

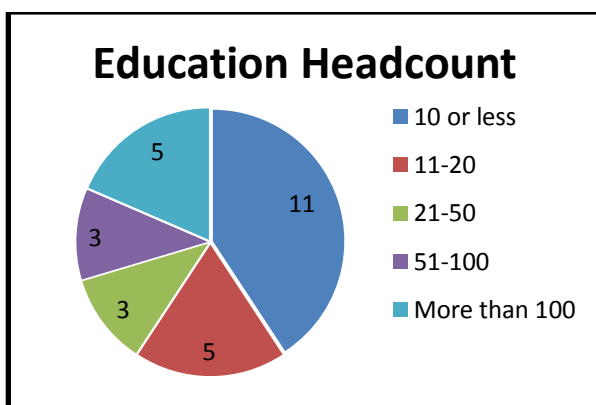
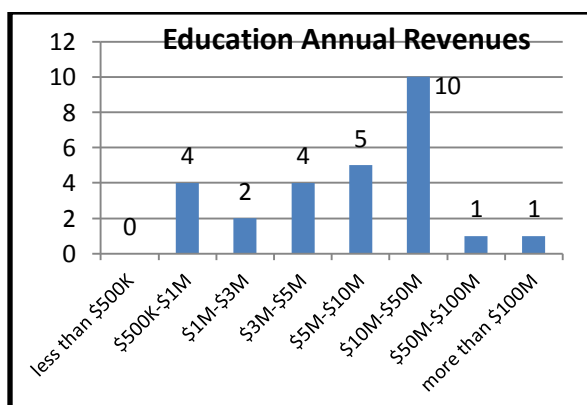
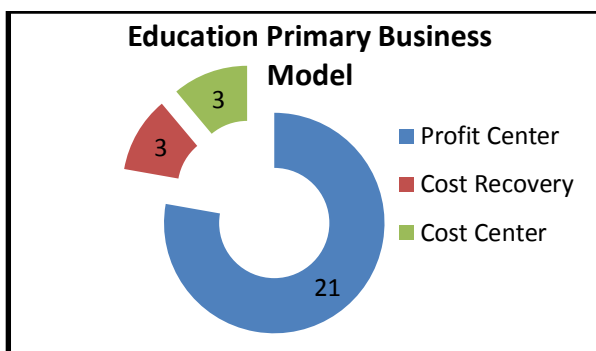
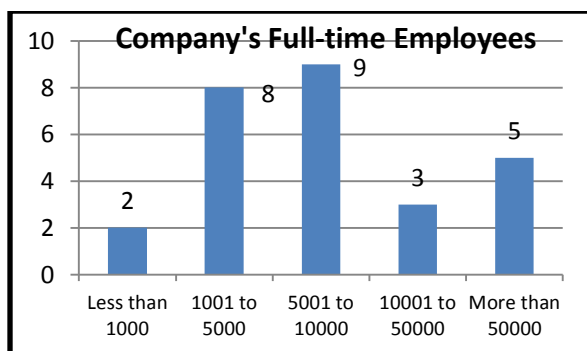
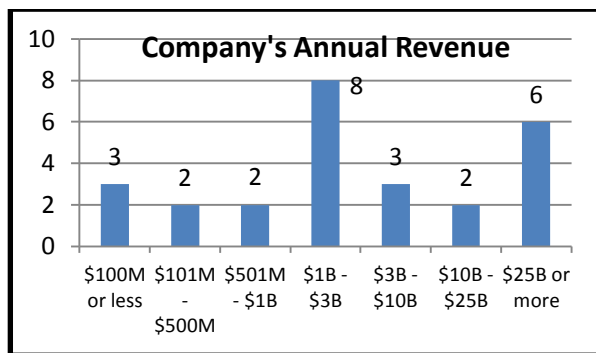
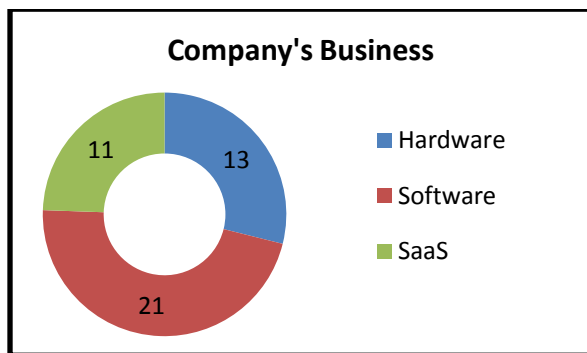
## CEdMA Europe Market Barometer

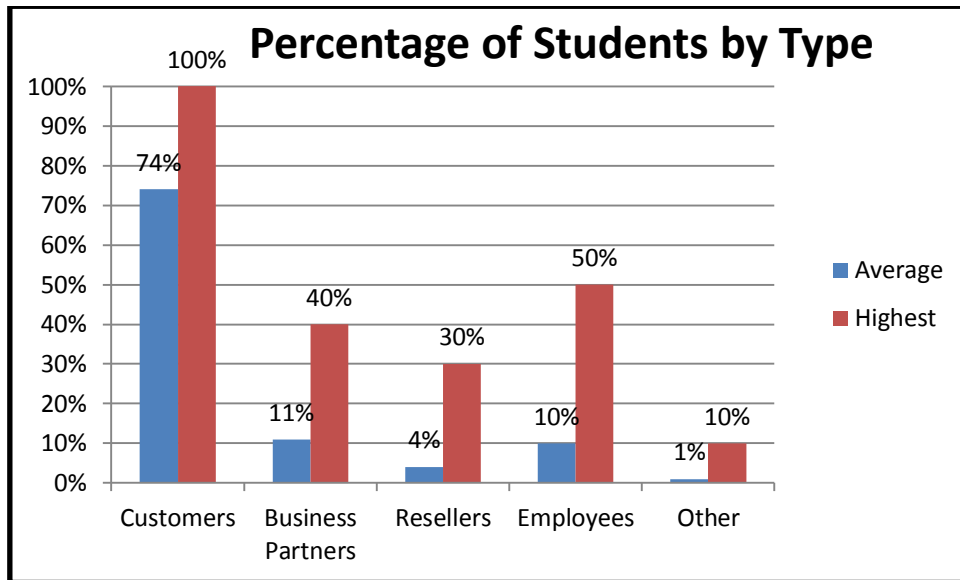
### 3<sup>rd</sup> Quarter 2012 and forecast for 4<sup>th</sup> Quarter 2012

#### 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 +/- 12.5%. Please note that has changed for 11Q4 and so the previous quarter numbers have been adjusted accordingly to be consistent with 11Q4 and going forward. Revenue refers to training services delivered in the quarter and not future bookings.

