The UK E-learning Market

Report by John Helmer
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Tables of leading players

List 1: Companies active in the UK with e-learning as the sole or principal business activity (2005 UK revenues[1] except where stated)

Company	Turnover £'000
Thomson NETg	19,733
Futuremedia	15,652
Blackboard	11,779
Skillsoft	11,450
RWD Technologies	10,934
Pennant	10,785
Thirdforce plc	8,455
Epic	8,104
KnowledgePool	6,943
Global Knowledge	6,660*
3T	5,955
Assima	5,669
Video Arts	5,291
SumTotal Systems	5,059
RedTray	4,478
Imparta	4,226
Webex Communications	3,188*
Fuel IT	3,005
Attic Learning	2,469
Saba	2,328
TPG Academy	2,322
Happy Computers	2,213
Enlight Limited	2,114
EBC	2,091*
Questionmark	2,045
Easy i	2,001
FT Knowledge	1,794*
Ivy Learning Services	1,533
Learndirect Solutions Limited	1,203
Learning Resources International	1,019
RTIX Ltd	975
Jenison CCI Ltd	885
gtslearning	794
Outstart EMEA Limited	651
XOR Ltd	501
Maris Technologies Ltd	370*
Atrium Communications Limited	168
PTT	64

[1] Source: Companies House   *2004 revenues

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List 2. Larger companies active in the UK involved in e-learning as a supporting, non-core activity

- IBM
- Raytheon
- Accenture
- BT
- Thales
- Capita
- SAP UK
- Oracle Corporation
- Tribal Group
- Northgate
- Parity
- Kaplan IT
- Interquad
- BSG
- QA
- Vega
- Computer Software Group
- Reed Learning plc
- NIIT UK
- Macromedia Europe Ltd
- The Matchett Group
- Amaze
- ILX Group plc
- BDP Media

List 3: Companies active in the UK with e-learning as the sole or principal business activity - no revenue figure publicly available

Academy Internet
Atlantic Link Ltd
Atlas Interactive Ltd
Auralog
Balance Learning
BBC Worldwide Interactive Learning
BdM Development
Bernard D&G
Bourne Training
Brainvisa
Bridge2Think Ltd
Bridge-Learning
Brightwave
BTL Group Ltd
BYG
C2 Workshop
CiA Training
Cobent Ltd
Copia
Corous
Course-Source Ltd
Cross Knowledge
Cylix
DACG Limited
datango AG
datmedia Ltd
DeltaNet International
e2train
Echelon Publishing (learning ltd?)
Eedo Knowledgeware
E-learning WMB
Electrovision
ElementK
Ellerton Training Services Ltd
ENI
Enlightenment Productions
eOrigen
EQHO Communications Ltd
ETS Europe UK
Fullard Learning
GBS Corporate Training
Giunti Interactive Labs
Global Learning Alliance
Harlequin Training Solutions
Headlight Communications
HT2 ltd
Infobasis Ltd
Information Multimedia Communication AG (IMC)
Information Transfer
Insite Objects
Interwise
Knowledge Solutions
LearningGuide
Line
LM Matters Ltd
LMD Learning Solutions Ltd
Mohive
Mycourse Limited
MyKnowlegeMap
NetDimensions Limited
Netviewer GmbH
New Wave Learning
NuJuice
October Systems
Open Mind Ltd
PageForward Learning
Panviva
Pixelearning Ltd
Plateau Learning Systems
PPI Learning
Rosetta Stone Language Learning
Success
Saffron
Sales 101
SanScrip: Trainer-Friendly IT Learning Solutions
Simulacra Media Ltd
SkillGate Ltd
Software Training Technology (STT)
Sponge UK
SSR-i
STAR Consulting Ltd
Tata TIS
Teknical
Telematica
Texthelp Systems Ltd
The Orange Group Ltd
Traineasy Ltd
Trainer1
Trax UK Ltd
TTS Europe Ltd
VTN Technologies
Vuepoint
Walkgrove
Watsonia
WBT Systems
WiredRed UK Ltd
Xyleme

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List 4: UK E-learning consultancies

A note on list 4:

Companies may appear in this list because:

a. They are small enough not to be required to submit full accounts to Companies House (i.e. revenue below £5.6m, balance sheet total below £2.8 million, under 50 employees)

b. They are new entrants to market

c. They are overseas companies that have not registered a branch or a place of business in Great Britain

d. We couldn't find any registration under their company name for them with Companies House (corrections and clarifications welcome!)

