

Learning Management Systems: *Usage and Implementation*

Bersin – LTI Research Study

**Bersin & Associates
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Usage and Implementation of Learning Management Systems: *A Market Analysis*

Date of survey:	July, 2003
Surveys sent:	5,999
Respondent Profile:	61% Corporate 24% Education, 8% Government 7% Other

The first in a series of *What Works™* research studies on e-learning technology and implementation.

This is the first in a series of Bersin-LTI Research Studies on the e-learning marketplace. Bersin & Associates, in conjunction with LTI Research, conducted an on-line survey of nearly 6,000 subscribers to understand their current and planned usage of Learning Management Systems (LMSs) in July of 2003.

LMS Survey: *Key Findings*

1. LMS systems are widely adopted with 66% of large enterprises reporting that they have a system in place. Large enterprises (> 1000 employees) are almost three times more likely to purchase an LMS than small/medium companies.
2. Most organizations choose to procure an off-the-shelf product (70%) although custom built systems remain a significant alternative (30%).
3. Implementation times are long: 6-12 months (average by company size) but nearly 1/3 go beyond one year to implement. Costs range from \$40 – 90 per user to implement.
4. There is no clear leader among LMS suppliers, with vendors focusing on different segments (corporate, education). Vendor with largest share in survey had less than 8% of the market.
5. Top business drivers for LMS purchases are: enterprise-wide reporting and management visibility of training performance.

Widespread LMS Adoption

LMS systems are now mainstream. The results indicate that approximately half of all sites surveyed -- including large and small businesses, government and educational institutions -- currently have an LMS installed. This figure is much higher for large enterprises than for small and medium-size organizations: fully two-thirds of large enterprises (businesses with 1,000+ employees) are using an LMS as compared with one-quarter of small/medium-size organizations (those with less than 1,000 employees).

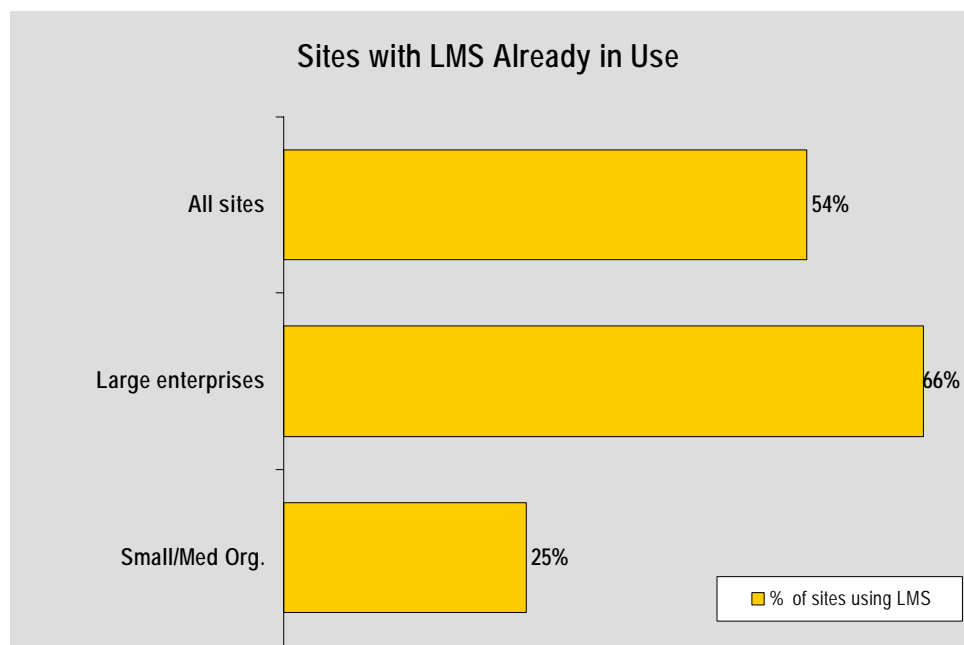


Figure 1: LMS Adoption Rates by Organization Size

Planned Purchases are High Despite Market Penetration

The downturn in technology expenditures has caused many organizations to delay their LMS purchases...but not for long. Among those organizations that don't currently have an LMS, 23% of small/medium-size organizations and 42% of large enterprises are planning to install one within the next 12 months.

These numbers reinforce our belief that organizations are gaining business value from these systems since penetration rates and purchase intentions are relatively high.

