

# Ambient Insight's

## The US Corporate Market for Self-paced eLearning Products and Services: 2008-2013 Forecast and Analysis

*The recession is a growth catalyst for certain types of  
products and services*



**"We Put Research into Practice"**

[www.ambientinsight.com](http://www.ambientinsight.com)

**Market Analysis by:**

Sam S. Adkins, Chief Research Officer

Published: October 2008

***To learn more about our research services, email:  
info@ambientinsight.com***

**Ambient Insight Copyright Policy:** All rights reserved. All media and research data published by Ambient Insight are protected by copyright. Unauthorized use of Ambient Insight research without prior permission is prohibited. Ambient Insight research products provide valuable financial data only to the individual purchaser or the purchasing organization. Purchasers may not modify or repurpose the information and financial data in our research in any manner. Specific distribution rights are provided based on the license model granted at time of purchase.

**Quoting Ambient Insight Research:** Permission is required to use quotes, tables, diagrams, or charts from Ambient Insight research in press releases, promotional material, external presentations, or commercial publications. Permission from Ambient Insight is required to reproduce or distribute in entirety any table, paragraph, section, or report.

# Table of Contents

List of Tables .....	3
List of Figures .....	3
Executive Overview .....	4
Products and Services Forecast in this Report .....	5
Key Findings .....	6
Methodology, Definitions, and Scope .....	8
Definition of Self-paced eLearning Courseware .....	9
Corporate Segmentation by Company Size .....	9
Outside the Scope of this Report .....	10
Related Research .....	10
2008-2013 US Corporate Self-paced eLearning Forecast .....	11
Demand-side Analysis .....	11
Small Organizations (SORG) Buy Like Consumers .....	12
Higher Margins in Medium-size Organizations (MORG) .....	14
Low Hanging Fruit in Large Organizations (LORG) .....	15
Turbulence in the Enterprise .....	16
Supply-side Analysis .....	19
Packaged Content .....	20
<i>IT Packaged Content</i> .....	20
<i>Non-IT Packaged Content</i> .....	22
Custom Content and Hosting Services .....	23
<i>Custom Content Services</i> .....	23
<i>Hosting Services</i> .....	24
Software Tools and Installed Technology .....	25
<i>Software Tools</i> .....	25
<i>Installed Technology Platforms</i> .....	27
Recommendations and Revenue Opportunities .....	29
Top Content Buyers by Industry Type .....	29
Top Selling Content by Subject Matter .....	31
The Halo on Open Source .....	34
Generating Revenues in a Recession .....	37
<i>Lessons Learned in the Last Recession</i> .....	40

**List of Tables**

Table 1 - US Corporations by Company Size, Number of Locations, and Number of Employees .....9

Table 2 - Total US Corporate Self-paced eLearning Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 11

Table 3 - SORG Self-paced eLearning Revenue by Product Type: 2008-2013 Forecast (in \$US Millions)..... 12

Table 4 - MORG Self-paced eLearning Revenue by Product Type: 2008-2013 Forecast (in \$US Millions)..... 14

Table 5 - LORG Self-paced eLearning Revenue by Product Type: 2008-2013 Forecast (in \$US Millions) ..... 15

Table 6 - Enterprise Self-paced eLearning Revenue by Product Type: 2008-2013 Forecast (in \$US Millions)..... 16

Table 7 - Total Corporate Self-paced eLearning Revenue by Product Type: 2008-2013 Forecast (in \$US Millions) ..... 20

Table 8 - Self-paced eLearning IT-related Packaged Content Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 21

Table 9 - Self-paced eLearning Non-IT Packaged Content Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 22

Table 10 - Self-paced eLearning Custom Content Services Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 24

Table 11 - Self-paced eLearning Hosting Services Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 25

Table 12 - Self-paced eLearning Software Tools Revenue by Company Size: 2008-2013 Forecast (in \$US Millions) ..... 26

Table 13 - Self-paced eLearning Installed Platform Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 27

Table 14 - Self-paced eLearning Content Revenue by Industry Vertical: 2008-2013 Forecast (in \$US Millions) ..... 29

Table 15 - Self-paced eLearning Content Revenue by Subject Matter: 2008-2013 Forecast (in \$US Millions)..... 32

Table 16 - US Corporate Revenues for Open Source Learning Services by Company Size: 2008-2013 Forecast (in \$US Millions)..... 36

**List of Figures**

Figure 1 - The 2008 US Competitive Landscape: Stratification of the Supply Chain.....7

Figure 2 - The New Corporate Buyers - Revenues for Self-paced eLearning by Company Size: 2008-2013 Forecast (in \$US Millions) ..... 11

Figure 3 - Revenues for Self-paced eLearning by Product Type: 2008-2013 Forecast (in \$US Millions) ..... 19

Figure 4 - What Content are They Buying? 2008-2013 Top Revenue Generating Content Categories ..... 31

Figure 5 - Open Source Self-paced Learning Services Revenue by Company Size: 2008-2013 Forecast (in \$US Millions)..... 34

Figure 6 - Recession Safe Zones: Revenues Moving Downstream to Smaller Suppliers in the Supply Chain ..... 38

## Executive Overview

The US corporate market for Self-paced eLearning reached \$5.2 billion in 2007. Although overall growth is slowing due to the recession, the recession is also acting as a growth catalyst for certain types of products and services.

