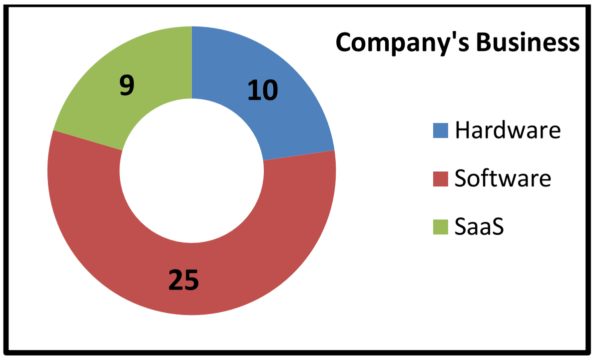
CEdMA Europe Market Barometer

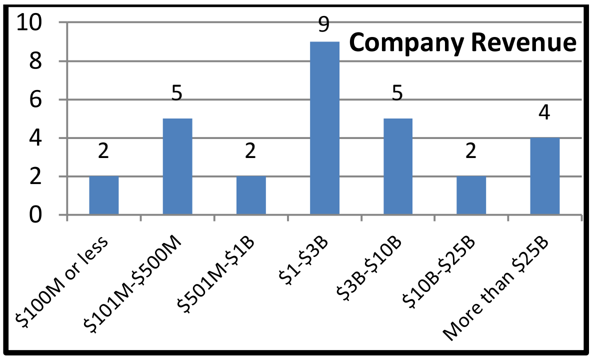
3rd Quarter 2013 and forecast for 4th Quarter 2013

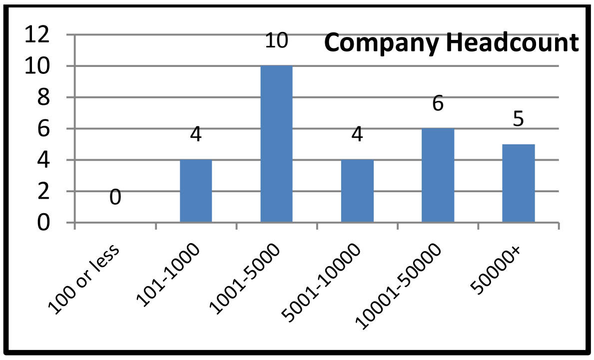
Introduction

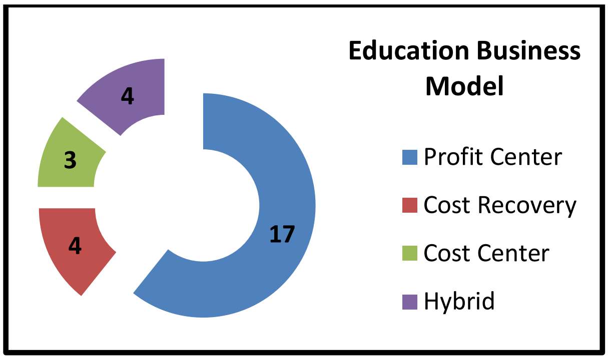
This report is compiled by CEdMA Europe for its members and is based on input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +-12.5%. Please note that was changed for 11Q4 and so the previous quarter numbers have been adjusted accordingly to be consistent with 11Q4 and going forward. Revenue refers to training services delivered in the quarter and not future bookings.

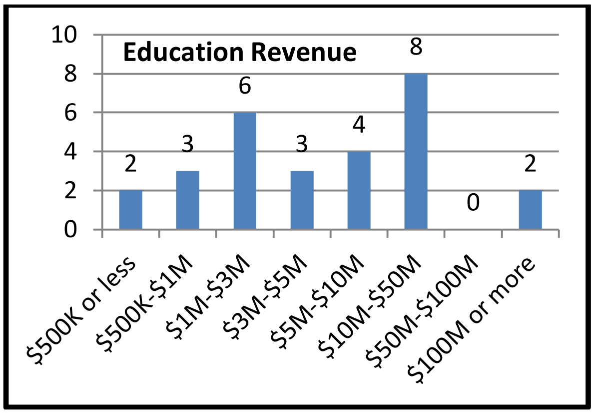
This report for 13Q3 actuals and 13Q4 forecast is based on input from 29 companies, whose profiles are as follows:

