2014 TRAINING INDUSTRY REPORT

ABOUT THIS STUDY

Now in its 33rd year, The Industry Report is recognized as the training industry's most trusted source of data on budgets, staffing, and programs. This year, the study was conducted by an outside research firm May-July 2014, when members from the *Training* magazine database were e-mailed an invitation to participate in an online survey. Only U.S.-based corporations and educational institutions with 100 or more employees were included in the analysis. Agencies of the state, local, and federal government were not included in the analysis.

The data represents a cross-section of industries and company sizes.

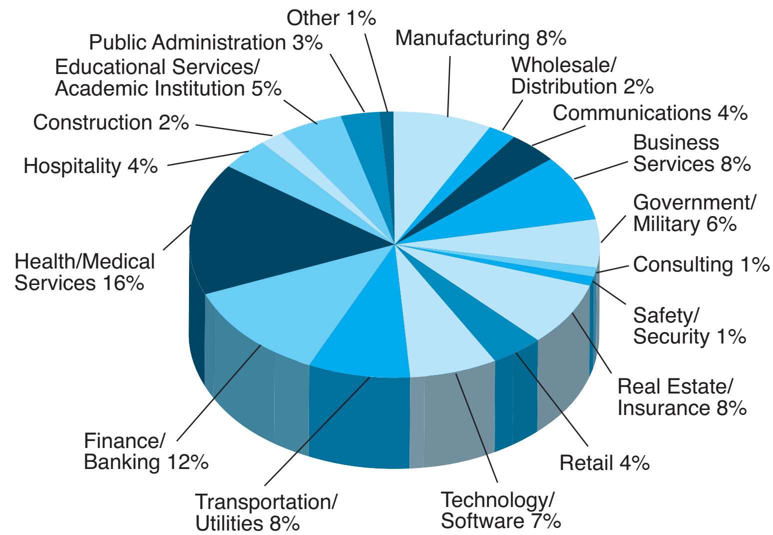
SURVEY RESPONDENTS

Small companies (100-999 employees)	**28%**
Midsize (1,000-9,999 employees)	**41%**
Large (10,000 or more employees)	**31%**
Total respondents	**998**

Note that the figures in this report are weighted by company size and industry according to a Dun & Bradstreet database available through Hoovers of U.S. companies. Since small companies dominate the U.S. market, in terms of sheer numbers, these organizations receive a heavier weighting, so that the data accurately reflects the U.S. market.

Industrial Classifications

Respondent profile by industry (weighted per Dun & Bradstreet).



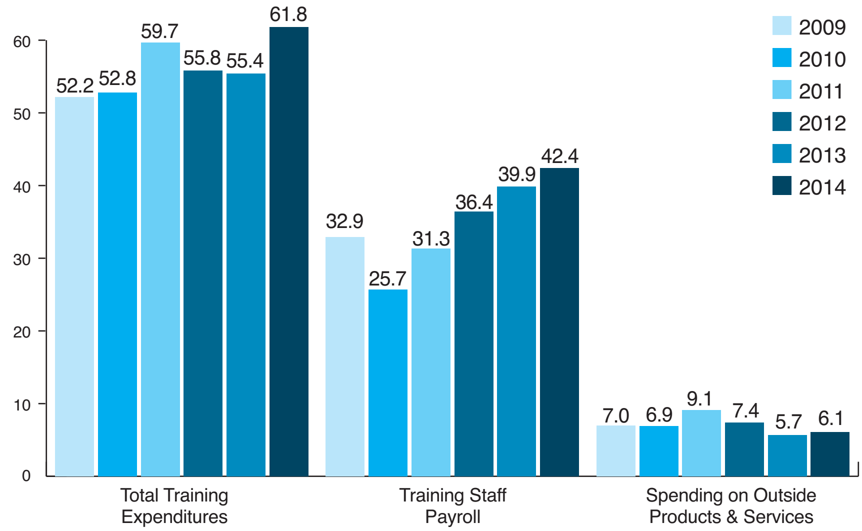
About Survey Respondents:

- 48% are managers or above in the organization
- 22% are developers or instructional designers
- 26% are mid- to low-level (based on title selection) associates
- 61% determine the need for purchasing products and services
- 24% set the budget
- 28% manage requests for proposals/bids
- 71% recommend the purchase
- 19% have the final purchase decision

Backed by an improving job market, a sharper focus on training to close skill gaps, and increased mergers and acquisitions activity leading to more mid-size companies, total 2014 U.S. training expenditures—including payroll and spending on external products and services—jumped 11.7 percent to $61.8 billion. Training payroll increased 6.6 percent, from $39.9 billion to $42.4 billion, while spending on outside products and services rose 7.1 percent from $5.7 billion to $6.1 billion.

The training budget figure was calculated by projecting the average training budget to a weighted universe of companies, using a Dun & Bradstreet database available through Hoovers of U.S. organizations with more than 100 employees. It is interesting to note that although small companies have the smallest annual budgets, there are so many of them that they account for 71 percent of the total budget for training expenditures.

