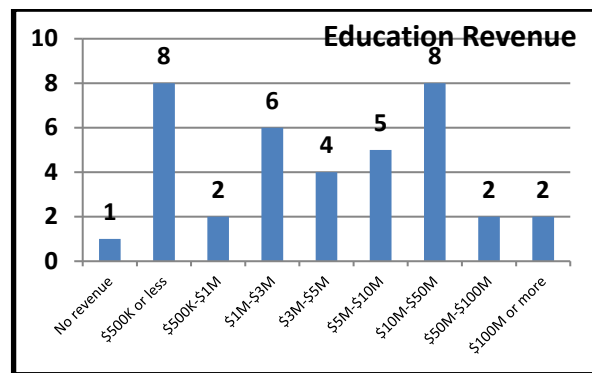
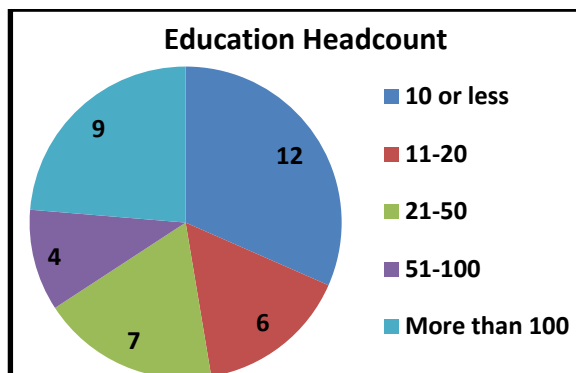
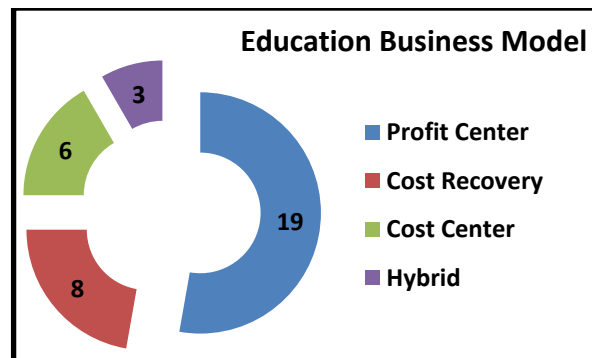
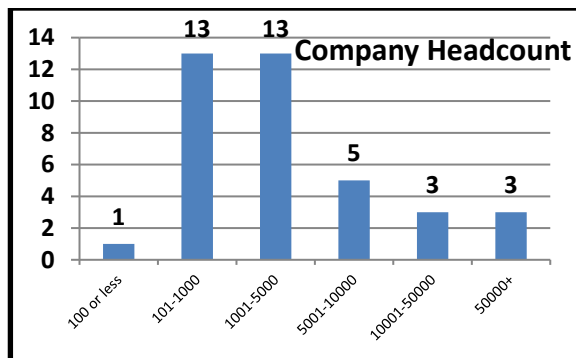
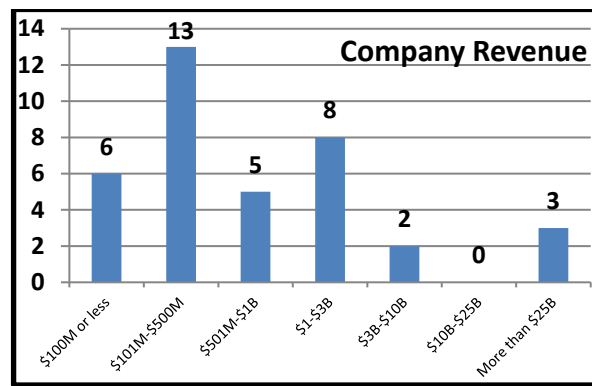
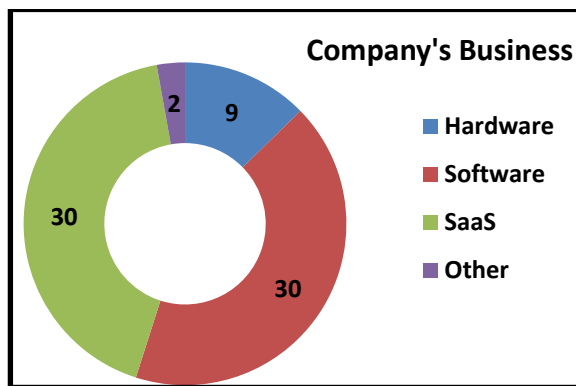




## CEdMA Training Market Barometer 1<sup>st</sup> Quarter 2018 Actual

### 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 31 responses for global and 7 for North America so the combined 38 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 has now dropped from 5% in 2016 to 3% in 2017.

**Operating profit** is revenue minus all fixed and variable costs, excluding allocations, divided by revenue. The growth in 2017 was 2% year-on-year, down from 4% in 2016.

**Live Classroom (ILT)** is all revenue when the instructor is in the same physical location. Growth was flat in 2013-14, 2% in 2015-16 but 1-2% in 2017

**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, was 6% in 2015-16, but has now dropped to 3% in 2017.

**Public (scheduled) classes** is revenue for ILT and VILT and has now dropped to negative 4% in 2017, having peaked at 1-2% in 2014, and been flat in 2015-16.

**Private (one-customer) classes** is revenue for ILT and VILT, and now showing an increase of 4% for 2017, having been 3-4% in 2014, 2% in 2015 and 3% in 2016.

**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 showing a 9% increase in 2017, having grown steadily from a 5% increase in 2013.

**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 dipped under flat for 2017, falling from 5% in 2015.

**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 were increases of 1% in 2016, but the trendline is now showing negative 1% for 2017.

**Learning Technologies** is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. After showing negative 2% in 2016, the trendline is now just under positive 2%.

