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Learning Services in SaaS: Ready to leave the nest and soar

PART OF A SERIES ON SAAS & SUBSCRIPTION MODELS

Table of contents

- 03** Introduction
- 04** Role of learning services in orchestrating customer outcomes
- 07** Learning strategy and its alignment to organizational needs
- 10** Role of partners in learning
- 12** Winning moves across providers
- 15** Acknowledgements & Endnotes



Learning Services in SaaS: Ready to Leave the Nest and Soar

In a previous paper titled 'Driving sustainable & repeatable growth in Enterprise SaaS,¹ we laid out the growing importance of Net Dollar Retention (NDR) as a critical metric of a company's ability to retain customers.

Retention is closely linked to providers' ability to deliver customer outcomes through seamless orchestration of customer success, professional services, technical support, learning services, and field services, which collectively can support higher NDR. This piece dives deeper into the role of learning services in driving customer outcomes and articulates key decision points for CCOs and leaders of Learning services organizations. Learning services – sometimes called Training or Education – has historically comprised instructor-led training (ILT) and certifications to grow product knowledge among users. However, today it is increasingly expanding to include new modalities such as digital on-demand courses, live online classes, expert webinars, self-service content like blogs, videos, interactive platforms, in-product and community-led Learning.



Role of Learning services in orchestrating customer outcomes

Enterprise adoption and deployment of emerging technologies across areas of Network, Security, Automation, IaaS/PaaS, and Digital Workplace are changing the learning dynamic, requiring employees to continuously upskill and reskill.

Today, technical skill shortage in the workforce is more significant than ever. Indeed, over the next decade, this is only expected to increase with a shortage of 85 million tech workers predicted by 2030², which will severely impede the ability of companies to execute digital transformation. This shortage is further complicated by the nature of SaaS innovation, where solution providers continuously release features and extend product capabilities, burdening customers to upskill to ensure adoption and value realization. As such, providers have an increasingly critical role to play in reskilling and upskilling. When done effectively, the opportunity for value capture is substantial.

A report by IDC³ found that staff trained through provider-offered learning services see greater productivity, risk mitigation, and a reduction in infrastructure costs. According to the study, investment in Learning and Development can lead to a 59% faster deployment of resources, 44% improvement in productivity of DevOps teams, and 34% gains in infrastructure efficiency compared to those without training. Therefore, in subscription and increasingly consumption-based business models, learning services are becoming critical to orchestrating customer outcomes. Companies that can deliver, quantify, and communicate ROI on the solution deployed will be more successful in improving NDR.

Learning services were traditionally positioned post-purchase, but due to these changes, it has evolved to command a more strategic role across the customer lifecycle. In our experience, many providers do not invest to maximize the potential of Learning services and have a myopic lens to the business potential. Instead, there is a real opportunity for Learning services to punch above its weight and drive tangible and sustainable results by orchestrating outcomes across the customer journey – or “leave the nest and soar.” Below, and with numbers mapped in Figure 1, we discuss this in greater detail.



- 1. Awareness:** Community events, forums, and expert sessions can influence brand perception and an provider's ability to position its offerings. During inbound prospecting, free foundational courses can help customers understand product capabilities and their relevance in solving business problems, which can also improve the quality of leads
- 2. Evaluate:** Do-it-yourself (DIY) assessment tools and customized learning pathways for individuals and organizations alike can help providers articulate a vision to deliver customer outcomes
- 3. Purchase** Learning services that are seamlessly priced and packaged – not as a separate line item – into the offering can improve the purchase experience and sweeten the deal
- 4. Train & Onboard** Considering 63%⁴ of customers consider a provider's onboarding critical to the purchase, the quality of content available at 'first contact' – from on-demand training to certifications – can be vital to driving adoption

- 5. Adopt & Consume** Product-related guidance delivered in the optimal form, at the right time – increasingly "in the flow of work" – can improve proficiency and reduce usage friction
- 6. Support** Communities, provider and user-generated videos, and other self-help resources like wikis can resolve issues quickly and deflect support requests; in addition, self-help is increasingly preferred by end-users, even as admins continue to rely on traditional support
- 7. Renew & Expand** Recommended learning, based on persona, product, and use cases to help build capability, position new use cases and build deeper product affinity, which can support greater Renewal ACV and Incremental ACV
- 8. Advocate** Communities that support recognition, such as badging, networking opportunities, and exclusive access for "super users" and product champions including access to product betas, website featurettes, can drive brand advocacy, and in-turn create new customers in the future

