

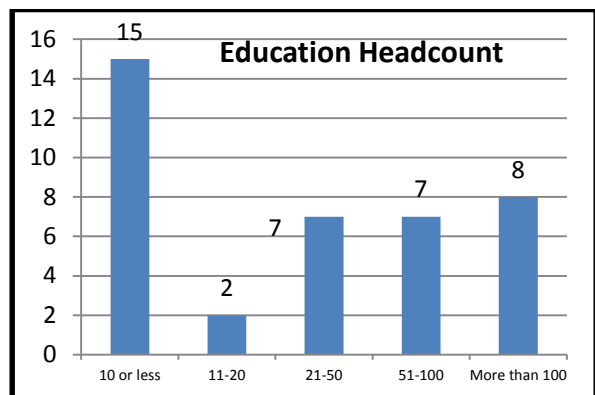
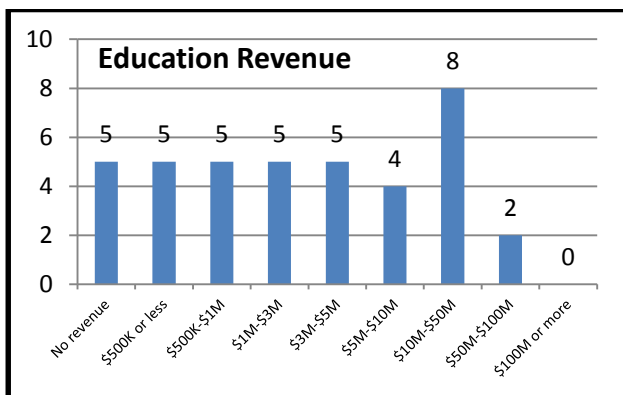
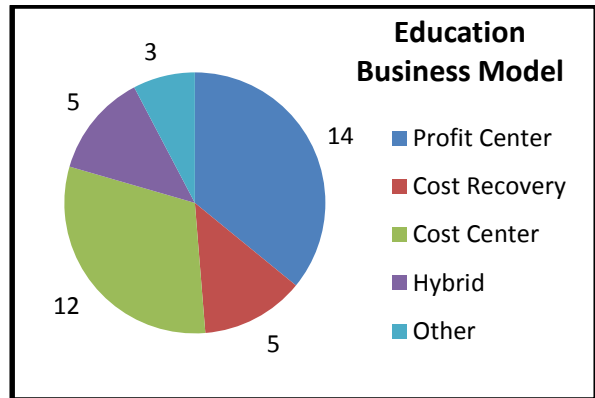
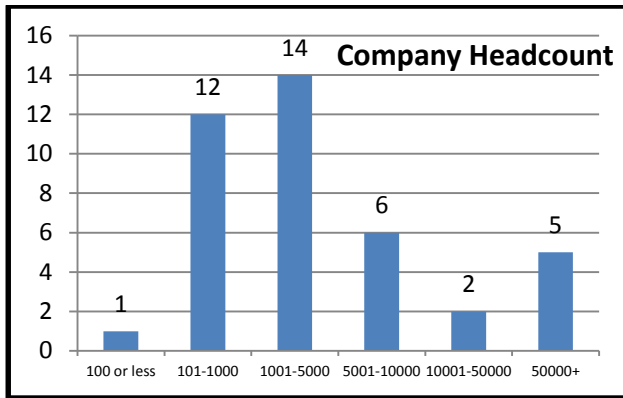
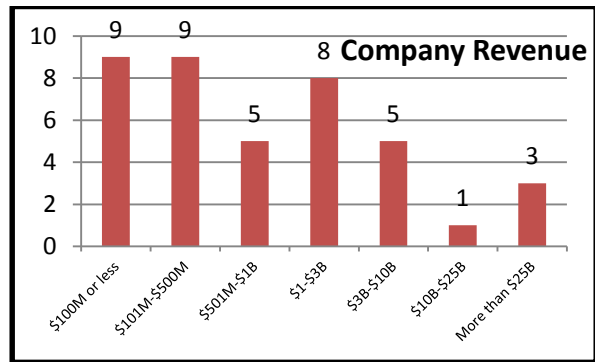
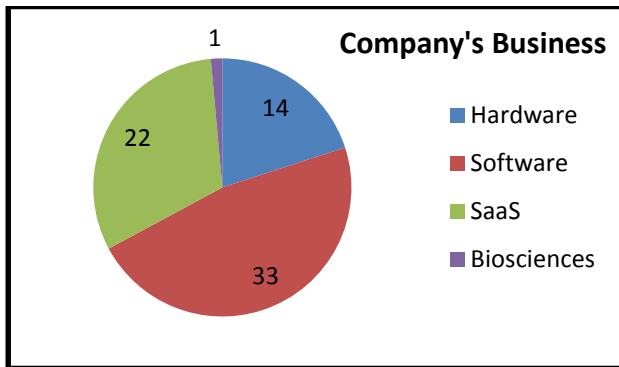


