

EdTech for Foundational Literacy and Numeracy In India

An Overview

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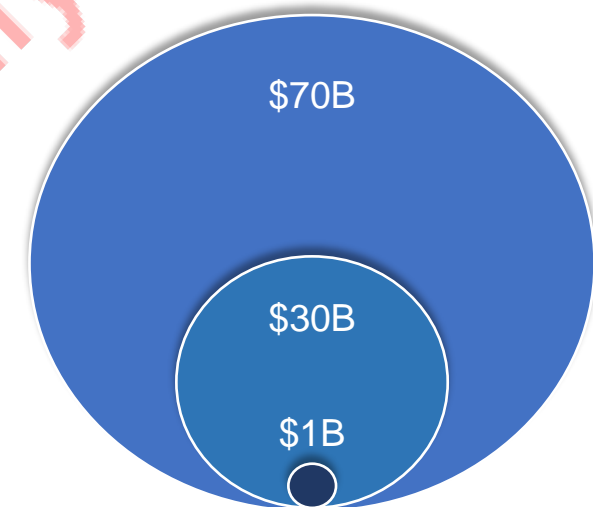
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Indian Education Sector Overview

India's Education Sector is estimated at ~\$100 billion as of 2020 and is expected to grow at a CAGR of greater than 10%

- India has a large population of over 500 million people in the age bracket 5-24 years presenting a great opportunity for growth.
- There are over 270 million K12 students and a significant growing base of students in private schools.
- K12 private education spending was almost \$40 billion in 2019 and is expected to increase to \$60 billion by 2022 with a big proportion of the growth coming from supplementary spending.
- EdTech is only ~1% of the entire education market. For context, the online retail market is around 7-8% of the overall retail market size
- India does not have the additional resources required to build schools and attain the student teacher ratio prescribed under the RTE Act.
- **Technology can be leveraged to effectively bridge this gap especially in the low-income segment, which has the biggest deficit in terms of educational infrastructure and quality of teachers.**

Indian Education Sector (2020E)