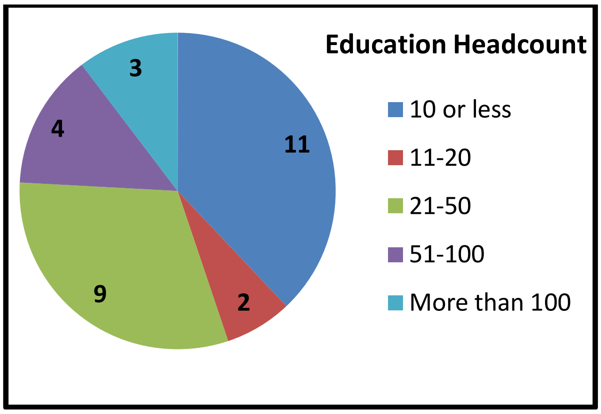


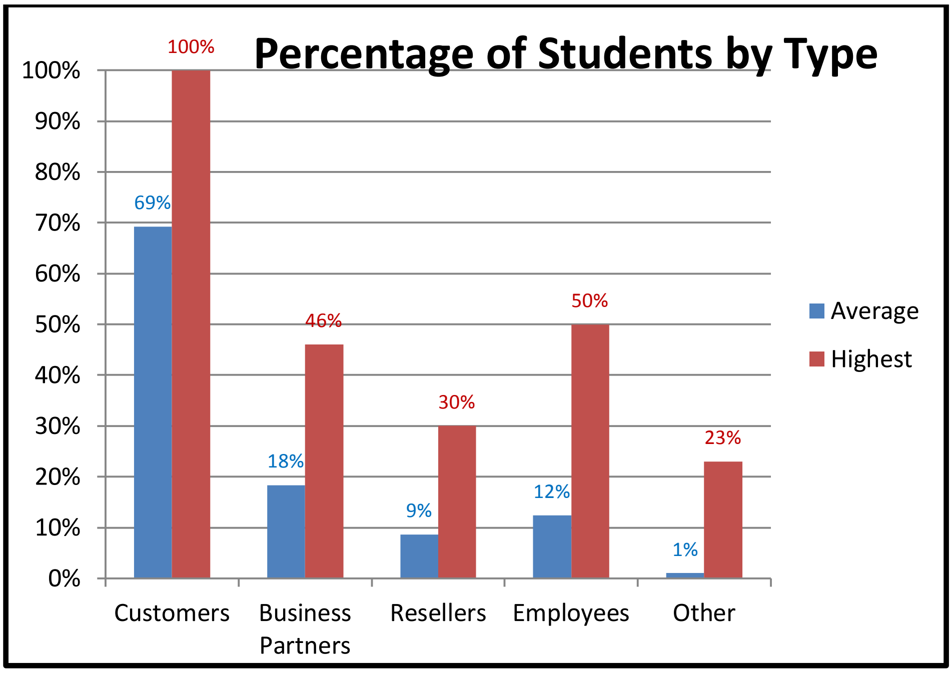








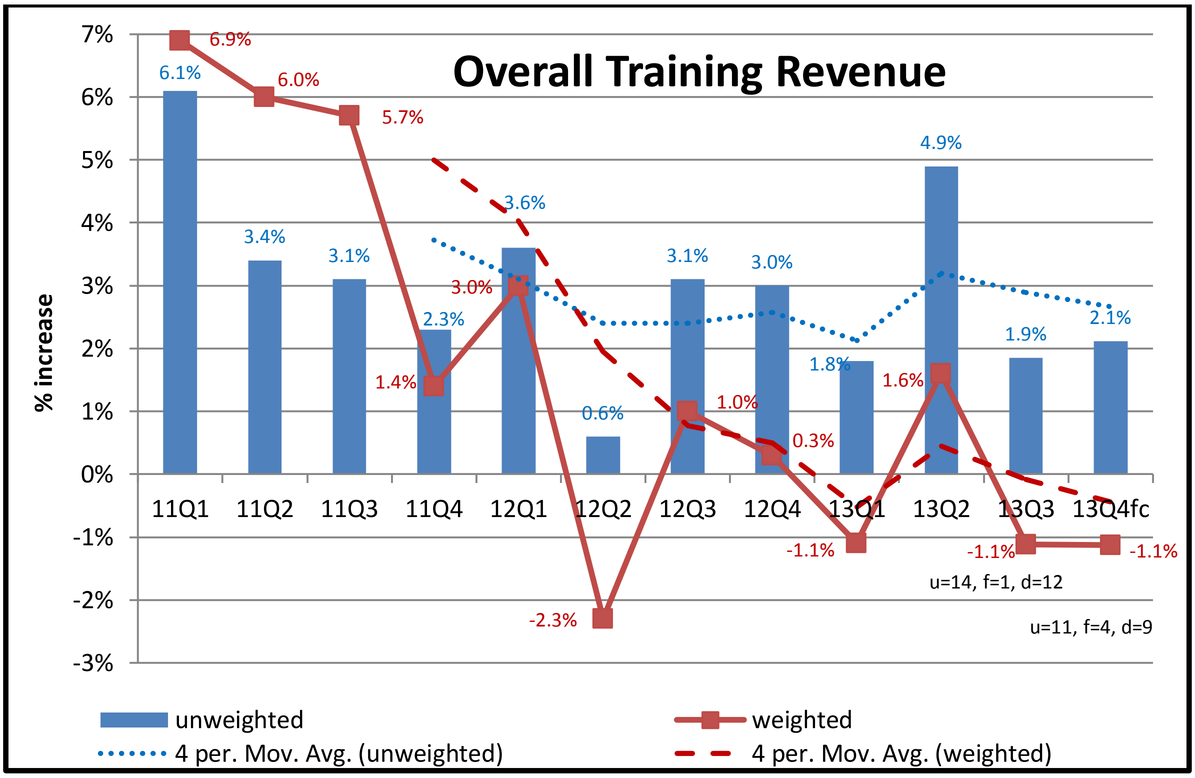




Training Revenue

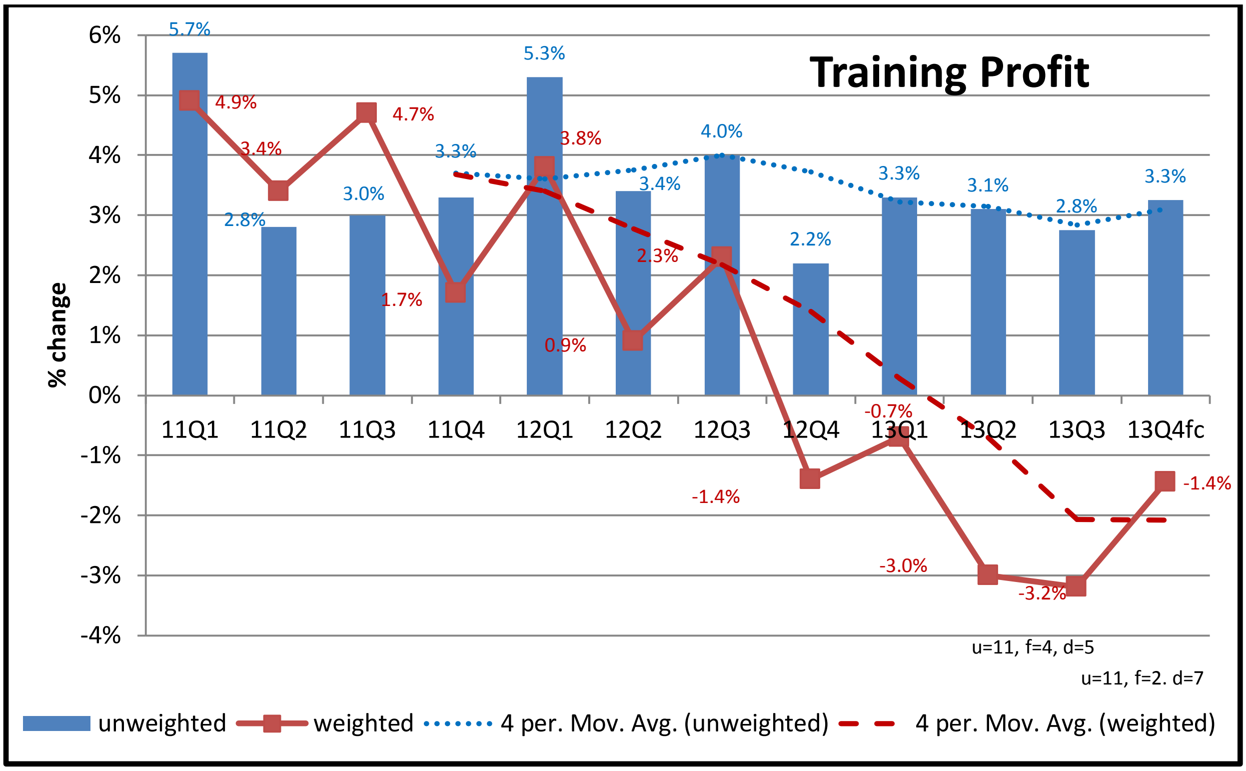
Note that in all these charts, u/f/d is the number of members reporting up/flat/down, respectively.

The unweighted total training revenue grew 1.9% in 13Q3 against a forecast in the last report of 4.3%. When considering the weighted numbers, there was a fall of 1.1% against a forecast of 1.6% rise last time. The forecasts for 13Q4 show a 2.1% increase for unweighted and a 1.1% decrease for weighted. The unweighted trendline shows an ongoing revenue increase in the 2-3% range over the last two years. When size of company is taken into account, it's hovering around flat more recently.