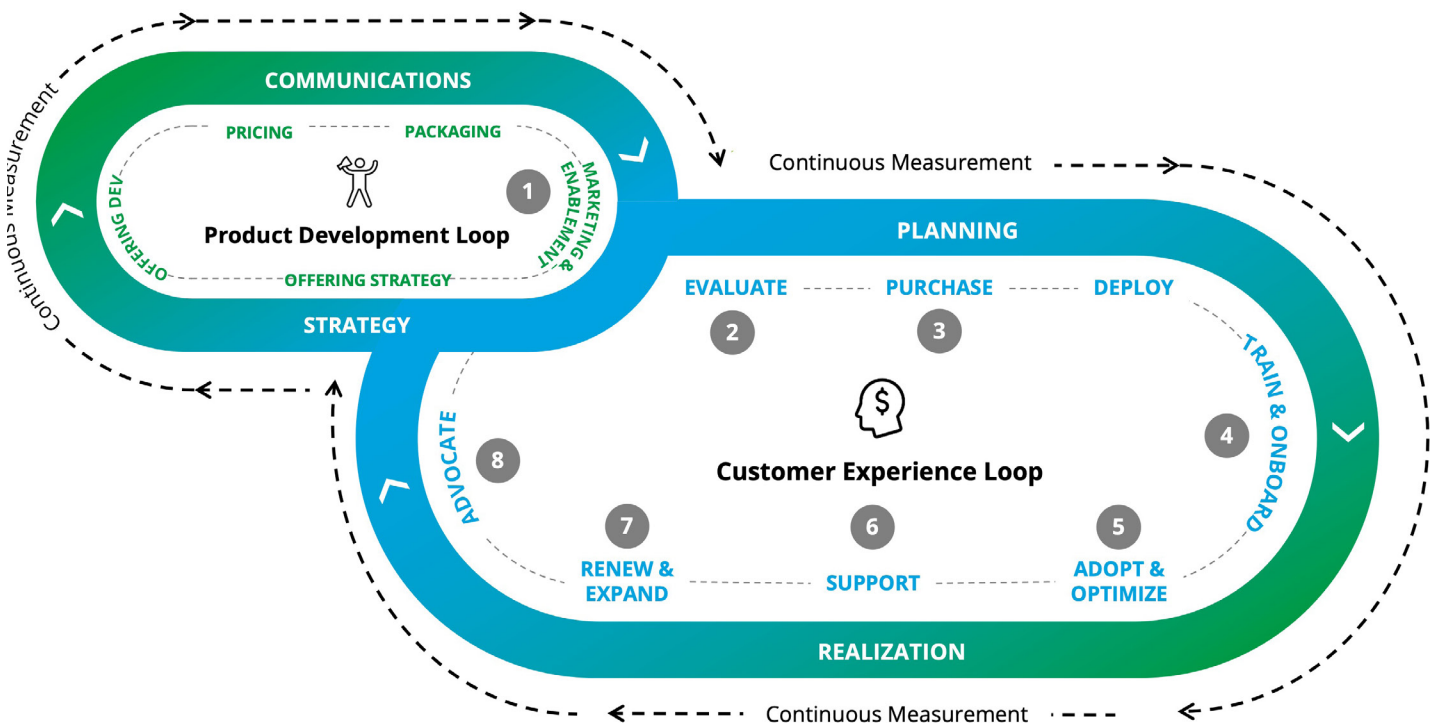
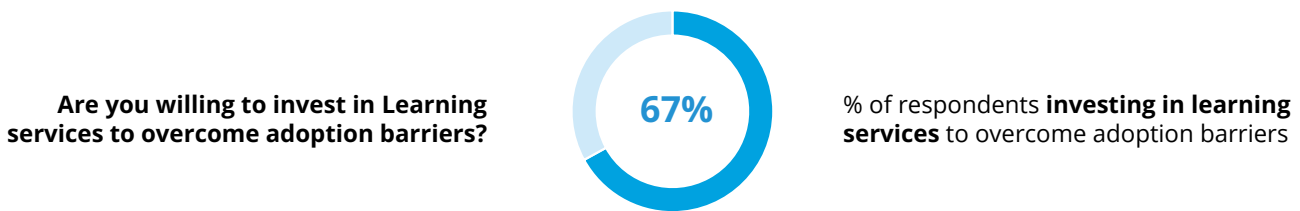