K12

Post K12

EdTech

35K



Additional Schools

\$55B



Additional Funding

2M



Additional Teachers

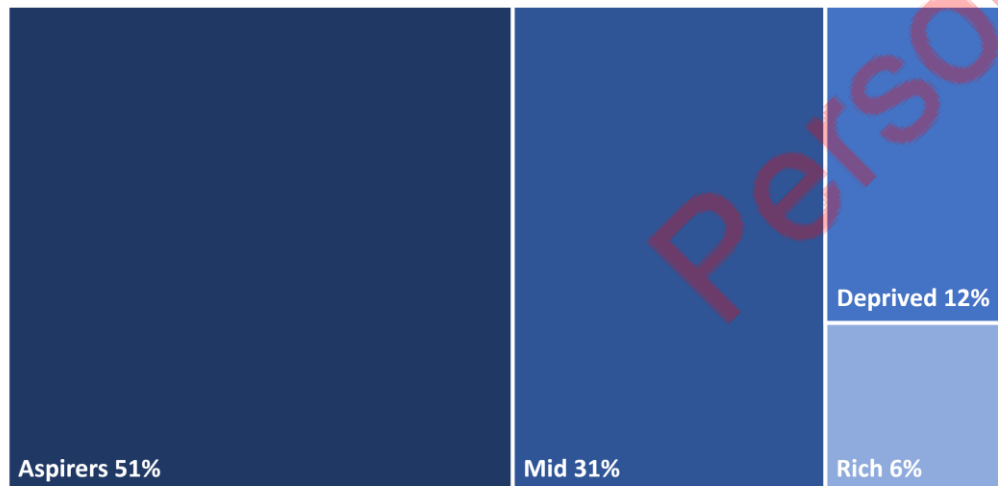
The Education Deficit

Indian FLN EdTech Market Overview

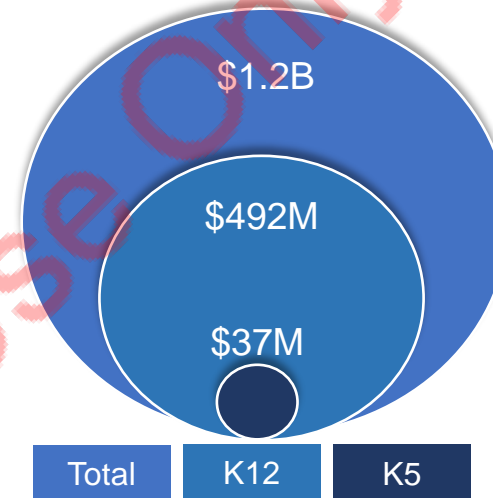
The Foundational Literacy and Numeracy (FLN) market largely centers around students in grades 1-5 (K5) during which most of the foundational education is imparted

- The K5 market is worth \$37M and currently comprises of ~ 3% of the addressable EdTech market in India (\$1.2B).
- There are roughly 109 million K5 students in India of whom ~22 million use some form of external offline supplementary coaching. The use of EdTech products, paid and free, is however restricted to 10 million or ~9% of the entire K5 segment reflecting great potential for growth.

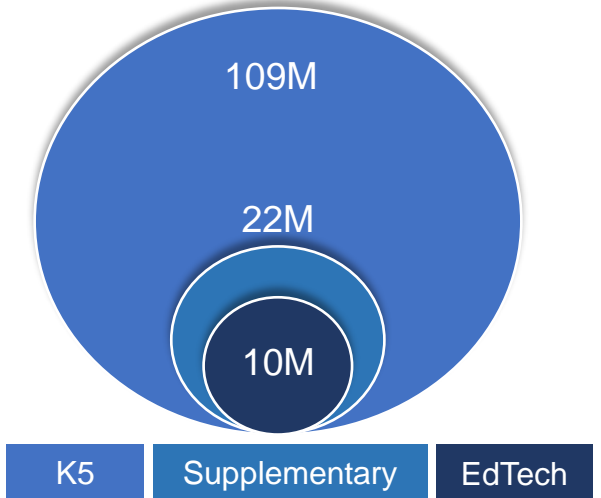
K5 Student Composition by Income Group



EdTech Market Size (2020E)



K5 EdTech Penetration (2020E)



- The K5 market is largely composed of 55 million low-income students mostly from the *aspiring* class of households with a daily incomes of ~ \$4-\$12 per day.
- Furthermore, the majority of K5 students ~ 95 million live in Tier 2 cities and beyond. Metro and Tier 1 cities that have been the traditional targets of EdTech ventures only host a mere 13% of K5 students.
- The **data reflects a disconnect** between Indian FLN EdTech players, who cater to the rich/upper middle class, and the vast majority of K5 students. There is a need to redesign and refocus products to make sure the underserved are not left behind.

Indian FLN EdTech Key Players



India is home to over 4000 EdTech firms, however, only a small minority has products catering to the FLN segment.

The K5 market is currently **dominated by large player** that have relevant offerings such as Byju's, CueMath, Flintobox, Lido, Educational Initiatives (Mindspark), ClassKlap etc. This is supplemented by few innovative players such as ClassKlap, ConveGenius, Gurujiworld and Lead School that tend to also have offerings for the low-income segment

- **Courses:** Courses are generally offered in packages focusing on math, science, language and coding and may be customizable.
- **Revenue/Pricing:** Courses generally have subscription fees range from 10-20k annually depending on the packages with popular players able to charge premiums. Other revenue models include freemiums, pay per module, earning through advertising etc.
- **Marketing:** Generally done through a B2B and B2C model although there is a growing emphasis on C2C.

