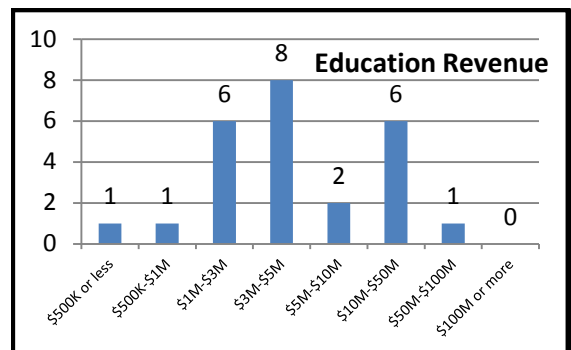
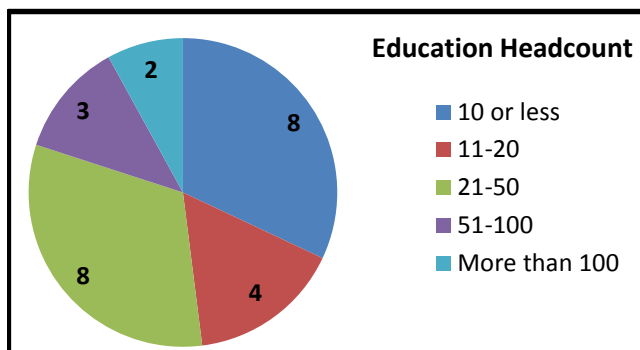
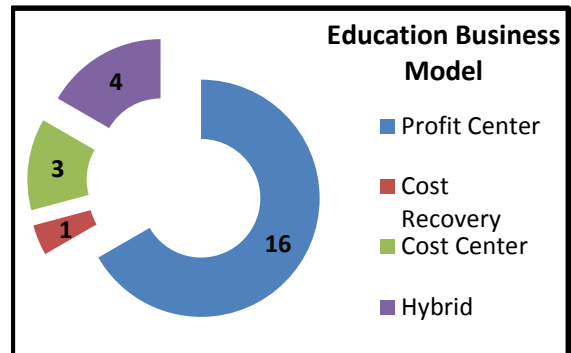
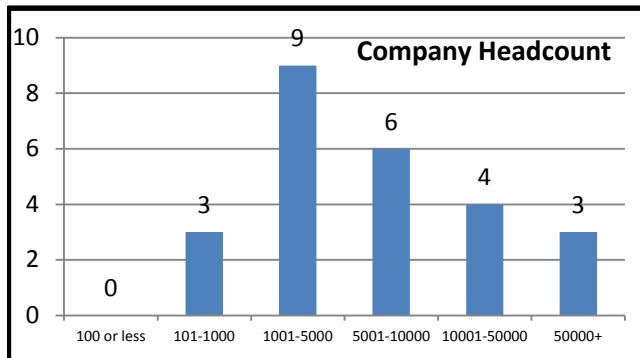
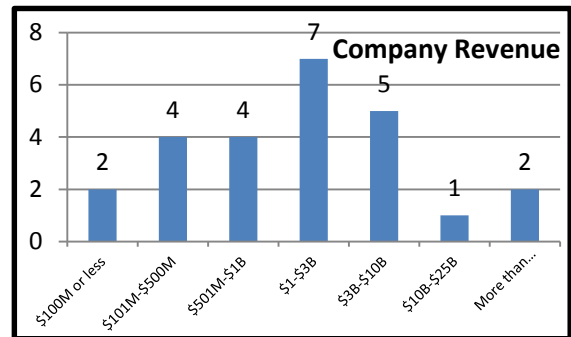
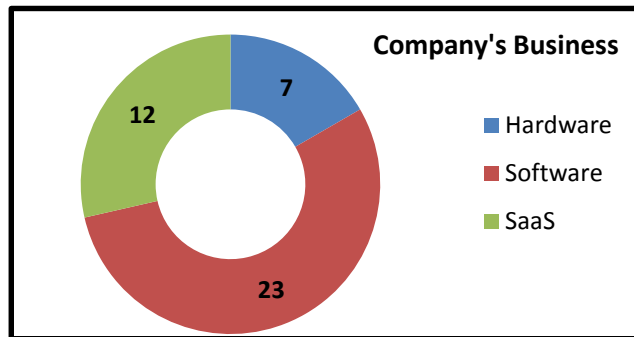


## CEdMA Europe Market Barometer

### 3<sup>rd</sup> Quarter 2014 and forecast for 4<sup>th</sup> Quarter 2014

#### Introduction

This report is compiled by CEdMA Europe for its members from 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 quarter numbers prior to that 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. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. This report for 14Q3 actuals and 14Q4 forecast is based on input from 25 companies.



# Summary

**Revenue:** The unweighted trendline shows an ongoing revenue increase of around 2%, but when size of company is taken into account, it's now around negative 1-2%, from positive before 2013.

**Profit:** The unweighted trendline shows an ongoing profit increase of around 3% over the last three years but when size is taken into account, it has dropped from over 3% to a decrease of around 1%.

**ILT:** The unweighted trendline now shows a revenue increase of just 1%, but when size of company is taken into account, it's negative 2%.

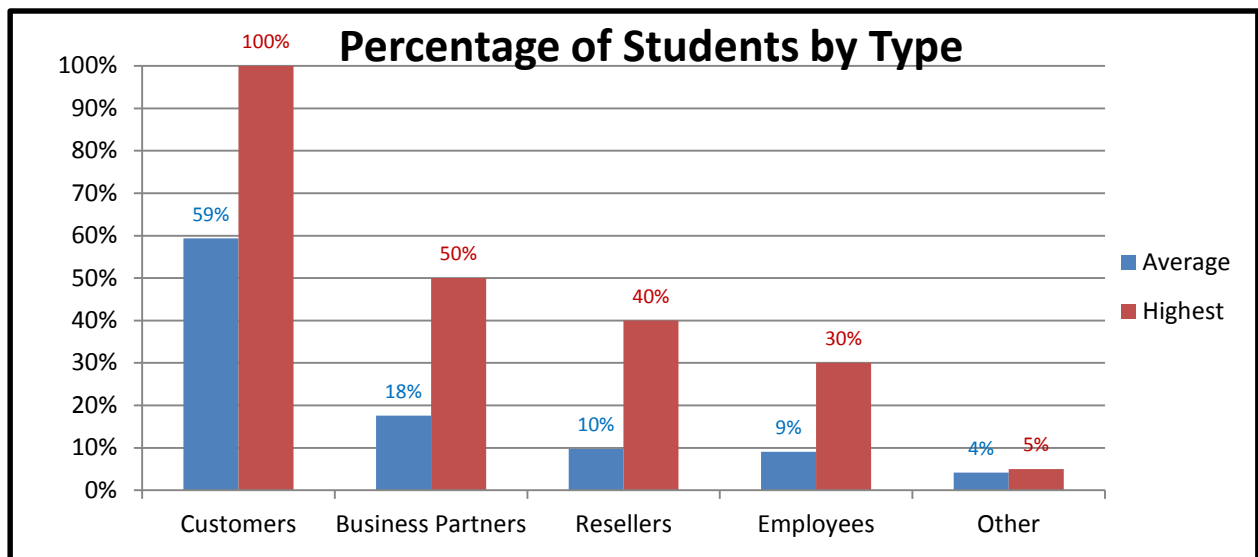
**VILT:** The unweighted trendline shows an ongoing VILT increase of 4% but when size of company is taken into account, it has dropped from 6% to 3% in the last year (larger companies were using VILT earlier but are they now slowing a little?). Note that 5 of the 25 don't use VILT.

