Top 10 Market Predictions for 2009: Are YOU ready for the New Training Industry? (Jan 09)

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At the beginning of every year, TrainingIndustry.com provides our predictions on the learning marketplace for the upcoming year. Our goal is to provide visibility around the trends that may help you in managing, developing or delivering training. We are no different than any of the other prognosticators and analysts that look deeply into their crystal ball; but we do believe that through our research and ongoing conversations with both buyers and suppliers of training services, we're able to get a good feel for the actions companies are taking to protect themselves during this volatile economic climate.

In 2008, we made 7 predictions. In retrospect, we believe all were correct in some relative form. In making this year's predictions, we took into consideration how last year's market played out, the current economic climate, the availability of capital for investments in new products and services, and the expected profitability of corporations which generate demand for training programs.

You've heard me say it before - training is all about the 'Benjamin's'. Investments in training are driven by how we think it will affect our bottom line. Sure there are other considerations which get factored in; things like new technologies, global economies, the changing workforce; but training activity occurs when there is funding to pay for it.

So with that, here are our predictions for 2009.

1. **Total spend for training services will decline by 10%**

The N.A. training market was relatively flat in 2008 from 2007 even though we had a rapidly weakening economy and uncertainty about future corporate profits. We estimate that 2008 expenditures for training services was approximately $129.2B, down from $132B in 2007. The training market held relatively steady because of strong expansion into global markets by US based service providers. We saw a sharp decline in planned expenditures in fourth quarter of 2008 and see it continuing at least for the first half of 2009. We predict the 2009 market to drop to $116B; the steepest single year decline in the industry since 2001. Industry verticals most negatively impacted will be automotives and financials. We expect declines to be smaller in IT, energy and utilities, government, and construction verticals.

2. **The Training Workforce in North America will decline by 11%.**

TrainingIndustry.com estimated there were 568,000 professionals working in a training related job in N.A. in 2008. 54% of these professionals or 308,000 worked in traditional corporate training organizations, with 46% (260,000) working for training suppliers or as independent training consultants (these estimates do not include educational institutions such as universities, community colleges, or for-profit on-line colleges).

We predict the total job market for training professionals to decline by 65,000 during 2009, mostly coming from the supply and independent consulting side of the industry. This will bring the total job market down to an approximate level of 503,000. It's hard to predict which side of the market will be most impacted by the contraction, due to the fact that jobs reduced on the buyside could be picked up on the supply side due to expected ongoing strength in the training outsourcing market.

3. Re-engineering Activities for Training Organizations Will Increase

The bar has been raised on leaders of training organizations to a point never before seen. Corporate training organizations have had more autonomy in the past to operate as an academic institution, or 'corporate university', and have been viewed as important to the business as long as employees perceived the quality of the training they provide as good. Those days are over. Corporate executives recognize that training represents between .5 to 1% of revenues and impacts as much as 40-45% of the operational spend (labor costs). Training leaders are becoming more accountable for the money they spend.

The trend for training organizations to go through complete reengineering exercises has already begun. Many of the largest, most successful and profitable companies are evaluating their training function. They're looking at how much they spend, how they run their organization, what types of training they are providing, and how much that training contributes to the corporation's bottom line.

Expect to hear a lot of talk in the coming year about how to re-engineer the learning function. Focus will be on moving from cost generating activities to activities whose impact on corporate performance exceeds their company's cost of capital. This will drive a reduction in the total investment in training as a percentage of revenues as learning organizations search for the true impact of the dollars they already spending.

4. Investment in Customer Training Increases to 59.5% of Total Spend

As new products and services become more technology oriented, the need to train customers how to use them is increasing. Customer training has traditionally been about generating revenues, now it is about corporate responsibility. Corporate executives are recognizing that properly trained customers improve the bottom line, both from increased revenues and reduced failure costs. In 2008, on average, 58% of a corporation's spend for training was targeted to customers and channel partners. We predict the mix of spend for customer training to employee training will grow by 1.5% to 59.5% in 2009.

