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Introduction: Still Growing, Still Changing

The same three words continue to characterize the LMS market for 2009 as they did in our last study – growth, expansion and evolution.

Market Growth

Our research indicates that the LMS market is still growing steadily, although this growth has slowed considerably to only 10.6 percent over the last year. Given the current economic climate, it might come as good news then that we believe market growth in 2009 will remain a similar eight percent.

The slowdown in the market is due partly to saturation in the global enterprise market and some commoditization of learning management systems – as provider feature sets have become more and more similar in recent years. This is still a buyer’s market; multiple providers compete for most contracts, putting pressure on providers to keep pricing moderate.

Organizations of all sizes now have some form of learning management solution; many others are realizing that they need one. Approximately 40 percent of U.S. training organizations reported that they have an LMS installed, a figure that has not changed significantly over the past two years. Rather than indicating a slowdown in LMS buying, we see this leveling off as a sign that the market is maturing. Replacing a current system and looking to expand system capabilities are now the primary sources of growth in this market overall.

But the picture is very different for various segments of the market. For example, the large business segment is fairly well saturated, with nearly 80 percent of companies now using LMSs.

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Midsized companies were the hottest segment of the LMS market in our last study, with nearly every major LMS vendor rolling out solutions targeted at midmarket buyers. In 2008, this segment has cooled off and usage is actually down slightly. This is probably due to the fact that some of these companies bought the wrong system or bought a product from a vendor that over-promised or under-delivered.

The small business market offers the greatest opportunity for growth, as only 36 percent of these companies are using an LMS. Many of these businesses would like a low-cost, easy-to-use, easy-to-maintain system—but, as yet, they are not willing to make the commitment. An LMS is still a nontrivial investment in money and resources.

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Figure 1: LMS Market Growth 2006-2009


Ibid.

North American revenue estimates include all revenue for providers for which North America is a primary market. In other words, these numbers include revenue earned outside of North America by providers covered in this study. We believe the providers covered in this study account for at least 90 percent of the total market for North American-focused providers—and we believe North American-focused providers account for approximately 80 percent of the total worldwide market for LMSs.
Evolution

The learning management systems market is one of the most rapidly changing markets for enterprise software. Learning management systems have been around for decades – originally used as back-office scheduling systems for classrooms. These systems (originally called “training management systems”) continue to live on in most companies and still play an important role.

In the early 2000s, these systems evolved into what we call “e-learning platforms” – systems designed to provide user-centric portals for employees to help them find, enroll in, launch and track e-learning courses in addition to classroom training. Today’s learning management systems are largely built from this base – they have expansive capabilities to arrange, launch and deliver e-learning programs.

In the mid-2000s, the market shifted again as companies realized they needed their LMSs to evolve into a corporate-wide enterprise system. In this role, the e-learning or training management system needs to:
- Have extensive configurability to manage thousands of people;
- Group people and courses into subdomains;
- Manage complex certification and compliance programs;
- Track assessment and completion results; and,
- Integrate tightly with other corporate HR systems.

Of course many of these corporate LMS systems also manage customer and partner training, so in this third wave the LMS market added the requirements for eCommerce and new workflows to enable organizations to sell and promote courses to customers.

Today, the LMS market is at a turning point. With the tremendous growth in demand for integrated talent management solutions, most LMS providers have added features for performance management, succession management and development planning. But another critical trend is further shaping the market – the tremendous demand and importance of social learning or informal learning. Our research shows that, in 2008 and 2009, companies have stopped investing significant new dollars into e-learning – and are now adding many of their incremental investments into social networking and tools to help build collaborative learning solutions.

Corporate learning systems, then, must evolve. Just as the traditional back-office training management systems became “employee facing” systems when e-learning exploded, today’s LMS platforms must rapidly adapt to meet the needs for social learning. Our research shows that some providers are moving aggressively in this direction – but there are also a large number of new companies entering the market with a sole focus on informal learning, social learning and content management systems.

**LMS Providers**

The LMS market remains fairly fragmented, with a myriad of providers serving particular customer segments or vertical industries. For this report, we compiled data from 39 providers. This report contains detailed profiles for the top 30 companies in terms of 2008 market share. These are the top-tier companies (see Figure 3) that are relatively mature and have solid customer bases.
These providers all offer LMS solutions that fit some or most of the requirements in the segments previously discussed. There are at least 50 other solutions available throughout the world – many come from content providers, systems integrators and other providers that look upon the LMS as an enabler of another part of their offerings.

