

# REPORT

## *Learning Markets & Opportunities 2002*

# Market Growth Slows to 2.6 Percent

### Introduction

This edition of our annual *Learning Markets & Opportunities* study marks Eduventures' seventh year of reporting on industry revenues, key trends, and critical drivers catalyzing future industry growth. In the course of those seven years we have continually striven to provide greater breadth and depth of coverage for industry participants; this year's study includes detailed analysis of 16 market segments within the pre-K-12, postsecondary, and corporate and professional education sectors (Figure 1).

Importantly, within the markets we have drilled down further than ever before on industry revenues, highlighting key segments that bear watching in the months and years ahead. In the K-12 technology market, we have included analysis of company performance in the instructional management and student information systems segments, while the ERP and e-learning segments in the postsecondary technology market receive similar treatment. We have also collapsed K-12 testing, test preparation, and tutoring into one market to accurately reflect the common drivers spurring excitement and opportunities for vendors in these interrelated segments.

As the education industry continues to mature, securing a window into emerging market segments will be imperative for education executives, investors, educators, and other market observers seeking attractive growth opportunities. Eduventures will continue to investigate the markets and segments profiled in *Learning Markets & Opportunities*, as well as others, throughout the year to deliver the highest quality data and analysis to organizations and individuals participating in the education economy.

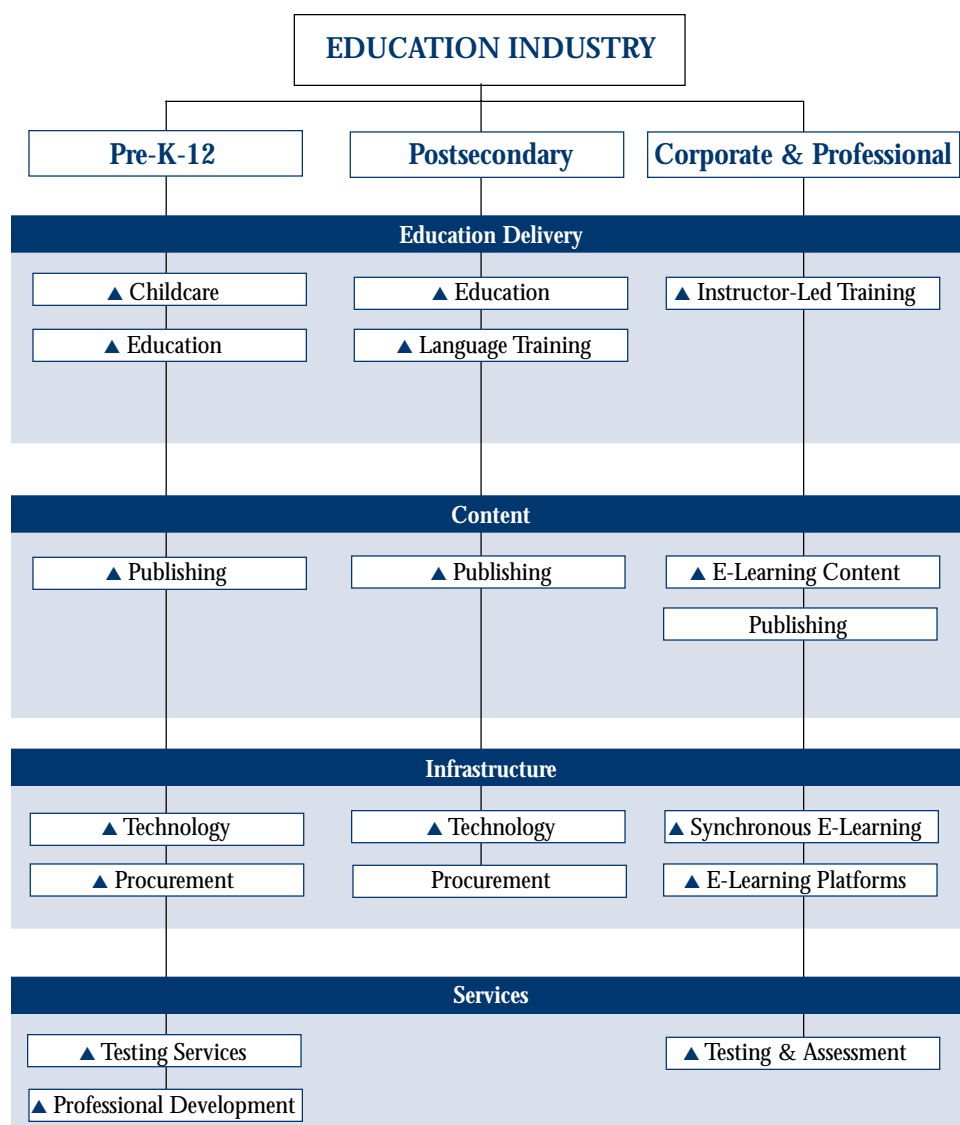
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FIGURE 1: EDUCATION INDUSTRY



