Landscape Assessment of the EdTech Market

Digital transformation in the education sector

March 2022
The global EdTech market currently stands at USD 85 bn and is expected to reach USD 181 bn by 2025 at a CAGR of 16.3%

Technological Evolution in the Education Sector

• EdTech has been around for two decades, but it gained prominence worldwide during the COVID-19 pandemic. Educational institutions were forced to adopt digital solutions to ensure learning continuity.

• While the pandemic helped understand the immense potential of digital learning, it also revealed how unprepared traditional education systems were.

• As EdTech user base continues to expand, the short-term demand peak will translate into increased digital adoption after the lockdowns are lifted.

– Technology spend on the global education market is forecast to post a CAGR of 16.3% during 2019–2025 and is expected to reach USD 404 bn by 2025

– In 2020, the global EdTech VC funding in 2020 stood tall at USD 16.1 bn – more than twice of that in 2019 and the previous record of USD 8.2 bn in 2018. VC funding in the sector is expected to reach USD 87.1 bn by 2030

Sources: HolonIQ; Link 1, Link 2, Link 3, Link 4; MarketandMarkets.
Market Drivers: Infrastructure and Affordability

What is enabling the EdTech market to increase digital expenditures and attract VC funding?

Market Influencers

EdTech spend on AR, VR, robotics, and blockchain is expected to reach USD 22.7 bn in 2025, up from USD 4 bn in 2018, at a CAGR of 28%.

Increase in demand for industry-relevant training
- Globally, the population of post-secondary graduates is expected to grow by an additional 350 million people and nearly 800 million new K-12 graduates by 2030

Access to quality education
- EdTech platforms have made learning more student-centric and engaging. Learning apps, video tutorials, and peer-to-peer online discussions have bolstered critical thinking and problem-solving skills

Low-cost substitute for traditional learning
- Online courses prove a more affordable option than traditional ones and there are no commuting costs, sometimes required course materials, such as textbooks, are available online at no cost.

High internet penetration and internet-enabled devices
- Penetration rates have increased from 43% in 2015 to 63.2% in 2020
- Globally, smartphone users have grown from 1.86 bn in 2015 to 3.2 bn in 2019, at 14.52% CAGR

Analysis of COVID-19 Impact

- Globally, the COVID-19 outbreak affected more than 91% or ~1.6 bn students. The only way to give quick access to education was via online EdTech services. Governments, NGOs, and public-private organizations all took initiatives to offer e-learning and meet this urgent need. This led to a significant increase in demand for e-learning technologies, resulting in a spike in the market, starting from 2020 and to date.

- The pandemic revealed weaknesses in higher education business models, particularly in colleges and universities that were highly dependent on global students and had not created an effective online strategy. Corporates also began tying up with e-learning players to offer training in industry-relevant courses to their employees. EdTech companies also launched courses by creating content in collaboration with these organizations.

- EdTech players are witnessing increased interest of users in online courses and an uptick in enrolment numbers. This is because of people’s increasing interest in taking up online courses either to make use of extra time or become upskilled or reskilled.

Sources: ICDE, Interntworldstats (2020), Statista, Cable.co.uk, HolonIQ, GIW– Coronavirus Research: March 2020, Online Education in India: 2021, Press Articles: Link 1, Link 2
Mediators: Content Generators, Curators, and Interface Providers

Out of top 10 emerging Unicorns* in the technology education sector, 6 are from North America

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Services</th>
<th>Valuation (USD bn) As of Jul 05, 2021</th>
<th>Funding from Jan ’20 to Jun ’21 (USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BYJU’s</td>
<td></td>
<td>Tutoring, K-12, Competitive Examinations, Coding</td>
<td>16.50</td>
<td>1.58</td>
</tr>
<tr>
<td>Yuanfudao</td>
<td>China</td>
<td>Tutoring, Zebra AI Course, Xiaoyankousuan, Yuantiku, Yuanfudao App, Yuanfudao and Xiaoyuansouti Xiaoyuan</td>
<td>15.50</td>
<td>3.50</td>
</tr>
<tr>
<td>Zuoyebang</td>
<td>China</td>
<td>Tutoring, K-12, Schoolwork, Efficient Learning</td>
<td>10.00</td>
<td>2.35</td>
</tr>
<tr>
<td>VIPKid</td>
<td>China</td>
<td>Language Learning (English)</td>
<td>4.50</td>
<td>Not Disclosed</td>
</tr>
<tr>
<td>Articulate</td>
<td>USA</td>
<td>Corporate Learning, Application Production for Online Training</td>
<td>3.75</td>
<td>1.50</td>
</tr>
<tr>
<td>Udemy</td>
<td>USA</td>
<td>Online Post Secondary / Skills, Online Courses</td>
<td>3.30</td>
<td>0.13</td>
</tr>
<tr>
<td>ApplyBoard</td>
<td>Canada</td>
<td>International Recruitment</td>
<td>3.20</td>
<td>0.42</td>
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<tr>
<td>Masterclass</td>
<td>USA</td>
<td>Upskilling under Various Categories (Cooking, Sports, Writing, etc.)</td>
<td>2.75</td>
<td>0.32</td>
</tr>
<tr>
<td>Age of Learning</td>
<td>USA</td>
<td>Early-age Learning, Pre-K</td>
<td>3.00</td>
<td>0.35</td>
</tr>
<tr>
<td>Duolingo</td>
<td>USA</td>
<td>Language Learning (English)</td>
<td>2.40</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Sources: HolonIQ, Crunchbase, Company Websites; Unicorn*: A privately held startup company valued at over USD 1 billion
Enablers: Corporates, Affiliates, ISPs, OEMs, and Software Developers

