Diamond Dashboard™ Report:

Training Outsourcing Industry

Executive Summary

January 2009

CLIENT ◆ OPINIONS

MARKET-DRIVEN THINKING

Introduction

This is the Executive Summary for the **2009 Diamond Dashboard™ Report for the Training Outsourcing Industry.** This study is designed to provide the training outsourcing industry with a comprehensive and objective understanding of the brand images and perceptions of the top firms in the training outsourcing industry and to uncover the key factors that drive buyer behavior.

There are 3 parts of the study:

- **Executive Summary** – summary of findings and description of Diamond Dashboard
- **Industry Overview Report** – comprehensive overview of the state of the industry
- **Company Profiles Report** – comprehensive review of the specific performance of 30 of the top training outsourcing firms and comparisons to industry benchmarks

Study Participants - The data was collected directly from 769 training executives and buyers focused primarily in the North American geography. More than 500 large and mid-sized enterprises across a broad range of industries participated including:

> Allianz, Bank of America, NCR, The Ohio State University, Blue Cross Blue Shield, Office Depot, Boeing, Apple, Volvo, Cardinal Health, Washington Mutual, Administaff, Safeway, Fidelity, Pfizer, AIG, PepsiCo, Toyota, Humana, Kroger, HP, Xerox, Qwest, Genzyme, Ford, ConAgra, Fairchild, Glaxo Smith Kline, Kimberly-Clark, BMC, U.S. Bancorp, NYSE, Aetna, Roche, Delta Air Lines, Wells Fargo, Staples, Cargill, EDS, Perot Systems, Best Buy, Hilton, Hertz, U.S. Department of Education, Hoffmann-La Roche, Sanofi-Aventis, Texas Tech University, Salesforce.com, Merrill Lynch, Deloitte & Touche, Booz Allen, Volkswagen, Chevron, State Farm, Nortel, AMA, Prudential, UBS Financial, Verison, Whirlpool, Bellsouth, Aetna, Smith Barney, Prudential, The Hartford, Citigroup, SAP, Humana, Lucent, American General Life and Accident, International Paper, BioGen Idec, Cisco, American Buildings, Amplify, Lennox, Manhattan Community College, Unilever, Air Products, Princeton, Abbott, and more than 400 additional companies.

Critical Information Addressed - The report captures key market information that helps buyers and training companies make important decisions. Buyers considering outsourcing can compare their situation with peers and evaluate the performance of various providers. Training outsourcing companies can see how they are performing versus industry benchmarks and versus key competition and take appropriate actions. Key topics include:

Buyer Profiles & Attitudes Towards Outsourcing

- How large are training budgets and are they growing or declining?
- How ready are companies to outsource? What are they most likely to outsource?
- What are the critical few key drivers that result in a decision to outsource?

Awareness, Perception, and Attitudes Towards Training Outsourcing Providers

- Which companies have most awareness and who are the unknown?
- What perception does the market have for training outsourcing companies?
- Which companies are consistently making RFP "short lists" and why?
- Who is winning the most outsourcing deals among existing providers?
- Which providers are doing the best job in gaining repeat business and who is not?

Leaders, Laggards and Industry Benchmarking

- Who are the "Industry Leaders" and why? What does a "Leadership Profile" look like?
- Who are the "Industry Laggards" and why?
- Which companies are gaining or losing momentum and why?
- How does each outsourcing provider compare to KPI's and leadership profiles?

For more information, contact Rick Thompson at rthompson@clientopinions.com, call 919.932.4350 or visit the Client Opinions website at http://www.clientopinions.com/pages/87/Industry-Research-/

Copyright © 2009 Client Opinions, Inc.

Executive Summary

Overview - The 2009 Diamond Dashboard Report for the Training Outsourcing Industry provides rich insight and actionable findings about the training outsourcing industry. The study is based on 769 responses from executives and training managers at over 500 corporations with operations in North America. Most respondents come from large or mid-sized organizations with 40% having more than 5000 employees and another 21% having between 1000 to 5000 employees.