Training Expenditures 2009-2014
In $ Billions



DEFINITIONS

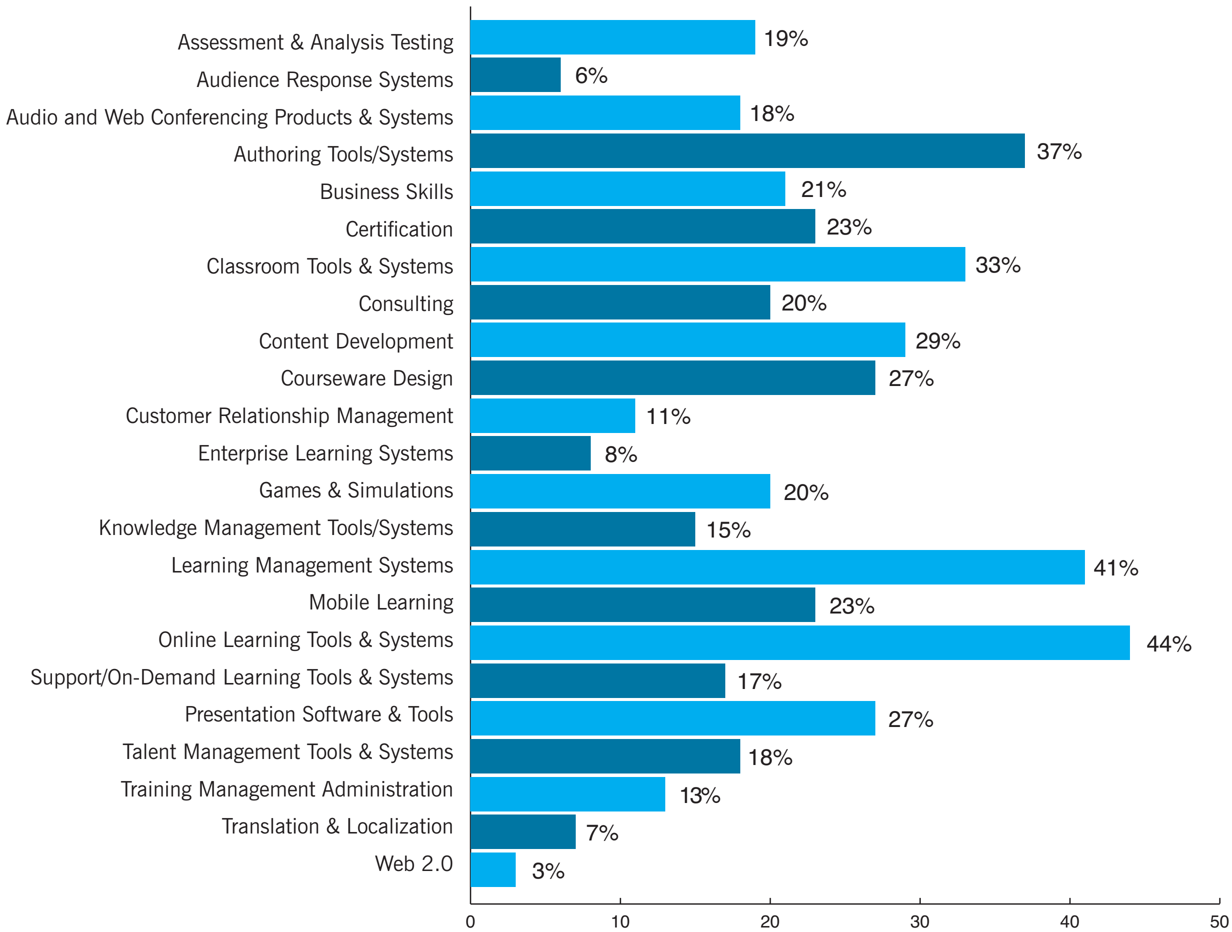
- **Total training spending:** All training-related expenditures for the year, including training budgets, technology spending, and staff salaries.
- **Training staff payroll:** The annual payroll for all staff personnel assigned to the training function.
- **Outside products and services:** Annual spending on external vendors and consultants, including all products, services, technologies, off-the-shelf and custom content, and consulting services.

Average of Total Annual Budget

Organization Type	Large	Midsize	Small	Average
Education	$8,028,750	$1,452,941	$114,500	$2,983,417
Government/Military	$30,119,273	$1,091,192	$238,731	$5,636,423
Manufacturer/Distributor	$8,851,690	$2,613,030	$389,412	$3,710,094
Nonprofit	$7,974,900	$710,032	$229,436	$1,494,547
Association	$9,000,000	$1,000,000	$57,500	$2,528,750
Retail/Wholesale	$19,584,632	$571,344	$553,750	$8,596,049
Services	$20,499,879	$1,624,972	$324,525	$6,768,769
Avg. Across Sizes	$17,443,951	$1,492,120	$308,709	$5,411,910

TRAINING EXPENDITURES

Types of Training Products and Services Intended to Purchase Next Year



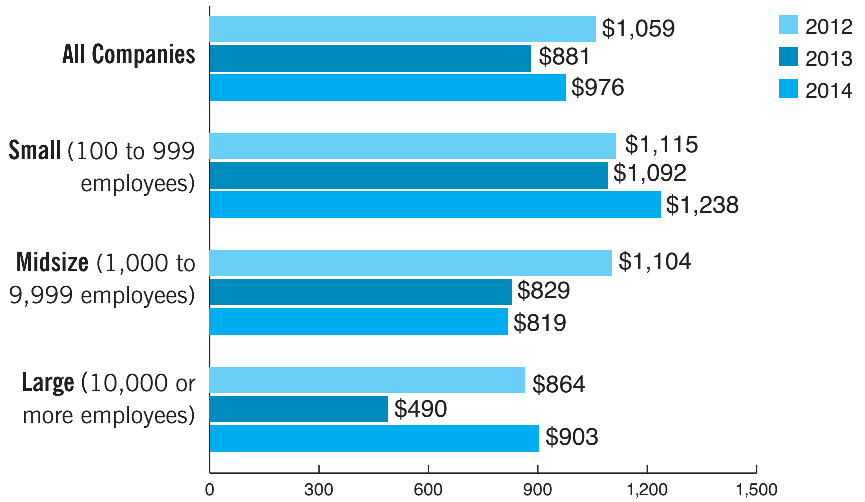
Average training expenditures for large companies decreased slightly from $17.6 million in 2013 to $17.4 million in 2014, while small companies remained basically flat ($338,386 in 2014 vs. $301,082 in 2013), and midsize companies increased from $1.2 million to $1.5 million.

Some 35 percent of organizations said they increased staff from the year before (up from 34 percent in 2013), while 51 percent said the level remained the same (up from 48 percent in 2013). Some 14 percent said it was lower vs. 18 percent in 2013. Large nonprofits and service organizations had the largest personnel costs. Across all organization types, larger companies spent about 10 times as much as midsize, and midsize companies spent about three times as much as small ones. The average payroll figure for large companies was $6.8 million; for midsize organizations, it was $660,843; for small companies, it was $200,315.

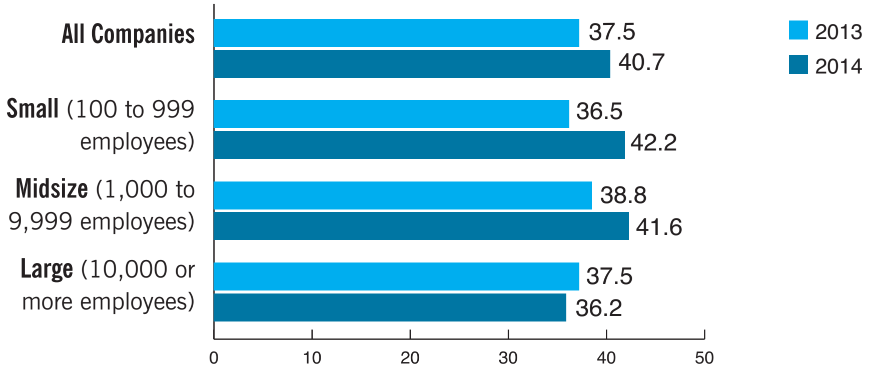
For those who reported an increase in their training staff, the average increase was four people, five less than in 2013. For those who reported a decrease in their staff, the average decrease was 18 people—up from 13 last year.

Other training expenditures rebounded this year to $13.3 billion from $9.7 billion in 2013. Such expenditures can include travel, training facilities, and equipment. On average, organizations spent 11 percent of their budget or $254,256 (vs. $324,938 last year) on learning tools and technologies. Large retailers/wholesalers and small education organizations spent the highest portion of their budgets on tools and technology (24 percent and 21 percent, respectively). Manufacturers across all sizes spent the greatest percentage of their budgets on training tools.