**Learning Technologies:** The unweighted trendline shows an ongoing Learning Technologies increase around 2-3% over the last three years but when size of company is taken into account, it is now showing a decrease of 2-3%, reflecting the volatility in this area. 16 of the 25 companies reported activity here.

**Training Support Services:** The unweighted trendline shows an ongoing increase of around 2-3% over the last three years but when size of company is taken into account, it has dropped from over 4% to a decrease of around 1%. There are 17 companies reporting activity in this area.

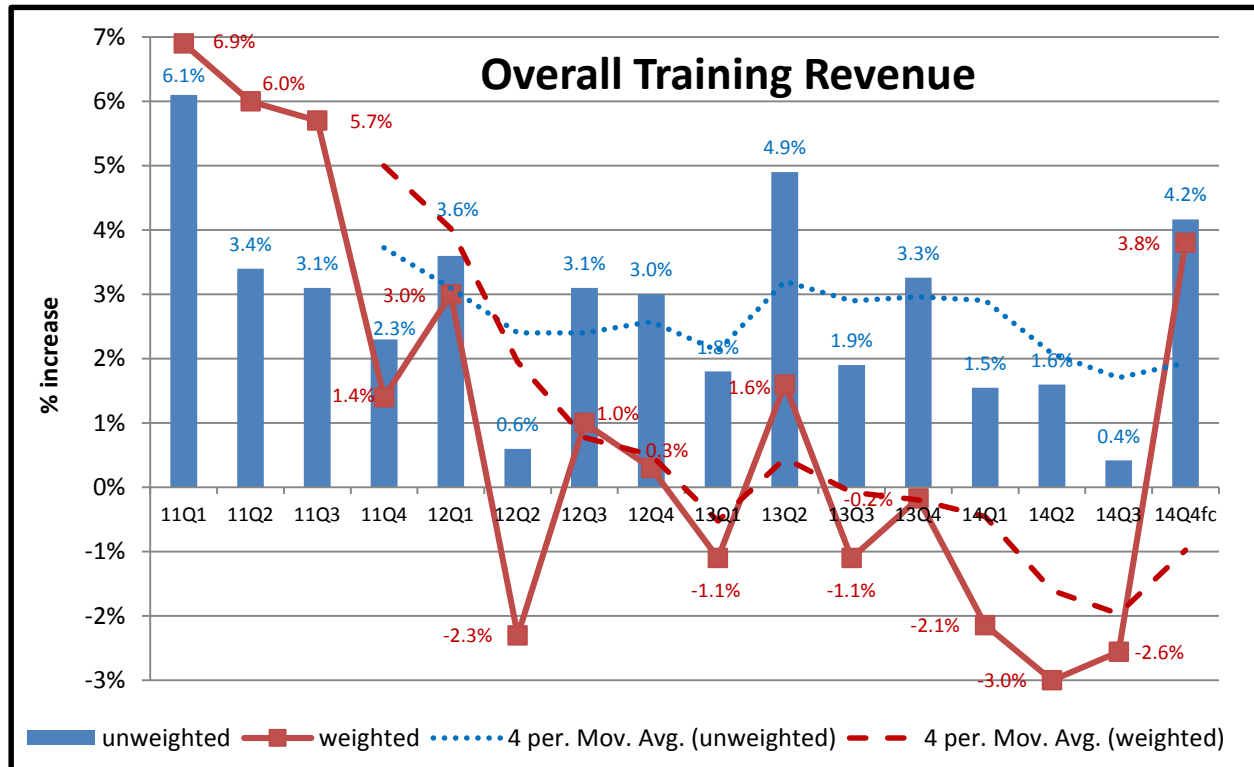
**Certification:** Overall, certification has averaged an increase of 3-4% per year-on-year quarter when unweighted. The weighted scores show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases (around 2%). 18 out of the 25 companies offer certification.

**Public versus Private:** While unweighted private ILT classes show a steady increase of around 3%, public ILT classes have dipped below flat. When weighted values are calculated, even private classes have now fallen to flat, while public classes are decreasing around 4%. Both unweighted public and private VILT classes show a consistent steady increase of around 4%. When weighted values are used, the increases for public and private have dropped to around 2-3% from 7% a year ago.



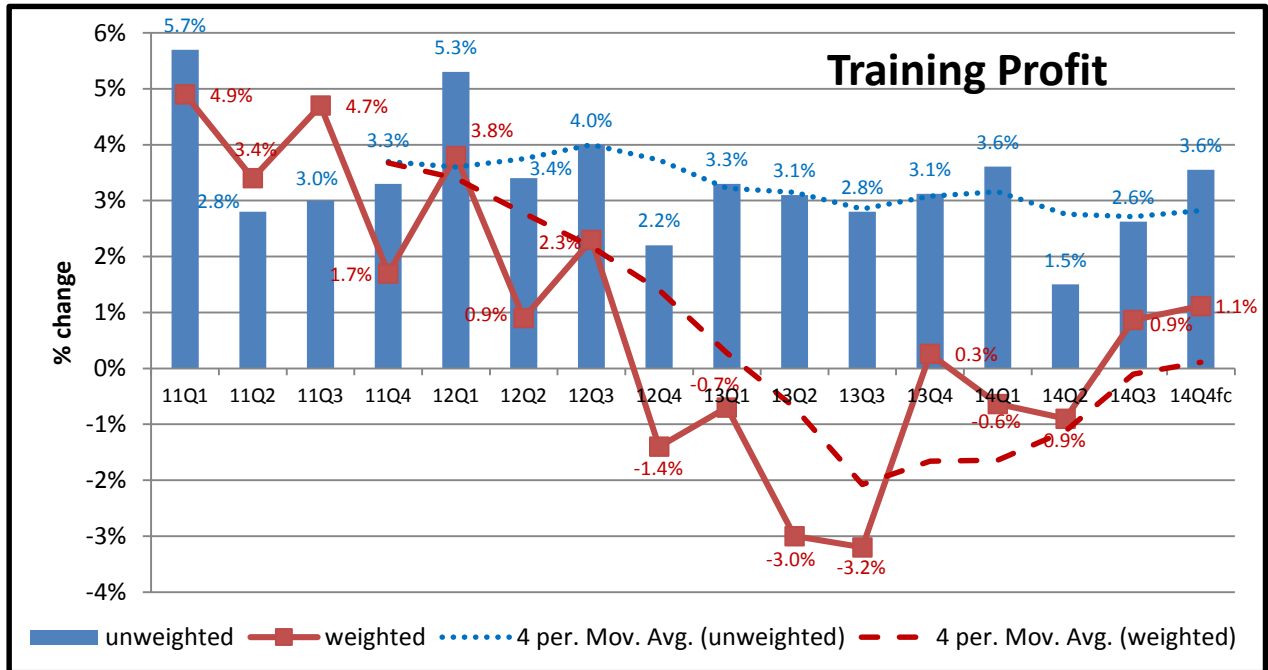
## Training Revenue

The unweighted total training revenue grew 0.4% in 14Q3 (u=9, f=4, d=11) against a forecast in the last report of 0.8%. When considering the weighted numbers, there was a fall of 2.6% against a forecast of 2.0% decrease last time. The forecasts for 14Q4 (u=12, f=4, d=5) show a 4.2% increase for unweighted and a 3.8% increase for weighted, a turnaround. The unweighted trendline shows an ongoing revenue increase of around 2%, but when size of company is taken into account, it's around negative 1-2%.



