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# EUROPEAN LMS MARKET DYNAMICS

Fall 2016 Report

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# INTRODUCTION

## MOVING BEYOND US AND CANADIAN MARKETS

Our Spring 2016 LMS Market Report focused mostly on the United States and Canada. Part of the reason for this bias is the oversized influence of this US/Canadian spending for educational technology, but another part is the availability of data sources. The US data from the Department of Education's IPEDS (integrated postsecondary data system) database, in particular, makes it easier for market analysts to have initial lists of postsecondary institutions.

The LMS market, however is increasingly global in nature. LMS suppliers rely on markets outside of US and Canada for growth, and Moodle in particular has a long history of global adoption. Maintaining a US/Canadian view without additional data can be misleading when forecasting the roadmaps and future states of various LMS solutions. This mini-report aims to start correcting this missing market information, starting with the second-most influential region of Europe.

What we haven't had until now is a view of the LMS market in Europe. With our exclusive view of over 1,600 higher education institutions throughout Europe, we are providing the first independent market analysis for this region. We have restricted our initial analysis to those that have established LMS usage that can be publicly discovered and analyzed, which means there are several countries not covered. We will be expanding future versions of this report to include the remaining European countries as additional data becomes available. This report is designed help you understand the ongoing changes in adoption patterns for higher education Learning Management Systems (LMSs, also known as "Virtual Learning Environments" or "VLE" in the UK). This is a companion to our Fall 2016 LMS Market Dynamics report coming out in late November. The report is intended to be useful for colleges and universities that are developing an LMS strategy as well as for vendors, investors, and journalists who need context to make sense of new market developments. The scope of the "European market" for this initial report includes the following countries:

- Denmark
- Finland
- France
- Germany
- Iceland
- Ireland
- Italy
- The Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland

- The United Kingdom

## EXECUTIVE SUMMARY

Overall, Europe has long been dominated by open source solutions in general, and Moodle in particular. While this remains largely the case, changes are afoot. New market entrants are gaining traction and several incumbents are seeing slower growth or no growth at all.

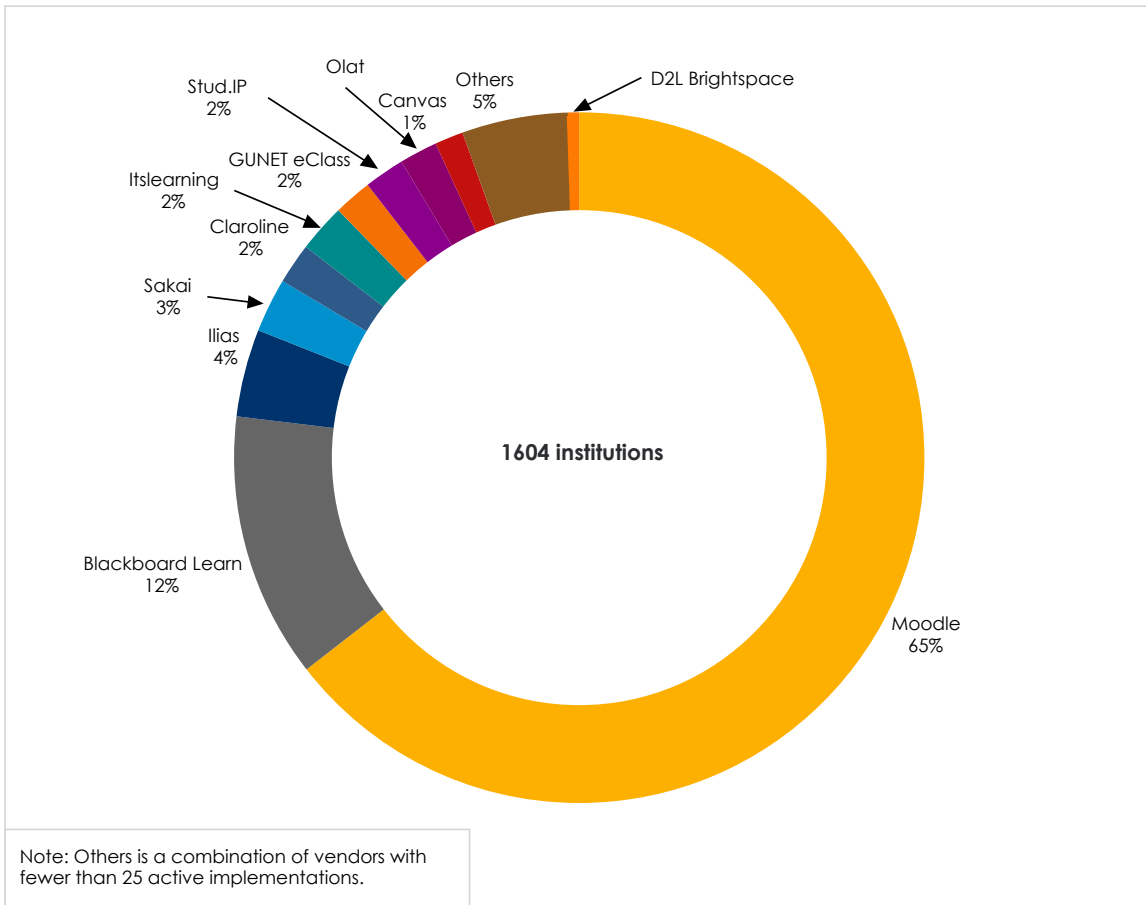
- Moodle has long dominated the European LMS market with 64% of institutions
- Blackboard Learn is the second most-used system, but it has fallen from a high of 30% more than a decade ago to just over 12% today
- Canvas has less than 2% of the market but is the fastest growing solution
- D2L has increased their market presence recently, and while they have only a handful of institutional adoptions in Europe, their LMS is frequently in the finalist lists for recent LMS selections
- There are several country-specific or region-specific solutions, such as itsLearning and its subsidiary Fronter, Stud.IP, Ilias, Olat and Claroline, but many of these solutions have been in place for a decade or more
- Despite tight privacy regulations, the use of managed or cloud-hosted LMS solutions is growing rapidly, with 44% of new implementations this year, leading to over 12% of total implementations

