Ambient Insight Comprehensive Report

The Worldwide Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis

New Buyers, New Revenues: Self-paced eLearning in High Demand across the Globe

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

Comprehensive Reports are 45-60 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 segments in countries and multiple countries in regions.

Targeted Reports are 25-40 page reports that identify buying behavior in a specific buyer segment, country, or region. The reports 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 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 worldwide market for Self-paced eLearning products and services reached $32.1 billion in 2010. The five-year compound annual growth rate (CAGR) is 9.2% and revenues will grow to $49.9 billion by 2015.

This report forecasts the revenues for Self-paced eLearning products and services across seven regions: North America, Latin America, Western Europe, Eastern Europe, Asia, Middle East, and Africa. This report also identifies the top buying countries in each region and provides a five-year forecast for each of those countries.

North America, comprised of the US and Canada, will be the top buying region throughout the 2010-2015 forecast period. In the 2010 market, Western Europe accounted for the second highest expenditures. North America and Western Europe are two of the most mature markets in the world and the growth rates in each region are relatively low at 4.2% and 6.7%, respectively.

Figure 1 – 2010-2015 Worldwide Self-paced eLearning Five-year Growth Rates by Region (across all products)

The growth rates in specific Western European countries are much higher than the aggregate growth rate. For example, Poland, the Czech Republic, and Hungary all have growth rates above 20%. Romania has the highest growth rate in the region.

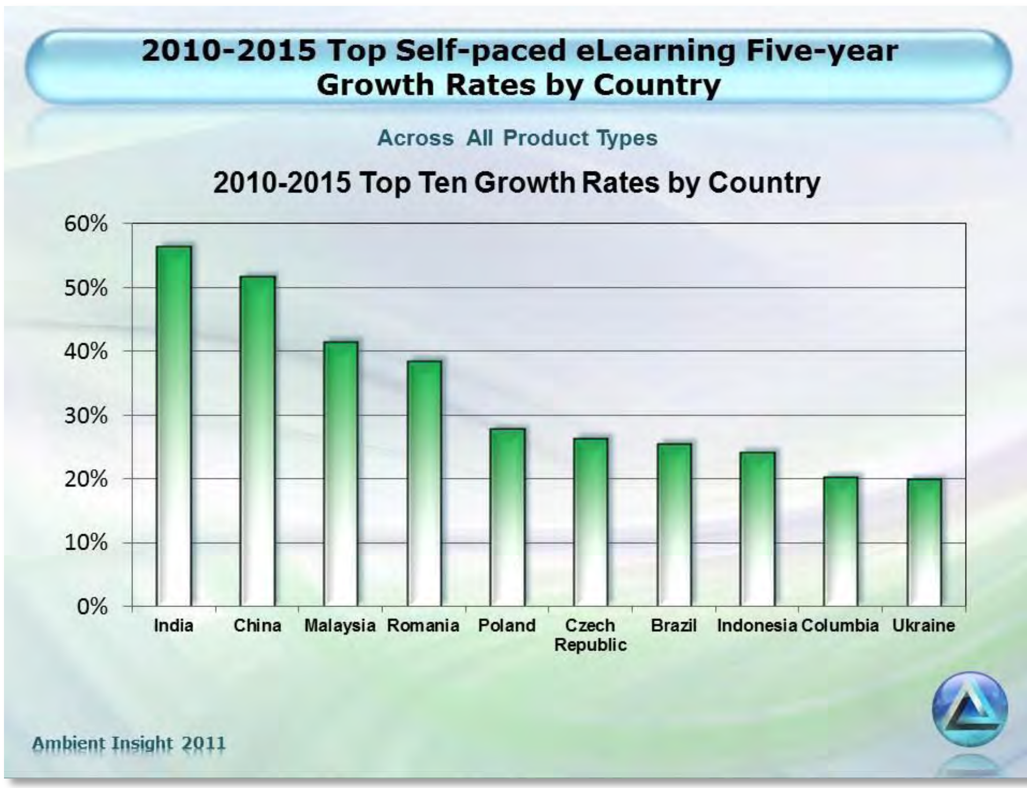
Not all mature markets have low growth rates. South Korea is a very mature market and still has a five-year growth rate of 12.9%, yet even this growth rate pales in comparison to other countries in Asia.

The growth rate in the combined Asia region is robust at 28.4%. The revenue opportunities in specific countries in Asia are attracting suppliers and investors from all over the world.

