

# **eLearning and the Economy: Some Perspectives**

**Eilif Trondsen  
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**eLearning Forum, Menlo Park  
July 23, 2001**

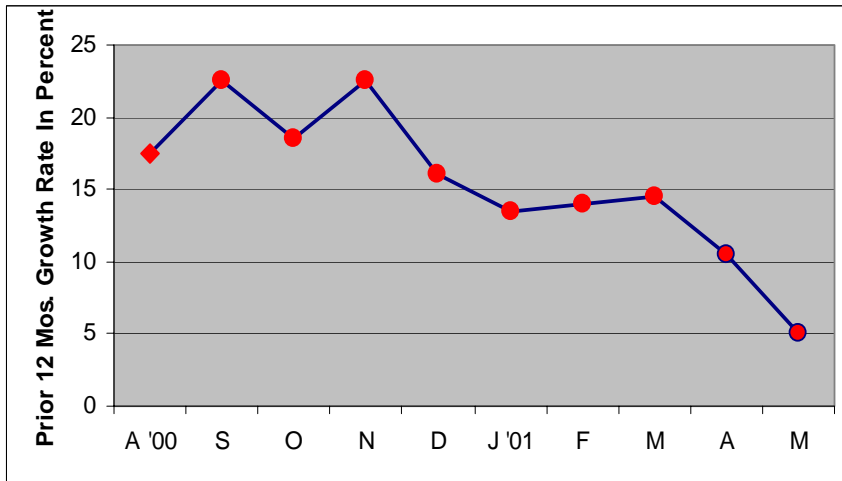


An SRI International Business Partner

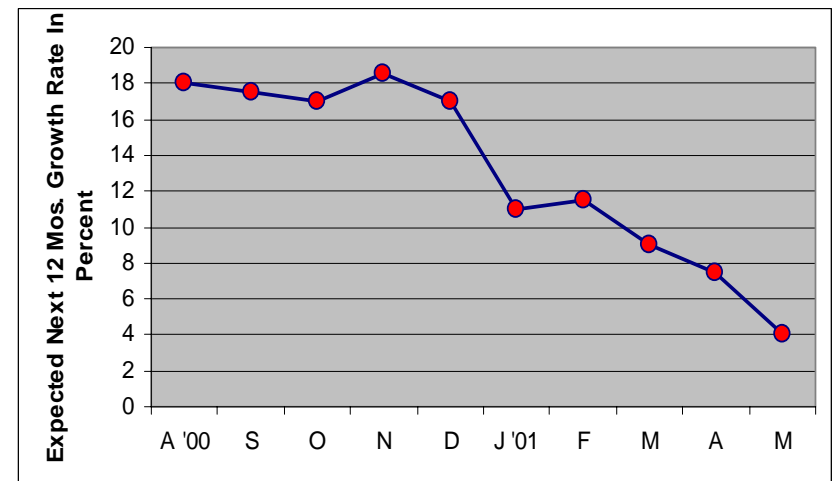


# Growth & Expected Growth in High Tech Spending

## Growth in Tech Spending



## Expected Growth in Tech Spending



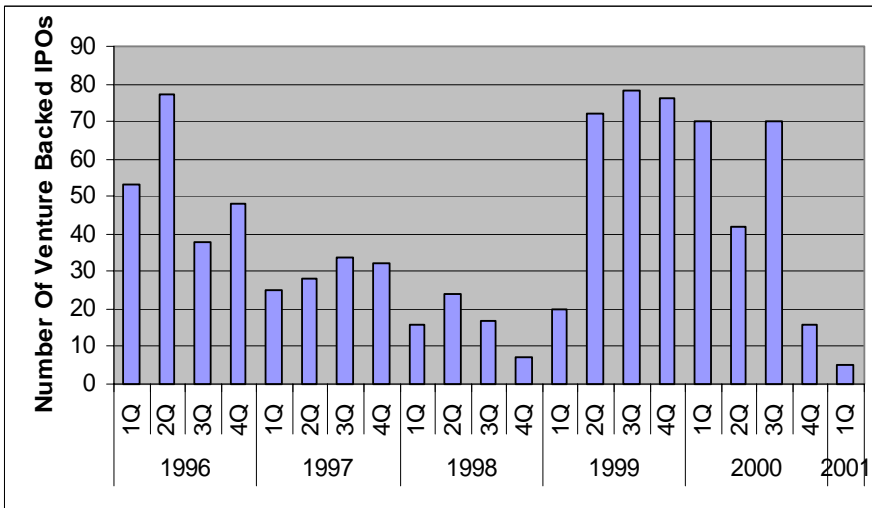
Source: Tom Kippola (Chasm Group); Deutsche Banc Alex Brown via Investor's Business Daily, June 4, 2001