In this report, we concentrate on companies that focus primarily on the LMS – offering an easy-to-understand, focused solution that will likely be a good investment for many years to come.

**Basic LMS Features**

To understand the LMS marketplace, it is first important to understand the basic set of features and capabilities of these systems. These include the following.

- **Administration** – Basic features include managing course registrations, scheduling resources and managing course catalogs. Advanced features include managing prerequisites, manager approvals, eCommerce, the use of learning credits, certification processing and expirations.
• **Learning Management** – Managing assessments and student scores, managing learning plans, tracking learning history, search capabilities, and prescriptive learning.6

• **Reporting and Measurement** – Basic features include tracking and reporting certifications, and learning metrics. Advanced features include exception reporting, automatic notification-based on thresholds and measuring business impact / ROI.

• **Security** – Granting different access privileges based on organizational hierarchy, domain or role. Encrypting data and personal information.

• **HR-Related** – Basic features include synchronizing with the organization’s HR database. Advanced features include integrating learning with performance planning, and managing skills and competencies.

• **Content Integration** – Implementing the industry standards of AICC7 and SCORM8 – and making it possible to launch, track, bookmark and report on e-learning content. These interfaces are tested and certified against different content providers.

• **Content Management** – Basic features include storing online learning content and indexing the content for search. More advanced features include managing the content and workflow among multiple groups.

• **eCommerce** – Basic features include the ability to process payments and chargebacks. Advanced features include creating business rules for transactions (such as discounts for certain learner types or for course bundles, managing shopping carts, and checking certifications or learner status to determine eligibility).

An LMS is a workflow-oriented system. It manages enrollments, registrations, completions, certificates, scores, prerequisites and course

6 “Prescriptive learning” is training that is designated to a learner based on his / her manager, job role or assessment scores.

7 The “Aviation Industry CBT Committee” (AICC) is an international association of technology-based training professionals that develops guidelines for the aviation industry in the development, delivery and evaluation of computer-based training (CBT) and related training technologies.

8 “Sharable Content Object Reference Model” (SCORM) is a set of specifications for course content that produces reusable learning objects.
fees – all functions that operate within a company’s business workflow. The flexibility and process behind these features are both key to making an LMS work well.

Advanced Features

As the LMS market has matured, LMS providers have added many advanced features to their systems. In this section, we will discuss the value and nature of these features, and how you can decide whether or not to use them in your selection process.

- **Analytics and Reporting** – Measurement is a hot topic in training and HR today. Training organizations are under increasing pressure to demonstrate the business impact of learning, which brings measurement issues to the forefront.

- **Integrated Performance and Talent Management** – In 2006, most LMS providers jumped into the market for performance and talent management applications. The basic premise behind these new features is that for internal training (not customer or partner training), most learning and development programs should be integrated into an employee’s ongoing performance plan.

- **Web-Conferencing, Virtual Classrooms and Telepresence** – Web-conferencing and virtual classroom tools are widely used by training organizations, and integration with such tools is a very important factor for LMS buyers. In 2008, 45 percent of companies indicated using these tools for learning activities; which, while down from previous years still makes these the most widely used learning tool among training organizations.\(^9\)

- **Search** – A critical feature in LMSs for 2009 is search functionality. As organizations increase their use of online training and other online repositories of knowledge, it becomes harder for users to find the formal and informal learning opportunities that they need – users cannot browse through large catalogs of content effectively. The solution is a powerful search capability that is built into the LMS.

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Informal Learning Management – Corporate learning organizations have gone far beyond the early days of building content for use online. Today they must not only build content, but they must focus heavily on providing context to this content – enabling people to find what they need, not just publish what organizations want them to learn.

In response to these changes, corporate training functions are beginning to rethink their mandates and missions – and are looking for technology solutions that support a holistic approach to learning.

In short, organizations are beginning to “formalize informal learning.” To remain relevant, today’s LMS platforms must, therefore, adapt to support management of informal learning in all of its forms, including social\(^\text{10}\) and on-demand learning\(^\text{11}\). Our research shows that some providers are moving aggressively in this direction; but,

\(^{10}\) For more information, Social Networks for Enterprise Learning and Talent Management: A Primer, Bersin & Associates / David Mallon, June 2008.

there are also a large number of new companies entering the market with a sole focus on informal learning, social learning and content management systems.