# INITIAL VIEW

## MARKET SHARE ACROSS EUROPE

When taking Europe as a whole, there is one LMS solution that dominates all others in terms of number of institutional adoptions – Moodle. We should note at the outset that all data presented in this report is based on primary implementations – the LMS solution that is the primary or official solution for an institution. Almost two out of three European institutions use Moodle, followed by Blackboard, Ilias, Sakai, and itsLearning. All other LMS solutions have less than 2% of total market share each.

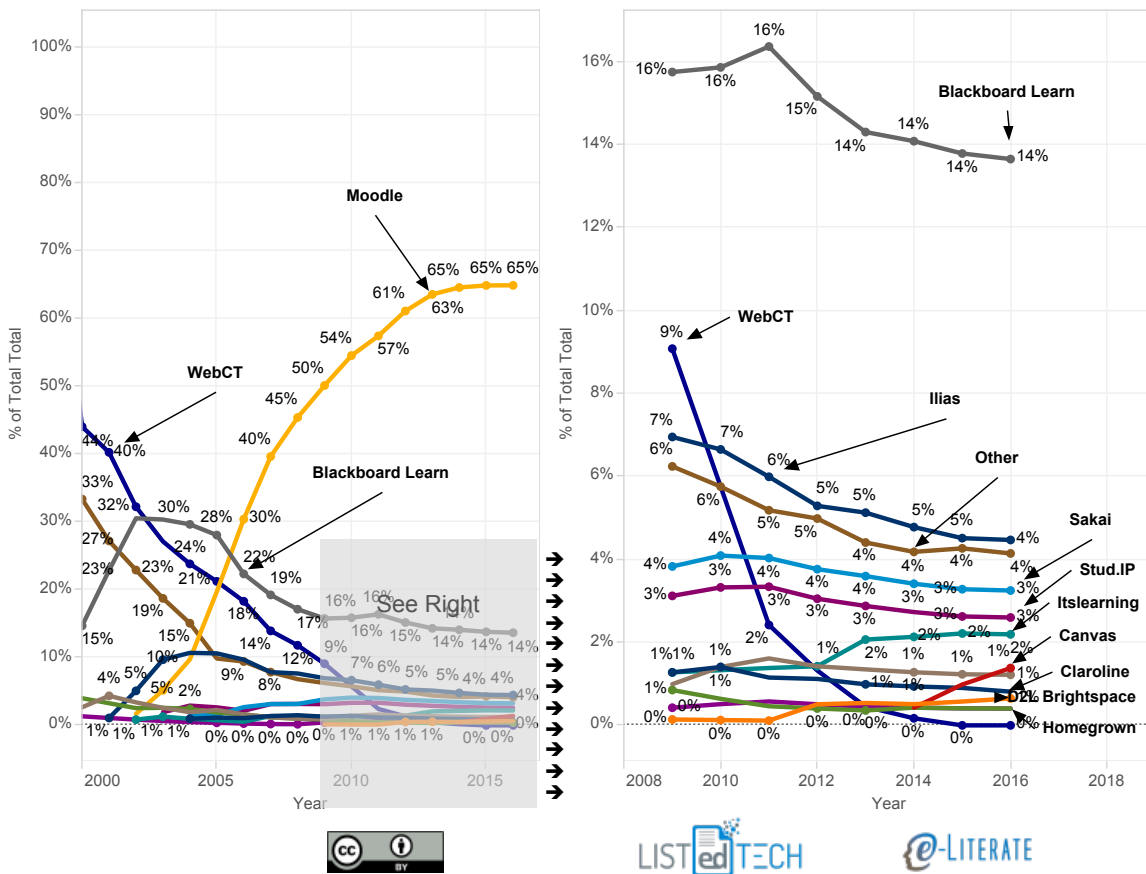
**LMS Distribution (Fall 2016)**  
**Percentage of European Higher Ed Institutions Using Each LMS as Primary System**



