Ambient Insight Comprehensive Report

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

Large Revenue Opportunities and Erratic Buying Behavior in the Current Market

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Market Analysis by:
Sam S. Adkins, Chief Research Officer

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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 types and segments.

Targeted Reports are 25-40 page reports that provide industry-wide analysis, an analysis of a particular product type, or an analysis of a specific buyer segment.

Research Briefs are 15-20 page reports that highlight revenue opportunities, provide trend analyses, and forecast revenues for a particular sub-category of content, service, or technology.

Radar Reports are 5-10 page competitive intelligence 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 innovation, create new customers, generate new revenue streams, and compete in emerging markets.

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.

Executive Overview

The US market for Self-paced eLearning products and services reached $18.2 billion in 2010. The demand is growing by a five-year compound annual growth rate (CAGR) of 5.9% and revenues will reach $24.2 billion by 2015.

This report forecasts five-year online learning expenditures by eight buyer segments: consumer, corporate, federal government, state and local government, PreK-12 academic, higher education, non-profits and associations, and healthcare.

The five-year compound annual growth rate (CAGR) growth rate for Self-paced eLearning across all eight of the buyer segments is 5.9%, but growth is much higher in specific segments. For example, growth rates in the PreK-12, healthcare, and association segments are 16.8%, 16.3%, and 14.3%, respectively.

The rate of growth in the PreK-12 segment is due to the relentless migration to online content formats, and also due to the proliferation and success of for-profit online schools. Yet, buying behavior is erratic as schools struggle with budget cuts.

The academic segments are now rapidly adopting online products and are thriving markets for suppliers. A detailed analysis of both segments is included in this report.

The rapid growth of virtual schools, the dramatic increase in online students, the recession, and state budget cuts are acting as iterative catalysts for Self-paced eLearning in the PreK-12 segment.

For example, budget cuts have prompted schools to reduce spending on summer school and classroom-based credit-recovery (making up for a failing grade) programs and increase spending on self-paced products and services. It is now more cost efficient to outsource credit-recovery programs to commercial online providers.

The primary catalyst driving the strong virtual school growth in the US is the economy. State-run virtual schools used to target courses that were not offered in local districts or not available to rural students. Now, as a way to cut costs, they are targeting core curriculum and supplemental as well.

The explosive growth of online enrollments in both academic segments in the US has created a boom market for Self-paced eLearning products in the PreK-12 and higher education segments.

The healthcare segment has been immune to the recession. Since the recession began, the healthcare segment has added over 866,000 jobs. According to a May 2010 report by the US Bureau of Labor Statistics (BLS), the healthcare segment has been adding an average of 19,700 jobs a month over the last two years.

Obviously, there is a strong demand for training and education in the healthcare segment. A major challenge for suppliers competing in the healthcare segment is identifying the buyers. This report describes the buying behavior in this complex segment.

Associations spend over $6.2 billion annually on educational events and until recently, most of those events were in physical venues. Associations were once slow adopters of learning technology in general, but this is no longer true. This segment is moving fast to Self-paced eLearning. The current forecast has been revised significantly upward from previous forecasts.

In the past three years, across the entire market, the demand for Self-paced eLearning has slowed. This general slowing is due to three market factors:

- Commoditization of platforms and tools
- Pricing pressures in the corporate segment caused by the slow economic recovery
- The growing tendency for buyers to purchase other types of learning technology products.

Commoditization (for any product) occurs when demand is very high and competing products lack significant differentiation in the perception of customers. Customers shop for price. Learning platforms and authoring tools are now highly commoditized, particularly in the corporate segment.

In the 2010 market, corporations are the top buyers of Self-paced eLearning. By 2015, corporations will still be the top buyer, followed by higher education and the PreK-12 buyers.

Although the overall corporate growth rates are flat, demand is still quite strong, and the revenues are very high. The corporate market was an early adopter and companies continue to purchase Self-paced eLearning products. The corporate segment still represents the best revenue opportunities for suppliers.