Fig 1. Learning touchpoints across a typical customer lifecycle

Indeed, when deployed strategically, Learning services can create value for providers far beyond service revenue, and drive adoption and consumption, support deflection and cost optimization, and even advocacy. However, the potential of Learning services often never reaches customers, as over 60%⁵ of respondents in Deloitte's Software Platform Buyers Survey express a lack of platform intuitiveness as a significant barrier to adoption. As such, there is willingness to pay, more than ever, for value-added learning services that can improve productivity and adoption, particularly when it meets their experiential expectations during "first contact" – or during pre-sales stages. Specifically, over 67%⁵ of buyers are willing to invest in Training and Education to overcome barriers in product adoption (Fig. 2). As a result, it is critical for Learning to partner with Marketing, which traditionally has a significant role to play along the pre-sales stages of the customer lifecycle, to position and package learning, and equally with Sales, to ensure that sellers and partners are equipped to discuss the value of learning for their customers.

While there is an evident willingness to pay, customers are also demanding more from Learning offerings due to evolving nature of the digital workplace and dynamics of remote work, many of which are included in the bottom half of Fig 2. In particular, respondents cited evolving work habits as a critical purchase factor for learning services, with demand for bite-sized, personalized, localized content in the flow-of-work arising from lower attention spans and limited bandwidth available for upskilling. Along similar lines, more than half of respondents sought a simpler buying experience, including one-stop bundles for advisory, Learning, and support needs and flexible credits that can be drawn down towards a range of services – Learning and others. These bundles provide an opportunity for vendors to streamline existing portfolios and introduce new packages in sync with broader subscription sales motions.

While customers have begun to coalesce around a clear set of expectations, providers across the marketplace have diverged in their response to evolving needs, including the role of Learning, the type of services offered, and measures of success.



Respondents indicating a high willingness to pay for emerging Learning services (%)

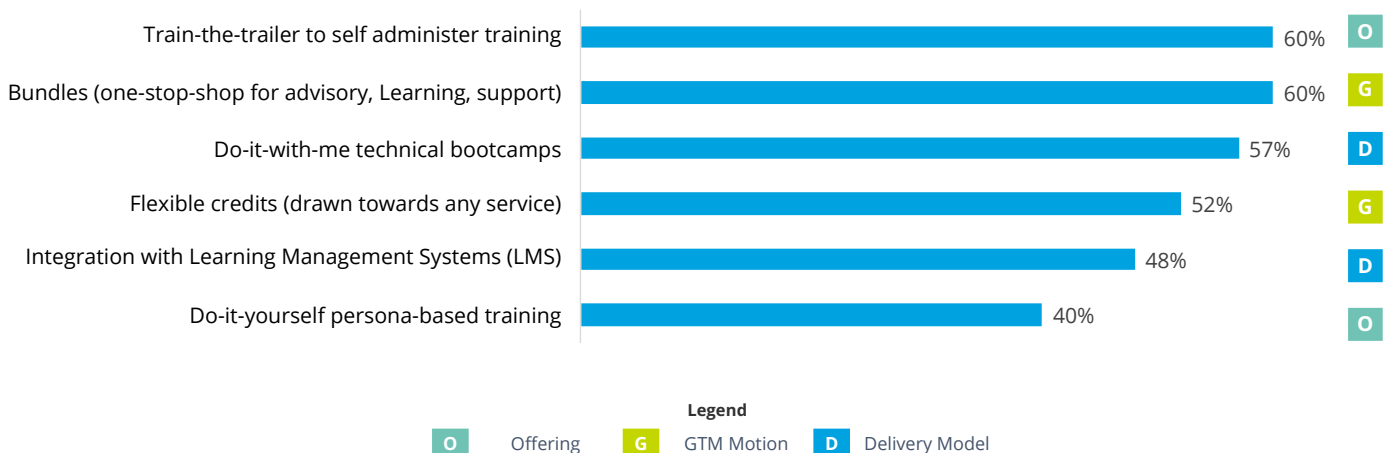


Fig 2. Deloitte Software Platform Buyers Survey (N=200)



Learning strategy and its alignment to organizational needs

The industry comprises providers with varying business models for the learning business – from *'value sharing'* or learning focused on product adoption to *'value capture'* or Learning focused on financial metrics like revenue, contribution, and margin.

Traditionally, enterprise software companies like Red Hat have monetized the strong market demand for their technical certifications and role-based learning content and operate the business to capture the financial returns available in the market. On the contrary, companies that view Learning services as a driver of adoption and retention lead with large volumes of free content to proliferate Learning, deflect support requests, and build community.