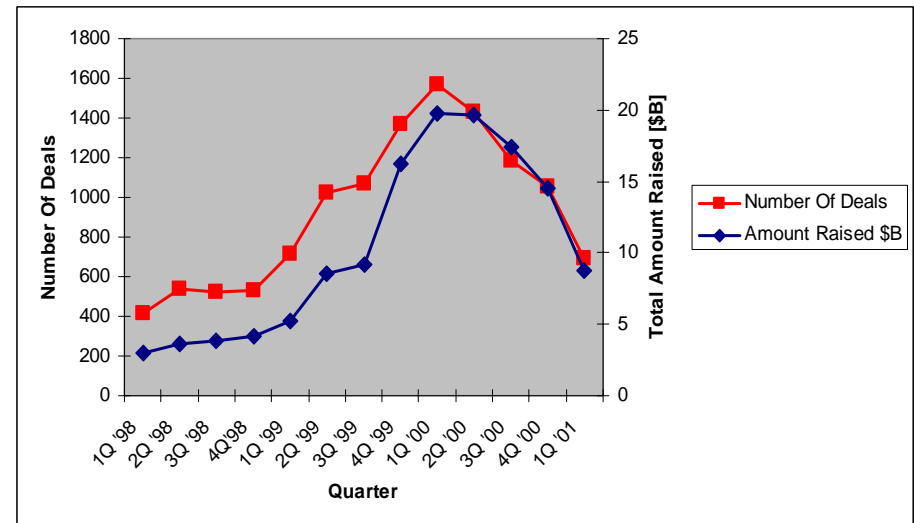
## 2001 Trends

# IPOs and Equity Investments

### IPOs For Venture Backed Companies Have Fallen Sharply



### Equity Investments In Venture-Backed Companies Plummet To 2 Year Low In Q1



Source: Tom Kippola (Chasm Group); Deutsche Banc Alex Brown via Investor's Business Daily, June 4, 2001

## 2001 Trends

# More optimistic perspectives...

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**“ In a way, this is the best of times to be doing early-stage [investment] deals, because there’s less dumb money around, and there’s less risk of too many competitors being funded and money going to too many foolish business plans.”**

**David Spreng, Crescendo Ventures LLC, Menlo Park**

**“ It’s very tough to gain relative share when the economy is going well and everyone is investing. But in a recession, everybody is cutting back. If you can be a little bit smarter about how you cut and make the right investments to position yourself for the upturn, you can move ahead of the competition.”**

