

2003 Year in Review:

A Summary of E-Learning Trends in 2003

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2003 Year in Review

2003 has been an exciting and tumultuous year in the e-learning industry. This article gives you our perspective on what happened this year and where the industry is going. In January we will publish our “Predictions for 2004” to give you our perspectives on what trends to watch next year.

2003 Year in Review - Summary

1. E-Learning: A Mainstream Healthy Market
2. LMS Market: Fragmented, Complex, Immature
3. Internal Content Development: Red Hot, Rapid E-Learning is Here
4. Analytics and Measurement: Recognized Need and Growing
5. Live E-Learning: Integrated into Corporate Infrastructure
6. Blended Learning: Emerging Rapidly
7. Vertical Applications are Key to Success
8. Simulations: Application Simulations

E-Learning Overview: A Mainstream Healthy Market:

Although most training budgets were down, the percentage of training programs delivered through e-learning means grew from 14% to 16%. (Training Magazine, Fall 2003). Clearly companies are turning toward e-learning as a strategic way to reduce training costs, increase reach, and leverage internet investments. Most companies we talk with are well past their first e-learning project and working on processes to optimize content development and program management. That said, a significant number of our readers are still new to e-learning, so the marketplace is still very much in its early growth phase.

Many of our readers have struggled with layoffs and downsizing this year. The positive side of this trend is that training professionals we talk with are generally excited and focused individuals and typically find new positions quickly. The e-learning market is still growing so we believe for every job lost there is an exciting new opportunity in a growing company or a growing part of the market.

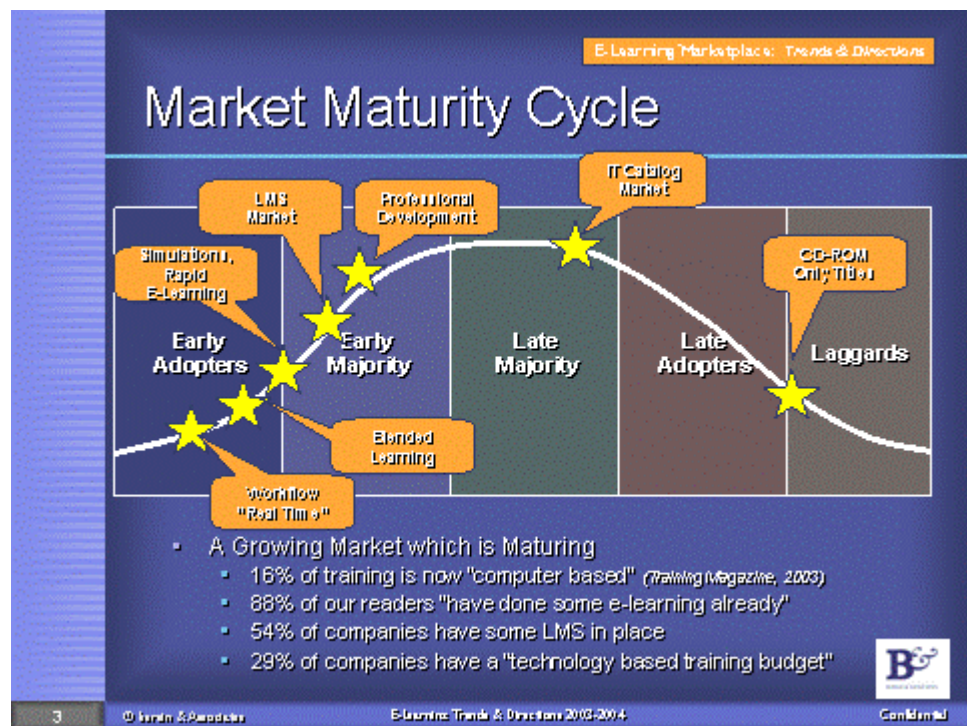


Figure 1: E-Learning Market Maturity, 2003

This large marketplace has many different segments. Each segment is at a different point in its maturity curve and growth. In Figure 1 we show a market maturity chart which graphs some segments and applications. Markets on the left side of the chart are applications and solutions which are being implemented by “early adopter” companies, while stars in the right side are those being adopted by “late majority” or “late adopter” companies. Segments on the left tend to be smaller markets which are growing faster; segments on the right are much larger markets with lower growth rates.

