



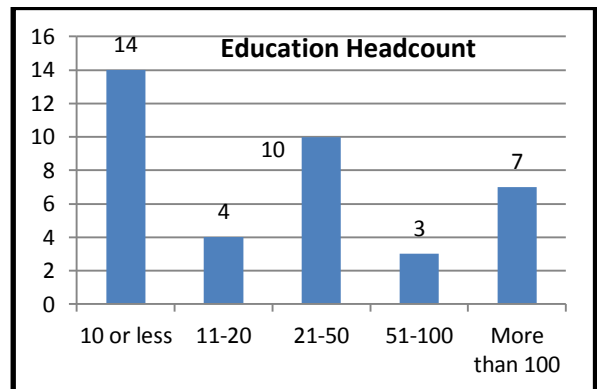
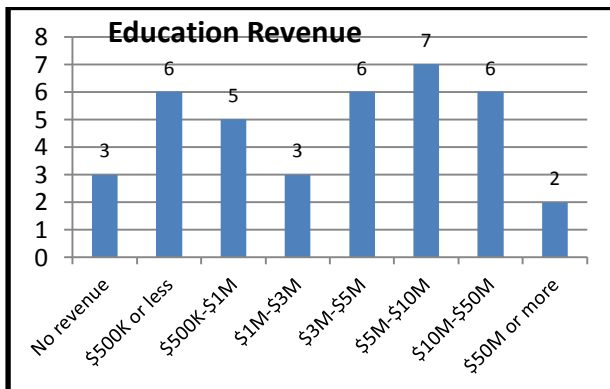
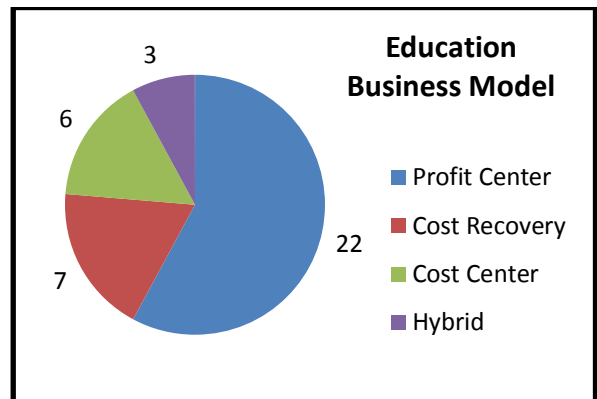
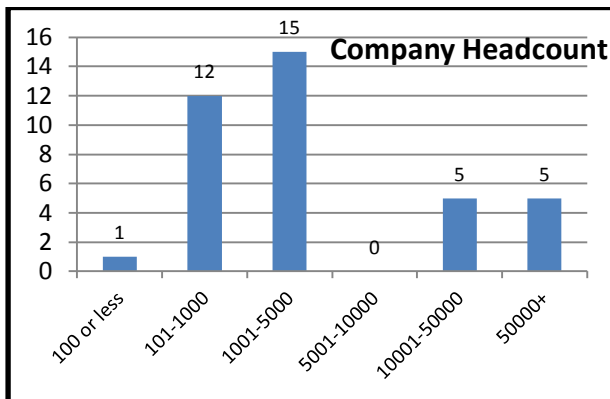
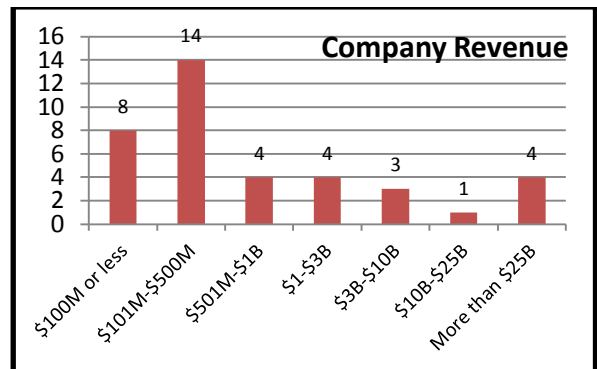
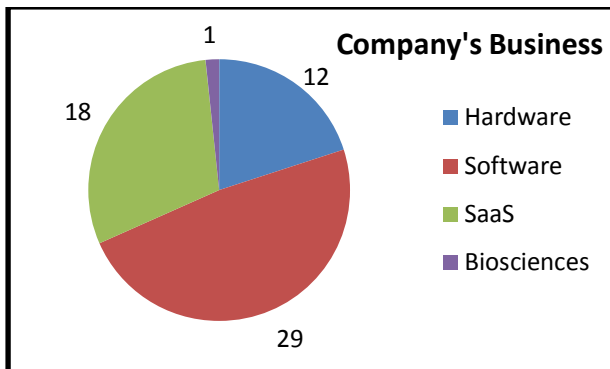
## CEdMA Training Market Barometer

