Ambient Insight's

The US Market for Self-paced eLearning Products and Services: 2007-2012 Forecast and Analysis

New Products, New Buyers, and New Revenues in an Industry in Transition

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Table of Contents

List of Tables

List of Figures

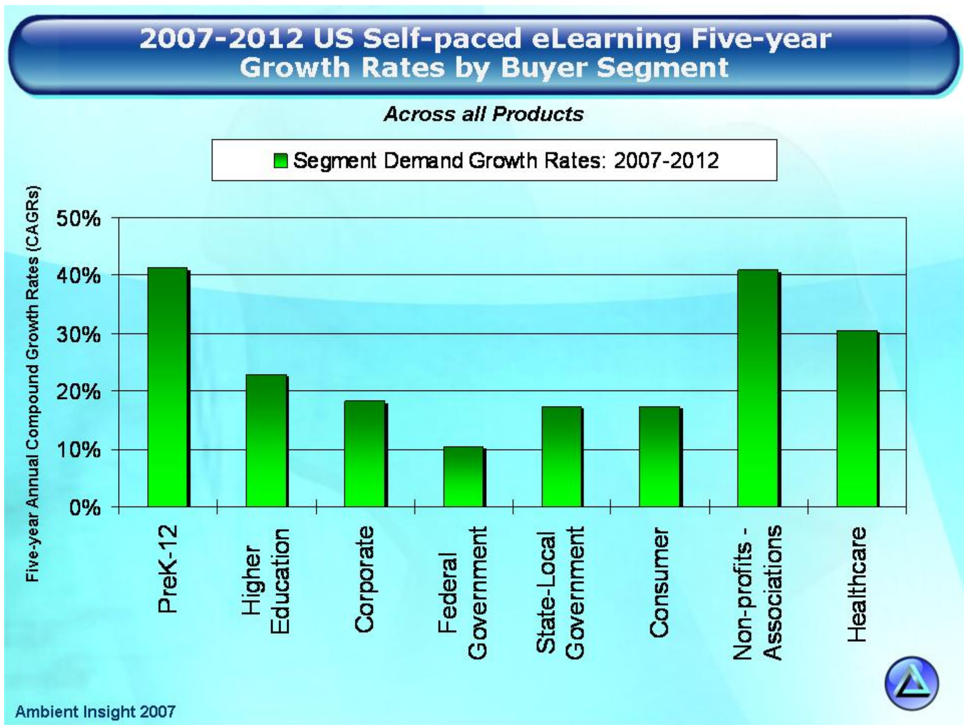
Executive Overview

This report includes the most detailed analysis of the US e-Learning market ever published. The current industry is growing by 22% with new buyers demanding new types of products. This report answers the question, "what do these new buyers want?" and identifies a wide range of revenue opportunities for suppliers.

The current industry is experiencing vibrant growth with new buyers adopting the products, new suppliers entering the market, and new variations of traditional products appearing to meet the needs of the new buyers. Consequently the supply chain is becoming quite complex.

The current market for Self-paced eLearning products and services in the US across all the buying segments is $13.6 billion. The demand for Self-paced eLearning products and services is growing by a five-year compound annual growth rate (CAGR) of 22.01%.

Figure 1 – 2007-2012 US Self-paced eLearning Five-year Growth Rates by Buyer Segment (across all products)



Clearly the market has entered a new “post-enterprise” phase and the competitive landscape is getting more complex. New buyers want new kinds of products. This complexity is making it difficult for entrenched enterprise-facing suppliers (with rigid business models and legacy products) to meet the needs of the new buyers. This complexity also creates new revenue opportunities for nimble suppliers able to adapt to the needs of the new buyer demographics.

This report forecasts the expenditures for Self-paced eLearning products and services across eight customer buying segments: consumer, corporations and businesses, federal government, local and state government, PreK-12 academic, higher education, non-profits and associations, and healthcare.

Additionally the corporate segment is broken out by four sub-segments and the federal segment is broken out by military and civilian agencies. The current market is characterized by new buyers outside the enterprise.

Suppliers that are already competing in the market have a good idea of who the new buyers are, but are continually challenged to offer customized products that meet the needs of the new buyers. Suppliers that know the answer to the question, “what do these new buyers want?” now have the advantage in the Self-paced eLearning market.

Each buying segment is different. The buying behavior across the segments can vary greatly. Specific products are in higher (or lower) demand in specific buying segments.

Buying behavior can also vary within sub-segments. For example, the buying behavior of small businesses is more similar to consumer buying behavior than to the other corporate sub-segments.