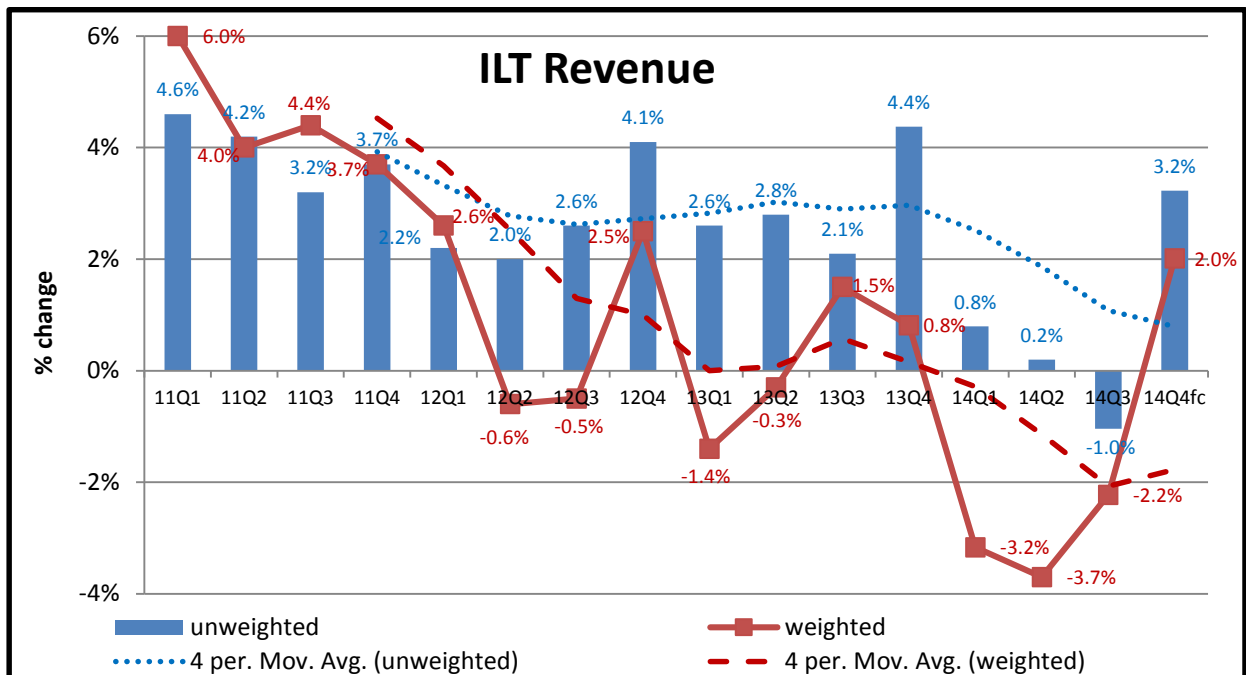
## Training Profit

The unweighted total training profit grew 2.6% in 14Q3 (u=9, f=7, d=4), against the forecast in the last report of 2.8%. And, with the weighted numbers, there was an increase of 0.9% against a forecast of negative 1.2% last time. The unweighted forecast for 14Q4 (u=10, f=6, d=3) is 3.6% increase and the weighted forecast is an increase of 1.1%. 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 flat, having shown a decrease of up to 2% during 2013.