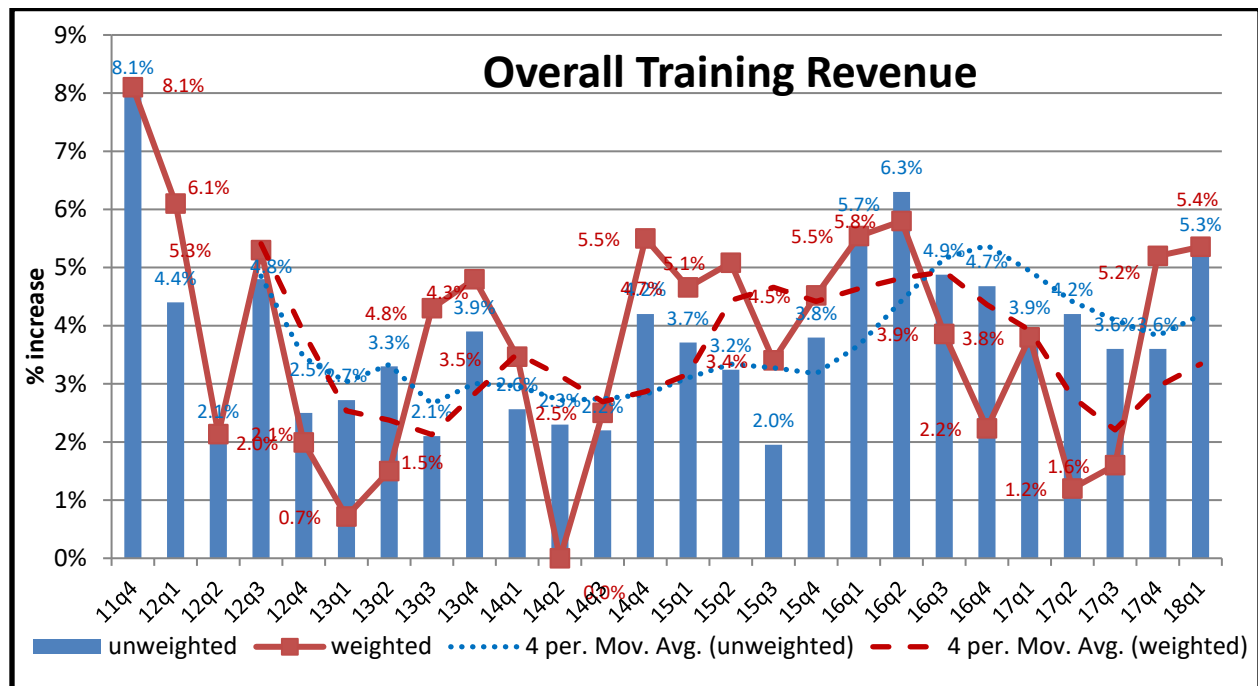
**New Learning Modalities** is all revenue for social learning, gamification, microlearning, mobile. 2016 showed the trendline at 7%, but 2017 saw that erode to flat.

**Subscriptions** include all revenue from any of the above modalities included in subscriptions.

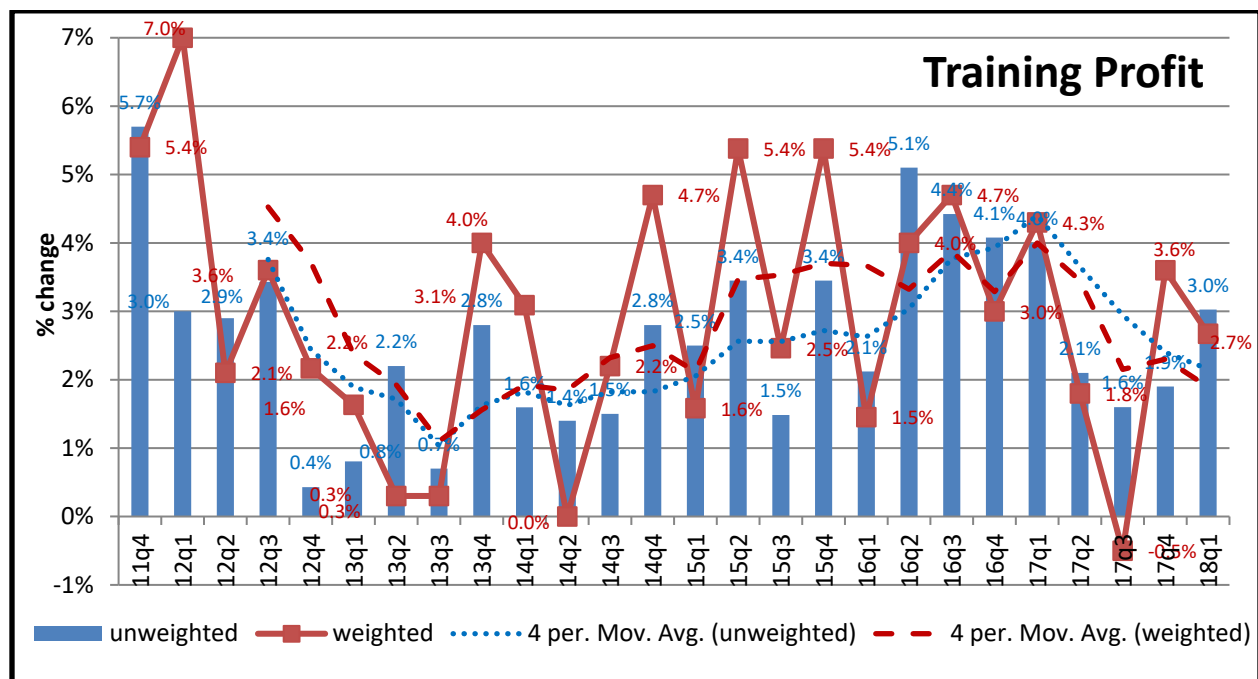
Subscription revenue grew on average 8% during 2016, with the trendline in 2017 now 6-7%.

# Training Revenue and Profit

The unweighted total training revenue increase for 18Q1 (u=25, f=7, d=6) was 5.3%. The weighted total training revenue increase was 5.4%. The 4-period moving average is currently showing an increase of 4% for unweighted and 3% for weighted, down from 5% a year ago.