### 2<sup>nd</sup> Quarter 2013 actual and forecast for 3<sup>rd</sup> Quarter 2013

#### Introduction

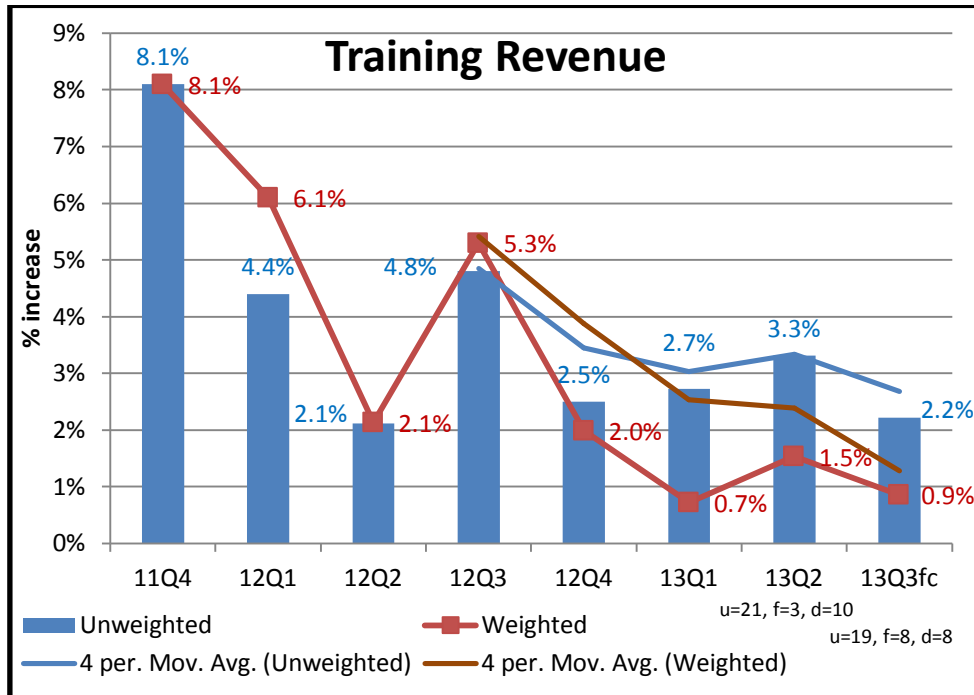
This report is compiled by CEdMA for its members about their Education businesses. It is based around a series of absolute growth or decline percentages in the range +- 12.5%. Revenue and volumes refer to training services delivered in the quarter and not future bookings. Members were asked to indicate whether their data was for the global business or that for North America.

There were 32 responses for global and only 7 for North America so the 39 profiles are as follows:

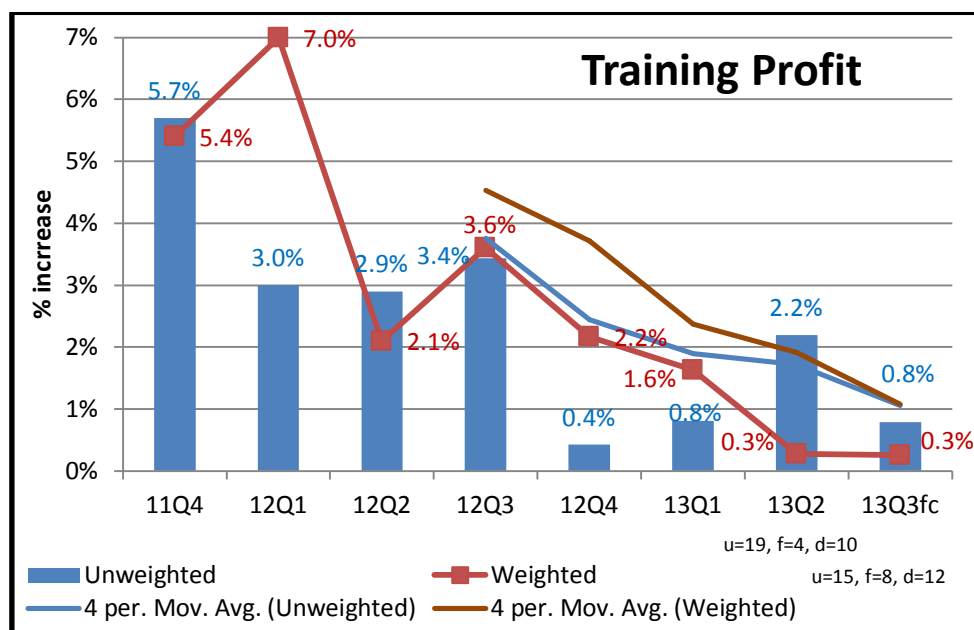


## Revenue and Profit

The unweighted average is the average of all responses whereas the weighted average uses the size of the company taking the relevant education revenue multiplied by the growth/decline rate, so larger companies have a bigger impact. The charts also indicate the number of members who show for their business an increase (Up=u), flat business (f) or a decline (Down=d).