Training Profit

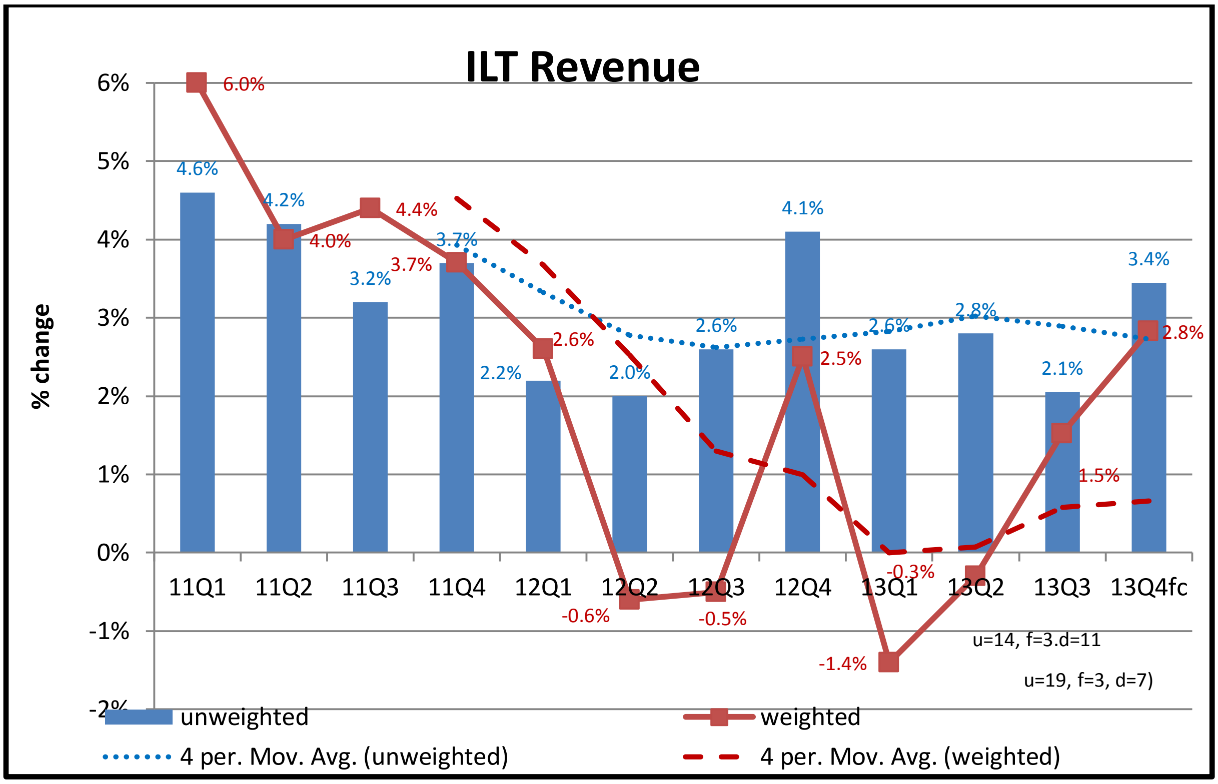
The unweighted total training profit grew 2.8% in 13Q3, almost identical to the forecast in the last report of 2.9%. But, with the weighted numbers, there was a decrease of 3.2% against a forecast of 2.8% increase last time. The unweighted forecast for 13Q4 is 3.3% increase. However, the weighted forecast bounces back to a 1.4% decrease. The unweighted trendline shows an ongoing profit increase of around 3% over the last two years but when size of company is taken into account, it has dropped from over 3% to -2% (decrease).



