



## **CEdMA Europe Market Barometer**

### **2<sup>nd</sup> Quarter 2011 and forecast for 3<sup>rd</sup> Quarter 2011**

#### **Introduction**

This report is compiled by CEdMA Europe for its members and is based on input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +/- 11.25%. Revenue refers to training services delivered in the quarter and not future bookings.

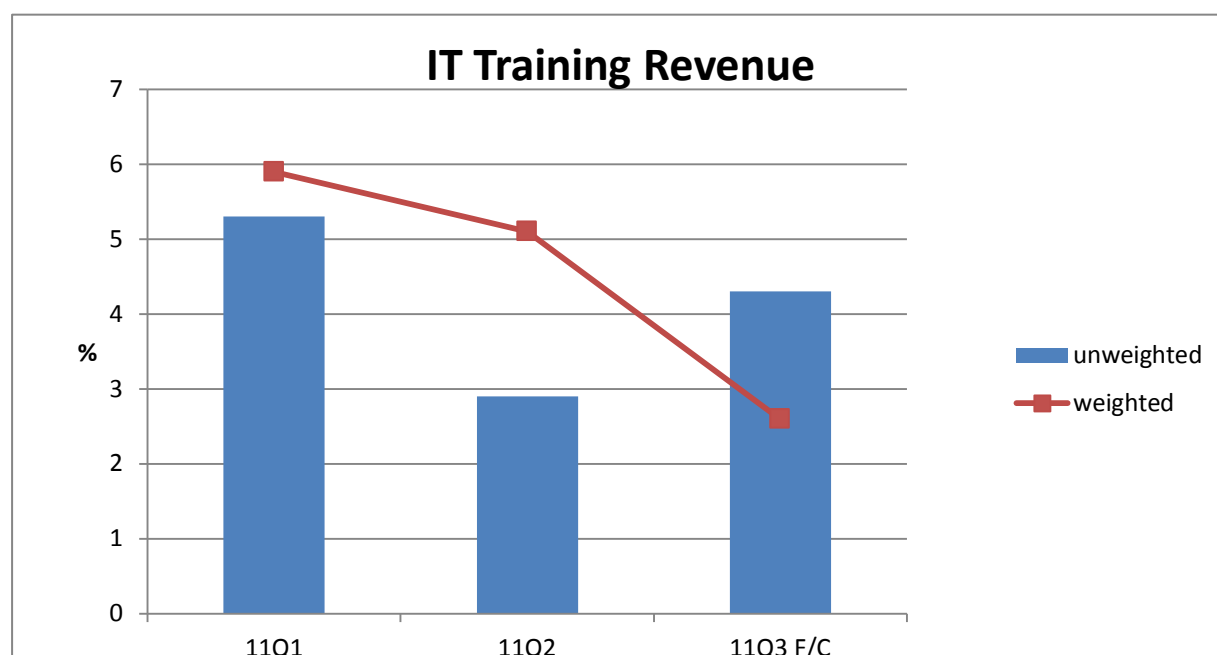
This report is based on input from 24 companies, whose profiles are as follows:

- 12 are hardware vendors, 20 are software and 7 are software-as-a-service.
- There are 4 with company worldwide annual revenue less than \$100M, 3 in the range \$101M-\$500M, 4 between \$501M and \$1B, 3 between \$1B and \$3B, and 10 over \$3B.
- 3 companies have less than 1,000 employees world-wide, 7 are between 1,001 and 5,000, 4 between 5,001 and 10,000, 4 between 10,001 and 50,000 and 4 above 50,000.
- 15 operate their education organisation as profit and loss, 2 as cost recovery, 6 as a cost centre and 1 as a hybrid depending upon the business unit.
- 8 have less than 10 education headcount, 5 have 11-20, 3 have 21-50, 3 have 51-100 and 5 have more than 100.
- Overall, 71% of their students are customers, 10% business partners, 7% resellers, 12% employees and 0% a variety of others.

