

# Knapp Certification Revenue Study

Conducted by  
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# Introduction

- Increasingly, the sponsors of professional/personnel certification programs are seeking new sources of revenue to supplement that generated from certification and recertification fees. There has been surprisingly little research conducted on these non-fee revenue sources\*.
- To fill this void, Knapp & Associates International, Inc. (Knapp) initiated a two-phase study to collect much-needed benchmarking data to help certifiers to make informed decisions about new revenue opportunities.
- In Phase 1 of the study, Knapp administered an online survey to learn more about: (1) what types of offerings are most commonly considered or provided by certifiers, (2) what factors were considered when deciding what to offer, and (3) which offerings yielded the greatest net income.

\* For purposes of this report, we have used the term “non-fee revenue” to refer to revenue derived from sources other than fees charged for certification, recertification, certification maintenance or certification renewal

- Phase 2 of the study consisted of 11 telephone interviews conducted with survey participants to collect information on: (1) how certifiers evaluate revenue opportunities, (2) how they measure the success of these opportunities, and (3) their lessons learned related to the development of new revenue sources.

# Phase 1: Survey Research

**Who did we hear from?**

# A diverse convenience sample

- 86 organizations participated in the survey
- Certification programs were sponsored by:
  - ❖ Trade/professional/charitable organizations or an autonomous entity within these organizations (56% of respondents)
  - ❖ Independently incorporated entities whose primary purpose is oversight of the credentialing process (39% of respondents)
  - ❖ For-profit entities (5% of respondents)
- Both IT and non-IT certifiers participated in the survey

- Annual volumes for respondents' certification programs varied widely, ranging from 12 to 212,000 candidates
  - ❖ 10% had 100 candidates or less annually
  - ❖ 39% had 101-1,000 candidates
  - ❖ 36% had 1,001-5,000 candidates
  - ❖ 2% had 5,001-15,000 candidates
  - ❖ 9% had more than 15,000 candidates
  
- 43% of respondents indicated that certification and recertification fees were the sole source of non-interest revenue for their organizations



**What are the most common sources of non-fee revenue?**

Existing non-fee revenue source	Number of respondents*
Practice tests	17
Approval/accreditation of prof dev, CE, or educ programs/providers	16
Deluxe and/or framed certificates	16
Branded products (e.g., mugs, pins)	14
Exam/certification study guide	11
Publications and textbooks	10
Professional development programs	9
Exam/certification prep program or review course	9
Certificate programs	7
Self-assessment tools	7
Flashcards	3
Certification-related mobile apps	2
Licensing of intellectual property to other entities	2
Online games related to certification	1

\* Numbers derived from the 57% of respondents for which certification fees were NOT the sole revenue source

# Other non-fee revenue sources cited\*

- Mailing lists (4)
- Advertising (3) and enhanced website listings for companies and CE providers
- Sponsorships (2)
- Job board (2)
- Verification of certification status
- Score reporting to state regulatory boards
- Seals/stamps
- Duplicate wallet cards and certificates
- Sales of marketing brochures to certificants
- Donations from certificants
- Social networking website fees
- Coordination of a CE conference where registered training providers deliver training

\* Numbers in parentheses indicate number of respondents citing the revenue source

**How much revenue  
is generated from  
non-fee sources?**

- The percentage of total revenue derived from non-fee sources varied widely, ranging from 1-66%
- 60% of respondents reported that 10% or less of their total revenue was derived from these sources
- The majority of respondents (85%) indicated that their non-fee revenue sources yielded net income\*

\* Net Income = Total Revenue – Total Costs

Non-fee revenue source yielding highest net income	Number of respondents*
Approval/accreditation of prof dev, CE, or educ programs/providers	7
Exam/certification study guide	6
Practice tests	3
Professional development programs	3
Certificate programs	3
Publications and textbooks	2
Mailing lists	2
Job board	2
Branded products (e.g., mugs, pins)	1
Exam/certification prep program or review course	1
Self-assessment tools	1
Don't know/Cannot provide information	1

- Numbers derived from the subset of respondents that had multiple, non-fee revenue sources

