CEdMA Training Market Barometer
2nd Quarter 2018 Actual

Introduction

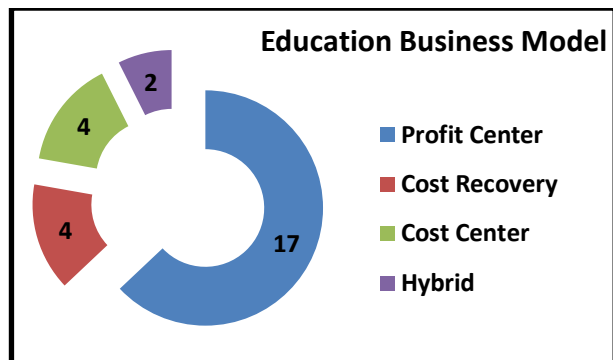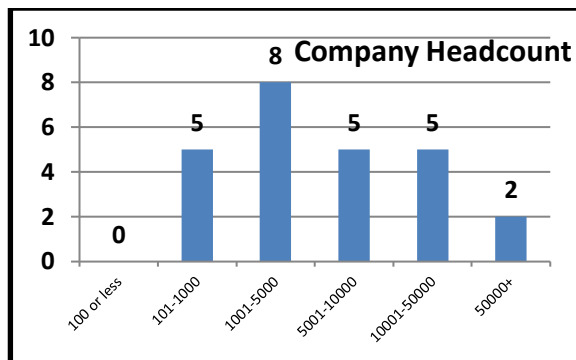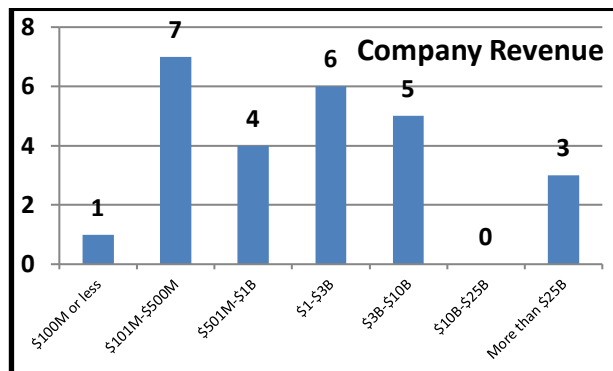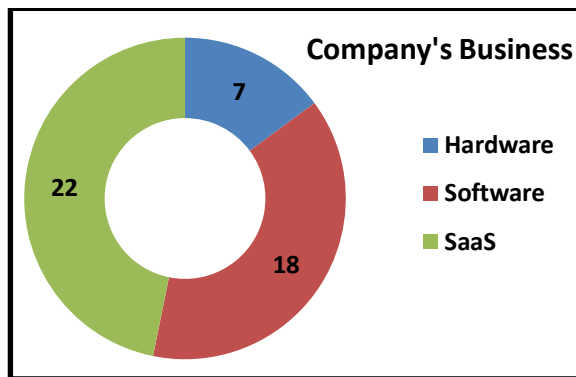This report is compiled by CEdMA for its members about their Education businesses. It is based around a series of absolute growth or decline percentages in the range +- 12.5%. Revenue and volumes refer to training services delivered in the quarter and not future bookings. Members were asked to indicate 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 22 responses for global and 5 for North America so the combined 27 profiles are as follows:

Company's Business (donut chart): Hardware 7, Software 18, SaaS 22

Company Revenue (bar chart): $100M or less 1, $101M-$500M 7, $501M-$1B 4, $1-$3B 6, $3B-$10B 5, $10B-$25B 0, More than $25B 3

Company Headcount (bar chart): 100 or less 0, 101-1000 5, 1001-5000 8, 5001-10000 5, 10001-50000 5, 50000+ 2

Education Business Model (donut chart): Profit Center 17, Cost Recovery 4, Cost Center 4, Hybrid 2

Education Headcount (pie chart): 10 or less 6, 11-20 2, 21-50 6, 51-100 5, More than 100 8

Education Revenue (bar chart): No revenue 1, $500K or less 2, $500K-$1M 2, $1M-$3M 3, $3M-$5M 2, $5M-$10M 5, $10M-$50M 8, $50M-$100M 1, $100M or more 2

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. The trend has now dropped from 4-5% in 2016 to 3-4% over the last 12 months.

Operating profit is revenue minus all fixed and variable costs, excluding allocations, divided by revenue. The growth trend is 2-3% 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 2015-17 but now back to flat over the last 12 months.

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 back to under 1%.

Public (scheduled) classes is revenue for ILT and VILT and the trend has dropped to negative 3-4% , 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 a trend of 1-2% for the last 12 months, having been 3% 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 an 8% increase currently, having grown steadily from a 5% increase in 2013. Note that 11 of 27 reported no revenue for self-paced.

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 climbed to 1%, having dipped to flat in 2016-17, falling from 5% in 2015. 11 of 27 reported no 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 were increases of 1% in 2016, but the trendline is now showing negative 2%. (But only 12 members reported revenue.)

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 and positive 2% in 2017, the trend is now negative 1%. (But only 7 members reported revenue.)

N**ew Learning Modalities** is all revenue for social learning, gamification, microlearning, mobile. 2016 showed the trendline at 7%, but it's now bounced back to 3-4% from flat in 2017. (But only 3 members reported revenue.)

**Subscriptions** include all revenue from any of the above modalities included in subscriptions. Subscription revenue grew on average 8% during 2016, with the trend now at 7%.