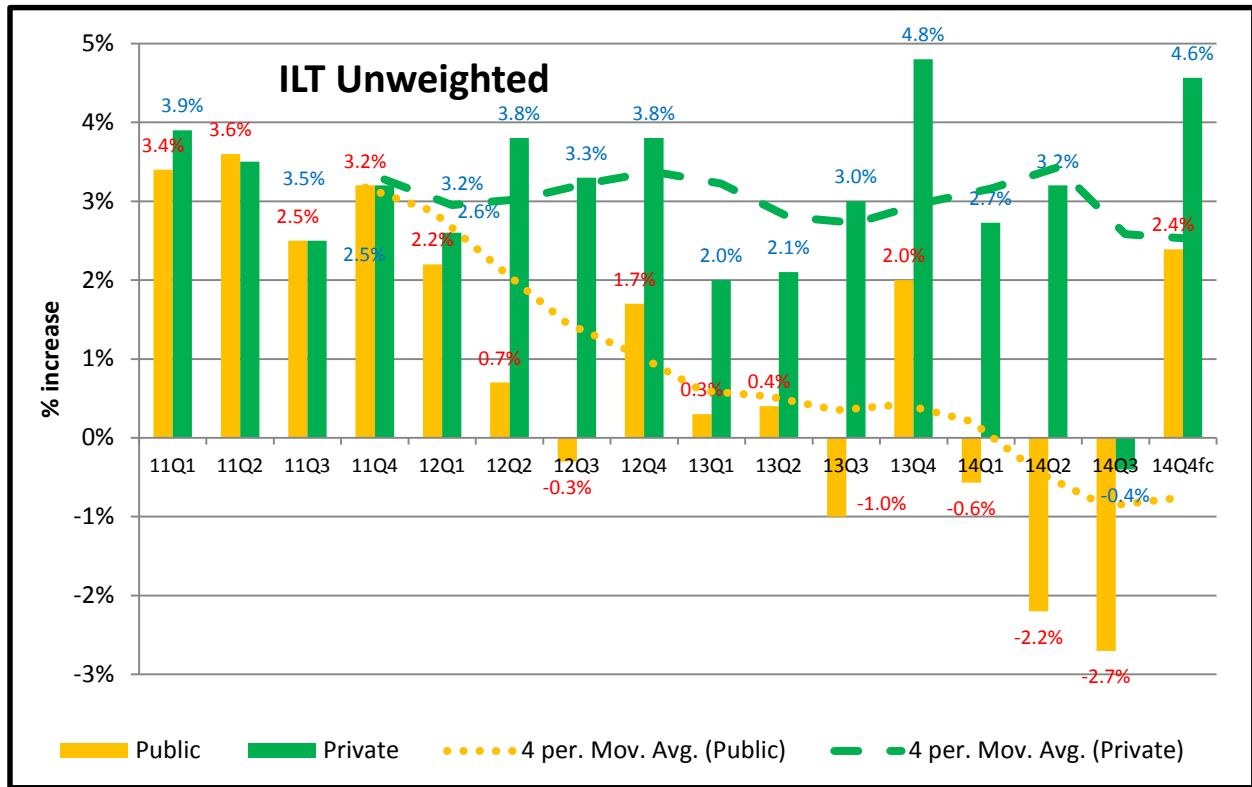


## Instructor-led Training

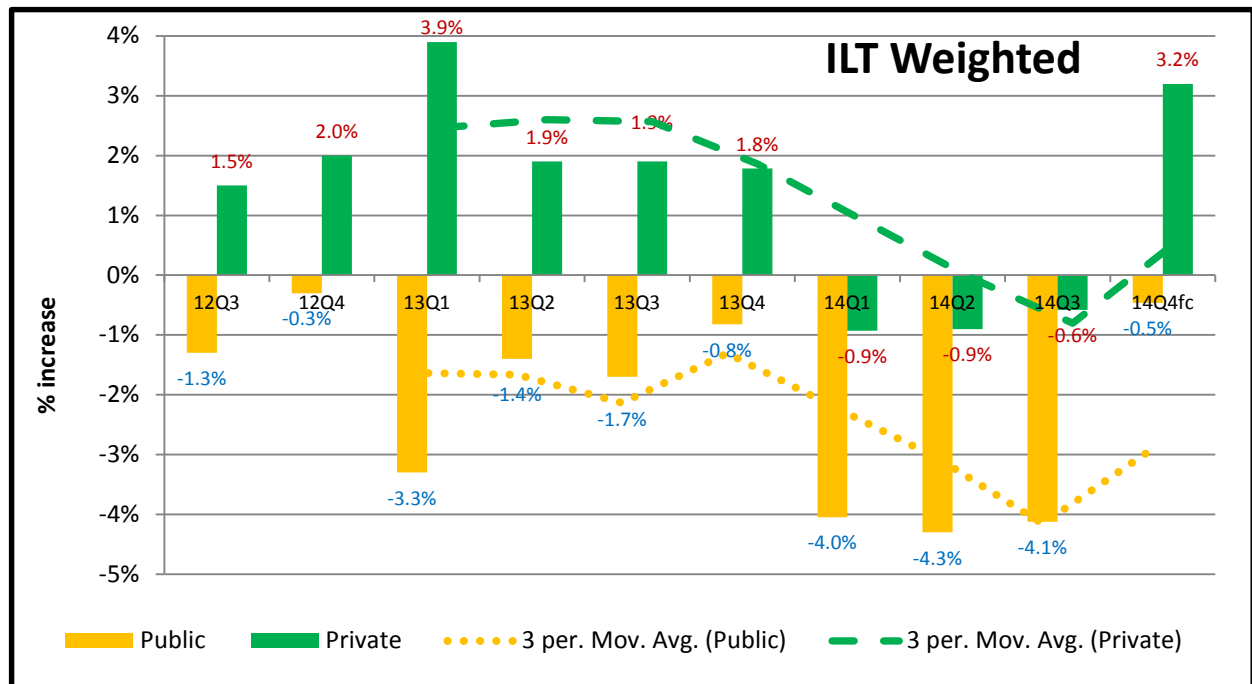
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 14Q3 decrease of 1.0% (u=8, f=4, d=12) was lower than that predicted in the last report (increase of 1.0%). The weighted number was a decrease of 2.2% against a forecast decrease of 2.1%. The forecast unweighted increase for 14Q4 (u=12, f=5, d=7) is 3.2%, with weighted at 2.0%, a turnaround. The unweighted trendline shows an ongoing ILT increase dipping to about 1% but when size of company is taken into account, it has dropped to around negative 2%.



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 an increase of around 2-3%, public ILT classes have dipped below flat. This shows the unweighted values.

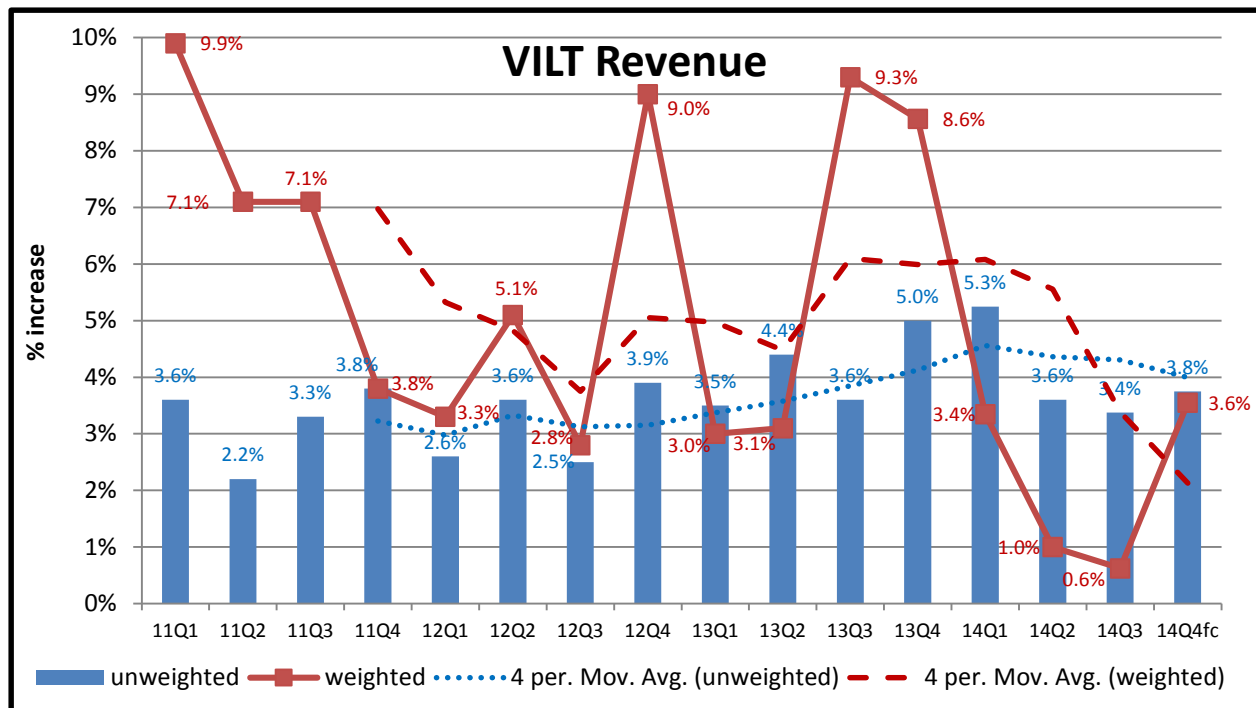


When weighted values are calculated, even private classes have now fallen to flat, while public classes are decreasing around 3-4%.