Training Expenditures per Learner 2012-2014



Hours of Training per Employee 2013-2014



Large education organizations and small government/military organizations spent the smallest percentage of their training budget on tools and technologies (1 percent and 4 percent, respectively). Looking ahead, the most frequently anticipated purchases are online learning tools and systems (44 percent vs. 37 percent last year) and learning management systems (41 percent vs. 38 percent last year). This is followed by authoring tools/systems (37 percent vs. 29 percent last year), classroom tools and systems (33 percent vs. 29 percent), and content development (29 percent vs. 30 percent last year).

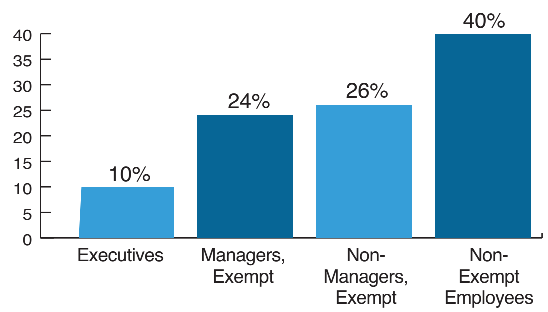
Overall, on average, companies spent $976 per learner this year compared with $881 per learner in 2013. Manufacturers spent the most this year with an average of $1,340. Unlike past years, though, it looks like large organizations have lost their edge on cost savings as midsize organizations spent less than large ones this year ($819 vs. $903 per learner).

On average, employees received 40.7 hours of training per year, three hours more than last year. In general, small companies tended to have more hours of training this year at 42.2. Retailers/wholesale and services organizations had the highest average number of hours overall, with large retailers/wholesale organizations having the largest number of hours of any other organization type or size (60 hours).

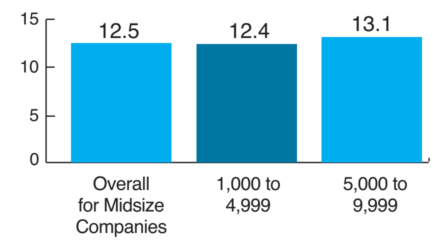
Companies continued to devote the bulk of their training expenditures to training non-exempt employees (40 percent, down from 42 percent in 2013). Training for exempt non-managers decreased from 30 percent to 26 percent in 2014.

TRAINING EXPENDITURES

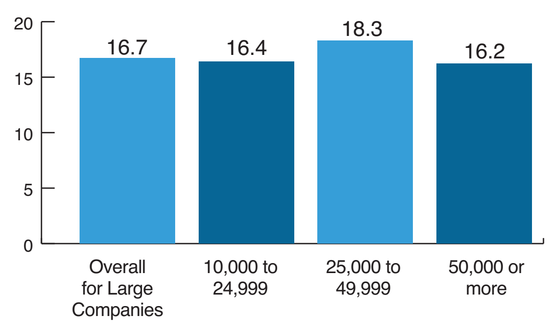
Training Expenditure Allocations—Who Gets Trained?



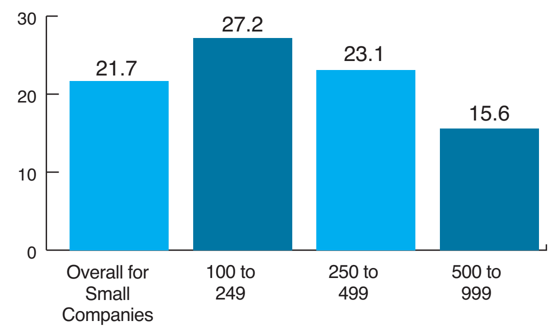
Staff per 1,000 Learners
Midsize Companies



Staff per 1,000 Learners
Large Companies

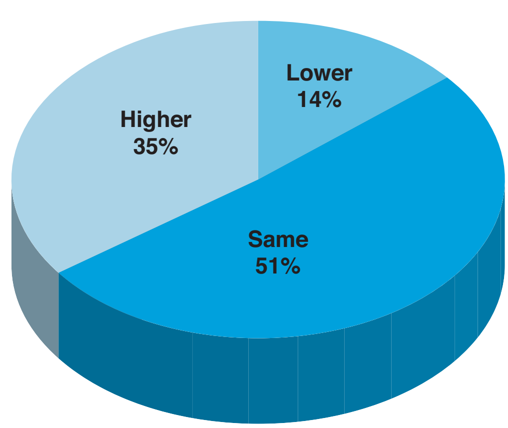


Staff per 1,000 Learners
Small Companies



The average training budget for large companies was $17.4 million, while midsize companies allocated an average of $1.5 million, and small companies dedicated an average of $338,709.

Is the Number of Training-Related Staff Higher or Lower Than Last Year?



TRAINING BUDGET

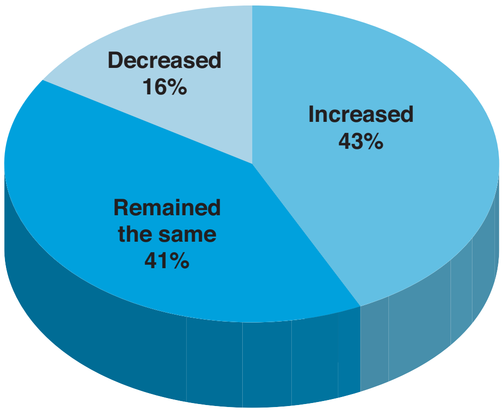
Budget status was almost evenly split, with 43 percent saying their training budget increased and 41 percent saying it remained the same. Some 16 percent reported a decrease in budget. Last year, 41 percent said their budget went up; 40 percent said it remained the same; and 19 percent said it went down. Education and government/military organizations showed the greatest tendency for training budget cuts, while retailers/wholesalers and manufacturers/distributors showed the largest gains. Increases were not evenly distributed across organization sizes. Large companies (23 percent) showed more decreases than midsize (14 percent) and small (13 percent) companies.

Most of the budget increases were modest—less than 16 percent. Some 45 percent saw increases in the 6 to 15 percent range, while 30 percent of organizations reported increases in the 1 to 5 percent range. Most respondents who reported an increase in their training budgets attributed it to the following reasons:

