Thought™ INDUSTRIES

REPORT

The State of External Enterprise Learning 2023

What's inside:

- How external enterprise learning organizations are strategizing amid economic uncertainty

- Priorities & goals of these organizations for 2023

- The impact that external training organizations have on corporate metrics

- How learning organizations are managing their tech stack, and where their investment is going

Executive Summary

No slowdown here — External learning teams show higher growth and investment, despite a shaky economy

According to our 2023 survey, despite a tumultuous economy, **external enterprise learning organizations are growing, and they haven't been deterred from investing in new innovation.** *Here were our top takeaways:*

Organizations are resilient and aiming for more resources

43% of respondents expect their learning organization to see an increase in year-over-year growth, and there's a consistent goal to better measure the impact of trained vs. untrained customers relative to corporate metrics.

32% want to calculate the value of training to show executives.

47% indicate they're lacking analytics to prove value.

Monetization is more popular than ever

Putting a price tag on external training has become the new normal. For organizations who started with a gratis program, monetizing can feel tricky - but without it, teams miss out on a valuable revenue stream.

Over 60% of respondents currently charge for training, and we expect this number to surpass 75% in 2024.
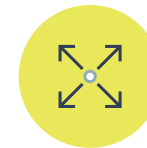
Building an engaging learning experience is top-of-mind

As consumers' preferences adapt to modern technology, education has to keep up. This year, there's a push toward **leveling up the user experience in external academies.**

61% aim to create a more engaging learning experience.

42% want to deliver in-app or in-product training.

The benefits of external training are undeniable

Right now, moving the needle on just one major metric is invaluable. **In the past year, due to learning alone, our respondents cited huge impact across the board:**

A 27% increase in product and feature adoption.

A 16% reduction in customer churn.

A 17% reduction in cost to acquire customers.

Defining External Enterprise Learning

External Enterprise Learning is the process of educating, training, and delivering value to key groups: customers, partners, franchisees, and members.

In many businesses, it represents a department or organization that's focused on the customer experience through the lens of knowledge and expertise in a product - often under the umbrella of Education Services.
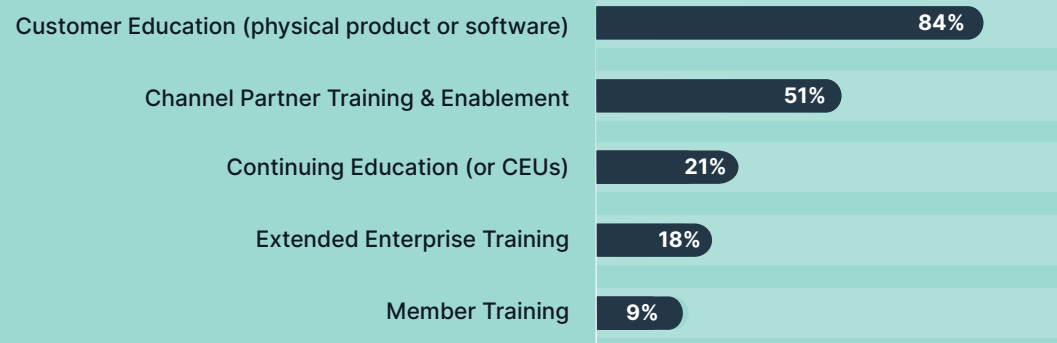
For large, enterprise-level organizations, there are a few notable characteristics in external learning – including larger teams, a higher number of learners, and more frequent monetization of training. Education Services groups in particular tend to operate more often as a profit & loss center, with revenue generation as an explicit goal, which isn't always the case with mid-market teams.

"Customer and partner education is no longer a nice-to-have, but a measurable competitive differentiator. The ability to improve marketing, product adoption, time-to-value, customer satisfaction, expansion, renewal and market expansion are just some of the business benefits...and integrating an LMS with specialized customer support, sales, service and marketing data provides the best insight into the business impact."

