This market is evolving rapidly as vendors continue to merge and the functionality of e-learning software improves. Both factors are crucial for corporate adoption of e-learning suites.

**What You Need to Know**

The e-learning suite market is evolving rapidly, as buyers demand more comprehensive suites to manage their training processes more effectively and efficiently. When you evaluate e-learning suites, focus on getting the most critical functions that you need while ensuring that the suites are modular enough to let you "turn on" individual components as you choose and easily add new components later on. Also look for:

- **Integration** — among the components within the suite, with third-party e-learning products, and with other business applications.
- **Personalization** — the ability to tailor training to suit the particular needs of your company's business units and the individual students.

With this approach, you can focus your business goals, and the system you select will be more relevant and flexible, and will produce better results.

Don't look just at the vendors in the Leaders quadrant. In terms of vendor and product, the best match could be in one of the other quadrants. Also, the Magic Quadrant shouldn't be the only tool used to select an appropriate vendor.

Identify all the stakeholders and the specific needs that must be addressed by your e-learning solution. Write detailed, comprehensive requests for information (RFI) that reflect those needs to help you make the right choice when investing in e-learning products (see "Use This Model to Create an E-Learning Request for Information").

**Magic Quadrant**

In this Magic Quadrant, the number of vendors fell from 18 to 15, and the number of Leaders fell from six to four. Oracle moved from the Challengers quadrant into the
Leaders quadrant, while WBT Systems moved to the Visionaries quadrant and Intellinex was acquired by Affiliated Computer Services.

**Figure 1.**
**Magic Quadrant for E-Learning Suites, 2006**

Source: Gartner (September 2006)

**Market Overview**

The e-learning market remains volatile, and consolidation is expected to continue through 2008. At the same time, the products themselves are consolidating more and more functions into a suite architecture. However, there are no products in the market that "do it all." Mixing multiple products with services has been the only solution to achieve a full spectrum of enterprise requirements, and vendors in these markets often partner with each other to provide the necessary scope. However, after some key acquisitions this year, the major learning management system (LMS) vendors now have integrated learning content management systems (LCMSs), analytics and performance management into their suites.
E-learning suites continue to expand in functionality and in the robustness of each element in the suite. An e-learning suite comprises four core components that are loosely or tightly coupled:

- LMSs.
- Virtual classrooms and delivery capabilities.
- LCMSs and content authoring tools.
- Professional services.

Since 2004, LCMSs have risen in importance again to become the second-most-important core component of an e-learning suite, after the LMS itself. Many vendors claim to offer an LCMS, but don't really promote it, in some cases because they have only lightweight capabilities. Other important components include analytics, authoring tools and Web services capabilities.

The degree of integration of e-learning point products into a single packaged product still varies quite widely. This has generated confusion and disillusionment among buyers, but has become a significant differentiator for suite vendors. Vendors that score higher on completeness of vision (the horizontal axis) tend to have more comprehensive suites.

The interoperability of components within a suite and the integration of e-learning suites with other mission-critical applications will dominate the e-learning technology agenda, particularly as companies adopt e-learning enterprisewide (see "Client Issues for E-Learning").

**Market Definition/Description**

This market is evolving rapidly (see "Market Share: E-Learning Software, Worldwide, 2002-2004" and "Forecast: E-Learning Software, Worldwide, 2004-2009"), but several trends complicate the picture for buyers:

- **Enterprise Deployments** — E-learning is moving away from the narrow focus of training or HR departments, and into a broader arena of enterprise and business-unit sponsorship.
- **Compliance** — Regulatory and statutory certification requirements make analytics increasingly important to an e-learning strategy.
- **Stack Plays** — Major software vendors (such as IBM, SAP and Oracle) have begun to include e-learning as part of a comprehensive software stack, combining infrastructure, middleware, software and enterprise applications.
- **Standards** — Vendors continue to make investments to convert their proprietary technologies to "stack" standards — .NET and Java 2 Platform, Enterprise Edition (J2EE) — and to adapt their products to comply with key technology standards, such as the Shareable Content Object Reference Model (SCORM). Buyers are driving standards compliance, and SCORM compliance is becoming a critical requirement in many RFPs.
A key area of increased suite functionality is analytics. Global 2000 organizations are becoming increasingly keen to measure the value and performance of every business function. Historically, these activities have often gone unmeasured, due to the difficulty in deciding how and what to measure, and how to tie existing decisions to the outcome of a process — or justify how a decision has been reached.