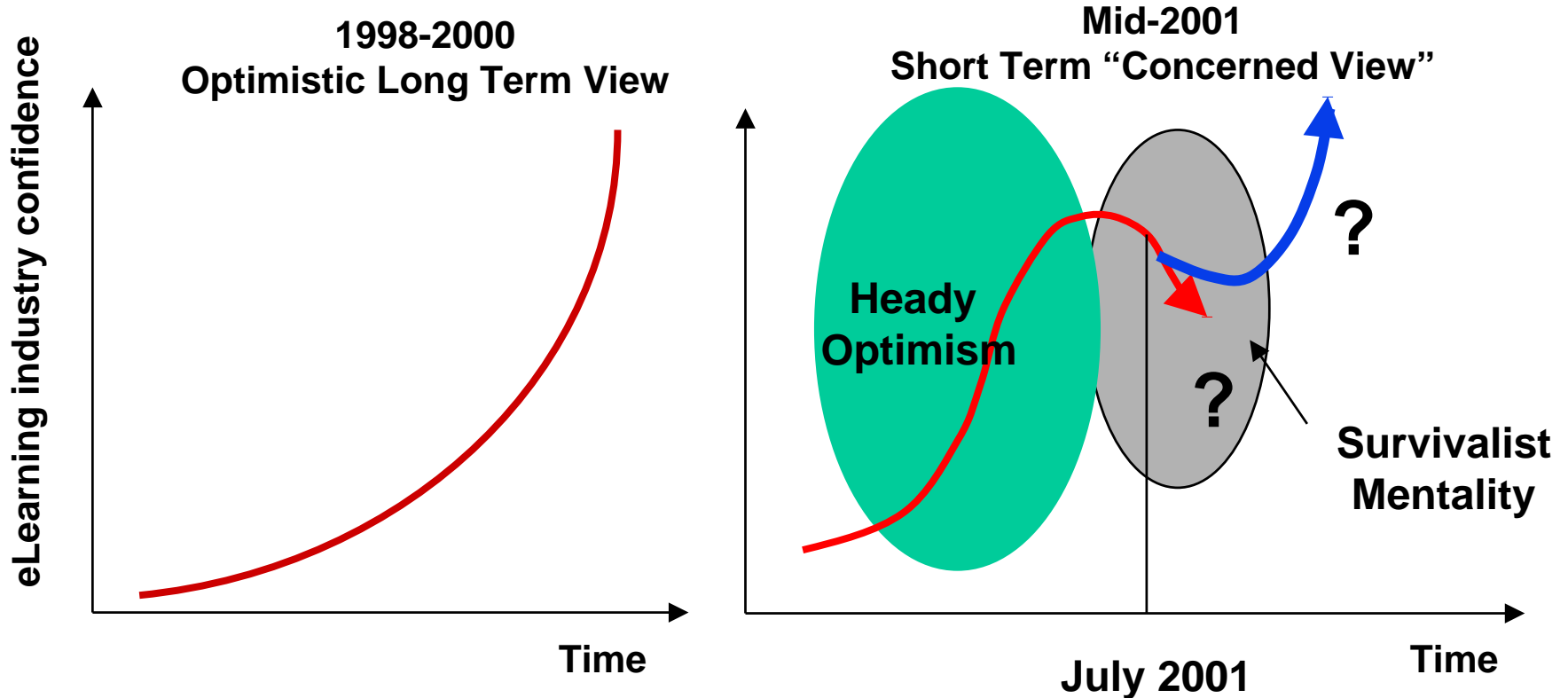
**Robert Atkins, Mercer Management Consulting**