- **Learning Portals: The LMS in the Back Office** – Increasingly, organizations are looking for a more dynamic, user-centric experience for learning. The typical worker today has many computer systems on which they work, often each with its own interface and navigation. Enter the learning portal, which now plays a major role in learning environments. Training programs are typically deployed through a user portal, consisting of a single website that gives the employee or customer a wide range of functions and information. The LMS often is the portal itself or, in enterprise implementations, the LMS sits behind an employee or customer portal. Portals offer a few very big advantages – they give users a single point of access to the LMS and many other applications; they give the company one place to publish new information quickly.

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**Figure 5: Learning Portal Architecture**

What I need to know right now. What skills and competencies I need. Who I can ask for help. *It's all about me. My job. My role. My assignment.*

About This Report

This report contains a detailed review of the learning management systems (LMS) market, including a discussion of market trends, profiles of the top providers and our proprietary Market Maps® to help buyers understand the positioning of providers.

The goal of this report is to help corporate buyers understand the LMS market, identify key provider solutions, and plan for a successful implementation and long-term rollout.

This report has many resources to help you find the “short list” of LMS providers that would best meet your company’s needs. It does not, however, provide a ranking of providers. We believe our role is to help buyers understand the strengths and weaknesses of different providers, so they quickly can determine the short list of solutions that best meet their needs. From there, we strongly urge buyers to follow our LMS selection methodology (see section, “Selecting an LMS”), or hire a consulting firm to help make the final decision and implementation.

In addition, this report does not review every LMS provider in the market. Rather, we have used our insight and market research to focus on market leaders – providers that we feel are likely to be successful over the long term.

The information included in this report comes from a variety of sources, including interviews with corporate buyers, briefings with providers and quantitative research. Sources are footnoted where appropriate.
Study Methodology

Bersin & Associates launched our extensive research study into this complex and rapidly evolving market in November 2007. Through our WhatWorks® research methodology, we have developed a comprehensive industry study that includes definitions, market drivers and trends, vendor profiles and analyses, and organizational adoption statistics – as well as our predictions for the future. This study is based on a combination of inputs, including information provided by LMS vendors, secondary market analysis and a quantitative survey of LMS customers. The following list outlines the approaches used to gather and analyze data – in addition to the development of the findings and insights highlighted in this executive summary (and which are thoroughly discussed in our industry report).

- Approximately 50 LMS providers were invited to complete a comprehensive profiling instrument, containing data points related to company performance and product capabilities. Forty providers responded to our invitation. Data from all 40 providers was used in the analysis contained in this study.

- We also conducted detailed vendor briefings with these providers. The briefings included system demonstrations that focused on integrated talent management use cases, as well as a presentation and discussion of each vendor’s company background and product roadmap.

- In December 2008, we conducted an extensive, quantitative survey to identify the key drivers, adoption levels, business challenges and trends in implementing learning management systems. Only companies with 100 or more employees that had an operational LMS were included in the analysis. The final count of qualified respondents was 525.

The majority of respondents work for midsized or large corporations – just seven percent work in the education sector (nearly all of which were higher education) and eight percent work in the government sector. The vast majority (84 percent) work for organizations located in the U.S.

The following charts show the breakdown of responses by company size, industry and geography.
The study also represents a broad cross-section of industries, as shown in Figure 7. The data in this report was also weighted by industry, according to market analysis performed for this study, so that the data accurately reflects provider market share.

The number of companies by industry is shown in the following table.

Figure 8: Percent of Respondents by Geography (Weighted)

How to Obtain This Research

The full industry study is available for purchase at www.bersin.com/lms or through the Bersin & Associates research membership program. We will be presenting highlights of this research at webinars and other events throughout the coming year.

If you are interested in benchmarking your organization against the best practices developed in this industry study, please contact us. Our WhatWorks® Benchmark service will provide your organization with the data, recommendations and strategic insights to determine the best course of action to maximize the efficiency and effectiveness of your talent management strategy.

For more information on our research membership and advisory services, please contact us at (561) 455-0622.
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- Respondent Profile: Industries

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### CertPoint

### Cornerstone OnDemand

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About Us

Bersin & Associates is the only research and advisory consulting firm focused solely on WhatWorks® research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

Bersin & Associates research members gain access to a comprehensive library of best practices, case studies, benchmarks and in-depth market analyses designed to help executives and practitioners make fast, effective decisions. Member benefits include: in-depth advisory services, access to proprietary webcasts and industry user groups, strategic workshops, and strategic consulting to improve operational effectiveness and business alignment. More than 3,500 organizations in a wide range of industries benefit from Bersin & Associates research and services.

Bersin & Associates can be reached at http://www.bersin.com or at (510) 654-8500.

About This Research

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