The fastest growing buying segments are the Prek-12, non-profit and association, and healthcare segments. The segments with the slowest demand are the most mature buying segments: federal government and corporate. The growth may have slowed in these segments but the revenues are significant. For example, corporations will be the largest buyers through the forecast period.

There are six major types of Self-paced eLearning products and services forecast in this report including:

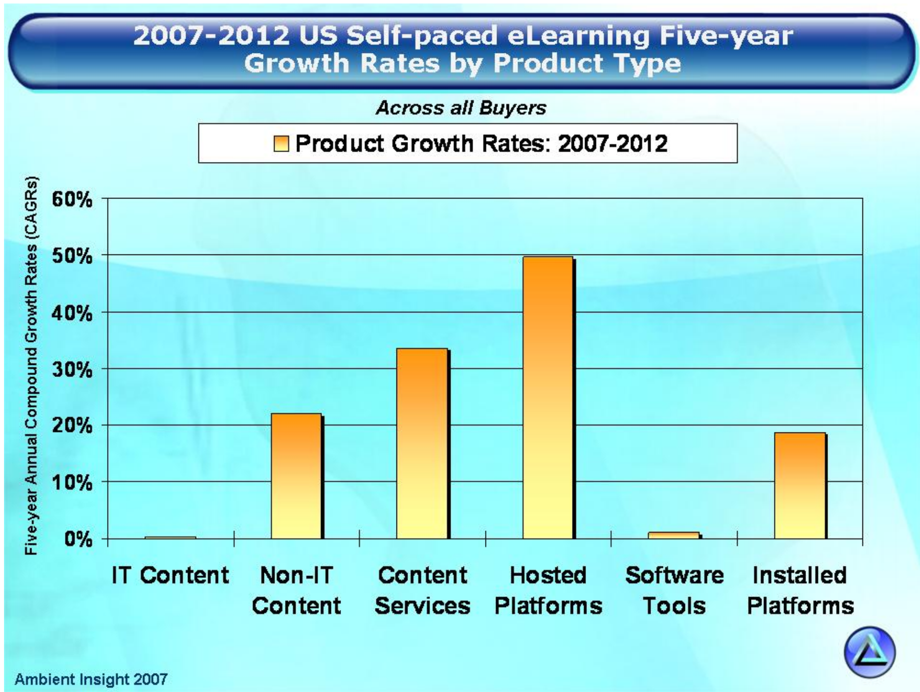
- IT packaged content
- Non-IT packaged content
- Custom content and technology services
- Learning platform hosting services
- Software tools
- Installed learning platform technology

The largest revenue opportunity for suppliers throughout the forecast period is the demand for non-IT packaged content. The second largest revenue opportunity will be for custom content services followed by a renewed demand for installed platforms in specific segments.

Hosting services are the fastest growing product category and are growing at 49.7%. Custom content services are growing by 33.5%. The demand for Non-IT Content products is growing by 21.9%.

The demand for IT-related content and specialized software tools is virtually flat (but still in positive territory.) Installed platforms are growing at a five-year CAGR of 18.7%. These growth rates vary greatly across the different buying segments.

Figure 2 – 2007-2012 US Self-paced eLearning Five-year Growth Rates by Product Type (across all buyers)



Two interesting trends are the uptake of new learning appliances pre-stocked with content and the proliferation of open source course management systems (CMS). A new breed of supplier has emerged offering low cost plug-and-play LMS systems pre-installed on small storage servers (appliances) and increasingly these products include integrated content.

This product trend is blurring the traditional product distinction between LMS products and packaged content products.

Open source products have a foothold in the academic segments and are now gaining traction in the other segments. There is now a strong demand for open source platform services in the SMB segments.

The demand for services n the SMB has created a burgeoning cottage industry for suppliers that provide services on open source products.

Key Findings

The analysis in this report identifies the most lucrative revenue opportunities for suppliers, but also isolates areas of slow growth. Key findings include:

- The demand for IT-related content is positive again
- The explosive growth of virtual student enrollments in the academic segments is creating a boom in the demand for a wide range of packaged content
- Custom content services is the clearest revenue opportunity for regional and local suppliers
- There is robust growth of platform hosting services across most segments
- There is a renewed demand for installed learning platforms in the state and local government, Prek-12, and higher education
- The only significant weakness in revenue growth is concentrated around software tools and installed technology in the enterprise portion of the corporate segment.

For the first time in over five years, the demand for IT-related packaged content is in positive territory again. Revenue opportunities are clearly visible for certain technology areas in several specific buying segments.