This report for 12Q3 actuals and 12Q4 forecast is based on input from 27 companies, whose profiles are as follows:



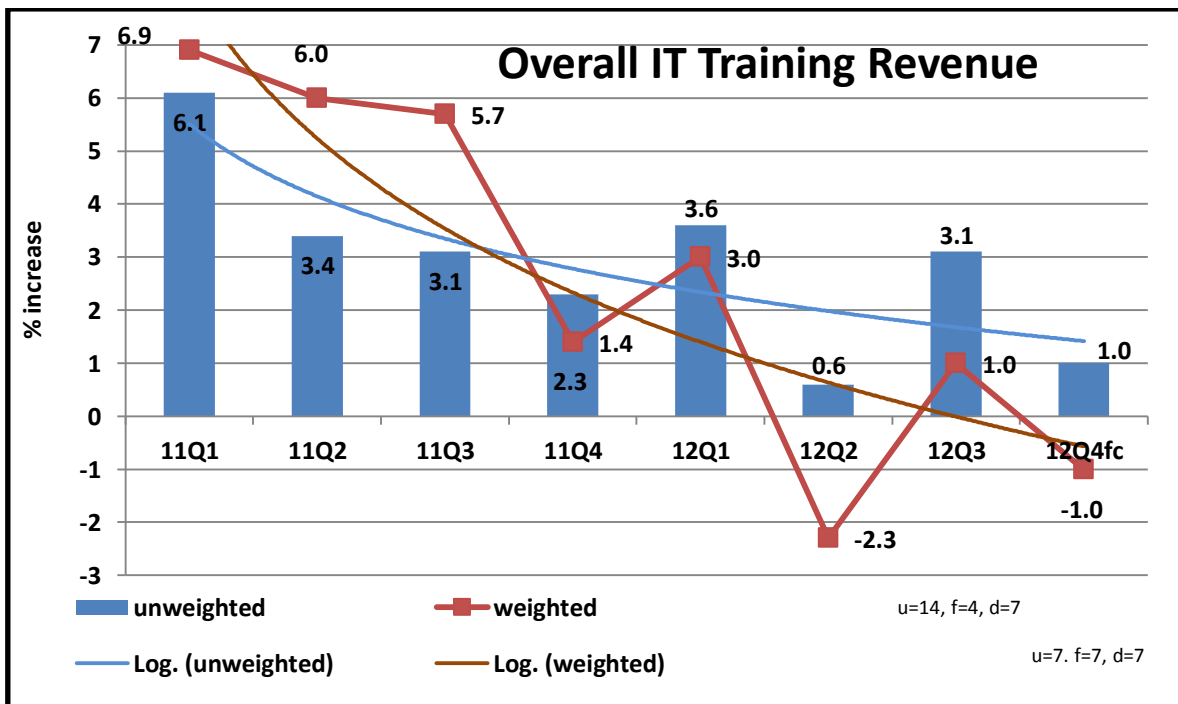


## Training Revenue

Note that in all these charts, u/f/d is the number of members reporting up/flat/down, respectively.

Total Training Revenue	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
unweighted	6.1%	3.4%	3.1%	2.3%	3.6%	0.6%	3.1%	1.0%
weighted	6.9%	6.0%	5.7%	1.4%	3.0%	(2.3%)	1.0%	(1.0%)

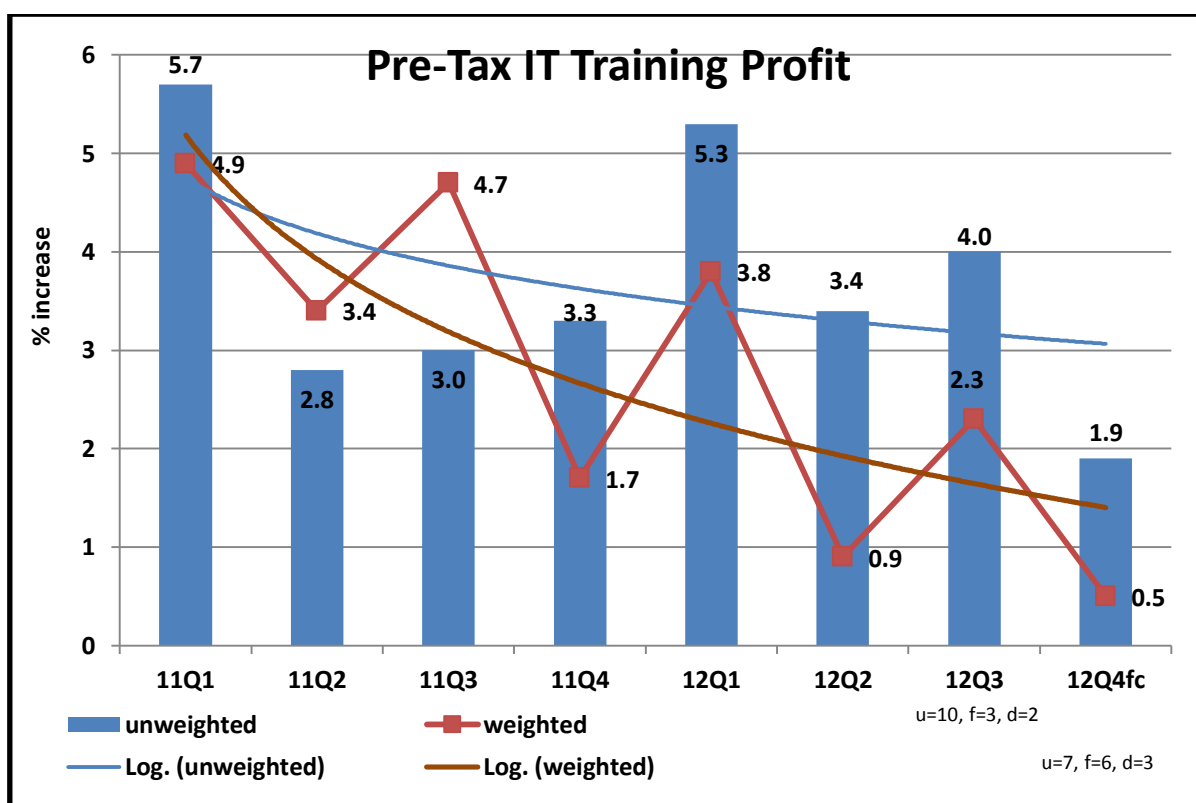
The unweighted total training revenue grew 3.1% in 12Q3 against a forecast in the last report of 2.0%. When considering the weighted numbers, there was a rise of only 1.0% against a forecast of 2.6% increase last time. But the forecasts for 12Q3 show some pessimism, at a 1.0% increase for unweighted and a 1.0% decrease for weighted. The logarithmic moving averages show a steady fall in the revenue increase, just going negative when size of company is taken into account.