- Adolos
- Cobent
- Contexts Performance Support
- Creativedge Training & Development Ltd
- E-learning Guru
- E-Learning Networks
- Elearnity
- eLoki
- Fastrak Consulting
- Hull University
- Intellectual Partnerships Consulting (IPC) Ltd
- Intrallect
- Intuition
- Key2Access
- Kineo
- Knowledge Interactive
- Kudos
- Learning Light
- Margaret Adolphus
- nLight
- predaptive
- Seb Schmoller
- SET
- Skills and More Ltd
- The Training Foundation
- Thomas Gore Ltd
- Tribal Technology
- Vantaggio e-learning consultancy services

Market structure and size

The Hambrecht report[2] in 2000 defined three supplier segments in e-learning: Technology, Content and Services. Even then the lines were blurring, with providers branching out into other areas driven by client need, and the picture has since become yet more complex.

'Training' v 'Learning'

The rise of blended learning introduced a further blurring of lines, with traditional stand-up training companies like John Matchett developing e-learning offerings, while many 'pure-play' e-learning suppliers partnered with or acquired stand-up businesses so as to be seen to offer the best of both worlds.

Role of large consultancies

At the same time, large companies in IT, Business Consulting and Managed Services (e.g. IBM, Accenture, Capita) who have traditionally offered training to their clients, have seen opportunities in e-learning and fostered inhouse operations. In some cases these have shown rapid growth, eclipsing their traditional stand-up training operations with those companies. Here, entrenched client relationships and the ability to offer the scale of operations that large clients need, give an inbuilt advantage over smaller, 'boutique' outfits.

Market size

This latter trend makes it hard to give an overall size to the UK e-learning market, since companies like Accenture and IBM do not break out e-learning revenues in their financial reporting (and in some cases outsource elements of their e-learning to boutique providers, providing a risk of double counting). Our best guess would be to say that the total value of the UK e-learning market is greater than £160m, but unlikely to exceed £250m all told.

Market growth

Growth, too, is hard to pin down, for similar reasons. However in certain sections of the market, growth can be seen around the level of 25% p.a. Interestingly, if accurate, this would be broadly in line with growth in the Web Design and Development market, which shares common drivers with e-learning in rates of internet and broadband adoption.

Technology

The technology segment includes platforms for training administration (LMS, LCMS) as well as authoring tools and performance management systems.

Learning Management Systems

The LMS space has become an increasingly difficult place to be in 2006, with commoditisation bringing downward pressure on prices, and the already daunting list of threats to proprietary intranet-installed systems from packaged ASP offerings and large ERP suppliers being added to by Open Source systems, such as the hugely popular Moodle.

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[2] Corporate E-learning: Exploring a New Frontier, Trace A. Urdan & Cornelia C. Weggen, WR Hambrecht + Co, March 2000

IP wars

However, just because something is commoditised doesn't necessarily mean that it can't be patentable – apparently. In the US, the row about Blackboard's patent granted in January 2006, which seems to amount to a claim to have invented the LMS as we know it, rumbled throughout 2006, and looks likely to continue into 2007, with the suit brought by Blackboard against rival Canadian LMS provider Desire2Learn for infringement of copyright still before the courts as we write.

'Patent absurdity!'

Like so many Delia Smiths producing cakes with cries of 'here's one I made earlier,' protestors against the patent have been falling over themselves to amass evidence of prior art.
Patent attorney Richard Fontana of The Software Freedom Law Center (SFLC), which has asked the US Patent and Trademark Office (USPTO) for a re-examination of Blackboard's patent, describes it as 'a junk patent that should never have been given by the Patent Office'. Fontana says that the re-examination attempt has a high probability of success. 70% of similar attempts result in at least some of the patent claims being narrowed, and of those, almost 20% result in all the claims being cancelled. So the chances are, the Blackboard patent won't survive unscathed. 'It will most likely be substantially weakened to the point where it can't really harm anyone.'

Author rights

According to Kineo, SAP has also been active in this area, filing LMS-related patents including one for an authoring tool, which could certainly provide patent lawyers with plenty of work given the proliferation of such tools coming onto the market in recent years, as organisations attempt to wean themselves off their dependance on content suppliers and beef up their inhouse e-learning departments.