**What non-fee revenue sources  
have recently been  
considered by certifiers?**

<b>Revenue opportunity considered</b>	<b>Number of respondents*</b>
Practice tests	44
Exam/certification study guide	40
Professional development programs	40
Exam/certification prep program or review course	39
Certificate programs	36
Approval/accreditation of prof dev, CE, or educ programs/ providers	35
Self-assessment tools	34
Branded products (e.g., mugs, pins)	34
Deluxe and/or framed certificates	33
Publications and textbooks	33
Certification-related mobile apps	32
Licensing of intellectual property to other entities	30
Flashcards	29
Online games related to certification	28

\* Numbers derived from subset of respondents who had recently considered (within past 2 yrs) the opportunity



**What non-fee revenue sources  
have recently been considered,  
but ultimately **rejected**?**

<b>Revenue opportunity rejected</b>	<b>Number of respondents*</b>
Licensing of intellectual property to other entities	27
Flashcards	25
Practice tests	24
Exam/certification prep program or review course	24
Certification-related mobile apps	23
Online games related to certification	23
Exam/certification study guide	22
Self-assessment tools	20
Publications and textbooks	20
Approval/accreditation of prof dev, CE, or educ programs/providers	19
Professional development programs	17
Branded products (e.g., mugs, pins)	16
Deluxe and/or framed certificates	15
Certificate programs	14

\* Numbers derived from subset of respondents who had recently considered (within past 2 yrs) the opportunity

**What are the primary factors considered when deciding whether to develop a non-fee revenue source?**

- The considerations most commonly cited by respondents were:
  - ❖ the availability of resources (staff, time, \$\$, technology) to create and manage additional offerings
  - ❖ the cost vs. benefit of creating the offering
  - ❖ whether there was market demand or a real need for the offering
  
- When weighing cost vs. benefit:
  - ❖ the costs considered included both time and \$\$
  - ❖ benefits considered were the ultimate profitability and ROI of the offering, but also, whether it ultimately would lead to higher candidate success rates

- Additional considerations (cited by a single respondent, rather than multiple respondents) were:
  - ❖ alignment of the offering with mission and goals
  - ❖ whether the offering would enhance the profession
  - ❖ sustainability of the offering
  - ❖ whether time/resources would be better spent increasing the recognition/value of the organization's certifications

**What were the primary factors  
influencing the decision to  
decline to create a new,  
non-fee revenue source?**

- The desire to maintain a separation between education and certification and also to avoid a potential conflict of interest was cited by three times as many respondents as any other factor
  - ❖ Interesting, none of the possible offerings cited in the survey are explicitly prohibited by existing certification standards. Thus, it appears some revenue opportunities are being rejected based on misperceptions or myth.
  
- Other deciding factors cited by multiple respondents were:
  - ❖ insufficient alignment with mission and goals
  - ❖ limited resources (time, \$\$) and the related need to set priorities
  - ❖ lack of market interest/need
  - ❖ cost to develop offering relative to potential revenue
  - ❖ concern about adding to the expenses which candidates already incur

- Additional reasons for declining to create an offering (cited by a single respondent, rather than multiple respondents) were:
  - ❖ perceived lack of sustainability of the offering
  - ❖ a decision to instead focus resources on improving the organization's certification program
  - ❖ lack of feasibility due to the fact that the content of the certification program changes frequently
  - ❖ a desire to avoid competing with education providers



# What **free** offerings do certifiers provide?

<b>Free offerings provided by certifiers</b>	<b>Number of respondents</b>
Practice tests	17
Approval/accreditation of prof dev, CE, or educ programs/providers	16
Deluxe and/or framed certificates	16
Branded products (e.g., mugs, pins)	14
Exam/certification study guide	11
Publications and textbooks	10
Professional development programs	9
Exam/certification prep program or review course	9
Certificate programs	7
Self-assessment tools	7
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Online games related to certification	1

**Additional comments**  
**offered by certifiers on the**  
**topic of revenue opportunities**

- “We're looking at what the industry wants and needs versus being an organization that is simply ‘certifying’ individuals.”
- “As a professional association, we do not make a profit from the certification program itself, but the advantage is that our certified members are more engaged. They have a much higher tenure with the organization and purchase a high percentage of our programs, products and services.”
- “It would be helpful to know what is acceptable and not acceptable [i.e. types of offerings which certifiers are ‘permitted’ to offer]. There seems to be no clear rules.”