John Leh, CEO & Lead Analyst, Talented Learning

Types of customer and/or extended enterprise education offered:
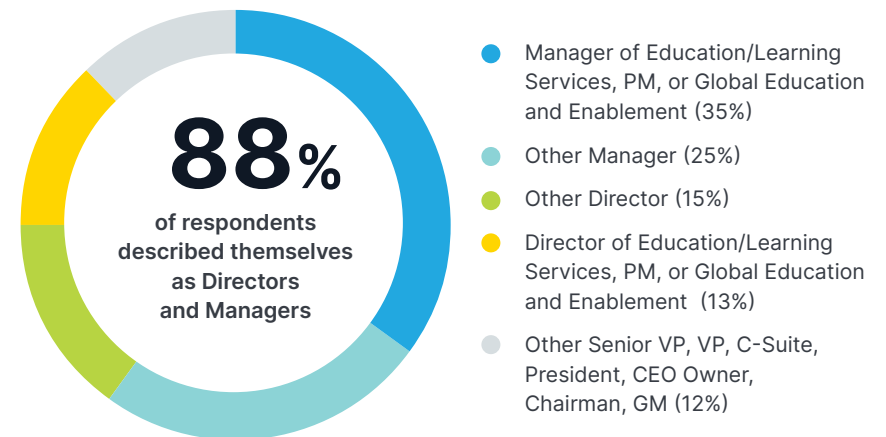
Customer Education (physical product or software) — **84%**

Channel Partner Training & Enablement — **51%**

Continuing Education (or CEUs) — **21%**

Extended Enterprise Training — **18%**

Member Training — **9%**

About Our Respondents

More than 200 companies participated in our survey.

In this report, we put a spotlight on the highest-revenue companies we heard from, defining this larger tier as having an annual corporate revenue of **$100 Million or more.**
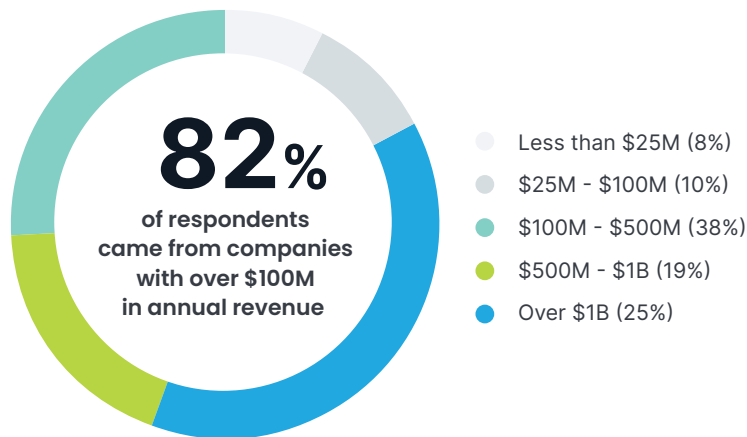
We heard from a majority of respondents who described themselves as **Directors and Managers,** mainly within Education Services, Learning Services, Product Management, or Global Education and Enablement.

82%
of respondents came from companies with over $100M in annual revenue

- Less than $25M (8%)
- $25M - $100M (10%)
- $100M - $500M (38%)
- $500M - $1B (19%)
- Over $1B (25%)

88%
of respondents described themselves as Directors and Managers

- Manager of Education/Learning Services, PM, or Global Education and Enablement (35%)
- Other Manager (25%)
- Other Director (15%)
- Director of Education/Learning Services, PM, or Global Education and Enablement (13%)
- Other Senior VP, VP, C-Suite, President, CEO Owner, Chairman, GM (12%)

Within this cohort, the **software** industry represented the largest industry group, followed by **manufacturing.**

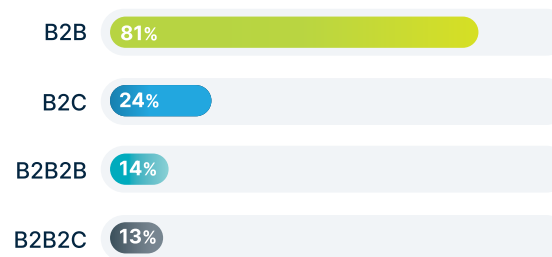**Software**

Manufacturing

In terms of business model, 81% identified as B2B organizations, with others spanning into consumer or extended models.

- B2B 81%
- B2C 24%
- B2B2B 14%
- B2B2C 13%

The number of total annual learners spanned from as low as 25 up to 500,000, with an **average learner count of 21,453.**

21,453

Average learner count

Resilience, No Matter the Economy

Looking Back at 2022 Learning Revenue

39% stated their revenue from external learning stayed the same in 2022, and another 39% saw a revenue increase of up to 30%.

2023 Revenue Expectations

44% expect revenue from training to stay the same this year, and another 43% expect a revenue increase of up to 30%.