# Training Profit

Pre-Tax IT Training Profit	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
unweighted	5.7%	2.8%	3.0%	3.3%	5.3%	3.4%	4.0%	1.9%
weighted	4.9%	3.4%	4.7%	1.7%	3.8%	0.9%	2.3%	0.5%

The unweighted total training profit grew 4.0% in 12Q3, better than the forecast in the last report of 1.1%. Similarly, with the weighted numbers, there was an increase of 2.3% against a forecast of 1.4% increase last time. The forecasts for 12Q4 are for small increases. The moving averages for profit also show a steady decline in the size of increases, marginally steeper for the larger companies.

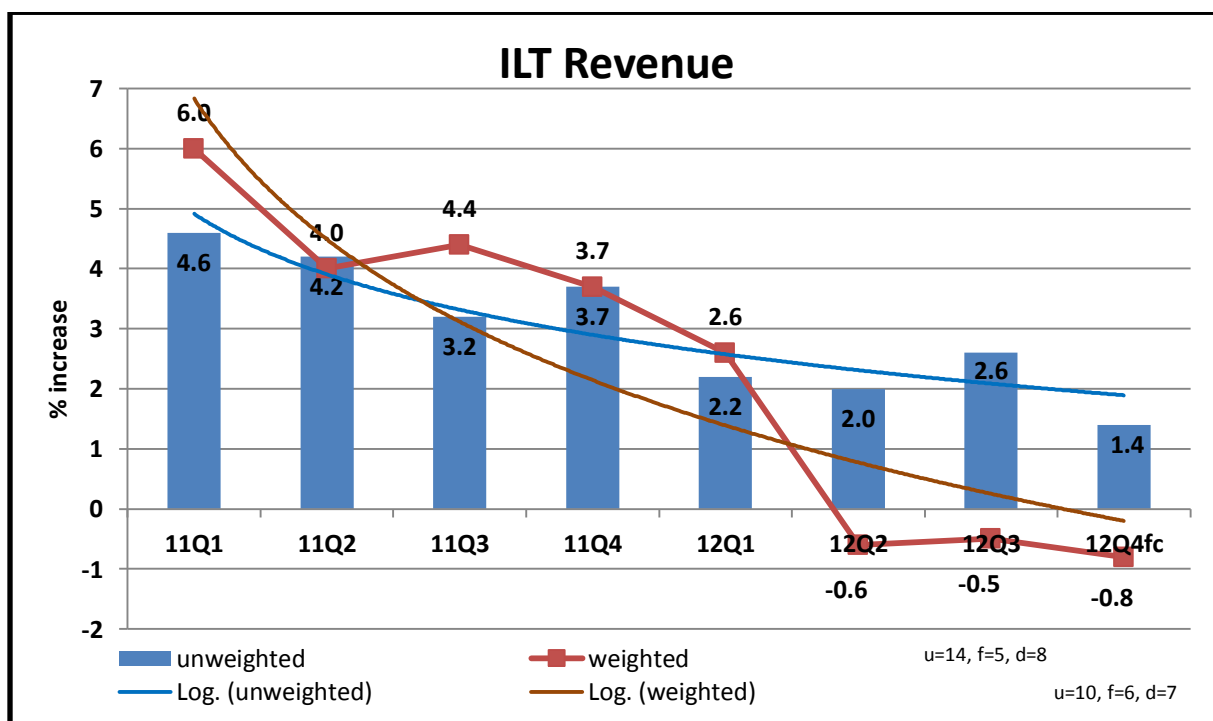


# Instructor-led Training

The public (scheduled) business increases are declining slowly, whereas the private (one-customer) revenues are holding on to their increases quarter by quarter.

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
End-user	1.1%	4.9%	1.8%	1.0%	1.3%	(0.4%)	5.0%	
Technical	4.5%	3.9%	3.1%	4.4%	3.2%	1.3%	3.4%	
Personal, Professional and Business Skills	0.9%	0.6%	0.5%	0.8%	1.6%	1.9%	1.0%	
Public (scheduled)	3.4%	3.6%	2.5%	3.2%	2.2%	0.7%	(0.3%)	1.8%
Onsite (one-customer)	3.9%	3.5%	2.5%	3.2%	2.6%	3.8%	3.3%	2.8%
Total ILT Revenue – unweighted	4.6%	4.2%	3.2%	3.7%	2.2%	2.0%	2.6%	1.4%
Total ILT Revenue - weighted	6.0%	4.0%	4.4%	3.7%	2.6%	(0.6%)	(0.7%)	(0.8%)

This chart below clearly shows that ILT revenue has been the main cause of lower overall training revenue. The unweighted 12Q3 increase of 2.6% is higher than that predicted in the last report (0.6%), the weighted number is a decrease of 0.8% against a forecast increase of 1.3%, misery for the larger companies. The forecasts for 12Q3 show a small increase. The moving averages show a steady decline in increases with the weighted line just going negative.