Training Revenue and Profit

The unweighted total training revenue increase for 18Q2 (u=15, f=4, d=8) was 3.6%. The weighted total training revenue increase was 3.1%. The 4-period moving average is currently showing an increase of 4% for both unweighted and weighted, down from 5% in 2016.
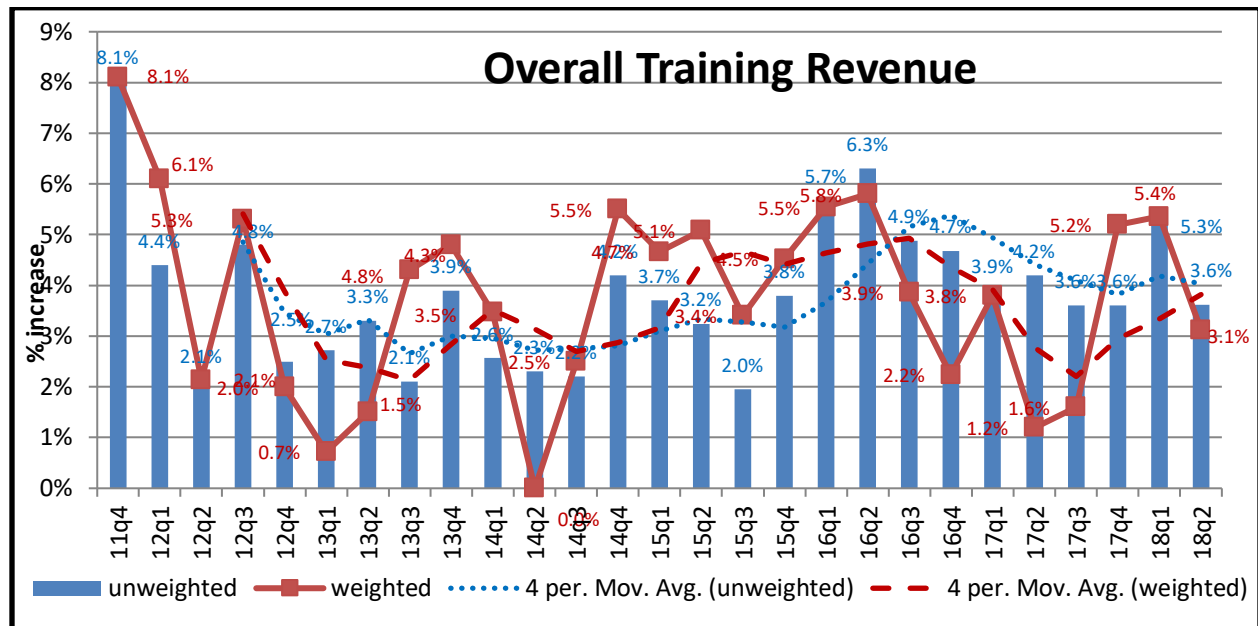

Training profit in 18Q2 (u=15, f=6, d=4) was a 4.1% increase unweighted, and 5.5% weighted. The training profit weighted trendlines currently show a 2-3% increase, down from 3-4% a year ago.
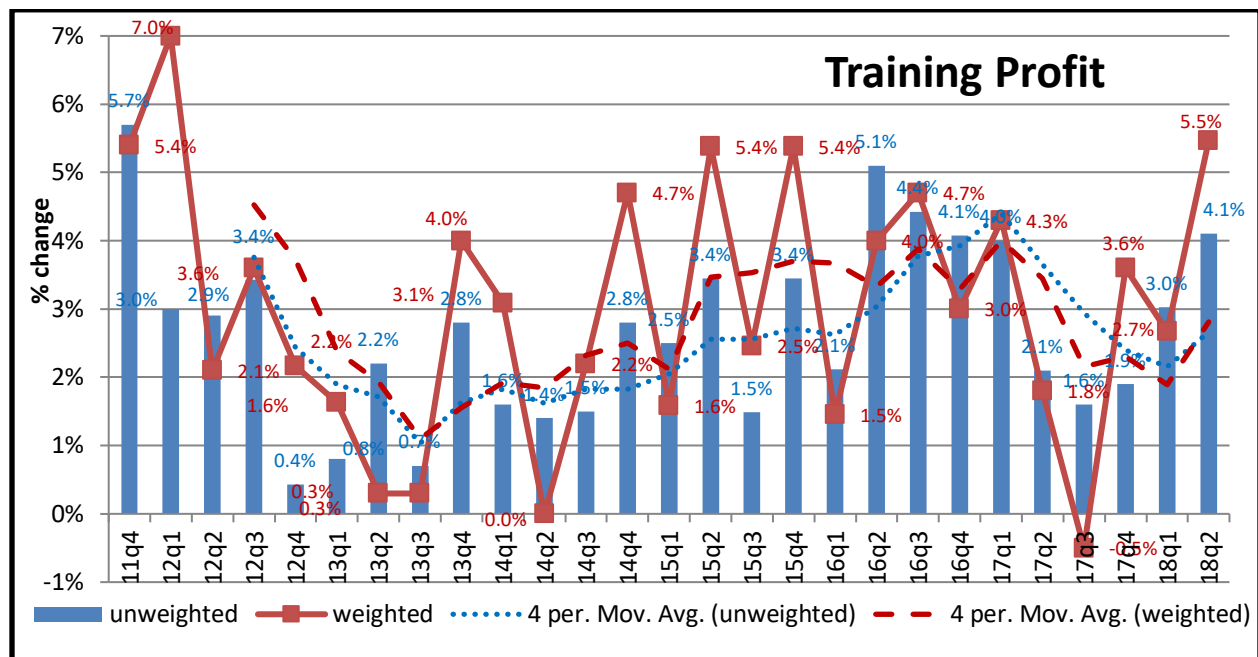
Live Instructor-led Training