## 2001 Trends

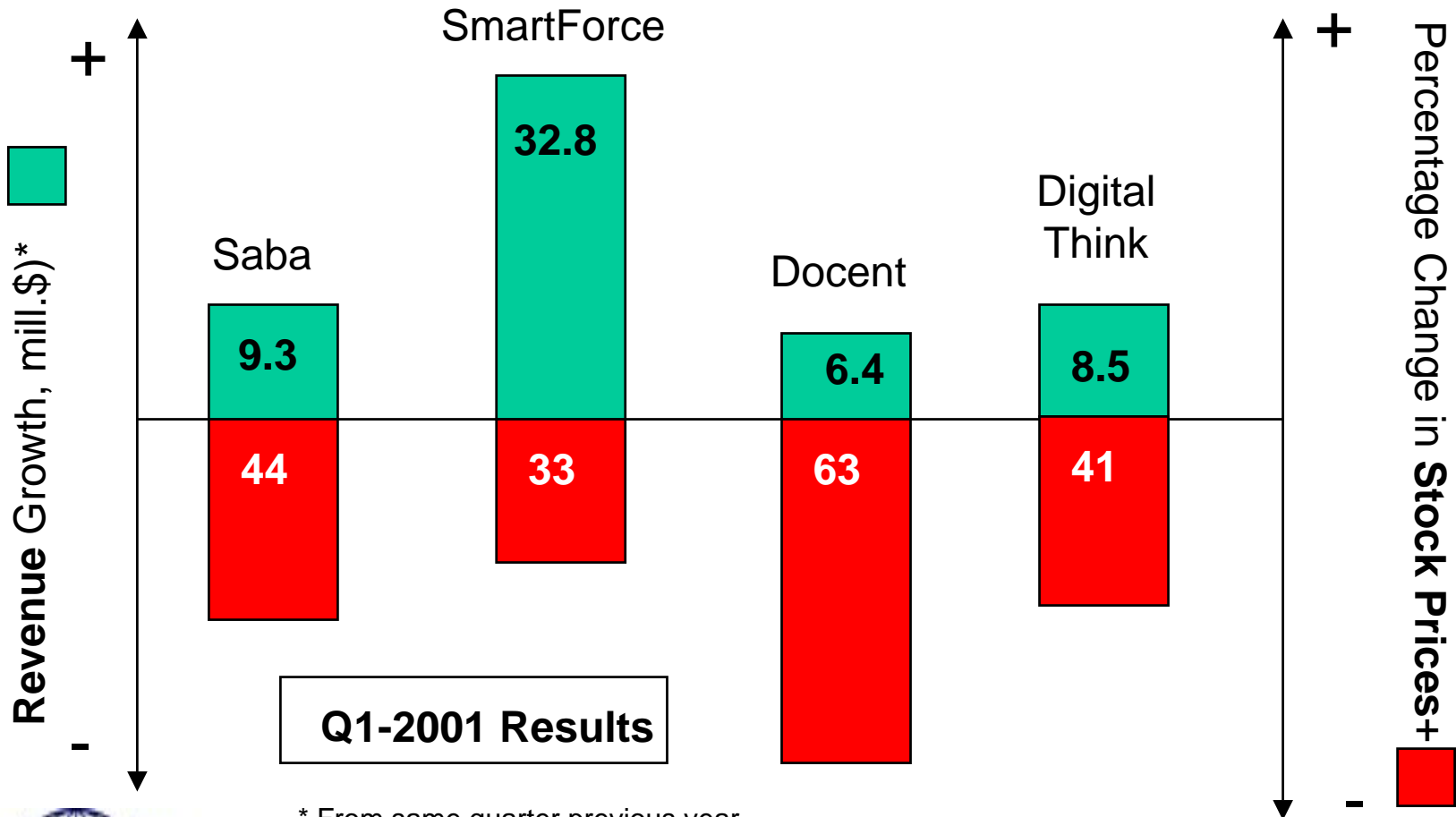
# Current eLearning Market Situation





2001 Trends

Good news, bad news



\* From same quarter previous year  
 + From previous quarter



## 2001 Trends

# Growing public sector contracts

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- ❑ **eArmyU (announced Dec 2000)**
  - Largest eLearning Initiative to date
  - Coalition of vendors led by PwC
- ❑ **Navy eLearning (launched May 2001)**
  - 1.2 million learners
  - Portal hosted/managed by Thingq
- ❑ **GSA Online University (launched May 2001)**
  - \$4 million initiative hosted by VCampus
  - Demo project for other agencies



2001 Trends

# Growing Consolidation

## Major Bankruptcies / M&A's, Jan.-June 2001

Bankruptcies	Learning-Brands	Headlight		Pensare		Caliber	
		Virtual Heaven				TCert	
Acquisitions	Intellinex/Teach.com	Learncom/Trainseek	SmartForce/ICGlobal	Centra/MindLever	Saba/HPT	Sun/Isopia	KP/Peer3
				Click2Learn/Intelliprep		Saba/Ultris	
Mergers				Learn2.com	Merges with EStamp		