Bashful high performers

In a similarly tactical space are Performance Management Systems, which this time last year were receiving a lot of attention as representing the cutting edge of e-learning. Impressive results have been claimed for such tools - but at least one PR consultant has been heard lamenting the difficulty of getting case studies in this area cleared for publication by clients.
Apparently this is one area of training – unlike compliance, which everybody has to do – that delivers some competitive advantage. The result, alledgedly, is that clients are loath to bang the drum about their performance improvements for fear of tipping off competitors and swiftly losing that advantage.

Content

Generic gets an 800-pound gorilla

Thomson Group's sell-off of its NetG learning business to Skillsoft has given the latter a virtual monopoly in the field of big-catalogue generic e-learning in the UK according to some commentators. However, no such fears seem to trouble the US market. In December the Pre-merger Office of the Federal Trade Commission abbreviated the normal waiting period under the Hart-Scott-Rodino antitrust laws for such mergers, speeding things along nicely, from Skillsoft's point of view.

Hard on the heels of this news came announcement of a strategic partnership with Redtray apparently designed to extend Skillsoft's ability to offer bespoke content development to its EMEA clients.

Provided that Skillsoft can make the NetG merger work – and it has a good track record in doing so, after its successful absorption of Smartforce a few years back – it looks set to become a dominant player in UK e-learning.

Bespoke content – tougher price climate

Bespoke content development has in the past been the healthiest area of UK e-learning, perhaps due to the fact that a bespoke operation carries less upfront risk than a products business. Not a mouse is moved in anger until a customer has already agreed to buy the end result, and marketing costs can be kept fairly minimal. However, with e-learning becoming more established within large organisations, increasing price pressure is beginning to be seen, and a questioning of the costs involved in continually reinventing the wheel this way.

Not Invented Here? No thanks!

Some put their faith in rapid e-learning – which promises drastically to lower the cost and time it takes to produce bespoke e-learning, but which may involve a readjustment of expectations difficult for some to make.
Rapid production methodology leans heavily on the Pareto Principle, or 80/20 rule – and to really make inroads into costs must require some degree of reliance on generic materials as a starting point. However, the pragmatic view this requires runs counter to the prevailing culture in training departments (especially within the public sector) with many organisations persisting in seeing their own skills issues as unique and unprecedented.
Also, as a Head of Learning and Development it must take some nerve to commit oneself to any degree of compromise, when e-learning still has so many nay-sayers within the organisation.

L&D disses online

The startling depth of this resistance, not just among end-users, but among rank and file Learning & Development professionals, was revealed by the CIPD's 2006 Learning and Development survey earlier in the year, and goes to show what a mountain e-learning still has to climb to become truly mainstream in the UK.

Is Offshore the answer?

For others, the answer to client demands for cheaper e-learning lies with offshore production. Here again, the bugbear is quality. Nobody has yet managed to prove conclusively that they have solved this particular one, although Fuel's dual location model – one foot in NW1, another in Mumbai - is being watched with interest.

Services

Significant offerings in this segment include Consultancy and Managed Learning.

Consultancy: a cottage industry?

It is probably fair to say that e-learning consultancy is something of a cottage industry in the UK. Of the pure-play consultancies specialising in this area, not one is required to submit

accounts under the Companies Act, indicating a scale of operation not just on the SME but on the micro level.
There is no UK version of Bersin & Associates, or Brandon Hall (though, watch this space). Most e-learning content companies also offer some type of consultancy, and in many cases these operations are quite sophisticated ones – however invariably they will have come about originally through the need of suppliers to monetise the often long and tortuous process of selling to under-educated clients, coupled with the desire of those client organisations to sanitise their procurement processes.

There's always a bigger fish

In the same way that the LMS market can be seen as a subset of the Human Capital Management Systems market, e-learning consultancy is perhaps an outlying province of Human Capital Consulting – so we are seeing a great deal of e-learning consulting done within general business consulting firms now. Certainly, in terms of the supplier labour pool, there is a flow backwards and forwards between e-learning companies and the big consulting firms, notably KPMG, PricewaterhouseCoopers and IBM. In fact this is a three-way flow, the third point of the compass being provided by client organisations.

Business Process Outsourcing

The trend to outsource Human Resource Business Processes (of which Learning & Development is only one, alongside Payroll, Benefits, Recruitment, etc.) only serves to reinforce this fluidity.