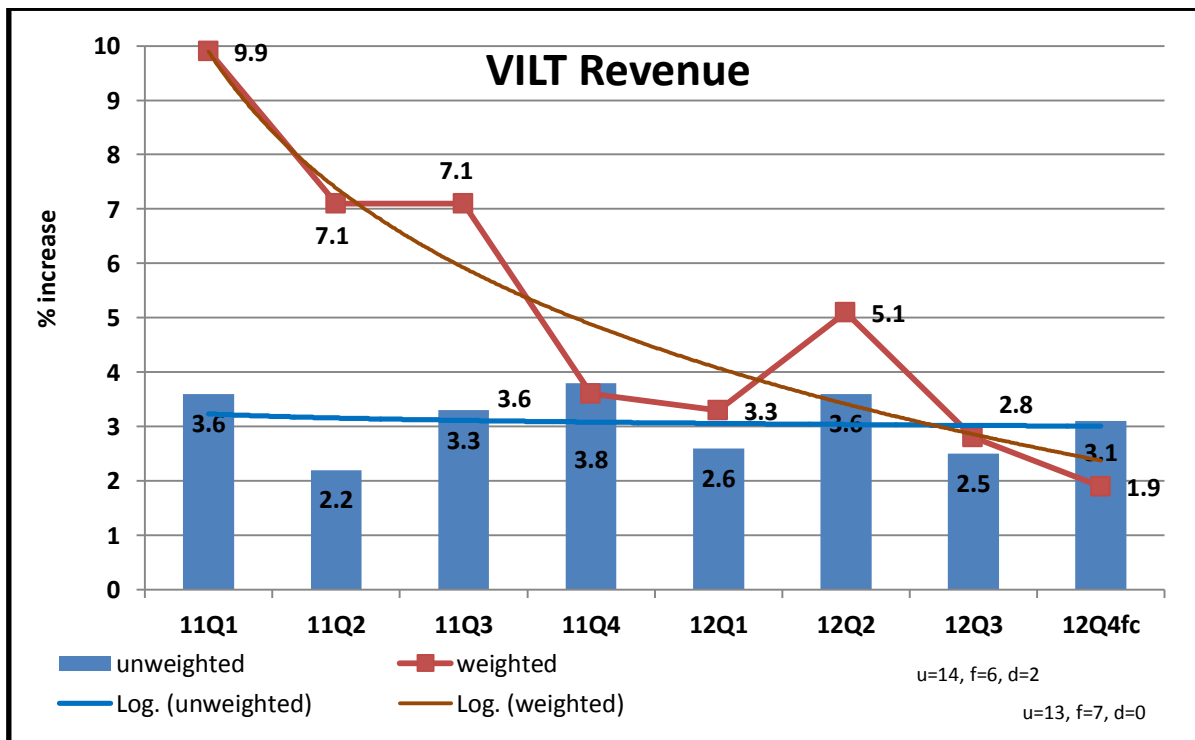


We are now asking you to forecast both public and private classes. Despite the decrease for public classes in 12Q3 (0.3%), the forecast for 12Q4 is 1.8%. Correspondingly, for private classes, it's 3.3% and 2.8%, respectively.

# Virtual Instructor-led Training

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
End-user	1.7%	0.6%	2.0%	1.3%	3.9%	3.3%	0.6%	
Technical	2.1%	2.5%	2.5%	4.8%	2.4%	3.6%	3.2%	
Personal, Professional and Business Skills	0.4%	(0.2%)	(0.1%)	0.5%	0.0%	0.0%	0.0%	
Public (scheduled)	3.2%	2.8%	1.3%	3.5%	0.7%	3.6%	3.1%	1.4%
Onsite (one-customer)	1.7%	2.6%	1.5%	0.3%	1.0%	1.7%	2.3%	0.8%
Total VILT Revenue – unweighted	3.6%	2.2%	3.3%	3.8%	2.6%	3.6%	2.5%	3.1%
Total VILT Revenue - weighted	9.9%	7.1%	7.1%	3.6%	3.3%	5.1%	2.8%	1.9%

On the other hand, VILT is still buoyant. The unweighted increase of 2.5% exceeded the 2.4% forecast in the last report. The weighted increase of 2.8%, however, was short of the 5.1% forecast. The forecasts for 12Q4 suggest a steady increase. The moving average for the unweighted line is almost constant at around a 3% increase. However, the weighted line shows lower increases over time, perhaps reflecting that the larger companies were using VILT earlier and hence more successful. Note that 19% of responders are not yet using VILT (5 out of 27 in total).



We are now asking you to forecast both public and private classes. The increases were steady for public classes in 12Q3 (3.1%), with a smaller forecast for 12Q4 (1.4%). Similarly, for private classes, it's 2.3% and 0.8%, respectively.

## Learning Technologies Revenue

**Generic Content** includes generic courseware, templates, and models.

**Tools** include authoring, performance support, virtual labs, simulation, collaboration, modelling, and assessment tools.

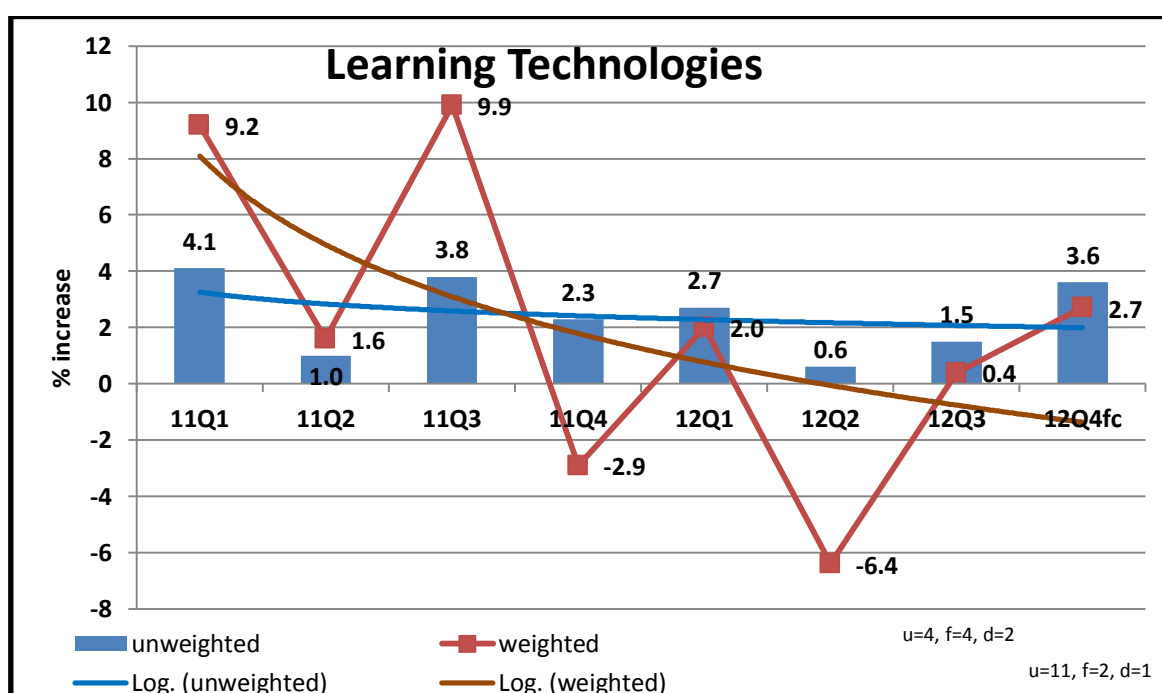
**Infrastructure** includes LMS/ LCMS/CLS, enterprise content management, performance management, competence management, e-skills portfolio management, social networks