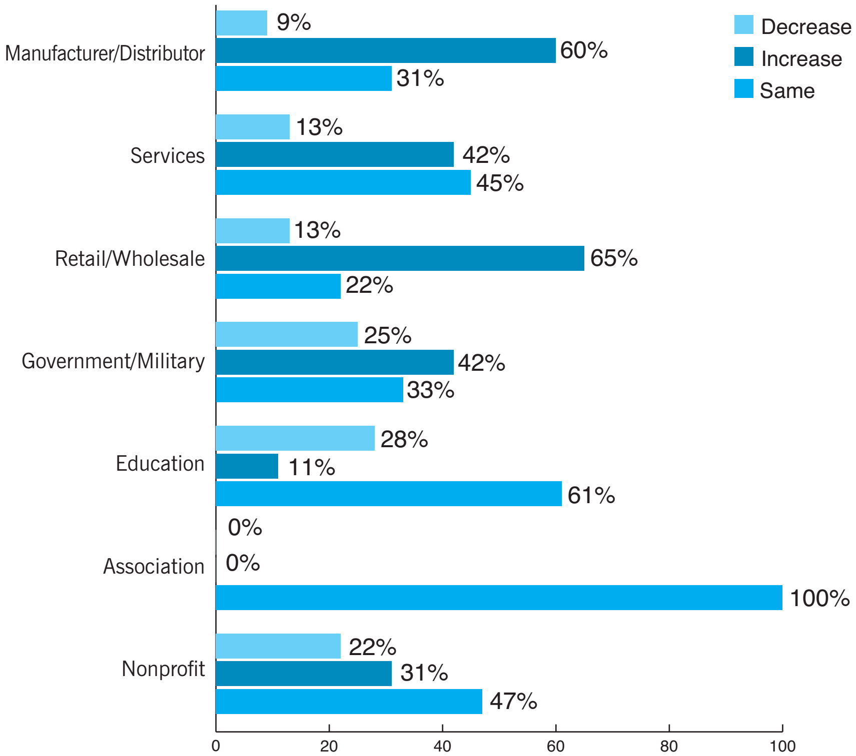
- Increase in the scope of their training programs (65 percent vs. 61 percent last year)
- Added training staff and more learners served (51 percent for both vs. 49 percent and 40 percent, respectively last year)
- Purchased new technologies/equipment (30 percent vs. 38 percent last year)

Like last year, the majority (42 percent) of respondents reported budget decreases between 6 and 15 percent. Some 44 percent chose "other" as the reason for the decrease, citing "corporate mandate to cut expenses," "LMS implemented," "lowered priority by the organization," and "Training department reorganized," among others. This was followed by:

What Happened to Your Training Budget This Year?



Budget Change by Industry



TRAINING BUDGETS

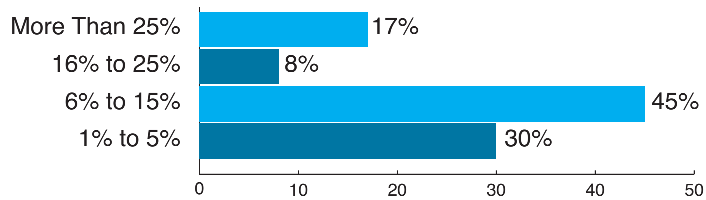
- Staff reductions (40 percent; down from 52 percent)
- Budget adjustments to reflect lower costs (24 percent; down from 47 percent last year but moving from the No. 4 to No. 3 reason)
- Decreased scope of training (22 percent; jumping to the No. 4 reason)

Like the last two years, the highest percentage of organizations (26 percent) said management/supervisory training will receive more funding than the year before. On average, organizations plan to allocate the most funding to management/supervisory training at $623,814, IT/systems training ($620,790), and sales training ($412,706).

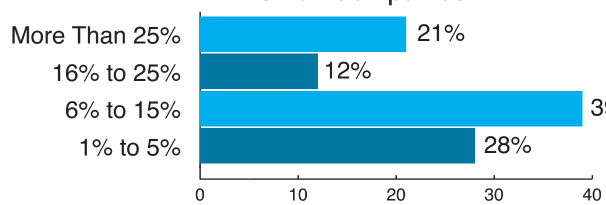
The most important priorities for training in terms of allocating resources in 2014 are: increasing the effectiveness of training programs (29 percent vs. 32 percent last year), followed by increasing learner usage of training programs (19 percent vs. 14 percent last year) and reducing costs/improving efficiency (17 percent vs. 20 percent last year). Like last year, learning infrastructure/technology initiatives and obtaining revenue through external training remain the lowest priorities.

How Much Did Your Training Budget Increase?

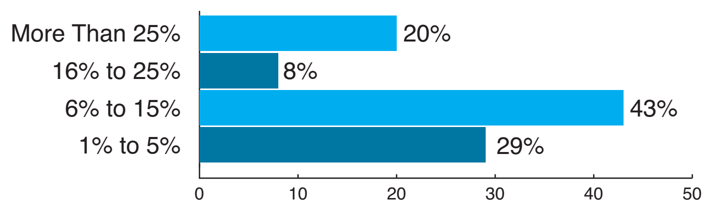
All Companies



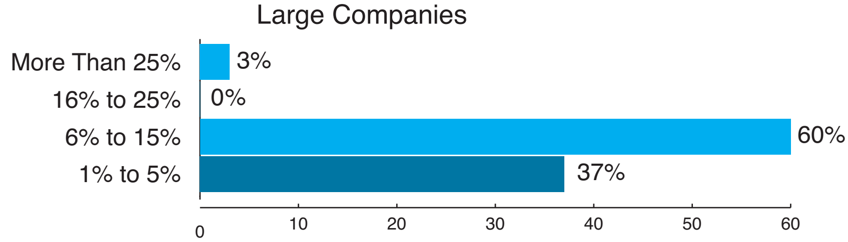
Small Companies



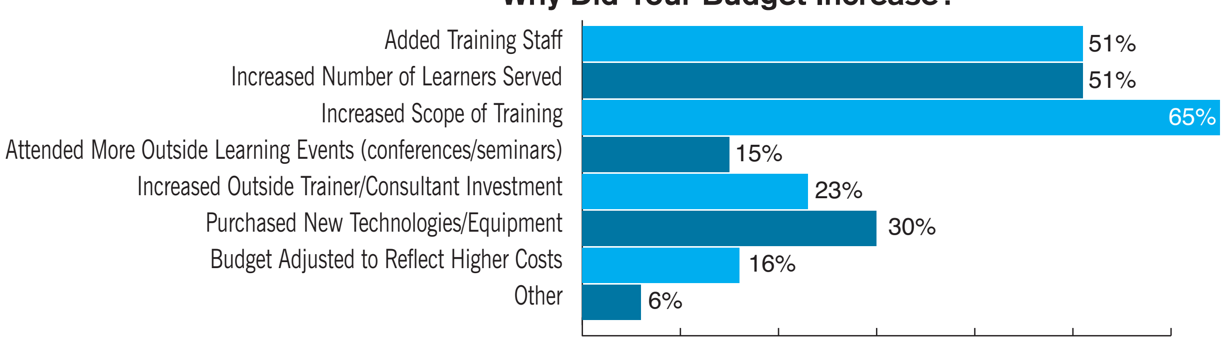
Midsize Companies



Large Companies

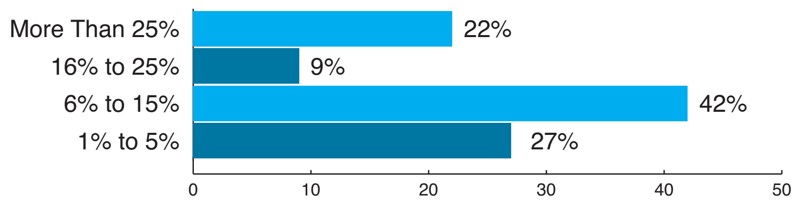


Why Did Your Budget Increase?