# Phase 2: Interview Research

# Who did we interview?

- 11 organizations participated in the interviews
- Interviewees included representatives from trade and professional organizations, independent certifying bodies, and for-profit organizations
- Some of the certifiers interviewed generated revenue solely from fees charged for certification, recertification, certification maintenance and certification renewal. Others had also developed offerings which generated non-fee revenue.
- Both IT and non-IT certifiers participated in Phase 2 of the study

**What factors have been most influential in decision-making regarding development of non-fee revenue sources?**

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- Cost
  - ❖ Relative to the value provided to customers
  - ❖ Relative to volumes sold
  - ❖ Relative to program budget
- Market need/interest
  - ❖ Also, for association-based programs: Is there membership buy-in?
- Size of market
  - ❖ Is the market for the offering sufficiently large?
  - ❖ Are certification volumes sufficient to justify the investment?
  - ❖ For IT certifiers: Is the market for the company's product (around which the certification is designed) sufficiently large to justify the investment?

- Profitability
- ROI
  - ❖ However, one certifier indicated that a low ROI offering might be developed if market need was sufficient
  - ❖ Another certifier stated that consideration would be given to whether the offering would serve a purpose beyond generating revenue – would it be a service to the industry or the public?
  - ❖ For IT certifiers: Will it lead to customers purchasing additional IT products/services (besides those which are the focus of certification)?
- Existence of competing offerings
- Level of effort required
  - ❖ Also, can the certifier partner with another entity on the offering

- Ability to execute
  - ❖ What will be the operational impact?
  - ❖ Can we keep the content updated?
  - ❖ Is the potential offering compatible with existing IT infrastructure and management systems (e.g., LMS, CMS)?
- Degree to which the offering leverages the certifier's core competencies and assets
- Timeliness
  - ❖ Can the content be updated quickly enough?
  - ❖ For IT certifiers: Can it be produced quickly enough to coincide with product releases?

- Alignment with certification program vision and mission
  - ❖ Also, alignment with the certifier's overall philosophy/approach to learning
- Are organizations against which the certifier benchmarks itself doing something similar?
- Anticipated lifespan of the offering
  - ❖ Also, is it based on a trend or a fad?

**What success metrics are  
used to evaluate  
non-fee revenue sources?**

- Number of new candidates
- Percent of passing candidates
- Sales of the offering
  - ❖ Also, are these sales stable?
- Profitability
- Customer satisfaction and feedback from those who have purchased the offering
  - ❖ Customer satisfaction survey data
  - ❖ Online user reviews of the offerings
- Several certifiers reported that their ability to track the ideal metrics (e.g., number of individuals who purchase the offering that also go on to sit for and pass the exam) is limited or non-existent

**What non-fee revenue sources  
would certifiers **reject**  
or be hesitant to develop?**

- Test prep course

- ❖ Some interviewees indicated they would be hesitant to offer the course as it may negatively impact their relationship with the professional membership organization (which may already provide such a course or may perceive a threat if the certifier does so)
- ❖ Others indicated they have a formal or informal agreement with the professional membership organization that they will NOT provide prep (the idea being that it is the purview of the membership organization to do so)
- ❖ One interviewee expressed concern about the repercussions of competing with prep providers, since there is a symbiotic relationship with them (i.e., prep providers help to funnel candidates into the certification program and improve candidates' readiness for certification). The same individual noted there's no reason for the organization to offer test prep if other entities are already providing quality offerings and not exploiting candidates.



- “Readiness” or “predictive” test (i.e., an assessment which purports to indicate whether candidates are ready to sit for the certification exam)
  - ❖ Interviewees were concerned about the implications of a candidate doing well on this test and then sitting for and failing the certification examination
- Third-party products created entirely outside of the certifying body
  - ❖ For this to be acceptable, interviewees stated the certifier would have to already have a formal relationship with the partner
- Games
  - ❖ There was concern about the relevancy for an older demographic. Also it was noted that substantial investment would be required and the product may not have the longevity to generate a return. “It feels faddish.”

- Content that is generic to the industry rather than specific to the organization's products (IT certifier interviewee)

For those who provide one or more free offerings, **why** are these provided for **free** rather than a fee?