By 2015, Asia will account for the second highest expenditures after North America. India has the highest growth rate followed by China and Malaysia. ChinaEdu in China has over 311,000 students, the second largest online student population on the planet after the University of Phoenix Online in the US. ChinaCast Education in China has over 143,000 online students, in a tie with Eadcon in Brazil for the third largest online student enrollment in the world.

The growth rate in Eastern Europe is 21.8%. This region was a relatively late adopter of Self-paced eLearning, but now is experiencing rapid adoption. Ambient Insight has revised forecasts upward for Eastern Europe.

Figure 2 – 2010-2015 Worldwide Self-paced eLearning Five-year Growth Rates by Ten Countries (across all products)



In Latin America, the growth rate is a healthy 19.3%. To date, Latin America tends to import the majority of content and technology from outside the region. International content suppliers are exporting significant amounts of content into Latin America. This has created an addressable market for domestic suppliers, who are taking market share from the international suppliers.

The Middle East and Africa represent significant long-term revenue opportunities for suppliers. Ambient Insight has revised forecasts upward for both the Middle East and Africa.

For each region analyzed in this report, revenues are forecast for five types of Self-paced eLearning products and services including:

- Packaged content
- Custom content development services
- Hosted SaaS learning platform and tool services
- Authoring software and tools
- Installed learning platforms

The demand for a specific product type can be much higher (or lower) in a particular region. For example, the growth rate for specialized authoring software tools is negative in North America, yet positive in Asia and Eastern Europe. The dermand for installed learning platforms is flat in Western Europe compared to Eastern Europe where the growth rate is quite high.

This report provides supply-side and demand-side analyses. The supply-side analysis provides suppliers with the total addressable market for their particular product type in each buying region. The demand-side analysis provides suppliers with the total addressable market across all products for each region.

Key Findings

Key findings discussed in this report include:

Suppliers need to understand the unique buying behavior of each buying segment in each country and "shake off" the idea that business models that work in one country will work elsewhere.

- The global market is transitioning from a corporate story to an academic narrative
- The sales of general academic education content will generate the highest revenues for content suppliers by 2015
- The lingering effects of the recession are impacting buying behavior in different segments inside each country
- Buying behavior is quite different in each region and expenditures tend to be concentrated in specific countries in each region
- A country's educational policy (and not their adoption of technology) is often the primary factor driving (or blocking) the adoption of Self-paced eLearning.

Expenditures on Self-paced eLearning were once highly concentrated in the corporate segment. This is no longer the case and there is now wide adoption across all buying segments. In fact, North America is the only region in which corporate buyers are still the top buyers and this is only by a slim margin. This will change over the next five years in North America with academic buyers outpacing corporate buyers by 2015.

The most significant long-term revenue opportunity for suppliers across the globe is the demand for academic content across the educational spectrum from preschool to higher education to vocational training. Language learning content, particularly English language learning, is also in high demand, even in the US. ***(Source: The Worldwide Market for English Language Education Self-paced eLearning Content: 2009-2014 Forecast and Analysis, Ambient Insight, LLC.)***

A consistent international pattern is the growing demand for Self-paced eLearning in government agencies. Many countries, such as Mexico and China, have centralized educational systems and they are the primary buyers of academic content, outspending corporate buyers in those countries. Consumers are the top buyers in South Korea and Japan.

Some countries, such as China, have been immune to the global recession and the adoption patterns in those countries are due to different market conditions.

The lingering effects of the global recession are acting as catalysts or as inhibitors in different buying segments depending on the adoption stage in any particular country. In the more mature markets like the US and the UK, the slow recovery is still inhibiting expenditures in the corporate segment. In contrast, the recession has been a catalyst for Self-paced eLearning in the academic segments in the US and the UK.

Expenditures on Self-paced eLearning are often heavily concentrated in specific countries in a region and this report identifies and ranks those countries based on five-year forecasted expenditures.

There are often stark differences in buying behavior from country to country in a region even among the technologically advanced nations. ***The concept that "eLearning Readiness" is defined by a country's technology adoption is simply not true.***

For example, with the exception of language learning, there is very little Self-paced eLearning used in Japanese primary and secondary schools. In contrast, essentially all primary and secondary schools in Singapore and South Korea use Self-paced eLearning for a variety of subjects.

