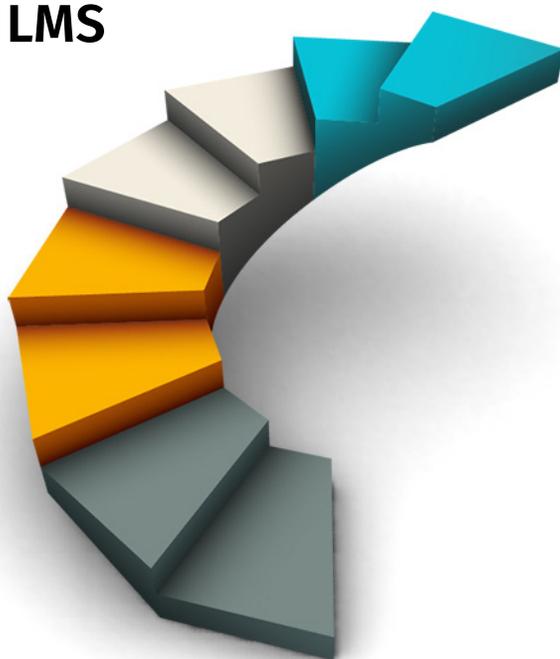


THE RISE OF THE INCREMENTAL LMS



INTRODUCTION

The LMS is no longer a training technology island, operating in relative isolation. Over time, it has become an ecosystem that learning organizations can expand and customize with third-party apps, tools and software to create measurable business value. Some LMS vendors still try to build as much functionality into their core as possible. However, a one-size-fits-all strategy leads to systems that are relatively expensive, bloated, unfocused and unable to respond quickly when market requirements shift. In fact, this monolithic approach actually opened the door for new specialty systems that stand alone as high-value point products, or complement a core LMS with innovative capabilities. The emergence of these specialty applications has reignited the LMS market.

This document outlines the history and trends associated with the rise of specialty solutions. It also examines how this phenomenon is shaping the future of the LMS market.

HISTORICAL SNAPSHOT

Less than a decade ago, the learning management systems space was dominated by a handful of entrenched providers who defined what buyers should expect from an LMS. Not all vendors offered 100% of the prescribed functionality, but it was close. If your organization wanted features your system didn't provide, you waited, you made do, or you invested heavily in customization. Integrating third-party functionality with an LMS was very rare, because the benefits didn't outweigh the considerable cost and time required to make it work.

About five years ago, a consolidation wave took the LMS world by storm, transforming it into the talent management industry -- or so we thought. LMS companies like [SumTotal](#), [Plateau](#), [Learn.com](#), [GeoLearning](#) and [Certpoint](#) were acquired by much larger talent and HR suite providers like [SAP/SuccessFactors](#), [Infor](#), [Oracle](#) and [IBM](#). Other well-known independent players like [Cornerstone](#), [Saba](#) and [Workday](#) opted to compete by building their own talent suites. Regardless, all of these vendors focused on integration of talent management features while generally ignoring their LMS roadmap.

Suddenly, after several years at the HR technology gates, cloud computing, mobile technology and social business reached critical mass, and broke through digital workplace walls. Old-guard LMSs were exposed as obscure back-office dinosaurs that looked, felt and functioned more like administrative databases than the highly accessible, adaptive, learner-centered solutions training organizations increasingly desired.

Expectations continued to shift, as employers sought solutions that would give employees and managers direct LMS access, so they could browse catalogs at will and register for classroom and online learning programs (including onboarding content, mandatory compliance courses, sales training and leadership development).

However, talent suite LMSs continued to lag behind, both in enabling employees to find and complete relevant learning experiences, and in helping them develop skills and competencies over time. Any engagement came from within the learning content itself, not from the LMS platform.