Recently a well-established e-learning company we know had the disconcerting experience of turning up to a client meeting to find that the client's entire HR operation had been outsourced, and that instead of talking to their regular contact they now had to negotiate with the outsource provider – in this case a stand-up training company. Worse, management of the e-learning part of the deal had been subcontracted to a small and relatively obscure e-learning firm, who would normally be found several steps further down the food chain. This was now their sole client contact on the account.

HR is the most outsourced function in the enterprise, with the result that much heat is being generated by the idea of Learning Business Process Outsourcing – though admittedly, more on the other side of the Atlantic than here. (See Trends: Managed Learning).

Trends

Consolidation
2006 saw significant consolidation in the UK e-learning market:

- February: Saba completed its acquisition of Centra
- February: Blackboard and WebCT completed merger under the Blackboard brand
- April: Futuremedia completed acquisition of ebc (announced consolidation and relocation to Brighton of ebc staff in December)
- June: QA and Interquad merged to form QA-IQ
- July: NIIT acquired Element K
- October: Redtray merged with Bourne Training, having previously acquired blue U and knowledge = power
- October: Academy Internet announced the successful integration of key assets and core members of the e-learning team from Adval (recently merged with Maxim, formerly known as KnowledgePool e-learning) into its own e-learning business
- November: Skillsoft to acquire Thomson Netg (see above)

There are now a number of well-resourced operation in UK e-learning focused on growth through acquisition, so expect to see more M&A activity in 2007.

Managed Learning/LBPO
LBPO, or the wholesale outsourcing of organisational learning processes to an external supplier, is big enough in the US to merit its own league table and industry association (see: http://www.trainingoutsourcing.com/Index.asp) but over here is still in its infancy. Several companies are making a determined play for the space however, including Accenture, IBM, QA-IQ and KnowledgePool.

Movement into managed learning is coming from two directions, top down and bottom-up.

Top-down - Looked at from the perspective of a large management consulting firm the managed learning market is a subset of the HR outsourcing market (which is itself a subset of the wider BPO market). As clients move to outsource increasing numbers of their HR processes to external suppliers, Learning and Development comes into the frame as a candidate for wholesale outsourcing.

Bottom-up - For training and e-learning companies, a move into managed learning arises out of an aspiration to get further up the food chain within the organisations they supply, and to offset the 'lumpiness' of their training revenues by locking clients into long-term programmes with recurring fees.

There is an argument that organisational e-learning is now too complex a beast – what with the proliferation of learning modalities (podcasts, wikis, blogs, virtual classroom, KM, etc. etc.) and new ways of combining them coming on stream all the time - to be left to mere training managers. Outside (and outsourced) help needs to be sought.

However, scale is a big issue for e-learning companies, who find it hard to grow fast enough through organic means alone to achieve the depth and breadth of resources necessary to field a convincing managed learning offer.

Some of the M&A activity we are liable to see in 2007 will no doubt be the result of manoeveurings that have at least one eye on this marketspace. However, undoubtedly the most significant players here will be the larger companies on our list 2.

PEST Drivers (Political, Economic, Social, Technological)

Political

- **Devolution to regional & local government** - Gordon Brown's promise of a 'radical shift of power from the centre' will involve a wholesale upskilling of local government - which is already underway

- **The Leitch report on skills**, though a damp squib for some, signalled the government's continued commitment to closing the skills gap by targeting public money at basic skills

- **London Olympics 2012 /Thames Gateway** -180,000 new jobs projected by 2016, the majority of which will require NVQ Level 3, in an area of poor educational achievement where a third don't reach NVQ Level 2: £1.5bn has been earmarked for developing skills in the area, £1.2bn for Education

Economic/Social

- **Demographic time bomb explodes** - 25 % of the world's working population will reach retirement age in the next three years, creating a potential shortage of 10 million workers: the ageing work population will need extensive retraining, and skills capture and transfer will become critical activities in large organisations

- **Green goes mainstream** – with serious economic focus now turning to issues of sustainability, e-learning - inherently greener than stand-up training - now has the opportunity to plant its low carbon footprint on the high moral ground

Technology

- **Consumer uptake of internet reaches critical mass** – 60% of UK households now have internet connection, with around three quarters of those on broadband

- **Cost and time now the biggest barriers to e-learning adoption** - with time of response to business need critical for large organisations, rapid e-learning and offshoring will be increasingly looked to for answers