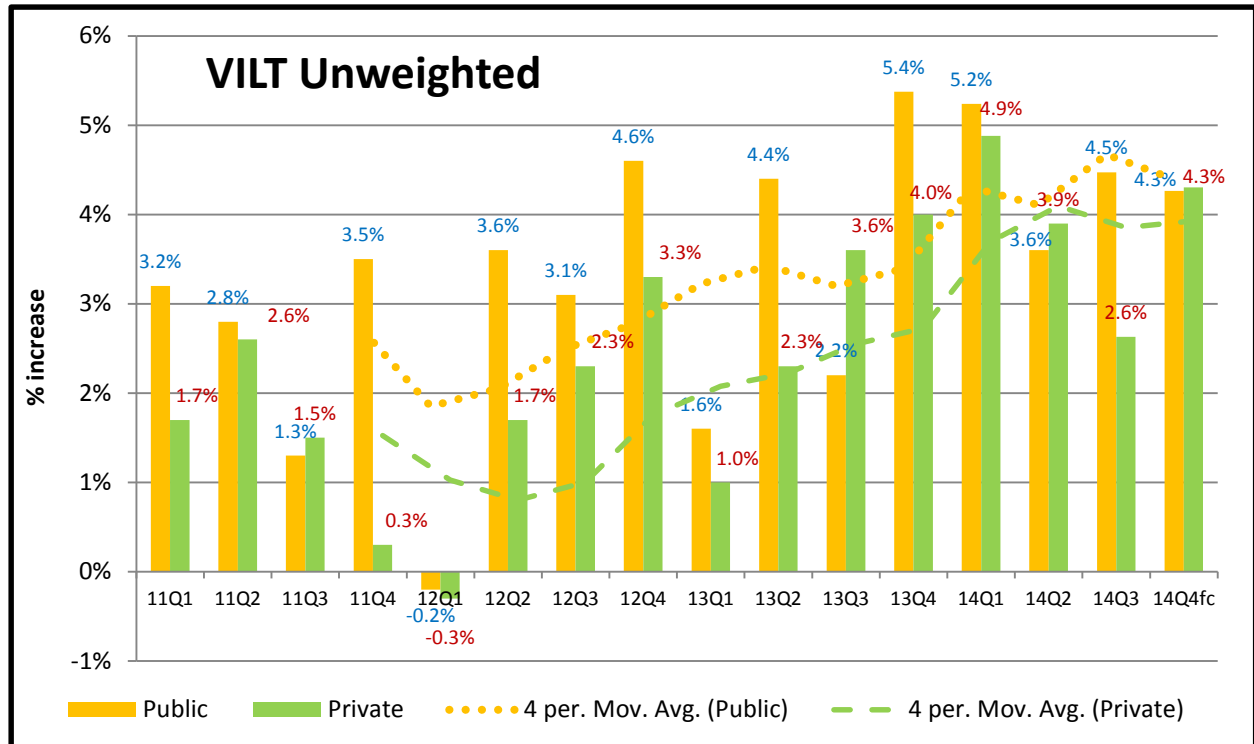


# Virtual Instructor-led Training

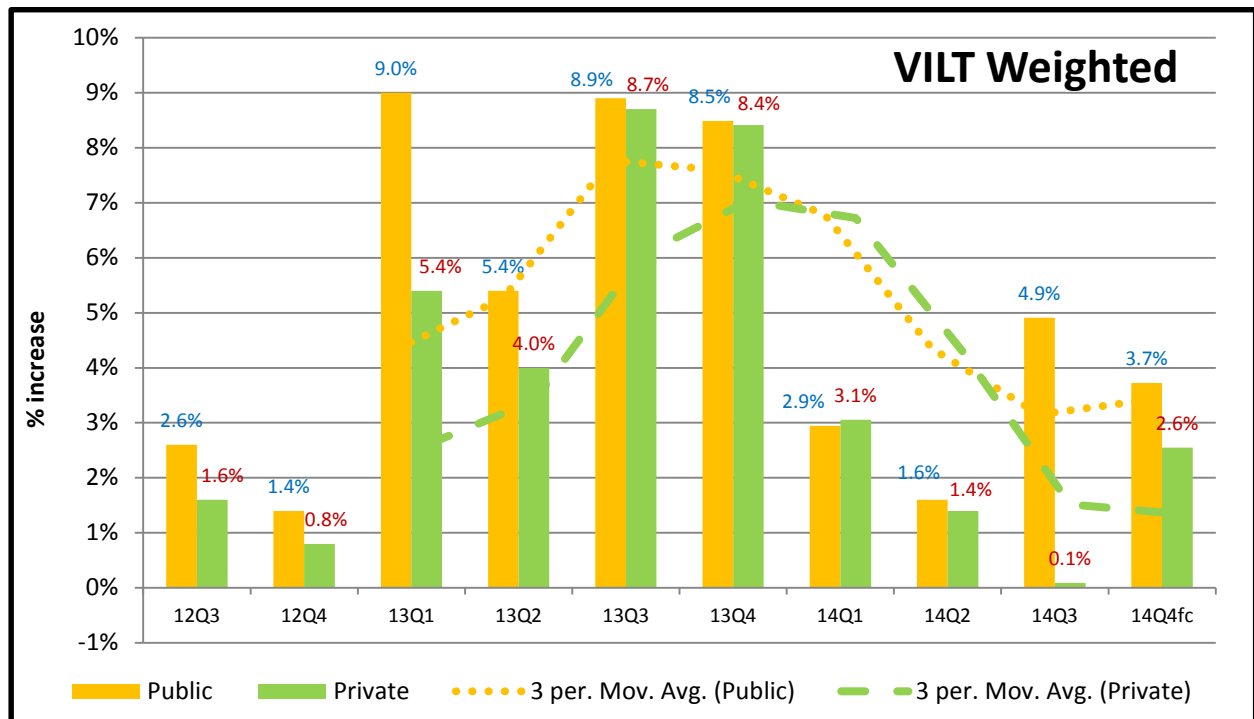
On the other hand, the VILT increase has stalled a little over the last three quarters. The unweighted 14Q3 increase of 3.4% (u=9, f=9, d=2) compared with the 4.2% forecast in the last report. The weighted increase of 0.6% was a little under the forecast of 1.2%. The forecasts for 14Q4 (u=12, f=3, d=3), however, are a little brighter, with increases of 3.8% unweighted and 3.6% weighted. The unweighted trendline shows an ongoing VILT increase of over 4% but when size of company is taken into account, it has dropped from 6% to 3% over the last year (larger companies were using VILT earlier but are they now slowing a little?). Note that 5 of the 25 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 4%. This shows unweighted values.



When weighted values are used, the increases for public and private have dropped to around 2-3% from 7% a year ago.



# 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.

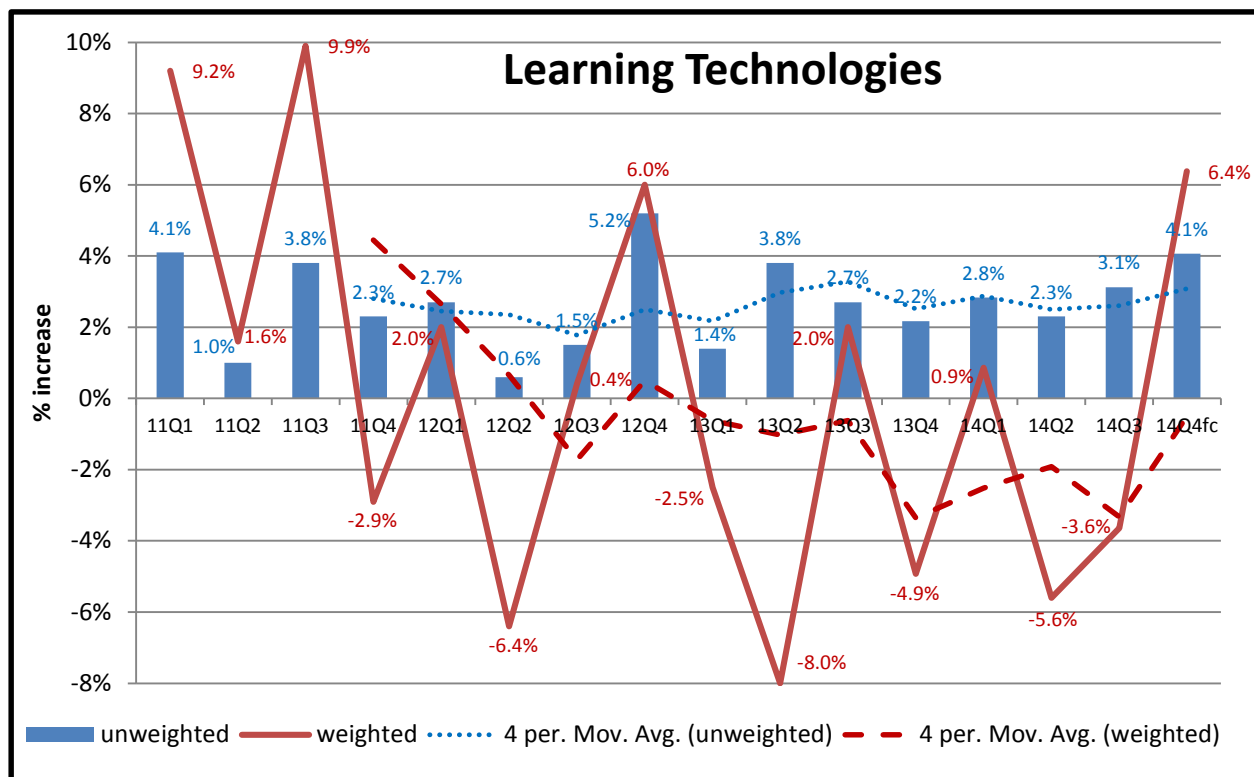
**Generic Content** includes generic courseware, templates, and models.