CEdMA Training Market Barometer

2nd Quarter 2014 actual and forecast for 3rd Quarter 2014

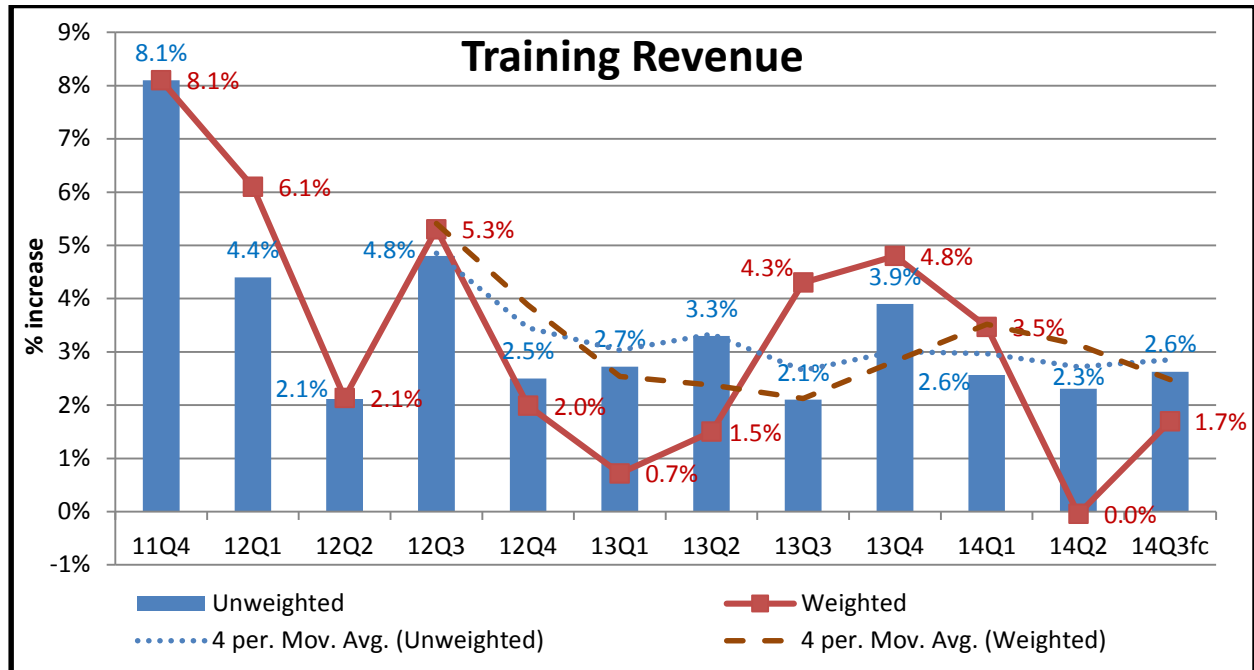
Introduction

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. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. There were 33 responses for global and only 7 for North America so the combined 40 profiles are as follows:

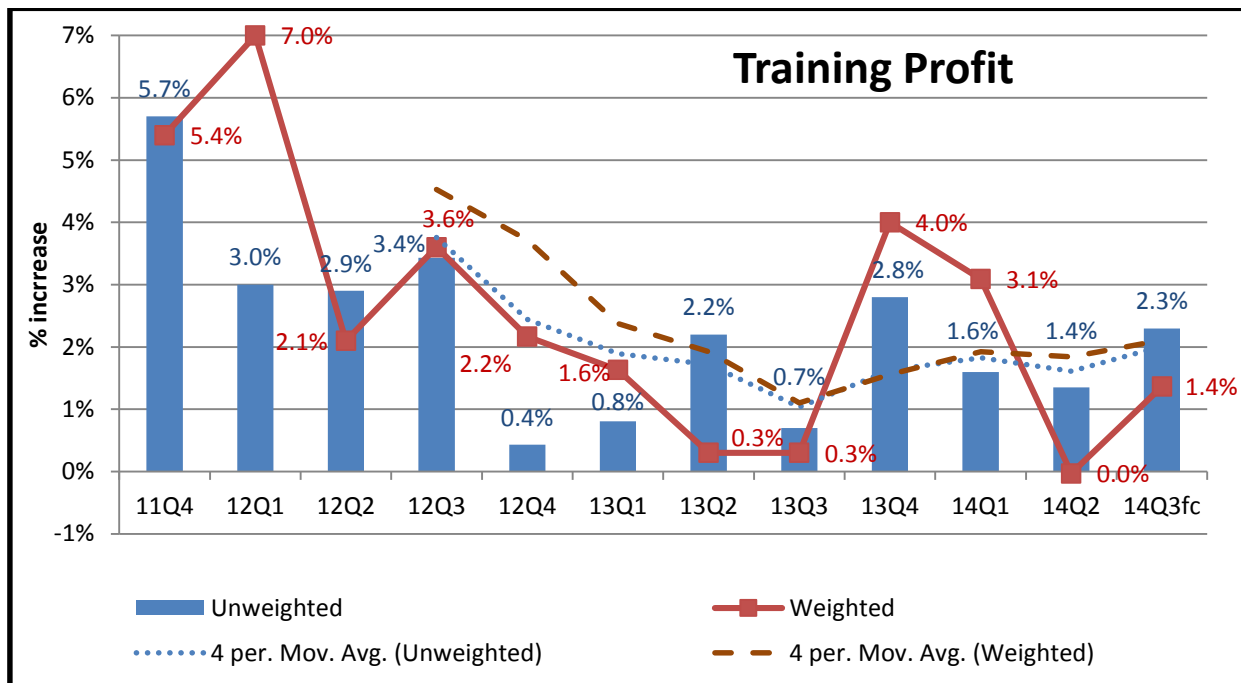


The unweighted average is the average of all responses whereas the weighted average uses the size of the company taking the relevant education revenue multiplied by the growth/decline rate, so larger companies have a bigger impact.