# Rationales reported by interviewees:

- If an offering requires a low level of effort and/or the cost to create and maintain it is low, the offering is provided for free.
- If it should be available to everyone (e.g., basic tools to help candidates through the certification process and to enable certificants to make good choices about their professional development), it's free. Development costs are recovered through the recertification fee.
- An effort is made to strike a balance between free offerings and those offered for a price. The goal is to give candidates a sufficient amount for free, so that they will feel they have gotten something.

# Rationales reported by interviewees:

- IT certifier: All non-exam offerings are free. Candidate perceptions of the certifier would not be positive if a fee were charged because candidates know certifier ultimately benefits from the existence of certificants (i.e., certificants contribute to increased satisfaction of, and fewer support calls from, end-users).

**What attributes would make  
a non-fee revenue opportunity  
particularly attractive?**

- Requires minimal investment
- Ease with which offering can be developed, delivered, and updated
  - ❖ Ability to repurpose existing content or tweak existing assets
  - ❖ Can leverage core competencies
  - ❖ No build-out of staff and operational infrastructure is required
  - ❖ Can be incorporated within current IT infrastructure and management systems (e.g., LMS, CMS)
  - ❖ Is relatively “automated” (i.e., requires minimal personnel resources)
  - ❖ Is scalable
  - ❖ Can partner with another entity to provide offering (and also to reduce risk)

- Profitability
- ROI
- Optimal time to market
- Aligns with certifier's overall strategy and existing products
  - ❖ Also, reflects positively on the certifier and reinforces brand
  - ❖ IT certifiers: Drives greater awareness of certifier's IT products
- Ability to access/deliver offering across platforms (e.g., desktop, mobile)
- For an offering created by a third party:
  - ❖ The entity would have a good reputation and references
  - ❖ There are case studies and data demonstrating the success/effectiveness of the offering
  - ❖ There is minimal upfront risk to try the offering



**What are the  
“lessons learned” related to  
the development of  
non-fee revenue sources?**

- Development is more expensive and takes longer than you think
  - ❖ Do your research and be prepared for set-backs
  - ❖ Be realistic in considering what you can reasonably do within a given timeframe
  - ❖ Pay-off time is longer than you might think
- Don't forget that maintenance of the product is required – factor this into your decision-making
  - ❖ Also, keeping content current can be a major challenge
- A cadre of available and reliable subject matter experts is necessary to ensure that you can create and update content

- It's important to devise expedited processes to develop and maintain certification-related offerings in a timely fashion to ensure that they are aligned with exam development timetables and software releases
- Keep it simple
- Strive for a minimally viable product at first – the initial product doesn't have to be the ideal product – you can do more later
- Stay focused on your original objectives and carefully evaluate what is in and out of scope. There's always something cool you could do, but is it something you *should* do?
- Organizational support is critical, as is setting expectations within the organization

- Different global markets have different price sensitivities – a single global price has not worked well
- An offering which is only available on a single mobile platform hinders ability to reach a larger audience
- Don't beat a dead horse – don't continue to update/offer something if it's not working (i.e., if it's too time consuming to maintain the offering, if sales of the offering are too low, etc.)
- Know that you can open up yourself to ridicule in the market if it doesn't go well

# Some additional insights and ideas from certifiers

- Create a variety of products so that you can accommodate different learning styles and price points
- Develop a structured learning path that enables candidates to see how certification fits into, and is just one part of, their entire professional development. Show them that certification is not just an exam or the end-goal – there is something beyond certification. Provide a roadmap that says, “This is where you are now, this is where you want to go, and this is how you can get there.” This approach can help you sell a variety of products related to the roadmap.
- In the diagnostic reports provided with practice/sample tests, include links to offerings (e.g., publications, courses) related to the content areas.

- Create a free app which contains much of your website content and then generate revenue through in-app purchases of study questions, exam registrations, etc.
- Incentivize staff to support and sell non-fee revenue products. One certifier gives staff a 2.5% bonus if sales of non-exam products exceed a specific target.

**A final word ...**



# If the findings of this study were helpful to you ...

Please “pay it forward” and take the time to participate in future certification industry research. Your participation will benefit your certification colleagues, just as their participation in this study has benefited you.

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