Most Companies Have Some E-Learning Experience

In October we completed a survey of approximately 1200 of our readers and found some very interesting results. Most major companies now have significant experience with internet-based training of some kind:

Which of the following best describes your e-learning experience?	
Advanced: We have used e-learning extensively and have realized benefits from our efforts.	43%
Intermediate: We have used e-learning in a few applications and could use help improving our results.	45%
Beginner: We have not used e-learning but want to learn how this next year.	12%

Figure 2: E-Learning Maturity Survey, 1200 participants, October 2003

What these results tell us is that as e-learning reaches the “mainstream,” more and more companies are past the stage of getting started and are now looking for tools, methodologies, and best-practices to improve efficiency and effectiveness. In the early days of e-learning (only a few years ago), the bleeding-edge companies spent millions of dollars on infrastructure and content. Today this investment is rarely needed, and we see companies developing highly effective programs for a much lower cost.

In our latest survey about the cost per hour of content development, the numbers we obtained were from \$200-5,000, far lower than the costs we saw just a few years ago.

When we ask clients about their biggest “issues” in content development and program rollout, the following three topics come up:

What is the biggest issue you face in your e-learning strategy?
1. “It takes too long to build courseware.”
2. “We do not have the tools and methodologies to measure results effectively.”
3. “We are still trying to select/implement/get value” out of our LMS.

Figure 3: The Three biggest “Issues” we hear about

These surveys drive our research calendar and the materials we develop for you. The issues of content development strategy, measurement, and LMS implementation remain top priorities. Our research next year focuses heavily in these three areas.

LMS Market in 2003: Fragmented, Complex, still Evolving:

Our research continues to show a fragmented and complex marketplace for Learning Management Systems. Most companies we talk with directly struggle with the selection and implementation process. Many tell us that after implementing their LMS they still have not seen the true ROI they expected.

Although many companies have made their LMS decisions, the market is only about ½ penetrated, and many companies with LMS systems are already thinking about replacing them. In our August survey, nearly 46% of the companies we interviewed do not have an LMS. The small and medium-business segment is far less penetrated, with only 25% reporting they have such a system. (Study details are available for [free download](#).)