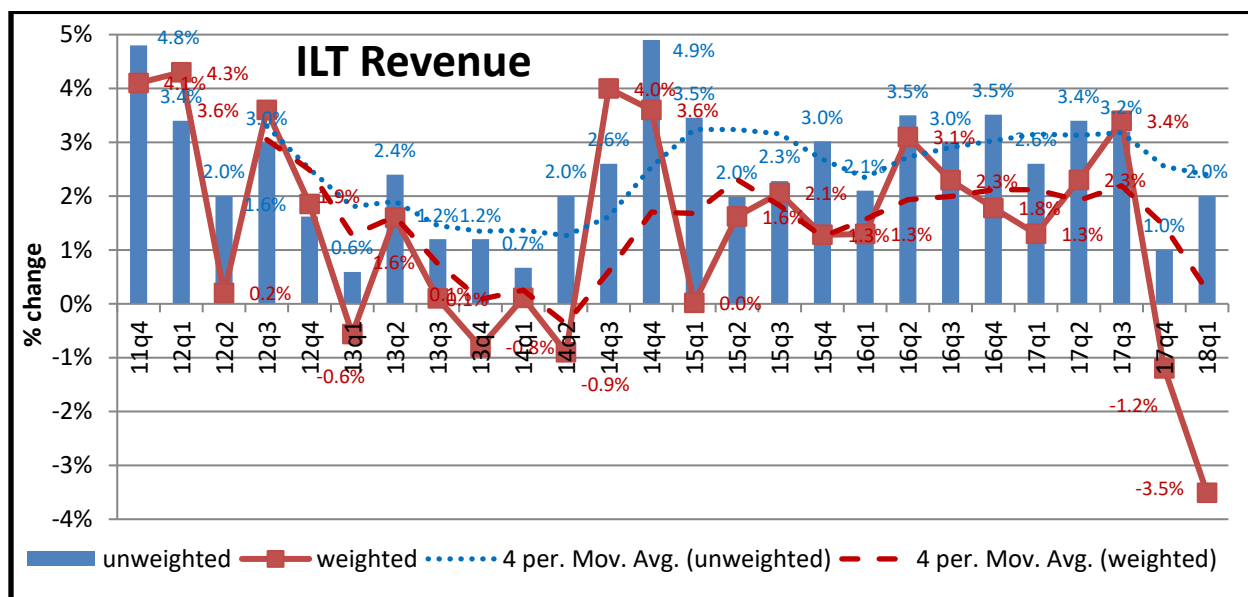


Training profit in 18Q1 (u=20, f=12, d=6) was a 3.0% increase unweighted, and 2.7% weighted. The training profit weighted four-period trendlines currently show a 2% increase, down from 3-4% a year ago.



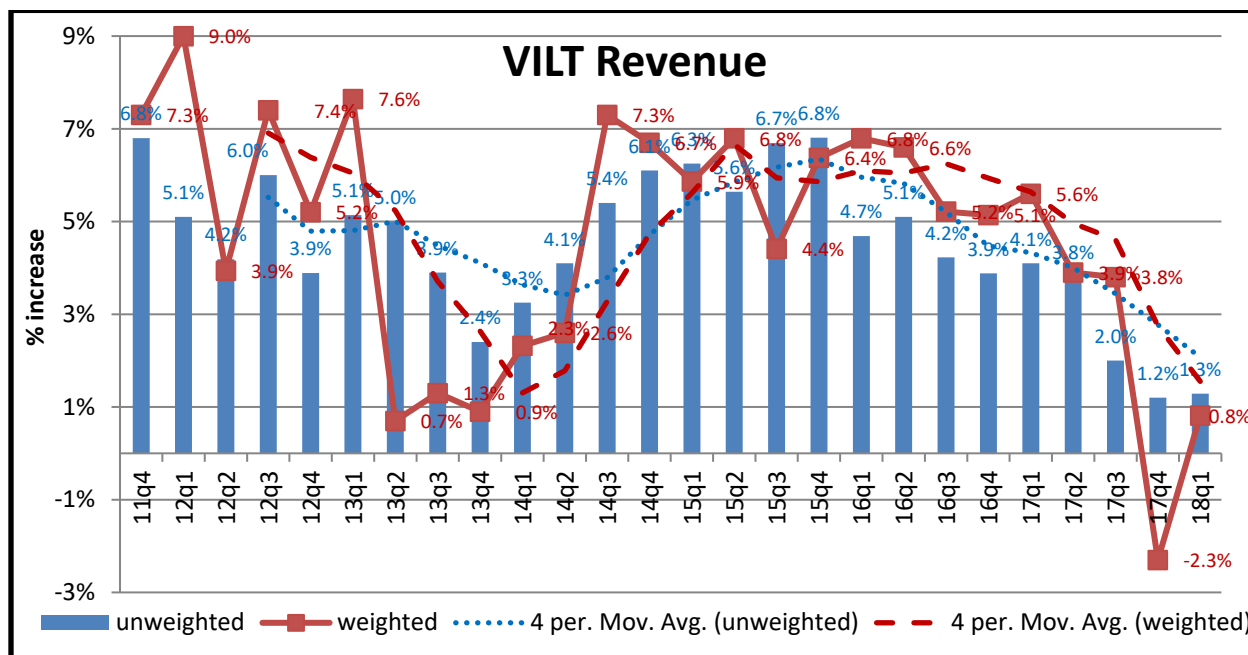
## Live Instructor-led Training

The unweighted live classroom **revenue** increase for 18Q1 (u=18, f=7, d=10) was 2.0%. The weighted live classroom volume decrease was 3.5%. The weighted 4-period moving average is now flat.