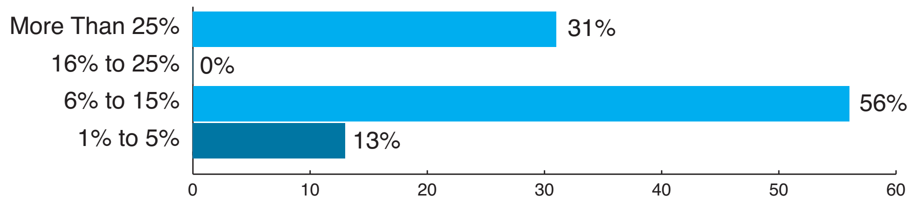


How Much Did Your Training Budget Decrease?

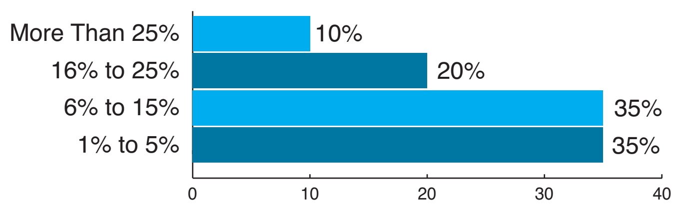
All Companies



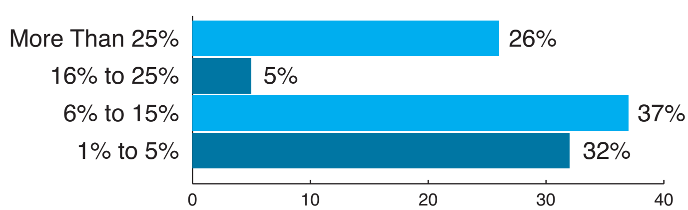
Small Companies



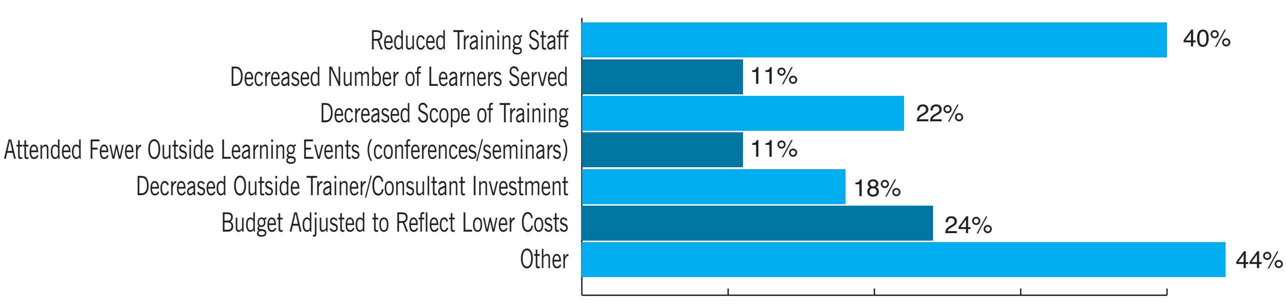
Midsize Companies



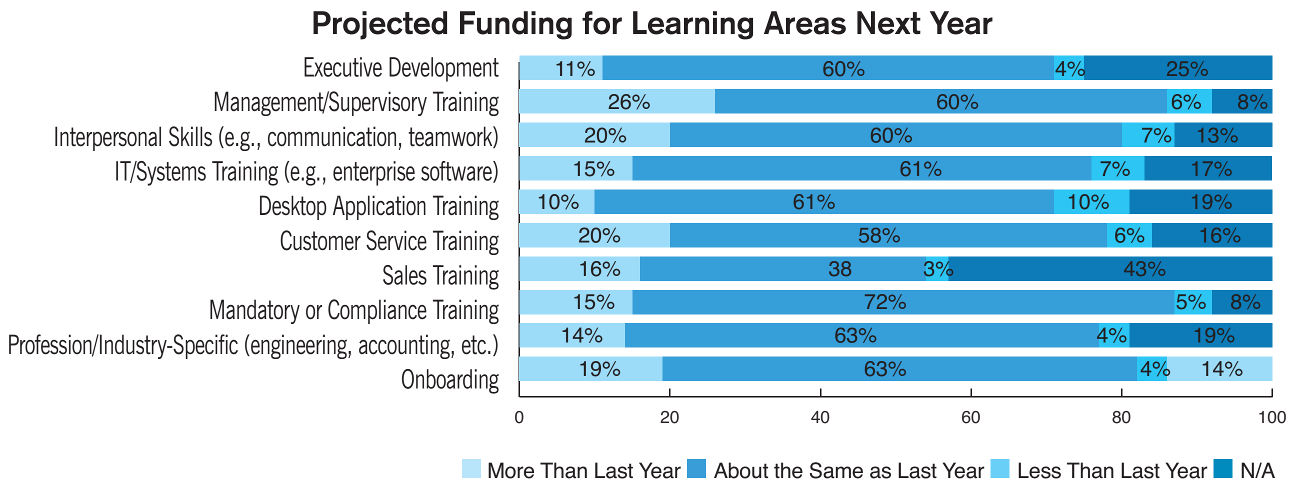
Large Companies



Why Did Your Budget Decrease?



TRAINING BUDGETS

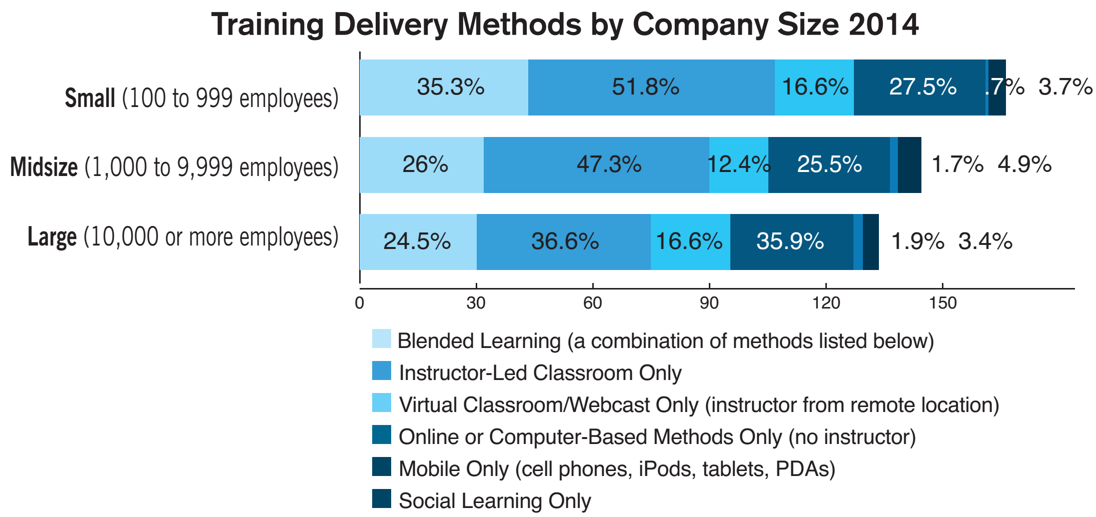


TRAINING DELIVERY

Nearly 47 percent of training hours were delivered by a stand-and-deliver instructor in a classroom setting—up a bit from the 44 percent reported last year.