With the growing focus on managing workforce assets, analytics that focus on the planning and measurement of an organization's workforce have also emerged. Yet most current e-learning reports do not successfully measure enterprise learning return on investment (ROI) beyond travel savings. Metrics are often too focused on internal details (for example, training-class attendance) and do not reflect the impact of newly trained workers on business productivity. In addition, metrics such as skills and competence are not viewed highly by senior executives unless these competencies influence performance metrics like revenue growth, customer satisfaction or operating efficiency. It is crucial to link business process and learning metrics within the enterprise — relating training effectiveness, for example, to the velocity of new product introduction. Recently, organizations have begun focusing on the use of business productivity analytics to move their training programs beyond traditional e-learning and human capital management to a more strategic, "business critical" level focused on workplace performance and innovation.

**Inclusion and Exclusion Criteria**

To be included in this Magic Quadrant, a vendor must:

1. Be focused on the e-learning suite; that is, it must own one.
2. Integrate components itself, even if it is an OEM of some of them; partnerships and systems integration (SI) don't count.
3. Either be in this space through a public go-to-market strategy, or else clients must conceive of the vendor to be in it based on buying patterns (that is, customers expect to be able to buy all capabilities from the vendor).
4. Have a minimum revenue target of $10 million in software and services.
5. Ensure that more than 15% of its revenue from offerings in e-learning come from e-learning suites.
6. Be referenced regularly by Gartner prospects or clients as a focused player in the e-learning market.
7. Participate in a minimum of two regions (for example, North America and Europe).

**Added**

GeoLearning entered the Magic Quadrant in 2006 as a Visionary.

**Dropped**

Some well known e-learning vendors did not make it into this latest Magic Quadrant:
• SumTotal acquired Pathlore.
• Oracle acquired Siebel on 1 June 2006.
• Open Text did not meet Criterion 6.

Hyperwave, which has a good technology vision, recently escaped from its financial difficulties and declared that it will stop development of its e-learning suite (see "Hyperwave Emerges From Insolvency").

**Evaluation Criteria**

**Ability to Execute**

Gartner evaluates providers based on their ability to convincingly articulate logical statements about current and future market direction, innovation, customer needs and competitive forces, and how well they map onto the Gartner position. Providers are rated based on their understanding of how market forces can be exploited to create opportunities for the provider. In addition to a product's capabilities, we evaluated vendors' viability, installed bases, geographic distribution capabilities, customer support and satisfaction, and management teams.

The following capabilities were considered and weighted as indicated:

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Service</td>
<td>high</td>
</tr>
<tr>
<td>Overall Viability (Business Unit, Financial, Strategy, Organization)</td>
<td>high</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>standard</td>
</tr>
<tr>
<td>Market Responsiveness and Track Record</td>
<td>standard</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>standard</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>standard</td>
</tr>
<tr>
<td>Operations</td>
<td>standard</td>
</tr>
</tbody>
</table>

Source: Gartner

**Completeness of Vision**

Gartner evaluates providers based on the quality and efficacy of their processes, systems, methods or procedures that enable IT provider performance to be competitive, efficient and effective, and to positively affect revenue, retention and reputation. Providers are judged based on their ability and success in capitalizing on their vision.

In 2006, on the Completeness of Vision axis, we evaluated suites based on their comprehensiveness. The offerings that presented more effective components and capabilities generally improved in the areas of analytics, content creation and resources
management, including traditional classroom and professional services (such as for planning, implementation and content).

The following specific criteria were considered and weighted as indicated:

<table>
<thead>
<tr>
<th>Table 2. Completeness of Vision Evaluation Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation Criteria</td>
</tr>
<tr>
<td>Market Understanding</td>
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<tr>
<td>Marketing Strategy</td>
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<tr>
<td>Sales Strategy</td>
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<td>Offering (Product) Strategy</td>
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<td>Business Model</td>
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<td>Vertical/Industry Strategy</td>
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<tr>
<td>Innovation</td>
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<tr>
<td>Geographic Strategy</td>
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</tbody>
</table>

Source: Gartner

Leaders

Leaders must not only deliver to current market requirements, which continue to change, but they also need to anticipate and deliver on future requirements. A cornerstone for Leaders is the ability to articulate how these requirements will be addressed as part of their vision for expanded e-learning suites. Leaders have a proven track record of financial performance and established market presence. They have established a strong e-learning market presence with their installed base, and they demonstrate continued customer and revenue growth. In terms of vision, they are perceived as thought leaders, with well-articulated plans for product development, marketing and channel support. Vendors in the Leaders quadrant have the highest combined measures of "ability to execute" and "completeness of vision." These strategic vendors will continue to drive the e-learning market by broadening their suite functionality and integration. As a group, Leaders can be expected to be considered as part of most new purchase considerations and have high success rates in winning new business.

