Ambient Insight
Targeted Report

The US Corporate Market for Self-paced eLearning Products and Services: 2010-2015 Forecast

Pockets of High Revenue Opportunities in a Slow Growth Market

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Published: June 2011

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This is a Targeted Report. Ambient Insight has five types of syndicated market research reports:

Comprehensive Reports are 50-65 page reports that provide detailed analyses and revenue forecasts for content, content services, technology services, and technology for a specific product type and break the revenue out by multiple buyer types and segments.

Targeted Reports are 25-40 page reports that identify buying behavior in a specific buyer segment, isolate revenue opportunities and forecast revenues for a particular product type, or pinpoint revenues for a specific sub-category of content, service, or technology.

Research Briefs are 20-35 page competitive intelligence reports that that provide global or regional analyses, industry-wide analyses, trend analyses, supply chain analyses, or an analysis of the competitive landscape.

Revenue Snapshots are 2-3 page reports that include a single revenue forecast table from a current market report. Please review the free Executive Overview for each report for a list of available tables. Contact us at info@ambientinsight.com to request a specific Revenue Snapshot.

Radar Reports are 5-10 page reports that identify leading indicators, emerging products, new buyers, promising markets, novel business models, and untapped revenue opportunities for suppliers. These reports provide recommendations on how to monetize learning technology innovations, create new customers, generate new revenue streams, and compete in emerging markets.

Executive Overview

The US corporate market for Self-paced eLearning products and services reached $6.8 billion in 2010. The five-year compound annual growth rate (CAGR) is essentially flat at 0.9% and revenues will reach $7.1 billion by 2015.

This overall flat growth rate is due to the lingering effects of the recession, commoditization, and pricing pressures. It masks the robust demand in specific verticals such as healthcare, which has a growth rate of 18.1%. Seven of the ten verticals analyzed in this report have growth rates above the aggregate 0.9%.

The current economic conditions are catalysts for specific types of products, such as hosting services.

The overall corporate market has been negatively impacted by the recession, downsizing, training budget cuts, commoditization pressures, and product substitution. The lingering impact of the recession has had a greater impact (both positive and negative) on training expenditures in certain industries.

While no industry is immune from a recession, there are verticals (such as healthcare) that tend to be "recession-resilient" and some industries tend to recover faster or slower than others. All these trends are factored into the analysis in this report.

Large companies were early adopters of Self-paced eLearning and during the current gradual economic recovery they are reducing their expenditures on all types of training and education products. On the other hand, small and medium-sized businesses (SMB) are migrating away from classroom products to a range of learning technologies including Self-paced eLearning. The combined growth rate in the SMB is 4.9%.

In 2010, the corporate segment was the largest buying segment out of the eight buyer types tracked by Ambient Insight and accounted for 37.4% of the total US Self-paced eLearning market. By 2015, the corporate segment will still account for 29.6% of total expenditures in the US market.

This report analyzes the demand side by company size and by vertical-industry type. This identifies the best revenue opportunities from two perspectives. This report provides actionable data for suppliers that target specific verticals or specialize in particular product types.

This report breaks out revenue forecasts for four sub-segments of the US corporate buying segment:

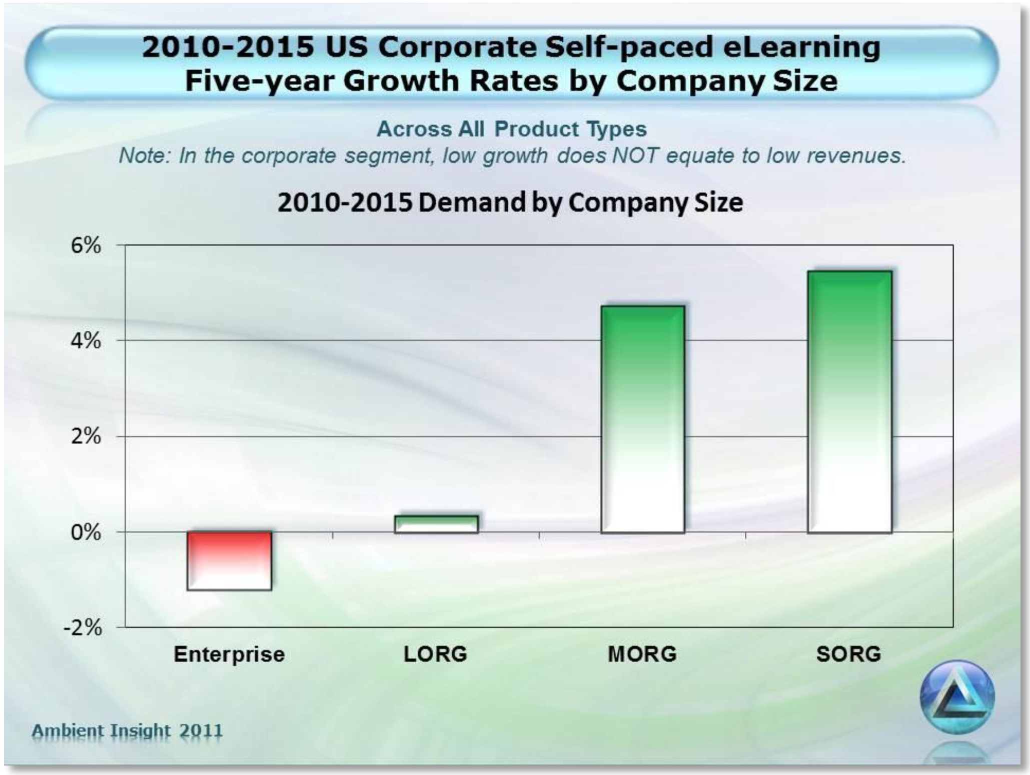
- Enterprise defined as companies with over 10,000 employees
- Large organizations (LORG) defined as companies with 1,500 to 9,999 employees
- Medium-sized organizations (MORG) defined as companies with 100 to 1,499 employees
- Small organizations (SORG) defined as companies with less than 99 employees

In the 2010 market, the enterprise sub-segment was the top buyer. LORG buyers will overtake the enterprise and will be the top buying sub-segment

The enterprise was an early adopter of Self-paced eLearning and dominated the market for ten years. The market has been in a "post-enterprise" period for the last four years and the revenues outside the enterprise are now substantial.

by 2015. In terms of growth, the SORG and the MORG have the highest growth rates at 5.4% and 4.7%, respectively.

Figure 1 - 2010-2015 US Corporate Self-paced eLearning Five-year Growth Rates by Company Size



The total revenue forecasts are broken out by ten vertical categories as defined by the US Internal Revenue NAICS tax codes including:

- Information services
- Finance and insurance
- Professional services
- Manufacturing
- Healthcare
- Educational services
- Wholesale
- Retail
- Transportation and warehousing
- Energy, utilities, and telecommunications

The healthcare, transportation/warehousing, and wholesale verticals have the highest growth rates. The vertical analysis is further broken down by three product categories:

- Packaged content (IT and non-IT combined)
- Custom content development services
- Hosted platforms, tools, and install platforms

This allows suppliers to target the verticals with the largest training expenditures. Interestingly, the verticals with the slowest growth rates tend to account for the highest expenditures for most of these product types.

The supply-side analysis in this report breaks out revenue forecasts for six major types of Self-paced eLearning products and services including:

- Information technology (IT) related packaged content
- Non-IT packaged content
- Custom content and technology services
- Learning platform hosting services
- Authoring and development software tools
- Installed learning platform technology

Across all sub-segments, the sales of non-IT packaged content will generate the highest revenues throughout the forecast period, followed by custom content development services. The expenditures on any of the six products vary considerably within each sub-segment or vertical.

For example, the overall growth rate for non-IT packaged content is 2.1% across all four sub-segments. In contrast, the growth rate in the SORG for non-IT packaged content is 11.9%.