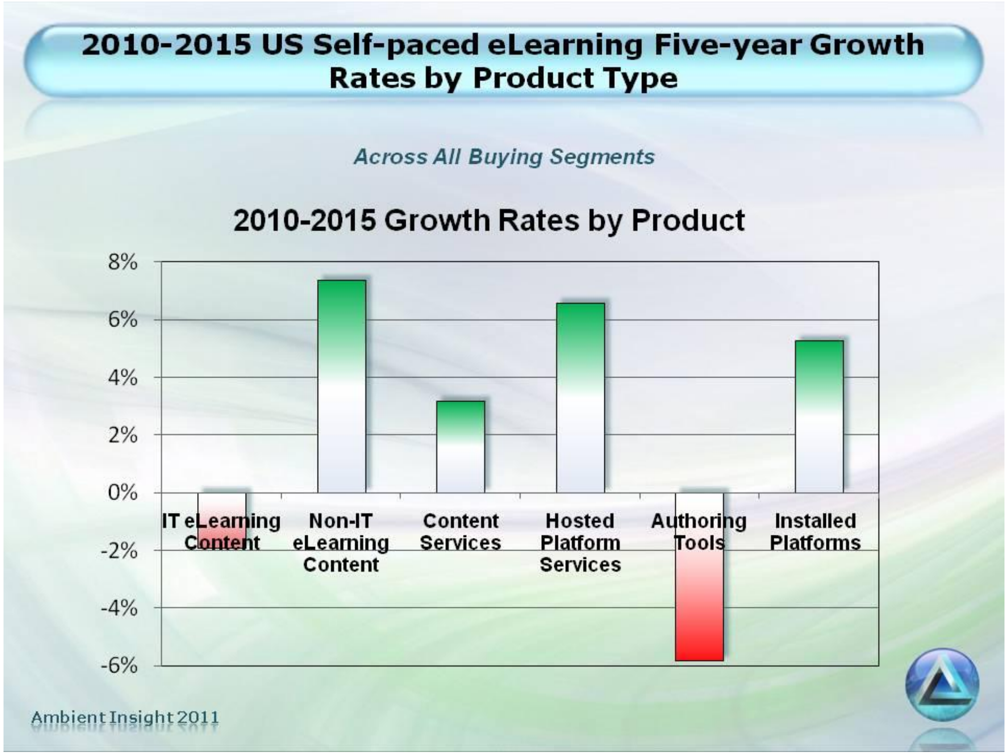
There is now clear evidence that other learning product types such as Mobile Learning and Social Learning are cannibalizing Self-paced eLearning revenues. This is particularly prevalent in the consumer and higher education segments.

In the consumer segment, the growth rate for Self-paced eLearning content is now flat-to-negative at -1.9%, yet the consumer growth rate for Mobile Learning content is a healthy 18.3%. Social-based language learning sites are now very popular in the consumer segment as well.

The "online population" in the higher education segment is growing at a rapid rate. Lecture Capture Systems are now in high demand in the higher education segment and are dampening the growth of Self-paced eLearning.

This is called "product substitution" in a market and can be a significant threat to suppliers. Recommendations on how to deflect this threat are included in the final section of this report.

Figure 1 – 2010-2015 US Self-paced eLearning Five-year Growth Rates by Product Type (across all buyers)



There are six major types of Self-paced eLearning products and services forecast in this report including:

- IT packaged content
- Non-IT packaged content
- Custom content development services
- Learning platform and tool hosting services
- Authoring software tools
- Installed learning platform technology

The growth rates for these products vary greatly across the different buying segments and a products analysis is provided for each segment. For example, the growth rate for installed learning management systems (LMS) is negative at -2.3% in the corporate segment, but positive at 8.4% in the healthcare segment.