Similarly, the scope of content can also vary from technical and product-focused to ecosystem, verticalized, and outcome-oriented Learning. While technical learning content is table stakes, the increasing complexity of tech platforms and solutions often requires more role and domain-focused learning content and certifications. For example, Red Hat's role-based learning courses are organized for developers, Devops engineers, Business manager and IT ops personas. Even here, the limits are challenged.

Pushed by Hyperscalers with large customer bases and access to capital, other learning organizations now increasingly support holistic development among learners through K-12 education content, STEM and coding basics, interpersonal skills, and leadership development classes. This approach rapidly builds brand recognition and creates thriving job economies around captive products and platforms.

In our experiences serving providers across the marketplace, we see providers coalescing around four archetypes, defined by their business models and content strategies: those that Enable adoption, Enhance competency, Extend the knowledge base, and Evangelize the business (Fig. 3).

Each archetype represents a vision for the Learning business and reflects a set of strategic choices and product, operational, and technical implications.

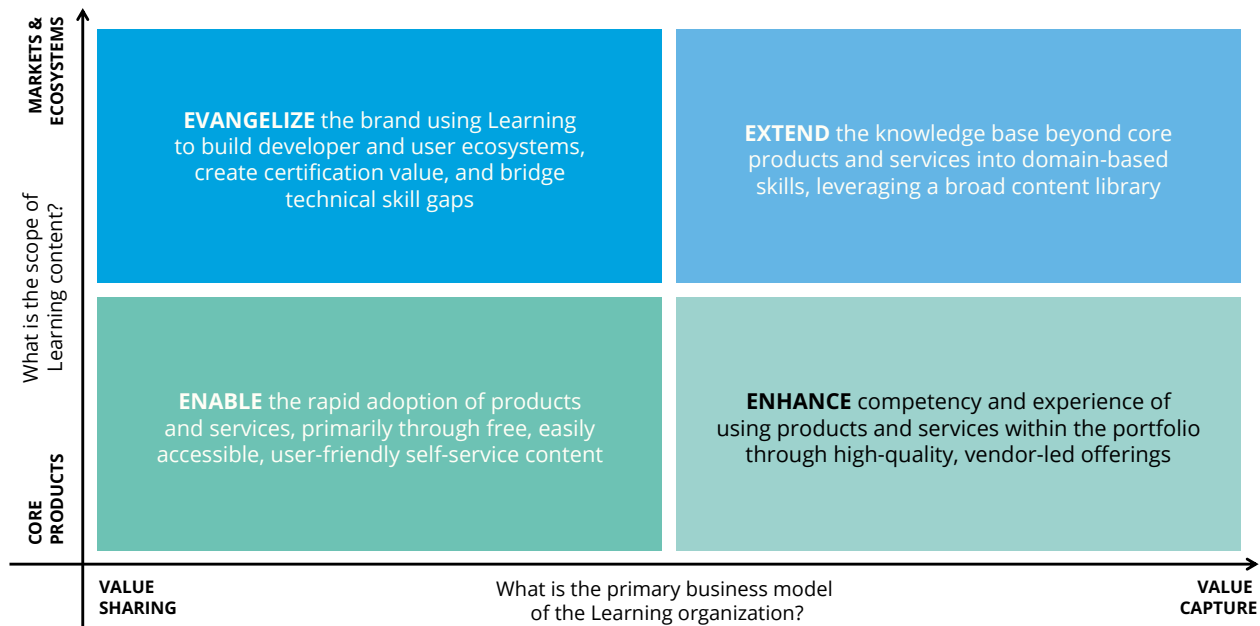


Fig 3. Learning Services Archetypes

Enable Adoption

Companies early in their maturity, or those with products focused on individual users or small teams, such as Datadog, leverage learning services to Enable rapid adoption. Typically, these providers also have product portfolios built for bottom-up usage and emphasize self-service, in-product guidance, and user/community-led content. The DIY nature of these learning products doesn't lend themselves to business models with direct monetization but instead offers a scalable way to optimize cost-to-serve. Often, access may be restricted to paying subscribers and registered community members, creating an additional incentive to purchase the product.

However, as companies mature and, as a result, move into new customer segments, often Enterprise, and expand their product portfolio and use cases, they often see an opportunity to monetize parts of the portfolio. For example, Datadog initially offered Learning via documents, blogs and videos - still their primary channel - available to website visitors, but have since expanded to more formal coursework made available to customers.