This revenue boost is attributed largely to:

38% Sales & consumption of training

38% Business understanding of the value of education

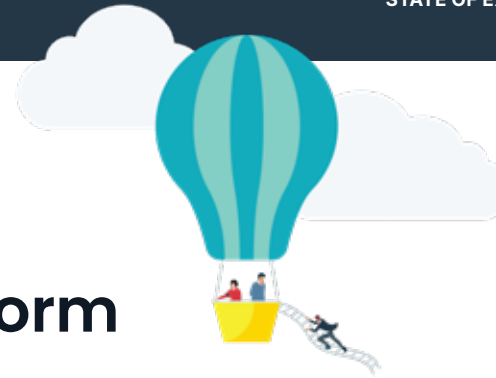**36%** Overall business performance

Teams are investing in learning this year

23% expect to invest in new learning technology

22% say they're increasing learning organization headcount

More Than Weathering the Storm

How do enterprise learning teams handle a tough economy? With steady growth.

Even with a backdrop of software industry volatility this year, respondents show us an optimistic picture of external learning.

32% of respondents expect **minimal business change** in 2023

22% expect **learning organization headcount gains** this year (while just 3% expected a reduction)

The large presence of teams who act as profit & loss organizations could account for this **bright picture of steadiness and resilience;** but it could also be the beginning of a trend toward bigger bets being made on external training, and a surge of realization of its value.

Showing ROI is still a hurdle for many learning teams

We've long followed the trend of training organizations aiming for executive buy-in on the value of their programs. This year, we see organizations finding their footing:

45% say they're currently **demonstrating a correlation between learning activity and KPIs**

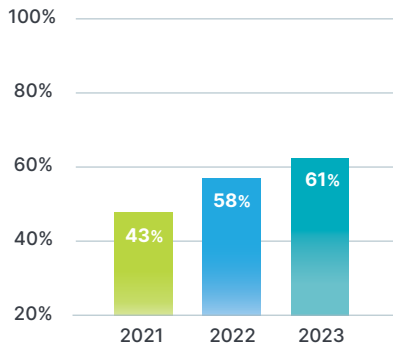**36%** have a **learning data strategy** on their roadmap this year

However, **47% still claim they're lacking analytics and reporting functionality** to prove value. This is where finding the right technology investment can move the needle for organizations stuck without success metrics.
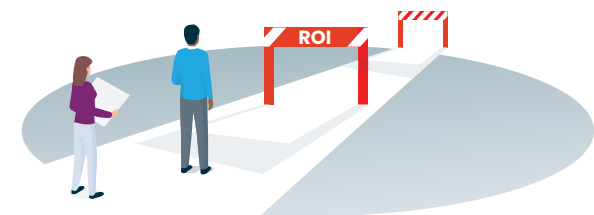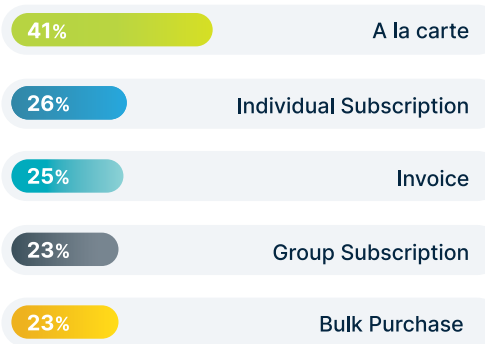
Boosting Profit, Optimizing Packaging

In the past two years alone, we've seen **almost a 20% increase in organizations putting a price tag on their learning content.** Now, as shown below, over half of teams are breaking even or making a profit on training alone. While this is an interesting trend for the broader learning industry, it's also an indicator that businesses at a higher revenue level have more of a tendency to monetize education.
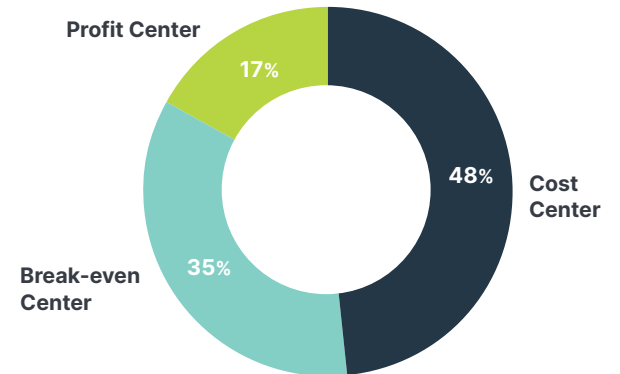
And, these teams are also strategizing, optimizing and experimenting with the right way to go about pricing and packaging. **The average respondent chose at least 3 monetization options** shown here, indicating a trend of packaging diversification.

