



INDIA EDTECH REPORT



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This document is a compilation of information publicly available on the education technology sector. We have, where necessary, added our comments to help improve reader experience.

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With several professional lives impacted, EdTech players can play a vital role in ensuring job security by making higher and technical education more accessible (for people who could not pursue it in their formative years), and facilitating upskilling of working professionals.

- YourStory, India's EdTech market, report by Sindhu Kashyaap on 8 Jul 2020



PREAMBLE

2020 has seen the EdTech space reach new heights in very little time.

EdTech, has become one of the fastest-growing industries in recent times. The industry in India was already doing well prior to this year, but the circumstances presented by the start of the new decade has created a unique environment in which EdTech can really thrive.

The COVID-19 pandemic has dramatically impacted the way we live our lives. Now, more than ever, the internet is being called upon to facilitate our daily way of living. Be it in the workspace, in education, or even in terms of how we socialise, services like Zoom, Swiggy, Dunzo, Netflix and their various counterparts, and many more are becoming an even more integral part of our lives.

On the one hand, many of the measures being taken to deal with the spread of the virus will only be followed for as long as the virus is a threat or until we find a vaccine. However, the pandemic has forced us into certain habits that we may not necessarily leave even after the virus is properly contained.

Many businesses have been compelled to employ a 'work from home' policy, something that was seen as a temporary action but is slowly becoming a new norm. Businesses are saving on overhead costs like rent, electricity, office supplies, and so on, and are also seeing that productivity isn't being affected very much.

In the same way, online learning appears as though it is here to stay. Students will eventually return to schools and colleges but the services that EdTech offers goes far beyond the curriculum alone. **A report by NASSCOM found that the highest percentage of EdTech customers are those who are interested in re-skilling or up-skilling i.e, working professionals and teachers.** Digitisation in India has taken off and internet usage is also increasing which creates more promise for the sector going forward. However, there are challenges that will need to be overcome as well.



WHAT IS EDTECH?

EdTech or Educational technology is simply the use of IT tools to create a learning experience.

These tools comprise of hardware, software, and educational theory that work in tandem in order to produce educational outcomes.

From a historical point of view, the technology used to produce these outcomes has existed in various forms. Tools such as an abacus, stencil devices (used to produce short copies), slide projectors, and so on all fall under the category of 'educational technology'. It was in the 1960s when we first saw the use of computers to teach basic arithmetic to elementary school students by Stanford researchers in California. The first online course was offered in 1986, and by 2002 MIT began regularly offering online classes for free. Presently, 1 in 3 students worldwide takes at least one class online in college.

While formal educational institutions offer online classes as a part of their courses, the rise of supplementary lessons provided by third-party teachers on the internet is a relatively new and very important development in the world of EdTech.

NOVEMBER 19 • 2012 EDITION

Forbes

SPECIAL ISSUE
IMPACT
PIERRE OMIYAR'S
NEW CRUSADE
AMERICA'S
BEST CHARITIES

KHAN ACADEMY'S
SAL KHAN

"THERE ARE MUCH
MORE PRODUCTIVE
WAYS OF LEARNING
EVERYTHING THAN
SITTING IN LECTURES."

THE \$1 TRILLION OPPORTUNITY

NO FIELD OPERATES MORE INEFFICIENTLY THAN EDUCATION.
A NEW BREED OF DISRUPTORS IS FINALLY GOING TO FIX IT.
HERE'S HOW TO JOIN THEM.

The emergence of YouTube has allowed educators to provide their services to a much larger audience at a very low cost. Over the last 15 years we have seen channels like Khan Academy, Crash Course, Edutopia, and so on become extensive resources for teachers and students alike.



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The major players in the EdTech space like Byjus and Unacademy conduct their classes much in the same way that many of these YouTube channels do. There is generally an instructor or a voice guiding the lesson by using images or illustrations, or in the case of more technical subjects like mathematics we see the teachers writing and explaining problems on the screen like they would on a whiteboard in a classroom.

