Training Outsourcing Facts and Figures

Designed for the Corporate Executives interested in training outsourcing, these short information items provide the maximum amount of data on marketing, sales, revenues, profits, trends, and other updates in a condensed format.

- According to research conducted by TrainingOutsourcing.com, 79% of the suppliers surveyed believed the **development of standards** for the training outsourcing industry would help increase adoption rates of outsourcing by corporations.

- Lifelong Learning Market Report, published by Simba Information, estimates **spending on training outsourcing** will grow 12% in 2004 to $500 million. For 2005, LLMR projects that growth rate will nearly double to 20%, with about two dozen major outsourcing deals now in the pipeline expected to close in the next 12 to 15 months.

- In a 2004 survey conducted by TrainingOutsourcing.com, 61% of the buyers surveyed believed it was likely or very likely their organization would **increase the percentage of training outsourced** to external training companies in the near future (one to three years).

- According to a 2004 report by Accenture, **high-performance organizations,** representing approximately 10 percent of the organizations surveyed, exceeded their peers in productivity (as measured by sales per employee) by 27% more than their competitors', revenue growth by 40%, and net income growth by 50%.

- According to research done by The Exceleration Group in 2003, of the total **dollars corporations spend on training activities**, 52% goes to customer education activities, 42% goes towards employee learning activities, and 6% goes to training supply chain interests (channel partners and suppliers). See slide 1.

- In a 2004 study conducted by IDC, it was found that the **three project based activities which training professionals depended on** outside vendors the most were content development (60% of respondents), instructional delivery (54%), and access to subject matter experts (37%). The same study found that the single most activity which training professionals depended on vendors for on a long term basis was 'hosting learning technologies or e-learning content' (37%). See slide 2.

- IDC reports that in the years 2005 through 2006, the areas where **training investment will grow the most will be in learning technologies** (59% of respondents) and payments to outsourced service providers (38%). 17% of the respondents said they saw no significant growth expected in the next two years. See slide 3.

- It has been estimated that most Fortune 500 companies utilize a **decentralized business model** when it comes to organizational structures for training functions. In a 2004 study by IDC, training professionals were asked "Over the next 2 years do you believe your organization will become more or less centralized in the way it manages training and development processes?". 58% of the respondents said they believe it will become more centralized, 31% said it will remain the same, and 11% said it will be less centralized. See slide 4.

- IDC reports in the July 2004 issue of CLO Magazine that "27 percent of CLO's report that they intend to **significantly increase spending on the development of their own staff** . This spending is being driven by greater availability of cash and the need to prepare training personnel for the intense changes they will continue to face in delivering value to the organization. Development efforts will likely be concentrated on improving performance consulting skills, leveraging technology when developing and delivering training, applying management accounting principles and perhaps, better managing vendor relationships."

- The Exceleration Group estimates that the **expenditures (market size) for training and development services** in North America for 2004 will exceed $120B. Expenditures include internal salaries, facilities, supplies, outsourced services, etc. This includes an estimated $53B targeted for Employee Training expenditures (Training Magazine, Oct. 2003) and approximately $65B for Customer Training.

- According to the 2004 State of the Industry Report by the American Society for Training and

Development, US corporations averaged 27% to 36% of **expenditures for external services** in 2003, depending on the organizational data source.

- It is estimated that corporate America **spends more than 2.5% of payroll on training**. It is also estimated that companies who are "training investment leaders" spend as much as 4.1% of payroll on training programs (ASTD 2004 State of the Industry Report). It is believed that there is a direct correlation between the levels of investment in training and a firms' performance in the marketplace.

- In a 2004 study of US corporations conducted by The Exceleration Group, **the percentage of training department expenditures going towards the functional processes for learning**, 28% went towards content creation, 25% for content delivery, 22% for facilities, labs, and learning dedicated real estate, 10% for marketing and communications, 8% for material fulfillment, 5% for registration services, and 2% for billing and chargebacks.

- **Spending per employee** for U.S. corporations has remained steady since 2002 at approximately $820 per employee. The average expenditure per employee for "training investment leaders" was more than $2000 per year since 2002. (ASTD 2004 State of the Industry Report)

- **Annual training hours per employee** for 2002 and 2003 averaged approximately 28 hours for US corporations. (ASTD 2004 State of the Industry Report)

- A 2003 study The Exceleration Group of human resource executives in US corporations concluded that the **most important factor in choosing a training outsourcing partner** was 'talent level of suppliers staff' (22%), over industry experience (20%) and cost (16%).

- According to the ASTD 2004 State of the Industry Report, the industry sectors with the **highest levels of expenditure per employee** in 2003 were financial and technology.

- In 2003, ASTD reported the industry sectors with the **highest learning hours per employee** were services, transportation and utilities. (ASTD 2004 State of the Industry Report)

- The employee group receiving the **largest percentage of learning expenditure** in 2003 was customer service employees, with an average of 18% of the budget, followed by middle managers and production employees, both with 11% of the budget. (ASTD 2004 State of the Industry Report)

- **Delivery via learning technologies** continues to increase among US corporations, according to the American Society for Training and Development. In 2003, 19% of the training delivered by benchmarked companies was through a technology medium. Delivery via learning technologies is projected to increase to approximately 29% of training delivered in 2004.

- In 2003, **tuition reimbursements** accounted for an average of 12% of learning expenditures. (ASTD 2004 State of the Industry Report)

- An average of 28% of **learning budgets went to managerial training**, this includes first-line supervisors, middle and senior managers and executives. (ASTD 2004 State of the Industry Report)

- In 2003, the **top three content areas** were managerial and supervisory, IT and systems, and processes, procedures and business practices. (ASTD 2004 State of the Industry Report)

- The Exceleration Group estimates that the **number of RFP's issued by US corporations** for the purpose of training outsourcing services during the 2003-2004 period have increased three fold over the 2001-2002 period.