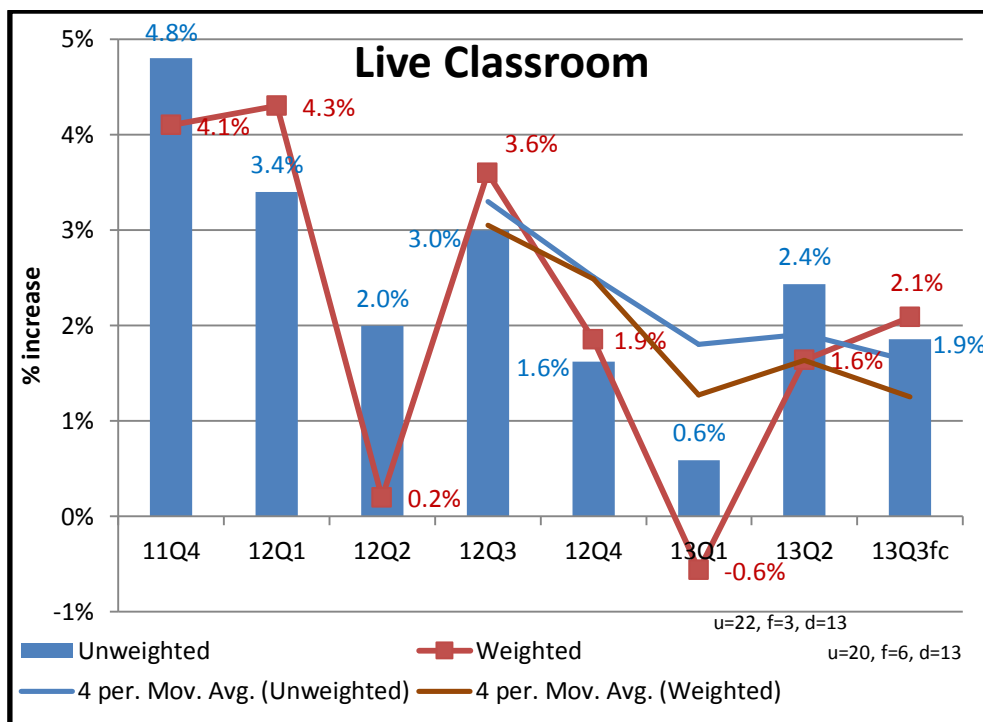
The unweighted total training revenue increase was 3.3% against a forecast in the last report of 2.2%. The weighted total training revenue increase of 1.5% against 0.9% forecast. As we now have enough data points, we have moved to a 4-period moving average, currently showing a 3.4% increase for unweighted and 2.4% increase for weighted, down 33%/50% from 9 months ago.



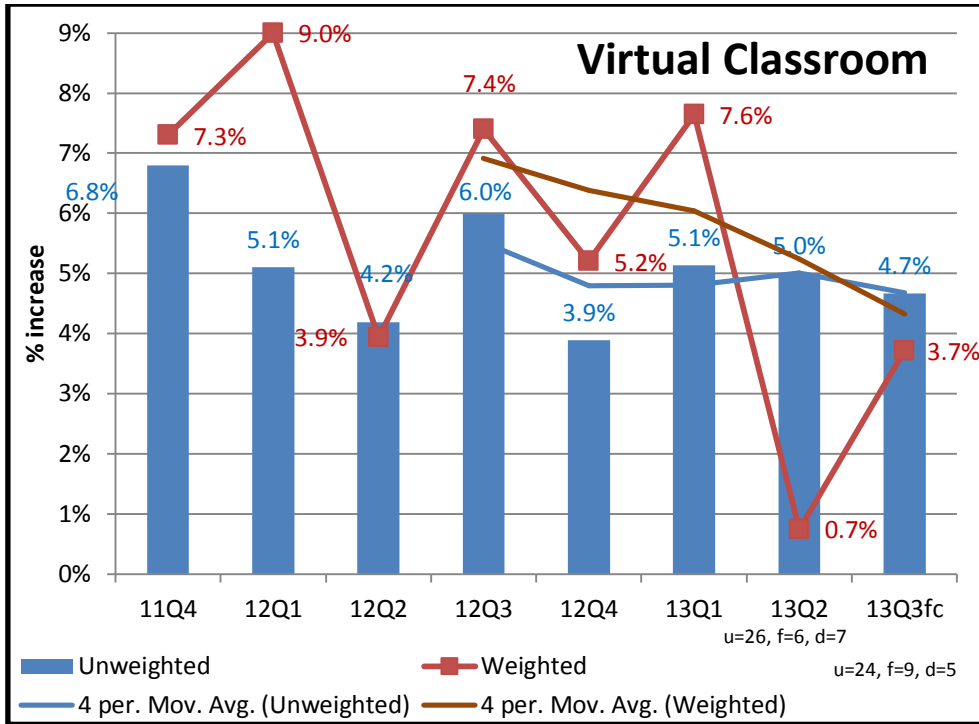
Training profit in 13Q2, both unweighted and weighted, was higher than forecast in 12Q4 (2.2% and 0.3% against -1.0% and 0.1%), all very flat. The 13Q3 forecasts are 0.8% and 0.3% for unweighted and weighted, respectively. The training profit four-period trendlines currently show a 1.7% increase for unweighted and 1.9% for weighted and, about half of the trended increase showing 9 months ago.