As more training organizations adopt a fee-based model for learning, finding a truly profitable approach is still a struggle for some. **However, over half of our respondents are now out of the "cost-center" category.**

Does your organization charge external audiences for training?

- 2021: 43%
- 2022: 58%
- 2023: 61%

(Bar chart with y-axis: 20%, 40%, 60%, 80%, 100%)

What is your organization's approach to monetization of your customer and/or extended enterprise training?

41%	A la carte
26%	Individual Subscription
25%	Invoice
23%	Group Subscription
23%	Bulk Purchase

Donut chart:
- Cost Center: 48%
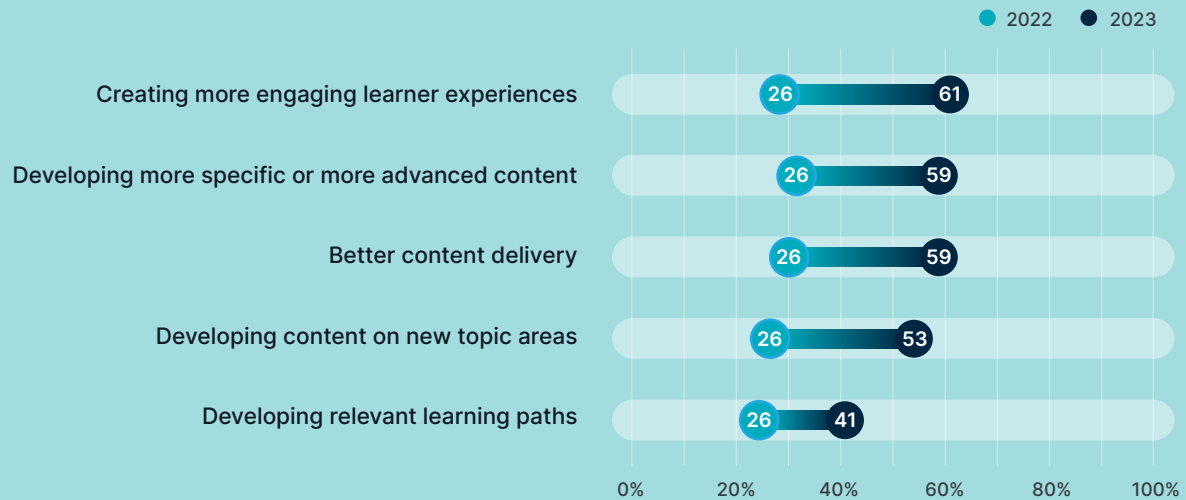- Break-even Center: 35%
- Profit Center: 17%

Driving an Exceptional Learning Experience

Priorities are clear this year for external learning organizations: it's all about building a best-in-class learner experience.

Compared with last year's results, urgency for high-quality learning has increased dramatically. Driving engagement, better content, and more relevance are all more pressing than ever before.

Which of the following are top priorities for your external enterprise learning organization this year?

● 2022   ● 2023

	2022	2023
Creating more engaging learner experiences	26	61
Developing more specific or more advanced content	26	59
Better content delivery	26	59
Developing content on new topic areas	26	53
Developing relevant learning paths	26	41

0%   20%   40%   60%   80%   100%

Meeting the Unique Needs of Learners

According to Salesforce, 73% of consumers expect organizations to understand their personal needs and expectations.[1]

Organizations are aiming to build their on-demand libraries with personalized content and custom learning paths. As the need to keep pace with learners' expectations becomes more instrumental, organizations have a stronger need for technology that can deliver:

The ability to customize by persona, or build adaptive learning paths

A diverse suite of learning content, including synchronous and asynchronous options

Multi-device solutions, to deliver learning closer to the moment of need

More Innovation, More Integrations

The size of the learning tech stack isn't getting any smaller - and anyone can tell you that a platform that claims to "do it all" is a red flag. **It's clear that a holistic, extensible solution is the way to achieve successful external training.**

21% of organizations expect to **increase technology spending** this year.

29% say they're **struggling with too many competing technology platforms** without sufficient integration.

28% are **lacking key technology** to deliver on priorities.