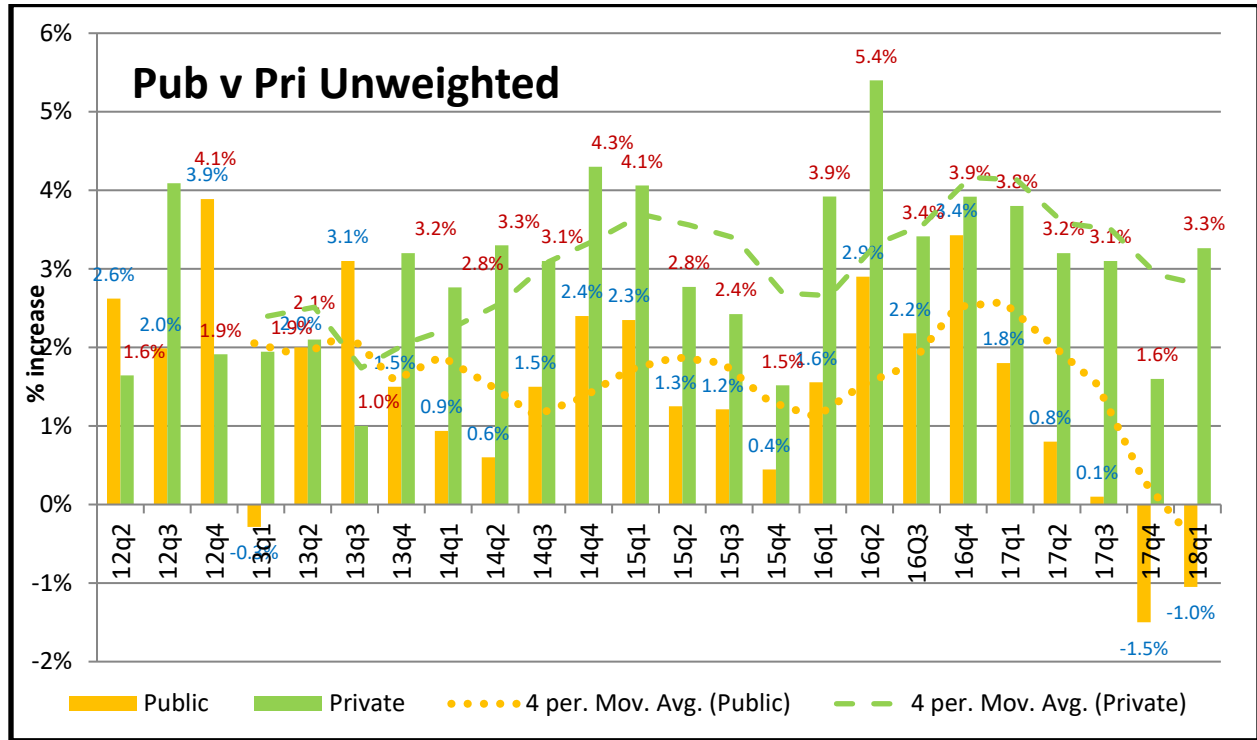


## Virtual Instructor-led Training

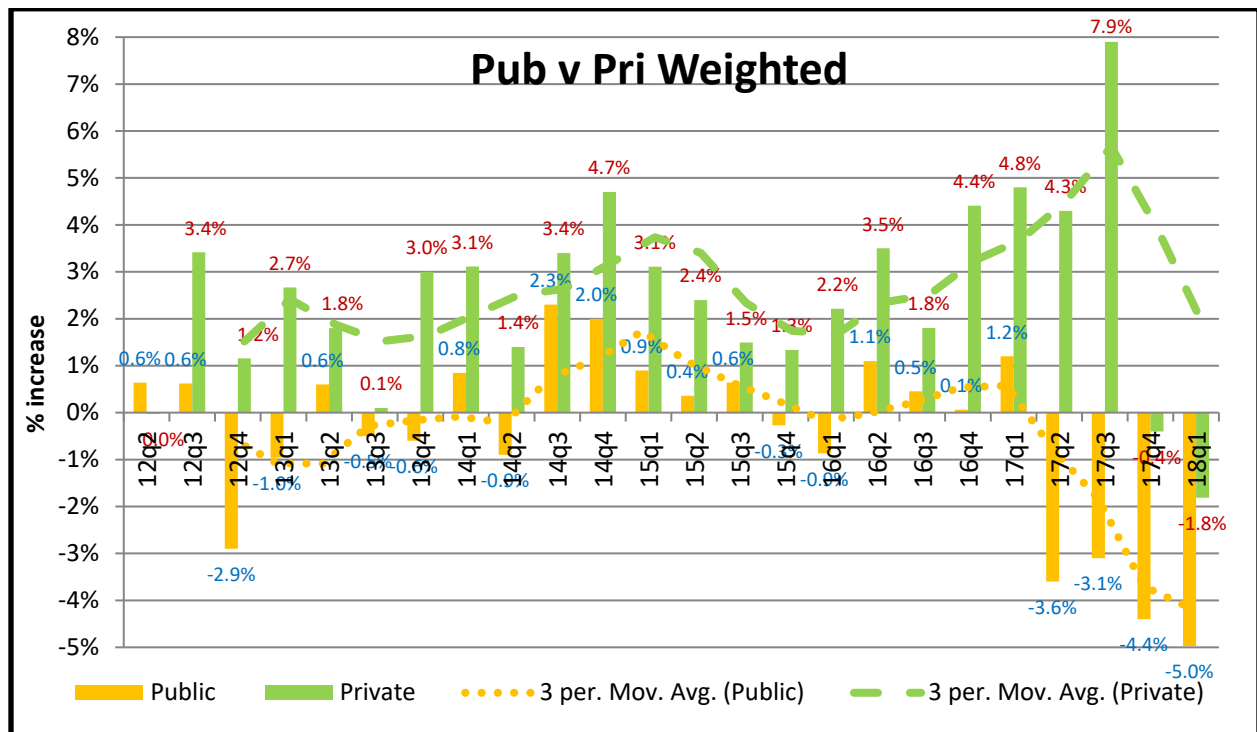
Virtual classroom seems to have taken a turn for the worst. The unweighted virtual classroom **revenue** increase for 18Q1 (u=16, f=9, d=10) was 1.3%. The weighted virtual classroom volume increase was 1.8%. The 4-period moving averages for weighted has dropped to 1%. Live and virtual classroom data 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. Unweighted public **revenues** have decreased in 18Q1 by 1.0% but private increased by 3.3%. The trendline for public has dropped to under flat and for private is 3%. (Note that public is u=8, f=10, d=13 and private u=22, f=7, d=7.)