## Training Revenue

The unweighted total training revenue grew 2.9% in 11Q2 compared to 10Q2 (forecast last quarter was 4.1%), while the unweighted forecast for 11Q3 is 4.3%. In comparison, the weighted total training revenue grew 5.1% in 11Q2 compared to 10Q2 (forecast last quarter was 5.9%, while the weighted forecast for 11Q3 is 2.6%.

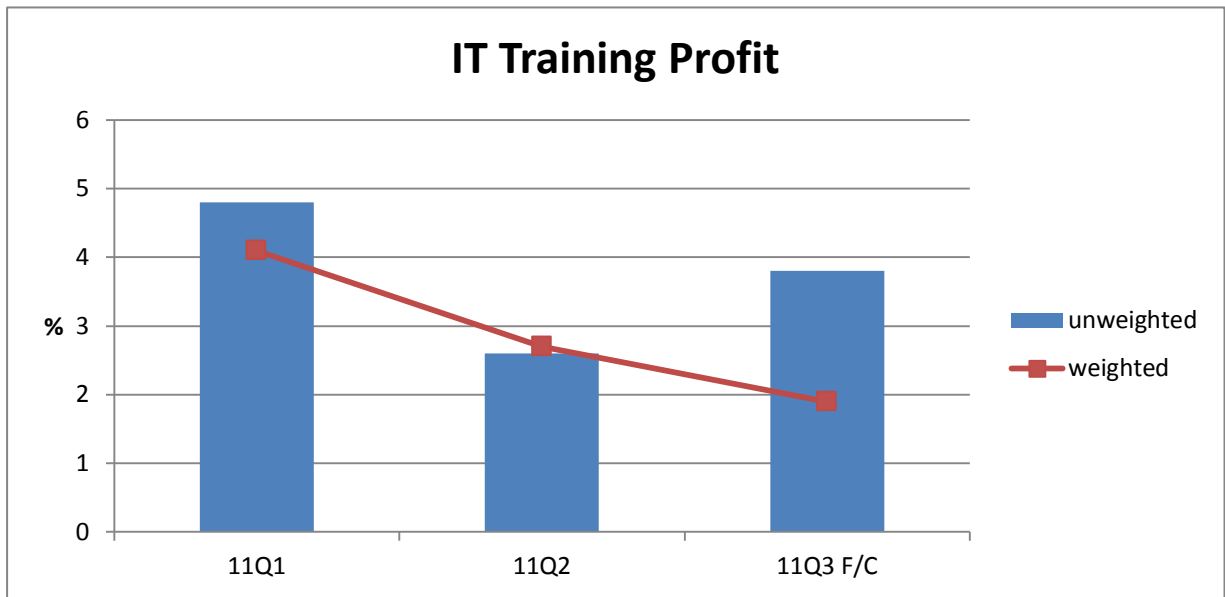
| Total Training Revenue | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|------------------------|-------------|-------------|---------------|
| unweighted             | 5.3%        | 2.9%        | 4.3%          |
| weighted               | 5.9%        | 5.1%        | 2.6%          |



## Training Profit

The unweighted training profit grew 2.6% in 11Q2 compared to 10Q2 (forecast last quarter was 5.2%) with a forecasted increase of 3.8% in 11Q3. In comparison, the weighted training profit grew 2.7% in 11Q2 compared to 10Q2 (forecast last quarter was 5.6%, while the weighted forecast for 11Q3 is 1.9%.