There is a long-standing myth that corporations in advanced countries follow the adoption patterns of the US. The evidence does not support this conclusion. For a variety of reasons not related to technology, the demand and revenues for Self-paced eLearning are relatively low in corporations in Japan, France, and Germany.

There is also little evidence to support the widely held belief in the industry that the Self-paced eLearning markets in the US, Canada, the UK, and Australia are very similar. The evidence shows that the buying behavior is quite different in each of these countries.

As of 2011, over 320,000 primary and secondary students in the US are attending virtual schools or cyber charter schools ***fulltime.*** Fulltime attendance in virtual schools is unique to the US and rarely found anywhere else on the globe. By 2015, there will be over 17.3 million US students taking at least one online course. ***(Source: The US Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis, Ambient Insight, LLC.)***

Government-mandated educational policies have a significant impact (either negative or positive depending on the country) on the adoption of Self-paced eLearning in the schools.

Educational policies are inhibiting the growth of Self-paced eLearning in several countries:

- Both Brazil and Indonesia have strict government guidelines surrounding "the quality" of academic distance learning content making it intentionally difficult for foreign suppliers to compete.

- The Chinese Ministry of Education must approve online degree programs and, so far, does not allow foreign firms to grant online degrees in China. As of 2010, 68 schools (all domestic firms based in China) have been approved.

- In August 2010, the Ethiopian Ministry of Education ***banned all distance learning*** in higher education institutions in the country. In October 2010, the government lifted the ban on the condition that restrictive (and complex) curriculum guidelines are followed.

A country's educational policies can also create positive market conditions that accelerate the adoption of Self-paced eLearning:

- Mexico's Public Education Secretariat launched a federally funded virtual university in September 2010 called the Educación Superior Abierta y a Distancia (ESAD). ESAD offers free undergraduate degree programs to Mexican nationals.

- In March 2011, the Ukrainian Minister of Education announced an ambitious program called Open World, launching in the 2011 school year, to deploy distance learning in every school in the country. The program is modeled on a highly successful program in Portugal.

- In April 2011, Malaysia launched the Malaysia Education Online (MEdO) national online learning portal. The goal of their new National e-Learning Policy is to have 30% of all higher education courses delivered online by 2015.

- In May 2011, the Education Ministry of the United Arab Emirates (UAE) initiated a policy that mandates the installation of learning platforms in all 425 of the UAE's public schools within six years.

China and South Korea are the first countries in the world to convert all their primary and secondary academic content to digital formats.

- In June 2011, the Education and Vocational Training Minister of Tanzania announced an ambitious multi-year plan starting in 2011 to deploy online learning in 4,000 schools with the goal to reach 1.2 million secondary students.

- In June 2011, the South Korean Education Ministry mandated that all instructional content in all primary and secondary schools must be 100% digital by 2015.

- In July 2011, the government in Thailand announced that they intend to give every child in grades 1-6 a tablet starting with first grade students in the 2012 school year. The multi-year program will equip over 5 million primary students with handheld devices. Over 5 million children in the higher grades will each get netbooks.

The central government develops and controls the academic curriculum in China. As of 2010, the entire primary and secondary curriculum was online in China. Although the content is online, relatively few students have access to it yet. ***The Chinese government's goal is to have their entire K-12 population of over 200 million students online by 2020.***

A growing number of states in the US, such as California, Texas, and Florida, have passed legislation that allow schools to migrate to digital content over the next 5-10 years. ***(Source: The US Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis, Ambient Insight, LLC.)***

Once states, provinces, and countries deploy the system-wide policies and infrastructures for Self-paced eLearning, the delivery channel for commercial content is in place.

It is not surprising that the international growth rate for packaged content is the highest of all product types analyzed in this report.

Secondary Findings

Secondary findings discussed in this report include:

- New suppliers are entering the market in every region of the globe
- There has been resistance to content that has been translated, but not truly localized for specific countries and domestic suppliers are emerging to meet the demand for "indigenous" content
- The use of open source learning platforms is now common across the planet
- There are "buying clusters" within regions and buying clusters that span multiple regions
- There is clear evidence now that newer learning technologies such as Mobile Learning and Social Learning are cannibalizing Self-paced eLearning revenues in a classic product substitution pattern.

The presence of open source learning platforms is a revenue opportunity for services suppliers. There is now a global cottage industry for services surrounding these platforms.