Revenue and Profit



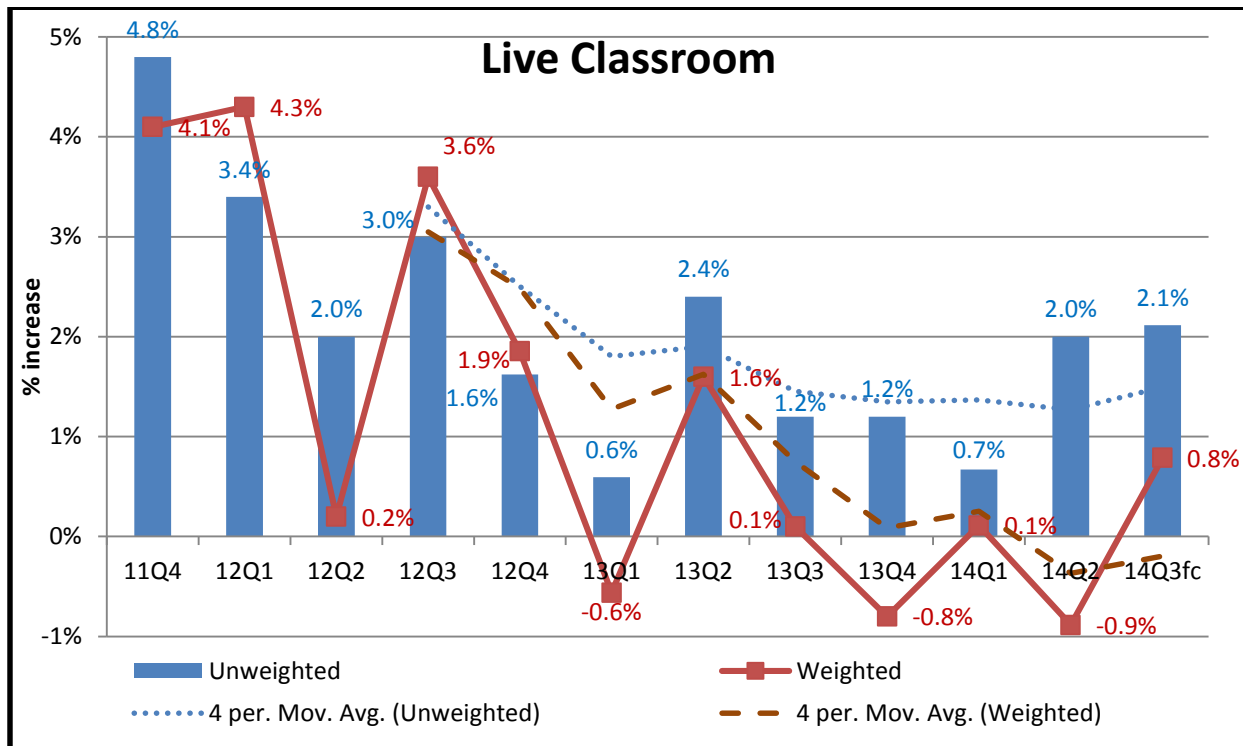
The unweighted total training revenue increase for 14Q2 (u=19, f11, d=9) was 2.3% against a forecast in the last report of 1.0%. The weighted total training revenue increase was flat against 3.7% forecast. The forecast for 14Q3 (u=19, f=12, d=8) is 2.6% unweighted and 1.7% weighted. The 4-period moving average is currently showing an increase around 2-3% for both unweighted and weighted, both down from 4-5% increase 24 months ago.



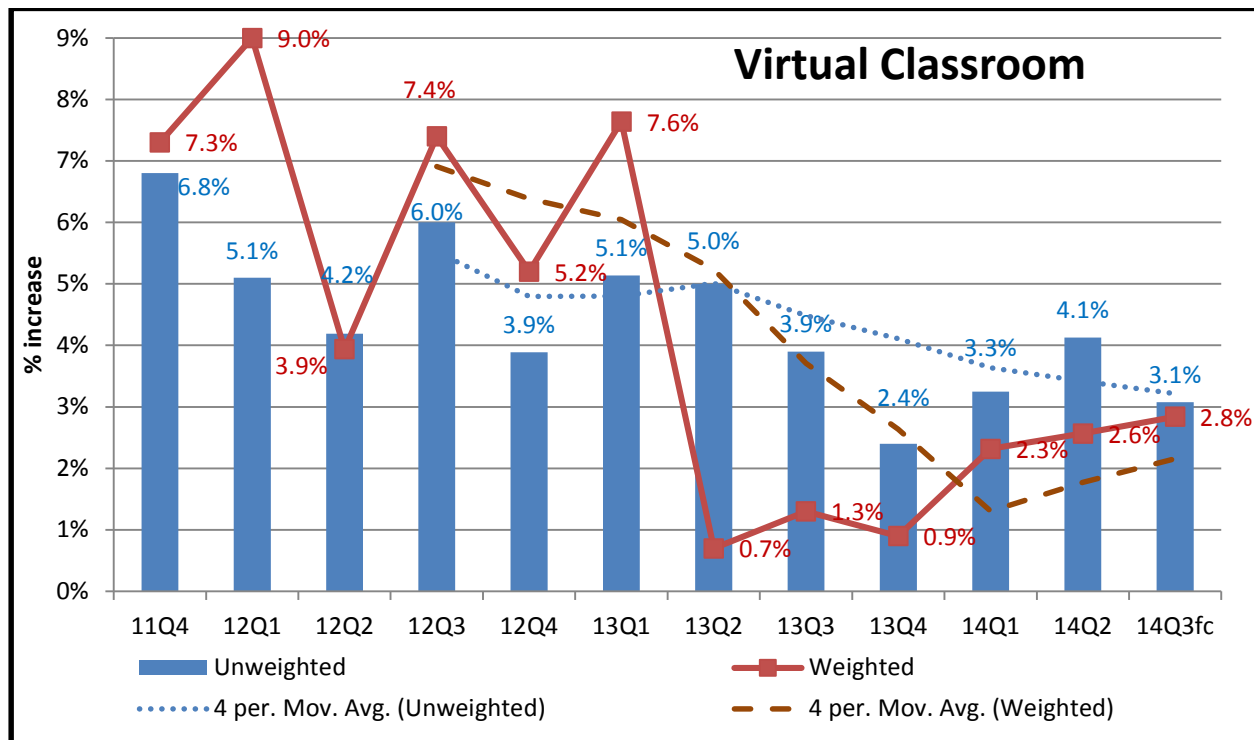
Training profit in 14Q2 (u=15, f=713, d=9) was a 1.4% increase against a forecast of 0.6% unweighted, and flat against a forecast of 3.8% weighted. The 14Q3 forecasts (u=16, f=15, d=6) are 2.3% and 1.4% for unweighted and weighted, respectively. The training profit four-period trendlines currently show a 1-2% increase for both unweighted and weighted, down from a 3-4% increase 24 months ago, but holding steady.