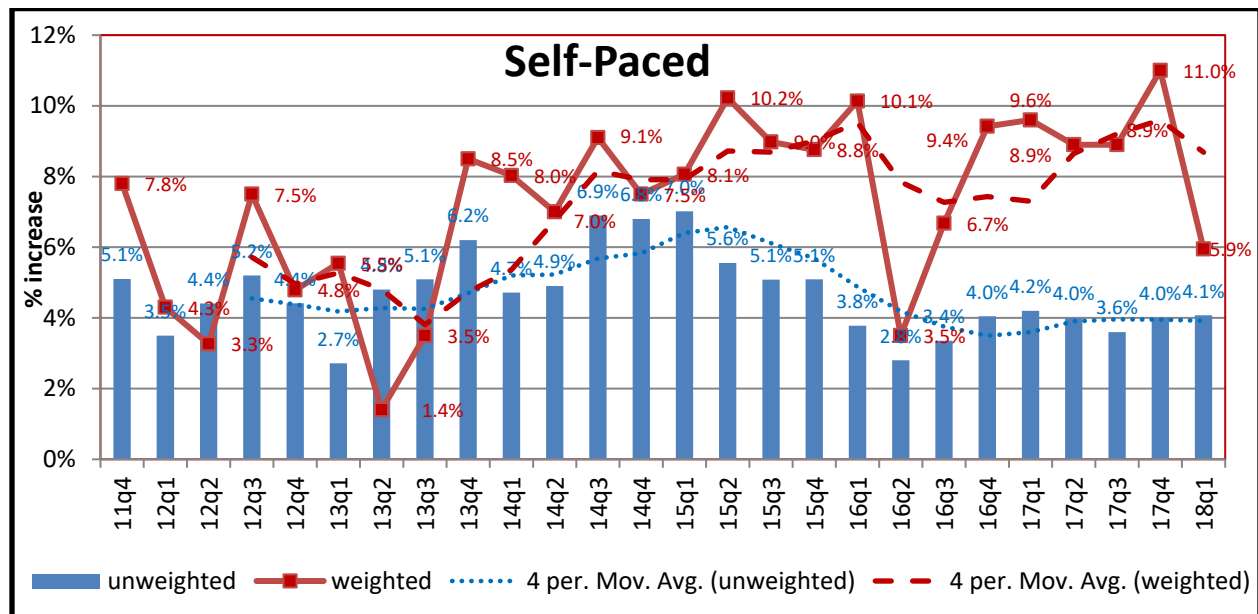


When weighting is considered, the changes are less dramatic, except during 2017. In 18Q1, public **revenue** has decreased 5.0% and private **revenue** decreased 1.8%. The 4-period moving average is negative 4% for public but is still a 2% increase for private.



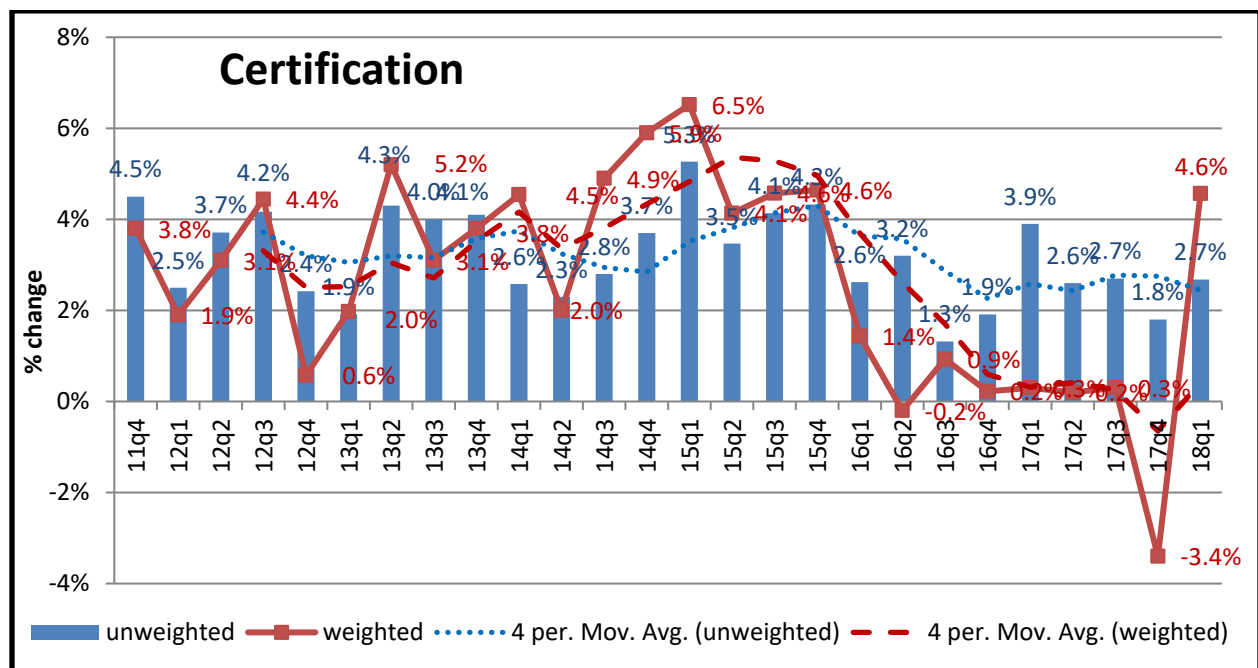
## Self-Paced

The unweighted self-paced **revenue** increase in 18Q1 (u=15, f=9, d=3) was 4.1%. However, the weighted self-paced **revenue** increase was 5.9%. The growth remains higher than virtual classroom. The 4-period moving average shows a 9% for weighted.