New suppliers are entering the market at a steady rate ***in every region***. This is interesting since the growth rates in the more mature regions such as North America and Western Europe are relatively low, yet new suppliers continue to enter the market even in those regions.

An interesting trend is the emergence of trans-regional suppliers that serve the needs of buyers across several countries in a region. This trend is particularly strong in Latin America where, except for Brazil, Spanish content is the common denominator.

There is a significant degree of "resistance" to traditional packaged Self-paced eLearning content in various countries, particularly in the Middle East and Africa. This resistance is often due to the fact that content is translated, but not localized.

Additionally, the systematic instructional design process pioneered in the US results in a very distinct product design and user experience that does not resonate in many countries.

The goal of "building once and selling many times" has proven difficult to achieve for suppliers trying to market large content catalogs across borders.

In 2009 and 2010, "indigenous" Self-paced eLearning products emerged across the globe, particularly in Latin America, the Middle East, and Africa.

In August 2009, the Kenyan Minister of Education told the press, "A number of people have in the past came to us with foreign e-learning content for us to adopt, but we have rejected them so we can develop our own content." As of 2011, the Kenya Institute of Education approves all content used in Kenyan schools and will reject content that does not "adequately reflect the local culture."

This resistance has sparked a wave of country-specific content development by local suppliers. The large international suppliers often cannot afford to "scale down" to this degree of specificity. This has created revenue opportunities for domestic suppliers that develop their own content or partner with the major international suppliers to fully localize content. This has resulted in the emergence of "indigenous" products that have essentially rejected the US-centric systematic instructional design used in traditional Self-paced eLearning.

The use of open source learning platforms, particularly Moodle, is a common thread across the globe, particularly in schools:

- The Austrian government recently implemented a program called "Edumoodle" that provides funding and technical support for over 1,200 schools using Moodle in Austria
- In Hungary, Moodle is the dominant platform used in higher education institutions
- As of 2010, Moodle was virtually the ***only*** learning platform used in Czech and Slovak schools
- Malaysia's Education Online (MEdO), the government-funded national online learning portal, is an integration of Moodle and Joomla.

There are "buying clusters" within regions. There are three major buying clusters analyzed in this report: the Nordic, Benelux, and Central Europe clusters in Western Europe. The combined growth rate for the countries in the Central Europe cluster is 20.3%, three times the 6.7% growth rate for all of Western Europe.

Clusters can be based on currency, economic alliances, educational policies, or language. In 2010, the five countries in the Eastern African Community (EAC) "launched its own common market for goods, labor and capital within the region, with the goal of a common currency by 2012 and full political federation in 2015." This effectively creates a very large buying cluster in Africa for suppliers. All the countries in the EAC have new educational policies explicitly promoting the use of Self-paced eLearning.

Mobile Learning now represents a product substitution threat to Self-paced eLearning and there is clear evidence that it is cannibalizing revenues, particularly in North America and parts of Asia. This threat is particularly acute for academic test prep products. The mobile device is near ideal for test prep and new mobile test prep products are inhibiting the sales of both print and online test prep courseware.

Additionally, instead of adopting Self-paced eLearning and then moving to Mobile Learning, developing countries in regions such as Asia, Africa, and Latin America are leapfrogging Self-paced eLearning altogether in favor of Mobile Learning. ***(Source: "The Worldwide Market for Mobile Learning Products and Services: 2010-2015 Forecast and Analysis," Ambient Insight, LLC.)***

Social Learning is another product substitution threat siphoning revenues in the consumer segments across the planet. Community-based language learning sites like Livemocha, which has over 10 million users, are now attracting millions of customers from across the globe and inhibiting the international sales of self-paced language learning products.

Over 200 suppliers are identified in this report. The major suppliers are called out for specific regions and countries. This helps suppliers inside and outside domestic markets find partners, resellers, and potential acquisition targets.

The evidence-based data in this report help international and domestic suppliers create sustainable business models, develop locally competitive products, expand into new markets, and generate significant revenues in local supply chains. Ambient Insight advises suppliers to ***think local, act local***.

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.

Many of the companies discussed in this report are publicly traded on various international stock exchanges and their financial disclosures provide baseline data for global sales and specific regional business activity. Many private companies, particularly outside the US, report their revenues as a matter of policy. Those financial disclosures also provide baseline data for the demand for specific types of products in particular countries and regions.