In addition, talent suite LMSs faced other deficiencies:

- High licensing and setup costs prohibited many would-be buyers from moving forward
- Maintenance was labor-intensive and costly
- Mobile and social capabilities were lagging
- Extended enterprise learning support was largely missing from the feature set

With all these drawbacks, why didn't buyers simply choose a new, separate LMS? Because talent LMSs are deeply embedded in many large-scale global corporations. The more tightly integrated HR/talent modules are, the more impractical switching becomes politically, culturally and financially. Until recently, most decision makers had to consider the tradeoffs between living with a weak, outdated LMS and investing seven figures to break free from the status quo.

Now, a third way forward is gaining market momentum -- technology and business models that enable robust, responsive LMS ecosystems based on "the incremental LMS." This incremental approach appeals to learning organizations by enabling them to address rapidly evolving user requirements without the pain and expense of fully replacing an installed LMS.

MARKET TRENDS SUPPORTING THE RISE OF THE LMS ECOSYSTEM

What issues and opportunities should learning technology buyers and sellers keep in mind when considering an incremental LMS? Our research points to six trends that underpin this emerging model:

1) The Cloud is the Enabler

The cloud has dramatically lowered market entry barriers for LMS vendors, as industry growth suggests. There are now over 700 learning technology cloud applications of every type and purpose. With minimal investment, new players can create SaaS-based cloud learning platforms with a narrow scope, targeting a specific business problem, industry or geographic region. Instead of trying to build mammoth multi-purpose solutions, smart vendors are focused on building the best solution to accomplish specific business objectives – **specialization**.

The cloud model implies that a vendor makes its LMS available online via the cloud, and all users access the same platform via web browser. Each customer has its own unique, secure area of the platform with its own content, users and business rules, and each customer is unaware of others who use the platform. The cloud approach eliminates many technical, time and cost hurdles for new buyers. Just as importantly, it also facilitates integrations – **technical ease**.

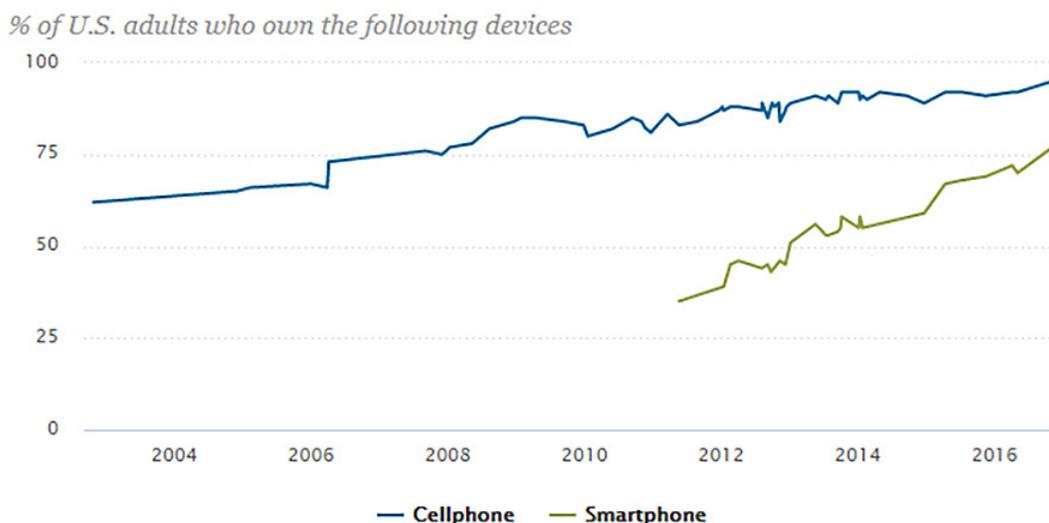
The SaaS model offers LMS access on a pay-as-you-go basis, so buyers either see value in their investment or they stop paying and move on. This approach emphasizes quick, easy setup. It eliminates many technical considerations, and dramatically reduces implementation and maintenance expenses – **low cost**.