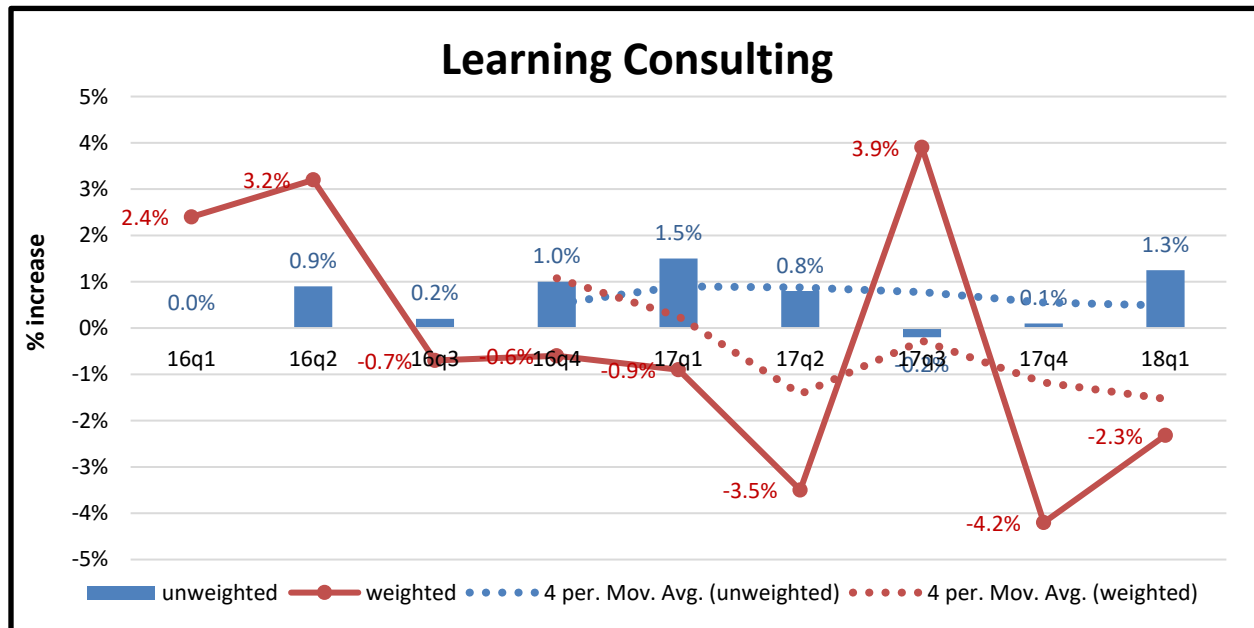
## Certification

The unweighted certification **revenue** increase for 18Q1 (u=13, f=8, d=7) was 2.7%, and the weighted certification **revenue** increased by 4.6%. The weighted 4-period moving average is showing flat. 28 out of the 38 companies have certification revenues.



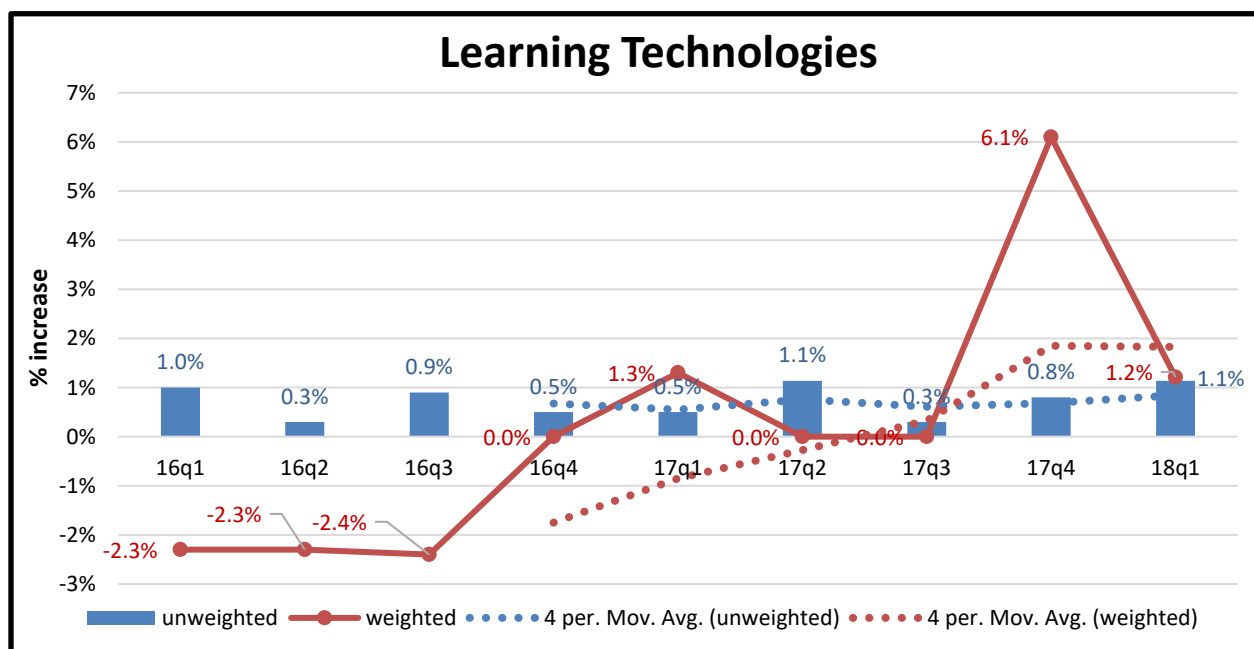
## Learning Consulting

We now have more than two years reporting this area. In that period, the unweighted scores have largely remained flat. Weighted scores have been volatile and show a moving average of negative 1-2%. The **revenue** increases for 18Q1 (u=7, f=6, d=3) are 1.3% for unweighted but negative 2.3% when weighted. 16 out of the 38 reported consulting revenues.