### Activities (Customer and Partner Training)

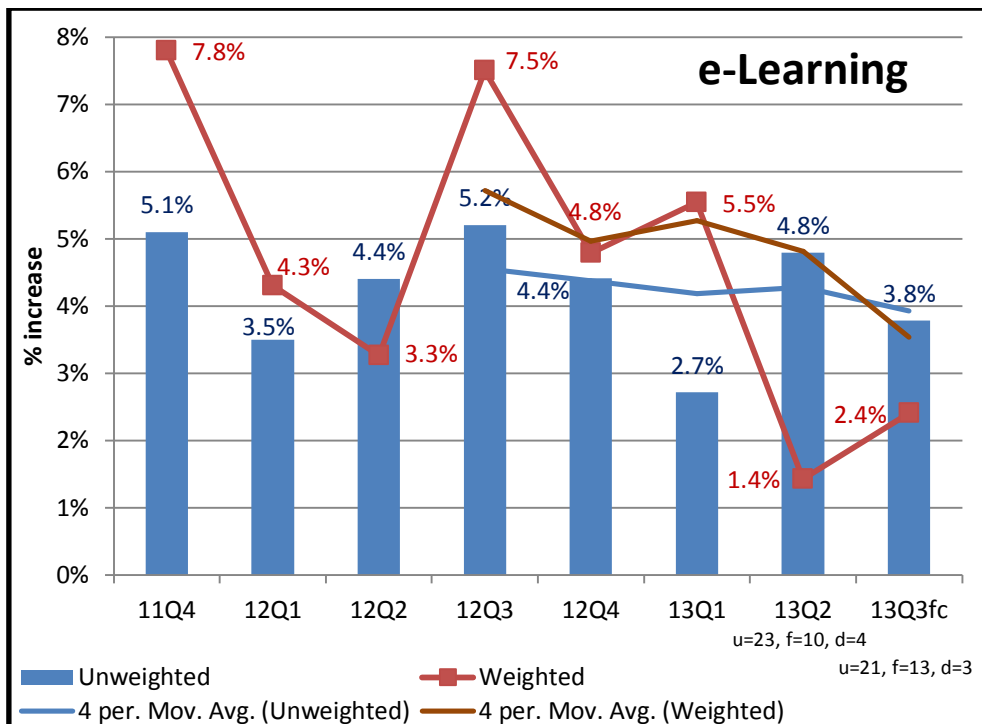
Live classroom volume is still increasing but the rate is slowing down slightly over the period. The 13Q1 dip seems to have been corrected. The 4-period moving average currently shows a 1.9% increase for unweighted and 1.6% increase for weighted, down by about a third in 9 months.



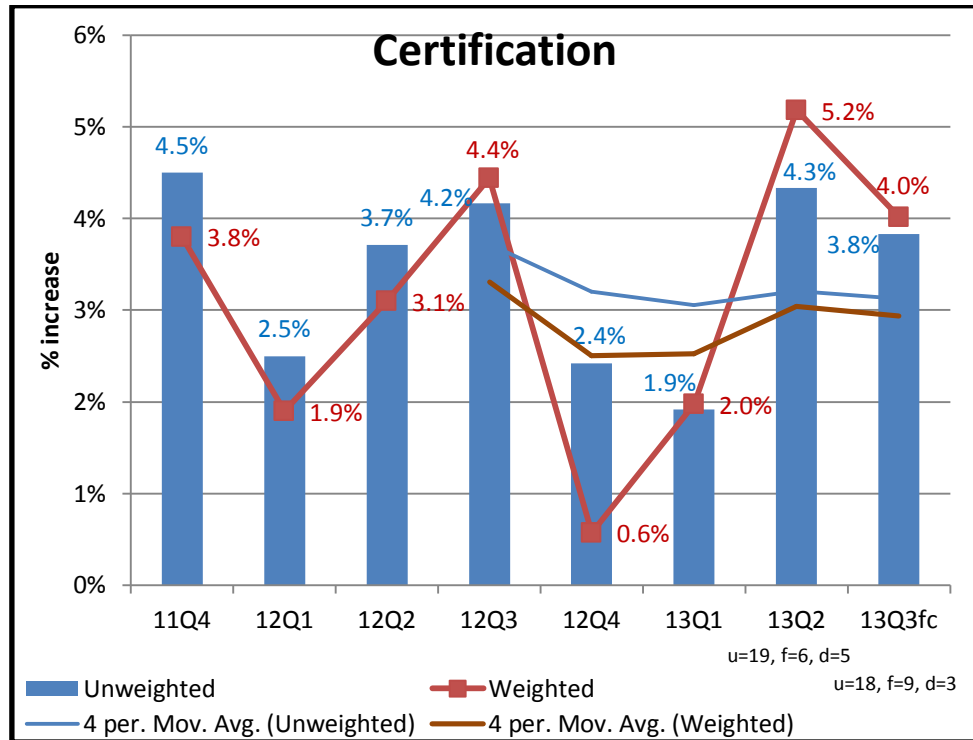
Virtual classroom on the other hand is growing faster, and apart from 13Q2, slightly more for the larger companies who potentially jumped on board much earlier. The unweighted virtual classroom volume increase was 5.0% against a forecast in the last report of 3.8%. The weighted virtual classroom volume increase was only 0.7% against 4.4% forecast. It will be interesting to see how the 13Q3 forecasts of 1.9% unweighted and 2.1% weighted stand up. The 4-period moving average currently shows a 5.0% increase for unweighted and 5.3% increase for weighted, down by about 10%/20% in 9 months. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.