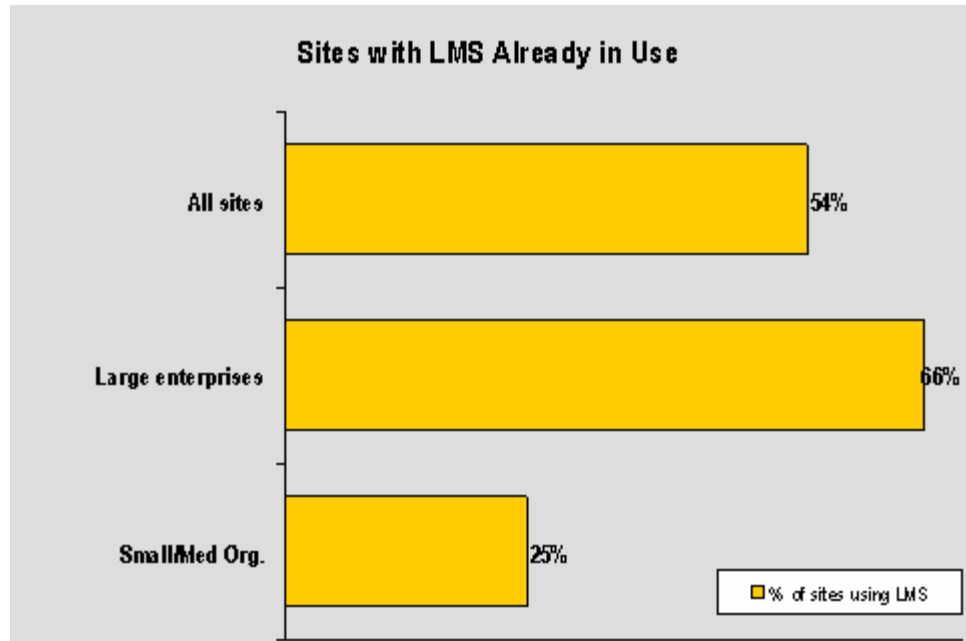


Figure 4: LMS Market Penetration (August 2003, 7,000 participants, reprinted from August LMS Implementation Study)

High Costs for LMS Implementation

Those that do have LMS systems tell us that implementation costs are high. Typically implementation costs are 1.5-2X the initial cost of software. Implementation times run from 9 to 18 months and sometimes longer. These long implementation times are tolerable for some companies, but many tell us they are very frustrated with the return on investment of their LMS systems. We see a trend toward “upgrade” or “replacing” LMS systems in many organizations.

One trend we also see taking place is a trend for some companies to switch vendors after a long experience trying to implement the “wrong” solution. In a recent study with Training Magazine, conducted by IDC (293 respondents), fully 14% of large enterprises responding plan to switch vendors, and 28 % are considering it.

Enterprise vs. Departmental Focus

A big issue in the LMS market is the “**multi-organizational**” or “**enterprise**” LMS. The number of companies that have successfully implemented a “multi-organizational” LMS is relatively small, and we are focusing our next major research project on identifying best practices in selection and implementation in this area. In our research study in August 51% of buyers told us they were purchasing an LMS “for their entire enterprise.” Despite this high number, we find that it takes many years to roll-out a multi-divisional solution. Many companies decide to let different divisions purchase different products and run their implementations separately. We will be exploring this in our 2004 research study.

LMS Market remains Fragmented

Despite the planned merger between Click2Learn and Docent, the market is still very fragmented. More than 70 companies compete for a market of more than \$450 Million which is growing at nearly 25% per year. We think the jury is still out on the merger between Docent and Click2Learn. The companies face many challenges in product and company integration. Our [Click2Learn-Docent Merger Analysis](#) in November describes the merger in more detail.

Every year for several years was stated as “the year of the ERP vendors (Peoplesoft, SAP, Oracle, and Siebel). In 2003 the ERP players (Peoplesoft, SAP, Oracle, and Siebel) did not make any significant impact in the market. Each has a few customers, but products are still immature products and none have “broken through” to become a leader.

The definition of the word “LMS” still changes regularly. Although LMS vendors keep adding new features (Performance Management is the latest craze), we believe that the core value of LMS systems continues to be the automation and reporting of training programs. Companies that fully understand their needs, business processes, and value propositions in training program management and analysis get the most value out of their LMS systems. Personally we believe a key growth area for LMS systems is analytics and measurement. Now that companies are capturing a lot of training-related performance data, it is time to apply efficiency and effectiveness measures against it. In November we published an [industry status of the analytics market](#), and we will be presenting our findings at Training 2004 and other conferences next year.

We are completing a major industry study of the LMS market which will be available in Q1 2004 which will give you more insights into market growth, key success factors, and implementation techniques. We will also explore the growth rates and trend for ERP players in this study.

We offer a complete [LMS selection toolkit](#) for companies who are looking to select the right system, and offer an LMS Selection Service for any company who would like expert help in selecting the right LMS for their needs.

Internal Content Development is Red Hot:

The content development market has shifted dramatically this year – from outsourced, consultant-driven content toward internally developed programs. This shift is very positive for corporate buyers – it saves them money and gives them much more control over their e-learning program success. As a result of this trend, companies are spending a lot of time and money to purchase tools and define efficient development processes.