Note that there are several regional LMS vendors with significant influence, including Ilias in Germany and Switzerland, itsLearning and its subsidiary Fronter in the Nordic countries, Stud.IP in Germany, Claroline in France and Italy, and Olat in Switzerland.

Broadening out the market view over time, we can see the historical market share since 2000. This view shows that despite Moodle's overall lead in percentage of institutions adopting, there appears to be a plateau with no apparent market growth over the past few years. In addition, the second largest LMS solution, Blackboard Learn, is showing a clear decline in market share as is WebCT, which Blackboard purchased in 2004. The most obvious system gaining market share, just as in the US/Canadian market, is Canvas by Instructure.

### Historical LMS Market Share



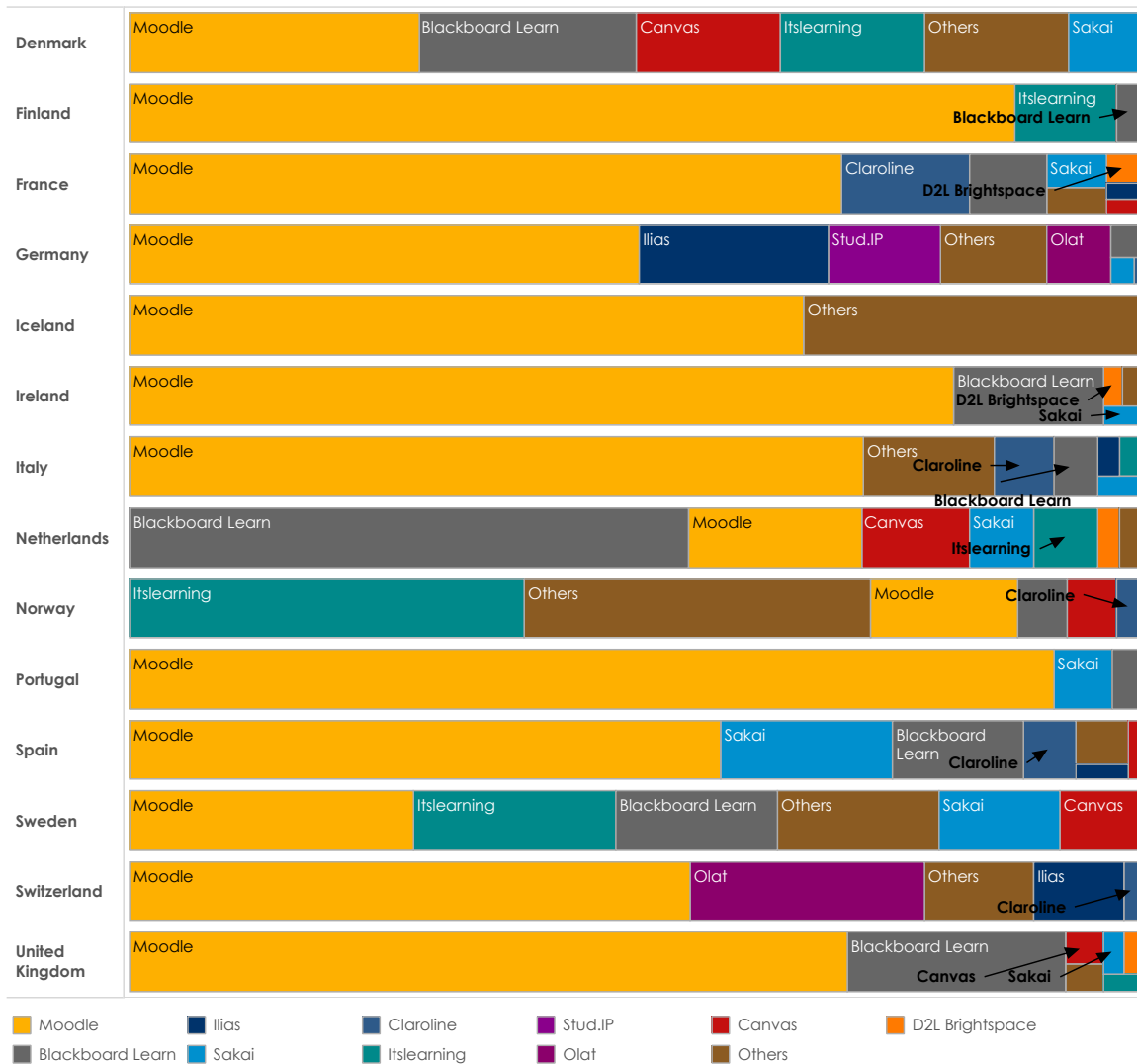
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# A DEEPER LOOK

