



# Parthenon Perspectives

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**An EdTech Frenzy: Identifying those  
that will endure and maybe even thrive**

July 24, 2014

# An EdTech Frenzy

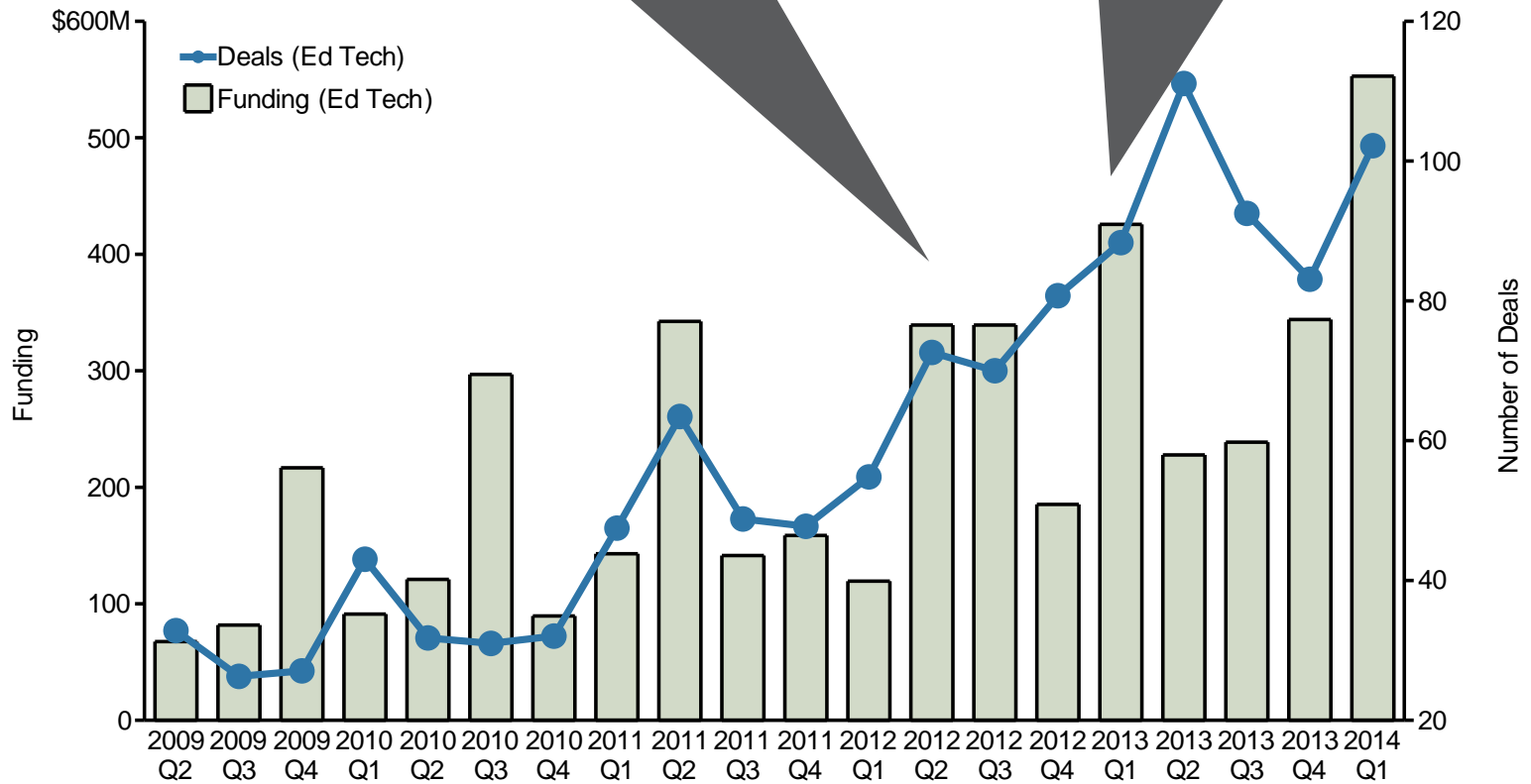
...and the money continues to flow into the sector



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“Venture Firms invested around \$600 million into ed-tech startups in 2012”  
– *Fortune*

“Over the last eight quarters, more than 3/4ths of all Ed Tech deals took place at the seed or Series A stages” – *CB Insights*





# A Taxonomy

## Most organize EdTech plays by function or purpose

### EdSurge Edtech Index

#### Curriculum Products

- Arts
- Language Arts
- Math

#### Teaching Aids

- Classroom Mgmt
- Grading & Attendance
- Collaboration tools

#### School Operations

- Communications tools
- Data systems
- LMS

#### Post-Secondary

- ePortfolios
- MOOCs
- Persistence

#### Everything Else

- Authoring tools
- Games
- Tutoring

**But, those that scale over time tend to align with a few core thematic plays**



### Tech enabled content that fits existing workflows

- Fit into, don't fight established workflows
- Augment, don't replace, established curriculum approaches

- Formative assessments
- Homework solutions

### Technology that brings the provider closer to instruction

- Control the delivery and thus the efficacy
- Capture tuition dollars

- Homework solutions
- Digital intervention

### Workflow solutions

- Automate for "better, faster, cheaper"

- LMS
- Anti-plagiarism

### Tech enabled services

- Sell the service – deliver with technology in the background

- Online enablers
- Drop-out prevention / recovery

*Tend to be more content/academic in nature*

*Tend to be more institutional services in nature*



100 years ago...

**“Books will soon be obsolete in the public schools.** Scholars will soon be instructed through the eye. It is possible to teach every branch of human knowledge with the motion picture. **Our school system will be completely changed inside of ten years.”**

- Thomas Edison, 1913

# Content



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No, really, the future of education is just around the corner, about to revolutionize the system...

Today!