The aggregate growth rate across companies of all sizes has slowed from previous forecast periods. The corporate demand for Self-paced eLearning products in the 2008-2013 forecast period is now growing at a five-year compound annual growth rate (CAGR) of 8.7%, down from 18.3% in the 2007-2012 forecast period, and down from 21.8% in the 2006-2011 forecast period.

Ambient Insight has revised forecasts downward from previously published reports on the corporate elearning market. Yet the lowered forecasts are primarily due to the negative growth in the enterprise sub-segment and mask the positive growth outside the enterprise. The growth in the other three corporate sub-segments tracked by Ambient Insight is quite healthy.

The current demand in the enterprise has a negative growth rate of -5.5%, down from a virtually flat growth rate of -1.5% in the 2007-2012 forecast period, and down from a positive 7.3% in the 2006-2011 forecast period.

It should be noted that the enterprise still represents 48% of the entire corporate market and while the revenue opportunities are still abundant, margins are eroding and the competition is now fierce (if not ruthless.) The market has been in a "post-enterprise" period for several years and the revenues outside the enterprise have become the low-hanging fruit for suppliers.

The demand in the small organization (SORG) sub-segment **doubled** from 4.20% in the 2007-2012 forecast period to 8.51% in the 2008-2013 period. While slowing from the 2007-2012 period, the demand in the large organization (LORG) and medium-size organization (MORG) sub-segments is relatively robust at 16.3% and 26.7% respectively.

Clearly, there are revenue opportunities for suppliers despite the negative growth in the enterprise and the current US economic downturn. In fact, the current economic conditions are catalysts for specific types of products, such as hosted learning management services.

Technically, the definition of a recession is two quarters of negative gross domestic product (GDP) growth. That has not occurred in the US yet, but it is irrelevant if buyers perceive that a recession is underway. Corporate training buyers now believe they are in a recession and it is having a significant impact on their budgets, product preferences, and buying behavior.

The overall US corporate training and education market has been shrinking at a small, but steady rate (negative 2-3% CAGR) since the recession of 2000-2001. This decline is due to four trends: the cost efficiencies achieved with learning technology, the reduction of training budgets in subsequent

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

fiscal years due to those cost efficiencies, the offshoring of jobs, and the reduction of training benefits offered to employees. These trends are particularly prominent in large organizations and enterprise companies.

In the previous recession, in an effort to aggressively cut training costs, enterprise buyers moved rapidly away from classroom products to Self-paced eLearning products. This created a temporary boom market for Self-paced eLearning suppliers selling to enterprise buyers, at least for the first year of the recession.

As of 2008, Self-paced eLearning products account for 18% of all enterprise training expenditures and those budgets are now targeted for reduction. Unlike the last recession, there are now several newer and cheaper learning technologies available to buyers. Enterprise buyers now have many more options available to them as they reduce both their classroom and elearning budgets.

Small and medium-sized businesses (SMB) have been slow adopters of Self-paced eLearning and the majority of their expenditures, if they buy training at all, still go to classroom products. In this recession, these buyers are migrating away from classroom training to a range of learning technologies and are essentially repeating the process that the enterprise went through in 2001-2002. In non-enterprise sub-segments, the current recessionary climate is a catalyst for the learning technology industry.

### ***Products and Services Forecast in this Report***

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

- Information Technology (IT) related packaged content
- Non-IT packaged content
- Custom content services
- Learning platform hosting services
- Software tools
- Installed learning platform technology

The demand for each of these products is further broken out by four company sizes: enterprise, large organizations (LORG), medium organizations (MORG), and small organizations (SORG). The demand for all six products varies considerably within each sub-segment and this report provides actionable data for suppliers that sell any of the six product types.

There are great differences in buying behavior in the sub-segments of the corporate market. A product with negative growth in the enterprise is often in high demand in other sub-segments. This report identifies those revenue opportunities.

Recessions tend to impact training expenditures in certain industries. While no industry is immune from a recession, there are verticals that tend to be "recession-resilient" such as education services and healthcare. This report breaks out the growth rates for ten vertical industries and identifies the best opportunities for suppliers.