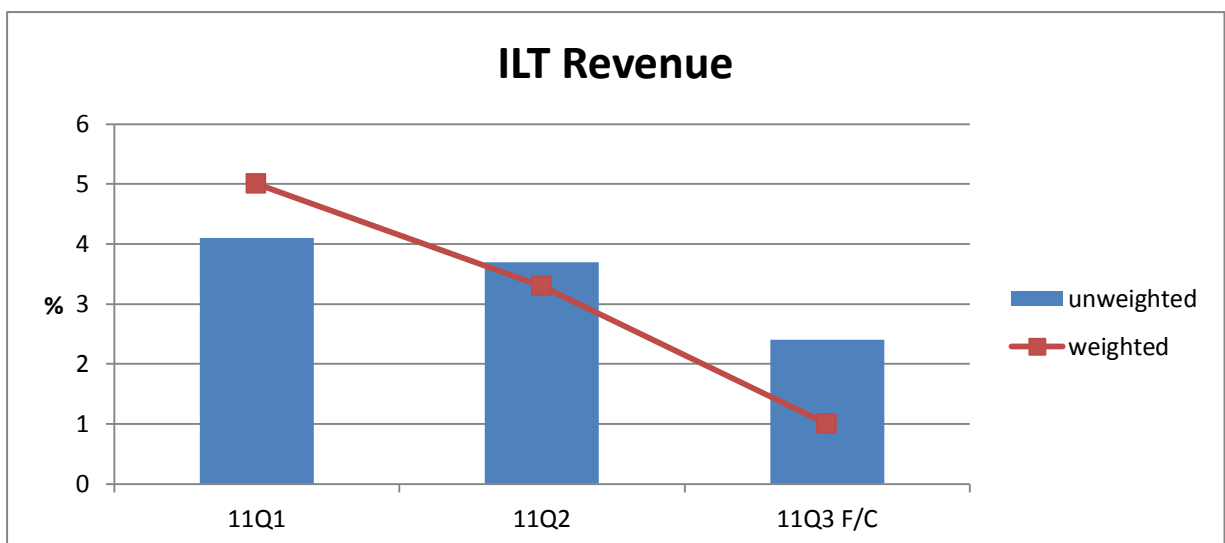
| Total Training Revenue | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|------------------------|-------------|-------------|---------------|
| unweighted             | 4.8%        | 2.6%        | 3.8%          |
| weighted               | 4.1%        | 2.7%        | 1.9%          |



## Instructor-led Training

As with the overall results, the weighted values are lower than the unweighted, suggesting that the larger vendors are doing less well than the smaller ones.

| Categories                                 | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|--|-------------|-------------|---------------|
| End-user                                   | 1.1%        | 4.9%        |               |
| Technical                                  | 4.5%        | 3.9%        |               |
| Personal, Professional and Business Skills | 0.9%        | 0.6%        |               |
| Public (scheduled)                         | 3.4%        | 3.6%        |               |
| Onsite (one-customer)                      | 3.9%        | 3.5%        |               |
| <b>Total ILT Revenue – unweighted</b>      | <b>4.1%</b> | <b>3.7%</b> | <b>2.4%</b>   |
| <b>Total ILT Revenue - weighted</b>        | <b>5.0%</b> | <b>3.3%</b> | <b>1.0%</b>   |