**Development:** the facilitation of client content and bespoke development of solutions using learning technologies

**Consultancy:** services that support the client in the application of learning technologies - includes strategy, vision and direction, engagement models, advice and guidance.

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
Generic Content	4.9%	2.1%	2.6%	1.7%	1.5%	2.5%	3.1%	
Tools	1.6%	3.1%	3.5%	(1.3%)	1.8%	(1.5%)	4.4%	
Infrastructure	1.0%	1.3%	3.1%	2.5%	1.5%	0.8%	0.0%	
Development	1.8%	1.9%	1.9%	2.5%	2.5%	(0.6%)	0.8%	
Consultancy	3.0%	1.1%	2.7%	4.5%	5.0%	(0.5%)	1.6%	
<b>Total Learning Technologies – unweighted</b>	<b>4.1%</b>	<b>1.0%</b>	<b>3.8%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>0.6%</b>	<b>1.5%</b>	<b>3.6%</b>
<b>Total Learning Technologies – weighted</b>	<b>9.2%</b>	<b>1.6%</b>	<b>9.9%</b>	<b>(2.9%)</b>	<b>2.0%</b>	<b>(6.4%)</b>	<b>0.4%</b>	<b>2.7%</b>

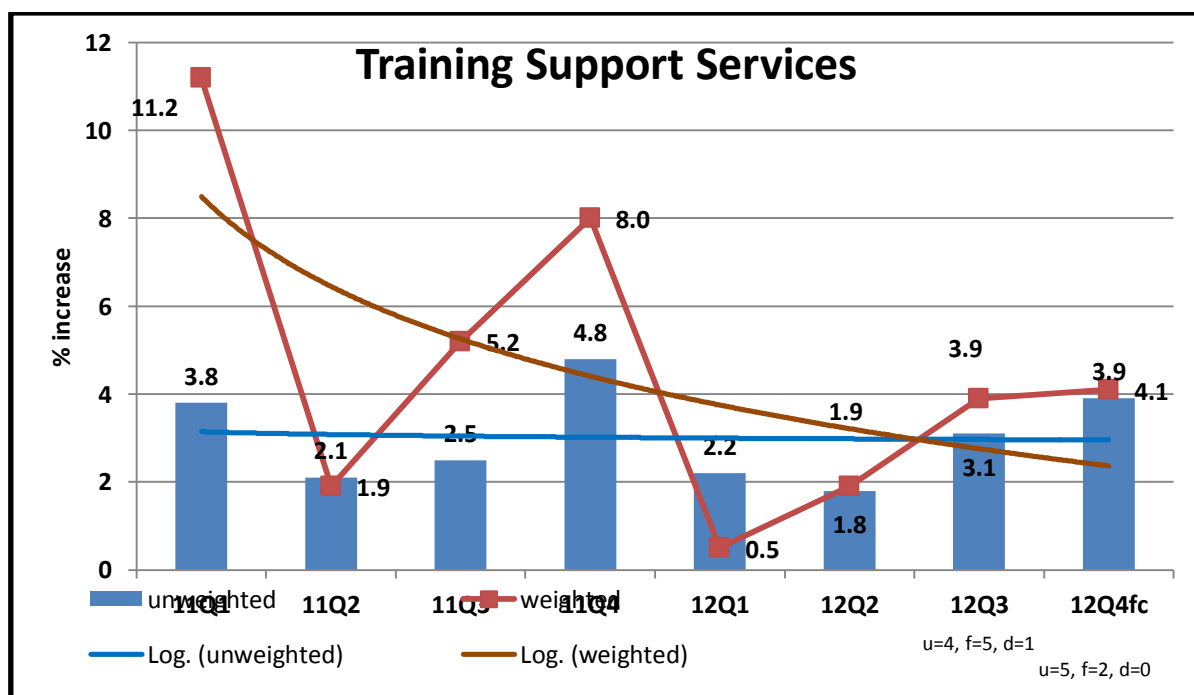
There are only 14 companies reporting activity in this area. The forecasts in the last report were 1.3% and 1.3% increases for unweighted and weighted, respectively, and the results for 12Q3 are 1.5% and 0.4%. However, the forecast for 12Q4 is an increase of 3.6%, with weighted at 2.7%. Also note that the generic content increase has always been positive with an average of 2.6%. The weighted moving average is dipping below zero.