Which elements of the ecosystem act as the backbone of the market?

<table>
<thead>
<tr>
<th>Significant Activities</th>
<th>Players in this Space</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporates</strong></td>
<td><strong>Investors / VCs</strong></td>
</tr>
<tr>
<td>June 2020: Capgemini partnered with Coursera to add 4,000 courses (business, technology, data science, and personal development) into its internal digital learning hub, NEXT. The courses are taught by the world’s top university and industry educators</td>
<td></td>
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<tr>
<td>July 2020: Google partnered with Coursera to offer 3 new online certificate programs in data analytics, project management, and user experience design. Certificates will be considered as the equivalent of a 4-year college degree</td>
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<tr>
<td><strong>Affiliates</strong></td>
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<tr>
<td>July 2021: Careerera partnered with EdX to offer accredited certificates from Ivy League universities</td>
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<td>July 2021: Top universities such as Deakin Business School (Australia), Duke CE (US), Michigan State University (US), and Liverpool Business School (UK) offer 100+ courses in collaboration with UpGrad</td>
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<tr>
<td><strong>Internet Service Providers (ISPs)</strong></td>
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<tr>
<td>November 2020: AT&amp;T started offering discounted, unlimited wireless data plans and content filtering services to more than 135,000 public and private K-12 schools, colleges, and universities</td>
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<tr>
<td>September 2020: T-Mobile launched Project 10 Million, a historic $10.7 bn initiative, to close the homework gap and connect students for free</td>
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<tr>
<td><strong>OEM – Tablets</strong></td>
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<tr>
<td>April 2021: Samsung launched the Back-to-School campaign in India, under which it offered exciting discounts to students on Galaxy tablets</td>
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<tr>
<td>June 2021: Lenovo was selected to deliver 2 million tablets, along with services, to help upgrade Japan’s educational system</td>
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<tr>
<td><strong>OEM – PCs / Laptops</strong></td>
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<tr>
<td>July 2020: Lenovo has committed more than $15 million around the world to support communities, in response to COVID-19, and has donated more than 2,100 tablets, phones, and computers to students, hospitals, and NGOs</td>
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<tr>
<td>April 2020: Kano, in partnership with Microsoft, has released the Kano PC, a cheap, powerful, and repairable Windows laptop aimed at the education market</td>
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<td><strong>Software Developers</strong></td>
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<td>June 2021: TalentSprint and IIT Hyderabad, India, partner to build visual design and user experience expertise among professionals</td>
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<tr>
<td>December 2020: The Creative Media Industries Institute (CMII) at Georgia State University partnered with softw are developer Reallusion to establish real-time animation and motion-capture lab software for students and studios</td>
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<tr>
<td>** Investors / VCs**</td>
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<tr>
<td>July 2021: Articulate raised $2.5 bn in series A round, led by General Atlantic with participation from Blackstone Growth and Iconiq Growth</td>
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<tr>
<td>October 2020: Yuanfudao raised $2.2 bn in G1 and G2 rounds. Tencent led the G1 funding round and DST Global led the G2 funding round</td>
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</tbody>
</table>

Sources: Education For All in the Time of COVID-19: How EdTech can be Part of the Solution; Press Search: Link 1, Link 2, Link 3, Link 4, Link 5; Company Websites
Innovation: Emerging Technologies Facilitate EdTech Growth

Which technologies are transforming the current education landscape?

Gamification

Gamification is being used to make serious subjects such as math interesting and easy to understand. It encourages participation, engagement, and collaboration, as well as improves context-based comprehension through adaptive and personalized learning.

December 2020: EdTech startup LEAD School acquired QuizNext, an AI-based gamified practice app.