With a cloud-enabled SaaS model, customers pay a monthly or annual fee to use the platform, so as a vendor's customer base grows, predictable, profitable, recurring revenue streams follow. Revenue is reinvested to add value by enhancing and expanding functionality at that price point – **specialization and focus**.

Given all these cloud LMS advantages, it's not surprising that old-school LMS buyers and users have been feeling left behind.

2) Mobility Is Paramount

Traditional talent LMSs were caught off-guard by the speed and magnitude of the shift to mobile technology. The adoption rate has been breathtaking. According to [Pew Research](#), at the end of 2016, 77% of U.S. adults owned smartphones – up from only 35% in 2011 when Pew conducted its first smartphone survey.



Source: Surveys conducted 2002-2016.

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LMS providers had developed large-scale, proprietary applications that were not mobile responsive. (In other words, people could use LMS features and content on tablets or mobile devices only if they resorted to cumbersome scrolling, panning and zooming.) As a compromise, vendors began to develop downloadable, native iOS and Android apps that were dramatically scaled-down versions of the parent LMS, rather than rewriting them as “mobile-first” applications.

Cloud learning vendors who arrived during the mobile revolution have built mobile-responsive platforms that learners, instructors, managers and administrators can now access and use from any mobile device via browser. Like popular commercial and social media apps, LMSs have become much more mobile friendly in recent years, and mobile delivery has become a core user experience design consideration.

3) Extended Enterprise Creates the Divide and the Opportunity

A few years ago, when top LMS vendors were acquired by broader HR/talent management platform companies, extended enterprise learning took a back seat to employee training.

In corporate learning parlance, “extended enterprise” refers to training content or performance support sold or delivered at no additional cost to non-employee audiences. This includes sales channel partners, retailers, distributors, franchisees, contractors and customers. Extended enterprise learning is very different from mandatory employee training because users engage with the LMS and its content voluntarily.

Organizations educate extended enterprise audiences because it strengthens valuable business relationships and improves business performance. By linking other systems like CRMs with an LMS, companies can track, measure and analyze the impact of extended enterprise learning across these external audiences. For example, the effectiveness of channel partner certification can be measured by comparing sales volume of partners who are certified vs. uncertified. Tracking sales volume or another relevant performance metric makes it possible to determine the direct financial impact of training. LMS vendors who support this kind of extended enterprise need are differentiating themselves in today’s marketplace – and this capability is attracting many new players to the space.

Until seven or eight years ago, top-tier standalone LMS providers were the only vendors who even nodded at extended enterprise audiences. However, after the acquisition spree, product development and integration priorities focused solely on employee training and talent management. Extended enterprise progress faded. Talent-focused LMS vendors continued to respond and win when extended enterprise sales opportunities came their way. However, they did not proactively develop or promote capabilities for external audiences.

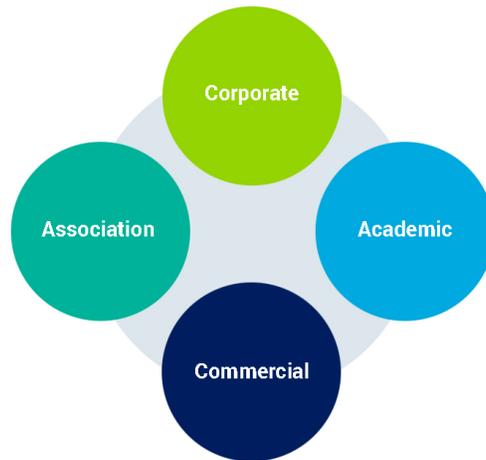
Meanwhile, new cloud LMS vendors emerged with solutions designed to serve specific external business goals. Extended enterprise buyers typically are not located in HR or L&D, so this led to independent LMS purchases. Now, in many organizations, specialized “rogue” learning solutions exist side-by-side with talent-focused systems.