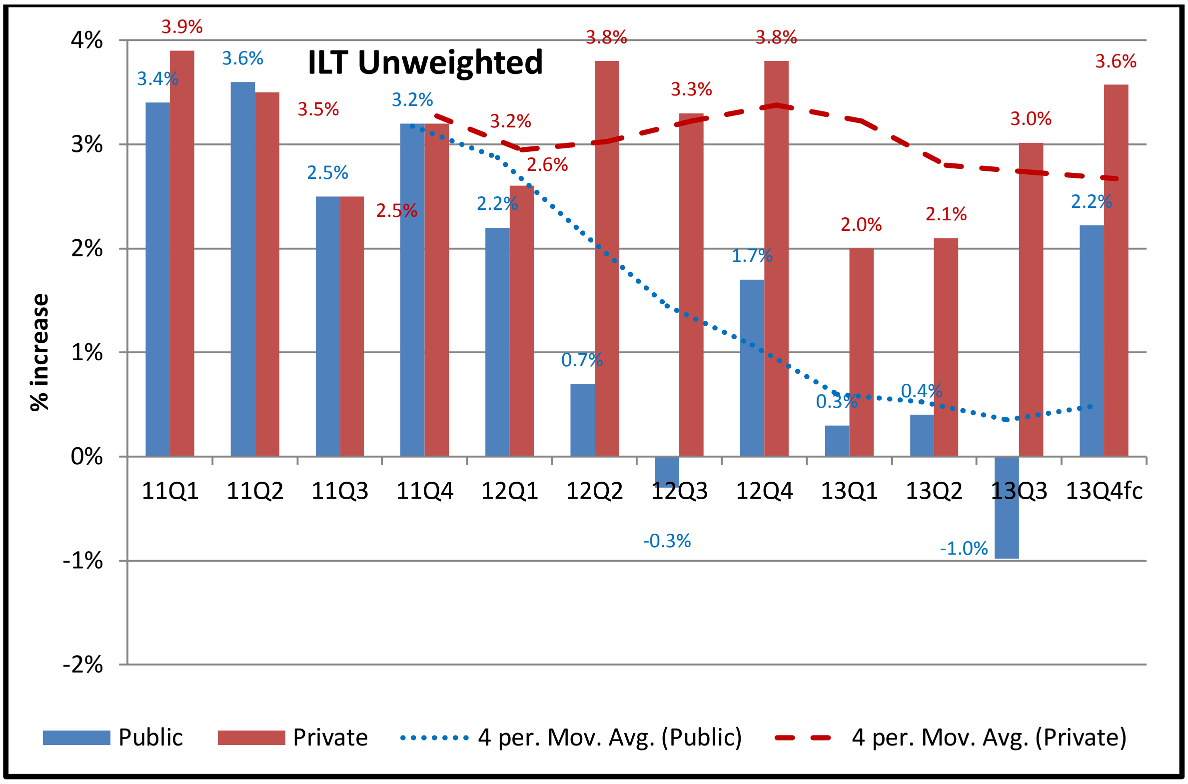
Instructor-led Training

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

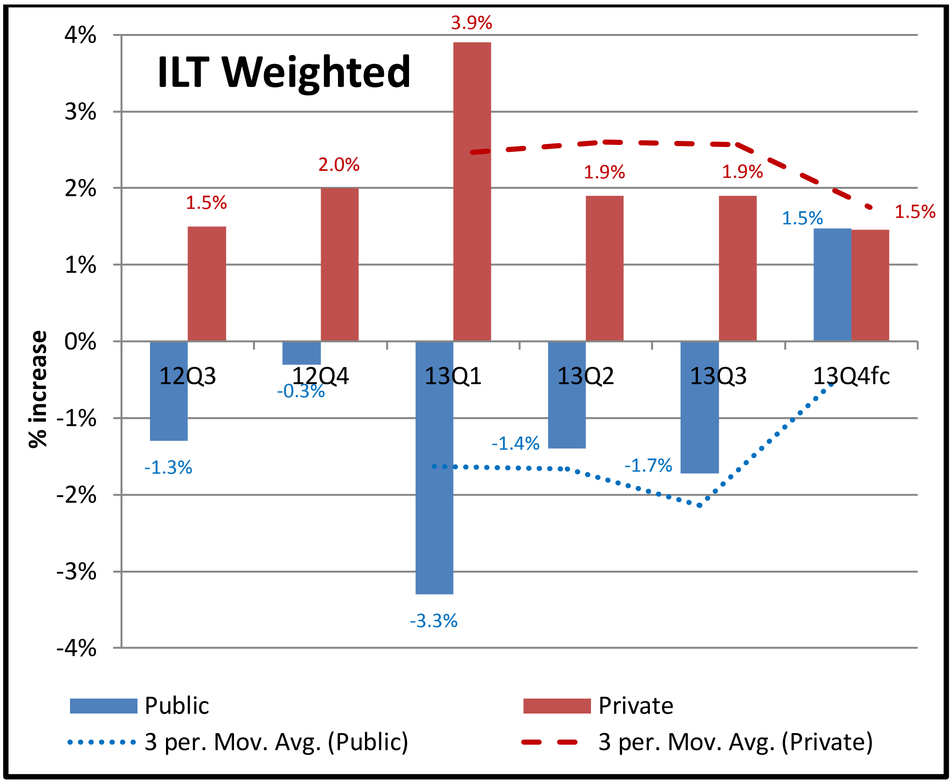
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue. The unweighted 13Q3 increase of 2.1% is slightly lower than that predicted in the last report (2.9%). The weighted number is an increase of 1.5% against a forecast decrease of 0.5%. The unweighted trendline shows an ongoing ILT increase around the 3% mark over the last two years but when size of company is taken into account, it has dropped from over 4% to hovering in the positive 0-1% range.



We are now asking you to forecast both public and private classes and so have enough history to show that while private ILT classes show a steady increase of around 3%, public ILT classes are trending towards flat. This shows the unweighted values.

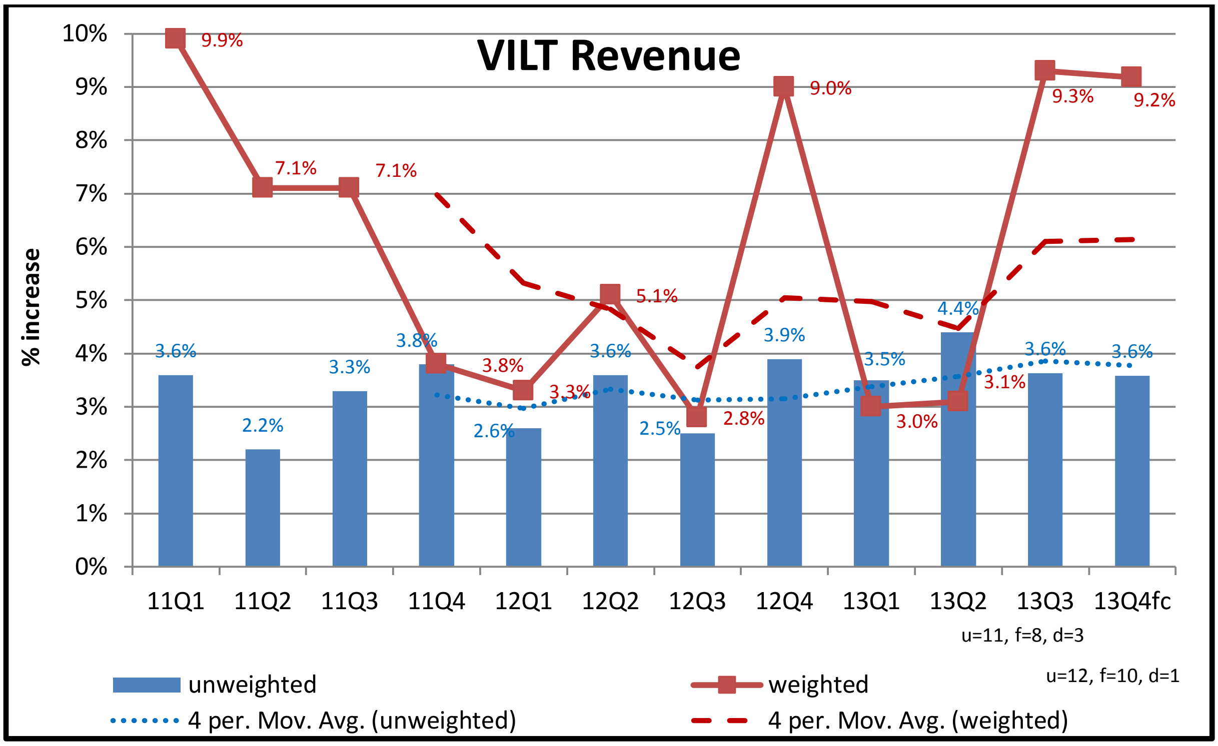


However, when weighted values are calculated, private classes are rising at 2% year on year, but public classes are decreasing just under 1%.