> "Learning technology has always been about an ecosystem, with many components, systems and sources of learning content and resources. The capability to share and transfer information and connect workflows smoothly is therefore a key requirement for any modern learning system today."

Fosway 9-Grid for Learning Systems 2023 Report

FOSWAY GROUP

[1] Salesforce, State of the Connected Customer, Read more
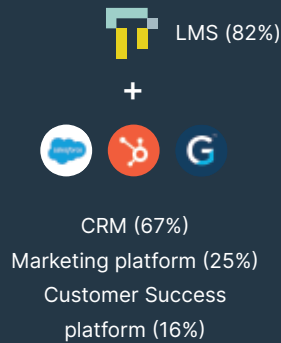
Building a Learning Technology Ecosystem

Integration potential is now the highest form of currency when it comes to your learning platform - not to mention alignment with your strategic priorities, like best-in-class analytics and reporting. Focus your tech stack on a learning technology that can build seamless integrations, customizations, and extensions (without the need to add expensive development resources to your in-house team).

The need to drive innovation to keep up with the expectations and needs of your learners has never been higher - and modern tools are the only way to get there. **17% of respondents indicate they're already using AR or AI in their learning program - what will you add next?**
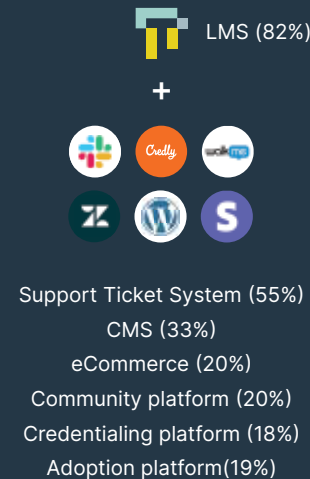
Other than a modern learning platform, what other integrations are respondents using? See below the most common systems in the full learning tech stack.
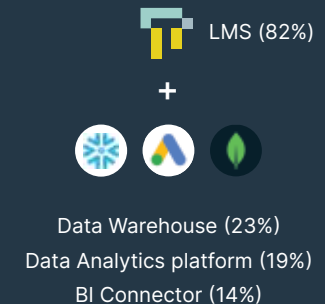
Marketing Automation

LMS (82%)
+

CRM (67%)
Marketing platform (25%)
Customer Success
platform (16%)

Training Support

LMS (82%)
+

Support Ticket System (55%)
CMS (33%)
eCommerce (20%)
Community platform (20%)
Credentialing platform (18%)
Adoption platform (19%)

Data and Analytics

LMS (82%)
+

Data Warehouse (23%)
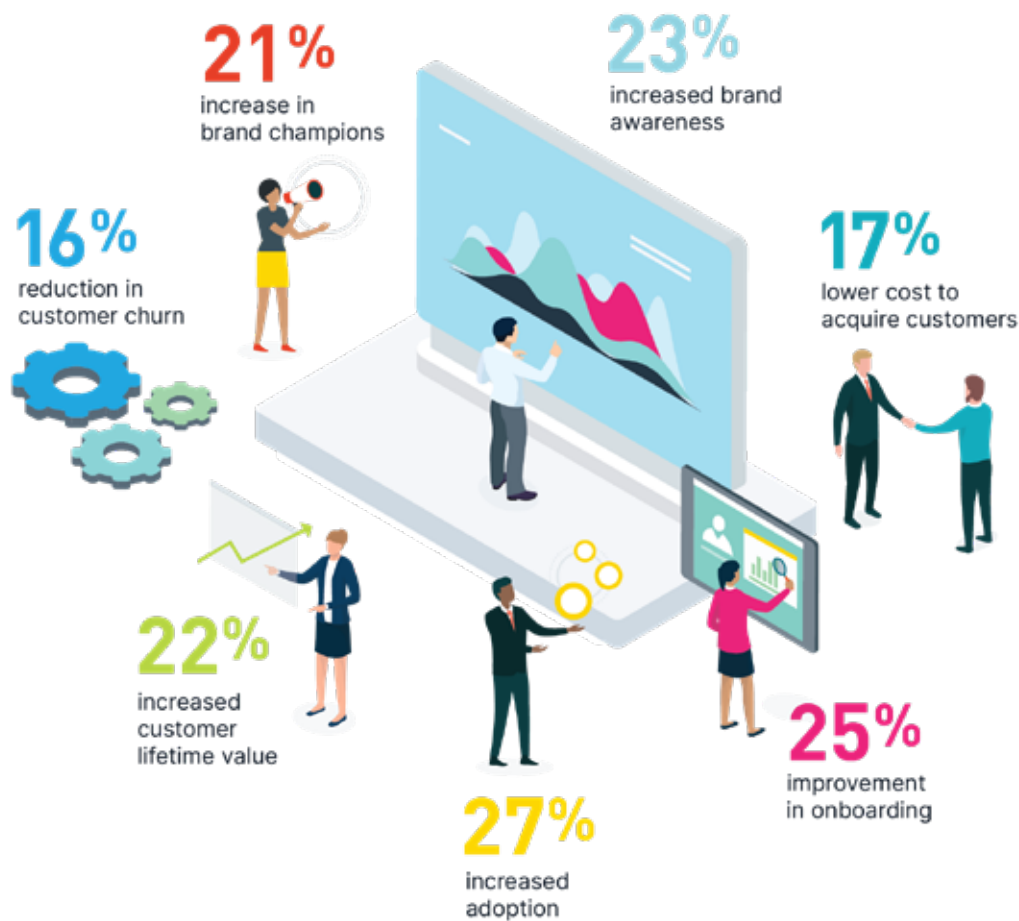Data Analytics platform (19%)
BI Connector (14%)