The market gave cloud applications an inch and suddenly, they are taking a mile! With unique audiences and purchase points, this new extended enterprise vendor breed leaves employee learning behind and competes freely anywhere in the global extended enterprise marketplace. A dominant LMS specialist has not yet emerged in the extended enterprise space, which is encouraging even more vendors to enter the market.

4) Explosion of Learning Technology Vendor Choices

Over the past 10 years, the learning technology market has swollen to more than 700 LMS providers (depending upon how broadly you define the term “LMS”). These solutions can generally be divided into four categories, based on the type of organization they support -- corporate, association, academic or commercial training companies.

Of course, there is overlap among these categories; they all support learners, content and the relationship between the two. This overlap is what causes confusion because it leads buyers to assume that all LMSs are essentially the same. However, that would be an oversimplification because each category requires distinctive functionality.



Source: TalentedLearning.com

Commercial training is the most unique category. The business and budget challenges, customer expectations, specialized functionality and services that training companies require cannot be addressed by most LMS vendors.

5) For-Profit Business Needs Push the Extended Enterprise Envelope

No LMS can do it all. Those who try are so expensive, feature-laden and user unfriendly that they have given the term LMS a bad reputation. But this disconnect has also created an opportunity for extended enterprise specialists to offer solutions that run in parallel with existing learning platforms. Now these solutions are extending traditional talent-oriented LMSs, so they can serve external audiences – especially for business functions tied to revenue streams, such as sales and customer service.

6) Corporate Profit Centers Expand the Employee LMS Ecosystem

For-profit business units are discovering that learning is a competitive differentiator. Customer and channel programs proved it. Now, internal sales and customer service teams can leverage specialized learning applications to improve performance and measure the business impact of learning.

For a new incremental LMS to win support, it must demonstrate sufficient value-add. The purchasing decision usually resides in the “for-profit” side of an organization. These business units care about technology that drives revenue streams and improves or accelerates revenue-related processes. Here are several examples:

- **Sales Organizations:** Sales teams are the lifeblood of any organization. Keeping sales and support staff educated about products and services is paramount. However, sales people are notoriously busy and always on the go. They don’t have hours to sit and watch training in a classroom or online. They need education on the run, as they prepare for sales presentations, interact with prospects and coach each other when and where it is convenient for them. The learning experience must be mobile, social and relevant. It must help close new business and grow sales volume. Any other kind of sales training will be overlooked and underutilized.
- **Customer Service:** If you recognize the importance of helping a customer successfully adopt and use your products and services, then you no doubt agree that it’s just as important to keep customers engaged, so you can expand the relationship with complementary products and services. Traditional employee-focused LMSs aren’t designed to engage learning participants beyond forced completion of compliance courses. But this is where modern learning platforms shine. For example, applications can enhance customer service delivery with performance support capabilities, such as photo and video tools to help quickly identify products and diagnose problems, and integrated advanced search for instant access to product-specific how-to information and repair/replacement guidance.

EXTENSIONS: VALUE-ADD FOR THE INCREMENTAL LMS

In today's LMS ecosystem, literally hundreds of application integrations are available to provide incremental capability. Ten of the most popular extension types are described below, along with examples of relevant vendors in each category:

1) Mobile Applications

Incremental and custom mobile applications are the rage in today's learning technology sphere. Mobile apps can be developed for any audience interest, business need or subject matter. Well-designed apps are convenient (offering access within seconds, rather than minutes or days) and compelling (so they can easily capture and hold a learner's attention). Mobile applications can run independently, or they can be partially integrated with an existing employee LMS, to share user and completion data across systems. Examples of vendors who develop custom mobile applications include [Digitec](#), [Instancy](#), [Maestro](#), [Oxagile](#) and [RapidLD](#), as well as many [Totara](#) and [Moodle](#) partners.

2) eCommerce

Before you sell anything online – including training – it's essential to understand and implement ecommerce capabilities. Commerce-related LMS features make it possible to price content and let individuals or groups complete a purchase. Examples include shopping carts, discounts, promotions, checkout paths, taxation, credit card verification and invoice processing, as well as features that provide customers with access to content.