Liability costs associated with not training customers is continuing to grow as our society holds companies accountable for properly preparing and notifying customers of risks associated with the improper use of their products. Many think of this as product information. Call it what you like, but it's about influencing the behavior and use of the product. Not training a customer on how to use a product, or the risks associated with a product, is quickly becoming more expensive than the training itself.

5. Consolidation of Training Departments Will Increase

Virtually 100% of Fortune 1000 companies have more than one training department, with some having more than 50 independently managed training groups. Decentralized business models were more advantageous when training was predominantly instructor led and delivered in conference and meeting rooms. With the increased adoption of technologies for learning delivery and administration, the advantages of consolidating resources are increasing.

Consolidation of decentralized organizations is a frequently used strategy when executives seek to eliminate duplication and realign the level of service provided by a corporate function in lean economic times. Whether their objective is to reduce costs, increase access to information about training activities and results, or improve economies of scale, you will see more companies consolidating duplicative activities and moving to a 'federated' or 'centralized' model for training administration and the delivery of non-proprietary training.

6. Fixed Resources Dedicated to Training Will Decrease

Corporate executives are focused on improving the balance sheets and income statements of their business. Reducing the number of fixed resources in non-core functional areas continues to be a strategy for managing costs. Training organizations are not immune to having to shift to a more virtual and variable workforce for design and delivery. Instructors and instructional designers are easily sourced on an as needed basis. The move to reduce the number of administrative resources will grow as more training goes online. You will see a strong emphasis on eliminating real estate and moving to variable classroom space. Procurement organizations will drive variable sourcing models. More companies will move beyond the use of contract instructors and instructional designers to out-tasking and outsourcing of training administration, vendor management, tuition reimbursement, and more.

7. Supply Based Training Models Will Decrease

Re-engineering training will lead to the creation of new business models. Training has traditionally operated under a supply based business model where you create portfolios of courseware, publicize a schedule, see how many people register for the courses, charge back the costs to the business, and measure success based on how many people attend. This is proving to be the most inefficient model for corporate training.

Businesses are about making money. The training organization must be focused on doing what's best for the business. Training is not an entitlement. It's about strategically driving performance excellence. The use of a supply based training model is becoming unpopular in executive circles. The focus is to move to a demand based training model where you create short, very focused courses, delivering them to the individual or group who needs them, at the appropriate time, measuring how the business is impacted, and moving on to the next business problem (or let's call it opportunity). It is not about having large portfolios of courses waiting for employees/students to register. This will require a huge philosophical shift away from the typical academic learning model. For those who adopt a demand based learning model, they can expect significant improvement in how they will be valued by their business partners and the role they play in the strategic future of their company.

8. Availability of Informal Learning Content will Increase

Informal Learning is similar to On the Job Training (OJT). And it is also about access to information when it is needed. With the introduction of the computer and then the internet, expectations have been high that there will be an increase in e-learning. The shift to date though has been more about access to information delivered in a less formal manner than courseware. Search for knowledge on the internet has become much more accepted than delivery of knowledge.

Informal learning improves how employees and customers get access to intellectual information when they need it and in a format which they need it the most. We will continue to see the use of mobile technologies, social networking, and innovative asynchronous learning environments. It's not only about how it will be delivered, it's about the design and packaging of information.

9. Creation of User Generated Content Will Increase

SME (subject matter expert) generated content, or user generated content, is the future core of online learning. New tools and technologies are being created to allow the subject matter expert to create rich media based content while being a novice in the use of internet based instructional design and authoring tools. This empowers SME's within the lines of business to create rich media training for their peer employees at a very low cost, without anyone from the training organization having to touch the material.

10. **Development of Compliance Based Training Increases**

With the increase in litigation costs from employees and customers suing companies because they were not properly trained, we are seeing an increase in compliance based training to mitigate the risk and cost of litigation. In the healthcare industry, compliance based training is the standard as the costs of not training is greater than the cost of training. This translates into strong growth for companies that provide testing and assessment services. Where the risk of failure is high, testing of skills will increase. Continuing medical education (CME) for doctors is highly regulated and mandatory.

Compliance training is also an important marketing tool. Automotives have used compliance training as a marketing tool for repair and maintenance technicians. There is a greater expectation that more professional skilled jobs must comply with training requirements as well as testing and assessment mandates.