The demand for non-IT content in the academic segments is driving the growth of packaged content products. By the end of the forecasts period, 63% of all non-IT packaged content revenues will come from these two segments.

Custom content services are the second highest revenue category after packaged content with demand particularly strong in certain segments such as the non-enterprise corporate segments and in federal government agencies. New suppliers are emerging that serve specific buying segments and corporate verticals. By 2012, spending on custom services will eclipse the expenditures on tools and installed learning platforms.

Learning platform hosting services is the fastest growing Self-paced eLearning product in the US market. The demand is particularly strong in the small and medium business (SMB) segments.

There is a renewed growth in the demand for installed learning platforms. Several suppliers now offer specialized solutions that target the needs of specific buying segments. For example, there are learning management platforms sold pre-installed on a storage server and often contain pre-integrated content. Yet many segments prefer learning appliances without content and suppliers that market products with tightly bundled content find it difficult to meet the needs of these segments.

The largest drop in revenue growth is in the demand for software tools and installed learning management systems in the enterprise corporate market. The revenue growth is declining by -5.8% in the enterprise. This is not due to lack of demand but rather due to the sharp drop in product prices caused by commoditization pressures.

In a commodity market, demand increases as prices fall. Several companies are now selling LMS products that are priced to attract the massive small and medium business (SMB) market. These prices have sparked high demand in the SMB but have also attracted buyers in the larger companies. Consequently, these products are now accelerating the rate of falling prices in the enterprise. The commoditization trend is good for the industry and good for buyers. For the first time in the maturing Self-paced eLearning market, the non-enterprise buyers are now in the position to afford high-quality installed or hosted products. This has created a new market niche for aggressive suppliers that specialize in the various non-enterprise segments.

Number of Pages, Tables, and Charts

There are 75 pages in the report, 32 tables, and 18 charts.

Filesize

The full report is a 2.4MB PDF file.

Suppliers Covered

360training, Adobe, Allen Interactions, Altirus, American Public Education, Apangea Learning, Apollo Publishing, Apple, Atlantic Link, Attend Software, Baker Corporate Services, Berkleemusic.com, Berkeley College Corporate Services, Berlitz, Blackboard, Cambium Learning, Capella Education, Cengage Learning, Choice Solutions, Comcourse, Cornerstone OnDemand, CrossTec, Dell, Delta College Corporate Services, Digication, Digital Learning Management, Disney, Duke Corporate Education, DyKnow, Edcomm, Edmin.com, EduNeering, Edustructures, eJamming, Element K, EMC, Englishtown, ESP Solutions Group, ExcellerateHRO, FlexTraining, Follett Software, Fusion Learning, Gateway, GeoLearning, Giunti Labs, GlobalEnglish, GlobalLiteracy, Harcourt Education, HealthStream, Houghton Mifflin, HP, IBM, Integrity Interactive Corporation, In the Chair, Intrepid Learning Solutions, Isoph, Kaplan, KnowledgePlanet, Laureate Online Education, LearnShare, LearnSomething, Lenova, LRN, Makau, MakeMusic, Maritz Learning, McGraw-Hill, Microsoft, Mindleaders, Mohive, Moodle.com, Multimedia Tutorial Services, NetDimensions, Net Support Software, New Jersey Institute of Technology (NJIT), NIIT, Ninth House, Optasia, Oracle, Pearson Digital, Richardson, Plateau Systems, Plato, Powered, RedVector, Richland College Corporate Services. rSmart, Saba/Centra, Sibelius Software, SkillSoft, SmartPros, Smart Technologies, SS&C, Strayer Education, SumTotal Systems, TeacherHosting.com, TetraData, ThirdForce, TimeWarp Technologies, TrainingPro, Trifus, Trivantis, UMassOnline, VCampus, Vignette, Virtual High School, Inc., Workplace Answers, WorkshopLive, Xornet, and Zoologic.

Buyers Covered

This report forecasts the expenditures for Self-paced eLearning products and services across eight customer buying segments: consumer, corporations and businesses, federal government, state and local government, PreK-12 academic, higher education, non-profits and associations, and healthcare. Additionally the corporate segment is broken out by four sub-segments and the federal segment is broken out by military and civilian agencies.

Demand-side Analysis: Sample Buyer Chart

For each buyer section in the report, there is a chart that looks like this. There are thirteen tables like this, one for each buyer segment or sub-segment.