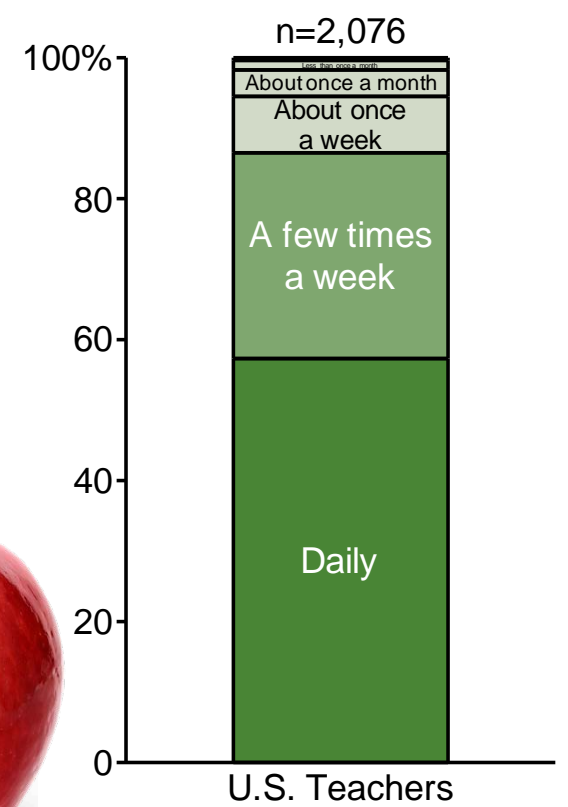


Teachers (and administrators) are increasingly comfortable using technology in the classroom

Teachers have the comfort levels to adopt education technology and are excited by the digital offerings available.