Custom content developers, on the other hand, are struggling to redefine themselves. We believe the custom content development market will continue to be a healthy and growing space, but companies in this space have to focus on their vertical and horizontal expertise to compete with internal development teams.

One struggle we see is the difficulty companies face selecting tools. New vendors appear every month. Our research report, [Content Development Tools: What Works™](#) shows market size, market share, growth rates, and typical development processes and is a helpful guide to selecting tools and defining your development team. We will update this study in the spring of 2004.

One of the most exciting trends we see in content development is the emergence of a category we call **“Rapid E-learning.”** When asked the #1 problem that companies face in developing courseware, they state “it takes too long to build a course.” We define Rapid E-Learning as the set of training applications that must be developed in weeks and typically solve problems of information distribution and critical information transfer (Types 1 and 2 in our [Four Types of E-Learning](#)). We see a large pent-up demand for this type of solution.

Most of these Rapid E-Learning programs are authored in PowerPoint and then published in Flash or via synchronous tools such as Centra, Interwise, and Webex. We are also conducting a significant research project in this area and will publish our findings in the Spring of 2004. We have also developed a two-day [“Rapid E-learning Developer Certificate”](#) program which is a blended learning program, culminating with events at Training 2004 in Atlanta. This program will help people understand this space and how to develop such programs. We hope that you register.

Macromedia’s acquisition of Presedia in January and announced acquisition of eHelp in November show that this market has hit the mainstream. We strongly urge companies to explore this market and look for our upcoming research to assist in selecting tools and strategies to use Rapid E-Learning to solve many of your training problems.

Analytics and Measurement: Recognized Key Topics:

Many of our readers and clients tell us they need help understanding how to measure the effectiveness and impact of their e-learning programs. In fact, the #1 reason stated for investing in LMS systems today is now “developing an integrated view of our training programs.”

Our research shows that most training departments allocate only a few percent of their budget to measurement and analytics, yet most want to allocate more. The biggest challenge cited is “a lack of tools and methodologies to make measurement easy.” In 2003 a strong focus on cost containment gave most training managers the impetus to start thinking hard about how they will measure the efficiency and effectiveness of their programs. We see Training Analytics as a major breakthrough coming to the market, and we will be conducting many seminars, industry presentations, and research reports on this area in 2004.

The issue of “how to measure ROI” continuously comes up. Despite the number of books available in this topic, we feel that the market has yet to see the value of true analytics applied to training, and we will continue to help research and educate the market in this area. We are continuing to help research and educate the market on the role of an analytics approach to training measurement, analogous to the analytics approach which marketing departments have applied to marketing investments. We encourage you to review our [research and presentations](#) in this area.

Live E-Learning: Integrated into Corporate Infrastructure

The “live e-learning” market, popularized by Centra, Interwise, and Webex, is healthy. These tools pioneered the use of internet technology and many companies have now standardized on these tools across training and other corporate communications infrastructures. Most companies we talk with who purchased a live e-learning tool are now standardizing on such a platform for a wide range of corporate communication needs. That said, we still see a strong cycle of companies selecting their synchronous communication technology based on features and support for e-learning.

Microsoft’s acquisition of Placeware essentially takes the company out of the realm of “e-learning” and into the larger realm of “corporate collaboration and communication.” This means that companies like Centra and Interwise, who are much more focused on the training market, will find it easier to compete in training-specific applications.

Despite the broad acceptance of the technology, however, we find that many companies still do not know how to best apply this tool toward the right business problem. The result is a large interest in understanding the principles and best practices of Blended Learning. For a best-practices case on using live e-learning, please read our [case study](#) describing in detail how Grant Thornton uses live webcasting for all enterprise e-learning programs. Our study [Blended Learning: What Works](#) gives many examples of where and how to integrate live e-learning into a total program.