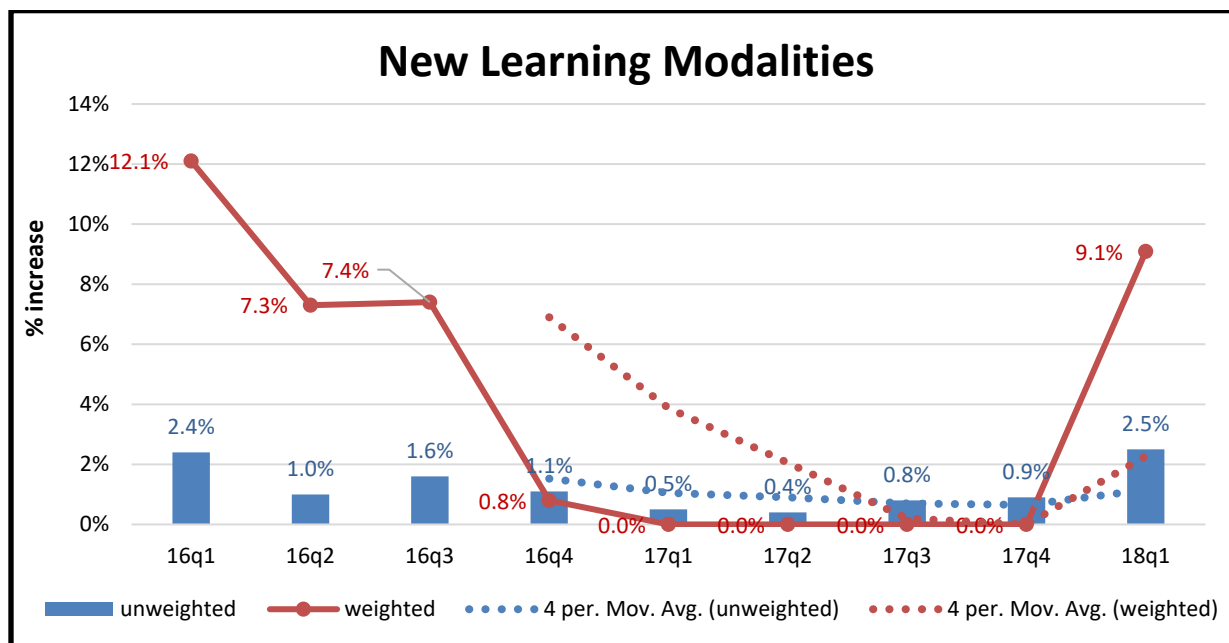
## Learning Technologies

We also now have over two years reporting this area. In that period, the unweighted scores have hovered just above flat, but weighted scores now show 2% increase. The **revenue** increases for 18Q1 (u=3, f=8, d=0) are 1.1% for unweighted and 1.2% when weighted. Only 11 out of the 38 reported technologies revenues.



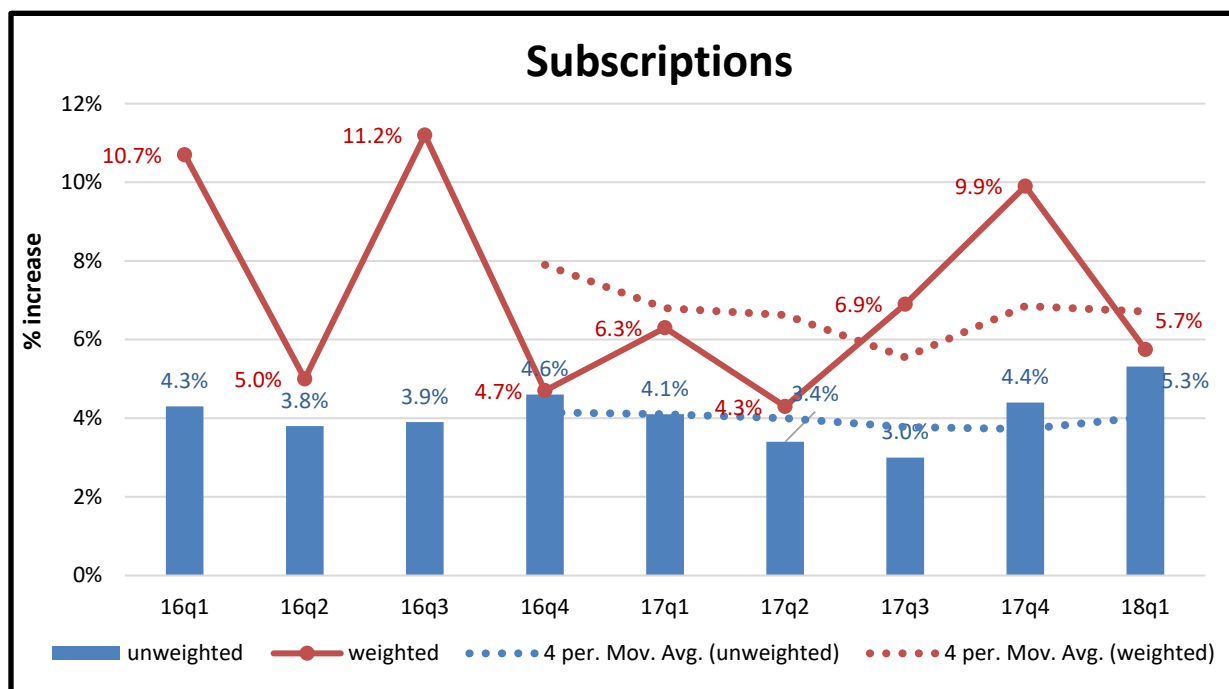
## New Learning Modalities

We now have nine quarterly reports. In that period, the unweighted scores are 1%, while the weighted scores are 2%, falling from 7% in 2016. The **revenue** increases for 18Q1 ( $u=3$ ,  $f=6$ ,  $d=0$ ) are 2.5% for unweighted and 9.1% when weighted. Only 9 out of the 38 reported new modalities revenues.



## Subscriptions

We also have over two years reporting this area. In that period, unweighted scores show a 4% increase and weighted scores 7%. The **revenue** increases for 18Q1 ( $u=16$ ,  $f=7$ ,  $d=1$ ) are 5.3% for unweighted and 5.7% for weighted. 24 out of the 38 reported using subscriptions.