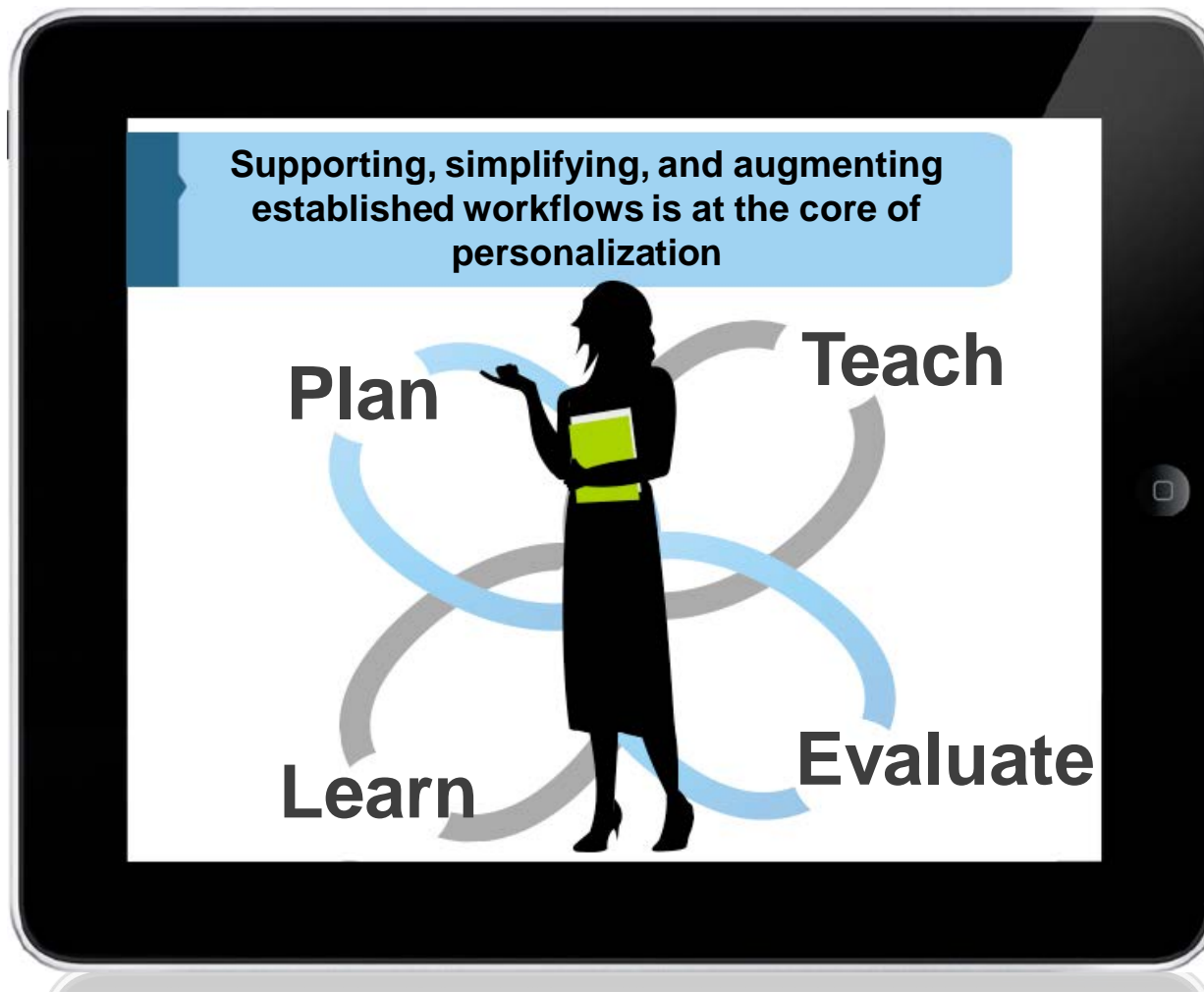


Teachers' Frequency of Internet Search Engine Use to Source Classroom Content

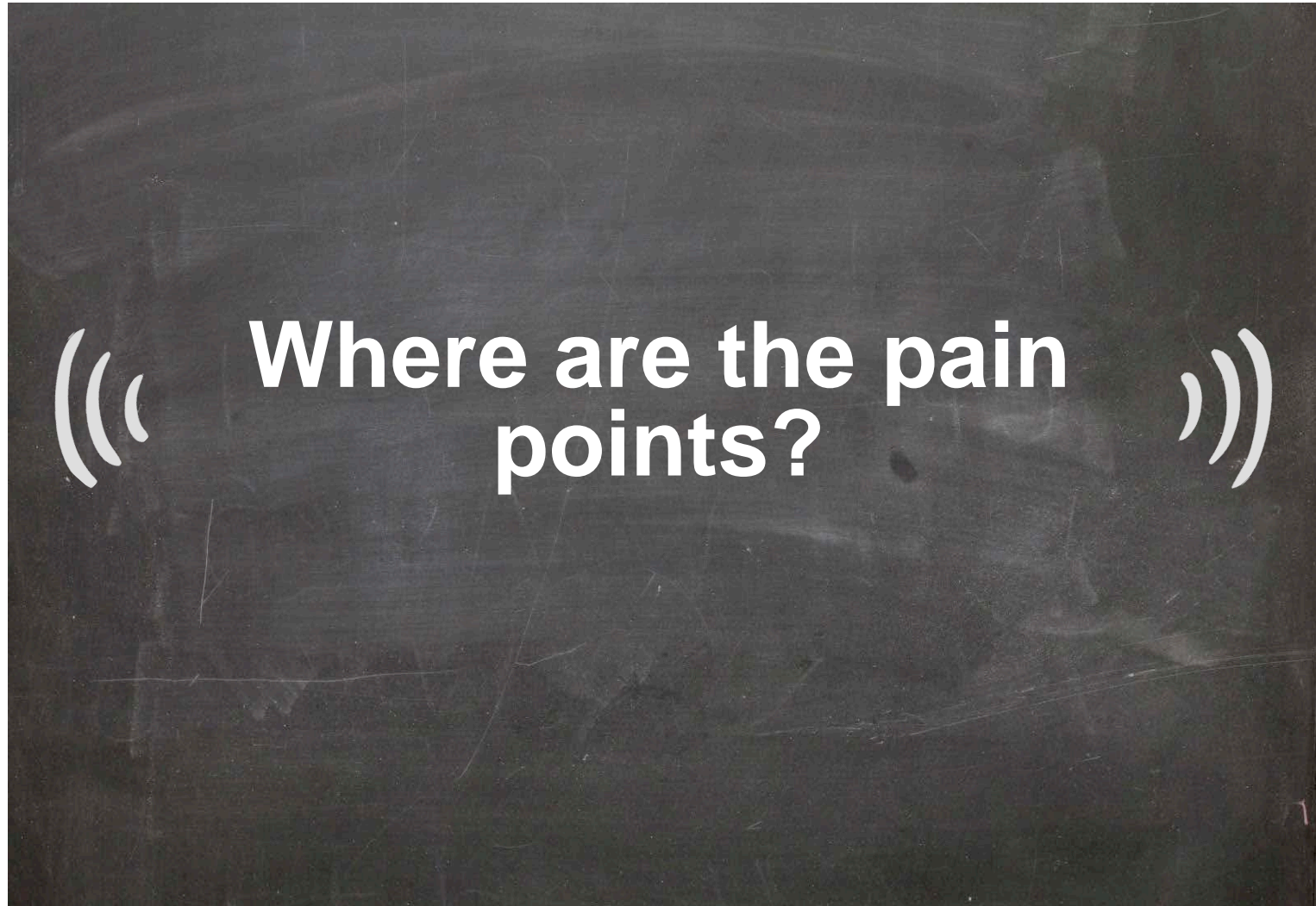




## Digital solutions are finding their way into the established teaching workflows





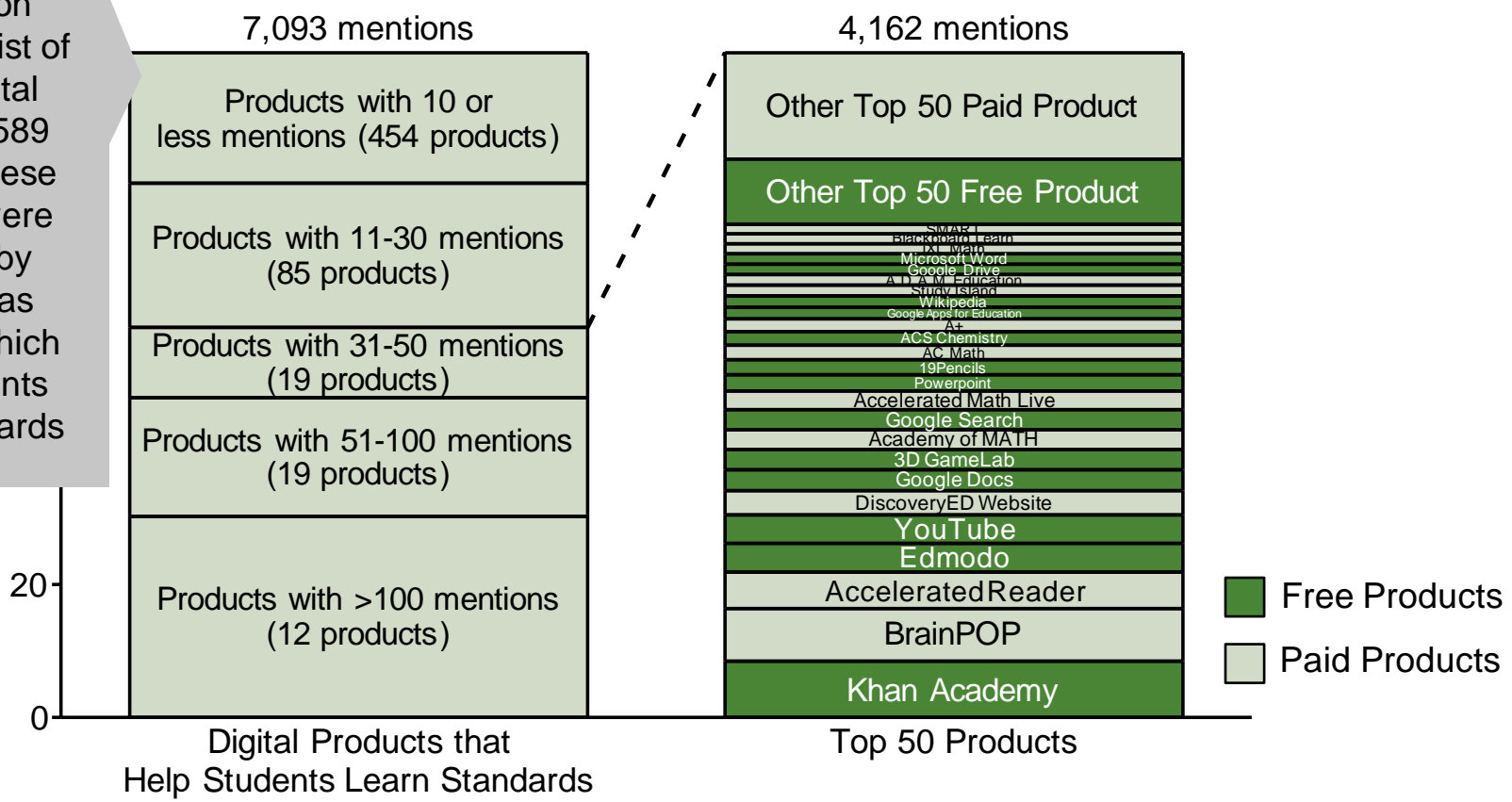




## An explosion of the sheer number of digital products is creating confusion

### Teacher Selection of Digital Products that Help Students Learn Standards

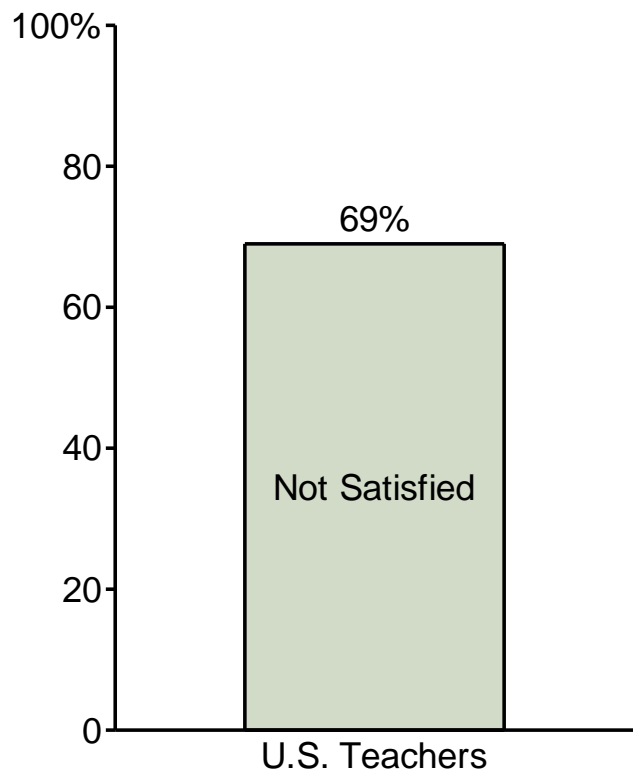
The Gates Foundation provided a list of 1,049 digital products; 589 (56%) of these products were selected by teachers as products which help students learn standards



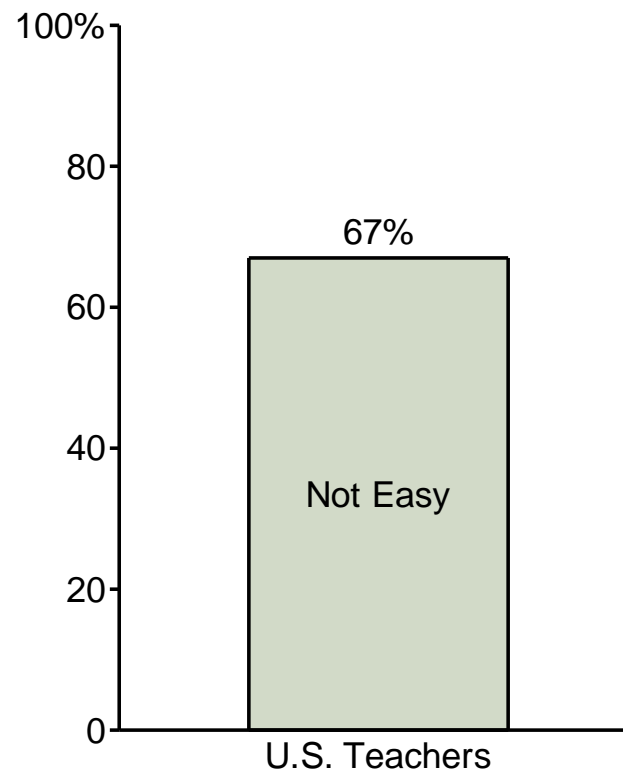


## Teachers are clearly stating that it is increasingly difficult to parse the effective content from the chaff

### Satisfaction with Classroom Content Found Using Internet Search Engines



### Ease of Evaluating Quality of Classroom Content Found Using Internet Search Engines





## To survive in this new world, communicate against three key attributes

### Discovery

Make Identifying the Right Content Easier

Untethered from unitized textbooks, curation and search for content has become a pain point for teachers

### Performance

Help Raise Performance and Close Achievement Gaps

The performance gap continues to be front-and-center on Superintendents' agenda (and increasingly Dean's) and products and services **MUST** be effective

