

Saba/Centra Deal Further Consolidates E-Learning Market

Waldir Arevalo De Azevedo Filho, Lou Latham

E-learning vendor Saba will gain a larger customer base and market share by acquiring Centra Software. Expect this deal to result in more collaborative and comprehensive e-learning suites from Saba.

NEWS ANALYSIS

Event

On 6 October 2005, Saba announced that it will acquire Centra, a Web-conferencing and virtual-classroom provider. The deal is scheduled to close in 1Q06.

Analysis

This deal follows a series of mergers and acquisitions in the e-learning market. Gartner expects this market consolidation to continue and intensify until 2008.

Saba can use 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, such as SumTotal. This acquisition also may affect adoption of e-learning products from enterprise resource planning and human resources (HR) vendors, such as Oracle and SAP, that are trying to increase their e-learning market shares. Saba's competitors will need to improve their classroom capabilities or reinforce their partnerships with other providers to retain leadership status.

For Saba's customers, this deal will potentially add Centra's collaborative functions, which build on Saba's e-learning and strategic human capital management approaches. This deal should help customers ward off internal pressure to switch to HR-centric platforms that are not so focused on e-learning functionalities. This deal also generally makes Saba a stronger player, and it potentially provides more opportunities for Saba to cross-sell and up-sell.

Centra's customers should expect the combined company to continue to operate its products separately for the immediate future. Gartner expects to see a combined product and more incentives for Centra customers to move to Saba's integrated suite by 2007.

Customers of both companies will not face disruptions from this deal, since the companies' products are already integrated. These customers likely will enjoy reduced costs for Saba-centric implemented solutions.

Challenges for Saba include addressing the organizational and cultural changes, and investment demands, that come with an acquisition. Saba also must establish a clear strategy for how it will manage Centra's core market, along with its own core market in e-learning.

Recommendations

- Consolidation is reshaping the e-learning market, and many organizations will find they have invested in orphaned products. Consider viability, interoperability standards such as SCORM (Sharable Content Reference Model) and the use of Web services when selecting an e-learning vendor.
- Ensure that any deal you sign guarantees full product support and stable prices for the life of the contract.

Analytical Source: Waldir Arevalo and Lou Latham, Gartner Research

Recommended Reading and Related Research

- "Saba Buys a Customer Base with THINQ Deal" — Saba gained market share, but not technology or people, by buying one of its competitors, THINQ Learning Solutions. **By James Lundy and Waldir Arevalo**

- "Magic Quadrant for E-Learning Suites, 2005" — E-learning suite vendors continued to expand their products' functionality and market presence. **By Waldir Arevalo and James Lundy**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509