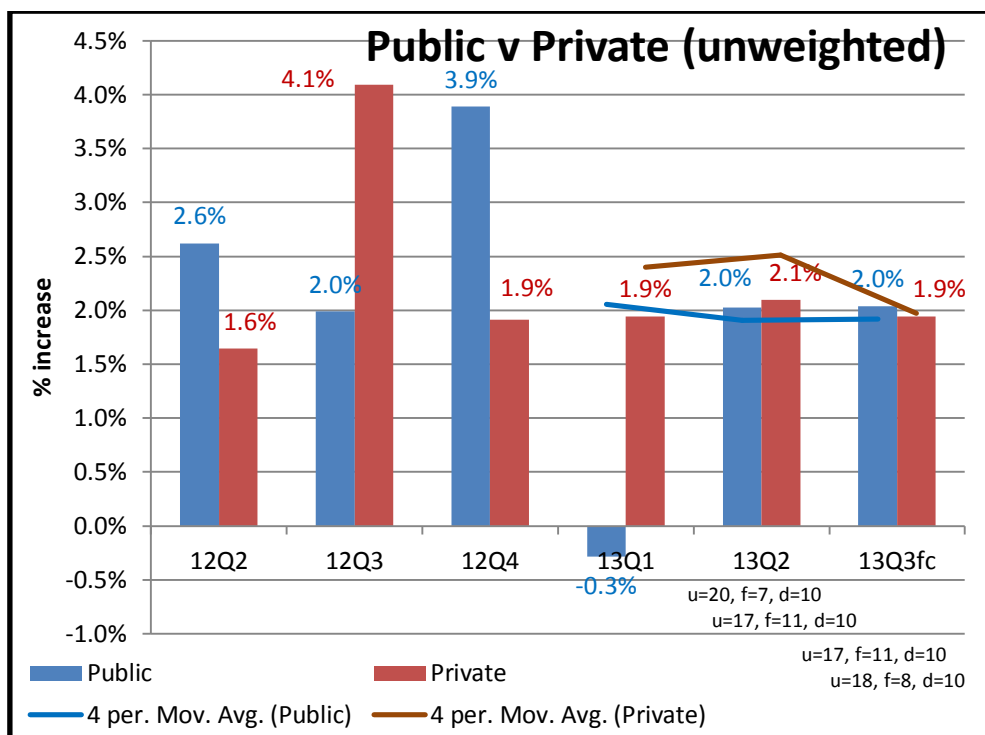
The unweighted e-Learning volume increase was 4.8% against a forecast in the last report of 2.6%. The weighted e-Learning volume increase was only 1.4% against 5.5% forecast, showing a similar pattern to virtual classroom volume increases. In general, the growth over the total period is about the same as virtual classroom. The 4-period moving average currently shows a 4.4% increase for unweighted and 4.8% increase for weighted, flat for unweighted but down by about 10% in 9 months for weighted.



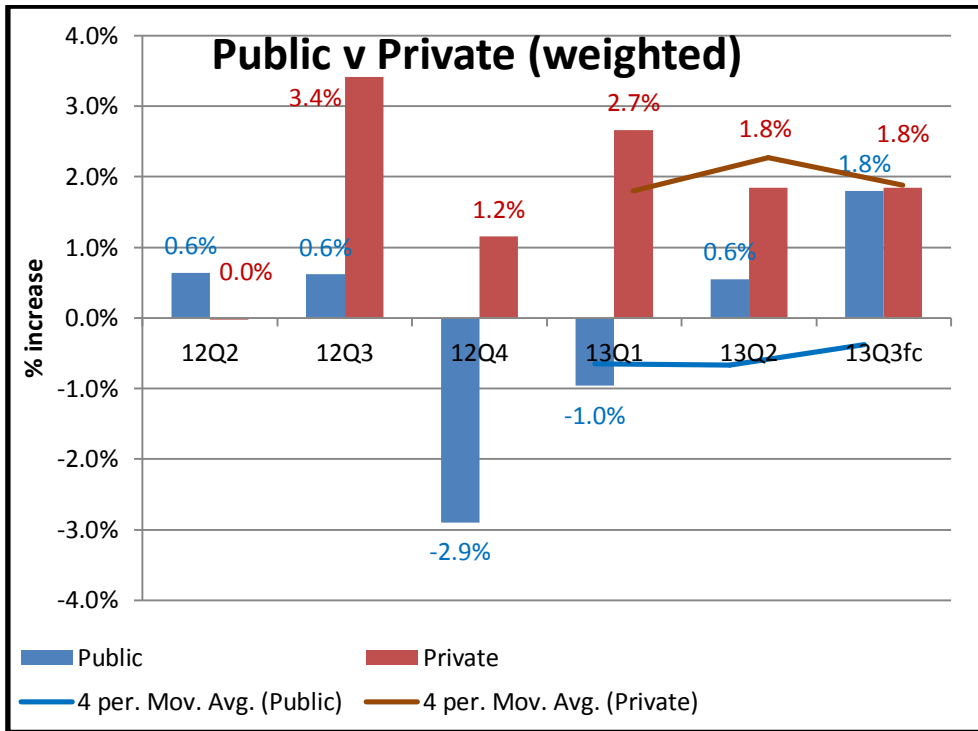
The unweighted certification volume increase was 4.3% against a forecast in the last report of 2.4%. The weighted certification volume increase was 5.2% against 1.9% forecast. Maybe, it's back to normal after smaller increases in 12Q4 and 13Q1. The 4-period moving average currently shows a 3.2% increase for unweighted and 3.1% increase for weighted, a smaller increase by less than 10% for both.



We now include questions on public classes and private classes. After a “blip” in 13Q1, both have increased by 2% in 13Q2, even though the previous forecast was a decrease in public volumes.