Challengers

Challengers can execute today but have a limited or evolving vision and focus in the e-learning suite. They have the financial and market resources and capabilities to become Leaders, but the important question is whether they have the understanding of market trends and market requirements needed to succeed tomorrow. They don't own all of the most relevant components of an e-learning suite; instead, they leverage partnerships to round out their solutions. Also, they may not devote sufficient development resources to deliver a product with broad market appeal and leadership features. Challengers have
capable products and can perform well for many enterprises. Their products may have limitations in several areas — for example, robust capabilities for content management and application simulation, proven interoperability and integration with other business applications.

**Visionaries**

Visionaries are forward thinking, but their market performance hasn't propelled them into a leadership position. These vendors are differentiated by product innovation, but they have not achieved completeness of solution or the sales and marketing success required to give them the high visibility of Leaders.

**Niche Players**

Niche Players have not achieved a broader customer base or lack some of the e-learning suite modules. They lack a substantial presence in the e-learning suite market. Some focus on specific vertical industries or geographic markets, and their e-learning products are typically optional components of their more comprehensive product suites. The most significant challenge for these Niche Players is whether they are willing to invest in their e-learning products — in terms of making it a more robust suite and marketing — to make them more competitive.

**Vendor Comments**

**Affiliated Computer Services**

Ernst & Young sold Intellinex to Affiliated Computer Services (ACS) in May 2006. ACS now has a hosted e-learning suite to complement its overall focus on hosted human capital management. Before Intellinex was acquired by ACS, it was focusing on expanding its customer base and its hosted suite architecture. This deal, however, could potentially reduce Intellinex's status as a pure e-learning player, since some other vendors that have been bought out by business process outsourcing (BPO) vendors were never heard from again (for example, DigitalThink after being absorbed into Convergys). ACS has indicated it will keep the Global Learning Group (the former Intellinex business combined with the legacy ACS learning business) operating autonomously. Challenges for ACS Learning are to prove its long-term continuity in the e-learning software market as well as to expand its customer base beyond North America and its limited coverage in Europe.

**Cornerstone OnDemand**

Cornerstone OnDemand provides its e-learning suite as a service. It integrates performance and learning management, and combines succession planning and analytics. Cornerstone OnDemand offers targeted training programs integrated with robust competency management capabilities. It has assembled a good customer base, which includes large global organizations. Cornerstone's challenges are to increase its brand
recognition outside the United States. In some cases, Cornerstone has tried to charge a
delivery fee for content on top of its normal hosting fees, something we suggest clients
reject.

GeoLearning

GeoLearning is the newest entrant in the Magic Quadrant and offers its e-learning suite as
an application service provider (ASP) hosting model, including a learning management
system for Web-based reporting and analysis, personalized learning, feedback and
webcasting. GeoLearning also provides additional services, such as training outsourcing.
It shows steady growth, having expanded its product capabilities to appeal to private
sector clients (from a prior focus on the public sector), and it is expected to attract more
small and midsize businesses (SMBs) and some large companies, due to its extensive
presence with several large federal agencies in the United States. Challenges for
GeoLearning are to improve its software as a service (SaaS) model and to extend its
customer base, which is currently mostly concentrated in the United States.

IBM

IBM seems to have put its e-learning software focus on the backburner over the past year.
It hasn't enhanced its J2EE-based suite over this period, and it hasn't experimented with
significant customer base growth either. IBM has been challenged to upgrade its e-
learning products, and to position its core e-learning suite vs. its Workplace product.
While IBM has been increasingly implementing and supporting other non-IBM e-
learning solutions, its software division has not shown investments and improvements in
its own e-learning products.

KnowledgePlanet

KnowledgePlanet offers LMS, LCMS, authoring and professional services. It also
integrates with leading virtual classroom products. The company offers robust hosting
services and its success has been due, in part, to its pricing model aligned to its service-
level agreements (SLAs). The challenge for KnowledgePlanet is to expand its customer
base beyond North America, and its limited coverage in other locations.

Learn.com

Learn.com delivers a comprehensive e-learning suite in its LearnCenter platform. It has
invested in making its solution more flexible and robust, but better interoperability with
other existing e-learning products in the market is needed in its suite solution. Learn.com
has also used its extensive library of off-the-shelf IT and soft skills content as a key
differentiator for its e-learning suite offerings. The company has been investing in
building strong customer loyalty but it still faces some challenges, such as to enhance its
marketing strategy for its e-learning offerings to enable it to compete more effectively in
regions other than the United States.
Meridian KSI

Meridian KSI has leveraged its .NET-based suite to grow its installed base, and it is seeing increased adoption by commercial firms as well as state and local government agencies. Part of this is due to its SCORM expertise, certified mobile player, competency management module and release of analytics functionality. While U.S. execution has significantly improved, Meridian needs to consider expansion into regions outside the United States.