Some organizations, especially larger ones, have multiple systems (we recently spoke with a company with over 100,000 employees that has 15 LMSs) which points to the need to consolidate at some point. We also believe that many organizations will replace their first or even second generation systems over the next several years.

Companies Now Buy vs. Build

Buying an off-the-shelf LMS is the preferred option among large enterprises, with just over 70% choosing a vendor product and 30% using a custom-built system. In the early days of this market nearly all LMS systems were built in-house. We believe that the proportion of off-the-shelf installations will increase as vendor products become more mature.

As you would expect, a tailored, custom-built solution comes with a price. On average, custom-built solutions took 30% longer to implement and cost nearly 50% more than off-the-shelf vendor products.

Our advice: you should not undertake a custom project unless your requirements are highly unique and not addressed by commercial vendors.

IT Operations Remain Mostly In-house

The vast majority (70%) of organizations of all sizes have chosen to host the LMS on their own company servers, with 30% paying for an external hosting service. Some organizations will choose to host externally to save on capital expenditures or due to a lack of internal IT resources, but the majority choose to control this function internally.

Implementation Times are Lengthy

An LMS is one of the most important IT projects that companies undertake for the simple reason that the system will touch potentially *every employee in the company* – so, needless to say, it has a high profile. Every employee -- from the CEO on down -- will potentially use the system. It is no surprise that they take time to implement.

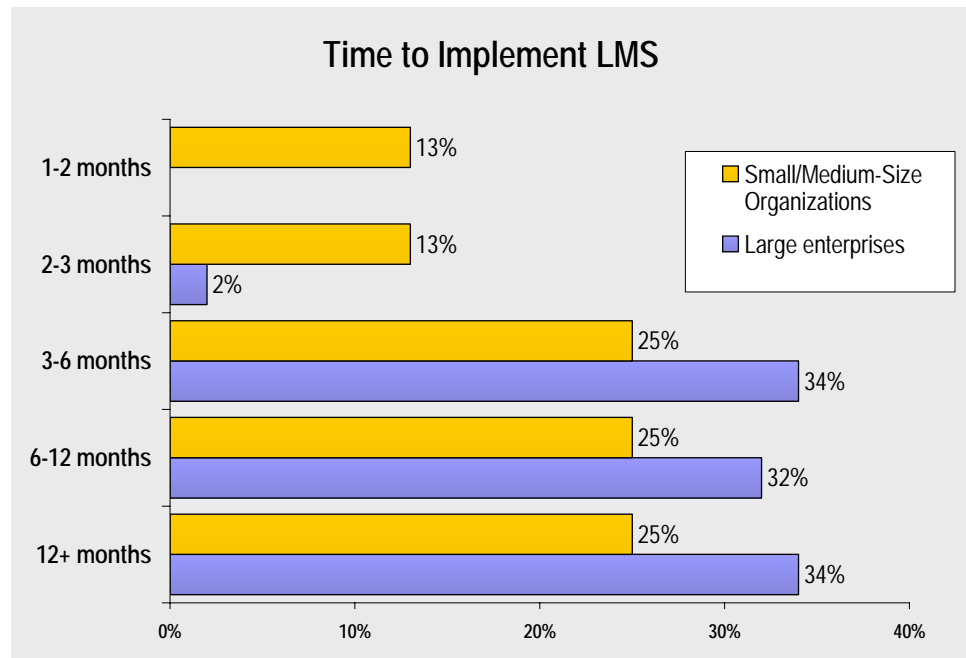


Figure 2: LMS Implementation Times

The time to implement an LMS, from project start to production, averaged more than 6 months. Company size is the primary driver of implementation time: the larger the business, the longer the implementation time. Half of all small and medium-size organizations completed their implementations in less than 6 months, while only one-third of large enterprises completed in that timeframe. Small organizations can expect a 6-month implementation time on average; while larger enterprises may take a year or more to fully implement the new system. Many small companies use hosted systems and can implement in only a few months (26%).

Implementation Costs Are High

Much has been written about the implementation nightmares of LMS systems. While there are some low-cost options available for small organizations and educational institutions, we found that most implementations are large investments. Not surprisingly, the bigger the organization, the higher the cost. The average cost for large enterprises was in the \$450K range at a cost of \$42 per learner. Small and medium-size companies spend under \$100K yet spend more than twice the cost per user: \$85. These cost figures include hardware, software, and implementation services for the first year. An organization with more than 5,000 employees should plan on spending \$500K-\$1M for the initial investment.