## Training Support Services

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
Outsourcing/Managed Training Services	1.0%	3.0%	1.7%	5.0%	0.4%	2.1%	5.0%	
TNA and pre-training consultancy	4.8%	0.3%	1.6%	4.1%	4.3%	1.9%	4.8%	
Evaluation and post-training consultancy	1.8%	0%	2.0%	3.3%	1.5%	1.6%	6.0%	
Total - unweighted	3.8%	2.1%	2.5%	4.8%	2.2%	1.8%	3.1%	3.9%
Total - weighted	11.2%	1.9%	5.2%	8.0%	0.5%	1.9%	3.7%	3.9%

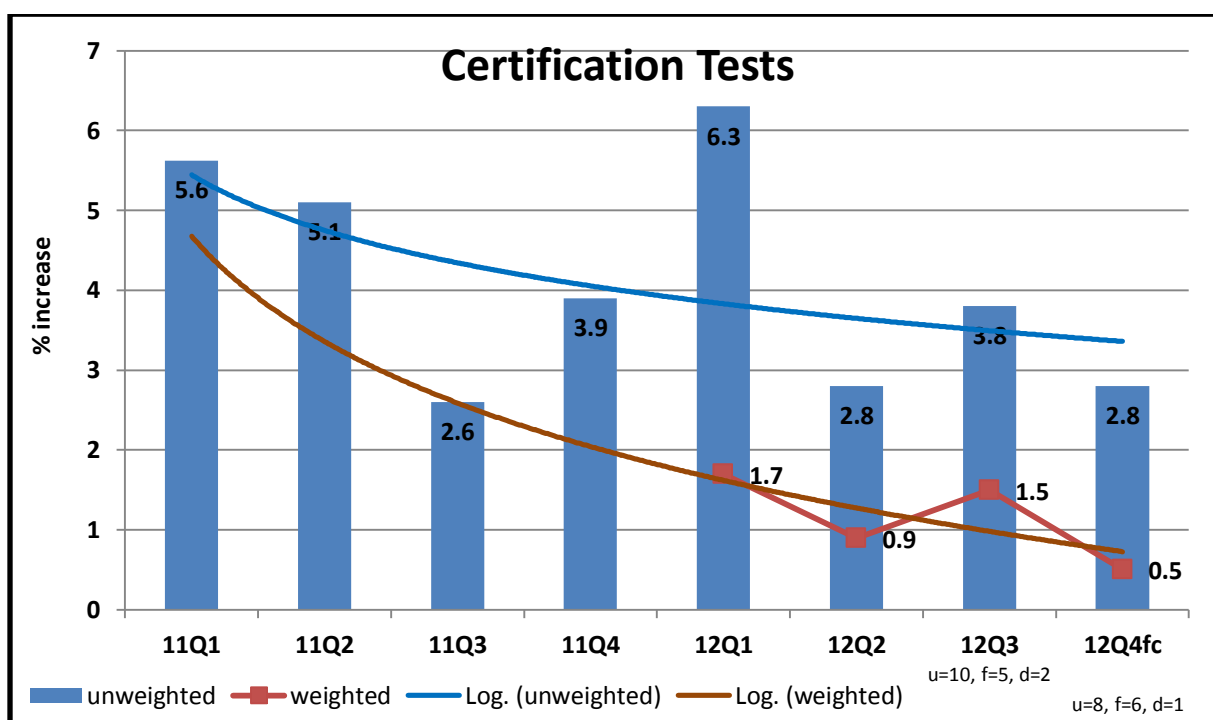
The values shown for each of the components have grown by three percentage points. But there are only 10 companies reporting activity in this area and so the quarterly figures may be affected a lot by a single input. The forecasts in the last report were -0.4% and -0.7% decreases for unweighted and weighted, respectively. However, the results for 12Q3 were 3.1% and 3.7%. The forecasts for 12Q4 are consistent with these and show increases of 3.9% for both unweighted and weighted. The moving average for unweighted is now flat but showing a lessening increase for weighted,



## Certification Tests Administered

Certification	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
Unweighted	5.6%	5.1%	2.6%	3.9%	6.3%	2.8%	3.8%	2.8%
Weighted					1.7%	0.9%	1.5%	0.5%

Overall, certification has averaged an increase of 4.0% per quarter, although the moving average shows that it's getting slightly smaller over time. We calculated the weighted scores only recently and these show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases. Note that 17 out of 27 companies offer certification.