July 2020: Nazara purchased a majority stake in gamified EdTech venture – Kiddopia. With this move to acquire Kiddopia, Nazara strengthened their position in the kid’s edutainment vertical.

AI & ML

AI helps online learning companies offer profile-based customized course suggestions to learners. They allow learners to make better choices when it comes to the type of course, its contents, and the duration.

Machine learning is helping online learning platforms provide detailed feedback to users, depending on past performance, usage pattern, and total time spent.

April 2020: Coursera launched AI tool CourseMatch to match classes in schools’ on-campus course catalogs with its catalog.

Big Data Analytics

When learners interact with EdTech platforms, they tend to create digital footprints. These are collected by systems to record performance. The data is then used to map user profiles, depending on their usage and professional background, which drives purchasing behavior among them.

For example, Byju’s content creation process is based on data analytics as a lot of data and insights are generated in house. If a sizable section of students commits errors in a specific concept, Byju’s goes back and makes the videos easier to understand, provides additional content, and makes the questions simpler to enable the system to develop a smoother learning curve.

AR & VR

Virtual labs help online platforms to add modules that involve higher practical, or laboratory courses compared with theory-based courses.

Facial recognition systems are also being used to authenticate learners and ensure reliability.

June 2021: Ryerson and Nextech received a joint grant of up to $150,000 from eCampusOntario, a provincial program in Canada. The grant was given for the creation and delivery of AR learning experiences within post-secondary education institutions. Its focus is to drive student engagement, adoption of technology through ease of use and accessibility while measuring impact of experiential learning through AR.

Sources: Press Articles - [Link 1], [Link 2], [Link 3], [Link 4], [Link 5], [Link 6], [Link 7], [Link 8]; Company Websites
Challenges: Roadblocks to Technological Education

What are the factors responsible for the slow adoption of technology in EdTech?

- Digital Divide:
  - Almost 3.7 bn people or about half of the world’s population lack basic digital access and are offline. In the US, 3 in 10 people, or nearly 27%, lack internet access and ~40% of schools and 60% of healthcare facilities outside metropolitan areas lack broadband access.
  - After the first lockdown, the major factors that promoted a digital divide were low literacy and income levels, geographical restrictions, lack of motivation to use technology, lack of physical access to technology, and digital illiteracy.

- Regulations:
  - As per 90% of EdTech representatives, regulatory complexities are some of the barriers to EdTech expansion. IP rights; restrictions or requirements in forming partnerships; and data privacy and security are some of the major challenges.
  - In the EU, Education Data Digital Sovereignty or EDDS convened a panel of experts to discuss the role of the EU’s imminent Digital Services Act legislation in regulating EdTech.
  - In the US, EdTech services are required to review the Family Educational Rights and Privacy Act (FERPA) and the Protection of Pupil Rights Amendment (PPRA) — laws administered by the U.S. Department of Education’s Student Privacy Policy Office (SPPO).

- Traditional Interaction:
  - The qualitative aspect of interaction and socialization offered by offline education models is a contrast to EdTech. If a student is directed to a static web page containing a teacher’s lecture notes, learning may be less effective, unless other teaching methods are used to supplement it.
  - Online courses often lack interactivity, personalization, collaboration, and instant feedback. This hinders user engagement and increases the chances of switching course providers.
  - Online channels are unable to replicate various aspects of offline channels such as peer interaction, group learning, feedback, and soft skill development.

- Infrastructure:
  - Infrastructure, needs such as digital devices, internet infrastructure, and power supply, play a major role in EdTech adoption. Another compelling factor is the ROI for the ISPs – the cost incurred in laying down internet cables and fibers is not recovered (at times) in remote areas, leading to high-cost plans.
  - Problems with hardware and connectivity in schools throughout the country prevent EdTech from reaching the children that need it the most. The EdTech policy has not led to universalization of infrastructure, while the market is unavailable for private players.

Sources: ITU, PewTrusts, Press Articles: Link 1, Link 2, Link 3
The Way Forward

How will EdTech change the dynamics of the education sector?

Our analysis suggests high EdTech growth over the next two years and a strong appetite for hybrid learning, supported by new-age technologies such as AR/VR and AI, in Asia, Europe, and the US

- **New learning models emerging**: Students are being given more control of their learning. Education is becoming more engaging and beneficial as instruction is more in tune with the needs or preferences of students. Students want lessons to be more personalized and are thus participating in creating/reaching their learning goals. The future of education will be portable, and this gives the teacher more time to focus on personalization or participatory (student-centered) learning. Benefit to the students include adaptive assessments, improved knowledge retention and detailed proficiency analysis. Alternative models include synchronous fully immersive learning (face-to-face, real time, enabled with video technology), and asynchronous technology-assisted learning (on demand, stored content) that are enabled by digital learning & communication providers.