Oracle

Oracle offers a strong J2EE-based solution based on its functionality, scalability, multinational support, analytics and integration with its other existing e-learning modules. Oracle and PeopleSoft's enterprise learning products offer strong functionality. Oracle continues to sell and enhance its enterprise human capital management (HCM), which also generates more market opportunities for its e-learning suite offerings, both from Oracle and from PeopleSoft. However, Oracle PeopleSoft customers should expect a more difficult and a more costly upgrade path to Oracle's Project Fusion applications than to its Oracle e-learning suite.

OutStart

OutStart offers an e-learning suite complemented by knowledge-sharing software applications. OutStart has executed well in the mid-market, government and some Global 2000 organizations. The e-learning solution is more focused on its comprehensive learning content management system. Challenges for OutStart are to align the completeness of its LCMS with other existing modules in its e-learning suite and to reach a larger customer base outside North America.

Plateau Systems

Plateau Systems continues to win large enterprise deals, in part due to its J2EE-based LMS and its well-regarded professional services practice, resulting in continued growth in its installed base. Investments in sales and marketing have also contributed to Plateau's overall execution. Its capabilities in analytics and performance management should help it to compete against traditional e-learning vendors and the "stack players" (such as SAP and Oracle), which are gradually increasing their focus on this market. Plateau is expected to expand its content provider partnerships, as well as increase its brand's visibility in other regions, such as Europe and Asia/Pacific.

Saba

Saba's e-learning suite is anchored on a HCM marketing focus. Its momentum during the past year has been driven by its new product release, extending its analytics solution to tie performance metrics to learning programs. Saba's product portfolio, which includes LCMS and collaboration functions, will be critical for it to remain competitive against
emerging solutions from human resources management system (HRMS) vendors (like SAP, PeopleSoft and Oracle). Saba has started leveraging Centra's core strengths, especially its virtual-classroom environment, to broaden its e-learning suite capabilities and to compete more aggressively against other e-learning vendors. While Saba has shown a significant growth in its customer base, we have also had clients complain about implementation delays in the last few months. Challenges for Saba include improving its services capability and growing its SaaS offerings.

SAP

SAP has gradually improved the functionalities of its J2EE-compliant e-learning suite. It has realized that it has a significant opportunity in its installed base, which still exhibits low adoption of the SAP e-learning suite. Additional challenges for SAP are in the improvement of its learning content management systems, as well as in showing more effective execution with its sales strategy to increase its e-learning customer base. Long deployment times are common with SAP, and the e-learning solution is not immune to this issue.

SumTotal Systems

SumTotal Systems has focused on aligning the impact of its e-learning suite solution with its top-line business performance, and it has taken a partnership approach to building out its .NET-based suite solution. Challenges for SumTotal are to offer more attractive alternatives for companies using a J2EE architecture and, more importantly, to migrate a more significant number of existing Pathlore Software customers to its current product version.

Vuepoint

Vuepoint has focused on extending its .NET suite to include analytics with graphical presentation of dynamic reports and advanced localization capabilities. It has done a solid job with the limited number of major clients it has won, focusing on long-term content development as an ongoing revenue source. However, it needs to focus on winning more large-scale, global deals.

WBT Systems

WBT provides a comprehensive Windows-based e-learning suite with good functionality and flexibility. However, due to aspects related to marketing strategy and product vision, WBT has experienced a decline in market awareness both in Europe and North America. In August 2006, WBT was acquired by Horizon Technology, a publicly quoted systems integrator and application solutions company based in Ireland. While WBT intends to continue developing its e-learning suite as a stand-alone business, the acquisition may have a major effect on its vision and its ability to execute.

Acronym Key and Glossary Terms
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASP</td>
<td>application service provider</td>
</tr>
<tr>
<td>BPO</td>
<td>business process outsourcing</td>
</tr>
<tr>
<td>HCM</td>
<td>human capital management</td>
</tr>
<tr>
<td>HRMS</td>
<td>human resources management system</td>
</tr>
<tr>
<td>J2EE</td>
<td>Java 2 Platform, Enterprise Edition</td>
</tr>
<tr>
<td>LMS</td>
<td>learning management system</td>
</tr>
<tr>
<td>LCMS</td>
<td>learning content management system</td>
</tr>
<tr>
<td>ROI</td>
<td>return on investment</td>
</tr>
<tr>
<td>SaaS</td>
<td>software as a service</td>
</tr>
<tr>
<td>SCORM</td>
<td>Shareable Content Object Reference Model</td>
</tr>
<tr>
<td>SLA</td>
<td>service-level agreement</td>
</tr>
<tr>
<td>SMB</td>
<td>small and midsize business</td>
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</tbody>
</table>

**Evaluation Criteria Definitions**

**Ability to Execute**

**Product/Service:** Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

**Market Responsiveness and Track Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act,
customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups and service-level agreements.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

**Completeness of Vision**

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling product that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.
**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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