Activities (Customer and Partner Training)

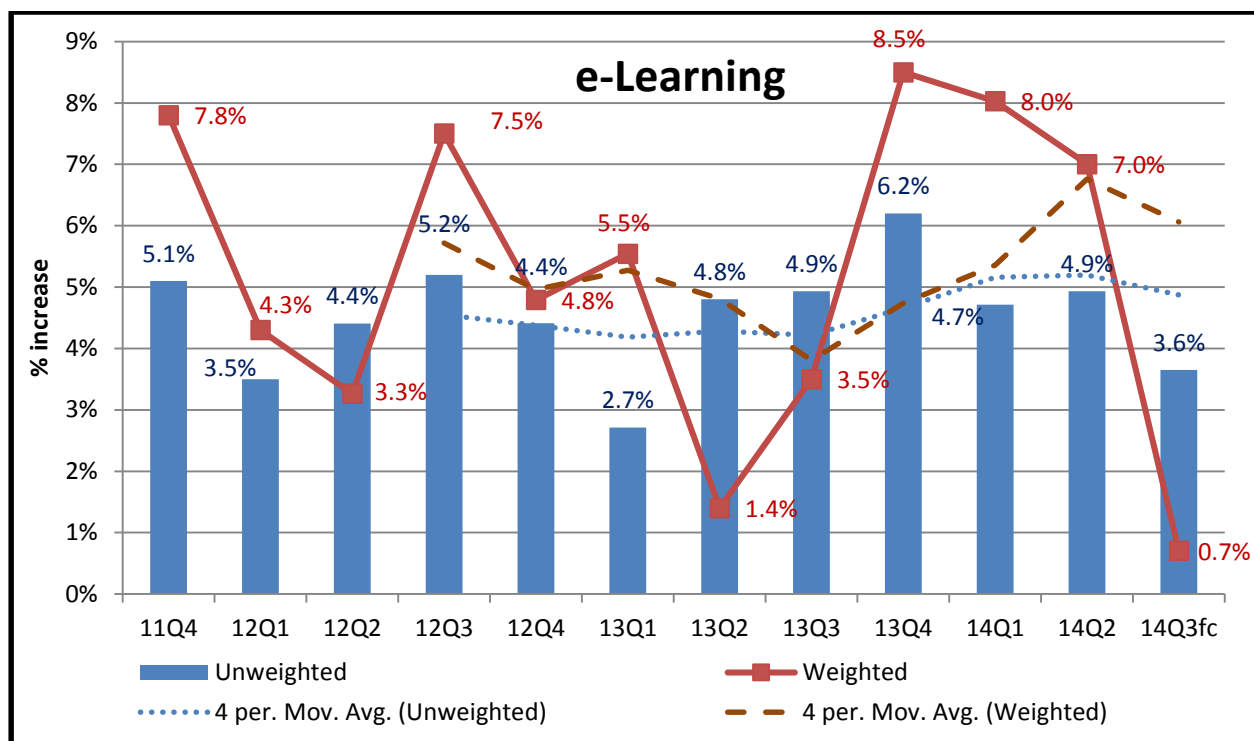
The unweighted live classroom volume increase for 14Q2 (u=18, f=10, d=12) was 2.0% against a forecast in the last report of 1.3%. The weighted live classroom volume increase was 0.8% against 1.3% forecast. The forecast for 14Q3 (u=20, f=10, d=9), however, is 2.1% unweighted and 0.8% weighted. Live classroom volume, however, is still increasing. The 4-period moving average currently shows a 1-2% increase for unweighted but around flat for weighted.



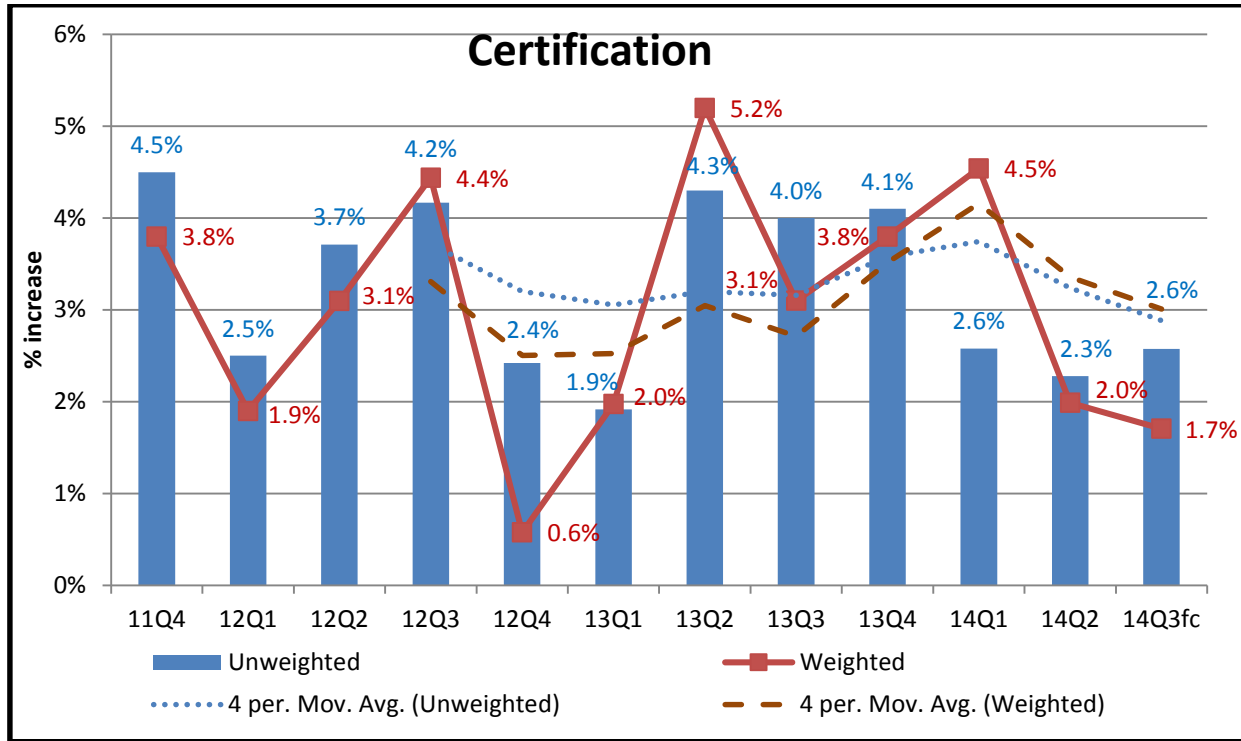
Virtual classroom on the other hand has been growing faster, but since 13Q2, less for the larger companies who potentially jumped on board much earlier. The unweighted virtual classroom volume increase for 14Q2 (u=24, f=8, d=8) was 4.1% against a forecast in the last report of 3.5%. The weighted virtual classroom volume increase was 2.6% against 2.4% forecast. The 14Q3 forecasts (u=22, f=11, d=6) are 3.1% unweighted and 2.8% weighted, respectively. The 4-period moving average currently shows an increase of 3-4% for unweighted and around 1-2% for weighted. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.