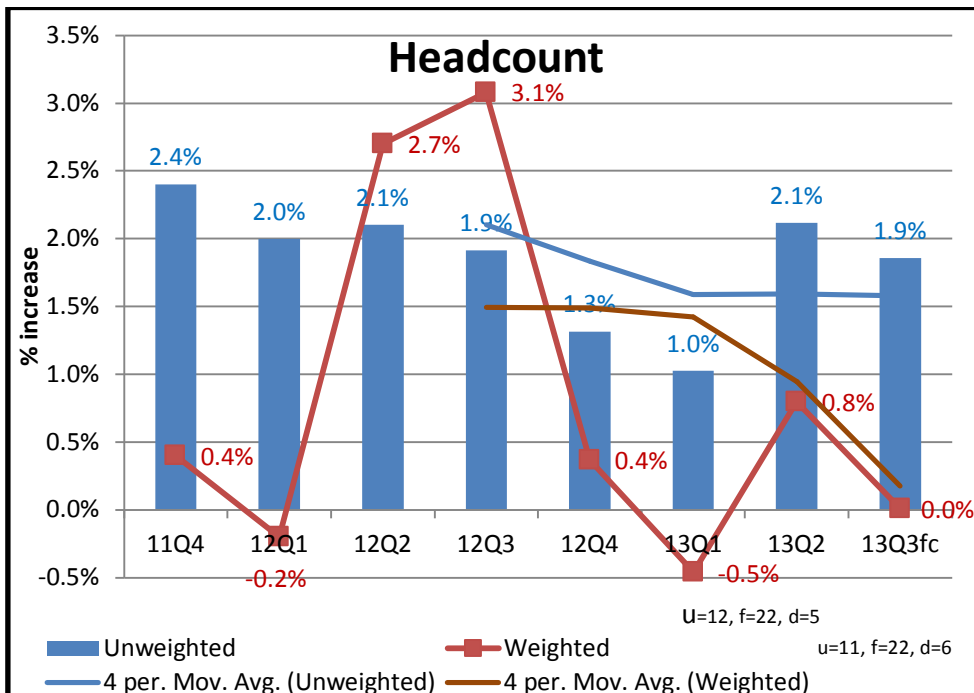


When weighting is taken into account, the changes are more dramatic. The 4-period moving average currently shows a 2.0% increase for private but 0.5% decrease for public.