### Feedback

Provide Rich Information on Performance

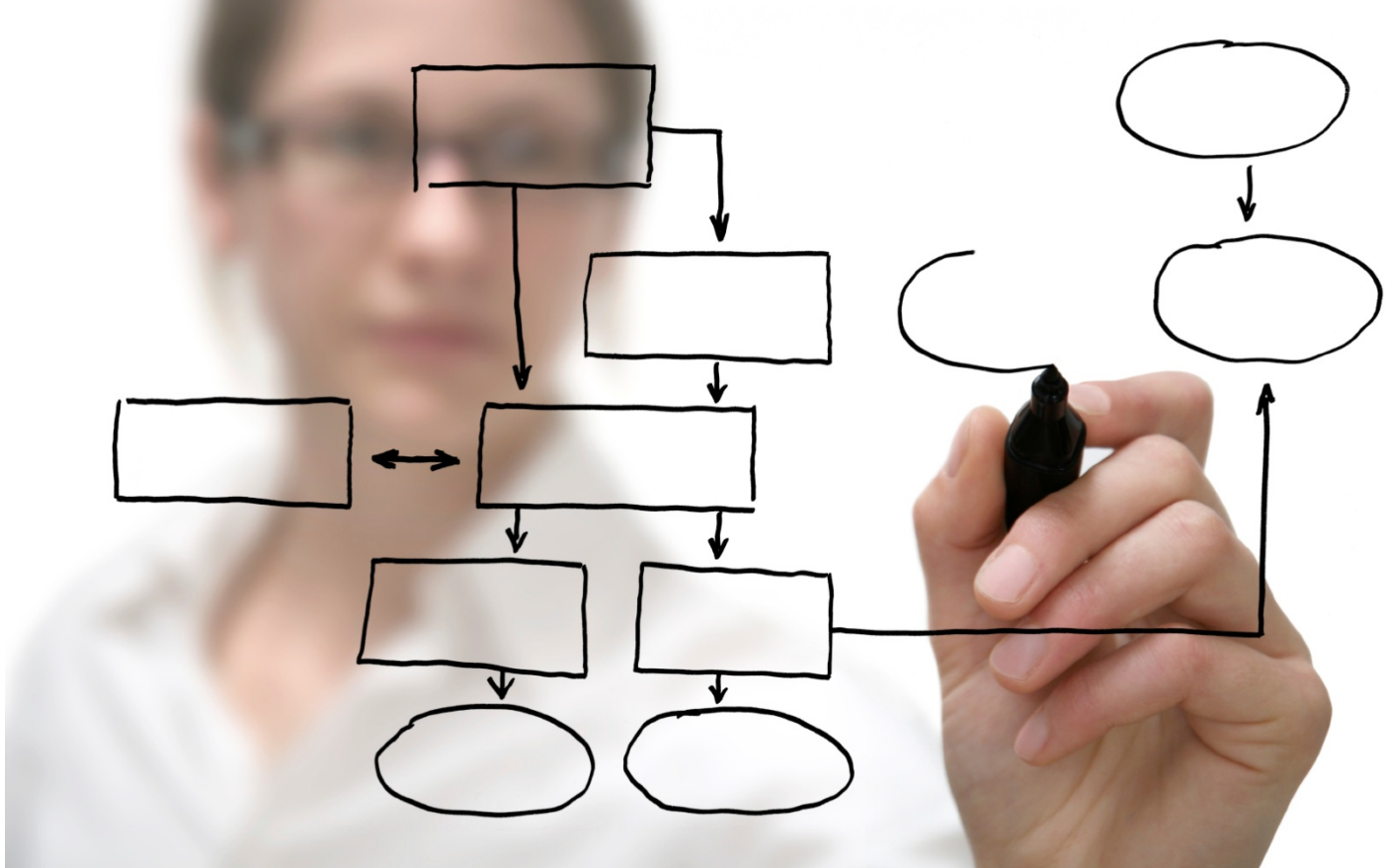
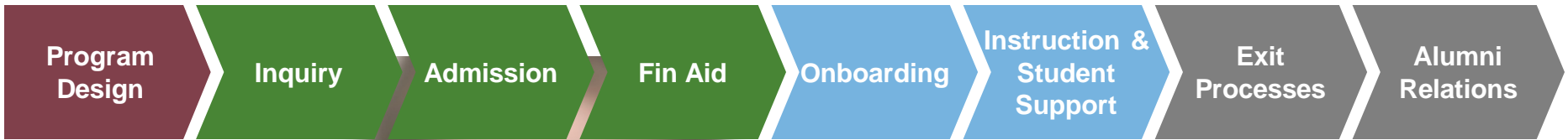
Teachers use dozens of inputs to diagnose student learning progression and develop plans

# Services – The Small Workflow Solution Conundrum

Most institutions do not purchase workflow solutions for an entire business process...



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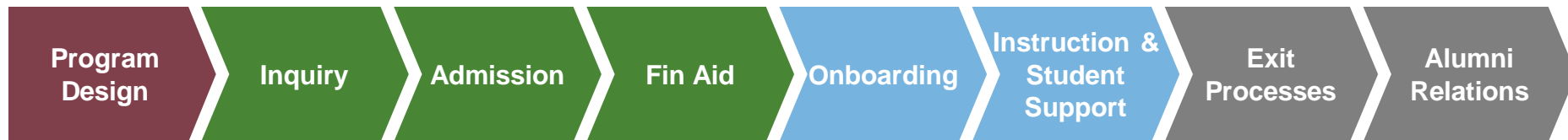


# Services – The Small Workflow Solutions Conundrum

...instead, they tend to purchase at the sub-process level and, as a result, markets are quite fractured and small



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- Admissions CRM solutions
- Career college lead screening
- Search engine optimization and social media strategies
- Predictive modeling for student success
- Yield management
- Lost applicant analysis
- Strategic enrollment planning

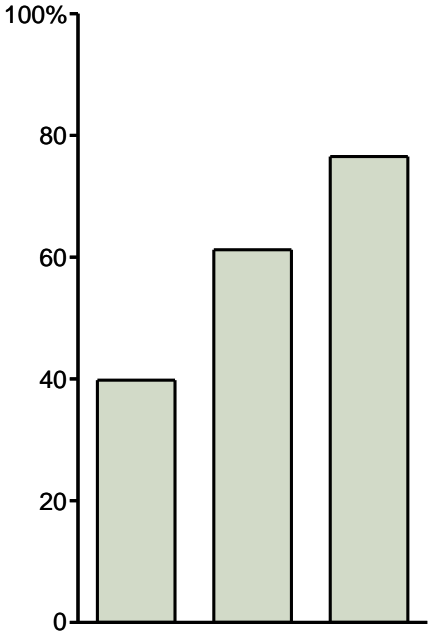
- Capital campaign planning
- Alumni direct mail and email marketing
- Advancement CRM
- Donor and alumni analytics and targeting
- Alumni surveying and profiling

# Services – The Small Workflow Solutions Conundrum

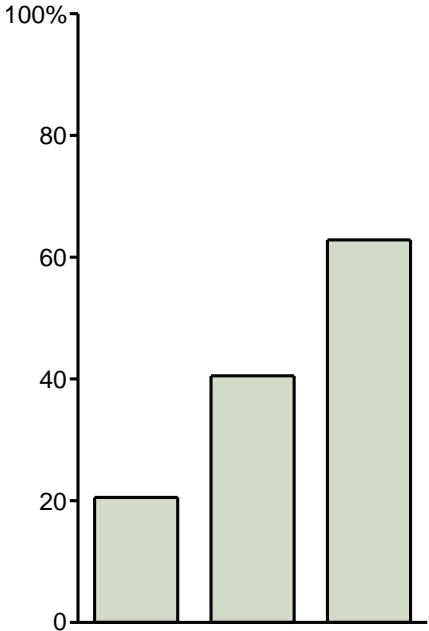
It typically requires strong penetration and a per student user fee structure to break the small market conundrum