Jan

Feb

Mar

Apr

May

June

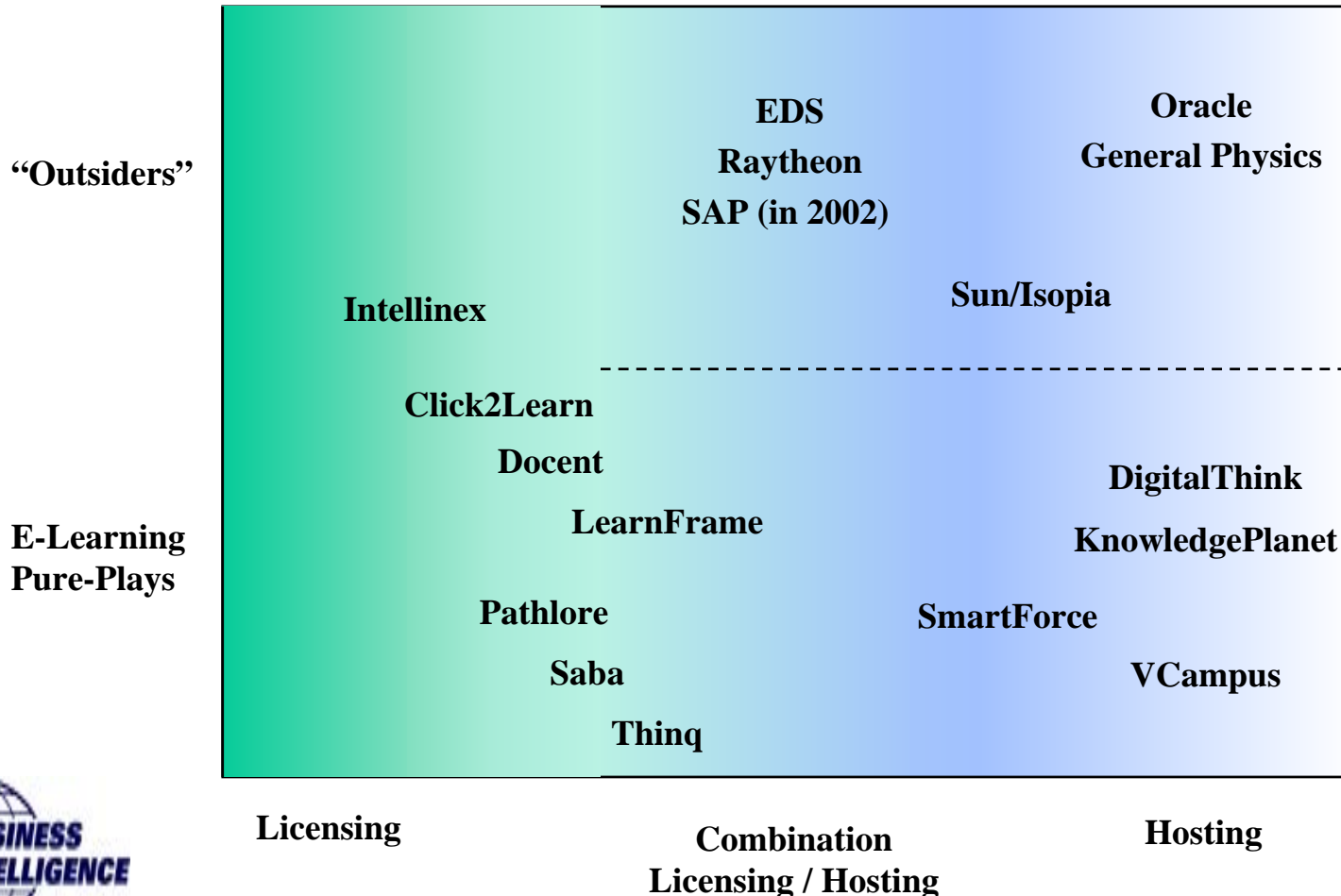
2001



2001 Trends