Even with a robust tech stack like the above, our respondents cited the following innovation priorities for 2023:

50% Customized user experience

42% Learning in-app/in-product

40% Personalized recommendation engine

Learning Transforms Prospects into Lasting, Loyal Customers

21% increase in brand champions

23% increased brand awareness

16% reduction in customer churn

17% lower cost to acquire customers

22% increased customer lifetime value

27% increased adoption

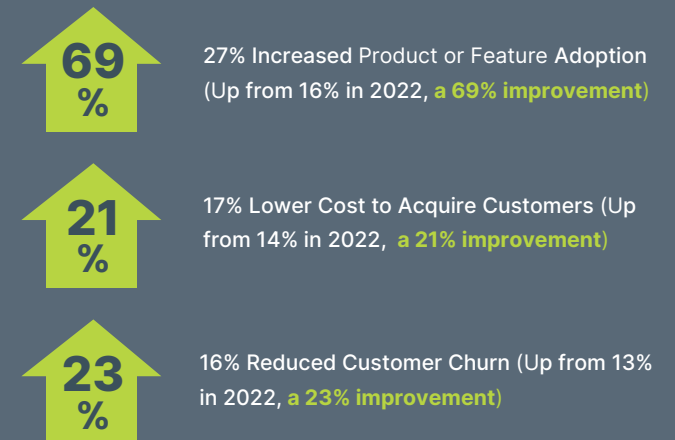**25%** improvement in onboarding

We're seeing even bigger business impact than ever before from external training.

Respondents showed exciting business results generated from external training or education services in the past year. This trend, which continues upward year over year, tells us that as organizations continue to invest in learning programs, it pays in dividends.

We asked respondents to estimate the impact they've seen this year across these key business metrics that is solely attributed to external enterprise learning. The largest benefit indicated here, consistent with past years' results, is the impact of training on product and feature adoption.

Across the customer lifecycle in the last year, organizations saw:

69% 27% Increased Product or Feature Adoption (Up from 16% in 2022, **a 69% improvement**)

21% 17% Lower Cost to Acquire Customers (Up from 14% in 2022, **a 21% improvement**)

23% 16% Reduced Customer Churn (Up from 13% in 2022, **a 23% improvement**)

About the Authors

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Rachel is a strategist, editor, and content marketer with over 8 years of experience creating content that accelerates demand generation and sales at high-growth companies. She partners with internal and external experts to surface and answer the most burning questions for learning teams, aiming to find new, valuable insights for the industry and package them in a digestible format. She leads the creation of innovative content, including toolkits, webinars, consulting frameworks, and signature thought-leadership assets. Rachel is based in Portland, Oregon.

Mike Daecher

SVP, Marketing | **Thought Industries**

Mike Daecher brings more than 25 years of B2B and B2C marketing leadership experience from fast-growing startups and established online businesses. Prior to working at Thought Industries, he was Chief Marketing Officer at online music educator, ArtistWorks. He first encountered Thought Industries as a customer at Active Interest Media, using the platform to launch a multi-million dollar online education business. Mike is based in Boulder, Colorado.