Educational Programs)
5. Public Virtual Training
6. On-demand learning subscriptions
7. Database and technology
8. Uplift in PaaS and CX...UAS projects gained significantly
9. Robotics, AI
10. They remain as follows: New product and solutions training following new launches; increase in customer and partner related projects; Partner training - this does not necessarily come with revenue
11. Learning Technology sales up - finally managed to sort out some contractual challenges relating to GDPR.
12. eLearning and certification
13. Onsite courses
14. Workforce Management - Cloud based
15. Newest self-paced offerings and private
16. Endpoint Protection; Data Loss Prevention; ProxySG
17. Private training
18. Nothing !! this year is proving to be very challenging
19. ILT
20. Training Subscription and Onsites Classes
21. Self-paced/Dynamic learning
22. Mid-range storage.
23. Learning Partner fees in EMEA grew about 3% YoY, new and expanding academic partners.
24. eLearning subscriptions growing in Q2 FY18 again. We just started subscription model in Q3FY17 and see a growth in the first half of FY18
25. System Administration
26. Custom courses
27. Onsite continues to grow as customers require less off the shelf content.
28. Citrix on Microsoft Azure is also a big growth area for training

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

1. Platforms
2. Live ILT
3. Old technology courses
4. Service Management
5. Public Classroom Training
6. Various ERP topics

7. Private on-site events have continued to drop
8. Private Training and Learning Consulting. This was due to a protracted delay on 2 very significant contracts. projects now started, but behind schedule.
9. None
10. Adoption Services and Public Classes
11. Premise based
12. Public classroom and older self-paced offerings
13. Endpoint Management
14. Certification and public classes
15. training in general is down - both onsite and public classroom.
16. Public classroom trainings
17. There were no decreases
18. Not a real decrease, but Open Enrollment was growing a lot slower than Subscription and Onsites
19. private ilt
20. High end storage (product refresh now announced).
21. Courseware sales to partners down 10% (Q over Q), partly timing, partly related to a couple of Professional Learning Partners businesses closed.
22. In Center public classes; Onsite classes; Learning Programs started to ramp up quickly due to more large roll out projects.
23. Public schedule
24. Standard public classroom deliveries.
25. Sales of training credits
26. Courses relating to older technologies such as Xen Server

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

1. Motivating our partners after significant changes
2. Changes to the compensation model for license sales that no longer comps Sales on training.
3. Unpredictability of classroom based training; Low UK seats
4. Attach; declining certification training
5. Attaching Training to Sales Quotes; Slow up take of Virtual On Demand Training
6. Move from on-premise to cloud business model
7. Transition into wider OU Cloud University business...now complete and stable
8. Keeping classroom training materials aligned with online self-study. Supporting the growing demand for custom/tailored training curriculum
9. Training attachment to product deals; Threat from growth in Managed Services delivered by Professional Services which reduce opportunities for customer training - requires exploration/investigation.
10. Some challenges around shifting from OnPrem to SaaS and GDPR/Privacy disclaimers.
11. None - stable to increasing business
12. Low opportunities for larger Education projects.
13. VIA Subscriptions- giving free training Revenue through product attach - and reduced product sales
14. Lack of approved contract Instructors with language skills other than English. No-shows in classes
15. Infighting amongst training partners. Excessive small partners looking to resell.
16. Last year was the best ever so managing expectations internally given that this year has started so poorly. Also makes it hard to plan when business is so up and down.

17. Decreasing net new license business; less customer budgets; Delayed sales cycles
18. Hiring; And hiring again!
19. Still continuing lack of net new sales in UK although rest of EU is picking up.
20. Get corporate sales team to sell training; get the right level of support from our Outsourcer
21. Slower buying decisions
22. Filling public classes, revenue flat. Having to look at offering "Pop-up" technical courses to attract customers to attend - eg. Middle East/Turkey (having to fly gear in). Encouraging expired certified engineers to return to be recertified - currently manual process to follow up/bandwidth issue. Currently implementing LMS which we plan will automate the follow up process to remind engineers they need to recertify.
23. Due to many Learning Programs we have a challenge to staff with the high skilled resources / Learning Architects). Low price competition in territory markets (France and Germany) continues to be a threat especially for commodity trainings like an upgrade training
24. Instructor ramp; EMEA tax policy
25. Shifting to a 5-day format. A growing SMB market
26. Subscriptions now live - we need to generate between 20-30% of revenue through this modality. Competition from our own license resellers (grey market knowledge transfers). Subs model to help us differentiate
27. Sales people being incented to sell software solutions and not incented to sell services; slowdown in public course attendance
28. Engaging the product sales team in selling training credits. Incenting ATPs to sell training.
29. Free of charge training given away by Citrix; Getting mindshare with the training partners that we use to sell our offerings.

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

1. Reduction of investment by IT training partners. The competition is fierce between them
2. Some areas are moving to VILT, with more demand from EMEA than previously
3. Still very competitive
4. Running more VILT classes than ever before.
5. Flat as per forecast on revenue and margin for EMEA
6. Reduction in 5-day classes and transition to 2 and 3-day classes
7. Middle East showing strong growth.
8. Our Learning subscription continues to be on high demand
9. Increased use of subscription and/or OnDemand/Self-Paced - leading to opportunity to provide online mentoring sessions.
10. More customers are looking to deliver their training themselves through a Train the Trainer program. IP protection is a concern. Customers in EMEA accepted to use Digital Guides the default delivery mode. Customer requesting more virtual offerings or blended approaches. Digitalization and gamification becomes a main part of new learning approaches
11. Modular / pay as you go model becoming more prevalent.
12. The shift from revenue to value add as the primary KPI. Launch of new Customer Success organisation planned. Where will ES fit in to this new business unit and what will be our KPI's? Be great if CEDMA were able to somehow help us to qualify 'training value' as an independent association. EG - how much repeat business vendors see from trained/certified customers etc.
13. Revenue is no longer a driver for me - student days is the measure I use now.