State of the Training Outsourcing Market – Results from this study indicate the training outsourcing industry is in a significant growth stage characterized by favorable buyer attitudes and the presence of a large number of competitors. Executives and training managers are increasingly comfortable with outsourcing part of all of their training needs to an outside company and many of these buyers have large, stable budgets at their disposal. On the company side, a large number of players have emerged creating a fragmented market with few brands that have established a commanding presence and reputation.

State of the Buyer – Companies considering outsourcing their training have overcome their initial hesitance with a full 75% now saying that outsourcing is a 50/50 proposition or better and a strong 25% indicating they would "yes, definitely" outsource. Importantly, companies are comfortable outsourcing a broad range of training requirements with 35% saying they would turn over "all areas of training" to an outside provider. The top three areas most likely to be outsourced are: content design and development, training delivery and technology services, with training operations and administration ranking lower. The key motivator to outsource is a lack of internal resources (49%) with cost, focus, execution, and competence issues also playing a role, but significantly less important.

When it comes to selecting a training outsourcing provider in this fragmented market, buyers are looking for a handful of leaders to emerge from the pack with proven set of capabilities to simplify their decision-making process. Buyers clearly identified 5 key drivers as the most important characteristics for training outsourcing leadership. "Knowledge and expertise" was most important (67%) with "ability to execute" in second place (51%). The next three key drivers were: "innovation and thought leadership", "value for the money", and "brand reputation".

State of the Companies – Many companies have entered the market. Large, established services companies such as IBM, Accenture, Raytheon, and Tata Interactive are trying to leverage their breadth and expertise in other areas and extend into training outsourcing. At the same time, specialized training companies including; Achieve Global, ACS, DDI, Disney Institute, Element K, Expertus, General Physics, GeoLearning, Global Knowledge, Hewett Associates, Learn.com, New Horizons, NIIT, RWD, SkillSoft and many others are trying to establish themselves by emphasizing their unique focus and expertise in training.

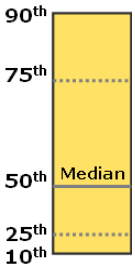
Given that training outsourcing is an emerging market with many competitors, it is not surprising that it is characterized by relatively low awareness, unclear brand perceptions, and little differentiation between most providers. Despite the presence of several large, well known major service providers and dozens of well established training companies, awareness for training outsourcing is low as the top companies achieved only 49% awareness. Brand image ratings show that most customers have unclear perceptions about the various brands and only a few companies have begun to establish the associations required to build a strong reputation. Purchasing habits demonstrate that no companies are winning business by creating brand preference; instead business is won on a deal by deal basis. Encouragingly, many companies are building customer loyalty with the leading firms having a strong 63% of their customer's saying they would do business with them again.

Copyright © 2009 Client Opinions, Inc.

The Diamond Dashboard™: Introduction

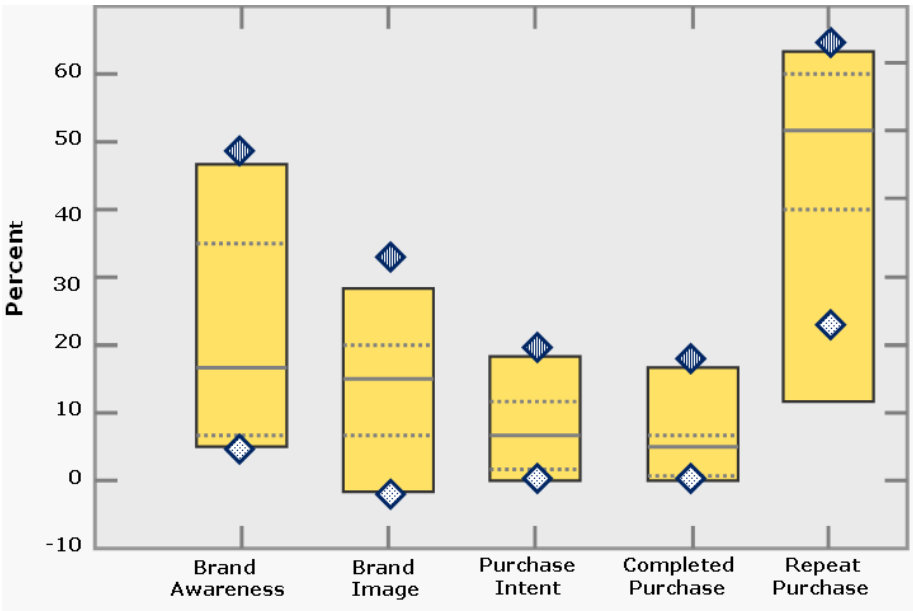
Reading the Diamond Dashboard – The Diamond Dashboard highlights the performance of industry Leaders and Laggards as well as specific companies and plots them against industry-specific benchmarks for 5 key performance metrics: Brand Awareness, Brand Image, Purchase Intent, Purchase, and Repeat Purchase. These are 5 key performance indicators (KPI's) associated with creating a winning business model that successfully attracts new customers and builds the loyalty required to sustain repeat business.