Buyer by Product Revenue Breakout	2007	2008	2009	2010	2011	2012	5-year CAGR
IT Content							
Non-IT Content							
Content Sub-total							
Content Services							
Hosting Services							
Services Sub-total							
Software Tools							
Installed Platforms							
Technology Sub-total							
Total							

Products Covered

For each buyer segment, there are six major types of Self-paced eLearning products and services forecast in this report including:

- IT packaged content
- Non-IT packaged content
- Custom content and technology services
- Learning platform hosting services
- Software tools
- Installed learning platform technology

Supply-side Analysis: Sample Product Chart

For each product section in the report, there is a chart that looks like this. There are six tables like this, one for each of the products forecast in this report.

Product by Buyer Breakout	2007	2008	2009	2010	2011	2012	5-year CAGR
Consumer							
Federal Government Civilian							
Federal Government Military							
State Government							
Local Government							
PreK-12 Academic							
Higher Education							
SORG							
MORG							
LORG							
Enterprise							
NGO							
Healthcare							
Total							

Methodology

Ambient Insight provides market revenue forecasts based on our proprietary Evidence-based Research Methodology (ERM). The Evidence-based Research Methodology is an iterative process based on predictive analytics used to identify revenue opportunities for suppliers.

ERM progresses from general patterns (the big picture) to very precise particular patterns. It is used to create a forecast model comprised of relevant predictors.

The forecast model is refined as additional data becomes available. Ambient Insight triangulates baseline revenues from three "analysis vectors" that include:

- Supply-side analysis
- Demand-side analysis
- Product and Service category analysis

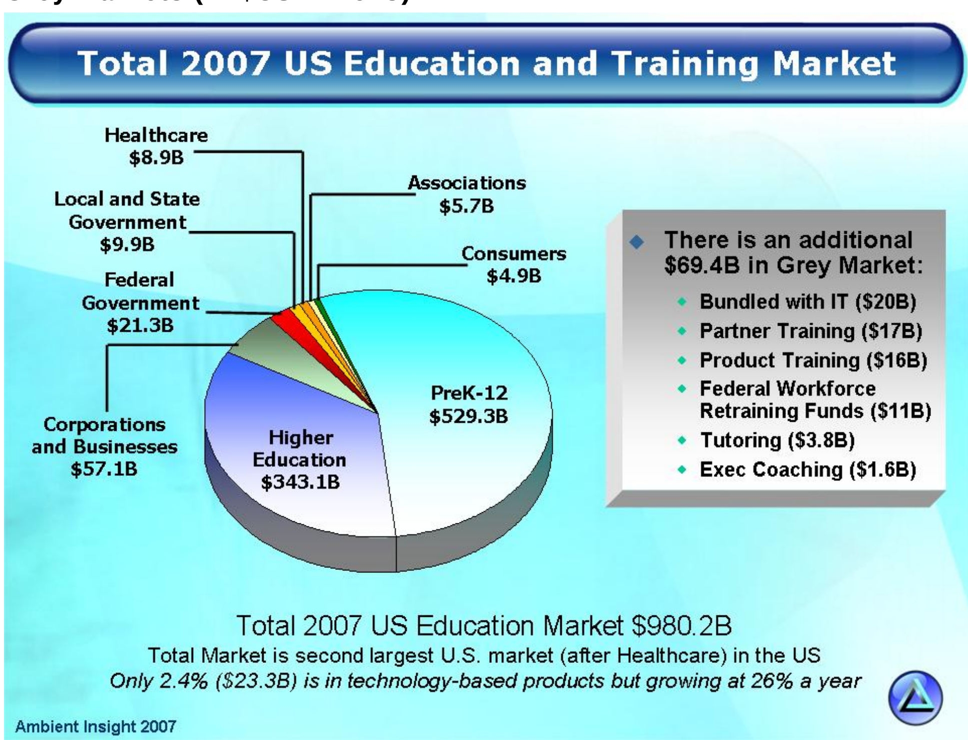
Once the baseline revenues are triangulated Ambient Insight uses the data to forecast the Total Addressable Market (TAM). Ambient Insight uses the data derived from the Evidence-based Research Methodology quite literally as evidence to support our market forecasts.

Definitions and Scope

The data in this report are US-centric in the sense that only the buying behavior of US buyers is analyzed regardless of whether they buy from offshore vendors. A growing amount of this spending goes to suppliers offshore so the revenues forecast in this report do not necessarily reflect revenues for US-based suppliers.

The suppliers of learning products and services are often located outside the US but, so far, Self-paced eLearning products purchased in the US are still supplied primarily by US vendors.