**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 25 companies reported activity in this area. The forecasts in the last report were 2.3% increase and 5.6% decrease for unweighted and weighted, respectively, and the results for 14Q3 (u=8, f=6, d=2) were 3.1% and negative 3.6%. The forecast for 14Q4 (u=7, f=6, d=3) is an increase of 4.1%, with weighted at 6.4%. This shows how large projects within larger companies can have a significant effect on these averages. The unweighted trendline shows an ongoing Learning Technologies increase around 2-3% over the last three years but when size of company is taken into account, it is now showing a decrease of 2-3%, again reflecting the volatility in this area.

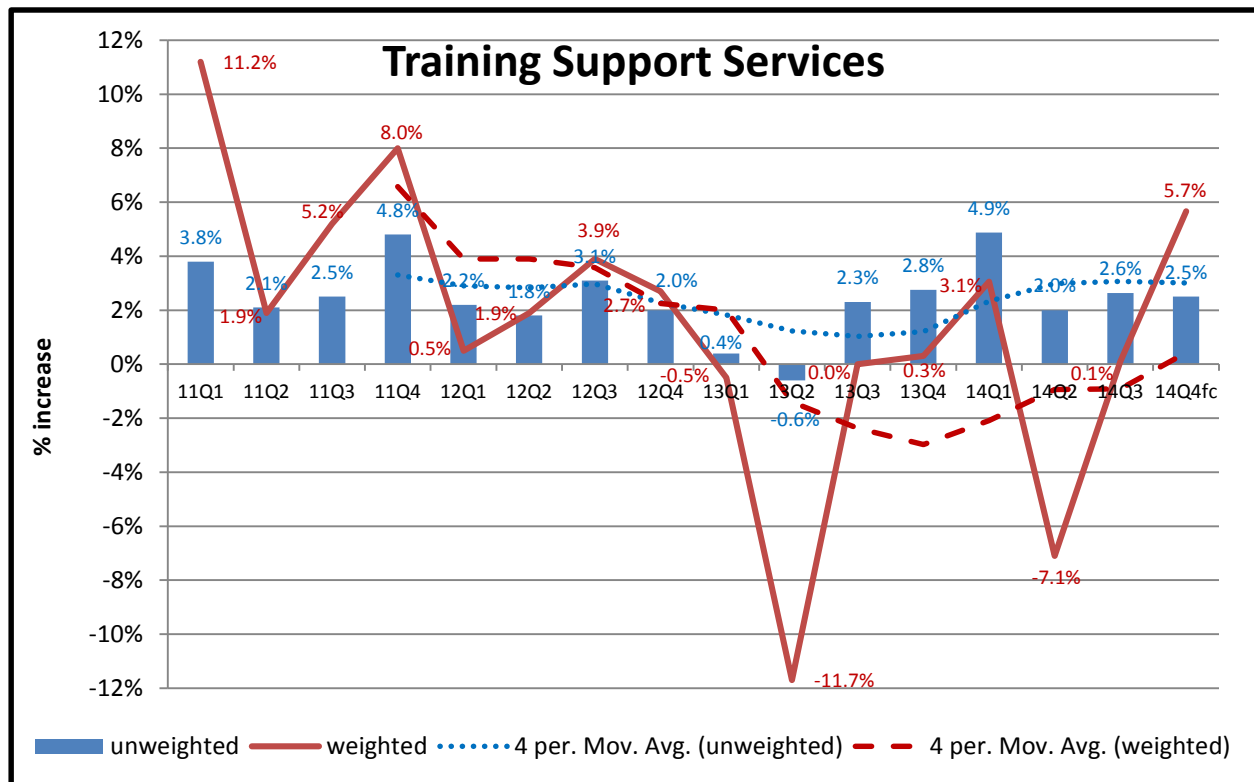




# Training Support Services

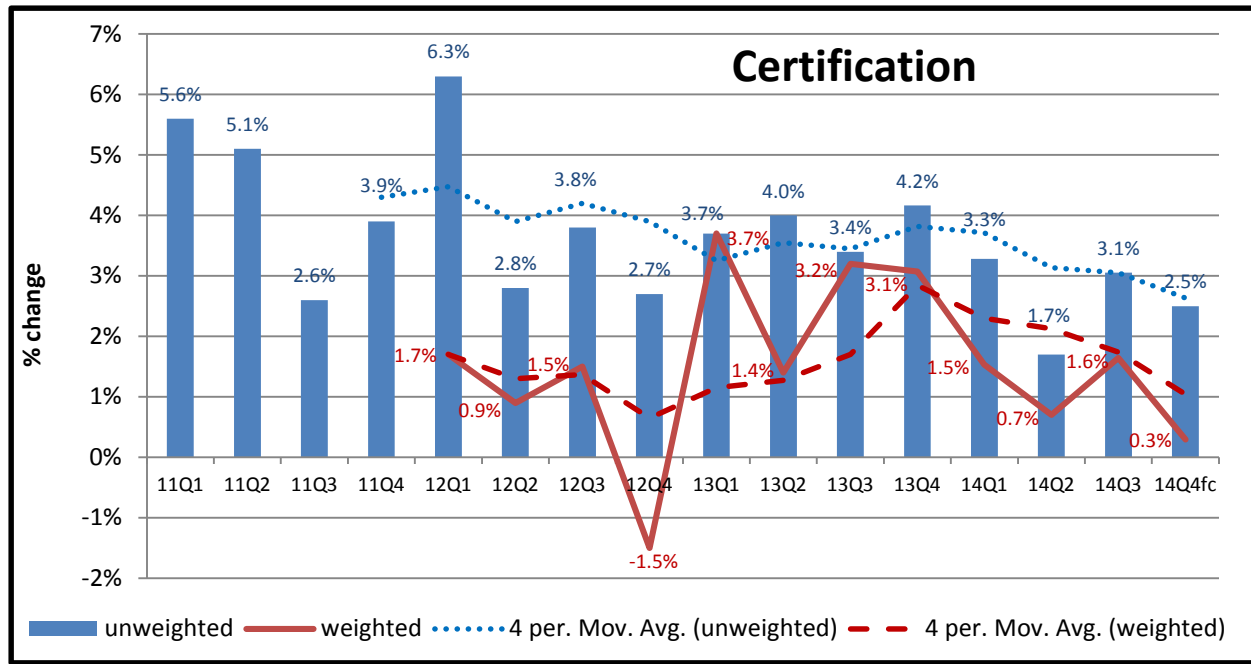
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 17 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 a 2.0% increase and a 7.1% decrease for unweighted and weighted, respectively. The results for 14Q3 (u=8, f=5, d=4) were 2.6% increase and 0.1% increase, respectively. The forecasts for 14Q4 (u=6, f=6, d=3) show an increase of 2.5% for unweighted and 5.7% for weighted. The unweighted trendline shows that the increase hovering around the 2-3% mark over the last three years. When size of company is taken into account, it has dropped from +6% to negative 3.0% but back to nearly flat, again reflecting the volatility in this area.