- 29.1 percent of hours were delivered with blended learning techniques, up a bit from 28.3 percent last year.
- 28.5 percent of hours were delivered via online or computer-based technologies, up from 25.9 percent last year. Virtual classroom/Webcast accounted for nearly 15 percent of hours delivered, down from 16 percent last year.
- 1.4 percent of training hours were delivered via mobile devices, down from 1.9 percent in 2013, while social learning accounted for 4.2 percent of hours, up from 3.3 percent last year. Some 20 percent of companies said they are using social learning to some extent.

Small (51.8 percent) and midsize (47.3 percent) companies continue to rely on instructor-led delivery methods more so than large companies (36.6 percent). Blended learning was fairly even across companies of all sizes, ranging between 24.5 percent for large companies and 35.3 percent for small ones. Like last year, large companies appeared to be focusing on online or computer-based



methods (35.9 percent vs. an average of 26.5 percent for small and midsize companies).

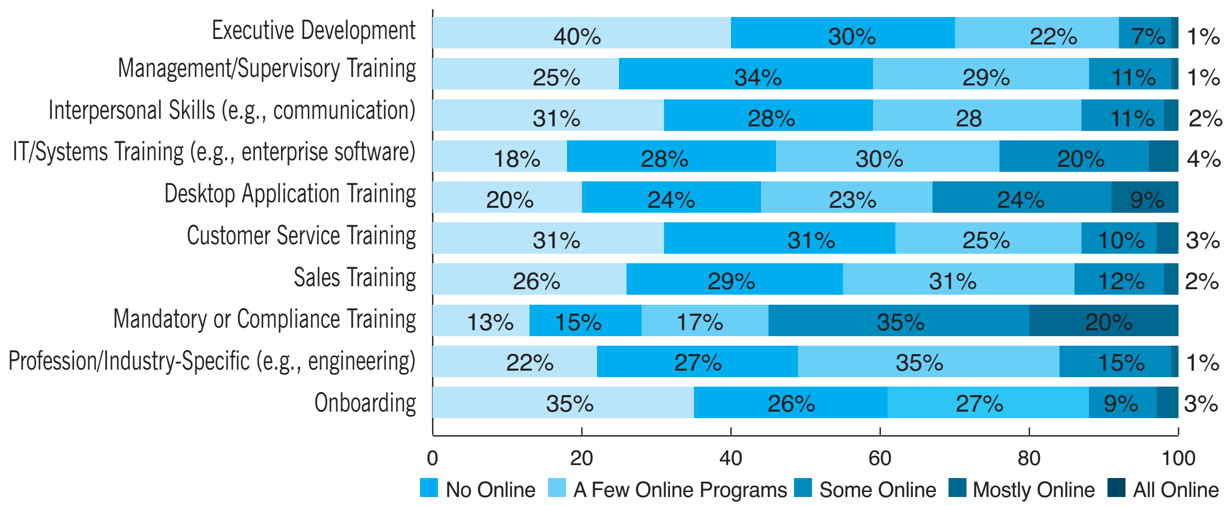
Mandatory or compliance training continued to be done mostly online, with 72 percent of organizations doing at least some of it online and 20 percent entirely online (down from 21 percent last year). Online training also often is used for desktop application training (56 percent, the same as last year) and IT/systems application training (54 percent, down from 58 percent last year). Online training was least used for executive development (40 percent had no online training for it), onboarding (35 percent had no online training for it), and interpersonal skills and customer service (31 percent had no online training for either one). Of the learning technologies presented, the most often used included:

- Virtual classroom/Webcasting/video broadcasting and learning management systems (LMSs), both with 74 percent. Last year, virtual held the lead at 78 percent, followed by LMSs with 74 percent.
- Rapid e-learning tool (48 percent, down from 49 percent last year)
- Application simulation tool (33 percent, down from 40 percent)

The delivery methods least often used for training remained the same as last year:

- Podcasting at 11 percent (down from 19 percent last year)
- Learning content management system (LCMS) at 25 percent (down from 26 percent)
- Online performance support (EPSS) or knowledge management system at 21 percent (down from 25 percent)

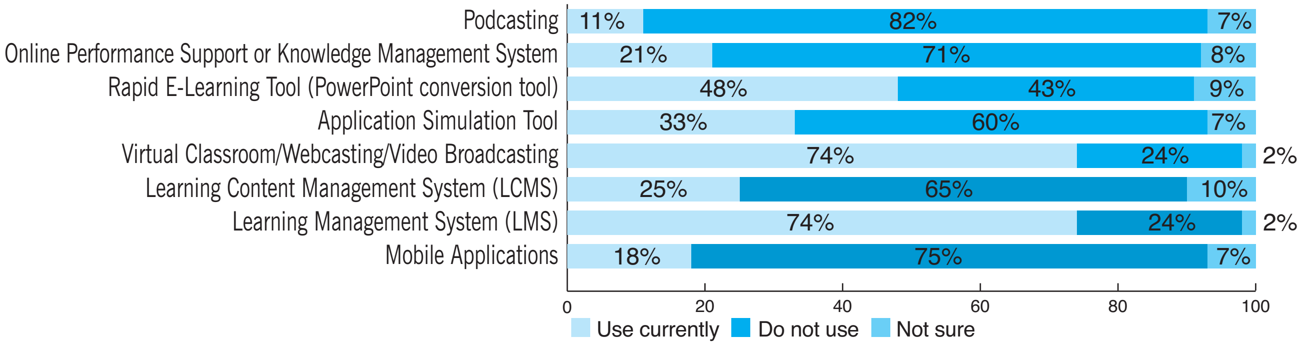
Online Method Use for Types of Training



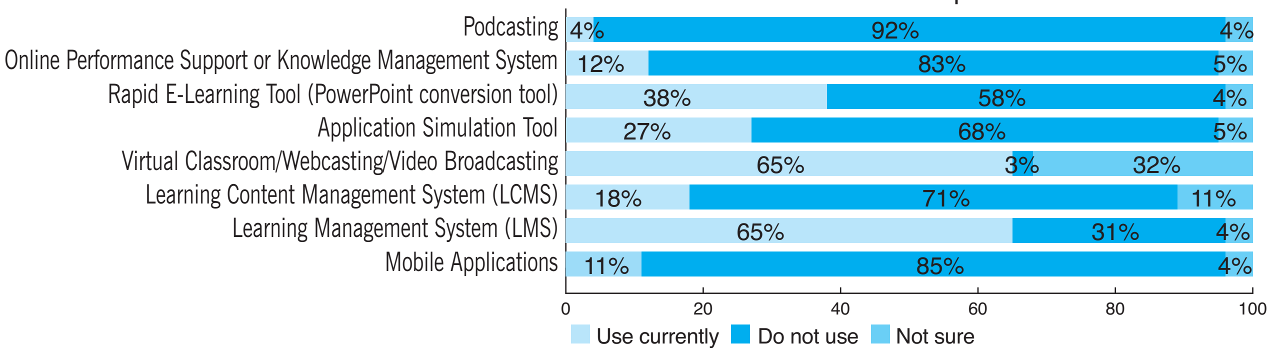
Nearly 47 percent of training hours were delivered by a stand-and-deliver instructor in a classroom setting. That figure is up slightly from the 44 percent reported last year. Some 20 percent of companies said they are using social learning to some extent.

