

LDN Market Barometer

4th Quarter 2008 and forecast for 1st Quarter 2009

Introduction

This is the first in the series of regular quarterly reports into the state of the IT training market produced for the members of the Learning Directors Network. The data is drawn from a number of leading training providers representing approximately 25% of the third-party IT training market, and the report has been compiled by Pardo Fox Ltd.

The report is based around a series of index numbers indicating ***growth or decline*** of various slices of the market, not absolute numbers or volumes. The scale ranges from +50 to -50, where 0 represents neither growth nor decline, and +50 represents growth in excess of 10% and -50 represents decline in excess of 10% compared to the same quarter in the previous year. Revenue refers to training delivered in the quarter and not bookings for future courses.

All data shown in this report pre-dating Q4 of 2008 was compiled using the same methodology and is the copyright of IT Skills Research.

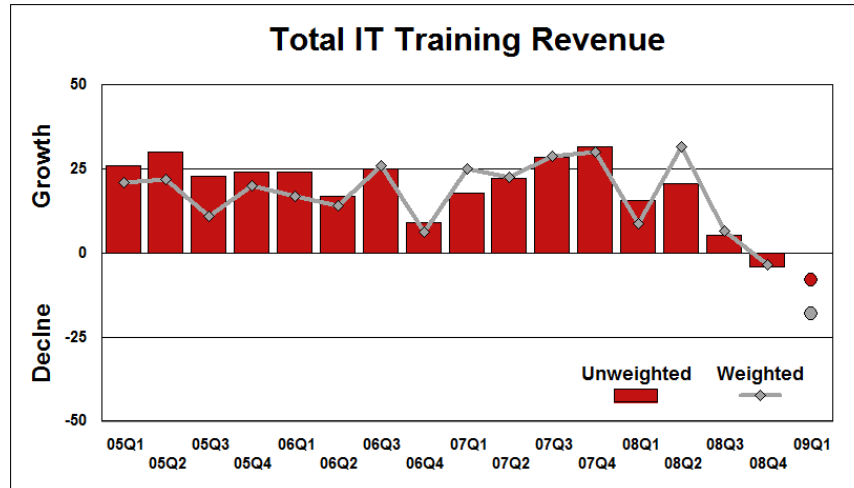
Overview

That the IT training market is showing signs of a downturn should come as a surprise to no-one. IT and related services are no longer recession-proof, despite providing increased productivity from a smaller workforce. IT has been an integral part of the economy for so long that it is as vulnerable to a recession as any other industry. Nevertheless, there are, as always, some companies that are doing better than others in finding ways to continue to grow, and areas that provide opportunities to offset declining demand.

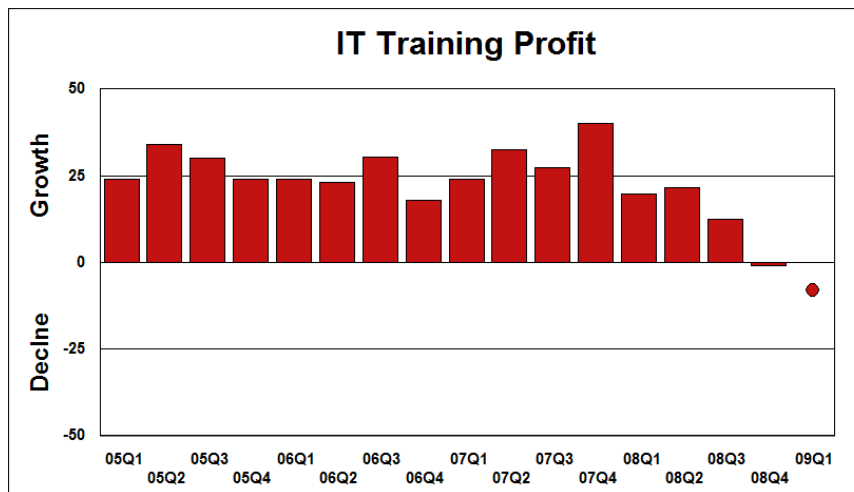
Overall, IT training revenues in the 4th quarter of 2008 were marginally lower than in the same quarter of 2007, bringing to an end five years of modest growth, and the forecast for the 1st quarter of 2009 is that revenues will fall more sharply than in Q4.