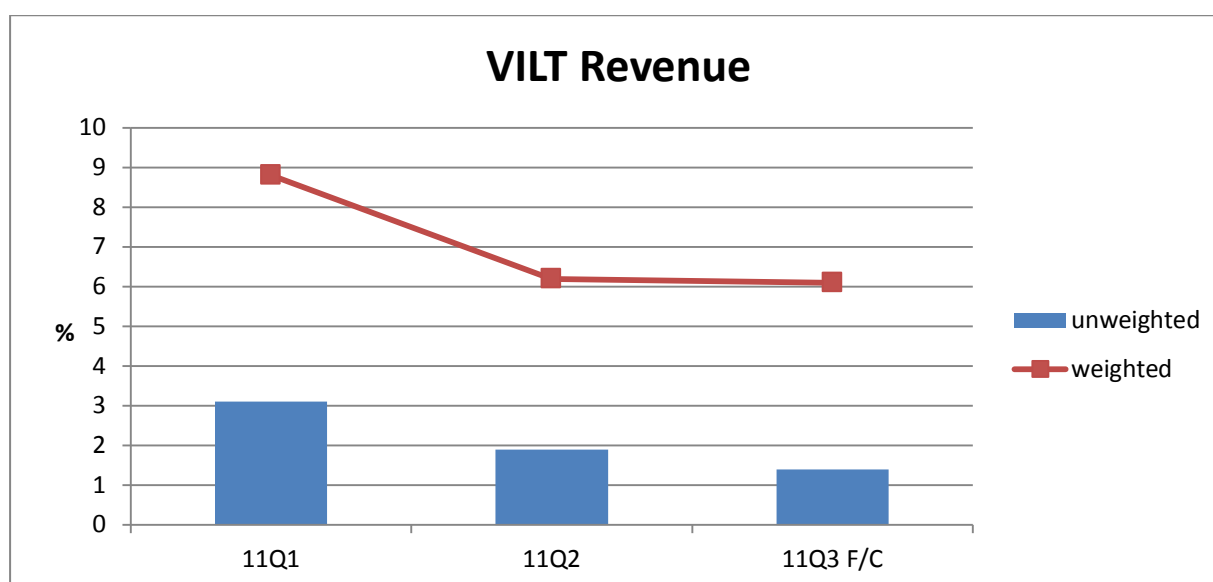


## Virtual Instructor-led Training

This is a fairly new but important area which is yet to reach its potential in EMEA owing to slow customer acceptance.

Here, the weighted values are much higher than the unweighted. Fewer members are participating but a small number, especially the larger ones, are doing particularly well.

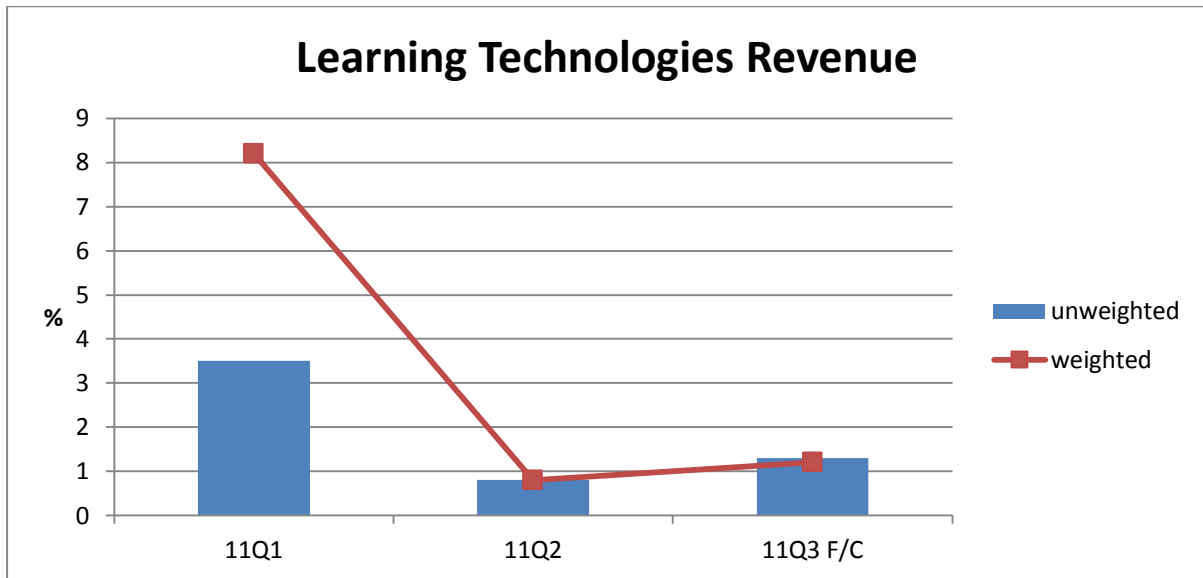
| Categories                                 | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|--|-------------|-------------|---------------|
| End-user                                   | 1.7%        | 0.6%        |               |
| Technical                                  | 2.1%        | 2.5%        |               |
| Personal, Professional and Business Skills | 0.4%        | (0.2%)      |               |
| Public (scheduled)                         | 3.2%        | 2.8%        |               |
| Onsite (one-customer)                      | 1.7%        | 2.6%        |               |
| Total VILT Revenue – unweighted            | 3.1%        | 1.9%        | 1.4%          |
| Total VILT Revenue - weighted              | 8.8%        | 6.2%        | 6.1%          |



## Learning Technologies Revenue

This whole area has hardly grown year on year. Generic content is no longer the highest component. The input is showing a little inconsistency, too, and the forecast is much lower.