The recession is influencing the growth rates of specific types of content. Companies tend to reallocate budgets for certain types of content areas during downturns, increasing expenditures in some areas and decreasing them in others. This report breaks out the demand for content by ten subject matter areas allowing suppliers to target the high-growth areas.

### ***Questions Answered in this Report***

The analysis in this report identifies the most lucrative revenue opportunities for suppliers, but also isolates areas of slow growth. This report answers the questions:

- What are the growth rates for each product in each of the four corporate sub-segments?
- What products are declining in demand in each of the four corporate sub-segments?
- What are the highest revenue opportunities throughout the forecast period?
- What content is in the highest demand during the forecast period?
- How do specific vertical buyers react to economic downturns?
- What products appeal to particular vertical buyers?
- How do successful suppliers compete in the market?
- What is the current state of the complex supply chain?
- What companies dominate the competitive landscape?
- What are the forecasts for technology, content, and services?

### ***Number of Pages, Tables, and Charts***

There are 42 pages in the report, 16 tables, and 6 charts.

### ***Filesize***

The full report is a 1.8MB PDF file.

## **Methodology, Definitions, and Scope**

Ambient Insight provides market revenue forecasts based on our proprietary Evidence-based Research Methodology (ERM). The Evidence-based Research Methodology is an iterative process based on predictive analytics used to identify revenue opportunities for suppliers.

ERM progresses from general patterns (the big picture) to very precise particular 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" that include:

- Supply-side analysis
- Demand-side analysis
- Product and Service category 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 Evidence-based Research Methodology quite literally as evidence to support our market forecasts.

The data in this report are US-centric and only the buying behavior of US buyers is analyzed regardless of whether they buy from offshore vendors. A growing amount of expenditures on Self-paced eLearning goes to suppliers offshore so the revenues forecast in this report do not necessarily reflect revenues for US-based suppliers.

### **Definition of Self-paced eLearning Courseware**

Ambient Insight defines elearning as self-paced courseware products. These include two major types of catalog "off-the-shelf" (OTS) packaged content, installed learning management systems, authoring tools, custom content services, and hosting services.

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

The installed Self-paced eLearning technology includes learning management systems (LMS), learning content management systems (LCMS), courseware management systems (CMS), and the stand-alone learning modules of the enterprise resource management (ERM) and talent management systems.

Ambient Insight defines LMS products 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.

### **Corporate Segmentation by Company Size**

Ambient Insight breaks out revenue forecasts for four sub-segments of the corporations and businesses 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

**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

### **Outside the Scope of this Report**

This report does not include revenues derived from outside the US. The major US installed platform and hosted services 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.

This report does not include revenues for other learning technologies that are often marketed as "elearning" such as real-time collaboration platforms, Simulation-based Learning, Game-based Learning, Mobile Learning, or digital "Referenceware."

This report does not include the revenues for learning technology bundled with enterprise application suites and human resource platforms. Those revenues are virtually non-addressable to all but a few suppliers and isolating those revenues would not provide actionable data for other suppliers.

### **Related Research**

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

- Snapshot of the US Consumer Market for Self-paced eLearning Products and Services: 2008-2013 Forecast and Analysis
- The US Market for Mobile Learning Products and Services: 2008-2013 Forecast and Analysis
- Private Investment Trends in the US Learning Technology Industry: 1999-2008 Longitudinal Analysis
- Snapshot of the US Market for Mobile Brain Trainer Products: 2008-2013 Forecast and Analysis
- The US Corporate Market for Learning Services: 2007-2012 Forecast and Analysis
- The US Market for Handheld and Mobile Game-based Learning Products: 2007-2012 Forecast and Analysis
- The US IT Training Market Snapshot: 2007-2012 Forecast and Analysis
- Follow the Money: 2007-2012 Real-time Collaboration-based Learning Revenues in the US IT Training Industry
- The US Market for Real-time Collaboration-based Learning Products and Services: 2006-2011 Forecast and Analysis



**"We Put Research into Practice"**  
[www.ambientinsight.com](http://www.ambientinsight.com)

**To learn more about our research services, email:**  
[info@ambientinsight.com](mailto:info@ambientinsight.com)

**Ambient Insight Copyright Policy:** All rights reserved. All media and research data published by Ambient Insight are protected by copyright. Unauthorized use of Ambient Insight research without prior permission is prohibited. Ambient Insight research products provide valuable financial data only to the individual purchaser or the purchasing organization. Purchasers may not modify or repurpose the information and financial data in our research in any manner. Specific distribution rights are provided based on the license model granted at time of purchase.

**Quoting Ambient Insight Research:** Permission is required to use quotes, tables, diagrams, or charts from Ambient Insight research in press releases, promotional material, external presentations, or commercial publications. Permission from Ambient Insight is required to reproduce or distribute in entirety any table, paragraph, section, or report.