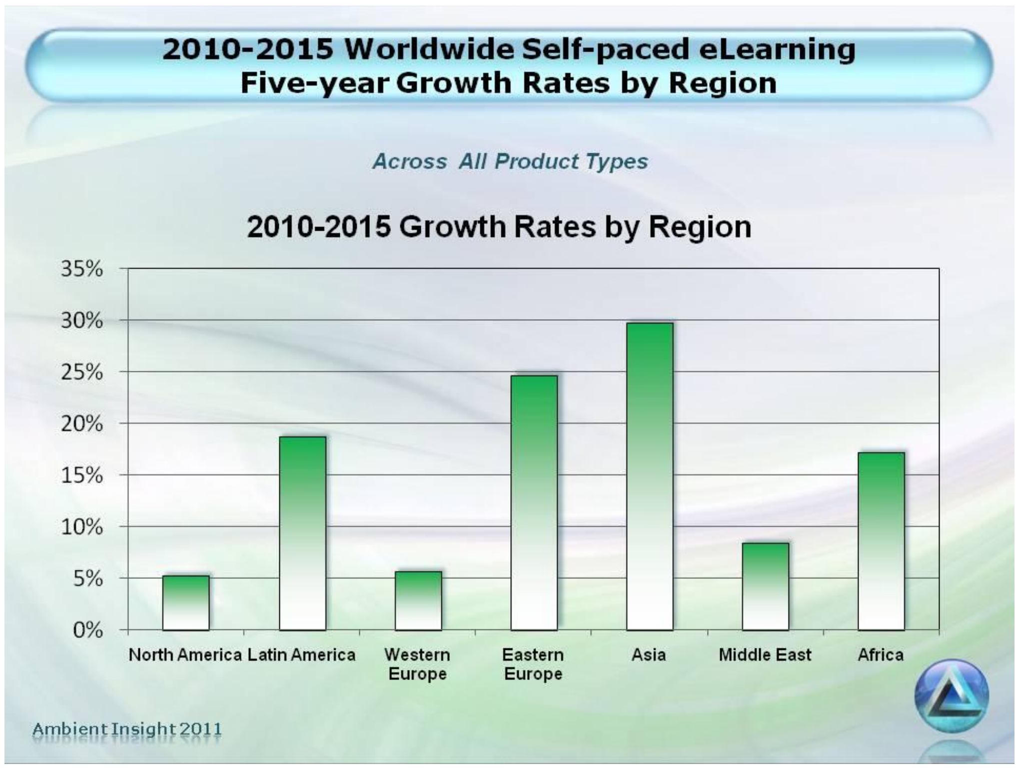
Although the demand for both IT-related content and authoring tools is negative in general, even they are experiencing positive growth in specific buying segments.

One interesting new trend is the strong demand for industry-centric Web-based learning management "portals" preloaded with vertical content, particularly certification and licensure content. Best-of-breed suppliers that specialize in specific verticals also offer managed services with these portals and they are now generating significant revenues.

Global Demand Helps US Suppliers

The strong growth in specific regions of the worldwide market has created revenue opportunities for US suppliers. Self-paced English language learning is now in high demand in every region, including North America. Also, the current weakness of the US Dollar actually makes US products more competitive in the international market.

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



Source: The Worldwide Market for Self-paced eLearning Products and Services: 2010-2015 Forecast and Analysis, Ambient Insight, LLC.

North America will be the top buying region throughout the 2010-2015 forecast period. In the 2010 market, Western Europe accounted for the second largest expenditures, but by 2015, Asia will be the second largest buying region after North America. In 2010, South Korea was the second largest buying country after the US. China will be the second largest buying country after the US by 2015.

This report provides detailed supply-side and demand-side analyses. The supply-side analysis provides suppliers with the total addressable market (TAM) for their product type across all buying segments. The demand-side analysis provides suppliers with insight into the buying behavior of specific buyer segments. This report provides extensive examples of competitors, products, and buying behavior to help suppliers compete in the market. These are evidence-based data designed to help suppliers create sustainable business models, develop competitive products, and generate revenues and profit. These data are indispensable in the current market characterized by variable growth rates across buyer segments and erratic buying behavior.

Methodology, Scope, and Product Definitions

Ambient Insight is an integrity-based market research firm that specializes in identifying revenue opportunities for suppliers. Principals at Ambient Insight have been tracking innovation and investment trends in the learning technology industry since the late 1990's.

Ambient Insight provides market revenue forecasts based on our proprietary Evidence-based Research Methodology (ERM). The ERM is an iterative process based on predictive analytics. ERM progresses from general patterns (the big picture) to very precise granular patterns. It is used to create a forecast model comprised of relevant predictors. The forecast model is refined as additional data becomes available. Ambient Insight triangulates baseline revenues from three analysis vectors:

- Supply-side analysis
- Demand-side analysis
- Product and service analysis

Once the baseline revenues are triangulated, Ambient Insight uses the data to forecast the total addressable market (TAM). Ambient Insight uses the data derived from the ERM process literally as evidence to support our market forecasts.