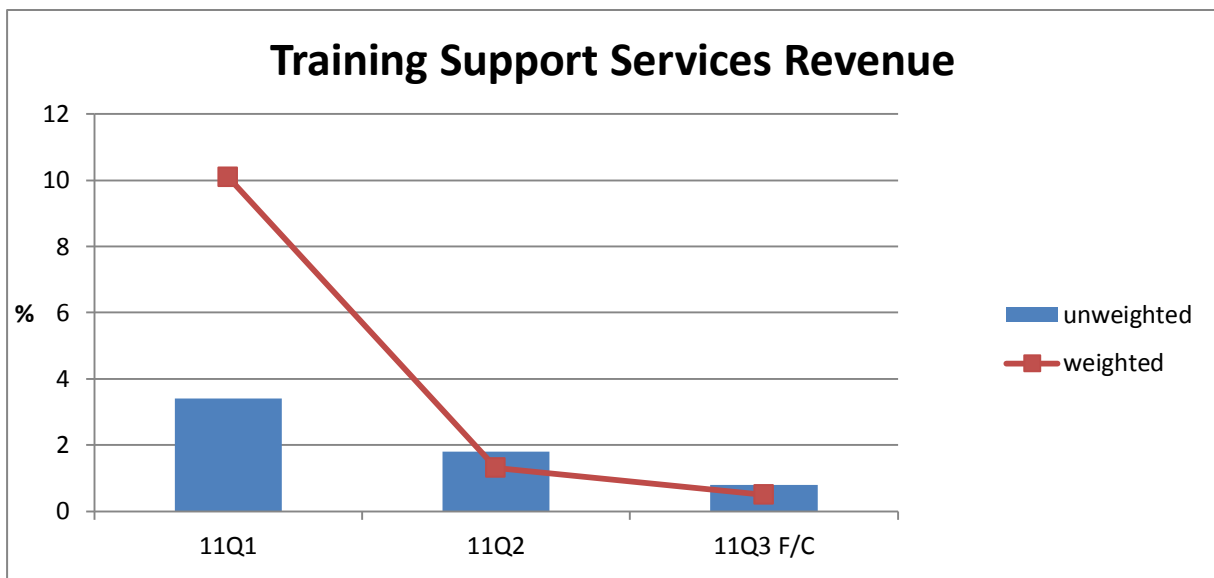
| Categories                               | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|--|-------------|-------------|---------------|
| Generic Content                          | 4.9%        | 2.1%        |               |
| Tools                                    | 1.6%        | 3.1%        |               |
| Infrastructure                           | 1.0%        | 1.3%        |               |
| Development                              | 1.8%        | 1.9%        |               |
| Consultancy                              | 3.0%        | 1.1%        |               |
| Total Learning Technologies – unweighted | 3.5%        | 0.8%        | 1.3%          |
| Total Learning Technologies – weighted   | 8.2%        | 0.8%        | 1.2%          |



## Training Support Services

The only increase of any note was for Outsourcing, but this whole area was largely flat. Similarly, the forecast is flat.