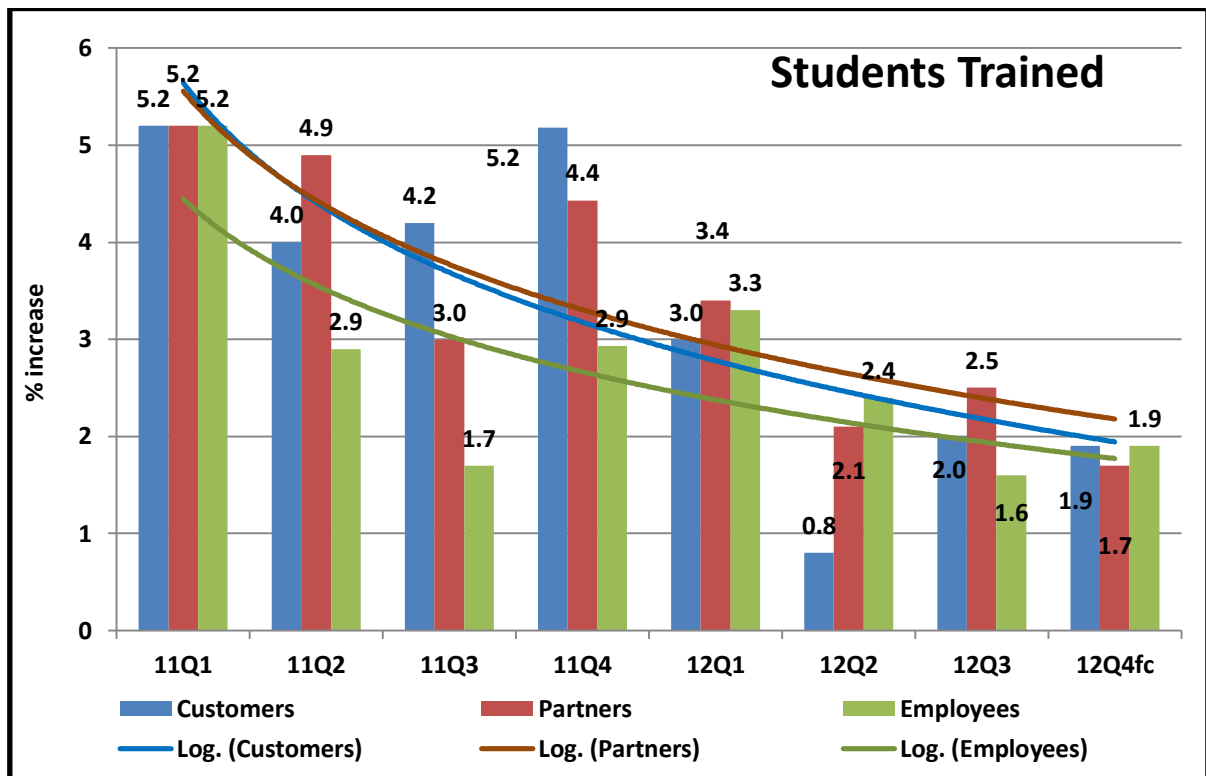


## Miscellaneous

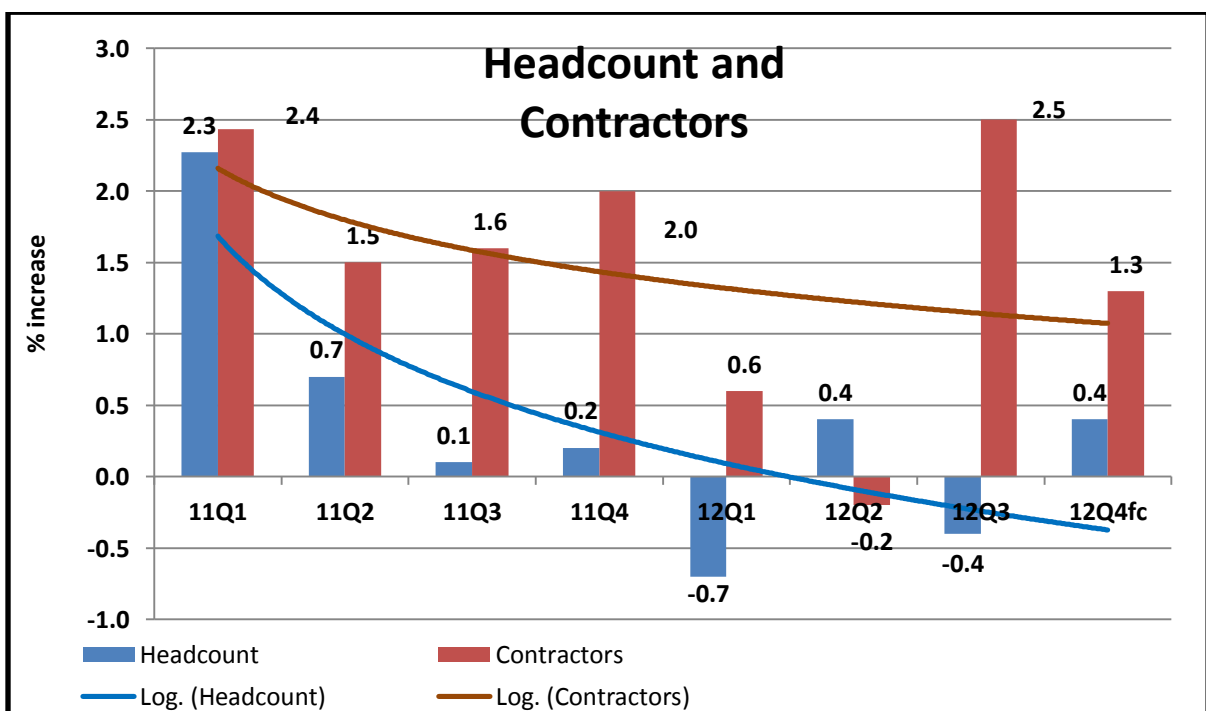
Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4fc
Overall number of Customer Students	5.2%	4.0%	4.2%	5.2%	3.0%	0.8%	2.7%	1.9%
Overall number of Partner Students	5.2%	4.9%	3.0%	4.4%	3.4%	2.1%	2.6%	1.7%
Overall number of Internal Students	5.2%	2.9%	1.7%	2.9%	3.3%	2.4%	1.1%	1.9%
Headcount (permanent)	2.3%	0.7%	0.1%	0.2%	(0.7%)	0.4%	(0.4%)	0.4%
Contractors (short and long term)	2.4%	1.5%	1.6%	2.0%	0.6%	(0.2%)	2.5%	1.3%
Instructor Utilisation - unweighted				3.4%	2.1%	2.2%	3.2%	1.6%
Instructor Utilisation - weighted					2.6%	1.0%	1.7%	(0.1%)



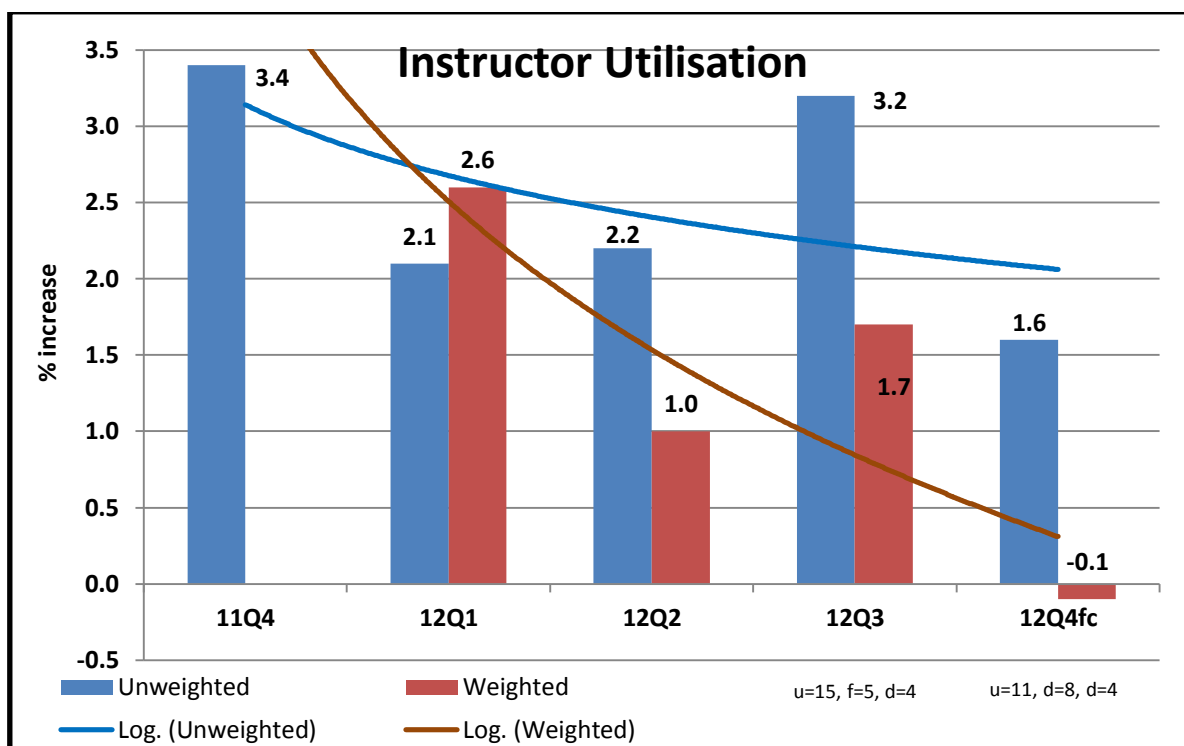
“Students trained” is broken out into customers, partners and employees. Compared to the last report, there was very little difference in 12Q3, and a similar forecast for 12Q4. They all show increases quarter on quarter, albeit smaller over time, as shown by the moving averages.