The current economic conditions are influencing the growth rates of expenditures on specific types of content. Companies tend to calibrate budgets for certain types of content during economic recoveries, increasing expenditures in some areas and decreasing them in others. This report breaks out the demand for content by ten subject matter areas including:

- Vertical professional skills
- IT-related content
- Channel, partner, and supplier education
- Continuing education (CE)
- Internal and external sales
- Business Processes
- Customer and patient education
- Organizational and management development
- Compliance and mandated learning
- Language learning

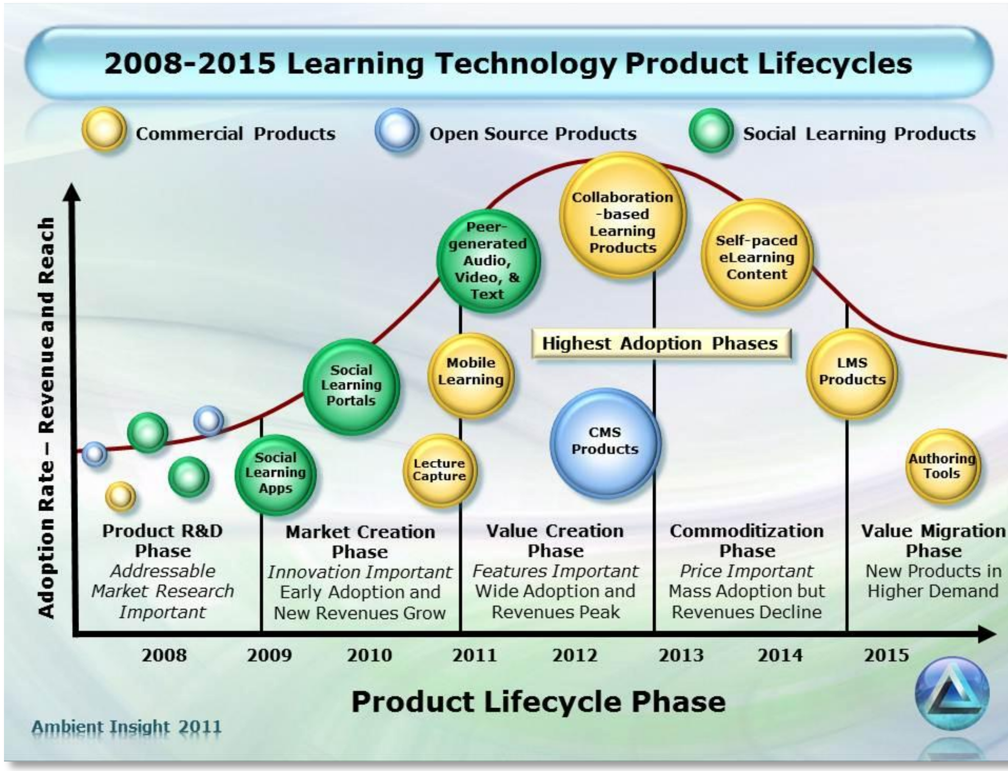
Language learning content has the highest growth rate, followed by business processes, and channel/partner/supplier education.

As a product type in a typical product lifecycle, Self-paced eLearning will be in a pronounced commoditization phase during the forecast period characterized by mass adoption, and also by distinct pricing pressures.

Commoditization (for any product) occurs when demand is very high, when there are many vendors supplying high-quality products, and when competing products lack significant differentiation in the perception of customers. Customers expect high quality but shop for price.

Commoditization pressures tend to be localized in the larger buying demographics and in specific verticals.

Figure 2 - 2008-2015 Learning Technology Product Lifecycles



A product with negative growth in one sub-segment or vertical can be in high demand in other sub-segments or verticals:

- The growth rate for installed learning platforms is negative in the enterprise and LORG at -3.7% and -1.1%, respectively. In contrast, the growth rate for installed learning platforms is 8.4% in the MORG and 12.9% in the SORG.
- The overall growth rate for hosted learning platforms across all four sub-segments is 1.0%, yet the growth rate for hosted platforms is 8.1% in the LORG.
- The overall growth rate for custom content development services is flat at 0.8%, but the growth rate in the healthcare vertical is quite robust at 45.1%.

There are dozens of other strong growth areas identified in this report. Clearly, there are revenue opportunities for suppliers in the current market. Overall aggregate growth may be slow, but revenues are very high. There are pockets of very high growth rates, which tend to correlate to untapped revenue. This report identifies the top revenue-generating products and isolates the untapped revenue opportunities for suppliers.