TRAINING DELIVERY

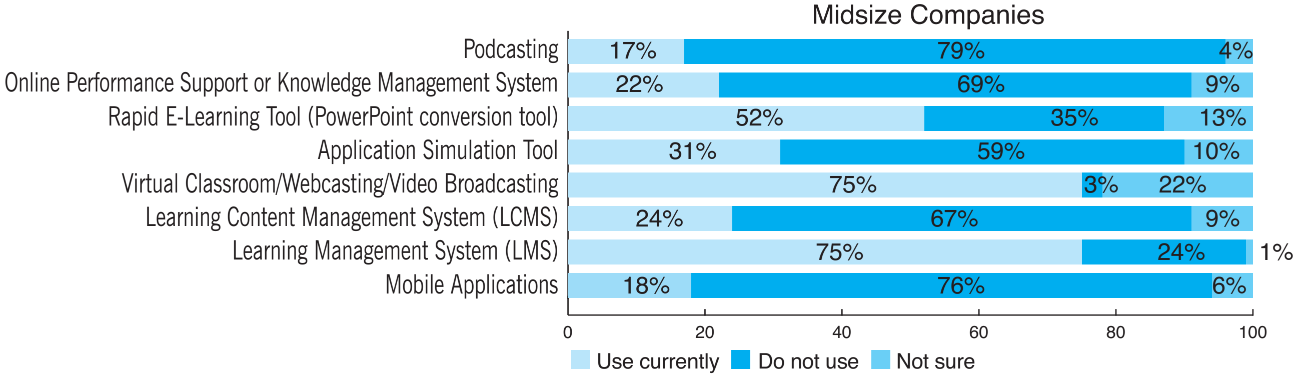
Learning Technologies Current Usage All Companies



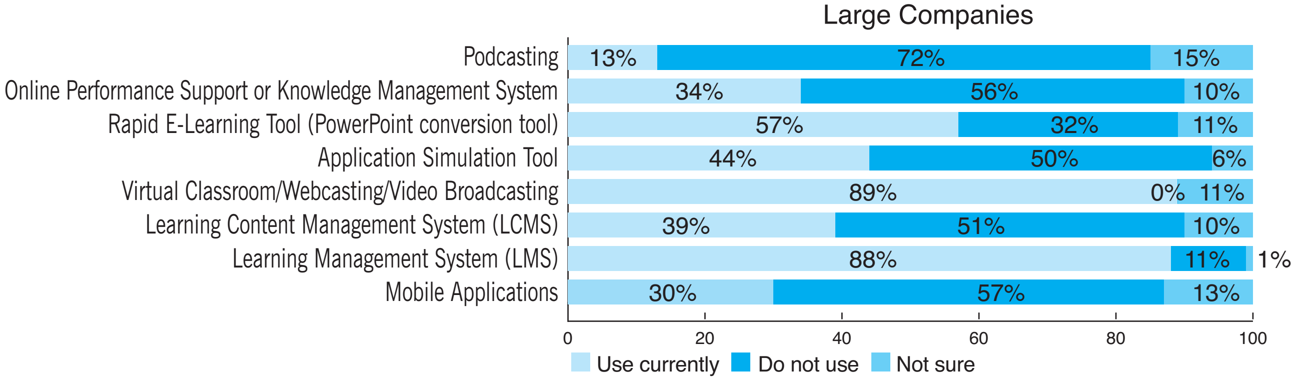
Small Companies



Midsize Companies



Large Companies



2014 saw a sizeable increase in the average expenditure for training outsourcing: $303,833, up from $140,345 in 2013. Large companies on average spent $1.1 million vs. $192,802 for midsize companies and $32,563 for small ones. An average of 8 percent of the total training budget was spent on outsourcing in 2014, the same as in 2013.

On average, 29 percent of companies completely outsourced LMS operations/hosting (vs. 27 percent last year). Learner support, however, was mostly handled in-house (81 percent). LMS administration (78 percent) largely was handled in-house, as well.

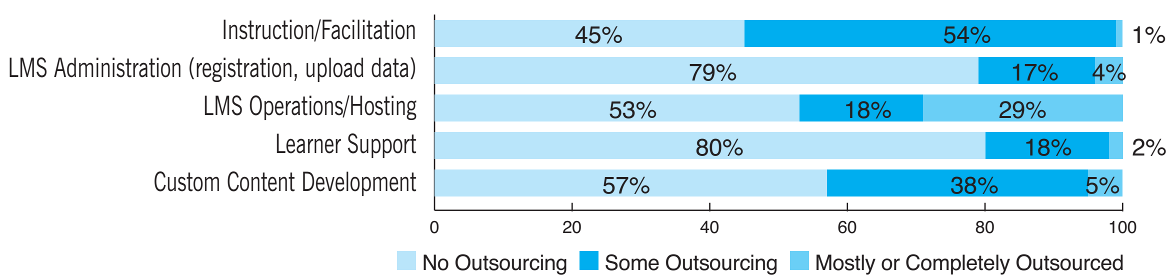
Instruction/facilitation was handled about equally in-house and outsourced. Across all the topic areas, large companies outsourced more than midsize ones, and midsize organizations outsourced more than small companies. This effect was most striking for custom content development (68 percent some or completely outsourced for large companies; 46 percent for midsize ones; and 24 percent for small organizations.

The level of outsourcing is expected to stay relatively steady in 2015—some 81 percent of organizations said they expect to stay the same in the outsourcing area. The percentage of companies expecting to decrease use (11 percent) is slightly higher than those expecting to use outsourcing more (8 percent). There are exceptions for individual functions, though. In learner support, twice as many companies said they will be doing less than those that said they will be doing more.

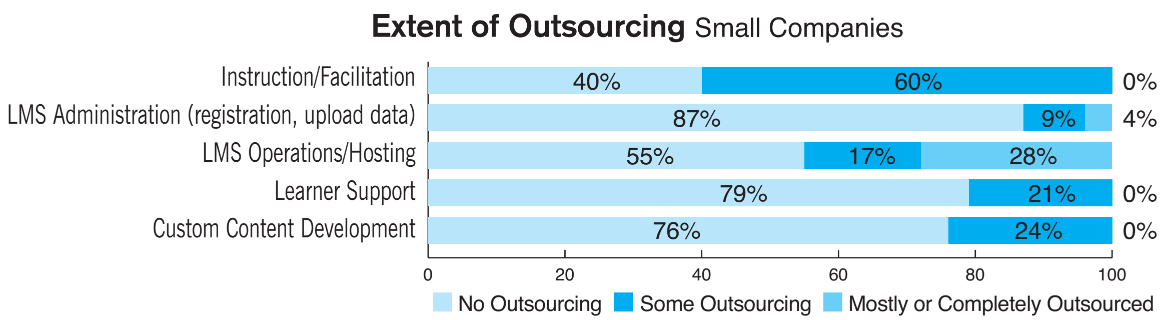
There aren't many differences between the outsourcing changes by company size. One thing that stands out: Large companies will outsource less custom content development.