Blended Learning is Here and Growing:

Blended Learning has become a buzzword which most training organizations now endorse. More than 90% of our readers are looking for tips and techniques in Blended Learning, and we encourage them to read [Blended Learning: What Works](#), a detailed review of blended learning best practices. We will revamp this research in a new release in mid 2004, and all subscribers/purchasers will get the new version at no charge.

What we see in blended learning is a clear recognition of its value, many excellent programs and techniques being adopted, but some fear and reluctance to blend programs because of the difficulty of building and managing blended programs. The blush is off the rose, so to speak, for pure e-learning programs. Not all of them work. Hence the focus on blending web-based courseware with webinars, assessments, classroom exercises, simulations, chat sessions, etc. We are actually investigating a system which we believe is a “best-practice” tool for blended learning which we will write more about next year.

One of my personal endeavors is to complete a Book, “The Blended Learning Book,” which is a summary of all the best-practices and methodologies I have seen in this exciting part of the market. This book, to be published by Wylie-Pfeiffer, will be coming out in mid 2004. Watch for a lot more Blended Learning research and best-practices from us in 2004. If you have a blended learning success story you would be willing to share, please [contact us](#).

Focus on Vertical Applications and Solutions:

We strongly believe that the training industry is made up of many vertical and horizontal application areas which, within themselves, are highly repeatable. Our research in Retail E-learning, for example, shows a consistent set of principles, practices, technologies, and measurement techniques which work for any retail program.

In 2004 we will expand our research by focusing further on several industry and horizontal segments: Retail E-Learning, Management and Leadership Programs, Sales Training, Hospital and Healthcare Applications, and Call Center Training. We find that within each of these segments there are strategy, content development, LMS, and measurement techniques which are very consistent and repeatable – research is highly valuable to help companies avoid mistakes and learn from best practices. For a recent best-practice report on retail e-learning, please read our [Pep Boys' case study](#) which is filled with tips and techniques.

As we hear from you, our readers, we will adjust these research areas to meet your specific needs. We are always interested in your needs, so contact us if you have a specific vertical application you need help with.

Simulations – Application Simulations are Here:

In the corporate market, application simulation programs are growing rapidly. In our study released this Fall we found that the top five application simulation vendors are all growing rapidly, and it is now relatively easy for companies to build, deploy, and manage application training through rich web-based simulations. This [study](#) is filled with tips and case studies to help you select the right tool and approach. We firmly believe that you should invest in this type of tool and build your own application simulation programs.

The market for business and process simulations is still emerging. While the military and government market for custom applications is huge (estimated at more than \$2Billion already), the corporate world is still exploring where these approaches fit. We plan to watch this space closely next year and apply our research efforts to this area later in 2004. We will strive to make sense of the simulation market for you and help you understand how to build simulations at the lowest possible cost.

Summary: 2003, a Year to Remember

2003 was an exciting, tumultuous, and difficult year for many of us. Despite the tough economy, e-learning has emerged as an important high value investment for our companies and our careers.

Finally, we want to thank you. Thank you for your readership. Thank you for the time you spend with us on the phone when we call. And thank you for your inquisitive and thought-provoking questions. We remain energized and excited by this market, and hope that in 2004 we can continue to explore, investigate, and clarify the e-learning market further to help you meet your business needs.

Current Research Available

Blended Learning: <i>What Works</i>™	Industry Study & Guide
Blended Learning: <i>Case Studies</i>	Industry Study & Guide
Content Development Tools: <i>What Works</i>™	Industry Study & Guide
Program Management: <i>What Works</i>™	Industry Study & Guide
Application Simulations: <i>What Works</i>™	Selection Guide
LMS Selection Toolkit	Selection Toolkit
Media Selection Toolkit	Selection Toolkit
LMS Implementations: <i>A Market Analysis</i>	Industry Research
Analytics and Measurement: <i>A Market Analysis</i>	Industry Research
Tips and Techniques (library)	Best Practices
Case Studies	Many Available

About Us

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.