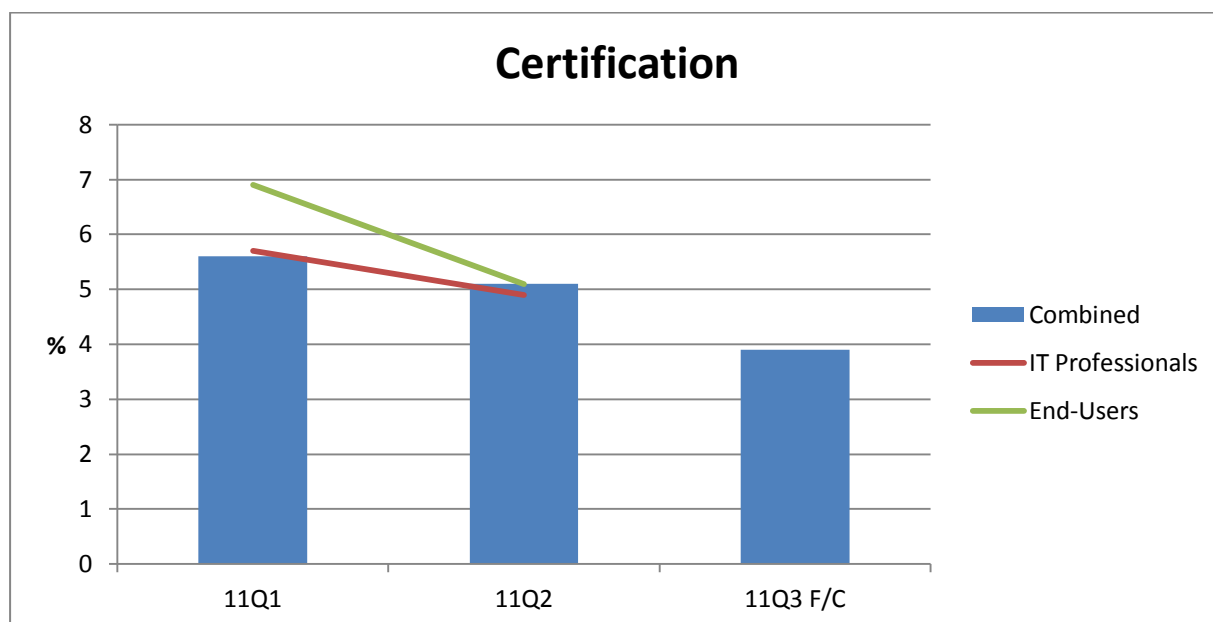
| Categories  | 11Q1 Actual  | 11Q2 Actual | 11Q3 Forecast |
|---|--------------|-------------|---------------|
| Outsourcing/Managed Training Services               | 1.0%         | 3.0%        |               |
| TNA and pre-training consultancy                    | 4.8%         | 0.3%        |               |
| Evaluation and post-training consultancy            | 1.8%         | 0%          |               |
|   |              |             |               |
| <b>Total Training Support Services – unweighted</b> | <b>3.4%</b>  | <b>1.8%</b> | <b>0.8%</b>   |
| <b>Total Training Support Services – weighted</b>   | <b>10.1%</b> | <b>1.3%</b> | <b>0.5%</b>   |



## Certification Tests Administered

Certification is still buoyant, although the forecast overall is slightly slower growth.

| Categories          | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|---------------------|-------------|-------------|---------------|
| IT Professional     | 5.7%        | 4.9%        |               |
| End-Users           | 6.9%        | 5.1%        |               |
|                     |             |             |               |
| Total Certification | 5.6%        | 5.1%        | 3.9%          |