## COLLECTION OF NATIONAL AND SUB-REGIONAL MARKETS

Despite European Union purchasing directives that affect most countries in the region, Europe can best be thought of as a geographic collection of national or sub-regional markets. The Nordic countries outside of Finland have very different purchasing patterns than the rest of Europe, as do France, Germany, and Spain.

**LMS Distribution (Fall 2016)**  
**Percentage of HE Institutions in Each Country Using Specific LMS**



- While Moodle has the largest market share in Europe, the distribution across counties is not even. Portugal, Finland, Ireland, the UK, and Italy have the higher percentages of institutions adopting the open source solution, while Norway, Sweden, and the Netherlands have relatively light Moodle adoption.
- Blackboard Learn is strongest in northern Europe, particularly in the Netherlands, Sweden, Denmark, and the UK.
- itsLearning (including its subsidiary Fronter) lead the market in Norway (its home country) and is the second most-used system in Sweden.
- Sakai has more of a broad-based distribution, although not dominant in any country, with strong presence in Spain, Sweden, Denmark, and Portugal.

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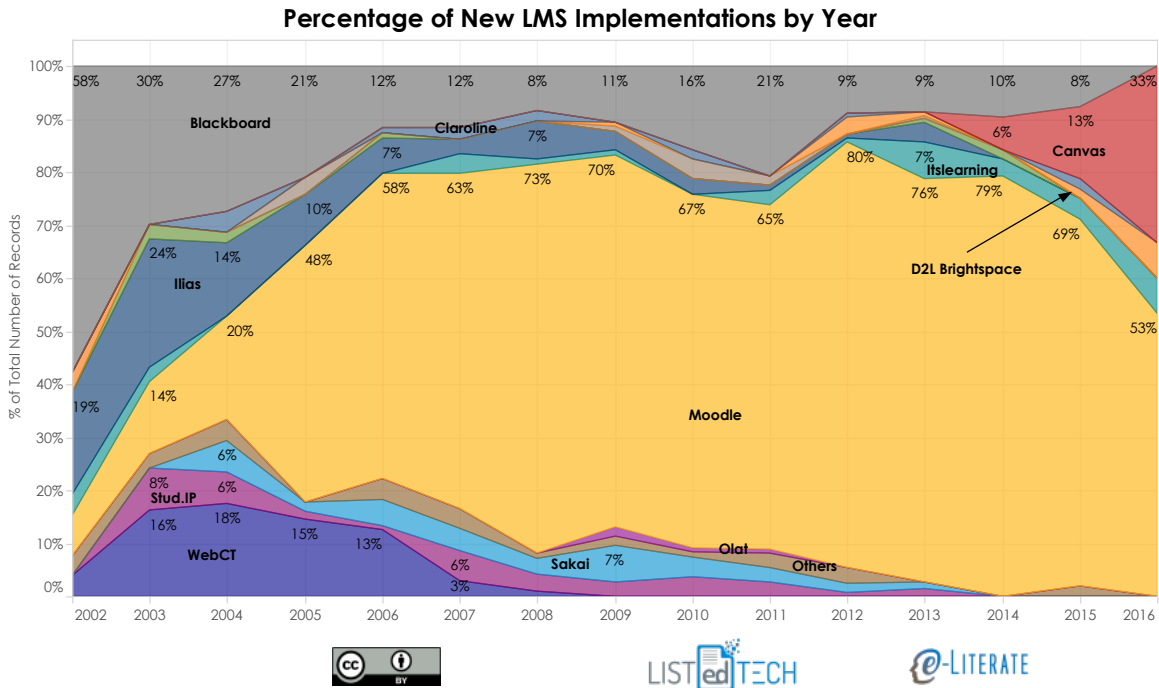
- Olat, an open source solution out of Switzerland, has its strongest presence in its home country and Germany.
- Stud.IP, an open source project out of Germany, has most of its adoptions in that country.
- Ilias, yet another open source project out of Germany, has most adoptions in Germany, Switzerland, Italy, and France.
- D2L Brightspace has most of its adoptions in the UK, Ireland, the Netherlands, and France.
- Canvas has most of its adoptions in Denmark, the Netherlands, Sweden, Norway, and the UK.