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

1. Partner Training
2. Subscription services
3. Classroom
4. All of our classes. Currently we teach 6 courses, all ILT. I don't have any info on the ATC classes.
5. Classroom training for customers.
6. Learning Consulting
7. Subscription based on-demand learning, especially multi-year term
8. Private training
9. Workforce Management - Cloud Based
10. Database and technology
11. Private 1-customer ILT training
12. OnDemand (self-paced/eLearning)
13. Self-paced
14. Our revenue from courses for sale increased some. Towards the end of the year implementation training was up as the last quarter of the year is usually our busies.
15. Apache Spark
16. Virtual Recertifications (linked to release of new curriculum, Certified Instructors need to recertify), a few big Enterprise customers buying onsite private technical classes (US).
17. Basic content.
18. All our core products
19. Essentials training
20. Infrastructure automation management; Collaboration
21. Cybersecurity
22. eLearning and onsite instructor-led.
23. VILT
24. VILT, on-demand are up.
25. Advanced classes
26. eLearning subscriptions
27. Self-paced
28. The need for individual purchase of one-time events
29. Private virtual classes
30. User Adoption and Change Management consulting
31. All are growing >10% quarter on quarter
32. Developer courses

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

1. Public VILT
2. Private classroom (services revenue), shift is due to inclusion of onsite delivery as a ratable element under the broader subscription program.
3. Certification
4. Internal training

5. Public ILT open enrollment
6. Live Instructor Led
7. Public training
8. Premise based
9. Various ERP topics
10. We are retooling our learning development teams.
11. Public ILT
12. Live Training (on premise, both public and private)
13. Public scheduled classroom
14. Course package sales went down slightly in December, which is normal.
15. core Teradata data warehouse curricula
16. Courseware sales to partners down 7% (Q over Q).
17. Certification.
18. Training credit sales (down > 50%)
19. Network Video Fundamentals
20. virtual instructor-led training.
21. Public training
22. Public ILT
23. Beginner classes/fundamentals
24. Onsite=(private) classes; Learning consulting
25. Classroom training
26. We have retired virtual instructor-led classes as part of Premium Training subscriptions
27. Onsite
28. Public and private class attendance
29. End user courses

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

1. Maintaining attach rates to license sales due to a change in the license sales comp model. Training is no longer part of the license sales comp plan.
2. Same challenges as last quarter - moving traditional services revenue over to the subscription line caused deferral of delivered revenue recognition. Services that previously had been recognized upon delivery were now ratable over a term. Finding qualified senior training delivery professionals specifically in Europe.
3. Maintenance
4. Meeting demand. We currently have a 7 to 8-week lead time to deliver classes to our customers.
5. Getting qualified Instructional Designers. Getting Marketing around the new program offerings
6. Resources/budget; organizational restructuring
7. Reduction in Public ILT demand, especially in N America
8. Accurate and consolidated reporting for multiple internal systems. Free items and discounts.
9. VIA Subscriptions-giving free training; Revenue through product attach - and reduced product sales
10. Switch from on-prem to cloud business model
11. Greater percentage of our revenue is from credits in programs we don't manage. Credit values are lower than ours, impacting our P&L. We have 17 open positions, 12% of total staff. Challenging to develop/deliver classes.

12. We are retooling our learning development teams. This is resulting in slower times to update content.
13. Staffing - Not enough to complete requested projects. Changes in Company leadership
14. Sales marketing
15. First is trying to determine how to best package and offer our subscriptions - mix of courses to include, length of time to allow, how to set up in our learning management system, etc. Would like to create a freemium to premium model. Second leadership is pushing to make all training "free" as part of an overall price increase.
16. Sales engagement and sales engagement
17. Filling public classes, growth in public/ILT seen in Q1 due to Enterprise customer buying onsite/private classes. 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.
18. Globalization, including translation and multi-currency/e-commerce solutions; Identifying technology solutions to support modern education offerings
19. Enterprise license sales. Resources and staffing.
20. Engaging the product sales team in selling training credits. Incenting ATPs to sell training
21. Attach rates
22. Inadequate funding; Resourcing training delivery
23. Internal Change; Process Development
24. Refining operational efficiencies. Dealing with the requests to concentrate on internal training while continuing to maintain customer-facing training
25. Attach rate - delays in the Sales process
26. Making margin targets; Avoiding discounting by sales
27. Delivery (resources to teach our classes). Engagement of a specific subset of our community to come to classes.
28. Keeping up with growth while maintaining excellence in delivery. Keeping up with product changes
29. Need to overhaul the portfolio to adopt new learning technologies (freemium models) - Go to Market model changed and not yet fully adopted
30. Operational inefficiencies in learning management registration and team capacity to deliver curriculum on new features.
31. Customer awareness of free and for fee training
32. Keeping up with product changes. From a training point of view; not having a good idea of the training pipeline
33. Slower than expected product sales; Customer willing to spend less money on training
34. Change in pricing model
35. Driving more consumption of training. Measuring the impact of training on overall product/company NPS score.
36. rapid eLearning development; maintaining version currency

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

1. We now have our subscription training recognised as Recurring Revenue - equivalence to license revenue. This means license sales reps get comp and quota relief on selling training subscriptions. Big win!
2. We have seen a slow but growing demand for virtual classes. I believe it's to save on attendee travel expenses.
3. We are a SAAS based company, we are seeing more solutions in the cloud. This does bring a different opportunity to the training organization.
4. Growing Customer expectation for fixed price contracts or subscriptions over a 3-year term
5. Grey Market continuing to put pricing pressure on vendor developed/delivered material. Sales/Marketing need to understand the long-term value of positioning training and services with core product offerings. LMS market surprisingly still not producing options for enterprise training business.
6. Many more customers expect "free basic training" with their software because they can You Tube or Google how to do many things. That is not the case with proprietary software however. Also, the perception that a 5-minute high level video can train someone to effectively use a complex, robust software that is used to run a key part or entire business is a challenge we have as an industry. We have to modernize to our learners while still keeping ourselves grounded in scientific based methods that facilitate effective learning. Update survey: I have seen an increase in the use of virtual labs, however do not totally understand how they work yet. I would like to know about this trend in training. No changes to my previous answers.
7. Nothing seems easy. Not strong enough technology to help make it easier. A lot more players; hard to find the right vendor for a given problem. Also, actively working to improve the quality of our partner certification process.
8. Introduction of Training Units helped booking growth.
9. Move to Blended and mobile
10. Clear movement (at least in our customer group) toward more practical education and away from grounding customers in the philosophy and elements. Put another way, they want to be shown exactly how to tie a knot, cast the bait, where to cast the bait, and not just be taught the concepts behind fishing.
11. More demand for micro-learning
12. We are seeing a positive impact on customer loyalty via the NPS score correlation we did this spring - our NPS score for customers who completed some training is higher than the NPS score for customers who did not complete any training.