The unweighted live classroom **revenue** increase for 18Q2 (u=7, f=3, d=10) was 0.1%. The weighted live classroom increase was 0.5%. The weighted 4-period moving average is now flat, from 2% in 2015-16.
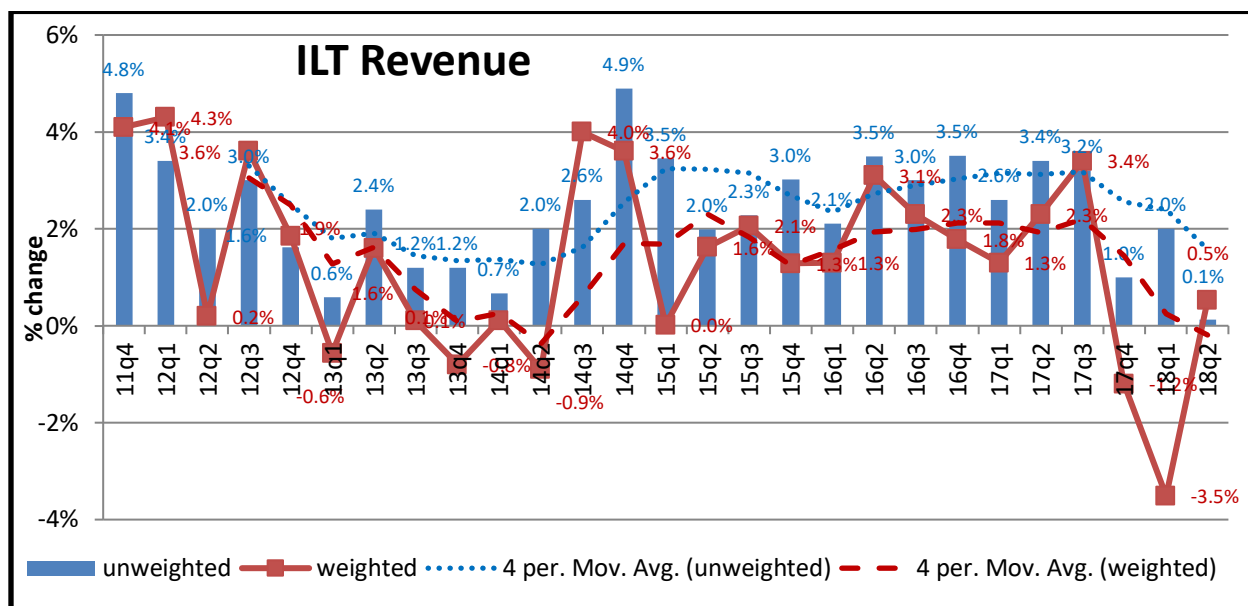