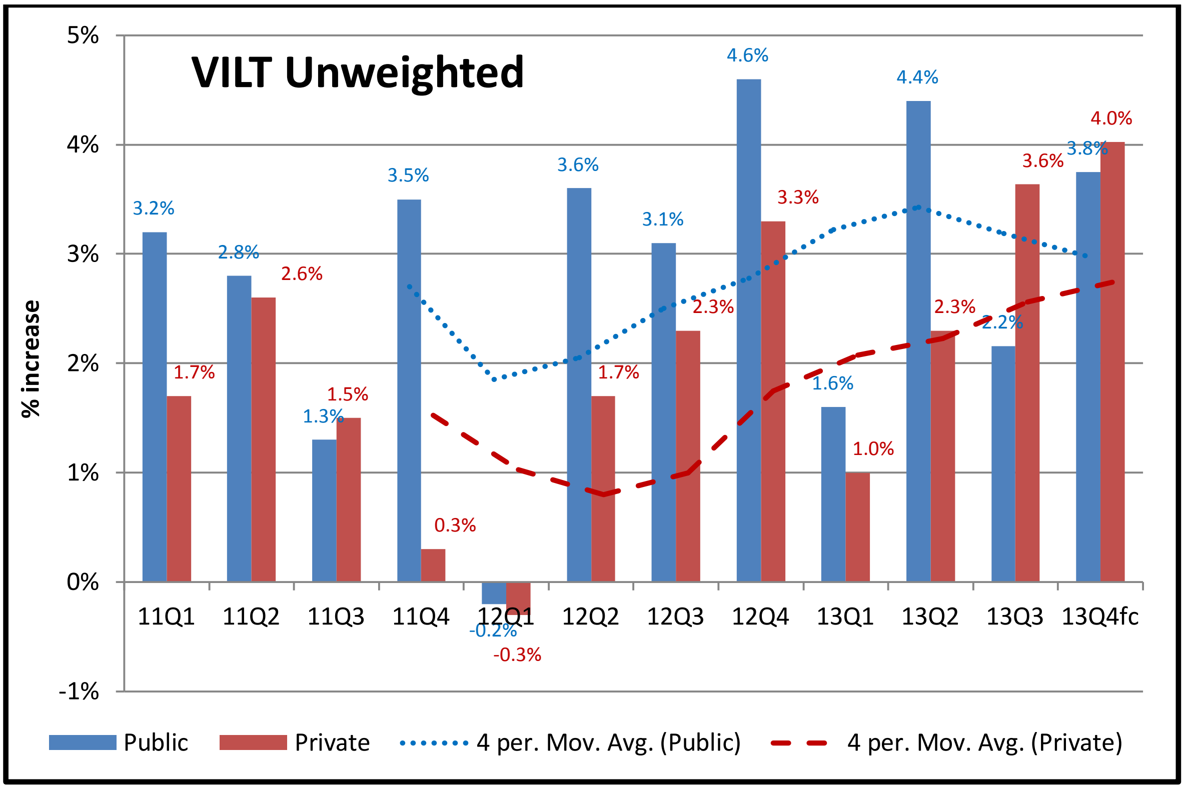


Virtual Instructor-led Training

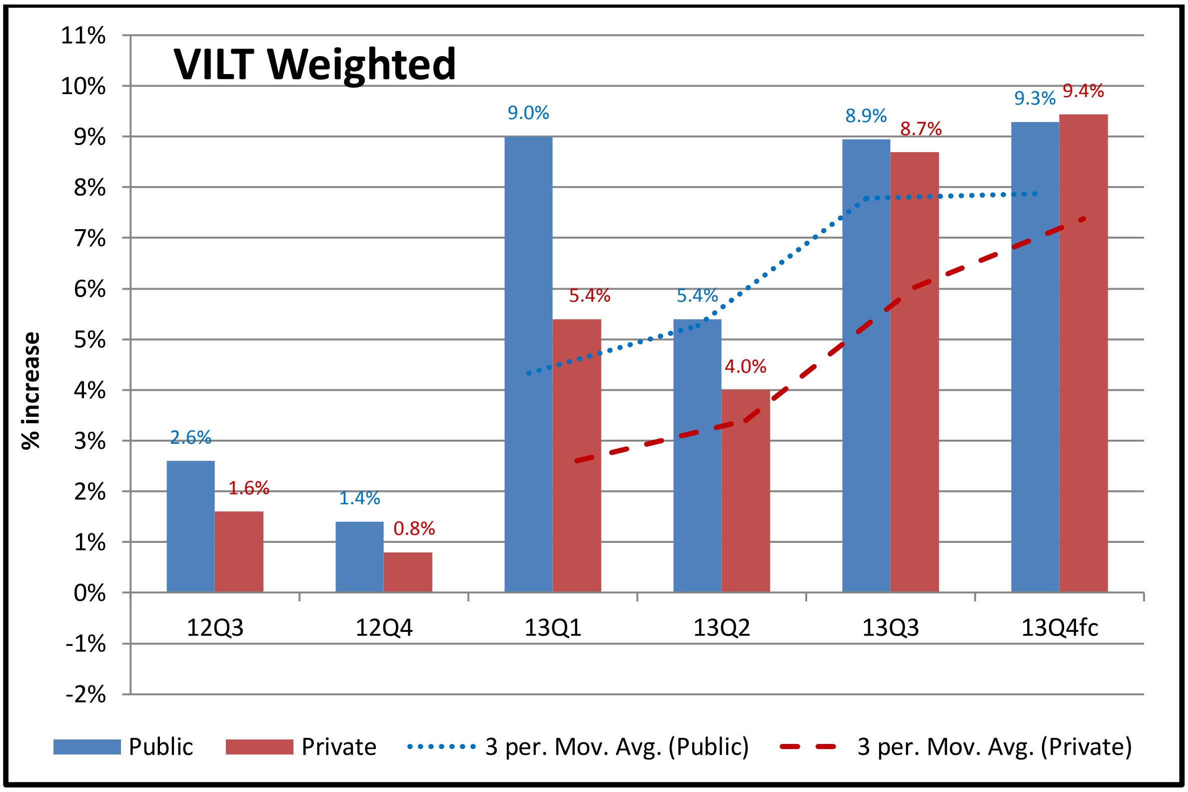
On the other hand, VILT is still buoyant. The unweighted increase of 3.6% compared well with the 3.7% forecast in the last report. The weighted increase of 9.3% was much higher than the 3.7% forecast. The forecasts for 13Q4 suggest a big increase for larger companies (9.2% weighted against 3.6% unweighted). The unweighted trendline shows an ongoing VILT increase around 3-4% over the last two years but when size of company is taken into account, it is up to 6%, (larger companies were using VILT earlier and hence more successful}. Note that 7 of the 29 don't use VILT.



We are now asking you to forecast both public and private classes and have enough history to show that both public and private VILT classes show a consistent steady increase of around 3%, apart from the 'blip' in 12Q1. This shows unweighted values.



When weighted values are used, the increases for public are trending around 8% with private around 7%.

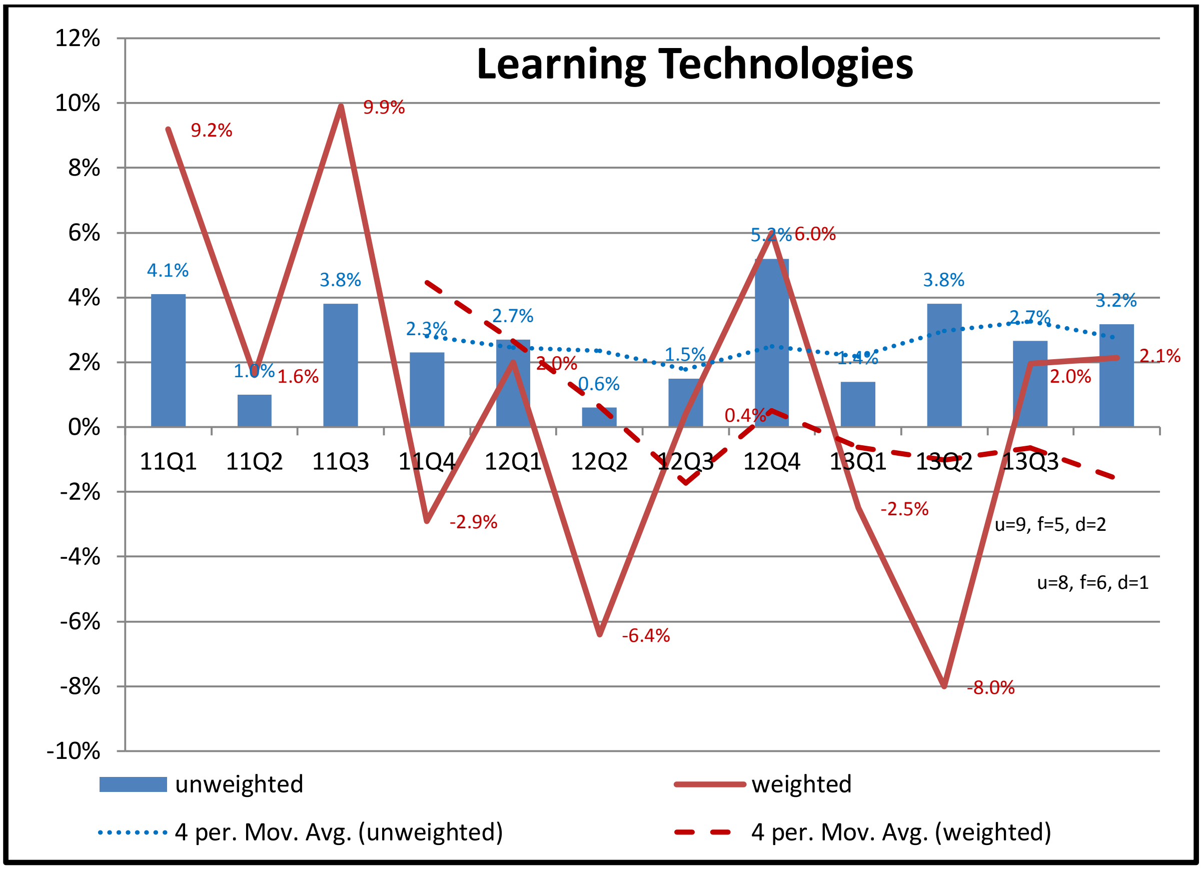


Learning Technologies Revenue

We are no longer breaking out the various components within learning technologies, but members are asked to include the following when considering their input.