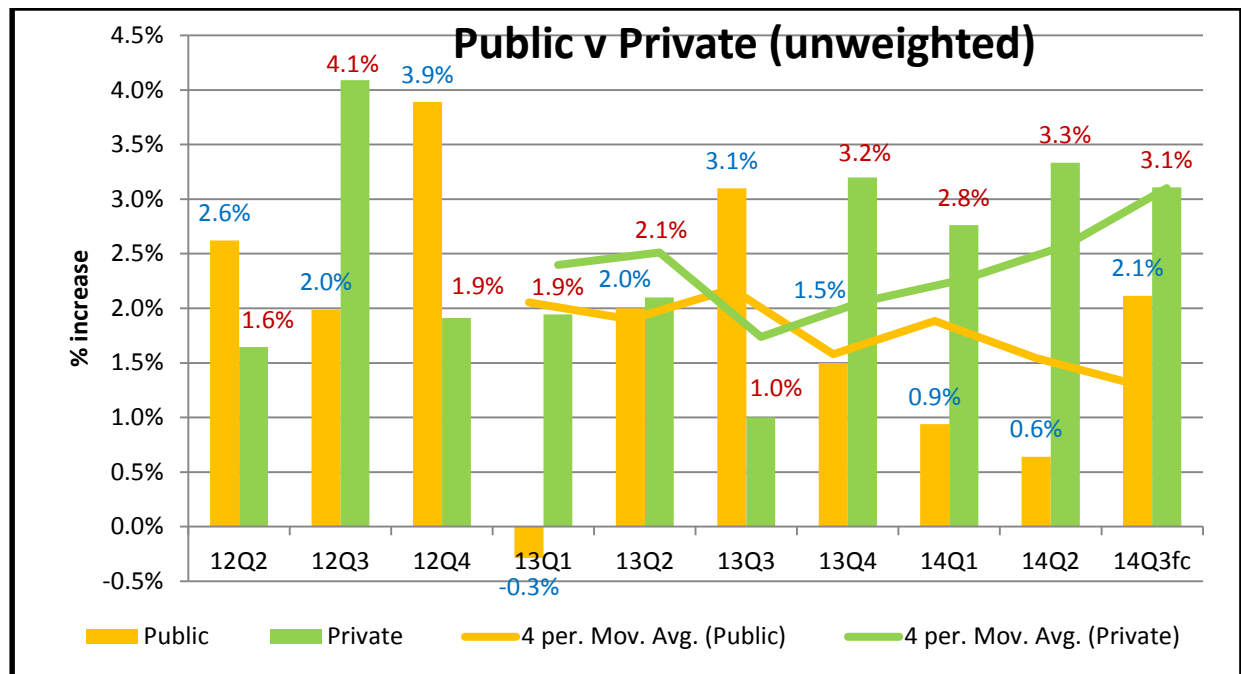
The unweighted e-Learning volume increase in 14Q2 (u=23, f=9, d=4) was 4.9% against a forecast in the last report of 4.9%. The weighted e-Learning volume increase was 7.0% against 6.9% forecast, showing quite a significant boost for larger companies. The 14Q3 forecast (u=22, f=9, d=6) is 3.6% and 0.7% for unweighted and weighted, respectively. The growth over the total period has now overtaken virtual classroom. The 4-period moving average currently shows a 5-6% increase for unweighted and 6-7% for weighted.



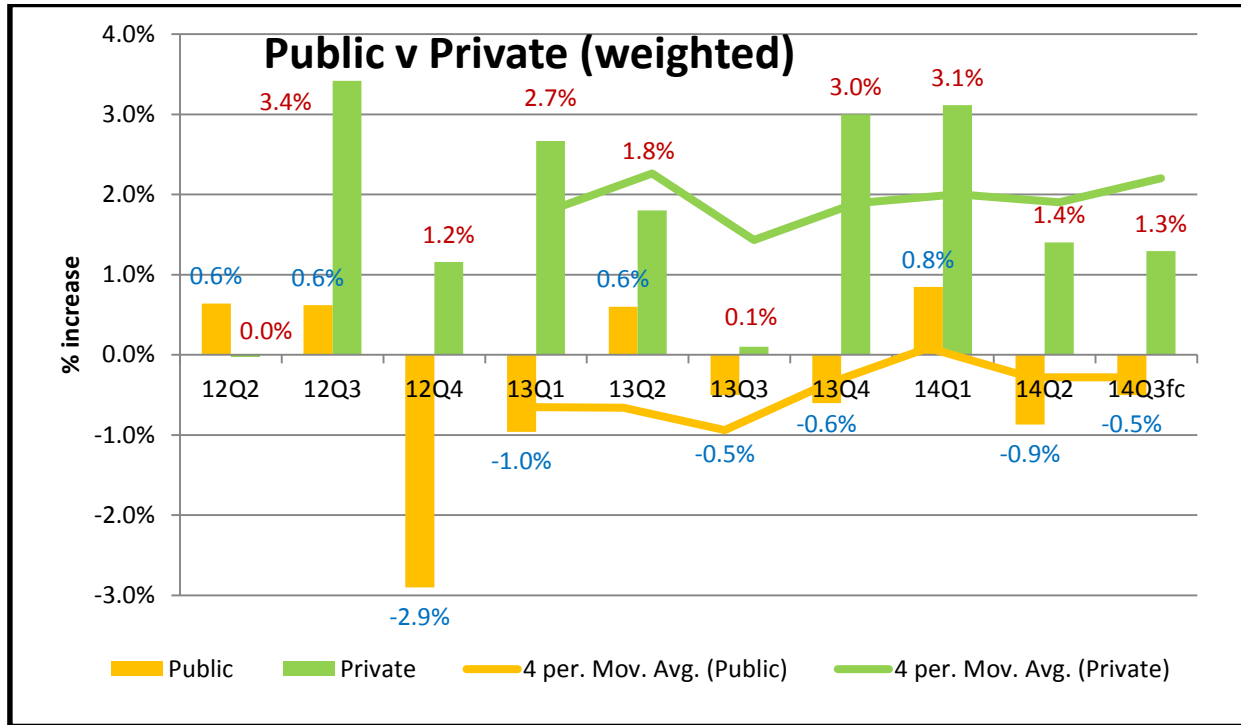
The unweighted certification volume increase for 14Q2 (u=13, f=15, d=6) was 2.3% against a forecast in the last report of 2.3%. The weighted certification volume increase was 2.0% against 2.9% forecast. The forecast for 14Q3 (u=16, f=13, d=5) is 2.6% and 1.7% for unweighted and weighted, respectively. The 4-period moving average currently shows 3-4% increases for both unweighted and weighted, slightly higher than 12 months ago.