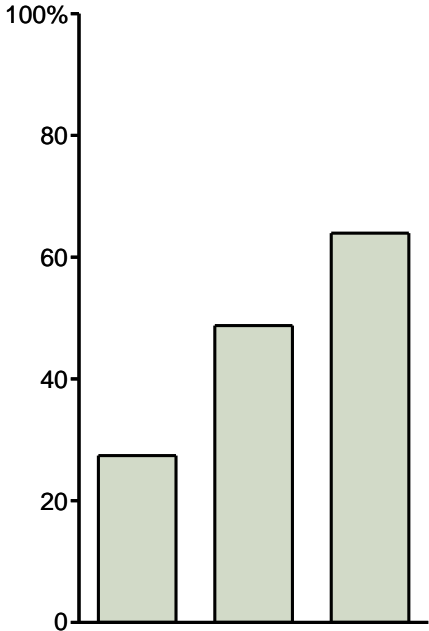
### Institutional Penetration



### % of Students in Institution



### Intensity of Usage



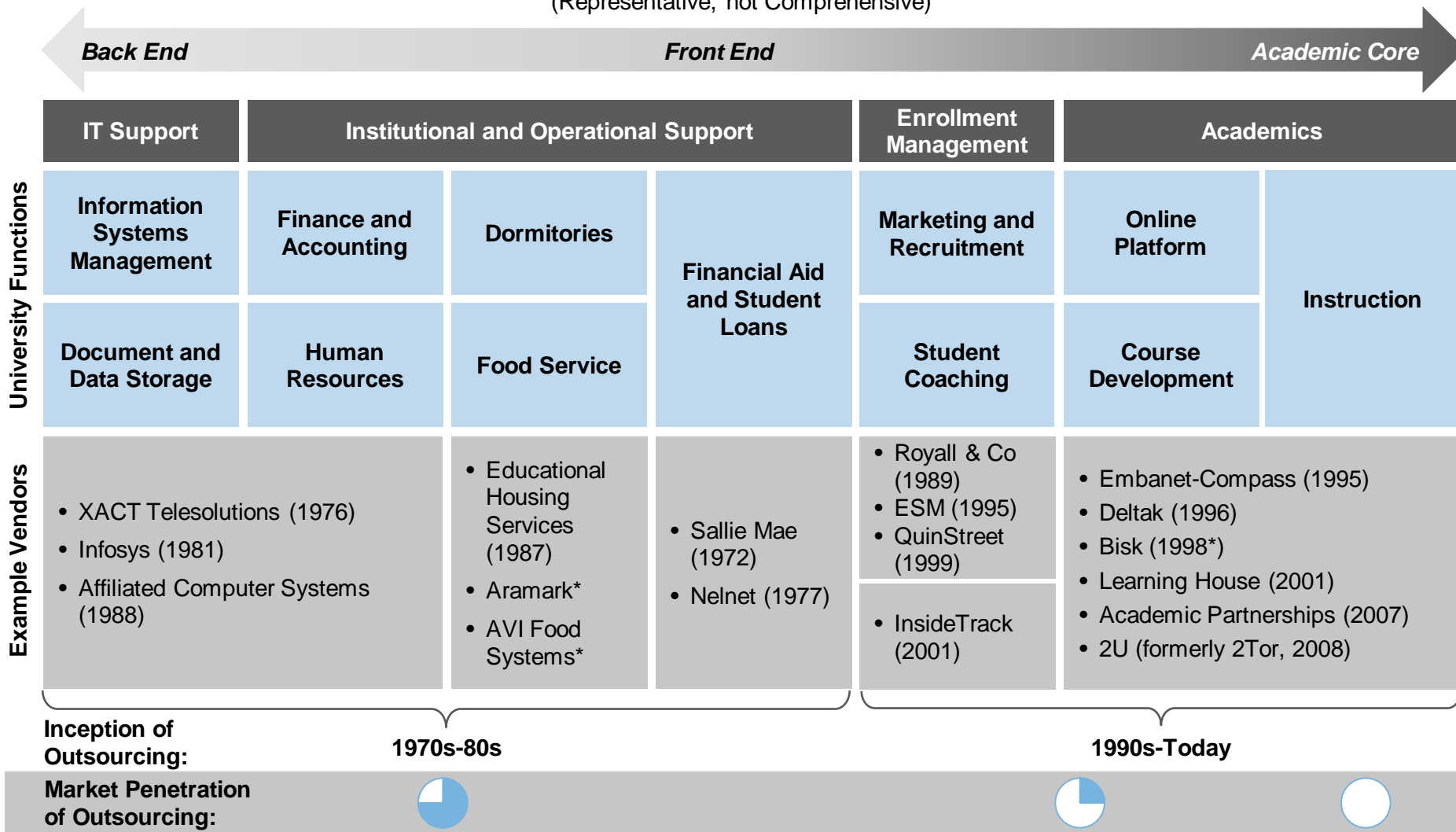
# Services – Tech Enabled Services Show Promise

## There is increasing comfort partnering with third party services providers



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**Spectrum of University Functions Managed by Vendors**  
(Representative, not Comprehensive)



Note: \*Aramark was founded in 1936 and AVI Food Systems in 1961 but it is not known when they started servicing universities  
\*\*Bisk was founded in 1971 as a test prep company but did not enter online program development until 1998





### Market Scale

**Beware of small markets**

Fractured buying processes tend to create splintered and small markets; per student user pricing can overcome this

### Services Orientation

**Services are often better understood than underlying technologies**

Generally speaking, education institutions are not tech savvy (with notable exceptions) but they do understand services

### Performance Contracts

**Revenue share contracts are elusive but attractive**

Tapping into tuition dollars requires a substantial commitment from the partner but it is achievable