Virtual Instructor-led Training

Virtual classroom continues on its downward path. The unweighted virtual classroom **revenue** decrease for 18Q2 (u=8, f=4, d=9) was 0.1%. The weighted virtual classroom volume increase was 0.2%. The 4-period moving averages for weighted has dropped to under 1%, down from 3% in 2017 and 6% in 2015-16. Note that 6 of the 27 reported no revenue for VILT.
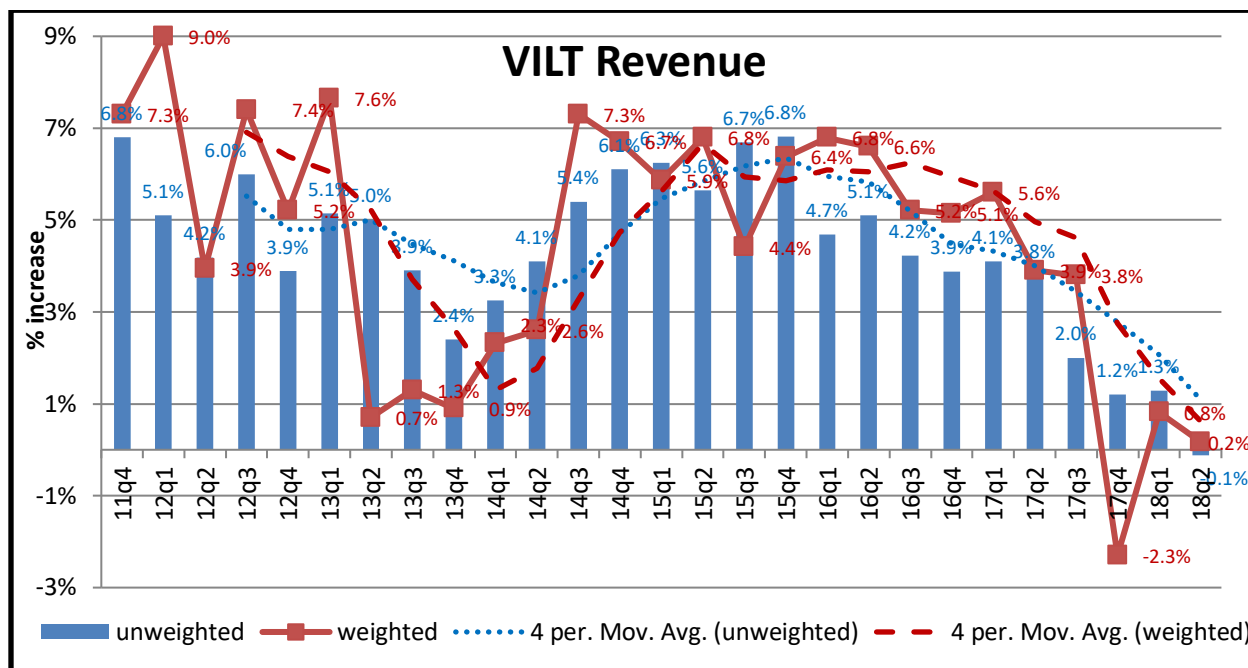
We now include questions on public classes and private classes. Unweighted public **revenues** have decreased in 18Q2 by 0.6% but private increased by 1.4%. The trendline for public has dropped to negative 1% flat and for private is positive 2-3%. (Note that public is u=6, f=3, d=11 and private u=10, f=3, d=8.)
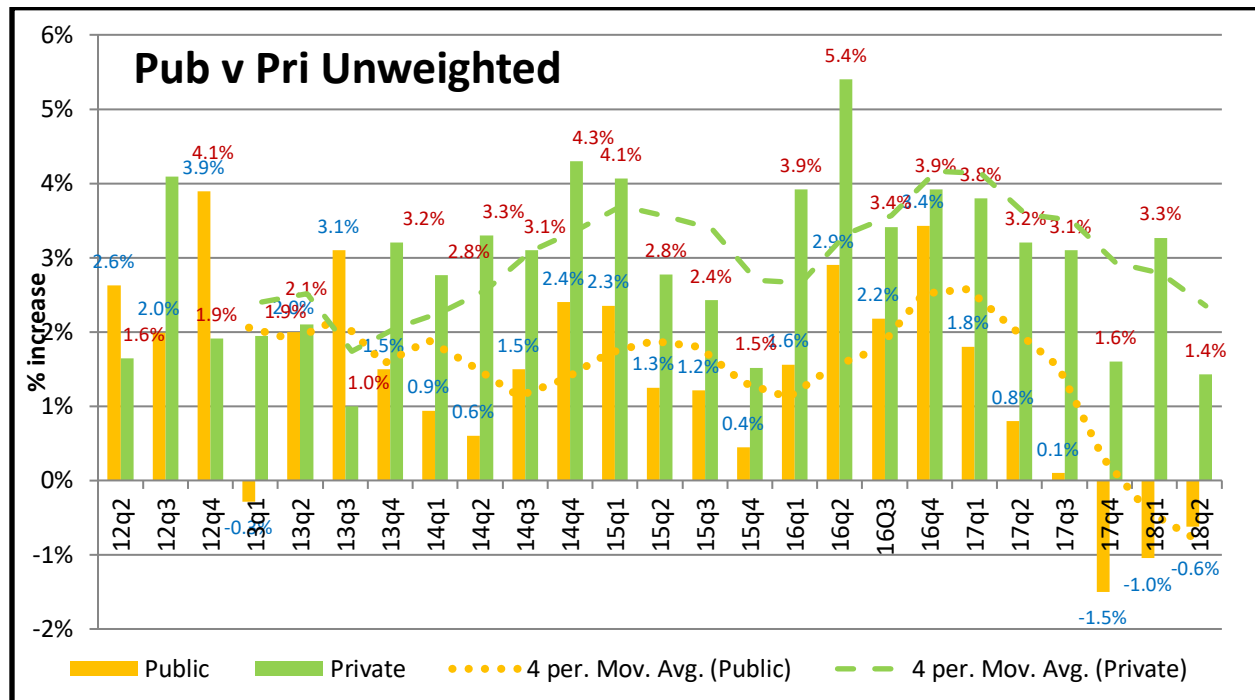

When weighting is considered, the changes are less dramatic, except during 2017. In 18Q2, public **revenue** has decreased 1.7% but private **revenue** increased 1.4%. The 4-period moving average is negative 3-4% for public but has now fallen to positive 1-2% for private.
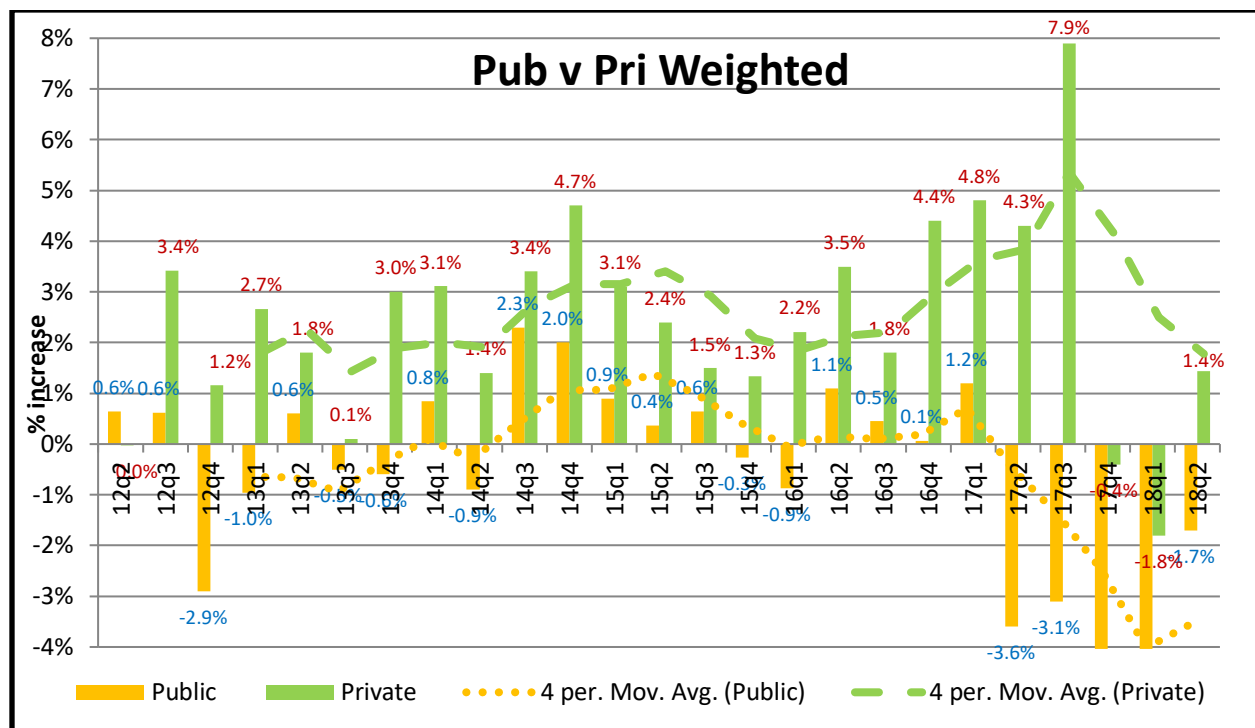
Self-Paced