We now include questions on public classes and private classes. After a “blip” in 13Q1, both volumes have increased in 14Q2, by 0.6% public and 3.3% private. The forecasts for 14Q3 are 2.1% and 3.1%, respectively. The trendline for public is 2% going to 1%, but private shows 2% going to 3%.

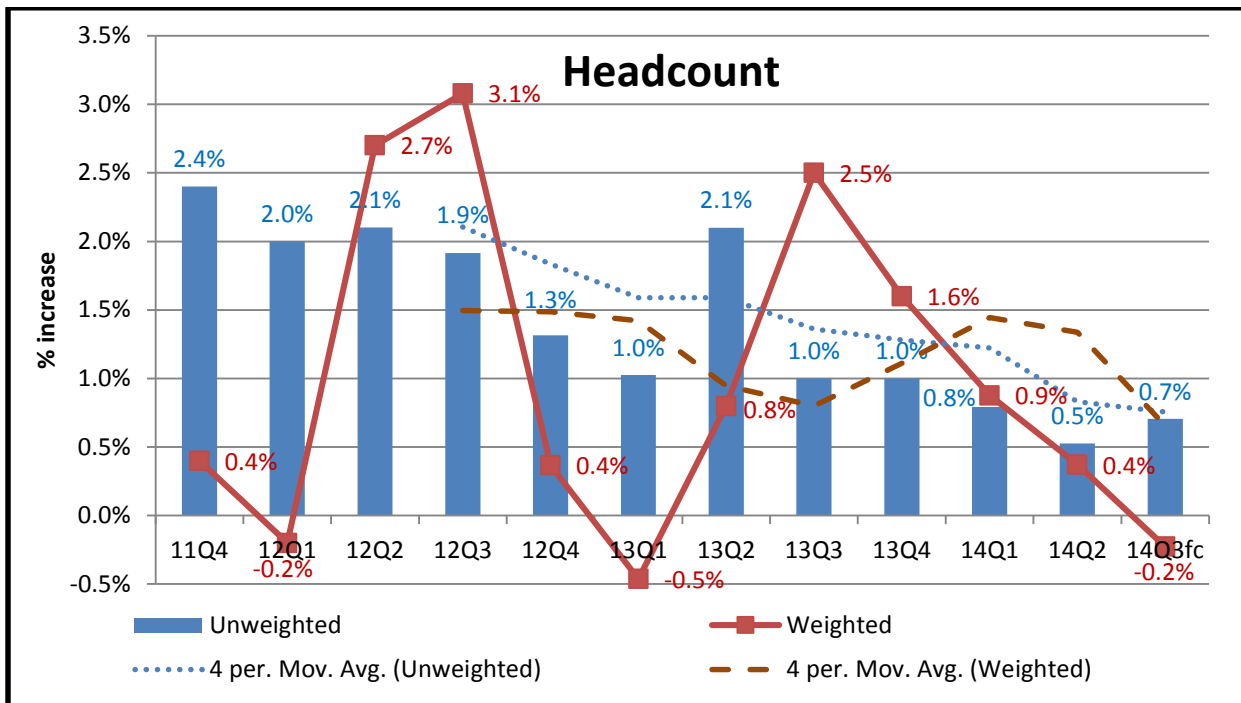


When weighting is taken into account, the changes are more dramatic. The 4-period moving average currently shows flat for public but a 2% increase for private. So, larger companies are doing less well with public courses.