By combining systems, it is worth observing that open source solutions – Moodle, Sakai, Claroline, Olat, Stud.IP, and Ilias – make up around 77% of the LMS market. Of those, Olat, Stud.IP and Ilias all originated out of German-speaking areas (Germany and eastern Switzerland).



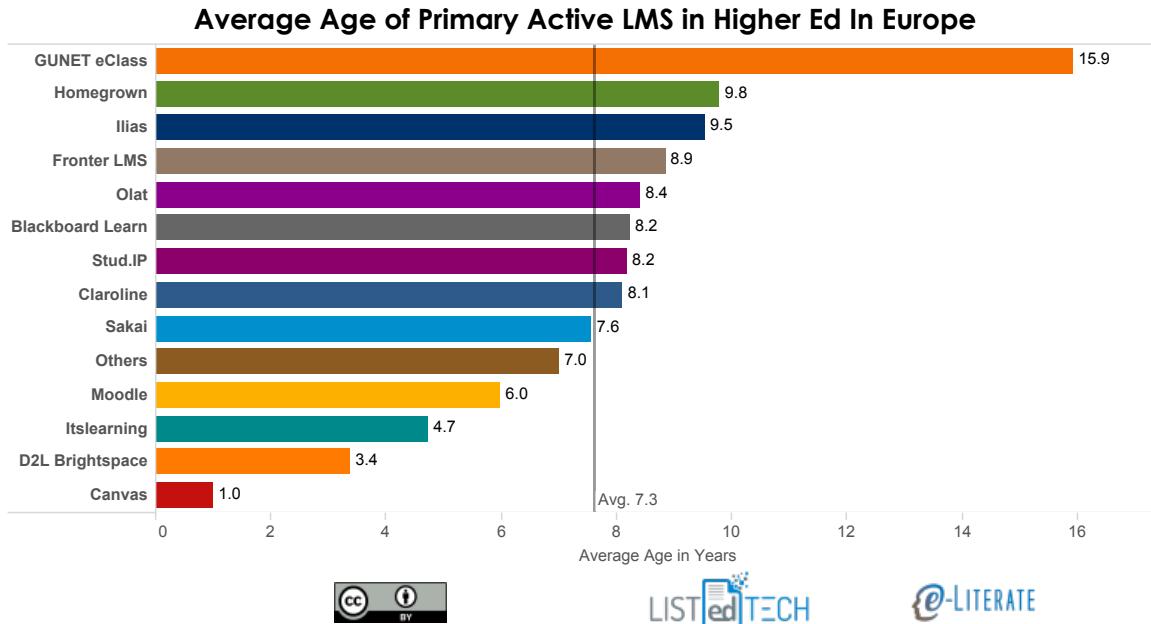
## TRENDING

Beyond the static market share data, it is worth looking at the recent trends of LMS selection decisions within Europe to determine if the market is showing signs of significant change. The following view shows the percentage of new implementations for each calendar year to get a sense of which solutions are accelerating in terms of gaining new customers and which are slowing down.



What becomes more apparent in this view is that while Moodle remains dominant across Europe, there is a deceleration of Moodle selections at the same time that Canvas is accelerating. Fully one of three LMS new selections over the past year have selected Canvas, and that number appears to be growing. Blackboard Learn, Claroline, Olat, Sakai, and Stud.IP have come to a virtual standstill, with no new implementations. Beyond Moodle's slow down and Canvas's notable growth, D2L and itsLearning both show modest growth in new implementations.

A companion view worth exploring is the average age of implementation for each LMS solution as seen below.