LMS vendors can provide their own technology to support these functions – and many do. However, unlike most LMS features, ecommerce was perfected and honed on a global scale outside the training industry. Although LMS vendors have developed some or all of the required ecommerce features in-house, many others use integration to leverage technology available from established ecommerce specialists. For instance:

- **Payment Gateways:** An ecommerce gateway is the entity that manages credit card processing and deposits the money into the appropriate business bank account. Examples include [Paypal](#), [Authorize.net](#), [Stripe](#) and many more.
- **eCommerce Storefront:** LMSs can integrate with third-party ecommerce sites such as [Shopify](#) and [Magento](#) to deliver ultra-professional storefronts with sophisticated ecommerce capabilities.
- **Global Taxation Management:** Outside the U.S., training is taxable at different rates, depending on the country or local jurisdiction. Fortunately, the best global extended enterprise LMSs integrate with global taxation management software – primarily [Avalara](#).

3) Video

Video is a broad term that can mean everything from live video chat to screens shares, webinars or libraries of digital videos. While most LMS vendors support direct uploads within the LMS, they prefer embed or linked videos from [YouTube](#), [Wistia](#), [Vimeo](#) or a cloud-based storage account.

Videos are easy to capture via mobile phone and can be shared and integrated quickly into coaching, mentoring or social/collaborative learning and performance support applications on mobile or traditional learning platforms.

Heavy video use is a hallmark of native mobile applications because they leverage technical capabilities inherent in connected mobile devices. For example, video functionality in the [Allego](#) sales enablement application helps drive performance in multiple ways:

- Sales reps can easily improve their pitches in while in the field by recording, viewing and practicing in real time
- Managers can coach teams on the fly by reviewing shared videos and providing inline feedback whenever and wherever it's convenient for them
- Learning organizations can speed certifications by evaluating skills/knowledge and compliance from a distance

4) CRM

Customer Relationship Management systems (CRMs) help organizations strategically organize and track all interactions with their prospects and customers. This can include email, sales calls, website visits, trade show contacts, snail mail, customer support interactions -- and now training-related activity data. LMS providers most often target [Salesforce](#), [Microsoft Dynamics](#), [Oracle Fusion](#) and/or [SugarCRM](#) as integration targets, so learning content and related data is available to users within the familiar context of their organization's CRM. [Allego's](#) mobile sales enablement platform is an innovator in this space, making it possible to "intelligently" bundle relevant best practices, competitive insight and objection handling to sales staff as an integral part of their Salesforce user experience.

5) Social Media Linkage

Rather than creating social networks within an LMS, organizations are increasingly looking to leverage existing public and private social networks to amplify, augment, enrich and reinforce learning. Extended enterprise learning solutions are supporting these requirements and more. For example, some applications let learners create an account and/or sign-in using their social media username/password credentials. Another level of functionality lets learners share catalog content, course ratings/reviews and certifications to their [Twitter](#), [Facebook](#), [LinkedIn](#) and [Google+](#) feeds or profiles. This can easily increase brand/content awareness and interest in learning programs beyond an organization's active customer base.

6) Custom User Experience

Some vendors are overcoming the boring "courses only" LMS content problem by personalizing the learning experience. Their applications are much more intelligent, adaptive, social, modern and learner-oriented than the classic systems. Companies like [Allego](#), [BraveNew](#), [Degreed](#), [EdCast](#), [Pathgather](#) and [ClanEd](#) provide this environment as a standalone solution, or integrated with an LMS if necessary. The interface lets learning participants subscribe to topic channels for ongoing access to relevant content from the web or tagged by other learners. This kind of solution uses artificial intelligence to populate learning streams, connect learners effortlessly with other learners, prompt social interactions, and offer content in a way that resembles familiar commercial online experiences like [Amazon](#) and [Netflix](#).