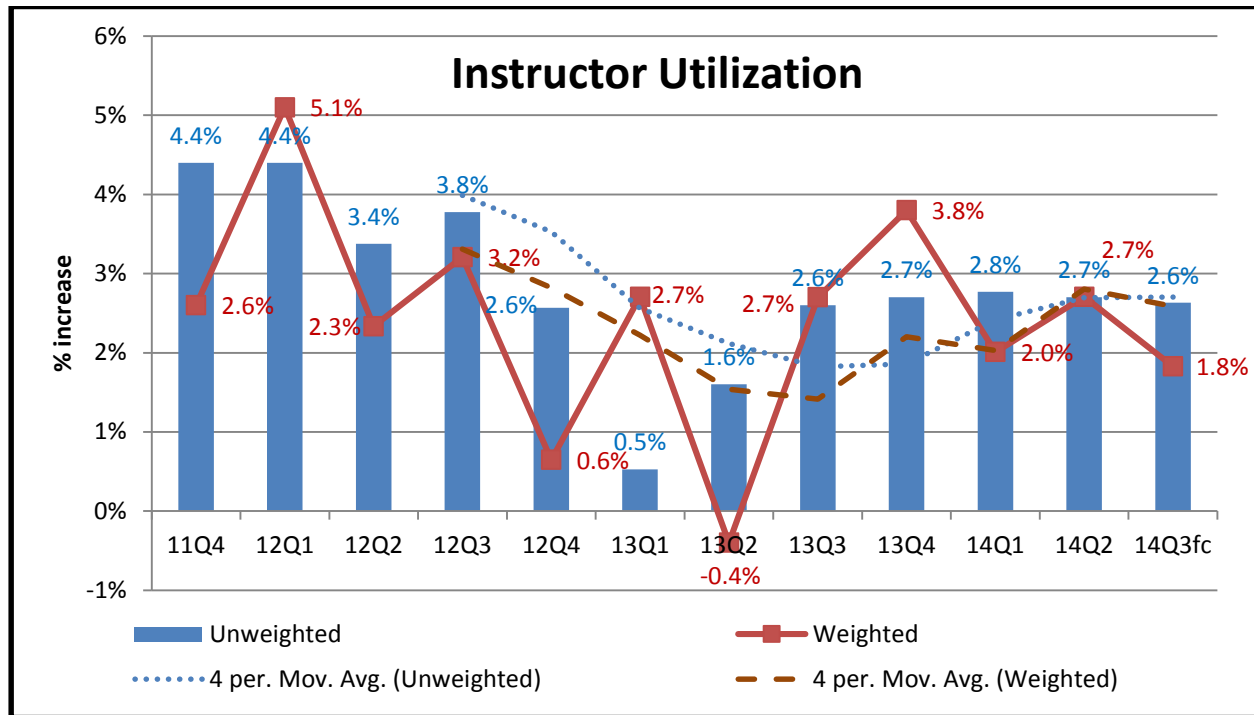


Team

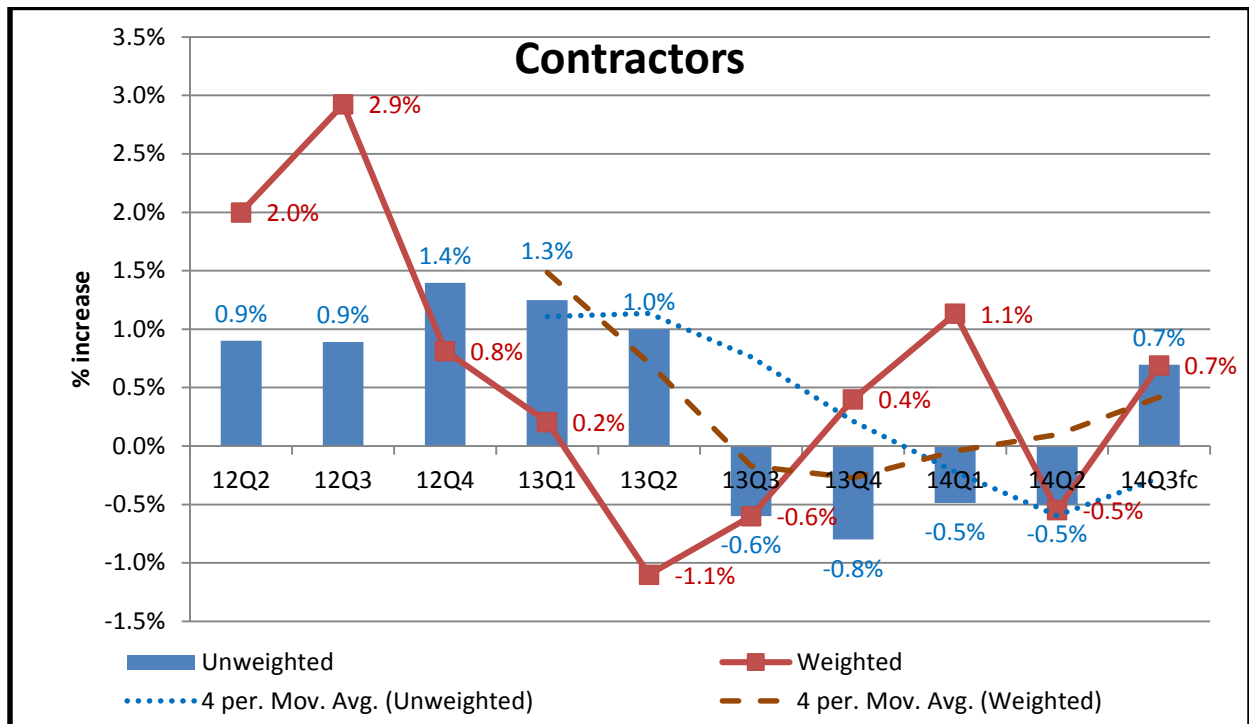
Unweighted headcount has largely remained constant over six quarters, with the weighted numbers showing more erratically. The 4-period moving average currently shows increases around 1% for unweighted and weighted alike.



Maybe as a result of the small increase in hiring, the instructor utilization increases are smaller over time. The 4-period moving average currently shows increases of around 2-3% for both unweighted and weighted.



We also added a question on the use of contractors in 12Q2. While the results for weighted have been erratic, the trendlines show that both unweighted and weighted are now about flat.



Summary

Revenue: The 4-period moving average is currently showing an increase around 2-3% for both unweighted and weighted, both down from 4-5% increase 24 months ago.

Profit: The training profit four-period trendlines currently show a 1-2% increase for both unweighted and weighted, down from a 3-4% increase 24 months ago, but holding steady.

Live Classroom: Live classroom volume is still increasing. The 4-period moving average currently shows a 1-2% increase for unweighted but around flat for weighted.

Virtual Classroom: The 4-period moving average currently shows an increase of 3-4% for unweighted and around 1-2% for weighted. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.

e-Learning: The growth over the total period has now overtaken virtual classroom. The 4-period moving average currently shows a 5-6% increase for unweighted and 6-7% for weighted.

Certification: The 4-period moving average currently shows 3-4% increases for both unweighted and weighted, slightly higher than 12 months ago.

Public versus Private: The unweighted trendline for public is 2% going to 1%, but private shows 2% going to 3%. When weighting is taken into account, the changes are more dramatic. The 4-period moving average currently shows flat for public but a 2% increase for private. So, larger companies are doing less well with public courses.