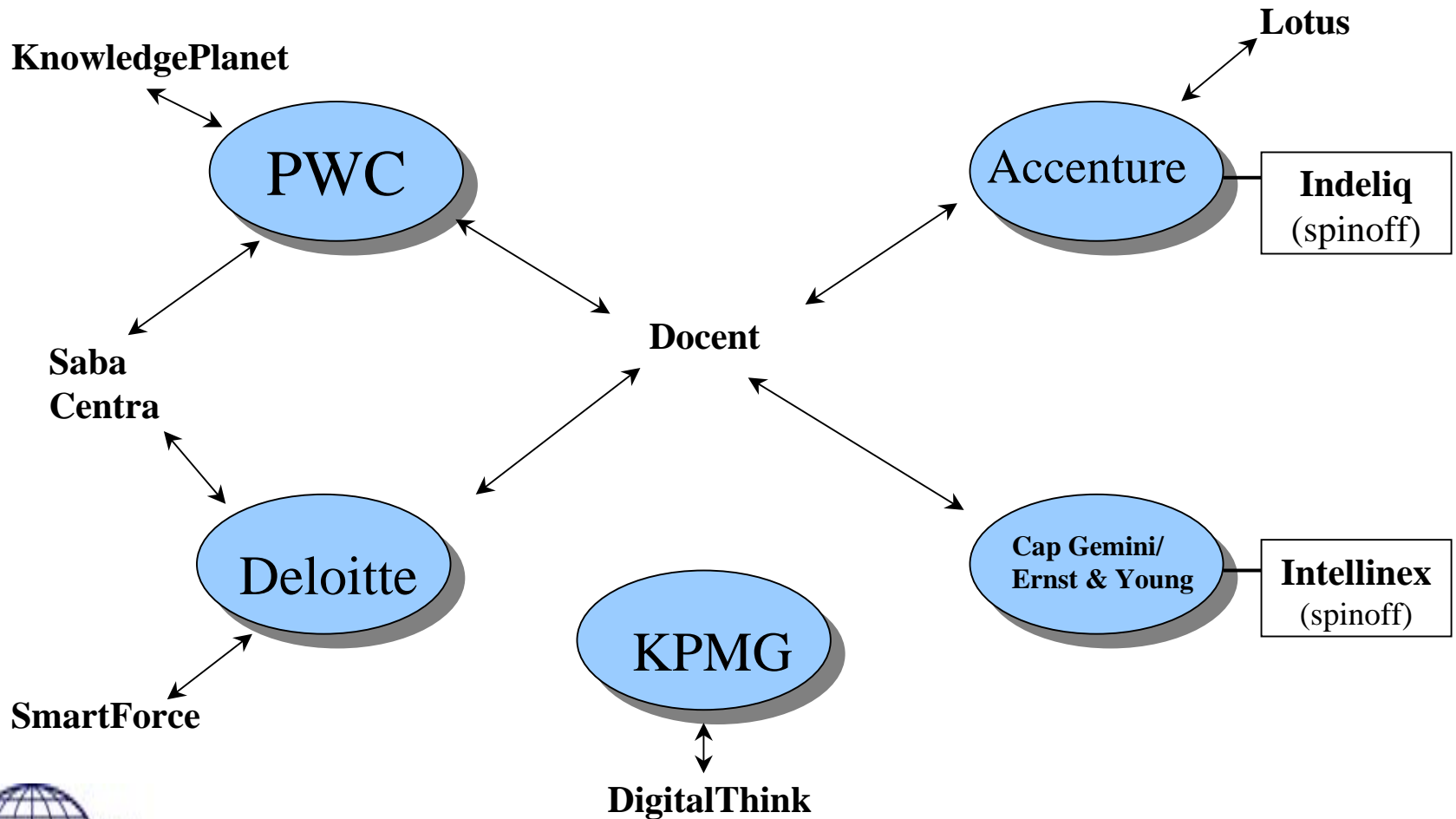
# Migration Toward Hosted Model

—————→  
(Direction of Migration)