Federal government and industry trade bodies, particularly in the US, Japan, South Korea, Germany, France, Canada, Ireland, India, and the UK, provide extensive data on export opportunities in specific international education markets.

The European Union funds ongoing research on the adoption of electronic learning in the EU and Eastern Europe. Several international bodies such as the World Bank, the UN, and the Commonwealth of Learning provide funding for projects and detailed data on the adoption of learning technology in developing countries.

There are now distance learning and Self-paced eLearning trade associations in every region of the world. Publications, event presentations, and press from these associations provide valuable insight into the market conditions inside particular countries and regions.

Geographical Regions and Buying Clusters

This report provides forecasts for seven international regions: North America, Latin America, Western Europe, Eastern Europe, Asia, Middle East, and Africa.

- North America includes the US and Canada.
- Latin America includes Mexico, Central America, and South America. The Caribbean countries and islands are grouped with Latin America.
- Ambient Insight defines Western Europe as the 27 countries in the European Union as of January 2011. It also includes four countries that, so far, have not joined the EU: Iceland, Norway, Lichtenstein, and Switzerland.
- Ambient Insight defines Eastern Europe as most of the Commonwealth of Independent States (CIS) that were once part of the former Soviet Union: Russia, Belarus, Georgia, Moldova, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Kyrgyzstan,

Uzbekistan, and the Ukraine. It should be noted that several countries that were once part of the Soviet Union are now in the EU.

- Asia is defined as the countries in continental eastern Asia and the countries and island nations in the Asian Pacific including Australia and New Zealand.
- The Middle East includes all the east Mediterranean, Gulf, and western Asian countries, and arbitrarily groups Turkey and Egypt as part of the Middle East.
- Africa includes all the countries on the African continent except Egypt and also includes Madagascar.

There are three major buying clusters discussed in this report:

- **The Benelux Cluster** comprised of Belgium, the Netherlands, and Luxembourg.
- **The Nordic Cluster** comprised of Denmark, Finland, Iceland, Norway, and Sweden.
- In the context of this report, the **Central Europe Cluster** is comprised of Hungary, Poland, the Czech Republic, Slovakia, Austria, Serbia, Croatia, Bulgaria, Slovenia, Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro, and Romania.

Scope

The buying behavior in each region and countries within a region can be quite complex and this report limits analysis to the top buying countries in each region. The analysis in this report focuses on those regions and countries that currently represent the top revenue opportunities for suppliers. The analysis of long-term revenue opportunities in emerging markets is less detailed.

The screen capture tools used to create software application simulations are defined as Simulation-based Learning tools by Ambient Insight and are not covered in this report.

The revenue forecasts in this report are in US Dollars. There have been significant fluctuations in currency valuations in 2010 and the forecasts in this report are based on international exchange rates as of April 2011. This report will be updated annually and suppliers are advised that currency fluctuations may significantly alter the year-to-year forecasts.

Several international bodies (such as the UN and the World Bank), many international NGOs (such as the Bill and Melinda Gates Foundation), and dozens of major technology suppliers fund learning technology projects in developing countries. Those expenditures rarely represent addressable revenues for commercial suppliers and they are not included in this report.

The multi-purpose enterprise platforms 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.

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.

One-to-one computing in PreK-12 schools in which computers are available to individual students is still quite rare in many countries. The dominant learning technologies in those countries tend to be one-to-many systems such as whiteboards and projectors displaying content on a single screen from a single computer or server.

These one-to-many systems and the content designed for them generate significant revenues for suppliers even in developing countries. However, Ambient Insight does not categorize these products as Self-paced eLearning and those revenues are not included in this analysis.

This report does not include forecasts for other learning technology products such as Simulation-based Learning or Collaboration-based Learning products often marketed as "eLearning" by suppliers. Ambient Insight provides a granular definition of learning technology product types in: Ambient Insight's 2011 Learning Technology Research Taxonomy

Product Definition

Ambient Insight defines Self-paced eLearning as self-paced courseware products and services. This includes off-the-shelf packaged content; two types of services (custom content development and hosted learning platforms); and two types of software technologies; (installed learning management platforms and authoring software tools.)

Ambient Insight has a precise product taxonomy that has an explicit definition of Self-paced eLearning. This provides suppliers with clarity surrounding the demand for this product type.

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

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

Ambient Insight defines cloud-based products and products sold via the 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.

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

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