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.

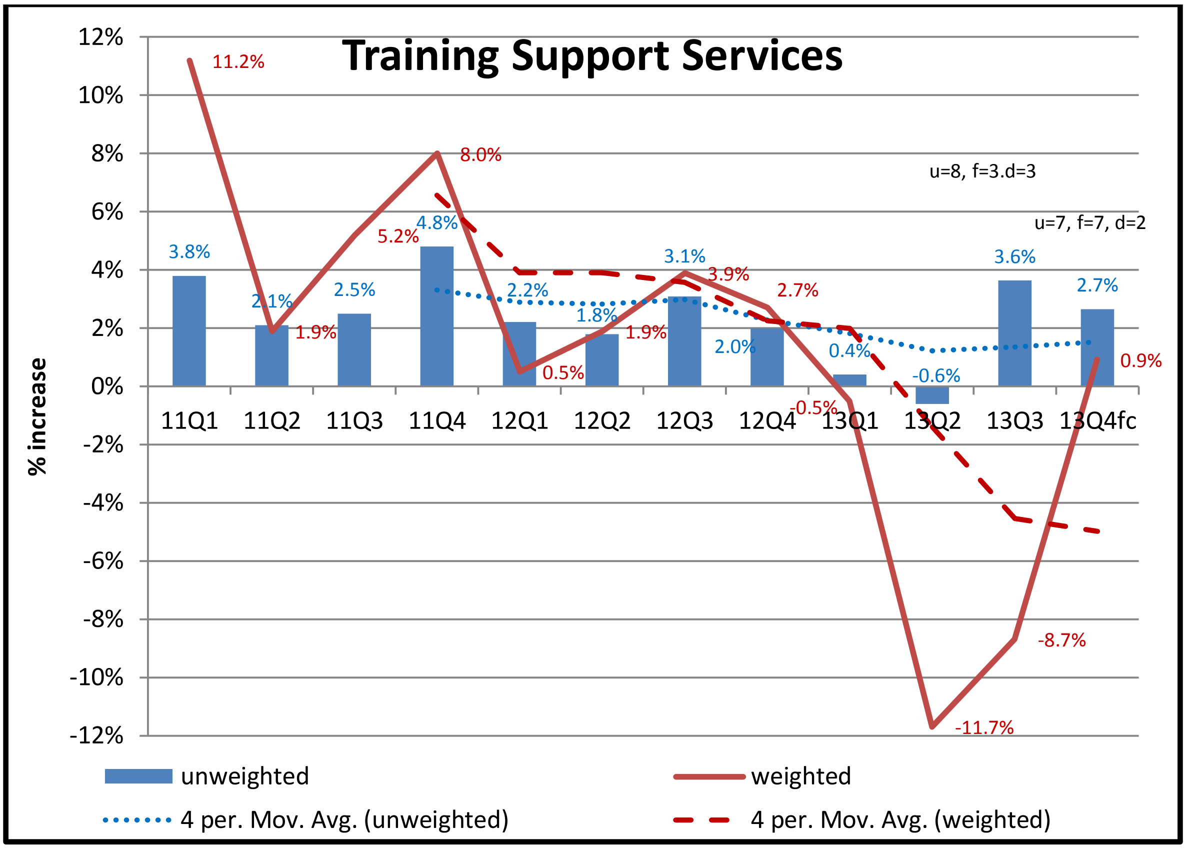
16 of the 29 companies reported activity in this area. The forecasts in the last report were 4.3% and 8.5% increases for unweighted and weighted, respectively, and the results for 13Q3 are 2.7% and 2.0%. This shows how large projects within larger companies can have a significant effect on these averages. The forecast for 13Q4 is an increase of 3.2%, with weighted at 2.1%. The unweighted trendline shows an ongoing Learning Technologies increase around 2-3% over the last two years but when size of company is taken into account, it has started to look flat or even a decrease, again `reflecting the volatility in this area.



Training Support Services

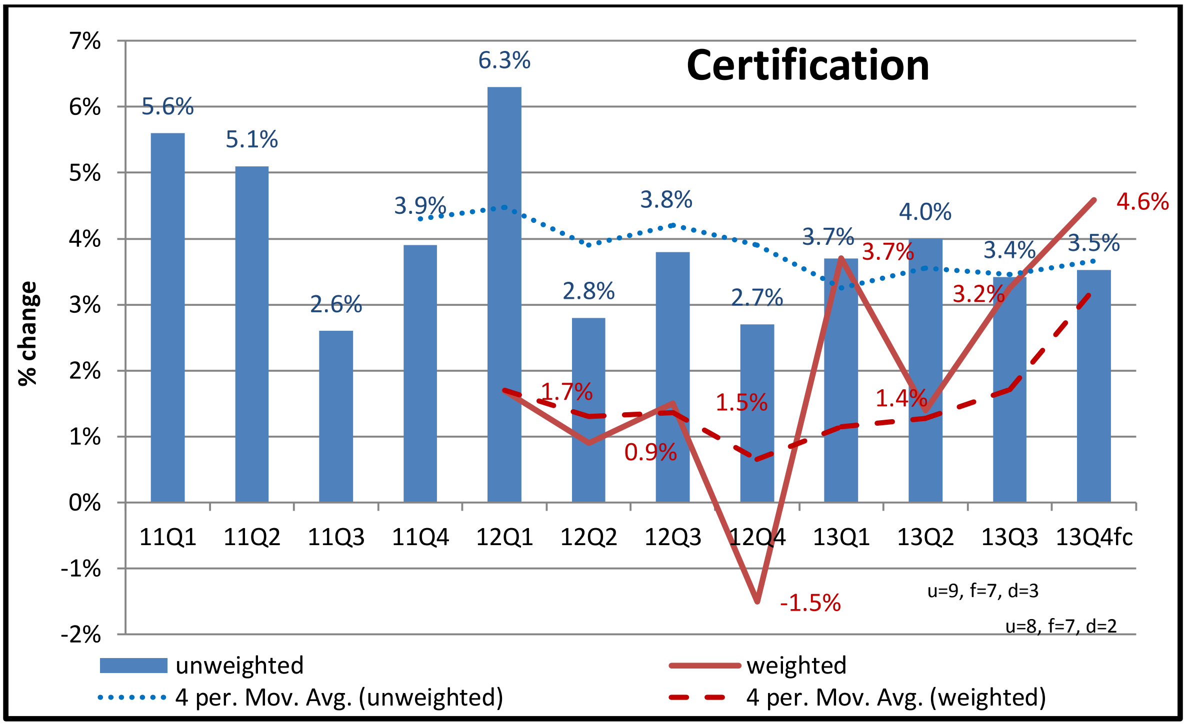
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 16 companies reporting activity in this area and so the quarterly figures may be affected significantly by a single input. The forecasts in the last report were 1.0% and -4.6% changes for unweighted and weighted, respectively. However, the results for 13Q3 were 0.6% and 11.7% decreases. The forecasts for 13Q4 show an increase of 2.7% for unweighted and 0.7% for weighted. The unweighted trendline shows that the increase has fallen from 3% to 1% over the last two years. When size of company is taken into account, it has dropped to -5% from +6%, again reflecting the volatility in this area.