The unweighted self-paced **revenue** increase in 18Q2 (u=13, f=4, d=2) was 4.6%. However, the weighted self-paced **revenue** increase was 6.0%. The growth remains higher than virtual classroom. The 4-period moving average shows a 8% for weighted. Note that 11 of the 27 reported no revenue for self-paced.
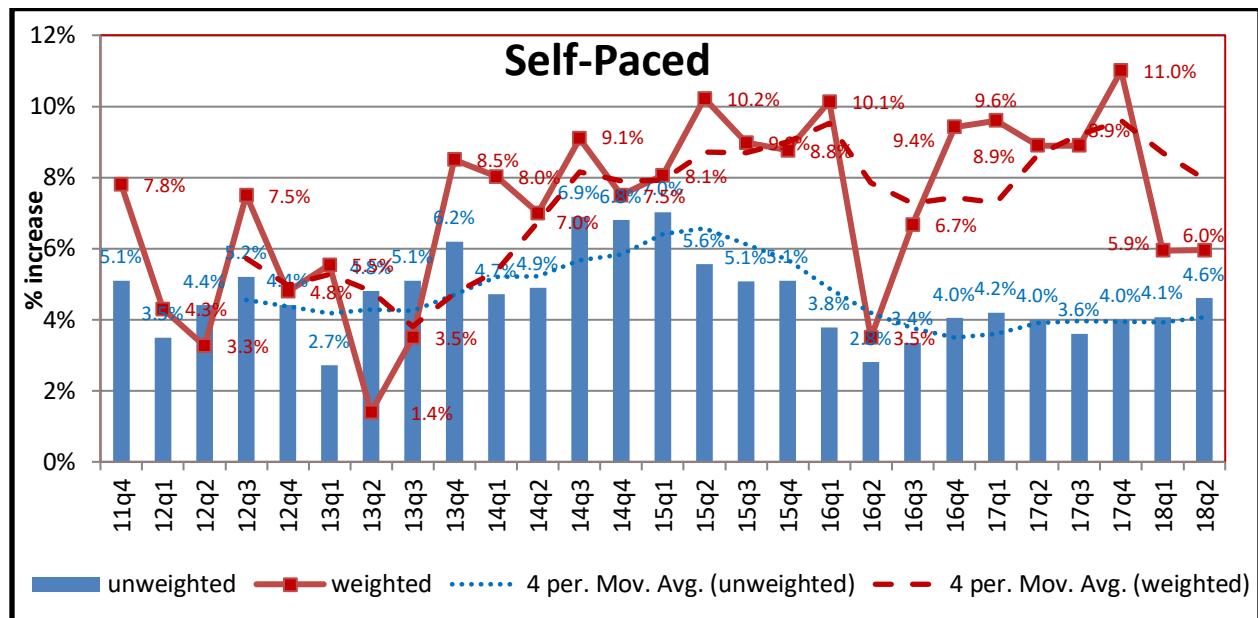

Certification

The unweighted certification **revenue** increase for 18Q2 (u=10, f=5, d=4) was 2.9%, and the weighted certification **revenue** increased by 2.2%. The weighted 4-period moving average is showing a 1% increase. Note that 11 of the 27 reported no revenue for Certification.
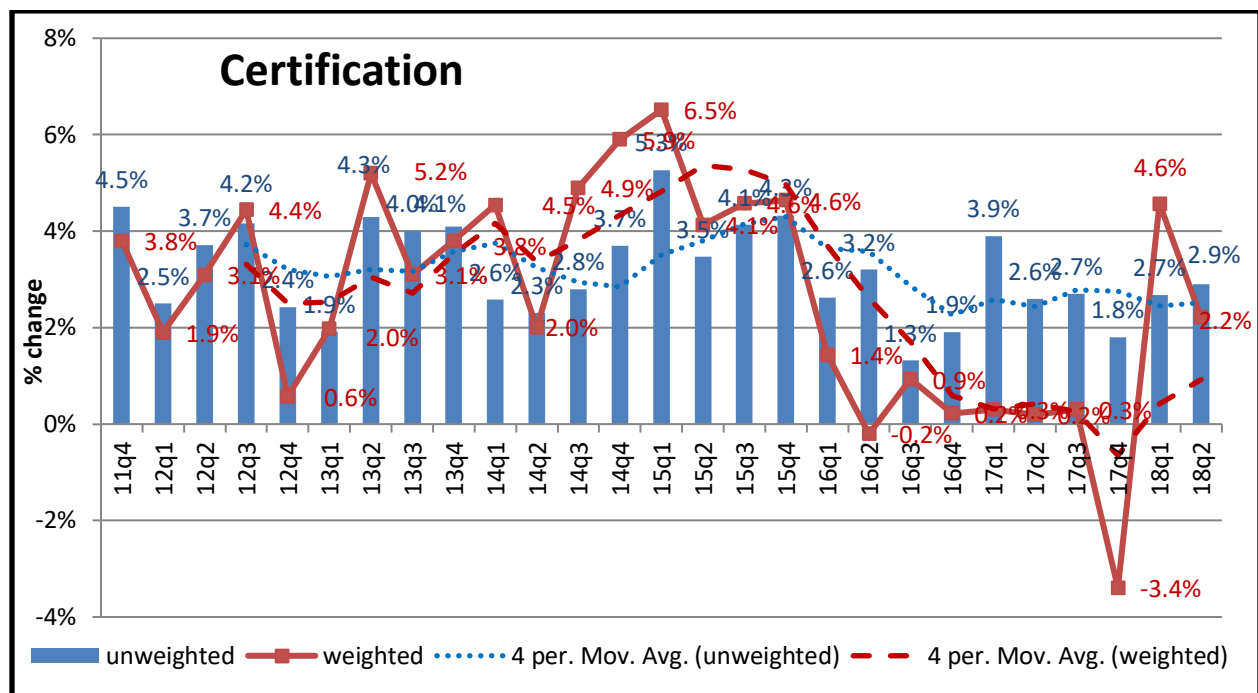
Learning Consulting

