The IT Training Market How big is it? Why does it matter? (Jan 08)

By Rick Gregory January 2008

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The US IT training market is fragmented and dispersed. In the commercial sector, it is comprised of companies that range from one man shops to companies with annual revenues in the hundreds of millions. In the educational sector, it includes community colleges and technical schools as well as major universities.

Over the past 20 years IT has become the single most critical element of the business infrastructure and every company, large or small, needs IT training to remain competitive. So how big is the IT training market in the US?

Research at Training Industry, Inc. put the total external corporate spend for training in 2006 at $45.9 billion. The overall training market in the US grew at a rate of 6% in 2007. Allowing for 6% growth puts the total external spend in 2007 at $48.7 billion.

So what is IT Training's share? Based on our conversations with both training and IT professionals, we estimate that IT training accounts for 15% of the total, or just over $7.3 billion. Other estimates have placed the IT portion at 11% - 12 %, but we think those estimates rely too heavily on feedback from internal training organizations. They miss the unmanaged spend that originates in IT departments and is never reflected in training budgets.

We estimate that 75% or more of the spending decisions for IT training are made by IT managers. While much of this training activity is coordinated through training organizations, a significant percentage is not. IT department managers commonly have the authority to approve training requests and in many cases employees can pay for training and be reimbursed.

Where does all the money go?

The IT training market is comprised of thousands of organizations large and small in every geography. There is a small tier of large companies generating over $100 million a year in revenue that have a significant share of the market. A mid tier of companies generating $5 to $30 million in revenues comprise another large share of the market. The balance of commercial providers consists of hundreds of small companies generating less than $5 million a year.

A significant part of the demand for IT training is filled by educational institutions. Community colleges and universities offer traditional degree and continuing education programs, but increasingly corporate education departments are presenting IT training in formats similar to commercial providers. In sparsely populated areas, community colleges may often be the only available providers because the market will not support a commercial provider. With the expansion of

online learning, more universities are offering IT elearning courses in direct competition with commercial providers.

Over the coming months we will be working to sharpen our focus on this amorphous market and define it more clearly.

Why is this important?

Most of the spending decisions for IT training are made by IT managers. They don't have a background in training and are often not sure what criteria to use in choosing a training provider.

Is a bigger company a better choice? Not always. In some cases, small companies have niche expertise in subject areas that large companies don't cover.

Can an organization save money by using a smaller company? Sometimes, but not in every case. Economies of scale can make large companies a good value.

How about a well known and respected university? Won't they do a better job? Not necessarily. Top talent is often drawn to commercial providers who generally pay better.

So, as we more sharply define the market, we will also explore the criteria for selecting a training provider that fits your needs for training in a specific instance. And, it may not be the same provider every time. In short, we want to help you get the best return on your training investment. By defining the providers in each segment and examining their strengths in various situations, we can give you information to help you make better buying decisions.

Give us your input.

How much does your company spend on IT training? Who makes the decision to authorize IT training in your company? Which vendors do you use for IT training? How do you choose them?

If you would like to submit your ideas, experience and opinions about IT training for consideration in future articles, please send me an email at rgregory@ittrainingindustry.com. Your thoughts are always welcome and appreciated.

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