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

Reporting, Workflow
Decline
Revenue - introduced new product revs for all products
Ethernet fabric and Network Functions Virtualization
Security and single-sign on technologies.
New product training, Partner sales enablement
We have two areas Sales & Marketing. The demand for Marketing Analytics is significantly increased. Sales is almost the same.
Certification; eLearning
Private, customized training - both instructor-led onsite and virtual classroom courses, new business in EMEA and APAC (private courses mainly)
Private classes
OnDemand registrations
Customer exclusive training
Partner Education,
Linux
All
No increases
New internal applications

Customer skills
Reseller Partner Training
Managed service
Introduction of new products and services and business intelligence courses.
Instructor Led Online training and private events.
Technical classes - Developer and Architect level
Customized classes; Unique coaching opportunities
New customer classes
Learning Management System subscriptions
Virtual training in EMEA
New acquired products
Internet of Things; Optimization; Best Practice
Free online training (e-learning)
Topics around best case uses of our software into private deliveries
YouTube type learning offerings, CALA business
Private Training

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

Year End/ Platform
Decline
Public class - we eliminated them in place of ad hoc VILTs
Niche networking topics
No identifiable drops.
End of life products
General business skills employee training
Instructor lead training; Public Classroom
Cert attempts to trail off as a new program replaces the current cert program.
Offering fewer public classes
In-person scheduled and account specific courses
We were up across the board in the last quarter.
User adoption services along with decrease in ILT
Legacy operating systems
Public training
Volumes haven't changed so much as accounting changes deny us many opportunities of recognizing revenue
Instructor led classes
General
Legacy products
eLearning is significantly down Y-O-Y due to changes in strategy & direction. We are midstream in product release cycles (8 dot.dot releases in 11 months) plus a new primary application development tool deployment, which has steered us away from any high-investment eLearning initiatives. Plus we're trying to figure out our certification program strategy, which is challenging with a moving product target.
Old product training

End User Training
Classroom based training
Basic training where the market is saturated
Public in-person (instructor-led) training
Attendance in highly structured elearning of long durations
Public Training

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

Hiring talent; Meeting growth targets; Building the organization to support future growth.
Balancing "for-free" self-help content and "for fee" training content offerings. Measuring leveraged use of training content
Implementing new partner certification and TTT program
Getting ATP roll out to be a success
Scaling the administrative function of the business to be able to handle the growth (100% Q/Q)
Availability of skilled development resources
Lack of human resources, increased number of projects
Need to build in-product learning i.e. performance support to drive user adoption at appropriate costs. Entry price for new SaaS offerings is low so we need to deliver education and training that is effective and low cost.
Moving to more external resources; reduced headcounts and delivery bandwidth
Expense of delivering training in APAC, lack of headcount to meet new challenges of the team.
Entire Portfolio of curriculum needing to be updated for entire suite of product updates.
Continued transition to a business model which is based on subscription consumption
Customers less willing to attend multi-day classes, want shorter classes with very targeted agendas
Tighter export rules for business in China, Russia, and defense customers in Middle East. Customer reluctance to attend multi-day classes.
Hiring... and hiring.
Merger activities
Change in scope of revenue recognition eliminated training carried out by services organization reducing our revenue by 50%; knock on effects are that services organization is now encouraged to compete with us in providing standard training.
Increase in demand without corresponding increase in resources; challenges in developing effective virtual classroom training
Localization and regionalization of content; measuring content quality
Limited Resources (not enough headcount) Too many concurrent projects - all important
Payment for training; more social media type information for quick training; cost to create certification
Lack of roadmap on a stated corporate priority; not recognizing revenue for a service provided on a monthly basis.
Acquiring adequate data in advance of need, to support training needs for new customers; greater than anticipated demand, causing us to increase size of classes beyond our typical limits
Spent an entire year (2013) re-engineering and steering our revenue recognition methodology, processes, system configuration, reporting, etc. to have it 100% reversed by our CEO in January in order to alter the company's 2013 financials (anything goes in a private company. Keeping our education curriculum and offerings up-to-date with 8 product releases in 11 months.
Staffing and existing capacity versus demand.

Customer commitment to take time to train. Getting Sales teams to sell VALUE!
Creating new offerings for interfaces; new customer training increases
LMS implementation, which has been much more challenging and time consuming than expected. Intern program, which gave us an extra resource, but also required a lot of time dedicated toward someone who by necessity had to work on a lower priority project.
Resources and Developing New Training Offerings
Reduced Backlog causing fall in fill rates in classes and deferred revenue to draw from. EMEA overly challenging especially July-Aug (world cup plus holiday?)
Acquisition of new companies
ATP revenue smaller; eLearning growth and ILT decline
Reduced headcount (Each Training Engineer is an instructor as well as course developer; we had to reduce 1 out of our 5 Training Engineers so this represents a loss of 20%. Trying to figure out how/if we can engage Training Partners to supplement our direct instructors. Training at our company is a cost center and upper management has the vision that Training Partners should be a cost savings, not an investment.
Rapid growth of the company; expansion of customer base combined with new software release
Instructor turnover
Customers using free e-Learning resources delivered within our products. Customers wanting to do more internal training.

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

We are not IT SW providers. We provide Engineering Design Software.
Certification is as healthy as ever, SAN is re-surgng, ILT demand seems to be increasing, Federal has loosened
Good business in niche markets where the training is tied to product sales.
People are willing to spend on training...but only so much. Good acceptance of customized training plans that are tightly integrated w/project schedules. Relevance and timeliness.
Shorter, smaller use case training is what is being demanded (no longer a request). Consistently continuing to see this...
Seems like other software are seeing soft revenue and bookings as well for companies that remain with low single digit software sales. Those with high growth continue to show strong balance for education.
The generations of young adults raised on the internet are now our target audience - and they expect to find small but highly relevant bits of information at their fingertips. They do not expect to attend a class.
Definitely quieter than last year, both in Europe and US.
There's clearly budget and demand for training in the IT security sector.
We have seen a big increase in moving training to subscriptions.
Subscription model impact - changes rev rec practices...fight for a % in overall subscription pricing
At my company, there is a grass roots effort to develop short YouTube-style videos for the masses. There is a lot of passion around this and the feeling here that this is the wave of the future for training.
Lots of mergers/acquisitions and customer shifts in vendors causing customer confusion over buying.
Seems to be a growing interest in corporate academies (our content hosted in a company's LMS).