The chart below shows how total IT training revenue has grown quarter by quarter over the last five years. The solid bar indicates the average growth index of the contributing companies; the line shows the index number when due allowance has been given to the relative size of those companies. In the main, the larger companies were growing more slowly than the smaller ones for

the first two years, but then matched and occasionally exceeded the smaller companies' growth rates for the next three years. The dots in the 09Q1 column indicate the forecast rate of growth – or in this case decline - compared to the first quarter of 2008, and it is clear that the larger companies expect to be hit harder than the smaller ones.



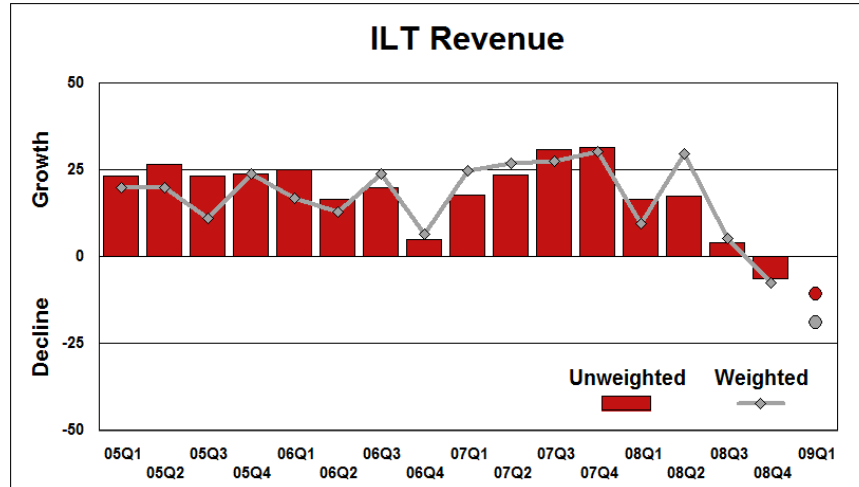
The index for training company profits closely follows the pattern of total revenue with Q4 showing a small decline from Q4 2007 and a bigger decline forecasted for the current quarter:



There is no weighted index for profit.

Instructor-led Training

Classroom training accounts for approximately 90% of the total IT training revenue in this survey, so it is not surprising that the index for this slice of the business appears to replicate that of total revenue.

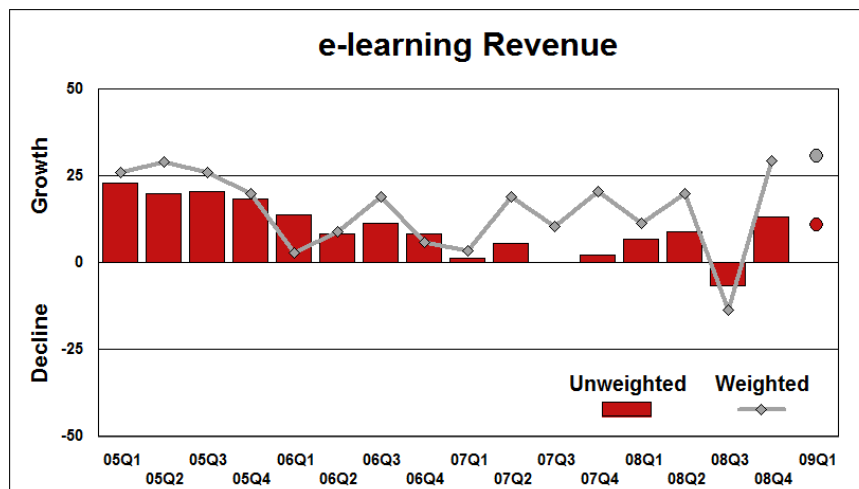


The index for 4Q08 is -6 unweighted and -7 weighted – i.e. both showing declining revenues compared to 4Q07. Within total ILT, end-user and technical training are showing declines, but the index for personal, professional and business skills is positive, albeit the smallest number since Q3 of 2002.

Public courses are reporting an index number of -14, whereas on-site (one customer) courses are only just negative at -2.

E-learning Revenue

After reporting its first ever (since our records began in 2000) decline in Q3 of 2008, e-learning has bounced back, reporting modest growth over Q4 of 2007 with an index of 13 unweighted, and an impressive weighted index of 29.