▲ Featured in this report

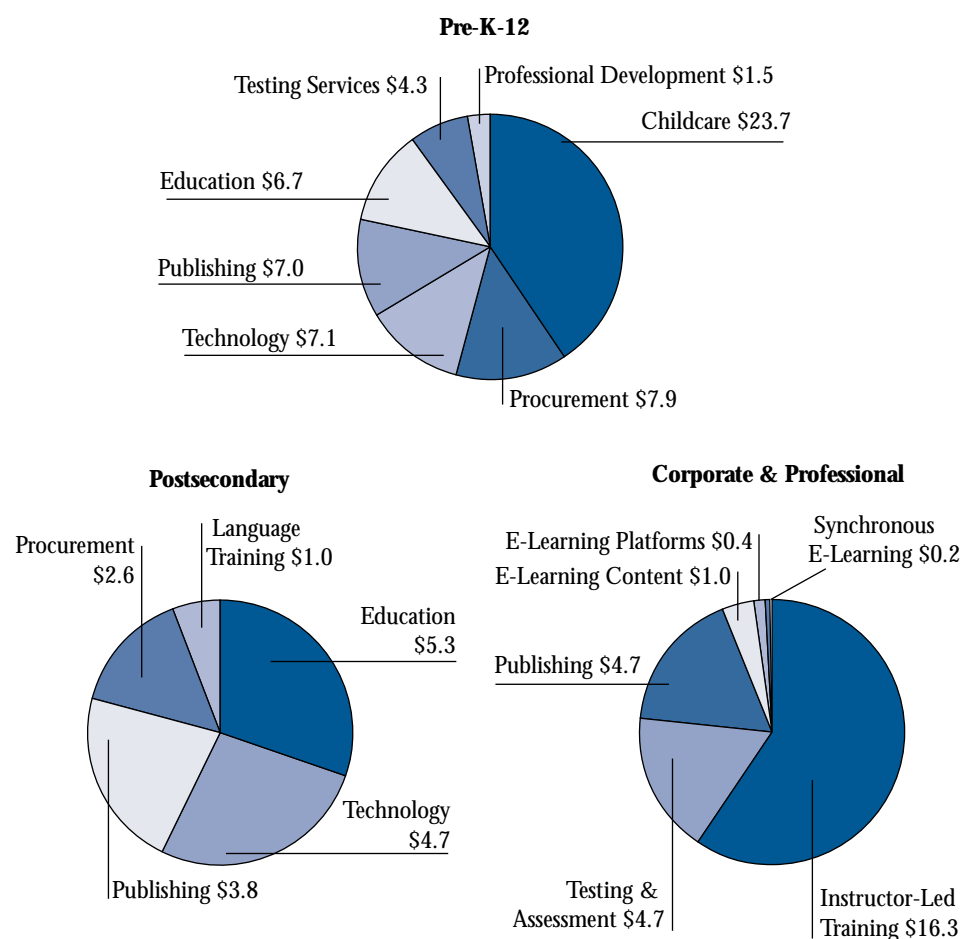
### Industry Performance

In 2001, overall industry revenues grew by 2.6 percent to reach \$102 billion; an overview of the industry reveals:

- The pre-K-12 sector is the largest component of the education industry with more than \$58 billion in revenues, in large part due to the childcare market, which accounts for more than 23 percent of overall industry revenues.
- The corporate and professional education sector remains the second largest sector with \$27.4 billion in revenues, of which nearly 60 percent is still accounted for by traditional instructor-led training businesses.

- The postsecondary sector ranks third in total revenues with \$16.5 billion, but will be the fastest-growing sector in the education industry for the next several years. (See Table 1 for a detailed comparison of sector revenue performance, as well as past and forecasted growth rates.)

**FIGURE 2: 2001 INDUSTRY REVENUES BY SECTOR (BILLIONS)**



While top-line results for the education industry in 2001 - overall positive growth in the face of a particularly challenging economic climate - were solid, the real story can be discovered in the uneven performance of market segments across the three sectors. For the first time since Eduventures initiated coverage of the markets shown in Table 1, we witnessed revenue contraction in several markets adversely affected by tighter economic conditions and disruptive technology solutions. Figure 3 highlights the advancement and decline of individual markets in actual dollar figures, with five markets - corporate and professional testing and assessment, English language training, corporate and professional publishing, K-12 technology, and instructor-led training - experiencing shrinking revenues in comparison to 2000 performance.

### **Corporate and Professional Education Sector Struggling**

The magnitude of the decline in the three largest corporate and professional markets resulted in a negative sector growth rate of just over four percent in 2001.

Eduventures forecasts another 2.5 percent decline in the corporate and professional education sector in 2002, before positive growth returns in 2003. Even as the overall sector declines in 2002, corporate e-learning segments should experience double-digit growth, demonstrating both continued mainstream acceptance of e-learning solutions and the small revenue base on which these markets are expanding.

### **Federal Legislation Provides Spark for Pre-K-12**

The pre-K-12 sector grew nearly four percent sparked by solid growth in the K-12 education, testing, and professional development markets, and Eduventures anticipates sector growth of nearly six percent in 2002. K-12 testing and professional development will continue to be the fastest growing markets, spurred by new programmatic spending emphases at the federal level directing more dollars to providers in these two areas.

### **For-Profit Schools Drive Postsecondary Growth**

Finally, the education industry darlings of Wall Street - the postsecondary education providers - spearheaded the more than 11 percent growth in the postsecondary sector, achieving 20 percent growth in 2001. With colleges and universities, both for-profit and not-for-profit, facing tighter budgets in 2002, Eduventures expects sector growth will slow to a still-strong 10 percent, once again buoyed by the performance of companies like Apollo Group, DeVry, Education Management Corporation, and Career Education.



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