There is a strong correlation between these two overlapping views, as the LMS solutions with the lowest average age – Canvas, D2L, itsLearning, and Moodle – are also the systems that are growing based on new implementations, albeit at different rates. The two views are not identical, however, as Moodle has relatively young adoptions (six years on average) despite it being the market leader for the past decade. Moodle's ongoing ability to bring in new customers keeps its average age down compared to some other long-term incumbents who maintain regional market share based on 10 year old adoptions but are failing to bring on new customers, i.e. Ilias. For those platforms with an aging customer base, it is not unreasonable to ask questions about the overall health of their systems. It is movement, or trends, that we are looking for at this point.

### THE MOVE TOWARD VENDOR-HOSTED MODELS

A big technical change for the global LMS market is in who hosts the applications and how that hosting works. When the LMS market took shape in the late 1990s, each institution generally ran its LMS in its own data center. Over time, several different types of vendor-hosted options have become widely available. These alternatives provide some distinct advantages to the customers, but they also create change management challenges in procurement and IT departments.

The more recent development of cloud computing is a more complex change for customers. Different vendors mean different things when describing their offerings as being “in the cloud.” When we use the term, we mean both that multiple customers are using the same instance of the LMS (often called “multitenancy”), and also that the application is hosted and managed completely by the vendor (often called “Software as a Service,” or “SaaS”). A good example of cloud software from the end user’s perspective is Gmail. Gmail users are not aware of which version number of the software they are using, what new updates are coming or when those updates will come. They sign up for an account

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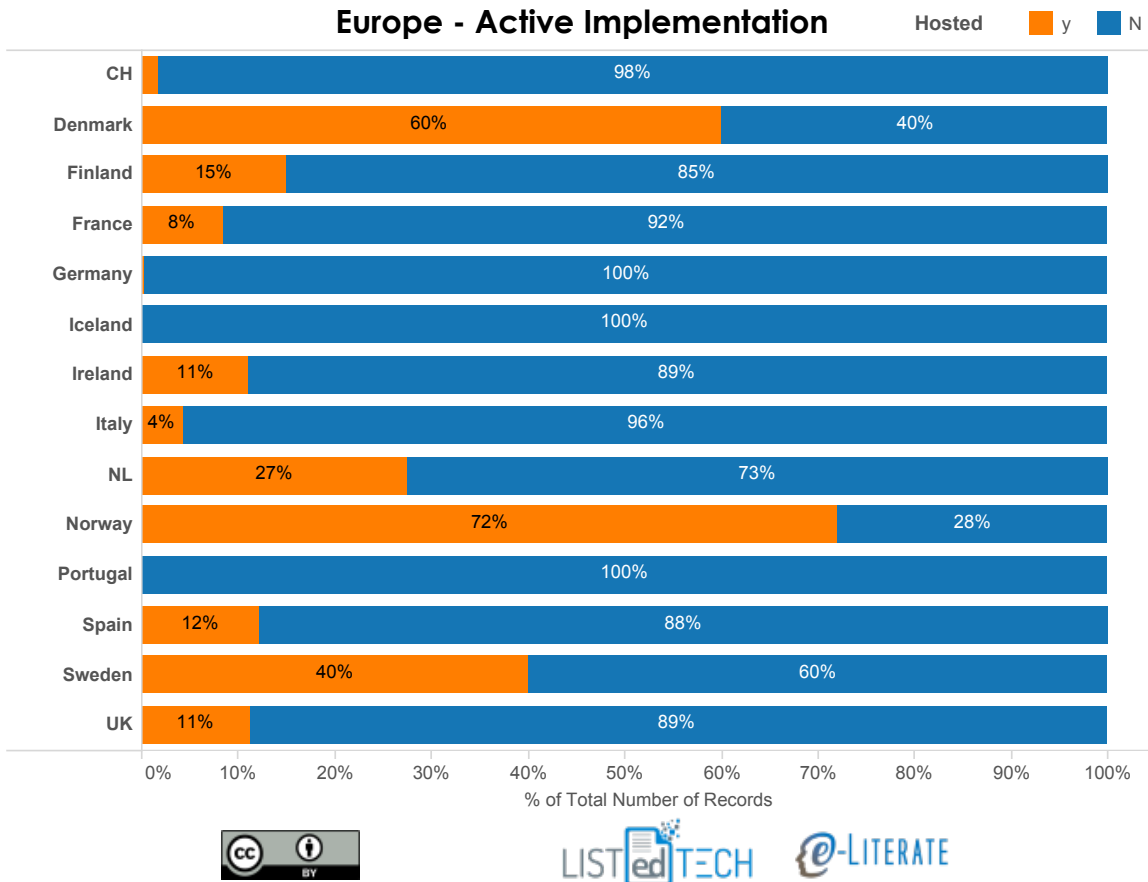
when they need one, they don't have to wait for it to be set up for them, and they don't worry or even think much about how it works behind the scenes, any more than they think about the technology behind the dial tone on their telephones. While this change has been enthusiastically embraced by consumers, it involves more complex trade-offs for institutions which go well beyond those required in moving from self-hosted software to managed hosting.