Figure 3 - 2007 Total US Education and Training Market including Grey Markets (in $US Billions)



Definition of Self-paced eLearning Courseware

Ambient Insight defines elearning as self-paced courseware products. These include two major types of catalog off-the-shelf content, installed learning management technology and authoring tools, and two types of services (custom content and hosting.)

The defining characteristic of Self-paced eLearning is the pedagogical structure imposed by formal instructional design and systematic development of the products.

The installed Self-paced eLearning technology includes learning management systems (LMS), learning content management systems (LCMS), courseware management systems (CMS), and the range of products used in PreK-12 for tracking instructional content usually called student information systems (SIS).

Ambient Insight defines LMS products sold via the hosted SaaS model as hosting services in our market research. Access to the products is sold as a service and customers do not actually own the products.

Outside the Scope of this Report

This report does not include revenues derived from outside the US. The major US installed platform and hosted services suppliers do a significant amount of business in the international market but those revenues are not considered part of the US market by Ambient Insight.

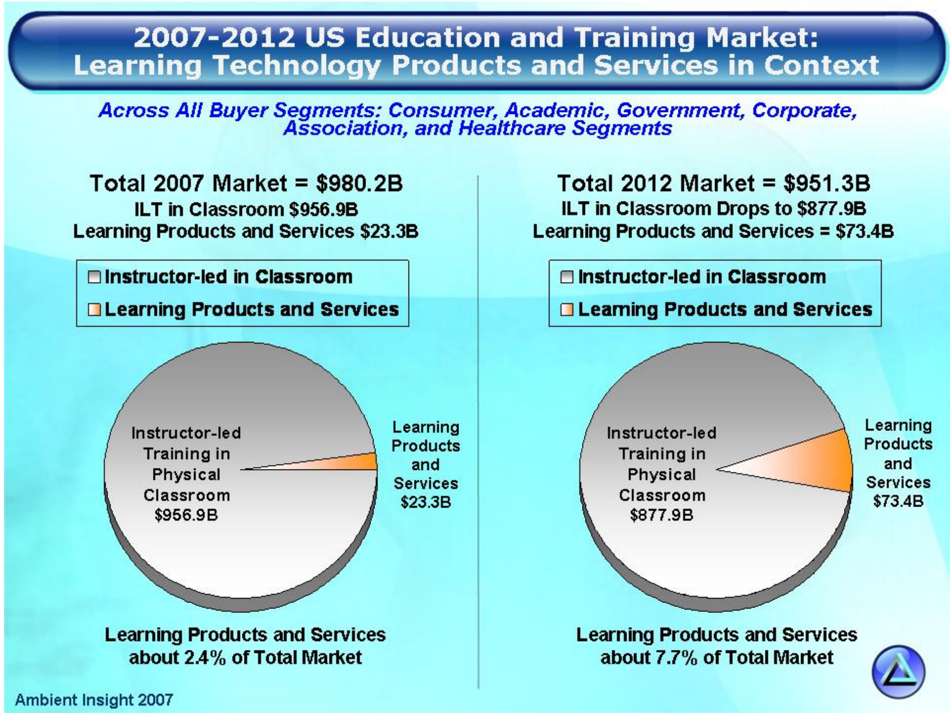
The large multi-purpose platforms that are now known as performance management systems or talent management systems are not included in this report. Many of these platforms do have features that are used to track Self-paced eLearning but the modules are not sold separately.

This report does include revenues for learning management modules that are sold separately by enterprise application vendors such as Oracle and IBM.

Finally, Ambient Insight believes that a significant percent of the $69.4 billion in revenues generated by the grey market comes from the sale of Self-paced eLearning products. A detailed discussion of the complex grey market supply-chain is beyond the scope of this report.

Within the context of the total US education and training market, learning technology is still a relatively small "slice of the pie." Yet that slice represents a $23.3 billion industry and Self-paced eLearning is the most significant part of that revenue comprising 58% of all learning technology revenues.

Figure 4 - 2007 Learning Technology in the Context of Total US Education and Training Market (in $US Billions)



Related Research

For more detailed information about related products and analyses, please see the following Ambient Insight market forecast reports:

Table 1 - Related Research

Type	Report Title
Product Market Revenue Analysis	The US Corporate Market for Learning Services: 2007-2012 Forecast and Analysis
	The US Market for Handheld and Mobile Game-based Learning Products: 2007-2012 Forecast and Analysis
	The US Market for Real-time Collaboration-based Learning Products and Services: 2006-2011 Forecast and Analysis
	The US Market for Mobile Learning Products and Services: 2006-2011 Forecast and Analysis
	The US Healthcare Market for Mobile Learning Products and Services: 2006-2011 Forecast and Analysis

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