# Final Thoughts on Pricing - It Becomes Challenging

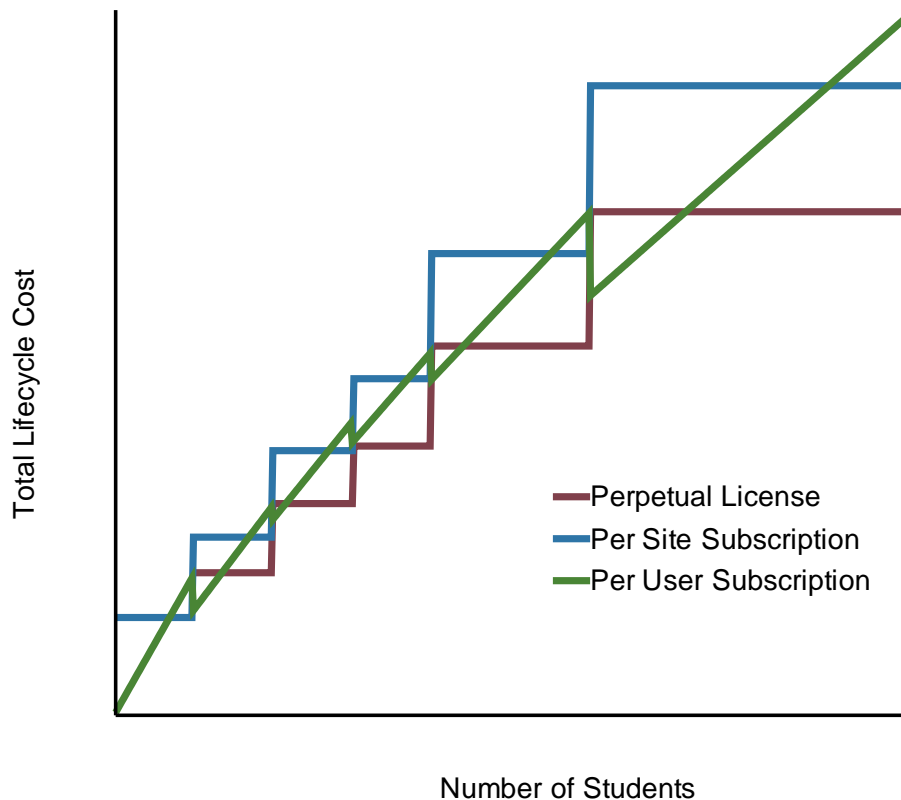
## Subscription vs. license and per user vs. per site often need to run in parallel in K-12



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### Pricing Models

(Subscription vs. License and Per User vs. Per Site)



### Subscription vs. Perpetual License

- Often determined by how districts budget/purchase
- Large districts often demand flexibility

### Per User vs. Per Site

- Influenced by public perception “all students have access to XXX”
- Usage uncertainty plays a role

### Total Cost of Ownership

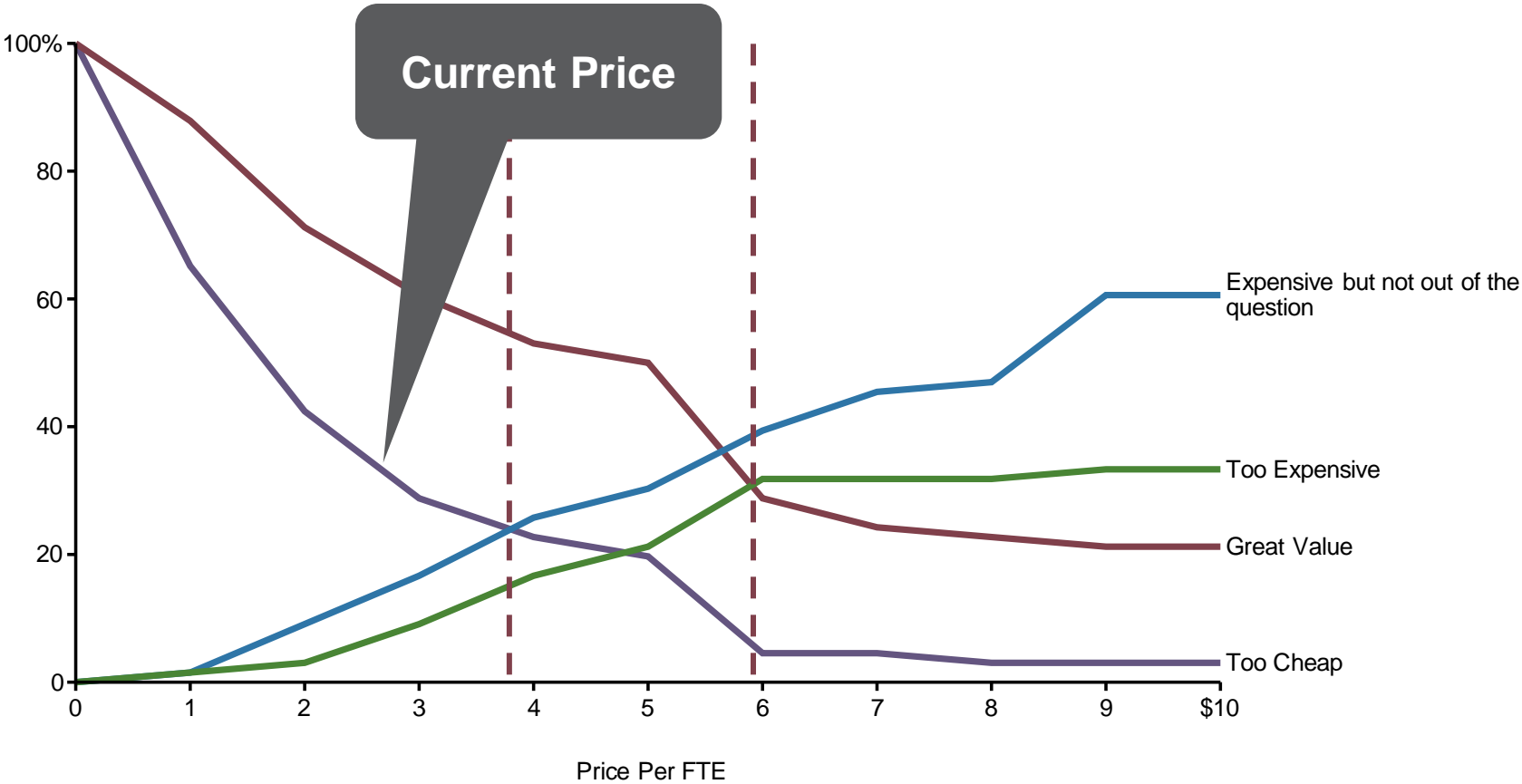
- All fees included
- Subscription vs. License breakeven at XXX years?