Enhance Competency

Most SaaS companies design their Learning services business models around a post-sale revenue stream to Enhance product competency and experience for partners and customers alike. These companies typically offer a high-quality and "full range" of product-centric learning content and certifications that comprise ILTs and on-demand content. Often, a large user base combined with market value for certifications also supports this monetization strategy. However, making these investments viable has led to dedicated sales and sales engineering teams with supporting coverage and quota.

Over the past couple of years, companies that adhere to the 'enhance competency' archetype have invested in improving the value proposition and attach rate of their monetized offerings. For example, VMware offers digital learning subscriptions for individuals through enterprises to build solution-focused skills, packaging on-demand content into learning pathways and certification preparation modules.

As companies scale and become profitable, they tend to expand content beyond core products and technologies to more skills and outcome-based content to access new users and markets.

Extend Knowledge Base

A few companies with a large, captive user base, high certification value, and stable growth in their core business are beginning to extend the knowledge they offer beyond core products and services into domain and industry-based offerings. Here, learning services are positioned as a one-stop shop for skill-building and are typically sold as bundled, subscription-based offerings with several persona-focused learning paths and supporting content. Over time, these organizations add new content and modalities to meet the needs of a broader set of learnings.

For example, ServiceNow’s Now Learning platform offers an integrated experience across ILTs, on-demand Learning, and 3rd party content from services like YouTube, Vimeo, and WordPress. The platform also includes a community, enabling learners to showcase achievements and recognition while offering networking opportunities with peers and experts.

However, there is still more market leaders can do – use Learning services as an instrument to shape markets and job economies around their portfolio.

Evangelize Business

The largest as-a-service companies – those with platform scale, a large user base, and a ‘sticky’ product – have begun to position Learning services as an offering that builds brand recognition among

captive and new user bases while driving product adoption, consumption and subsequently, greater NDR. The content libraries are often sizeable and include free digital courses with some monetization of ILTs, Labs, or highly custom content. No doubt, these organizations use learning offerings to proliferate new skills and certifications, build job ecosystems around their offerings, and close skill gaps in the workforce.

For example, Salesforce expects to generate 9.3M jobs⁶ by 2026, most of whom will access their Trailhead platform. Similarly, Microsoft expanded its portfolio of free, digital content through the launch of Microsoft Learn and has attempted to innovate through LearnTV, which features live streams, shows, and instructional videos from Cloud Advocates, product group heads, and community members. To date, tens of millions of dollars have been committed by a handful of companies towards upskilling and reskilling programs for a range of audiences, including students, veterans, economically challenged workers, and those re-entering the workforce.^{7,8}

While these archetypes can follow a maturity curve, we often see organizations leapfrogging the natural order for various reasons, including brand recognition, customer adoption, and increasingly, social initiatives as part of broader ESG commitments. However, providers cannot build scale alone, and we’ve seen that those that create the most significant impact have a scaled channel capability.

	ENABLE ADOPTION	ENHANCE COMPETENCY	EXTEND KNOWLEDGE	EVANGELIZE BUSINESS
Breadth of Portfolio				
Learners				
Investment				
Learning Revenue				
Learning Margin				
Size of Ecosystem				

Legend
 Not a meaningful driver Significant driver

Fig 4. Comparison across Learning Services Archetypes

Role of partners in Learning

Historically, Learning partners have focused on reselling classes and certifications or delivery of these classes, but these roles are quickly giving way to newer, more expansive learning partnerships.

Learning partners come in various forms - from specialized, independent vendors to scaled, system integrators who resell not only learning but also products and other services. This model has been successful for providers and partners alike and continues to be a critical revenue source for most providers. However, some companies have expanded partnerships to co-develop content with their most trusted partners. For example, AWS and SAP have co-developed certification paths and now deliver them on a revenue-sharing basis⁹. Similarly, a whole new category of learning marketplaces like Coursera and Udemy have emerged as delivery partners and are increasingly used to grow audiences for training and certification, especially in non-US territories. This paradigm has pushed companies to re-evaluate their partner programs to make them more inclusive and profitable. AWS also launched the AWS Training Partners programs that consolidated three previously distinct programs for resellers, delivery partners, and marketplaces into a unified program, enabling AWS Training Partners to field all AWS Training¹⁰.