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.

Leading indicators signal future events and include venture capital investment trends, patent applications, technology-related legislation, technology standards development, product research trends, technology infrastructure trends, labor demand, and outsourcing demand.

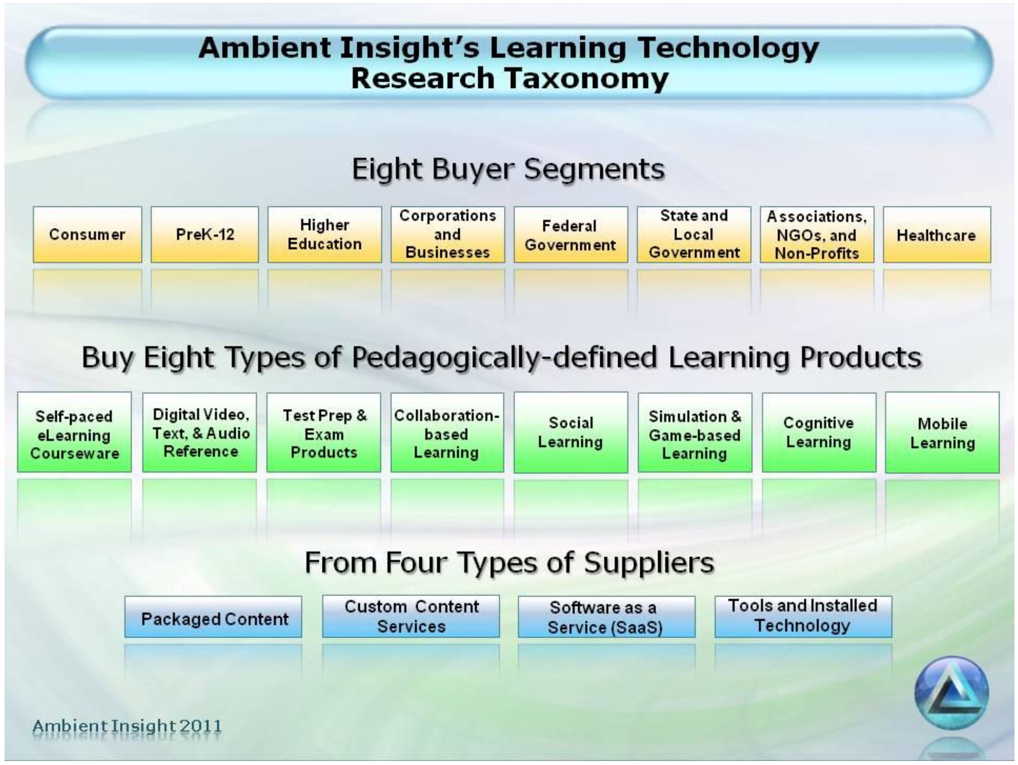
Lagging indicators, referred to as "rear-view mirror" data, are past events captured in data that include new vendor activity, M&A activity, executive hiring patterns, US Economic Census data, SIC and NAICS data, SEC filings, local and federal government data, Universal Commercial Code banking reports, public-domain business records, court records, press releases, and industry association information.

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 enterprise platforms that are now known as performance management systems, human resource management systems, talent management systems, or student lifecycle 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.

Figure 3 – Ambient Insight's Learning Technology Research Taxonomy



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

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 Social Learning, Mobile Learning, Simulation-based Learning, or Collaboration-based Learning products that are often marketed as "elearning" by suppliers. A detailed product taxonomy describing how Ambient Insight categorizes products is provided 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 two major types of off-the-shelf catalog content, two types of software technologies (learning management platforms and authoring tools), and two types of services (custom content development and platform hosting.)

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.

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

The installed Self-paced eLearning technology includes Learning Management Systems (LMS), Classroom Management Systems, Education Management Systems, Student Information Systems, Course Management Systems, Learning Content Management Systems (LCMS), and the range of products used in PreK-12 for tracking instructional content usually called Student Information Systems (SIS).

Ambient Insight defines learning platforms and tools sold via the hosted 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 Worldwide 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 Market for Mobile Learning Products and Services: 2010-2015 Forecast and Analysis
- Ambient Insight's 2011 Learning Technology Research Taxonomy

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