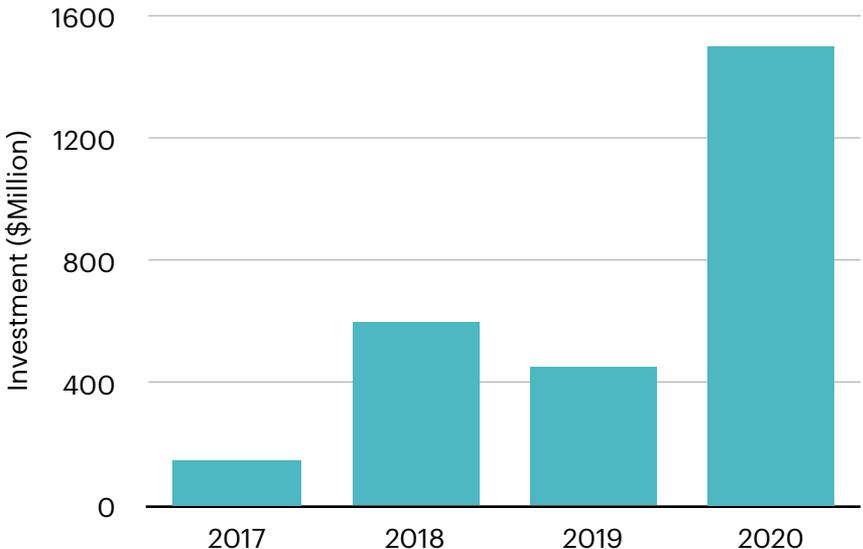
With the kind of technology available today, the scope of teaching online is larger than it has ever been. Innovation in the space is likely to be a key driver of growth for companies trying to forge ahead.



KEY TRENDS

EdTech has so far been the most funded sector in 2020. Healthcare and communication have also done well.

- Investment into EdTech **touched \$1.5 billion** over the first 9 months of 2020. This is a 4x increase from its total funding in 2019, where it received just \$409 million, and a nearly 10x increase from its total funding in 2017.



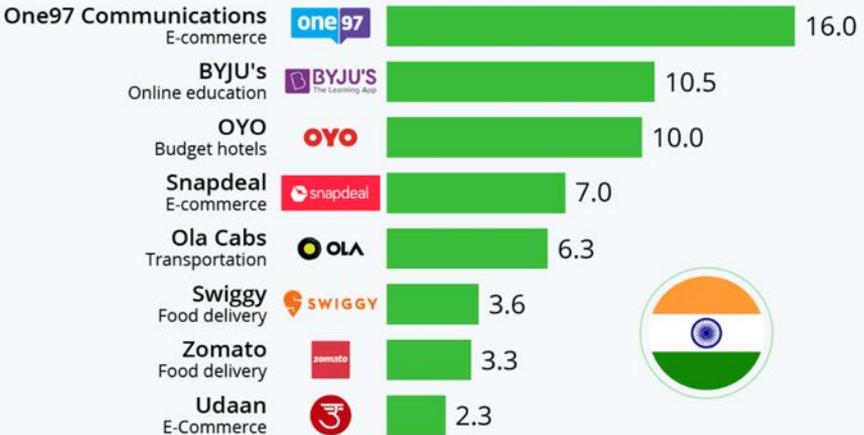
- Byju's (\$545 million) and Unacademy (\$150 million) raised the most money in 2020. **Byju's is now the most valuable EdTech company in the world, boasting a valuation of nearly \$11 billion.** SoftBank, Tiger Global, Silver Lake, General Atlantic, Steadview, and Owl were amongst the biggest funders.
- While funding into the sector has certainly increased, the number of deals signed this year has not been very different from the previous years. **So far in 2020, 44 deals have been made, while 46 were made in 2019 and 56 were made in 2018.**
- Between 2019 and April of 2020, the industry has seen a significant rise in traffic (100%) and in time spent online (50%). **The number of paid users have gone up (83%) and the number of users willing to pay for EdTech services has also increased (39%), which has led to a 50-100% rise in monthly revenues.**
- Users and startups are now beginning to emerge in non-metro cities like Bhopal, Kochi, Surat, Chandigarh, and Ahmedabad. 65% of Byju's users are from non-metro cities.
- Global EdTech expenditure is expected to grow at around **12% CAGR and touch \$342 billion by 2025.**



- **The total education market in India is currently pegged at \$100 billion** with higher education contributing to 60%, school education at 38% and the pre-school segment at 2%.
- **India's smartphone user base is estimated to reach 820 million in the next two years**, according to a report jointly released by Indian Cellular and Electronics Association and consulting firm KPMG, while India's monthly active internet user base is estimated to touch 639 million by December end.

The Highest-Valued Startups in India

Startups with the highest valuations in India in 2020
(in billion U.S. dollars)



As of June 2020
Source: CB Insights



statista



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BUSINESS STRATEGY

Horizontal integration holds the key.

