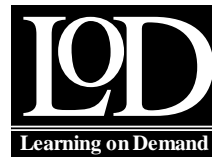




International eLearning Industry Perspectives



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An SRI International Business Partner

Agenda

- ❑ **LoD & eLF Survey Summary — and comments & observations**
 - **Market growth or decline** in past and next 12 months
 - **Positive and negative market developments** in past and next 12 months
 - **Degree of industry consolidation** in past and next 12 months
 - **Capital markets** now and next 12 months versus a year ago
 - **Role of government** now and next year

eLearning Market Growth/decline

- ❑ eLF survey results: How would you characterize market trends in the corporate eLearning market over the past 12 months?

	Number of Responses	Response Ratio
Strong DECLINE:	10	20%
Moderate decline:	16	31%
Slight decline:	3	6%
Strong GROWTH:	4	8%
Moderate growth:	10	20%
Slight growth:	8	16%

eLearning Market Growth/decline

- ❑ eLF survey results: How would you characterize market trends in the corporate eLearning market over the next 12 months?

	Number of Responses	Response Ratio
Strong DECLINE:	2	4%
Moderate decline:	4	8%
Slight decline:	4	8%
Strong GROWTH:	9	18%
Moderate growth:	18	35%
Slight growth:	15	29%

eLearning Market Growth/decline

- ❑ **Europe: UK the largest and most mature eLearning market; Nordic countries are “advanced” but relatively small; and other large EU markets (Germany, France and Italy) are less mature**
 - Slight to moderate growth in past year and some minor improvement expected in most markets.
 - Strong to moderate decline in some others (Germany) in past year but improvement expected in coming year.
 - But a few analysts also have much more bullish view of both past and next year’s developments (UK-Irish bullishness)

- ❑ **Asia-Pacific:**
 - Slight growth in past and likely to continue in Australia
 - Slight to moderate growth in Japan and Korea; but explosion in virtual universities in Korea in recent years.

Positive Market Developments

❑ Past Year:

- Growing public sector support of eLearning
- Shift from technology to focusing more on content & learning
- Buyers have matured, know more and are more discriminating
- Consolidation helped weed out weak players

❑ Next Year:

- Growing integration of eLearning into other enterprise systems
- Increasing focus on business impact & ROI
- Standards (SCORM) delivering on promises
- Better deals (including prices) for eLearning buyers

Negative Market Developments

❑ Past Year:

- Too much focus on LMS that over-promised and under-delivered
- Hype, negative media coverage and failure of many players have caused some backlash and left many customers concerned and skeptical
- Failed implementations due to lack of sufficient numbers of trained and experienced eLearning staff

❑ Next Year:

- More M&As, many of which will not work out and lead to additional negative publicity for eLearning sector
- More demanding and sophisticated buyers, looking for integrated solutions, will often find disappointing results

Negative Market Developments — eLF Survey



❑ Past Year:

- Too much focus on short term profit
- Acceptance of static and “LCMS-packaged” content
- Reduced budgets for implementing good eLearning projects
- “Dumping” of eLearning content
- “Mindless consolidation”
- Less innovation and R&D
- Reduced support for eLearning due to corporate downsizing
- Too much focus on saving money

Negative Market Developments — eLF Survey



- ❑ **Next Year:**
 - Greater recognition of high cost of good eLearning
 - Shotgun marriages
 - Steady rise of buzzwords in eLearning
 - Unrealistic hopes on KM front
 - Executive backlash likely continuing (to eLearning projects)
 - More pressure for “sound-bite developments”
 - Greater “wait and see” attitude — and longer decision cycles
 - More “integration projects” but also more failed attempts
 - Continued failure of eLearning players and negative publicity

Degree of Industry Consolidation

❑ Past Year:

- Significant consolidation in many European markets
- Anecdotal evidence of dramatic consolidation in some countries; and some “large players” have failed
- Slight consolidation in Asia-Pacific

❑ Next Year:

- More moderate consolidation (but some analysts still expect rapid consolidation)
- More immature VC industry could drive many European eLearning vendors into bankruptcy

Obstacles that must be overcome to enable significant eL adoption

- Vendors must avoid over-promising (Good luck!!)
- Quality of content must get better
- Need greater awareness and understanding of eLearning
- Need more technical expertise in eLearning industry
- Need more good and CREDIBLE case studies
- Need to be able to show BUSINESS IMPACT from eLearning
- Need to move beyond technology to focus more on content and learning
- Need more economical solutions and better (and easy-to-use) tools
- Need more broadband access to allow richer and dynamic content

Status and Future of Capital Markets

- ❑ Situation **today** versus a year ago:
 - Significantly or dramatically worse in most European countries
 - Similar situation in many Asia-Pacific countries; but in some countries government funding plays important role
- ❑ Situation during the **next year**:
 - Most Europeans expect moderate or slight improvement
 - Key is to have proven business model, good customer growth and cost control — if so, funding will be available

Role of Government in eLearning

- ❑ eLF survey results: What is your assessment of government's role in eLearning?

	Number of Responses	Response Ratio
Government will play VERY STRONG role:	8	20%
Government role will be SIGNIFICANT:	19	46%
Government will play VERY SMALL role :	10	24%
Other:	8	20%

Role of Government in eLearning

- ❑ In most European countries — and similarly in most other countries — governments (still) don't play as significant a role in adopting eLearning (and thus generating demand) as does the U.S. government.
- ❑ But in many countries government plays key role in other ways:
 - Financing and supporting Virtual Universities, and this helps build positive eLearning environment
 - Often provide significant funds for eLearning R&D
 - European Commission also is now becoming more active supporter of eLearning

Significant Government Role Nurturing eL

Objective:

Stimulate social & economic development

Improve efficiency of government operations

Bridging Urban-Rural Divide (*location-driven*)

Bridging Digital-Divide (*income-driven*)

Government eLearning Role & Influence

eLearning Adoption

Internal use of eLearning in government agencies

Support for eLearning in schools and universities (at federal, state and local level)

Support for life long learning (adults)

Support for eLearning Research & Development

Funding of eLearning programs of World Bank and regional development banks