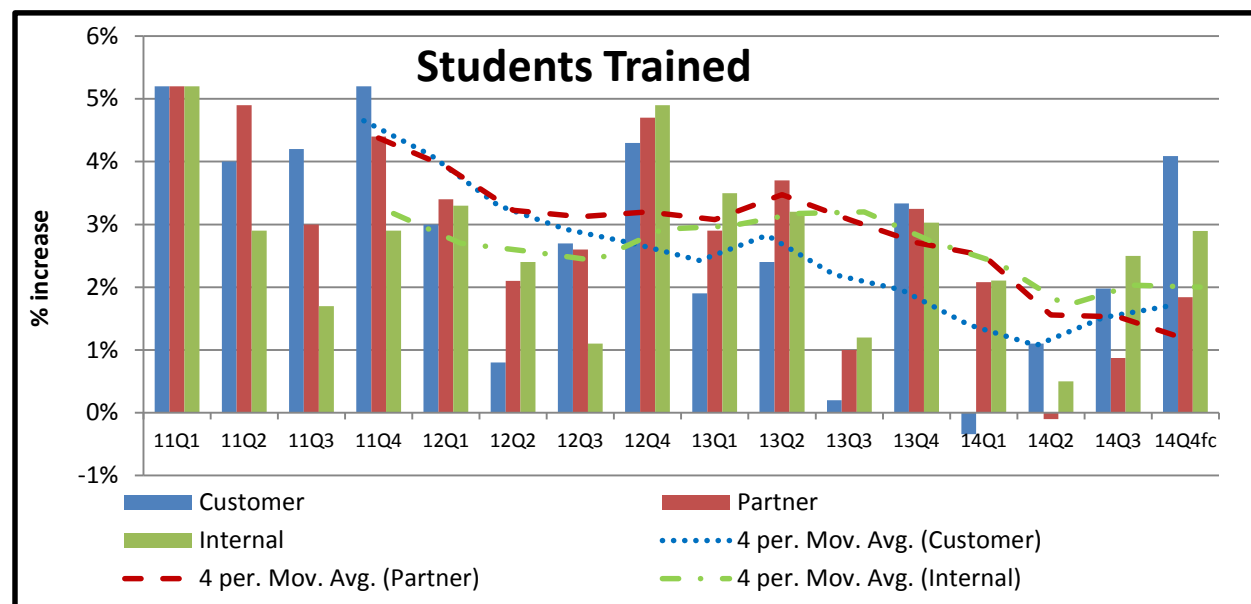
# Certification Tests Administered

Overall, certification has averaged an increase of 3-4% per year-on-year quarter when unweighted. The weighted scores show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases (around 2%). The spread numbers for 14Q3 (u=9, f=6, d=3) and 14Q4 (u=8, f=4, d=4) are similar. 18 out of the 25 companies offer certification.