With respect to their customers, EdTech firms generally charge a subscription fee to be able to avail their services. Most firms give potential users a free trial which consists of a few classes before they are required to make a payment.

Byjus classes start at around Rs. 2,000 a month for the 10th standard exam prep courses, while Unacademy charges Rs. 1,250 for the same (this is the annual plan, a single month costs Rs. 3,000). The average annual spend (for all courses) is said to be between Rs. 14,000 and Rs. 18,000 a year for the average user, which is considerably cheaper than offline alternatives. The firm does not necessarily receive the full amount the users pay, as in some cases the firms outsource the teaching to a third party tutor or instructor, but this is rare.

Another very discernible trend in the industry is the rise of mergers and acquisitions. There have been 13 major acquisitions totalling \$954 million in 2020 already, which is four more than the total number last year.

Byju's acquired Whitehat Jr. for \$300 million earlier this year and had also acquired Osmo for \$120 million in January of 2019. Unacademy acquired PrepLadder for \$50 million in July this year, which is a learning platform for those preparing for medical entrance exams. In March, it acquired Keatryx, which is a test prep platform for engineering studies.

The strategy being employed here is one of horizontal integration. This is when a company aims to increase its products and services on offer at the same level of the value chain. EdTech firms are aiming to increase their user base by both adding the users of their newly acquired platforms and by enticing new users to join due to the wider variety of courses on offer. This is a trend that is expected to continue with the kind of funding that the firms are currently receiving.



NATIONAL EDUCATION POLICY

The National Education Policy (NEP) approved in July 2020 contains special focus on online education and remote learning in India

The government has pledged to set up a unit that will exclusively deal with how to build the digital infrastructure, content, and capacity building in colleges across the country. The policy takes into account the events of the pandemic and as such has made recommendations for how schools and colleges ought to deal with the remote enrolment of students. Broadly, the policy promotes alternative modes of education and aims to move away from the traditional exam-based approach.

EdTech firms have an opportunity here to capitalise on as many schools and colleges lack the resources to actually provide online learning. They can enter into public-private

partnerships and come up with solutions to help make the governments vision a reality.



- The world will soon come to India to learn. Union Education Minister Ramesh Pokhriyal at IIT, Kharagpur.

One key policy change announced is the allowance of 100% foreign direct investment (FDI) into the EdTech sector through the automatic route. Earlier this year Google announced that it would be working with the Central Board of Secondary Education (CBSE) in order to train 20,000+ teachers and offer an integrated learning experience by bringing in YouTube and GSuite into the classrooms.

WHAT THE FUTURE HOLDS.

A number of policy changes along with the emergence of a new reality has placed EdTech at the center of education.

Smartphone usage and internet penetration are on the rise in India, although this is largely limited to the Tier 1 and Tier 2 cities with most rural India being left behind. Accessibility is certainly an issue that needs to be addressed if digital learning is going to become principal to how schooling occurs in India.

Re-skilling and up-skilling, along with test preparation seem to be the most widely used services that EdTech currently provides. It is estimated that over half of India's working population would need to upgrade their skill set in order to meet the labour demands of the market in 2022, which provides a massive opportunity for the sector.

There are many challenges for new firms, however. Between 2014 and 2019, 25% of EdTech startups had shutdown. It takes time to build a brand in any startup ecosystem and if companies fail to do that then it gets very difficult for them

to keep moving forward. Byju's makes for an excellent case study on how to do exactly that.



Another issue that companies will have to focus on will be the retention rate of their customers. Since 2020 is a unique year, there is a possibility that online education is something that people only really opt for while the circumstances remain as such. Many customers would have subscribed to an annual plan or a 6 month plan, but whether they will renew or not will be a key indicator of the direction that EdTech is heading in. **If firms can manage a retention rate of around 50-60%, they would have done well.**

EdTech offers an affordable alternative to courses that are otherwise only getting more and more expensive offline. Education in India is one aspect of life for which no expense is spared in most households which is evident in the fact that it continues to take up the highest share of household expenditure after food and groceries.

While the pandemic has been a major factor in the growth of the industry, other elements also have a lot of influence in the space. Technological innovation for one is a chief determinant of how accessible EdTech can become.

There are currently 270 million K12 students in India, studying at institutions that vary greatly in quality. EdTech can help bridge this gap and unlock the potential of the country's youth, which would lead to innumerable benefits all over.

It will be interesting to observe the industry over the next two years in order to understand just how much of an impact COVID has had and whether that impact is permanent. For now, however, it is all the rage.