Cloud computing represents both relief from worries and a loss of control. On the one hand, cloud-style architectures can also be much more reliable than older enterprise-style architectures, and they let the vendors manage variations in hardware resource demands (such as big surges in bandwidth needs during the first few weeks of a semester). IT departments no longer have to worry about whether they have applied the latest security updates or whether they have enough disk space or bandwidth. On the other hand, the vendor controls when new features appear in the application. As a result, customer IT staff have much less control over customizing the application to the individual needs of the institution. Database designs vary in cloud models, but in general, understanding exactly how and how well their data privacy is protected requires more sophistication from the customers. And university procurement processes often need to be adjusted to accommodate the different business relationship that the cloud model requires.

In European markets, there are two factors that have historically led to slower adoption of vendor or cloud hosting models.

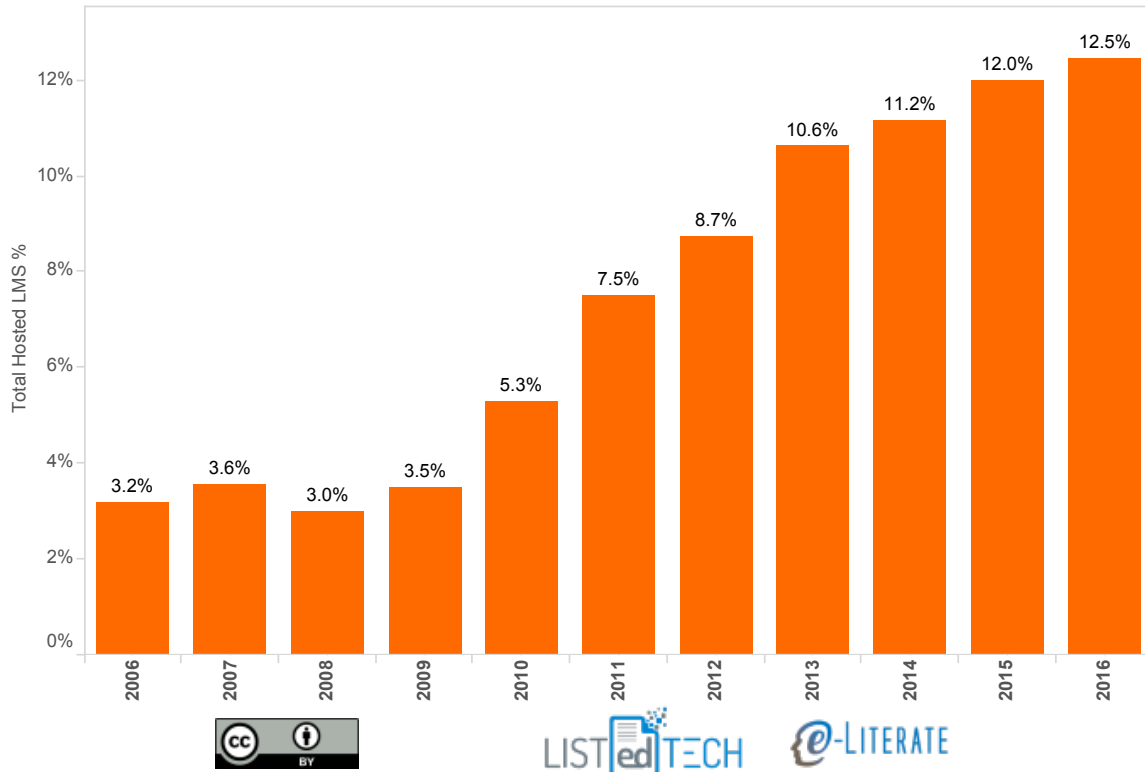
- The wide adoption of open source models – Moodle, Olat, Stud.IP, Ilias, Claroline and Sakai – has gone hand-in-hand with self-hosting, with relatively few uses of for-profit hosting companies. The price benefits of open source have been tied to self-hosting at the institution to a greater degree than seen in US/Canadian markets.
- European privacy laws – some governed by the European Union and some governed by individual countries – often prevent schools from having their data hosted in the US or Canada or countries outside of Europe. It is only recently that cloud hosting providers such as Amazon Web Services (which is the infrastructure behind Canvas, Schoology, and cloud-hosting models for Blackboard Learn and D2L Brightspace) offer data centers entirely in Europe.