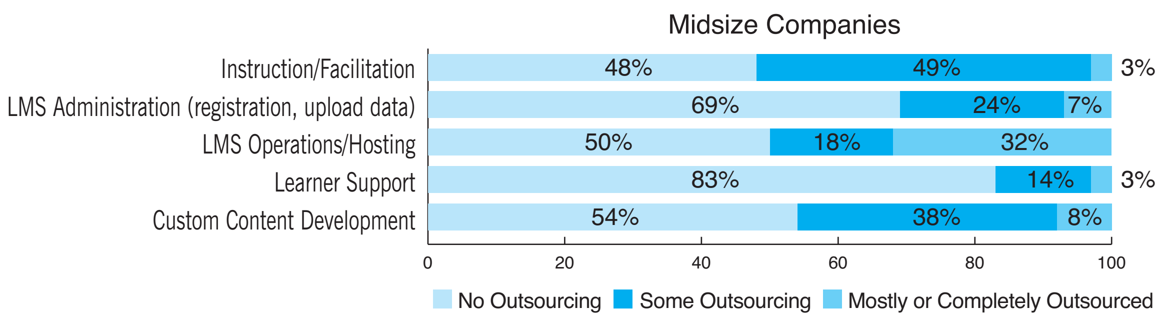
2014 saw a sizeable increase in the average expenditure for training outsourcing: $303,833, up from $140,345 in 2013. An average of 8 percent of the total training budget was spent on outsourcing. The level of outsourcing is expected to stay relatively steady in 2015.

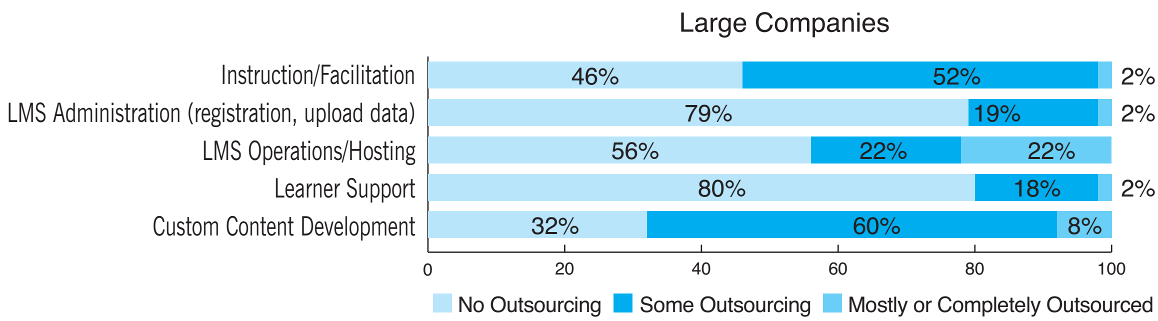
Extent of Outsourcing All Companies



TRAINING OUTSOURCING

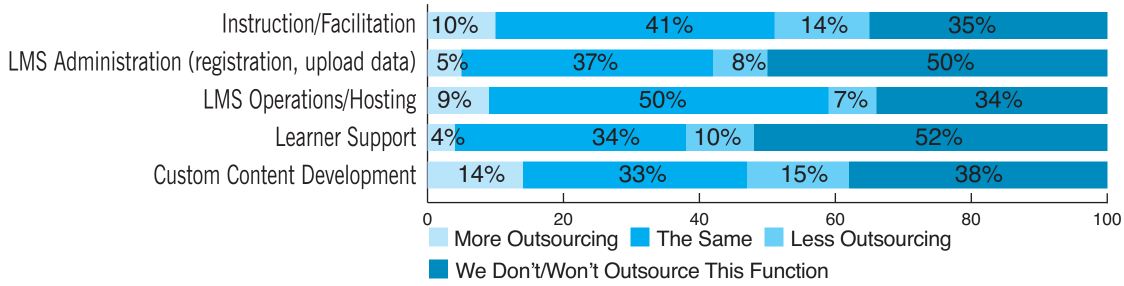




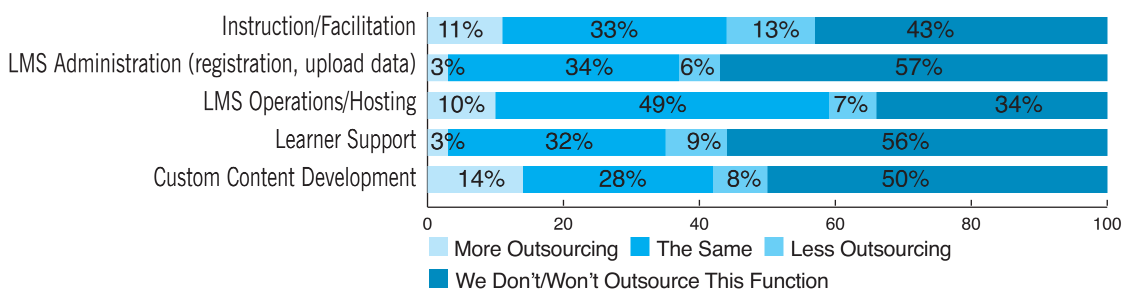


In 2014, for learner support, twice as many companies say they will be doing less than those that say they will be doing more. Large companies will outsource less custom content development.

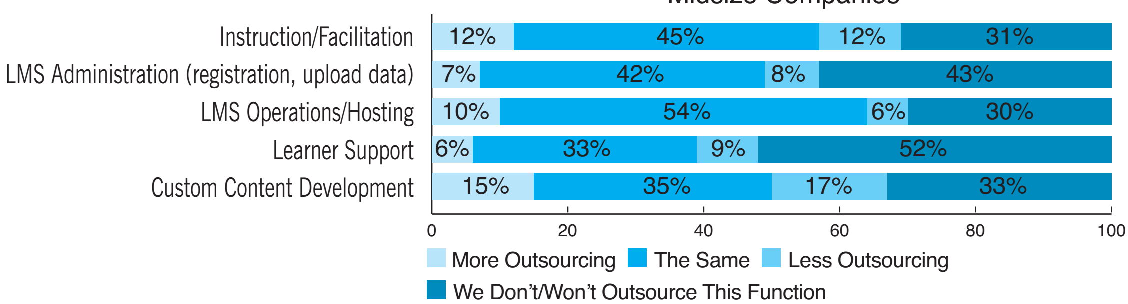
Projected Use of Outsourcing All Companies



Small Companies



Midsize Companies



Large Companies