Quantitative Methodology, Scope, and Product Definitions

Ambient Insight provides quantitative revenue forecasts based on our proprietary Evidence-based Research Methodology (ERM). The ERM is an iterative process based on predictive analytics used to identify revenue opportunities for suppliers. There are four key components of the ERM process:

- Isolate target market via leading and lagging indicators
- Define the potential market revenue boundaries
- Triangulate the baseline market revenue
- Forecast the Total Addressable Market (TAM) for specific products

ERM progresses from general patterns (the big picture) to very precise granular patterns. It is used to create a forecast model comprised of accurate predictors. The forecast model is refined as additional data become available. Ambient Insight triangulates baseline revenues from three analysis vectors that include:

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

Ambient Insight gathers market and competitive intelligence from a wide spectrum of information broadly classified as leading and lagging indicators. Economic and market conditions are subject to change and the data in this report are current at the time of publication.

Scope

This report does not include revenues derived from outside the US. The major US 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 multi-purpose platforms that are now known as performance management systems, human resource management systems, or talent management systems are not included in this report. Many of these platforms do have learning management features that are used to track Self-paced eLearning content but the modules are not sold separately.

The software suites that include Self-paced eLearning authoring tools are not analyzed in this report. The various suites on the market can include a range of general purpose tools such as html authoring, user assistance (help authoring tools), screen capture, content management, graphics and animation, and multimedia publishing. The market for these suites does not provide actionable data for Self-paced eLearning suppliers.

This report does not include analysis of general-purpose content management systems that are now used to manage learning resources. For example, Microsoft's SharePoint platform is now being used by a growing number of corporations to manage Self-paced eLearning content. This is an example of product substitution that is actually a market inhibitor for legacy products.

This report does not include forecasts for other learning technology products such as simulation-based learning or collaboration-based learning products that are often marketed as "elearning" by suppliers. A detailed product taxonomy is provided in: Ambient Insight's 2011 Learning Technology Research Taxonomy.

Packaged content includes products delivered on tangible media such as DVDs, as well as Web-based content.

Product Definition

Ambient Insight defines Self-paced eLearning as self-paced ***courseware*** products and services. This includes two major types of off-the-shelf catalog content (IT-related and non-IT content), two types of software technologies (learning management platforms and authoring tools), and two types of services (custom content development and learning platform hosting.)

Content services include analysis, design, development, conversion, delivery, hosting, localization, and maintenance of courseware content.

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

The installed Self-paced eLearning technology includes Learning Management Systems (LMS), Course Management Systems, and Learning Content Management Systems (LCMS).

Ambient Insight defines learning platforms and tools sold via the hosted Software-as-a-Service (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.

Corporate Segmentation by Company Size

Ambient Insight breaks out revenue forecasts for four sub-segments of the corporations segment.

Table 1 - US Corporations by Company Size, Number of Locations, and Number of Employees

	Number of Companies	Number of Locations	Number of Employees
Enterprise	930	558 thousand	31.5 million
LORG	5 thousand	296 thousand	16.8 million
MORG	97 thousand	477 thousand	25.7 million
SORG	4.8 million	5 million	40.7 million

Source: US Bureau of Labor Statistics

There is a correlation between the size of a company, the number of company locations, and the purchase of learning technology. There is also a correlation between company size and the adoption of certain product types. There is a correlation between the type of vertical and the use of learning technology in general. Interestingly, except for the educational services vertical, there is no statistically-significant correlation between the type of vertical and the adoption of specific Self-paced eLearning product types.

Related Research

Buyers of this report may also benefit by the following Ambient Insight market research:

- The US Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis
- The Worldwide Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis
- The US Collaboration-based Learning Market: 2010-2015 Forecast and Analysis
- The US PreK-12 Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis
- The Worldwide Market for English Language Education Self-paced eLearning Content: 2009-2014 Forecast and Analysis
- The US Market for Mobile Learning Products and Services: 2010-2015 Forecast and Analysis
- Ambient Insight's 2011 Learning Technology Research Taxonomy

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