7) xAPI

xAPI is a communication standard that enables precise tracking, reporting and analysis of formal learning as well as informal learning activities conducted outside of an LMS portal. A Learning Record Store (LRS) is a database that stores all of this xAPI data. It can be a standalone data repository or integrated into the LMS database. Among other things, cutting edge LMSs are using xAPI to record external learning activities that users complete, such as conference attendance, website visits, books read, videos watched and MOOCs completed.

8) Microservices

The microservices API aggregator approach is one of the coolest things to hit the cloud LMS. Microservice APIs are the easiest, most simple, fully productized services that perform a single function in any type of cloud system. Aggregators such as [Zapier](#) and [Mulesoft](#) provide platforms that allow cloud software companies who join their community to provide open integration services. Hundreds of applications across dozens of specialties can be joined together in unique combinations with smart logic that doesn't require any custom programming or advanced engineering.

9) Google Analytics

[Google Analytics](#) is a vital service that lets website owners track everything about their visitor traffic -- where it comes from, how long they stay and what they do while moving through the site. Google Analytics tracks a visitor's access device, browser, previous website, pages visited, time spent on the page, next site visited, language, IP, precise

geographic location, age and much more. Analytics is mission-critical for extended enterprise initiatives that target channel partners, franchises, dealers, prospects and customers. Ongoing visitor insights can be tied to ROI for promotional campaigns and programs that justify your ongoing business case.

10) Cloud Storage

Cloud storage is a relatively cheap, safe way for organizations to backup data or (increasingly) standardize on cloud vs. local storage. Instead of saving documents, presentations, graphics, videos, audio and other information resources on local drives, organizations and users save this content on cloud storage applications like [Dropbox](#), [Google Drive](#), [Microsoft OneDrive](#) and [Box](#). The cloud provides multi-person and multi-device access and file sharing.

In many cases, organizations use the same media and resource files for multiple functions such as marketing, sales and training. Instead of uploading all the same files to the LMS individually (old-school), cloud storage integration dynamically retrieves relevant files and displays them within courses or as standalone content elements, on demand.

CONCLUSION

“First they ignore you, then they laugh at you, then they fight you, then you win.”

- Unknown

The course of LMS reinvention is undeniable. Once the wave of rogue cloud-based specialists broke through monolithic LMS floodgates, corporate learning technology has never been the same – and the challenge continues on all levels.

Hundreds of upstart vendors have developed standalone specialty LMS applications that can now also be integrated with traditional, employee-oriented learning systems to extend their functionality and add measurable business value. Traditional vendors were slow to respond. First they dismissed the trend, now they are trying to catch it. Meanwhile, new cloud learning solution providers continue to innovate, with advancements that are constantly rewriting LMS rules.

Internal and external organizational learning audiences involved in for-profit activities (such as sales and customer service) have been the first to embrace these exciting new applications. They are ideal early adopters because they're open to innovation that leads to a competitive edge, and modern learning applications are designed from the start with business results in mind.

This early success has set the stage for much broader adoption across the corporate landscape.

Bottom line: Now that an army of independent cloud solution specialists has proven its worth to the most demanding corporate users, the future looks bright. Even if your organization still depends on a traditional, talent-focused LMS for learning initiatives, there is no longer any reason to let that stop you from leveraging the creativity, power and appeal of modern, specialized learning applications. The era of the incremental LMS is upon us.

ABOUT THE AUTHOR



John Leh is CEO and Lead Analyst at Talented Learning, LLC. Named one of the Top 20 Global Elearning Movers and Shakers of 2017, John is a fiercely independent LMS selection consultant and blogger who helps organizations develop and implement technology strategies – primarily for the extended enterprise. John’s advice is based on 20 years of industry experience, having served as a trusted LMS selection and sales adviser to more than 100 learning organizations with a total technology spend of more than \$65 million. He helps organizations define their business case, identify requirements, short-list vendors, write and manage RFPs and negotiate a great deal.