



What's happening with the e-learning market?

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Agenda

- ▶ What's going on?
- ▶ The e-learning timeline
- ▶ Crossing the Chasm
- ▶ The UK?
- ▶ Where next?

▶ Flagging Interest

- Statements about “E-learning” is dead
- E-learning conferences struggling for attendance
- Lots of deals being postponed

▶ Limping Vendors

- “business is very difficult”
- Saba cuts 100 staff – Sept 01, and then more!
- SmartForce misses 1Q 02 by 30% and cuts headcount by 20%
- ... and many more
- Others disappear completely



The e-learning Timeline

1999 – “E-what?”

- Early repositioning in US
- Name changes start
- Specialist market

2000 - “Gold Rush”

- Everyone had an e-learning product
- Lots of capital available
- Mega-marketing budgets
- Explosion of shows/conferences
- Huge growth in corporate interest



The e-learning Timeline

2001 – “Hype Cycle”

- Lots of new market entrants
- Now e-learning “solutions” providers
- Confusion reigns - LMS or LCMS or ...
- Some great successes but many poor experiences
- “Growth” over “Profit”
- Economic downturn and NASDAQ crash

2002? – “Reality Dawns”

- Supply-side consolidation
- Transition to mainstream
- Solution-driven buying
- Normal business rules apply

COMPANY	2001*	2000*	Growth
Click2Learn	\$45.1	\$42.5	6%
Centra	\$39.1	\$23.0	70%
Docent	\$29.0	\$11.0	164%
Saba	\$58.1	\$35.9	62%
Smartforce	\$260.9	\$168.3	55%
SkillSoft	\$44.3	\$19.3	130%
DigitalThink	\$56.9	\$30.1	89%
Webex	\$81.2	\$25.4	220%
Epic	\$11.0	\$9.0	23%
AGGREGATE (\$M)	\$625.6	\$364.6	72%

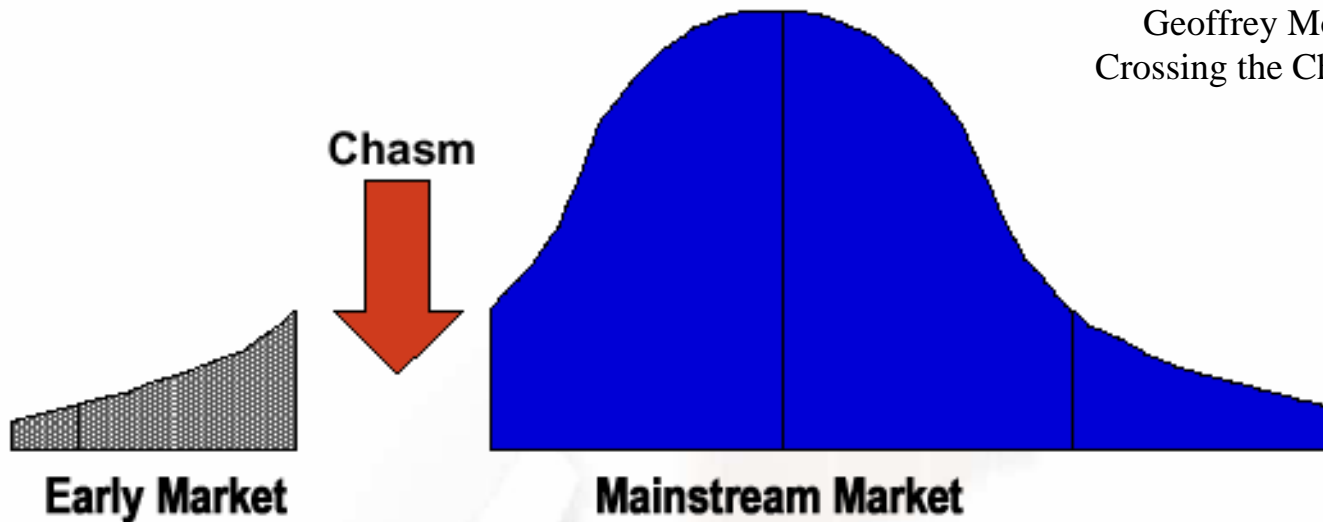
* Approx revenue for calendar year (\$M)

- ▶ Market for e-learning solutions is still growing

- ▶ More organisations are at the table than before BUT
 - Want a proven solution
 - Slow to shop or stalled
 - Disturbed by market turbulence
 - Don't like uncertainty and risk

- ▶ Supply-side Consolidation
 - Quest for stability and dominance
 - Normal business rules apply NOT dot.com rules
 - Focus on profitability and positive cash flow

Geoffrey Moore,
Crossing the Chasm



- **Visionary market saturates; or Visionaries abandon category**
 - Too late to be the first one
 - Too easy for “fast-followers” to catch up
- **Pragmatists see no reason to start yet**
 - Too early for anything to be “in production”
 - No herd of references has yet formed

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- ▶ Mainstream buyers = Corporate Training Buyers
 - Solution-driven
 - No innovation budget
 - Want “guaranteed” results
 - --- Don't really believe in 'e' ---
 - Confusion with e-HR initiatives

- ▶ Mainstream Suppliers = Market & Mindshare
 - Clear market leaders
 - Financially secure
 - Complete solutions
 - Proven track record & references



- ▶ Demand-side – Corporate Training
 - Increasingly mainstream
 - Don't buy 'e' but need other options than just ILT
 - Under significant cost pressure
 - Variable early experiences

- ▶ Supply-side – Lots of Turbulence
 - Still dominated by US technology and content companies
 - Emerging leaders still small, plethora of local niche providers
 - Low e-learning penetration in training industry
 - Still lots of marketing fog!

- ▶ Still hard work in 1H 2002
 - Business will pick-up from June onwards
 - Driven by specific projects
 - The vendors will still suffer until then
 - Growth in hosted/ASP business
 - More “pay-as-you-go” solutions

- ▶ Increasingly strategic corporate commitment
 - No option longer term
 - Still slow progress
 - Driver for broader changes in corporate learning agenda
 - End-to-end integration with HR processes

- ▶ Increasing vendor consolidation during 2002
 - Local & US
 - Increased availability of funding

- ▶ Mainstream players entering the market with an integrated capability
 - Consultancies, Infrastructure providers, ...

- ▶ Training providers will still struggle to engage properly
 - Limited success for initial blended solutions
 - Longer term e-providers will integrate/acquire ILT providers



Hope that's useful!

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