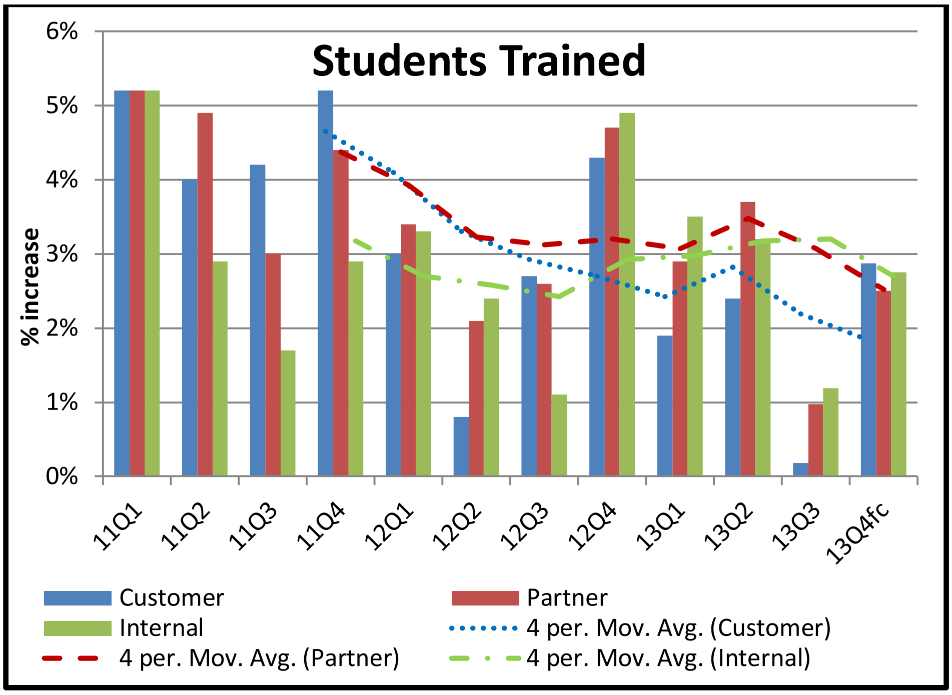
Certification Tests Administered

Overall, certification has averaged an increase of 4% per year-on-year quarter, although the trendline shows that it's getting slightly smaller over time. The weighted scores show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases (2-3%). Note that 19 out of 29 companies offer certification.