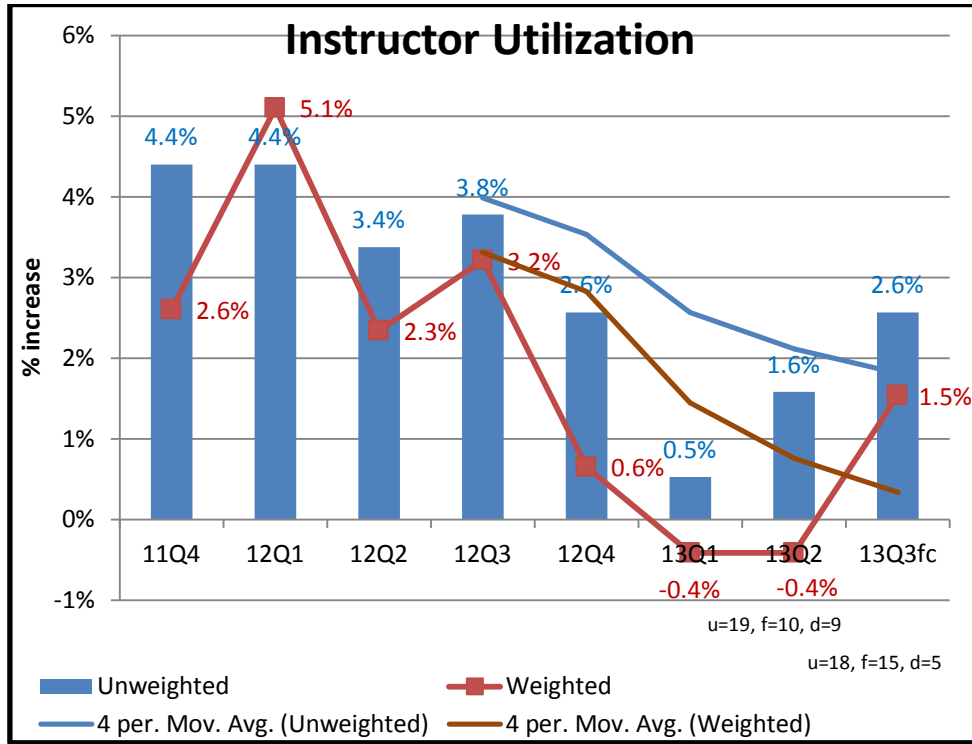


**Team**

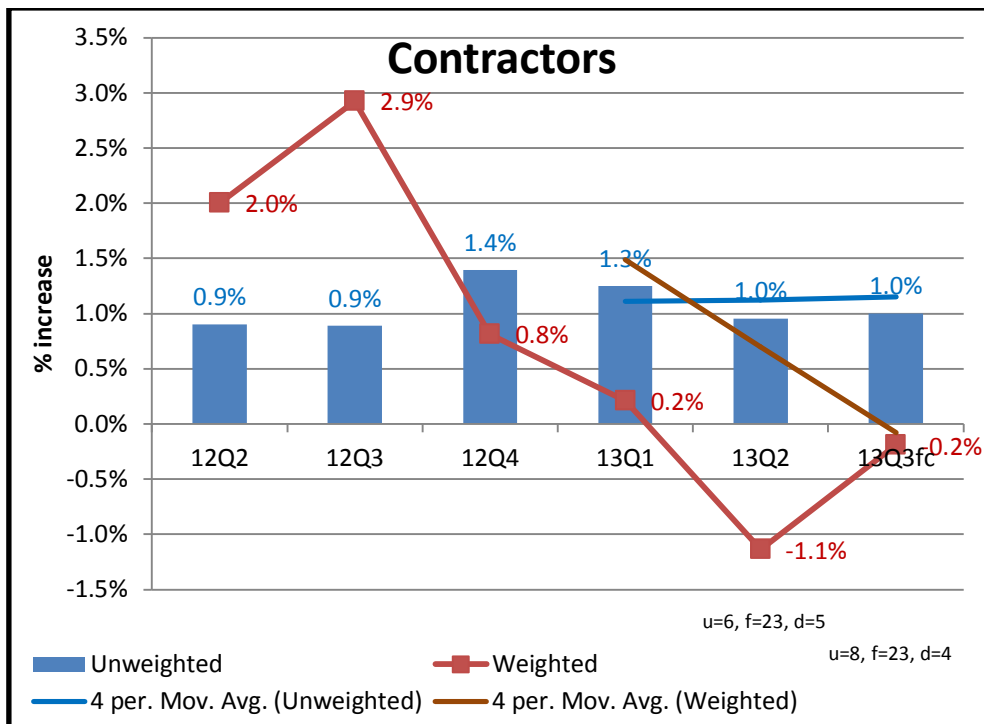
Unweighted headcount has largely remained constant over six quarters, with the weighted numbers showing more erratically. The 4-period moving average currently shows a 1.6% increase for unweighted but trending to flat for weighted.



Maybe as a result of the small increase in hiring, the instructor utilization increases are smaller over time, especially for the larger companies. The 4-period moving average currently shows a 1.7% increase for unweighted but a 0.8% increase for weighted, with both down about 50% from 9 months ago.



We also added a question on the use of contractors recently. While the results overall show tiny increases, the weighted numbers again are quite erratic.



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

1. Developer-level/architect training
2. Channel Partner Training; virtual delivery
3. We are a start-up ...we have nowhere but up to go
4. Virtual
5. New version (Interface change) of our flagship product
6. MFT
7. Subscription Revenue
8. Storage Area Networks and IP training
9. Service assurance and security
10. Cloud Technologies
11. Security related products
12. Introduction level classes
13. Base protocols, system configuration, customization and implementation
14. New software release was completed in early June, so customer reluctance to spend on training continued into Q2 and now we've hit the summer lull through August. No significant increases in any particular area.
15. Our Online Learning Portal, which is getting traction after being launched last year.
16. Advanced training.
17. Configuration/Provisioning; Session border control /networking
18. eCommerce; Reporting
19. Virtual ILT classes; international training
20. Foundation (install, configure, manage) courses
21. Advanced courses beyond fundamentals
22. System Administration and configuration
23. Analytics
24. We are seeing the biggest increases in the education software side of our business, not our training services, which were down about 5% quarter over quarter.
25. Across the board - ILT, VILT, public, onsite
26. Focused Training on Specialist Products
27. Increased awareness and consumption of e-learning (web-based), and virtual (online ILT) courses
28. Virtual training
29. eLearning
30. Courses for new product features
31. Our SaaS offering - introductory material
32. Product training; Systems training
33. Technical training (both eLearning and ILT)
34. Linux, simulation, multi-core programming
35. New Product and advanced skills

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

1. User-training remained somewhat flat
2. classroom training; dedicated classes
3. We have not seen a decrease
4. None



5. Manufacturing Supply Chain product Training
6. B2B, Integration
7. Scheduled Course Revenue
8. Routing and Extension
9. PPM and CAPA
10. EOL products
11. None
12. Older technology classes
13. Integrated technologies, targeted, niche topics and basic elearning modules
14. Business slowdown with June release and summer/seasonal lull
15. Dedicated training - the reps don't seem to be selling it anymore.
16. Basic training
17. Feature-specific software training - i.e. advanced subscriber features, auto-attendant, music on hold, and so on
18. ILT
19. Marketing
20. Longer custom projects; asynchronous elearning
21. Troubleshooting
22. Developer training
23. Site branding
24. Nothing really decreased
25. VLC, locally, particularly in NA
26. n/a
27. No large decreases
28. Instructor-led (classroom-based) training
29. Public classes
30. Employee training
31. Legacy product areas
32. Perpetual licensing classes
33. Compliance
34. No decreases
35. Proprietary OSs
36. General skills

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

1. Keeping up with curriculum development has been a challenge, as our team is fairly small. Additionally, we are being asked to do more and more free or highly-discounted partner training, which strains our margins.
2. Shrinking product business; limited customer budgets
3. Scaling the team; Keeping up with demand
4. New geographies; New product lines
5. Employee Turnover, New Vendor Implementation
6. Lack of product sales to new clients; lack of training sales by sales team; lack of private training engagements
7. Accounts consuming the training subscription they've purchased - realizing full value
8. Filling Public Classes; Converting from direct training to an Authorized Training Partner model
9. Challenges with customers commitment to purchase products
10. Aligning marketing and promotional costs against business opportunity
11. Hiring