More recently, providers are leveraging the channel in an innovative way: community-generated content (CGC). CGC is often hosted on captive platforms and takes the form of blog posts, testimonials, product how-to videos, reviews, and brand-related social media content generated by customers, loyalists, and employees. CGC provides an avenue for these providers to interact with and grow their communities while extending brand recognition and managing cost-to-serve. Further, customers are 2.4x more likely to view CGC as authentic¹¹ compared to vendor-created marketing content, which can help build trust and positively influence purchasing decisions.



Looking ahead, companies will need to put in place a partner strategy that aligns with their monetization and learning consumption goals. In a previous article,¹² we discussed evolving partner roles in Industry 4.0, which also adapts to Learning programs. Fig. 5 showcases the different roles that partners can play in the design and delivery of Learning.

Selling Allies, or resellers and digital marketplaces, are the engines of growth that help expand footprint by taking offerings to market.

Delivery Champions or specialized learning partners are used to extend a provider's delivery capabilities, reach, and develop localized learning courses.

Ecosystem Pioneers such as GSIs and MSPs, can play an important role in white labeling or co-developing content that integrates product and domain-based content, while also providing a scaled channel to drive consumption.

Finally, **Joint Innovators**, or strategic partnerships for co-developing content with other OEMs, can help position the integrated solution for large wins in the market.

Ultimately, the channel is one component, albeit a critical one, of the transformation many Learning organizations are undertaking. Most will take one or more 'big bets,' to create a balance between monetization and consumption.



Fig 5. Learning Partner archetypes

Winning moves across providers

Irrespective of the archetype that providers adopt or aspire to, five universal principles can collectively create customer engagement and drive provider success.

Today's learning marketplace is full of providers and platforms vying for the attention of customers, employees, and partners. Moreover, learners themselves expect to consume in markedly different ways and for reasons beyond certification like upskilling, efficiency gains, and community engagement. Customers are also increasingly willing to pay for these services. While monetization – specifically, the 'enhance competency' and 'extend knowledge base' archetypes – will likely remain the dominant choice, companies must balance product adoption, financial return, and customer satisfaction goals. However, no matter the archetype, we believe that Learning teams can benefit from five winning moves.

1. Streamline the content supply chain: Customers consider content quality a critical barrier to developing and maintaining the skills required to ensure product consumption and value realization. A clear understanding of audiences, preferences, and interactions should actively shape topics, formats, and channels. In addition, focusing on persona-based learning paths and certifications is can also drive engagement. For example, companies are re-packaging existing content into new modalities such as on-demand courses and "bite-sized" videos.

2. Integrate platform experiences: Next, we increasingly see a convergence – in teams, technology, and content – across employee, partner, and customer learning. Regardless of the archetype, an integrated



platform for all learners is critical for consistent brand and experience around a provider's learning products. Moreover, a centralized platform can drive operational efficiencies by rationalizing operating costs and optimizing time-to-market.

3. Enable seamless purchasing: Apart from creating right-sized packages of learning services based, companies are enabling seamless, digital-first purchase motions, including auto-attach, outcome-based bundles, and on-demand credit purchases. These low-friction pathways drive a 'zero-cost' perception, or make it easy for customers to self-serve. However, providers often are challenged by internal blockers such as financial carve out processes and e-commerce capabilities.

4. Expand to entirely new partner types: While resellers and delivery partners will continue to drive growth, providers must expand to engage new types of partners, including digital marketplaces, educational institutions, independent creators, developers, and domain experts in design and delivery of learning offerings. UGC can also be a cost-effective and rapid way for smaller companies to get to market.

However, role of community and UGC needs to be strategically evaluated and deployed in alignment with overall product strategy to prevent brand dilution and user fatigue.

5. Fold Learning into the DEI mission: Many enterprises today have clear Diversity, Equity, and Inclusion (DEI) strategies, and Learning services must be part of this mission. The most proven route is digital skills proliferation, including expanding access through scholarships, grants, and job placement programs. These programs can even lead to high-profile marketplace partnerships, create a talent pipeline and brand recognition among untapped customer segments.

Companies are at an inflection point where customer, partner, and employee Learning needs are converging. Just as customer learning is key to product adoption, partner learning is a critical enabler to scaling the ability to deliver customer outcomes. Moving forward, learning teams will need to transcend these organizational boundaries to provide a unified set of content, courses, and outcomes that create value for every persona – no matter who they are or where they report. This change, while significant, can extend brand value through differentiated multi-channel experiences, operational efficiency through simplified and scaled operations, and a pathway to NDR expansion through greater awareness, adoption, and consumption.



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