	Average Implementation Cost for LMS	Average Cost per Target Learner
All Businesses	\$400,000	\$50
Large Businesses (> 1,000 employees)	\$450,000	\$42
Small and Medium Businesses	\$97,000	\$85

Figure 3: Average LMS Implementation Costs

Purchase Decisions Focus on Training Visibility and Reporting

We also asked these e-learning professionals why they installed their systems. Better reporting of training performance was cited most often, especially among large enterprises. Increasing the visibility of training was the second biggest driver, particularly among small and medium-size organizations. Another popular response was the desire to better support e-learning or blended learning. Documentation to meet regulatory requirements and management of registration and classroom logistics are also important factors. The trend toward focus on visibility and reporting indicates to us that financial management is driving many of these purchases.

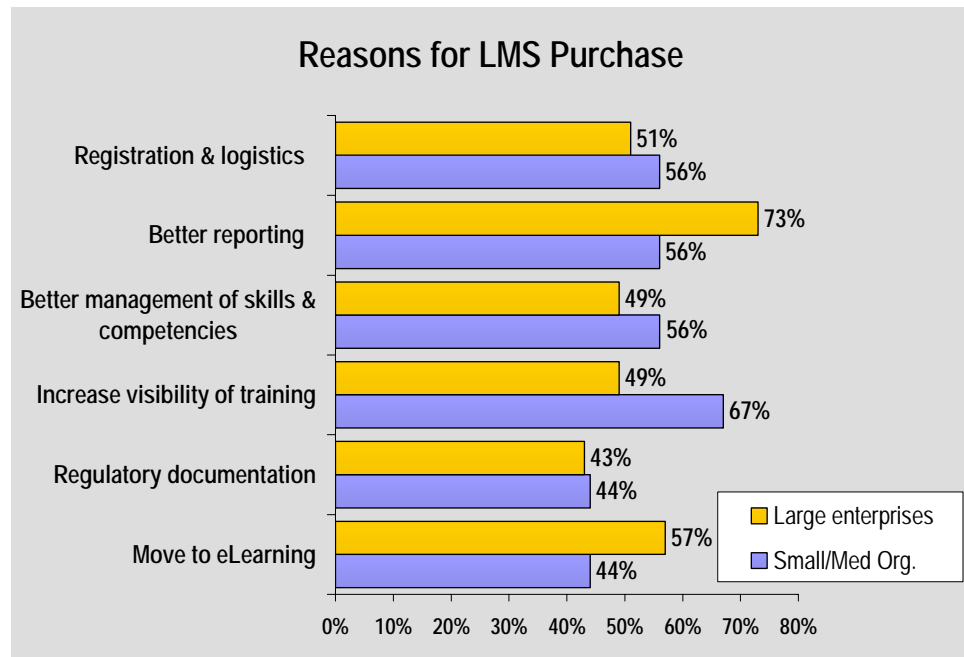


Figure 4: Why organizations purchase an LMS

A Fragmented Market

The LMS market is still very fragmented – the largest vendor cited has less than 8% market share in this survey. Vendors focus on market segments. Among educational institutions, for example, Blackboard and WebCT are popular choices. Large enterprises use many different vendor products, including Saba, Docent, Click2Learn, IBM, KnowledgePlanet, Peoplesoft, Thinq, Pathlore, and others.

Product Selection Process is Complex

All the factors in this research indicate that the selection process is still very difficult. Many vendors, long implementation times, high costs – all put a burden on buyers to work hard to select the right solution. After reviewing the LMS decision process in 15 different companies, Bersin & Associates recently published a recommend approach to vendor selection in a recent research summary: http://www.bersin.com/tips_techniques/selecting_lms_may03.htm.

If you would like to get ongoing copies of this research, please contact us at info@bersin.com. You are also welcome to subscribe to our monthly free newsletter which is packed with useful tips and techniques and ongoing research findings in the e-learning and corporate training market by going to www.bersin.com.

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Bersin & Associates is a leading provider of corporate and vendor consulting services in e-learning technology and implementation. With more than 20 years of experience in e-learning, training, and enterprise technology, Bersin & Associates provides a wide range of services including product development, product marketing, industry research, corporate workshops, corporate implementation plans, and sales and marketing programs. Some of Bersin & Associates' innovations include a complete methodology for LMS selection and application usage, an end-to-end architecture and solution for e-learning analytics, and one of the industry's largest research studies on blended learning implementations. Bersin & Associates can be reached at www.bersin.com or at (510) 654-8500.

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