Benchmarking Boxes - The yellow vertical boxes provide statistical benchmarks for each metric. The top and bottom lines of each box represent the 90th and 10th percentiles, meaning a diamond above the top of the box is in the Top 10% and a diamond below the box is in the Bottom 10%. Inside the box, the upper dashed line represents the 75th percentile, the solid gray line is the median or 50th percentile, and the lower dashed line is the 25th percentile. Below the graphic, specific metrics for the benchmarks are provided to add numerical precision to the graphical illustration.



Diamonds – Diamonds are added as an overlay to the benchmarking boxes to enable comparison to industry norms. In the chart below, a "Leaders" Diamond shows the average score for the Top 5 companies while the "Laggards" Diamond represents the Bottom 5 performers. Scores for the Leaders and Laggards for each KPI metric are highlighted in the statistical box below the graphic.

Diamond Dashboard: Benchmarking for the Training Outsourcing Industry



	Brand Awareness	Brand Image	Purchase Intent	Completed Purchase	Repeat Purchase
Leaders	49	33	20	17	63
90th Percentile	45	29	19	15	61
75th Percentile	37	21	12	6	60
Median	16	15	5	4	52
25th Percentile	7	7	2	1	40
10th Percentile	4	-3	1	1	11
Laggards	4	-3	1	0	23

Legend

Leaders – Average for Top 5 Companies

Laggards – Average for Bottom 5 Companies

Companies in Study

1 Accenture Learning
2 Achieve Global
3 ACS
4 Adayana
5 Aptech
6 Convergys
7 DDI
8 Delta College
9 Disney Institute
10 Element K
11 ExcellerateHRO
12 Expertus
13 General Physics
14 GeoLearning
15 Global Knowledge
16 Hewitt Associates
17 IBM Global Services
18 Innovatia
19 Intrepid Learning Solutions
20 KnowledgePool
21 Learn.com
22 LionBridge
23 Micor Solutions
24 Mzinga
25 New Horizons
26 NIIT
27 Raytheon
28 RWD
29 SkillSoft
30 Tata Interactive

Copyright © 2009 Client Opinions, Inc.

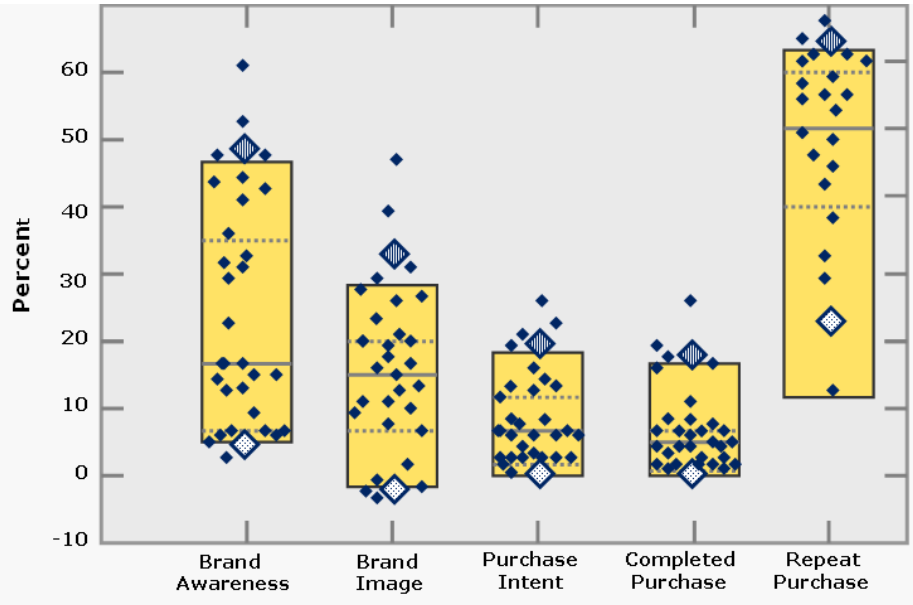
The Diamond Dashboard™: Industry Scatter Plot