The current state of vendor or cloud hosting varies significantly by country. In the views below, “Hosted” means either hosting in vendor data center or cloud hosting through an Infrastructure-as-a-Service provider.



The view above is normalized per country. When looking across Europe and over time, we can see a slow but accelerating move to vendor or cloud hosting. Today, approximately one in eight LMS implementations is “hosted”.

### Total Hosted LMS (Europe)



## CONSORTIUM PURCHASING

To a greater degree than in the US or Canada, there are a large number of LMS decisions in European higher education made through consortia. There appear to be two drivers for this growing trend in group purchasing decisions.

- There is a stronger tendency in Europe than in the US or Canada for national educational policy-making and technology infrastructure procurement.
- The EU procurement directives place a significant bureaucratic and compliance burden on schools selecting enterprise software systems. Consortia allow a coordinated group to work through the compliance burden rather than having each institution work through the process individually.

## OBSERVATIONS AND ANECDOTES

Canvas and D2L are increasingly participating enterprise LMS competitions. This is particularly true in enterprise-level northern European tenders – those with highest revenue – where Canvas and D2L are frequently making it to final rounds. Understanding Blackboard's strategy for which tenders it pursues is a little bit like trying to read tea leaves, but overall they seem to be pulling back. ItsLearning's growth strategy, on the other hand, seems to be determined largely by geography and is particularly at risk

based on current Nordic tenders that, if itsLearning does not win, could significantly change that company's prospects.

While Canvas has shown very strong growth in the last two years, it is not yet clear if they will have as big an influence as they have had in the U.S. and Canada. Rigid procurement policies and shifts toward consortia purchasing could prove a hurdle. The one thing that is clear, though, is that there are definite signs of change coming for the European LMS market.

## LOOKING FORWARD

Over the next several months e-Literate and its partner LISTedTECH will be gathering additional data to expand coverage in Europe. We will also be working with on the ground sources to gain qualitative insights on market developments.

While similarities between US/Canadian and European markets, at least in northern Europe, present opportunities for greater collaboration and networking between continents, there are accompanying downside risks of market concentration if only a smaller number of vendors remain viable.

We'll be watching several large tenders over next 12-24 months to better understand which trends are sticking.

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# APPENDIX A: DATA-GATHERING METHODOLOGY

For the data and associated graphics used in this report, we have partnered with LISTedTECH to get exclusive access to their LMS market data. LISTedTECH has the most complete and valuable educational technology data set available. Their database lists educational companies, products, and institutional characteristics.

Most of the data is updated regularly by LISTedTECH's team and is validated at the source, with additional information provided by higher education institutions. The team uses a passive approach of re-verifying data, including the contributions of 45,000+ pairs of eyes that were on the site over the past year. The wiki site uses a semantic plugin to help organize, sort, and classify the over 1.3 million values.

## **The following statistics further describe the LISTedTECH wiki as of October 1, 2016:**

- Number of Institutions with LMS data: More than 1,600 in Europe and thousands more worldwide
- Number of LMS records in total: 12,342 across 7,450 institutions (each institution might list current primary system, secondary system, and previous system)

The site includes data not only about the primary LMS supported centrally by an institution, but also about secondary systems, pilots, implementation dates, and decommission dates. Most information in this report is based on primary active systems. Where inactive (that is, decommissioned) systems are included, the graphic will highlight this fact.

The LISTedTECH team controls for bias by validating the results with publicly-available external data sources when available, as well as targeting greater than 75% representation of institutions. These methods are used to prevent over-representation of any LMS solution. Due to the novel character of this form of data organization, we cannot guarantee a 100% accurate representation of the market. The reader should be aware that the primary value of the data is in showing relative trends and comparisons of different LMS solutions rather than absolute counts of systems.

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## APPENDIX B: MORE INFORMATION

This report is a free, publicly-available publication from the e-Literate Big Picture: LMS subscription service. Future updates will be shared through that subscription service as well as broader market analysis from the US / Canada and monthly market updates. For more information on the subscription service: [follow this link](#).

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