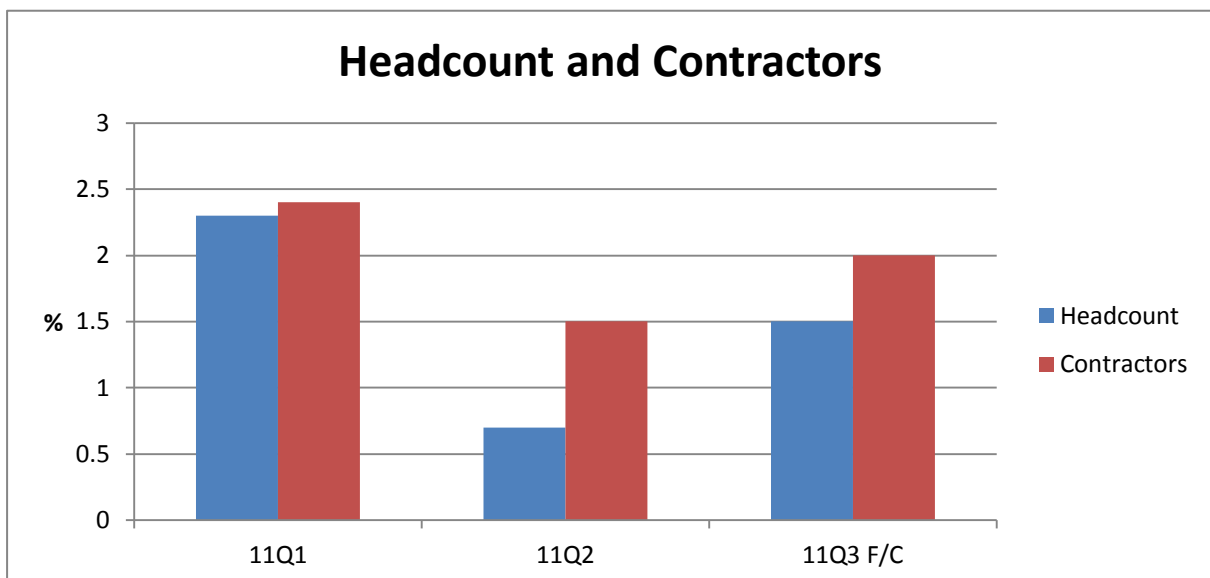
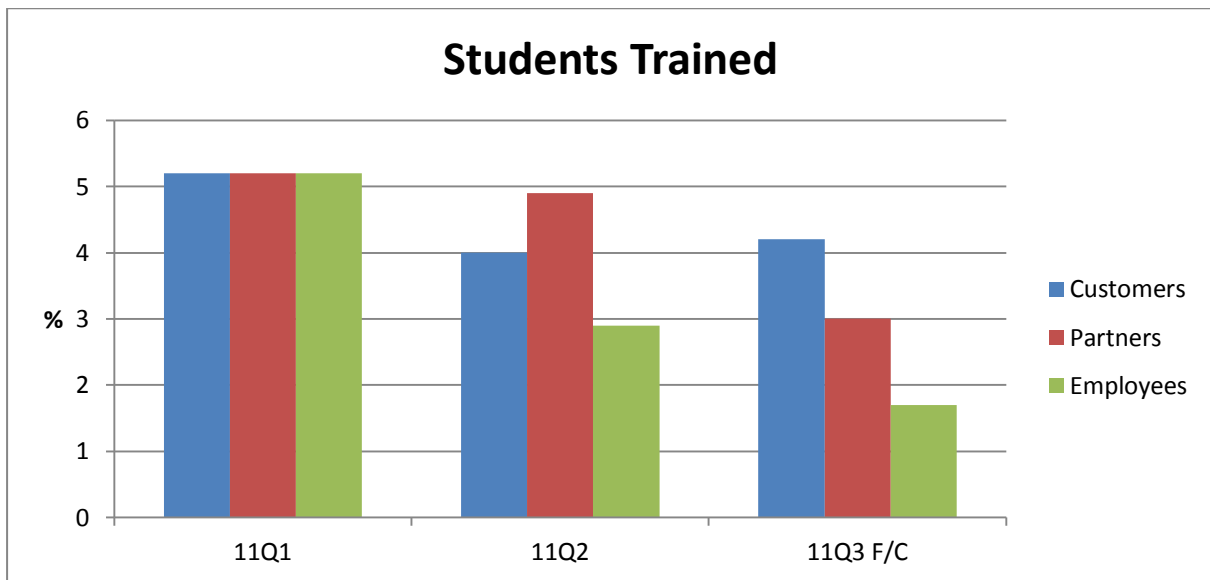
## Miscellaneous

“Students trained” has been broken out into categories but still continues its steady increase.