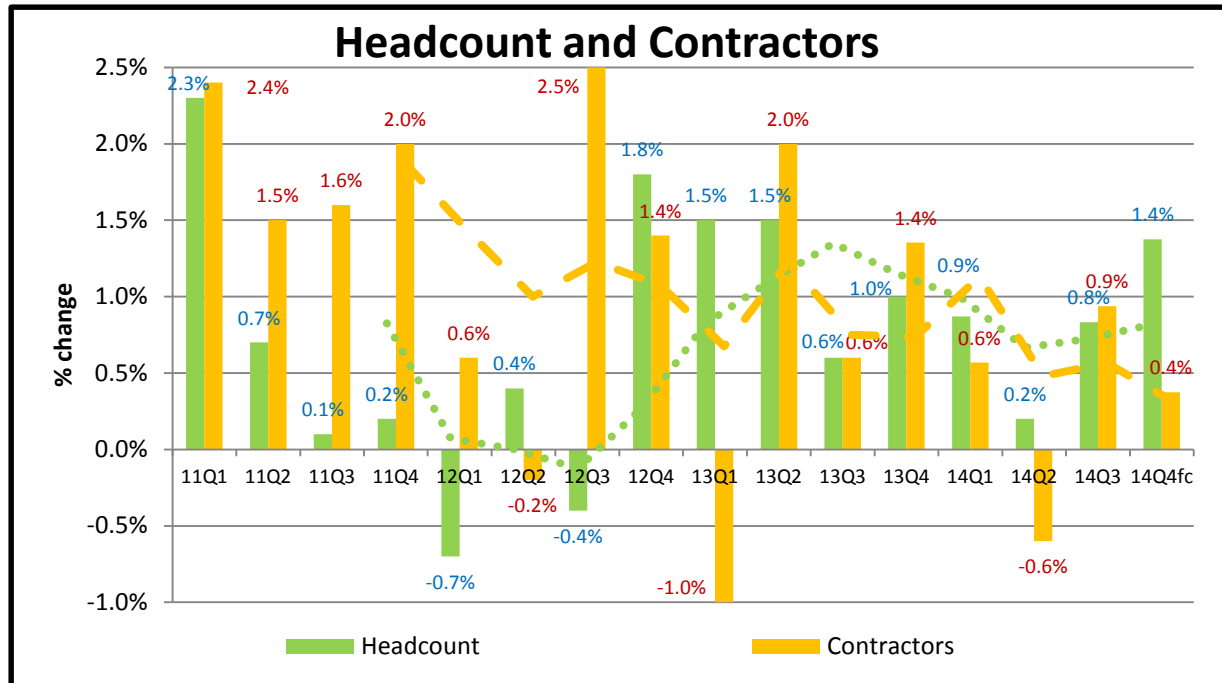


# Miscellaneous

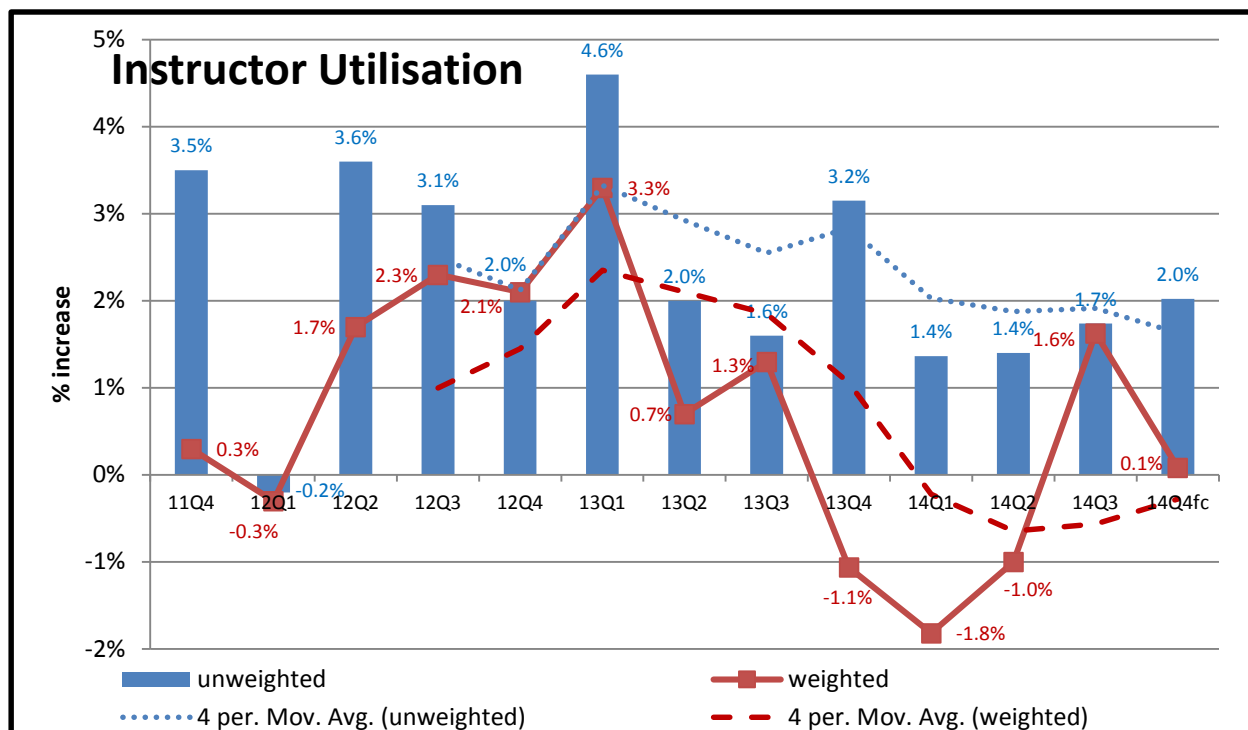
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period, although decreasing to 1-2% just now.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year and show similar numbers for 14Q3 and forecasted 14Q4.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 1.0% increase, weighted being a decrease of 1.3%. The 14Q3 result (u=9, f=9, d=5) was 1.7% and 1.6% for unweighted and weighted, respectively, while the 14Q4 (u=8, f=6, d=7) forecasts are 2.0% and 0.1%. The trendlines follow each other quite closely but 2-3 percentage points apart, with unweighted being the higher at just under 2%.



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

1. Large education projects including learning adoption
2. Customization of manuals. Onsite private classes
3. eCommerce and Reporting
4. NetBackup; Enterprise Vault
5. No change - product areas
6. Learning Technology sales bounce back
7. Classroom training for our standard sign-sign on products
8. Storage continues to be a healthy growth area
9. Scheduled has rallied; One2One knowledge transfer has increased as customers want very focused training on their exact requirements rather than a generic course
10. On-Demand Training
11. Video & Audio
12. VxW 7
13. Private ILT; Authorised Training Partners; eLearning
14. VILT
15. No substantial increases notable
16. Onsite Training for end customers
17. Database and Technology; Business Intelligence
18. Managed training migration projects, transactional revenues due to specific attach initiative.
19. Nothing, all down
20. ILT & VILT revenue
21. Onsite courses
22. Specific to F5 are our technology courses. Same last quarter
23. New product training

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

1. Open classes in our training center
2. Nothing!
3. Marketing, Year End Training
4. Public ILT
5. Storage Foundation
6. Continued private ILT in Germany due to project phasing
7. All growth - no decrease
8. Networking is a concern
9. Ad hoc onsite requests are still down; Courses on specific tools are down
10. Public scheduled ILT courses
11. Public class training
12. Public ILT
13. Old products
14. All decreases; most notably in Account Specific courses

15. Training of partners, as the Channel Team has a own training offering to partners - mainly for free.
16. Big Data storage - for the first time
17. Private and public ILT
18. Adoption Services; Public Schedule
19. Old products coming to end of life
20. Older product training

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

1. Find sufficient skilled resources; maintain adequate training pricing and with that the margin
2. Middle East is still one the greatest challenges; Lack of resource to deliver on commitments
3. Managing Growth globally, maintaining instructor quality, ramping. Burning down of backlog (booked revenue).
4. Change from standard ILT delivery to self-paced; Shift of revenue allocations.
5. Moving our End User business to Authorized Training Partners. Sales engagement internally to promote new model.
6. Lack of resource, lack of sales incentives; Training is too small in relation to overall solution sell
7. Internal demand for product enablement exceeding capacity. New product sales increasing, so this will only continue.
8. Scaling the administration function in the business to cope with the growth (100% Q/Q)
9. Changes in rules by third party product providers. Large business infrastructure changes
10. Trying to move forward with an investment in elearning is proving challenging internally. As the software becomes stable trying to find new courses which will attract delegates
11. Decreased public schedule numbers. Decreased resources
12. Dealing with growth with limited internal resources
13. Expanding our offerings beyond standard internal material
14. Outsourcing training delivery; Creating up to date training content; Localised eLearning; Partner specific training plans; IVAs
15. Demand creation of VILT in a market that never had VILT before
16. Training that was formerly available through purchase of either courses or subscription has been bundled into product subscription; and while that doesn't exclude a customer having to purchase, the sales force hasn't learned how to sell this broadly to the users.
17. Making revenue target- getting customer interest up for VILT in EMEA
18. Compensating for reduction in public scheduled training; Migrating customers to subscription-based online learning platform
19. Multiple strategic changes all happening at the same time under new business tower; Drop off of sales and delivered revenues over summer period greater than forecasted
20. Lack of new license sales, Bad channel management
21. Launch of LMS
22. Feeling the brunt of weak software license sales
23. Authorised training centres not growing enough, demand outstripping capability
24. Headcount; education attachment to product sales

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

1. Particularly strong in Germany, ok in France, challenging in other regions/countries
2. We closed our year on 30th September and this was the best year we have ever had. We are selling more Educational Needs Assessments and gaining revenue back from that.
3. Strong quarter, which will probably continue into Q4.
4. Very positive in niche areas where tied directly to product sales.
5. ILT continues to drift downwards and the internal pressures seems to be directing 70:20:10 towards 75:20:5
6. Peer based training prevalent. Decrease in training budgets.
7. customers want training focused on their projects and environments
8. As training profitability becomes more and more paramount - the syncing of resources, infrastructure and programs is becoming more common place in vendor training teams/organisations, presenting significant integration challenges, conflicts of interest and risk. We are seeing this currently and find this distracting to our primary focuses and objectives.
9. IT sector is down, Oracle, IBM, HP all not making money. Direct correlation to Training.
10. Summer vacation always hurts revenue July to September