

# Professional & Corporate Training

Research Coverage Report

*"Market Intelligence for Industry Players"*

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*Capstone estimates that the US market for professional training exceeded \$84 billion in 2005. Of this, approximately \$11 billion was serviced by US for-profit companies.*

## EXECUTIVE SUMMARY

The evolution of the global economy has intensified competitive pressures, and corporate productivity and efficiency rely heavily on the supply and quality of human capital. At the same time, workforce demographics have shifted dramatically over the last two decades. Professional training provides a means through which individuals and corporations can mitigate the effects of the changing employment environment. To accommodate their need for highly skilled workers, companies increasingly rely on professional training programs to ensure that their labor supply is equipped to meet the challenges of the 21<sup>st</sup> century economy. In addition, the economy's growing demand for skilled knowledge workers has increased the demand for professional training that increases individuals' skills and marketability.

The \$84 billion professional training market is highly fragmented and consists of hundreds of providers, including several large public companies and a multitude of small, regional competitors. These vendors offer a variety of training programs and curricula, targeted at both corporate sponsors and individuals seeking to augment their current skill set. With shifts in the employment market, the number of program offerings continues to increase, and new industry applications have emerged. The use of technology and the development of innovative distribution methods has also broadened product appeal and created new market opportunities.

This significant market opportunity has attracted numerous financial and strategic investors. The market continues to consolidate, and Capstone Partners expects this activity to accelerate over the next 12 to 24 months.

### THE PROFESSIONAL TRAINING MARKET

**Market Size** – Capstone estimates that the US market for professional training exceeded \$84 billion in 2005. Of this, approximately \$11 billion was serviced by US for-profit companies.

**Growth Drivers** – Changing population demographics, a shifting economic base, globalization, increased outsourcing, and more stringent regulatory and compliance requirements are all contributing to market growth, which is expected to range from 7% to 9% over the next three to five years.

**A Large, Fragmented Market** – Outsourced training programs are offered by a multitude of providers, including for-profit, public and private companies, and other non-profit organizations. Although there are a few large, national providers, the majority are small and regionally focused. Despite the large market size, barriers to entry are generally moderate.

**Robust Corporate Spending** – The corporate environment for professional training spending continues to be favorable. Commercial employees are receiving more hours of training, and spending per employee continues to increase. Capstone expects this trend to persist as global competition increases and population demographics continue to shape employment dynamics.

*Those vendors that can not compete independently or partner with a larger firm will be relegated to niche market segments or fade through attrition.*

**Specialization and Industry Expertise Key to Growth** – Companies continue to seek training vendors that can provide a broad array of specialized curricula in multiple disciplines. Smaller firms, with limited portfolios and course development resources are significantly disadvantaged in an environment where scale and scope are increasingly important differentiating factors.

**Increased Use of Technology-Enabled Learning** – The use of and demand for technology-based learning continues to increase. Many corporate training programs utilize a combination of class-room and technology-enabled training methods. The integration of technology and e-learning with traditional classroom delivery has improved overall program efficiency while maintaining the benefits of a traditional learning environment. Providers with the ability to offer both classroom and e-learning components will be better equipped to satisfy growing demand for blended programs and gain additional market share.

**Rising Demand for Soft Skills Training** – With a focus on top-line growth and cost-savings, companies are investing in employee skills that improve performance and efficiency. Soft skills training is increasingly important to competitive differentiation and productivity.

**Strong Industry Consolidation Ahead** – Capstone Partners expects consolidation activity in the professional training market to accelerate over the next 12 to 24 months. Strategic acquirers are aggressively pursuing opportunities that enhance the breadth of offerings, provide access to new customer segments, and create significant cross-selling opportunities. Small and mid-market players face an increasingly competitive environment, and those that can not compete independently or partner with a larger firm will be relegated to niche market segments or fade through attrition.

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