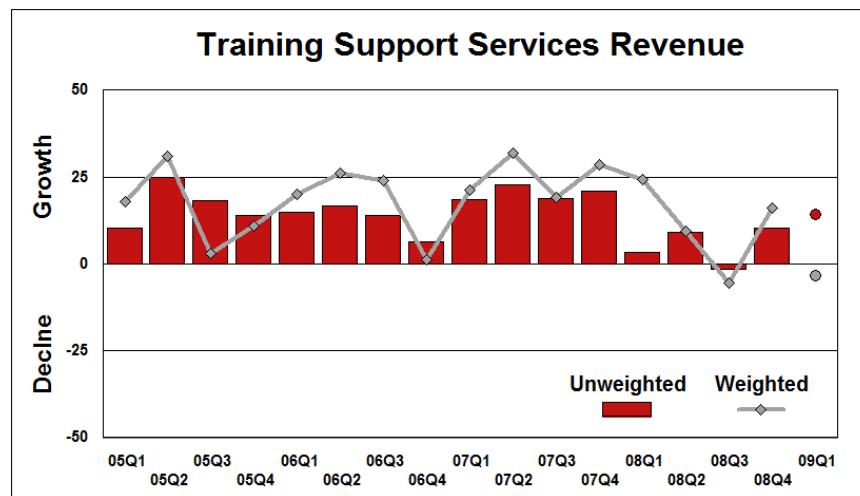


Off-the-shelf e-learning courses recorded a small decline (-6), but services (including custom course development) and e-learning tools both showed good growth with scores of 24 and 22 respectively (all index numbers unweighted).

The forecast for e-learning sales in Q1 of 2009 is for quite strong growth, perhaps with the hope that training buyers will turn to e-learning as a low cost alternative to ILT.

Training Support Services

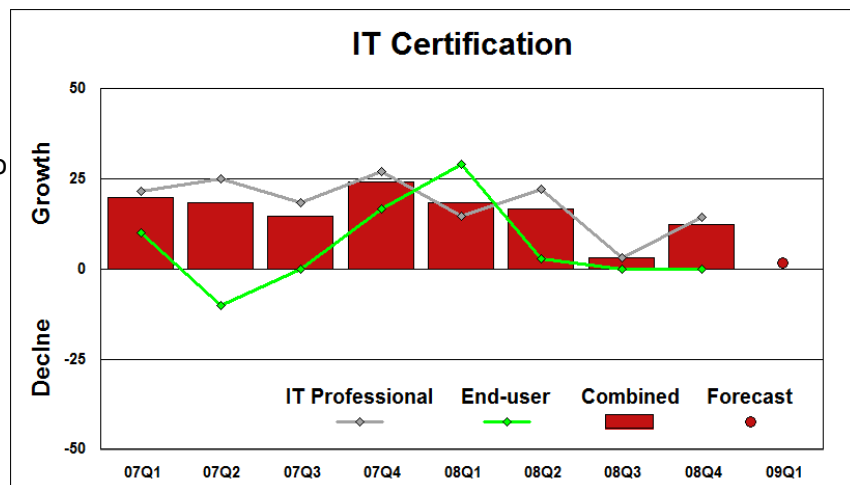
The difference between the weighted and unweighted indices has often been greater in this area than in any other, due to the number of companies reporting any support services revenue being comparatively small. This is most apparent in the current forecast where the weighted index is for a small decline, but the unweighted one for modest growth.



Outsourcing and managed training services and pre- and post-training consultancy contributed equally to the positive index number in Q4 2008.

Certification

Despite the downturn in ILT revenues, certification has continued to grow – at least in the IT professional arena. End-user testing is showing no growth for the second quarter running.



Expectations for 2009

These are some of the comments from the contributors to the survey:

“Looking flat, however we have no visibility of April onwards and worried that we could start to see a decline when new budgets are issued”

“We expect that investments in IT training will decrease by 30% this year”

“We believe there will be a downturn during 2009. Schedules are taking longer to fill, and courses are running with fewer delegates, so this will have an impact. However to mitigate this, we are developing e-learning products which are selling well.”

“We expect standard public course revenue to be lower but are offering other education services to counter this.”

“Expectation is that an increased focus and discipline on core activities that drive sales will ensure we weather the storm. The margin of error in 2009 is ZERO %.”