Permanent headcount was forecast to be about flat and remained so, with a slight increase forecast.

“Contractors” has and is forecast to show a slight increase.

| Categories                          | 11Q1 Actual | 11Q2 Actual | 11Q3 Forecast |
|-------------------------------------|-------------|-------------|---------------|
| Overall Number of Customer Students | 5.2%        | 4.0%        | 4.2%          |
| Overall Number of Partner Students  | 5.2%        | 4.9%        | 3.0%          |
| Overall Number of Internal Students | 5.2%        | 2.9%        | 1.7%          |
| Headcount (permanent)               | 2.3%        | 0.7%        | 1.5%          |
| Contractors (short and long term)   | 2.4%        | 1.5%        | 2.0%          |



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

1. IP
2. Wireless
3. Technical end user and partner training
4. Learning Solutions
5. Data Centre and Video
6. Virtual classes continue to grow whilst ILT decreases
7. On site customer training
8. Onsite courses
9. Database Admin PLUS Java
10. Onsite and public classes, Powercenter, IDQ, MDM
11. On site customer training
12. Infrastructure training and virtualisation
13. Project based training PLUS elearning
14. Bespoke/tailored training PLUS Training consultancy
15. new software releases/versions

16. Virtual Instructor Led.
17. End User project work, and sale of own Training Technology
18. Sys Admin Public and Private PLUS Developer Public and Private

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

1. SAN
2. Partners training courses
3. Service Management Training
4. Sales training slightly decreased
5. Scheduled Public courses
6. MySQL
7. General upswing, no major decreases
8. Specialized/niche middleware topics
9. Standard scheduled courses
10. Onsite courses
11. Open Enrolment Public
12. Partner Training
13. Advanced Development

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

1. Increase booking and revenue figures
2. Attaching training to large deals / sales generally PLUS changes to VSOE / relative allocation and therefore recognising revenue
3. Expanding special funded partner training programmes
4. Filling of classrooms PLUS Budget constrains/budget cut-down in present projects
5. Competition from non-authorized training organisations PLUS Our own Net Acads competing with our LPs for commercial tenders
6. LMS-Doesn't meet growing business needs PLUS Getting our content on to iPads/Mobiles effectively
7. Restructuring , new products
8. Increasing attach rate to green field sales PLUS Frequent new product releases
9. Avoiding cancelling public courses where possible PLUS Getting internal sales buy-in to help increase training revenues
10. Driving partners to sell content in areas other than those they deliver PLUS Countering grey providers ever willing to cut their street price to win business
11. Virtual Academy classes in Europe PLUS Travel cost
12. Finding resources to deliver advanced training
13. Quality of materials, time to develop new ones
14. Outsourcing the delivery
15. Last minute cancellations/changes to plans
16. Pricing of Private classes via resellers - expectation is 50% of what we actually charge PLUS Integration of acquisitions - especially customer expectations changing (prices increase).
17. Revenue targets PLUS staff morale
18. Changing the business model from revenue on delivery to amortized over 12 months for most courses due to a move to selling a 'bundle' containing an Instructor lead class, an OnDemand web based video class and Prometric voucher.
19. Need for more and more e-learning
20. Small slowdown in student registrations. Uncertain of root cause(s) PLUS Volume of new products and course introductions.
21. Assimilating recent acquisition, finding resources
22. Easter/May & Kate'nWills - a shocking month for 4-5 day classes PLUS Authorising enough Instructor Subco's to meet public demand



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

1. Economic pressures certainly in Italy, Iberia
2. ILT is not dead, still quite robust.
3. We are doing a high percentage of elearning solutions
4. Our international distributors are witnessing similar downward trends in delegate numbers on scheduled courses and downward trends in
5. Overall training revenues
6. VILT and eLearning still not gaining any demand despite increased offerings and promotions