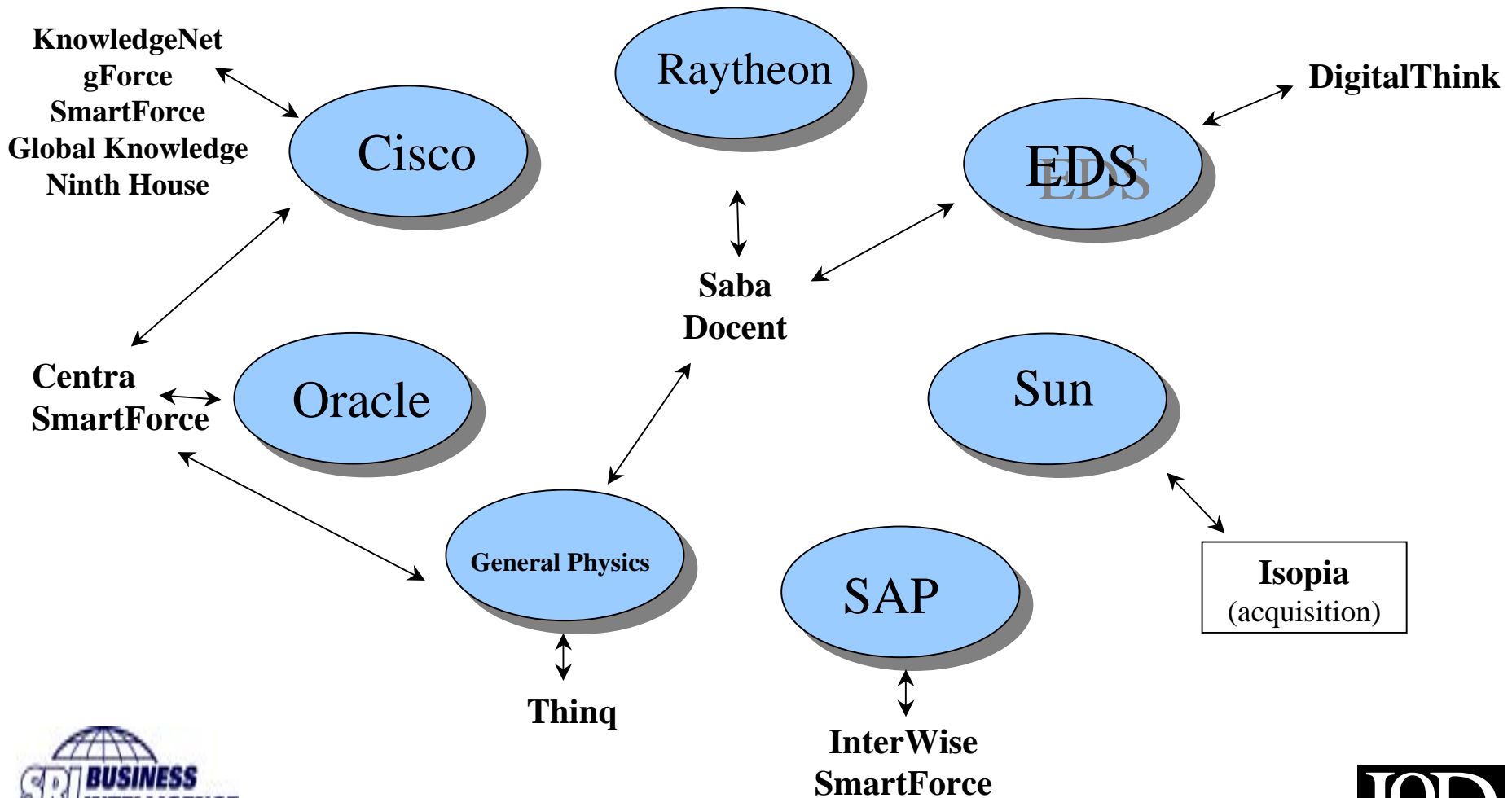
## 2001 Trends

# Growing Role of 'Big Five'



2001 Trends

# Growing Presence of Tech Giants





## 2001 Trends

# Today's eLearning Vendor Realities

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- ❑ **#1 Priority: Demonstrating cost savings**
- ❑ **Intense competition — price and winning “marquee customers” increasingly important**
- ❑ **Concern: Lengthening sales cycle**
- ❑ **Continued partnering/alliance efforts**
- ❑ **Growth of vendor/ASP hosting**
- ❑ **Market uncertainty favors large players**