- **Increased investment and technology advancements**: EdTech will play a major role in designing a modular approach in higher education – revised curriculum structure with focus on more practical learning and skill training. Regulating the online courses offered by universities across the globe to have structured curriculum will be important to see in the long run. As an example, the London Interdisciplinary School is an entirely new university with the aim of giving students the opportunity to learn about non-conventional subjects (e.g., climate change).

- **Emergence of 3Ps**: Significant capital flowing from many sources, including venture capital firms and private equity firms. The sector is backed by investors such as Learn Capital (invested in 22 EdTech firms), followed by Owl Ventures (19), and Rethink Education (18). This indicates that the sector holds huge opportunities. Consolidation could increase over the next few years, especially as companies try to expand the breadth of services offered to and through universities.

- **Need for ethics policy in EdTech**: Alongside established corporate companies, the most profitable EdTech businesses will most likely emerge from new markets such as China and India. These new players will be accompanied by innovative portfolios of start-up companies (financed by powerful VC interests). Based on the HolonIQ Global Learning Landscape, VC funding by product suggests that language learning, after school and tutoring remain key investment areas for EdTech startups.

- **Education pain points creating opportunities**: Solutions from EdTech providers are helping alleviate some of the highly complex issues – helping universities expand revenue-generating opportunities, addressing the existing skills gap and projected talent shortage in the workforce, improving graduation rates, etc. In the developed countries, EdTech players provide access to affordable online learning. E.g., BYJU’s offers low-cost courses to students in international developed markets – the US, Europe, etc.

Sources: The Future of EdTech, Rest of World, Press Articles, Industry Reports: Link 1, Link 2
Thank You for Your Interest in the EdTech Report

For GTM strategy, solution portfolio, or customized research reports for the education sector / EdTech, write to us at ps@evaluесerve.com

Evaluseve GTM Strategy Support Framework

Identify, evaluate, act, monitor, scale: An outside-in and inside-out closed-loop framework.

- Evaluate Target Market Opportunities
  - How is the market ecosystem and the target market evolving?
    - Define market ecosystem
    - Identify high-growth core and adjacent opportunities
    - Evaluate market supply-demand dynamics
    - Evaluate customer requirements that need to be proactively addressed
  - What are the target addressable market and growth prospects?
  - Market size estimation (TAM)

- Study Competitive Landscape
  - What is the competitive position?
  - Evaluate competitive landscape
  - Identify disruptors and disruptive potential
  - Assess the impact of emerging trends, potential innovations, and white spaces

- GTM & Strategic Direction
  - What is the optimal product and pricing strategy?
  - Select strategic options based on market attractiveness by geography, competition, addressable market, and demand supply dynamics
  - How can we improve the value proposition?
    - Build vs. Buy vs. Partnerships
    - Identify roads to go-forward
  - What is the go-forward plan?
    - Develop a oneframe-year business roadmap for expansion and scale

The framework will be used as guidance only and modified based on client needs, data availability, and industry in focus.

Solutions Portfolio for Education Sector

Equipping decision-makers with the right insights

- Bespoke industry insights to enable faster and better decision-making
  - Market Intelligence
  - Competitive Intelligence
  - Opportunity Identification & GTM Strategy
  - Partnership Identification & Due-diligence
  - Adaptive product roadmaps
  - Pricing strategy

- Brand compliant editorial, design, and presentation support
  - Interactive Publications & Thought Leadership support
  - Infographics & layouts
  - Marketing Collaborative client based support
  - Document Production

- Custom analytics solutions that provide actionable insights
  - Marketing Analytics - customer insights, omnichannel marketing strategy, brand effectiveness
  - CRM and social media analytics
  - Other focus areas—data monetization, visualization, and dashboarding

Case Study: Online Education Market Assessment

The Ask
A leading EdTech start-up in Europe tasked Evaluseve to assess the potential (advertisable market) of different student segments (medicine, law, engineering) and understand the threat of competitive products.

The Solution
Evaluseve delivered the project in three phases:

- Phase 1: Interactive workshop (20h) to understand the current product positioning, characteristics of target segments, opportunities for growth
- Phase 2: Desk research to gather quantitative and qualitative data about the target markets
- Phase 3: Interviews with different student groups to understand uncovered needs, study behavior, and competitive products used

The Outcome
Insights from the study allowed the client to:

- Pitch the target opportunity to potential investors for the next investment round and obtain funding
- Understand current pain points and uncovered user needs
- Define their GTM approach and expand into profitable segments
Arnav has about 7+ years of experience in providing secondary research and thought leadership support to management consulting firms. His domain focus is on Telecom, Media and Technology (TMT). He holds a Bachelor degree in Technology degree in Electronics and Telecommunications.

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