Permanent headcount fell very slightly in 12Q3 against a forecast of flat. A very small fall is forecast for 12Q4. However, contractors grew more in 12Q3 than in any previous quarter. An increase of 1.3% is forecast for 12Q4. The moving averages are both showing a decline, with headcount movement going into negative. We had 27 responses on this topic for headcount, 24 for contractors.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted (weighted) forecast in the last report was a 2.0% (1.5%) increase, with the result for 12Q3 being 3.2% (1.7%). This weighted result of 1.7% increase for 12Q3 and the corresponding forecast of -0.1% for 12Q4 probably reflect the smaller increases in ILT revenue being seen by larger companies.



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

1. Private training; online learning (on-demand)
2. System Administration courses
3. Private Onsite training events
4. Cloud; Virtualised Data Centre. IT as a Service.
5. New product with high content of innovation
6. End User MS programs
7. Datacenter Training
8. Managed training services, primarily around end user adoption
9. Our top courses continued to dominate and see the biggest improvements.
10. Introductory courses have been selling well.
11. Education Consulting, ILO and End user training
12. Customised needs & Virtual
13. Networking, Storage, Education Consulting
14. Private, Onsite Workshops
15. Engineer training on core products
16. Private and Instructor Led Online Training
17. Public Schedule

18. On-Site training
19. Public ILT small growth seen; Private ILT onsite fluctuates quarter to quarter; Overall business flat.
20. Security training
21. VILT
22. Software sales - re-balancing of delays on contract signature.

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

1. Public training
2. Advanced Administration classes
3. Public schedule
4. Mature products
5. Virtualisation
6. Tele-Presence Training
7. Transactional tool training (public and private)
8. Specialist courses still tend to be our biggest challenge to fill
9. Private classes
10. Public Schedule
11. Classroom training
12. Advanced Developer Public Classes across EMEA
13. Automation
14. Public
15. Adoption Services and onsite training
16. Open Enrolment classes in Southern Europe (France, Spain, Italy, Portugal)
17. Overall flat
18. Storage training
19. ILT
20. None

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

1. Our public training is decreasing in revenue. Many cancellations
2. Scaling to meet demand
3. Lack of resources/headcount; Lack of sufficient budget
4. Restricted resources (instructors and equipment) for short term delivery of courses
5. having sales organization selling trainings
6. Minimum class utilization (cancelling due to not enough delegates); budget investment to build out new programs in support of recent acquisition products
7. Demand for transactional ILT; Acceptance/culture for eLearning offerings
8. Price pressure from customers
9. Resource allocation - having the right trainers available to meet customer demand; getting sufficient delegate numbers for specialised courses to run

10. Increasing of team and knowledge; lack of sales earlier in year.
11. Resourcing & margin expectation!
12. Maintaining a solid Public schedule ILT business across EMEA
13. Economic Pressure specifically in Greece, Spain, Italy
14. Certified Instructor subcon recruitment to keep up with ILT demand; Delivery Partners focusing on delivery quality only, not bringing incremental seat sales
15. Getting buy in from partners to drive ILT training not delivered by themselves ie VILT/digital; Moving partners over to self-order entry
16. Lumpy schedules, revenue realisation
17. A major overhaul of the training business; Restructuring the team
18. The economy and internal pressures to meet stretched targets
19. Our dear outsourcer; lack of focus at corporate sales team
20. Using more freelancer trainers - challenging to keep their skills up to date, with fast changing products; Partners wanting locally delivered training (more reluctant to travel to UK for training) - eg. we're looking to ship kit/trainers to Middle East to train our partners.
21. The summer months , as usual; necessary reduction in London training due to perceived chaos in London due to the Olympics which did not happen
22. Margin erosion
23. Still integrating acquisition; Managing Partners

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

1. We have to be innovative to meet today's market requirements. A combination of different training methods plus making good use of modern technology to suit customer demands works wonders.
2. VILT adoption and stickiness remains a challenge
3. Going to get worse before it gets better. We are in line with the sales performance of the rest of our company business but are finding that training attach is lower (due to sales removing this line item to keep customer costs low).
4. Demand is still good, especially for onsite tailored courses which are focussed on the client's needs.
5. Private Workshop revenue growth rate outpacing public schedule in some core markets - customers see economies of scale and added value to bring the training in house for larger groups; Seems to be getting harder to sell the full Learning Path(s) - customers investing in the "fundamentals" to start with, less so the advanced topics.
6. Feels like the downturn is deepening, or is it just us?
7. We are just coming out of a double dip recession so there is no surprise the market is in a state of flux regarding the availability of training budgets. We have definitely witnessed a slow-down in demand with customers opting for tactical requests satisfied by the public schedule rather than lengthier programmatic events.
8. Overall flat
9. Still very challenging - customers very reluctant to spend large amounts of money ahead of their training , in EMEA
10. Some markets very challenging, Southern Europe and Scandinavia.