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 2%. The **revenue** increases for 18Q2 (u=8, f=1, d=4) are 1.5% for unweighted but negative 5.6% when weighted. Note that only 11 out of 27 reported revenue.
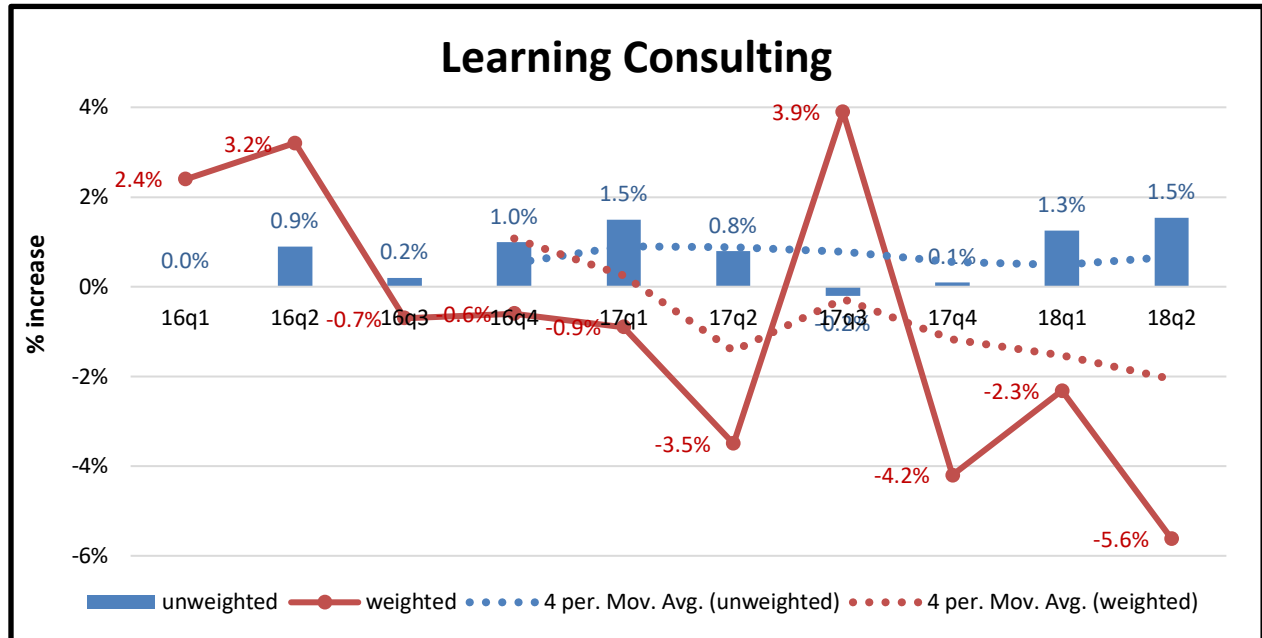