Diamond Dashboard Industry Scatter Plot – This plots each of the 30 companies included in the study against the industry benchmarks. This provides a visual framework to gain insight into industry trends among the companies across these key metrics.

Key Findings - A broad dispersion among company plots suggests there are meaningful differences in the market's behaviors and attitudes towards the companies. This separation is most evident for brand awareness, brand image, and repeat purchase. In particular, a handful of companies have broken out of the pack in both awareness and image. Areas of concentration in the scatter plot indicate that companies are having difficulty distinguishing and differentiating themselves from their competitors. Both purchase intent and completed purchase show intense concentration below the 10% market activity level. This demonstrates that the marketplace see little distinction between companies when it comes to sending out an RFP and selecting a training outsourcing provider.

Conclusions - Overall, results for the Diamond Dashboard show that the Training Outsourcing industry is a relatively immature and fragmented market where the majority of companies have low awareness, consideration, and purchase rates among their prospective buyers. This means that there are few, if any, well established buyer behaviors or clear market leaders. As such, there is opportunity for any number of training outsourcing providers to build their brand and stake a claim for industry leadership. Importantly, in this fragmented market, repeat purchase scores become very important as they indicate how good a job a company does in earning the loyalty of their existing customers.

Diamond Dashboard: Training Outsourcing Industry Scatter Plot



	Brand Awareness	Brand Image	Purchase Intent	Completed Purchase	Repeat Purchase
Leaders	49	33	20	17	63
90th Percentile	45	29	19	15	61
75th Percentile	37	21	12	6	60
Median	16	15	5	4	52
25th Percentile	7	7	2	1	40
10th Percentile	4	-3	1	1	11
Laggards	4	-3	1	0	23

Legend

Leaders – Average for Top 5 Companies

Laggards – Average for Bottom 5 Companies

Companies – plots for all 30 companies in the study

Companies in Study

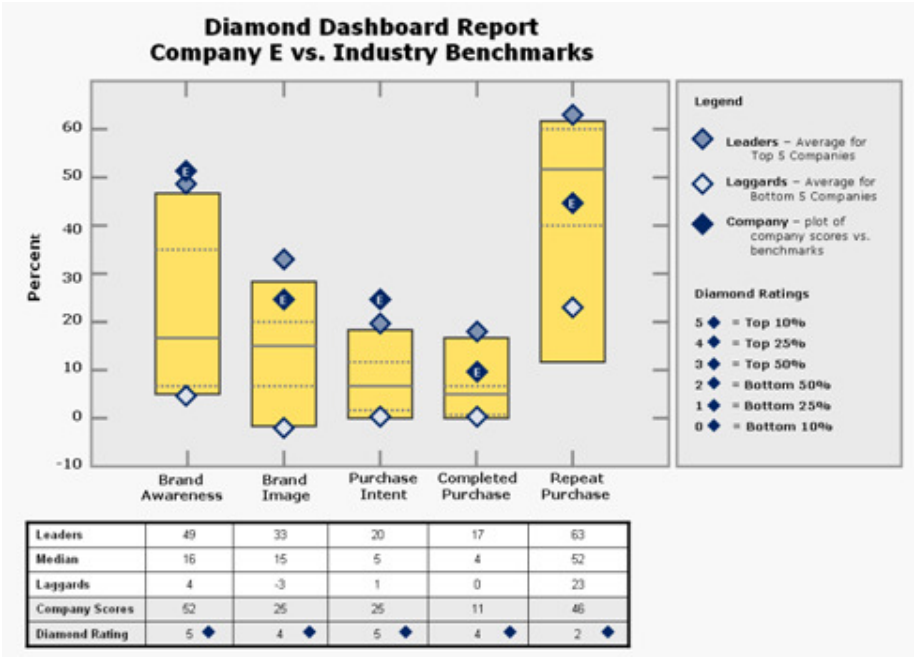
1 Accenture Learning
2 Achieve Global
3 ACS
4 Adayana
5 Aptech
6 Convergys
7 DDI
8 Delta College
9 Disney Institute
10 Element K
11 ExcellerateHRO
12 Expertus
13 General Physics
14 GeoLearning
15 Global Knowledge
16 Hewitt Associates
17 IBM Global Services
18 Innovatia
19 Intrepid Learning Solutions
20 KnowledgePool
21 Learn.com
22 LionBridge
23 Micor Solutions
24 Mzinga
25 New Horizons
26 NIIT
27 Raytheon
28 RWD
29 SkillSoft
30 Tata Interactive