12. Lack of infrastructure; Newly hire instructors not up to speed
13. We are currently modifying or certification process, targeting our ILT courses by undergoing a top-down Curriculum Development; Review of existing course material, delivery methods and concepts of modularization of course content. This would allow on-the-fly customization of course content based on specific customer needs. Additionally, we are currently looking at a multi-media approach to course delivery and a tiered approach to certification.
14. Late release and very slow net new customer purchasing to drive new education spending; Overall company business is down 5% YTD vs. 2012. Stable product release availability so we can develop accurate curriculum.
15. Managing one team member out and hiring and ramping up a new one. Training numbers are decreasing and I'm now sure why - reps aren't selling classes? Customers aren't interested? More interest in the Online Learning Portal?
16. Sequester with government accounts; lack of proper LMS
17. Onsite/private classes have become increasing customized and complex in delivery (but for same price); Growing training delivery outside of North America without in-region resources and no increase in headcount
18. ILT became too costly and not enough ROI
19. Scaling to meet the demands of our Enterprise customers globally. As the product grows, meeting the diverse requirement within the curricula.
20. Limited resources to meet current demand and time to development new delivery platforms
21. Pricing and sales related changes in new company; Lack of End User training understanding
22. Low attach rates; Forecasting growth with any accuracy
23. Had a team member leave - able to backfill, but it affected production and priorities. With a small team, a change of one person can have a big effect. Trying to get people to understand that more VILT and less WBT is in the company's best interests.
24. Requests for virtual training, hiring of instructors
25. Resources to meet demand; Keeping up with rapid product changes
26. Sales conflict
27. Significant delays in production with courses into the market in a timely fashion; translation particularly impacted. Slow adoption of demand generation campaigns in outlying regions.
28. Recruiting and hiring
29. Moving main Training Operations base from UK to US; Developing new training using outsourced model
30. Lack of resources
31. Decrease in training demand and price pressure
32. More demand, but no increase in headcount. We addressed by introducing more MOOCs . Activation of a new customer-facing LMS has not been entirely smooth.
33. Collapse in sales team; SaaS offering takes me away from project planning with customers; have to put more controls in up-front to reduce trouble.
34. Onboarding new training staff members; Balancing strategy and tactical work
35. Major resource constraints on systems/administration and ILT delivery
36. Cutbacks in US defense budgets; increased export scrutiny of sales in EMEA
37. Attaching training to end product revenue

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

1. We are in the process of closing a record Q3, despite the seasonality challenges normally associated with this quarter. So, demand remains quite strong.
2. We are in high growth mode so all of our numbers are going up and up. We are growing the team but not as fast as we need to from a content development stand point. We are trying

some new edgy things and it is taking time to hone the process and still deliver good courses to meet the demand.

3. Interested to learn if others are experiencing an increase in Virtual Training
4. It is a soft quarter for the IT quarters; Training organizations are looking for alternative ways to deliver and sell their training like using mobile/rapid delivery methods.
5. SaaS model for software companies will have an impact on the way we train and charge going forward.
6. Exploring streaming video self-study as a subscription service; Course delivery through smart phones, hand held devices. Exam security continues to be a challenge; exploring options to reduce exam delivery costs.
7. Training in the high tech industry is migrating from traditional delivery, "death-by-PPT" and rote-memory test taking to a more hands-on approach, involving building a functional knowledge base in the target audience, providing a multi-sensory approach to learning, and instead of depending on the student to memorize a massive quantity of knowledge, provide the students the framework to know how the technology involved should work, and a working knowledge on how to access the information as problems or questions arise. This approach lessens the overall loading on both the instructor and the students, and instead, relies on residual learning taking place as the student operates the equipment/software/technology that is being taught.
8. Comparable BI companies are offering more free multimedia content to introduce customers to their software - video tutorials that are quasi-marketing and training. Internally we're wrestling with: 1) Who owns creating this type of freebies - Marketing, Product Development, or Customer Education; 2) The depth and level of content.
9. We are moving more towards customer enablement and success, and that means that my group is becoming likely a cost center.
10. ELearning continues to do well.
11. I have no observations about the IT training market but in telecommunications, the biggest challenge to enabling our customers to be successful with our products is how to train them and keep those skills sharp given increasingly multi-vendor networks. Also making training relevant and putting the right kind of support tools in their hands is more crucial than ever.
12. Customers are less resistant to the virtual classroom format. Customer expectations are very high and expect a high return on their investment. Just-in-time, on-demand training are in higher demand.
13. There still seems to be a division between the demand for ILT and elearning training, although we continue to see an increase demand in self-learning needs.
14. Definitely believe that companies are struggling with how to address the SaaS market place from a training standpoint - no longer one size fits all, but rather multiple sizes must address many. This continues within our company as a major challenge in moving to the Cloud.
15. A shift towards videos and subscriptions
16. An even heavier swing to virtual and blended classroom
17. I am seeing a huge interest in MOOCs (SAP launched one on its new technology, HANA, and the Education business is now inundated with requests about this sort of "social" learning. We are investigating what we can (and should) do.
18. Although our revenue is at record levels, margins are squeezed due to higher costs (especially travel), and it's much more difficult to sell on-site or one-customer courses this year due to customer budget constraints. Getting lots of demand for VILT now, this will be reflected in our offering in a few months.
19. Support for virtual, live hands-on labs. Technology solutions need to improve, to embrace breadth of devices and browsers.
20. There's an increased demand in virtual training, but people don't like having to pay for their own customized schedule. "Give me more for less, please" is the theme I keep encountering.
21. The move to open source has changed customers' approach to projects.