“About the same as 2008”

“It's almost impossible to predict. Q1 looks like we can just about achieve the same revenues as in Q1 2008, but beyond that we have zero visibility”

“Expecting a slow start, but improving after 1st quarter due to new government contract and framework wins”

“Training business will suffer, but specific key areas will hold firm”

“Customer specific 'on-site' business will grow 5-8%; public courses will decline 15-18%”

“We will continue growing, albeit at a slower rate than in 2008”

“Tighter cost controls, keener pricing”

“Will be a tough year”

“Shift towards customised training. Increase in focus on attaching training to licence sale.”

“Worse than 2008! Hardest times known in 20 years”

Other comments

In response to the question “Have you noticed any recent or unusual changes in the way your business is generated, such as enrolment patterns, sudden growth or decline in certain topic areas, and if so which ones?”

“Significant reduction in individual seat sales. Shift towards project related training only.”

“Drop off in training for all areas”

“We are having fewer enquiries but they are for far greater value. More and more business is going on-site.”

“Once we're in the month, the revenue stays flat whereas before if we entered the month at 80% of target, we could be confident would hit 100%”

“Public seats (future sales) fairly healthy compared to enrolments. Securing their training budgets but customers not committing to course dates”

“Customers are delaying some purchases”

“We have to work (sell) harder to get to the same results”

“No change of significance”

“Booking cycle has reduced: more late cancellations and date changes by customers pushing training out.”

“I'm vaguely embarrassed to admit that to date January is the strongest (sales wise) we've ever had. Embarrassed because, beyond the obvious, I'm at a loss to explain it!”

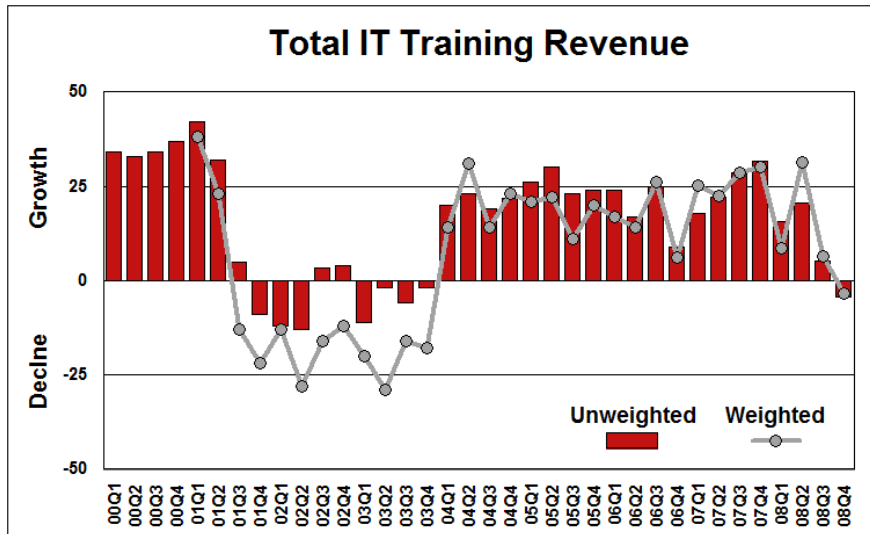
“Growth in e-learning, however, this is a new product so cannot compare to previous periods”

“The new year has brought new interest, 2009 has started well”

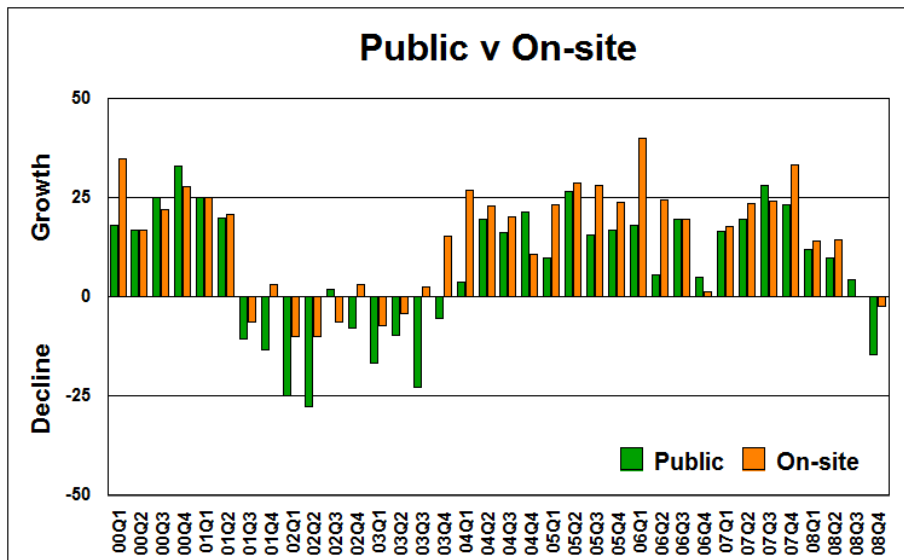
“Not really, the customers that really need it still buy but take longer to make decisions. Off-the-shelf training (i.e. public schedule) is not what customers are going for. They want a more effective way of achieving their objectives. Creativity is king.”