# Final Thoughts on Pricing – The Von Westendorp Price

We believe that a lot of EdTech solutions are underpriced relative to their potential



### Van Westendorp Pricing Output for EdTech Product

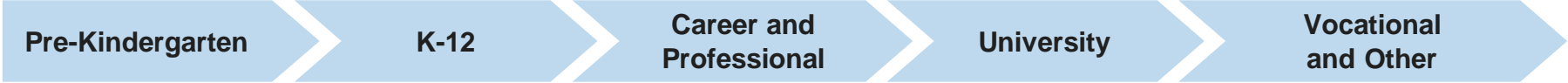
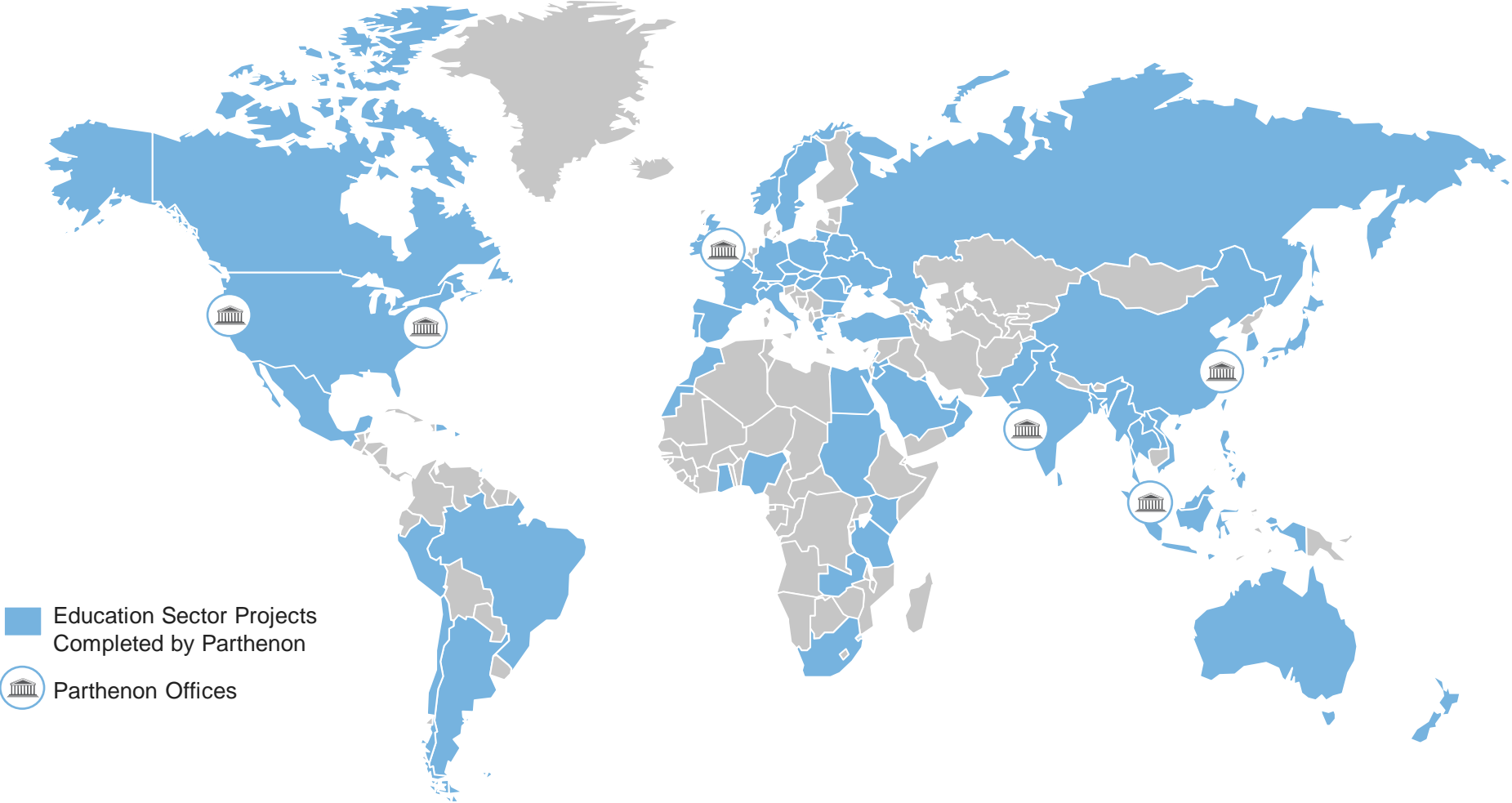


# What Informs Our Perspective?

Parthenon teams have completed over 900 education projects in more than 60 countries



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## What Informs Our Perspective?

Public and private sector work provides us with a strong sense of what is happening “on the front lines”

### We advise a number of leading education institutions...

- Local educational authorities, states, and governments
- Charter schools, private K-12 schools, and other innovative education providers
- Global post-secondary institutions
- Foundations on the forefront of educational reform

### ...and work with the private companies trying to meet their needs

- Educational publishing
- Assessments
- Tutoring
- Intervention/Special Ed
- Technology providers
- Consumer education products



# About The Parthenon Group and our advisory services for investing in education



The Parthenon Group is a leading advisory firm focused on strategy consulting, with offices in Boston, London, Mumbai, San Francisco, Shanghai, and Singapore. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services built on long-term client relationships, a willingness to share risk, an entrepreneurial spirit, and customized insights. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.



Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education Practice – the first of its kind across management consulting firms – has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors. Parthenon has deep experience and a track record of consistent success in working closely with universities, colleges, states, districts, and leading educational reform and service organizations across the globe.

Learn more about us at [www.parthenon.com](http://www.parthenon.com).



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