Learning Technologies

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 1% decrease. The **revenue** decreases for 18Q2 (u=3, f=3, d=3) are negative 1.1% for unweighted and negative 11.6% when weighted. Note that only 7 out of 27 reported revenue.
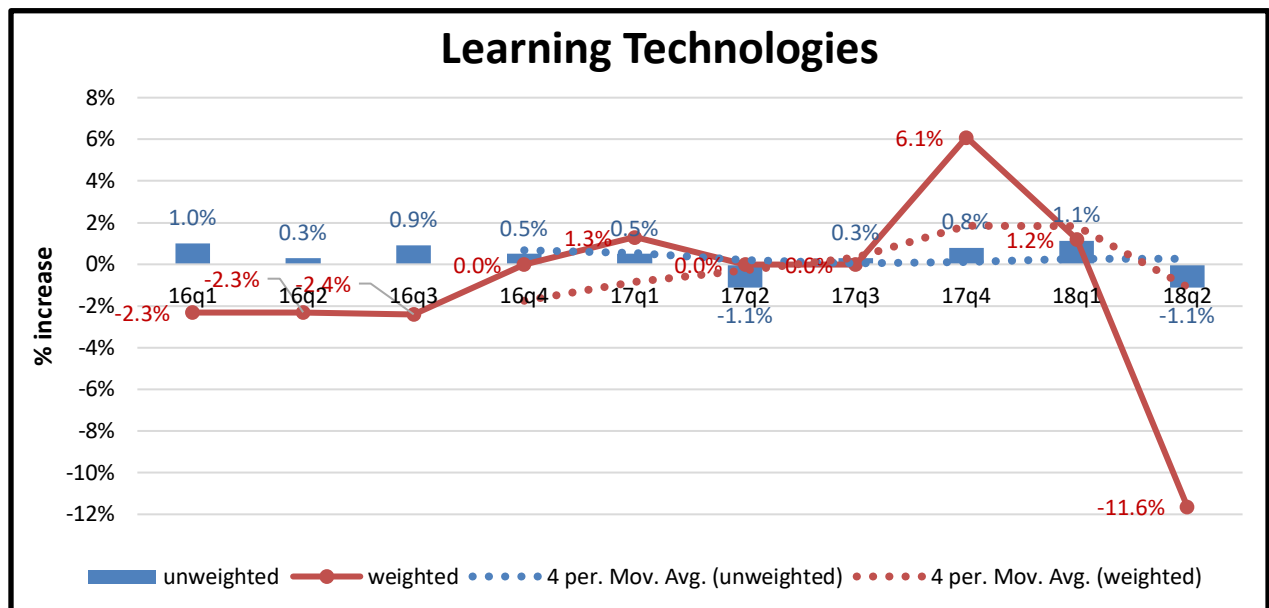
New Learning Modalities

We now have 10 quarterly reports. In that period, the unweighted scores are increasing 1-2%, while the weighted scores are 3-4%, falling from 7% in 2016. The **revenue** increases for 18Q2 (u=3, f=3, d=0) are 2.1% for unweighted and 5.0% when weighted. Note that only 3 out of 27 reported revenue.
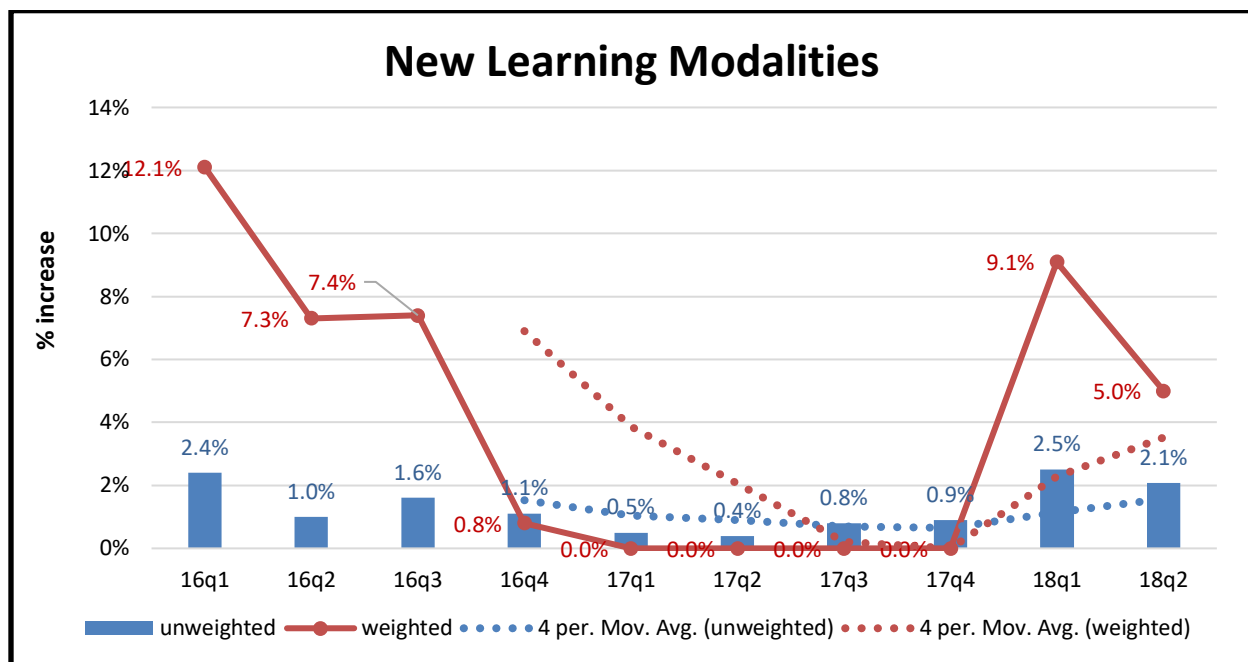
Subscriptions