Copyright © 2009 Client Opinions, Inc.

Diamond Dashboard: Company Profiles Report

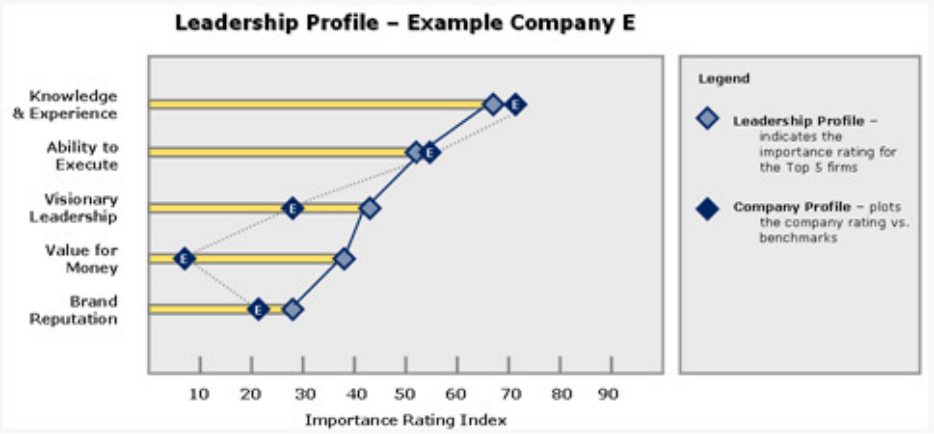
This Diamond Dashboard Industry Report provides an overview of the key metrics and drivers for the Training Outsourcing industry as a whole. The Company Profiles Report provide rich details and breakouts for each of the 30 companies in the study. Training Executives and Managers can use the Comprehensive Report to see where training vendors rank in support of due diligence. Training companies can use the results to better understand how the market perceives them, where they have strengths, and where they need to improve in order to better serve their customers and grow their business. This shows an example of the profile for "Company E", one of the 30 company profiles available in the Comprehensive Report.

Diamond Dashboard - Example Company E has very strong performance versus industry benchmarks and achieved two "5 Diamond" ratings (Top 10%), one in brand awareness and one in purchase intent. These strong scores are supported by two "4 Diamond" or Top 25% rankings for brand image and completed purchase. Repeat purchase was a solid 46%, but was below the median of 52%, resulting in a 3rd quartile ranking of "2 Diamonds".



	Brand Awareness	Brand Image	Purchase Intent	Completed Purchase	Repeat Purchase
Leaders	49	33	20	17	63
Median	16	15	5	4	52
Laggards	4	-3	1	0	23
Company Scores	52	25	25	11	46
Diamond Rating	5 ◆	4 ◆	5 ◆	4 ◆	2 ◆

Leadership Profile – A look at Company E's Leadership Profile gives a clear indication of the reasons behind their strong performance. Company E outperformed the Top 5 industry leaders for the most important two Key Drivers of Leadership, Knowledge & Experience and Ability to Execute. The company also achieved solid ratings for Visionary Leadership and Brand Reputation. The relatively low score for Value for Money indicates this company may be high priced and has an opportunity to better communicate their value proposition.



Copyright © 2009 Client Opinions, Inc.