The outlook

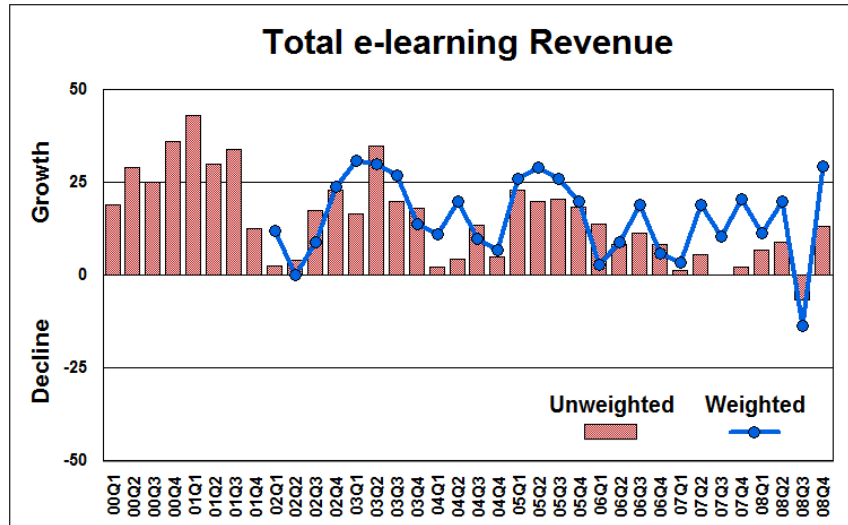
While we would not dare to predict how 2009 will turn out or when the economic recovery will start, we would point out that the change from growth to decline in Q4 2008 and the forecast of continuing decline in 1Q of 2009 has parallels with the start of the slump that followed boom at the turn of the millennium.



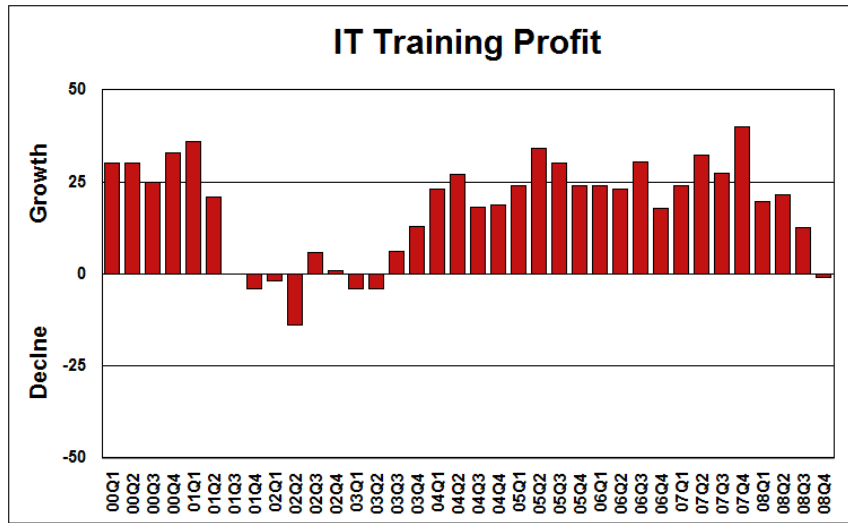
There was also then, as noted above in the comments, a greater decline in public course revenues than in on-site courses:



and e-learning saw a period of growth (that was sustained but still produces only about 6% of all IT training revenues):



The downturn hit most training providers badly, but some were able to offset the significant falls in revenues with extensive cost-cutting measures and closures of unneeded space, profits were not impacted to quite the same extent:



We all hope that the IT training industry will come out of this recession rather quicker than it did last time round.

Thank you to all who contributed to this survey.