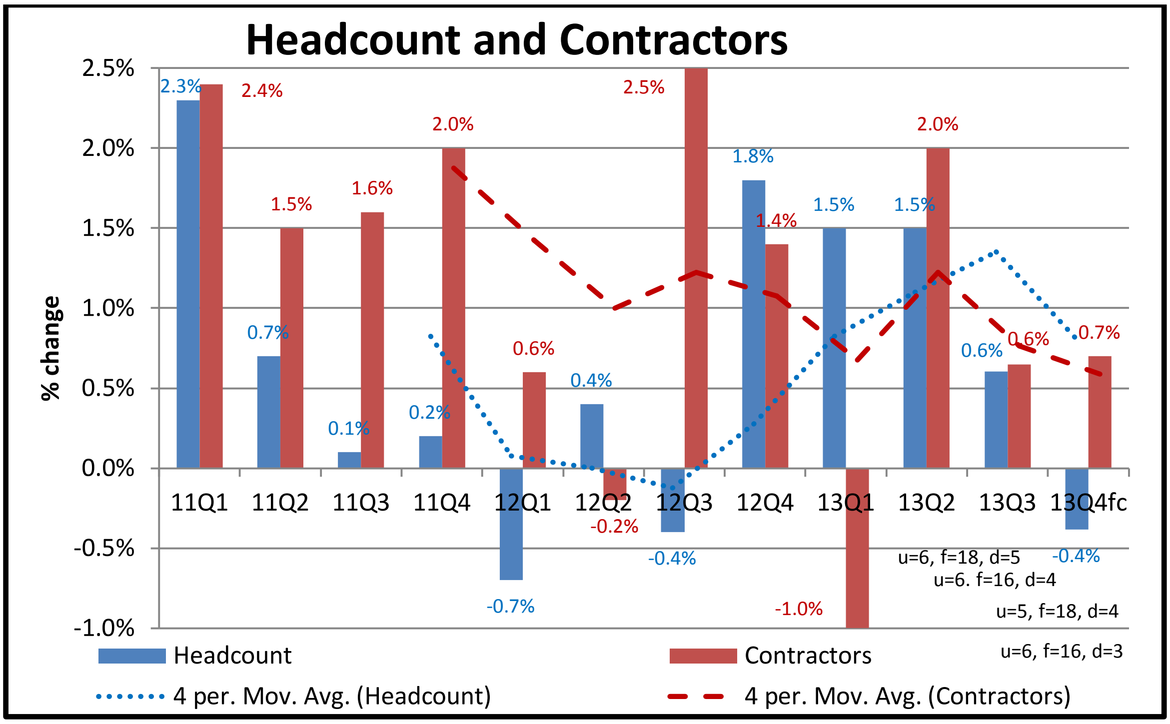


Miscellaneous

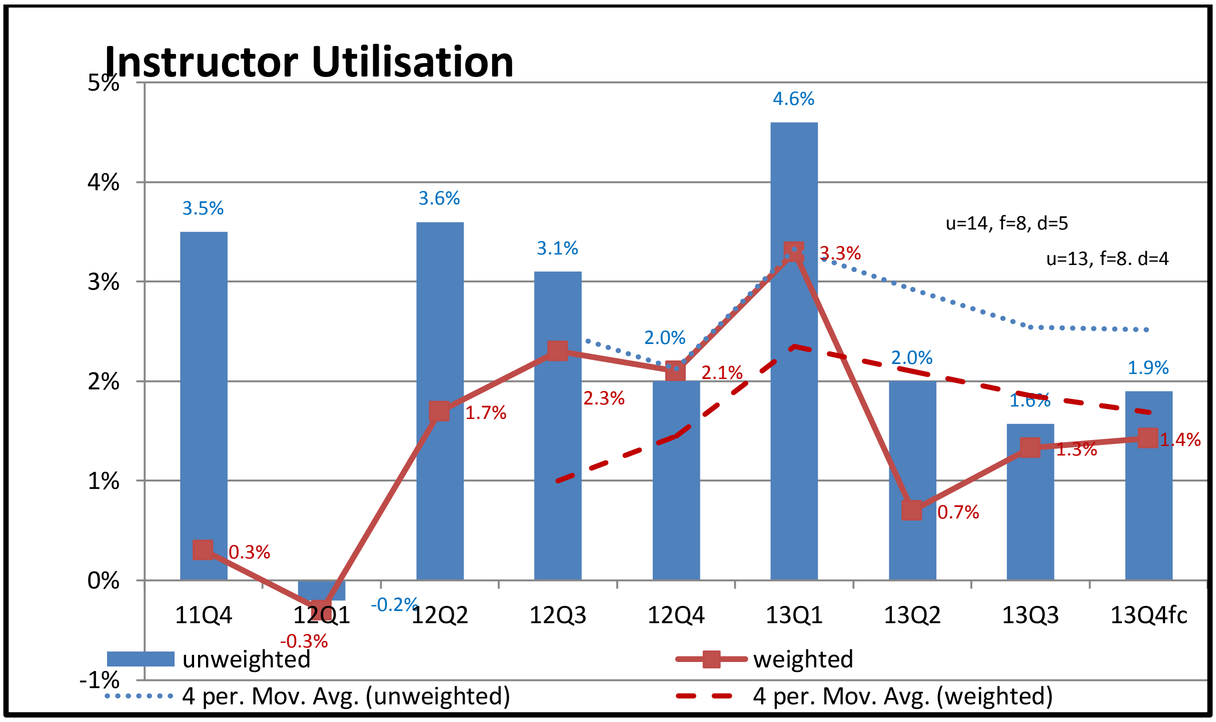
"Students trained" is broken out into customers, partners and employees. The trendlines are all showing increases around the 2-3% mark over the total period.



Permanent headcount has bounced back over the last three quarters (but it may be on the down again), whereas the contractor number changes quarter on quarter. The trendline for headcount is now showing under 1%, which is very similar for contractors.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 2.2% increase, weighted being 0.9%. The 13Q3 result was 1.5% and 1.3% for unweighted and weighted, respectively, while the 13Q4 forecasts are 1.9% and 1.4%. These probably reflect the smaller increases in ILT revenue being seen by larger companies. The trendlines follow each other quite closely but a percentage point apart, with unweighted being the higher at 2-3%.



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

1. Onsite bespoke training for OpenAM
2. N-Version Technologies including Windows Server 2012, SQL Server 2012 and Virtualization.
3. Altiris; Security; NetBackup
4. On-site/private classes
5. Bespoke training bringing together software and business process.
6. ILT and VILT revenue
7. Specific to F5 are our technology courses
8. VILT
9. Storage continues to grow but Server and Networking showing signs of improvement
10. Scheduled is still performing well.
11. Customisation of manuals; Bums on seats; Uptake on Needs Assessment suggestions
12. Private training
13. Learning Products
14. No change
15. New product training
16. Embedded Linux
17. Subscription Revenue
18. Private ILT; Authorised Training partners; eLearning
19. Across the board
20. User Adoption Services and Custom Training
21. Onsite and Virtual Learning
22. Storage is still the one that develops fastest
23. eCommerce and Reporting
24. Channel Partner Training; Virtual Training
25. None. It was a poor quarter

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

1. Directory Server training
2. Legacy technologies like XP and Windows 7.
3. Backup Exec; Storage Foundation
4. Public classes
5. Standard class topics
6. n/a
7. Old products coming to nd of life
8. Public classes
9. Virtualization
10. In-Center Training
11. On site courses - and when we are selling them we are seeing customers completely fill the class to get best value.
12. Nothing, everything up!
13. Public training
14. Public classes
15. No change

16. Old product training
17. Scheduled Courses
18. DBA; Solaris
19. Public ILT; Public VLT
20. All areas of our business have shown increases but we still struggle to make any impact with Virtual Learning.
21. End User
22. VMware has suffered due to introduction of new VATCs
23. Marketing, Year End Training
24. ILT for customer; Some employee areas
25. Expected downturn versus Q3 2012 due to peak in project deliveries in 2012; New sales delayed, hence shortfall in Education Business.

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

1. Being asked to develop bespoke courses for the business where no attributable revenue was flowing through to the training P&L; Pressure to increase quality whilst having no additional headcount available for the training business
2. Partner channel keeping pace with customers demand for virtual and online experiences
3. Change of Routes to Market for Company, still under consideration.
4. Increasing new contract value and replenish the backlog
5. Loss of key headcount for biggest core training subject area and taking over the mess that my predecessor left behind
6. Launch of LMS
7. Transitioning the training delivery model from direct to partner delivery
8. Budget control; Headcount pressure
9. Authorised training centres not growing enough
10. Have VILT taking off
11. Adoption by wider sales organisations within the business; Changing org structure at VP levels, impacting the direction and focus of sales teams and mid-management.
12. Demand for Training/Budget cuts
13. Time for the trainers to learn new courses; Resourcing - as ever!
14. Not enough headcount and not enough hours in the day!
15. Lack of new license sales; bad channel management
16. Pressure on cost to deliver ILT; WW performance of online solutions
17. Headcount; new product coverage
18. Trainer capacity
19. Getting newly recruited sales reps up to speed; Driving the sheer diversity of modality and product range across the sales team
20. Outsourcing training delivery; Creating up to date training content
21. Scheduling and resourcing
22. Getting customers to pay for Virtual Learning events; Supporting the solutions sale with learning that matches.
23. Smaller projects to attach to; Public schedule slowing down
24. Maintaining margin; the August holiday lull was deeper than expected
25. Managing Growth globally, maintaining instructor quality, ramping.
26. With company situation decrease of available resources and resource constraints to deliver services
27. Delays in software sales and upgrades; resourcing Scandinavia, which has had a dead cat bounce.......

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

1. There is a clear move towards Live Virtual classes which is accelerating particularly in Europe when pricing is discounted below that of classroom ILT.
2. The desire in Europe for face to face ILT is still high versus US if we think about the take up of virtual classroom and eLearning. Where customers are mature with using the solutions within their businesses it is becoming more prevalent that they want bespoke training programmes or specific deep dive topics. With regards to new hire training we are seeing more requests for on-boarding programme support than sending new hires to standard functional training classes.
3. July/August are always the worst moths of the year as EMEA effectively closes down from a training perspective
4. Less and less public class students
5. Despite strong numbers YoY, we are seeing that it is tougher than ever to see QoQ growth this year.
6. Customers are sending key delegates to scheduled classes rather than having the course onsite . When we are selling onsite courses customers are pairing up with other organisations to share the cost - mainly in Government.
7. Fairly buoyant, but desperately need to sell more product (license) to attach the training too.
8. Greater push towards computer based training and customised training away from standard class training
9. H2 has definitely been better in terms of revenue, delegate numbers and pipeline, which shows the market is fairly stable at present.
10. VILT seems to be more acceptable, but progress is still slow. The customer is still cautious and selective. Attach is not easy
11. Overall I would say that it is same as ever; Unpredictable and unreliable in terms of timing; over 12 months it is relatively easy to predict - there are rather more than seasonal variations when it comes to quarters...........