We also have over two years reporting this area. In that period, unweighted scores show a 4-5% increase and weighted scores 7%. The **revenue** increases for 18Q2 (u=12, f=6, d=1) are 5.3% for unweighted and 5.7% for weighted. Note that only 17 out of 27 reported revenue.
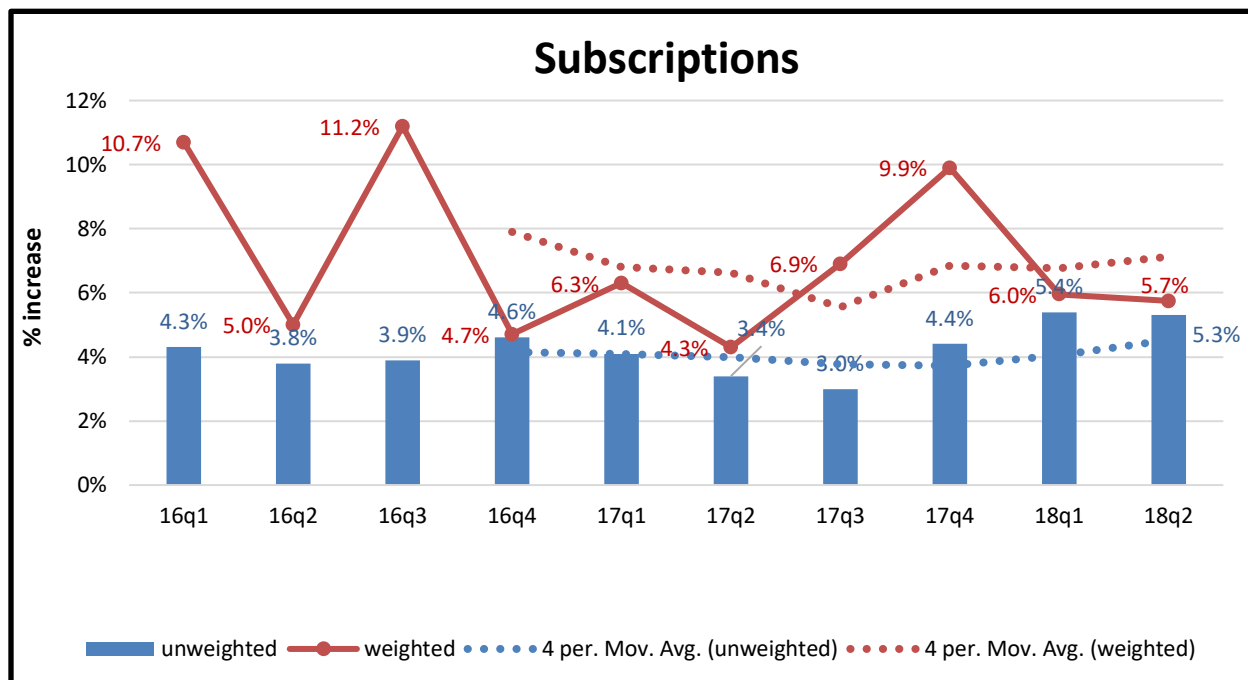
Which subject areas saw the biggest increases in your training volumes in the last 3-6 months?

1. Partner Training
2. Dedicated VILT, split modality private onsite/VILT
3. Internal EE Training
4. Virtual
5. Licensed Content; Instructor videos
6. Private Classroom Developer training
7. Live product training
8. Self-paced sold as a subscription
9. WorkForce Management - Cloud Based
10. Learning Consulting
11. Learning consulting
12. learning consulting and change management services
13. Self-paced
14. Data Science/Machine Learning
15. Customer on-site live training
16. Cloud
17. Network Video Fundamentals
18. Product Essentials training
19. VILT
20. Subscription is now over 75% of total revenue
21. Subscription based self-paced training grew marginally
22. No material changes
23. Private classes
24. eLearning and ILT purchased through subscription.

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

1. eCommerce
2. Public ILT
3. Public training
4. Public ILT
5. Certification business
6. Public and Private ILT
7. Premise-based
8. Public (open) enrollments - F2F training
9. Virtual deliveries
10. Public and private classroom delivery
11. Classroom
12. Data Analyst (SQL)
13. End to End Solutions
14. Self-paced

15. VILT/ILT - bundled as part of subscription program
16. Big data related training as this is not core to the company strategy this year
17. No material changes
18. Live classrooms

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

1. Time away from the job to take training - even if customer has already purchased a training program.
2. Reorg
3. Net new license sales; no major new product releases
4. Finding qualified partners to deliver training; Converting from a Cost Recovery to a Cost Center for Education
5. Subscription renewal; Certification value proposition
6. GTM shift causing majority of mid-market and SMB business to go through or to Partners; Pressure to provide free self-paced training to Partners
7. One big challenge - getting product sales to attach training credits.
8. VIA Subscriptions - giving free training revenue through product attach; Reduced product sales
9. Sales - we don't have a dedicated Education sales force; Shifting our organizational mindset to "Digital Learning", and from traditional classroom delivery
10. Transitioning our training programs from on premise or single tenant SaaS to a strategy to support multi-tenant systems poses both technical challenges as well as other issues related to keeping up with more frequent changes. Not enough delivery resources to meet demand.
11. New product released that has a different, lower revenue generation model for EDU and declining sales of legacy product
12. Operational inefficiencies in learning management registration and team capacity delivering curriculum on new features
13. Sales compensation models and non-focused marketing from HQ; Accelerating content development time
14. Instructor depth of subject matter
15. Students failing to meet prerequisites
16. Updating certification
17. Content development funding to meet demands
18. Scale
19. Renewals and sales enablement
20. Realigning with the changing company strategy; growth in Asia training needs but no staff locally based at this stage so costly/time consuming moving instructors around
21. Building internal and external awareness of training offerings.
22. Resources!!! Lack of efficiencies in reporting for sales team.
23. Adapting the existing business to be compatible with customer success plans that are based on points rather than local currency. Evolving and innovating the training portfolio based on customer expectations, including MOOCs, microlearning, and so on.

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

1. Increase in access to our Self-paced library; Education Consulting; Decrease in Virtual classroom
2. Customers outside North America are looking for certification, inside North America are indifferent.
3. Digital badging is taking this forward rapidly.
4. More demand for subscriptions
5. Our public training market has been eroding for a few years; OnDemand training consumption is not where we'd like to see it; adding in weekly ILT sessions to bolster blended models is our next step to help on this front
6. More self-paced
7. Continuous growth
8. More training organizations (like mine) are expanding their purview into the Customer Success/Experience arena (not really new).
9. Customers requesting more virtual offerings or blended approaches; Digitalization and gamification becomes a main part of new learning approaches.