## 2001 Trends

# User implications

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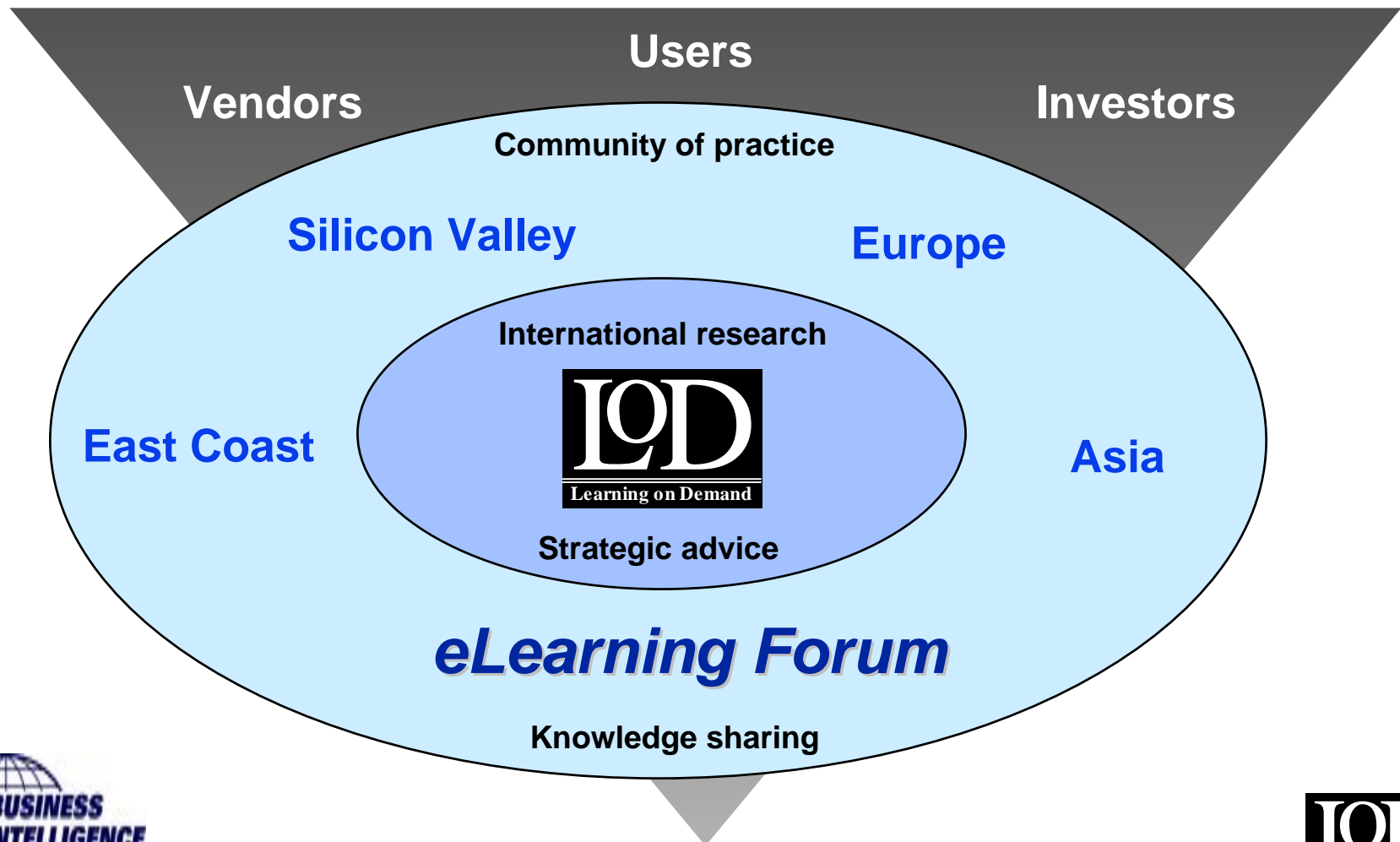
- Shifting power balance to buyer's market**
- “Bake-offs” becoming more common**
- Budgets will go farther and overall quality and service will improve**
- Risk management and contingency planning may become more common strategy**
- Growing importance of ROI-analysis to show value of eLearning program to top management**





# An International Community of Practice

... underpinned by SRIC Business Intelligence research



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