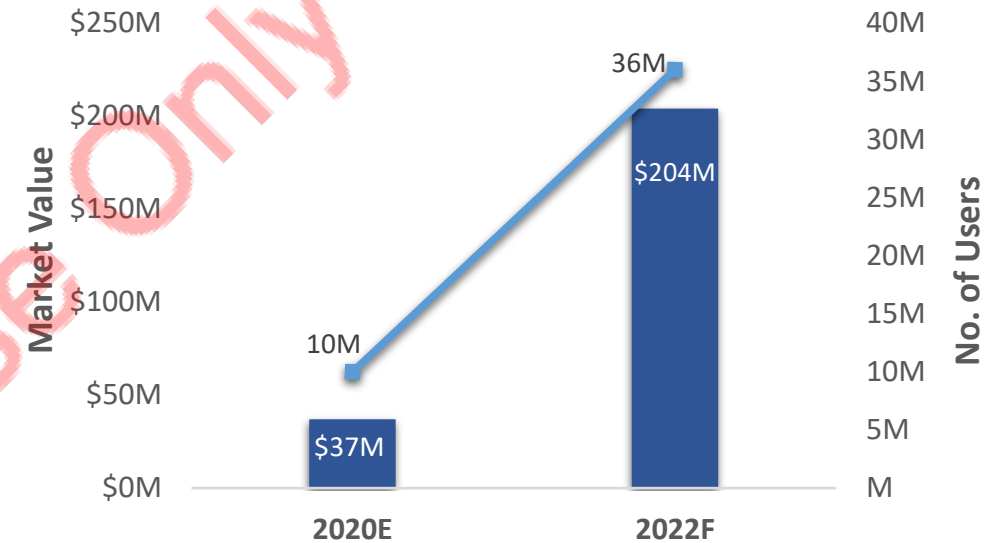


*Revenues are from 2019; LIDO and Classklap are estimated based on peers

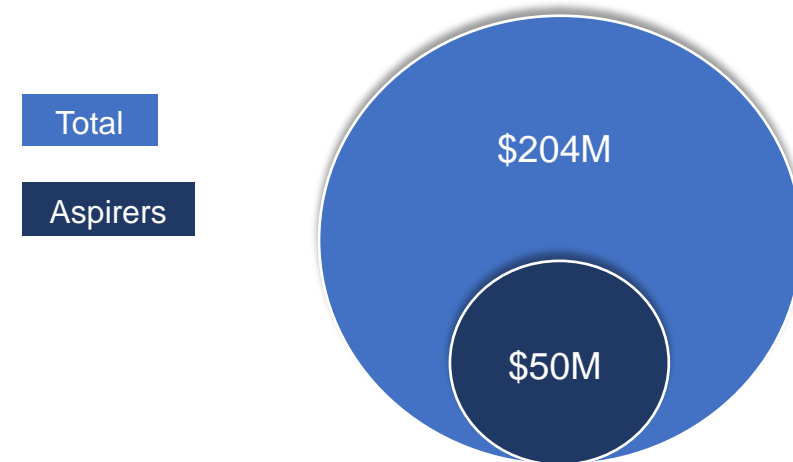
Indian FLN EdTech Opportunity

India's K5 EdTech Market is expected to grow at a CAGR of 134% and bloom to a value of ~\$200M with 36 million users by 2022 making it one the fastest growing segments in the industry

- The K12 EdTech Market in the country is expected to reach a value of \$1.7B by 2022 with almost 110 million users. This high growth scenario presents an attractive prospects to investors and EdTech entrepreneurs who continue to see their valuations soar.
- K5 EdTech users are forecasted to surpass their offline supplementary learning counterparts by 2022 with 36M EdTech users vs 25M users for the latter. This would be a major inflection point for the segment and underlines the need for more K5 focused products to meet the user's diverse needs
- The low-income segment of *aspirers* is expected to become a key driver of the EdTech market. It will contribute ~24% of the of K12 market value and therefore can expect to generate a value of greater than \$50M in the K5 market.
- There is a pressing need to develop EdTech products to cater the needs of this segment particularly with regards to FLN given the relatively younger age composition and lack of access to quality offline education infrastructure. **If India is to overcome its FLN deficit EdTech needs to play a pivotal role in empowering *aspirers*.**



K5 EdTech Market Size (2022F)



Key Indian FLN EdTech Drivers

Internet Penetration



Increasing internet penetration in semi-urban and rural areas will increase access to EdTech. India is expected to have ~ 300 million new people online by 2021.

Hardware Penetration



India is the world's 2nd largest smartphone market and will add ~ 180 million new users by 2021. Similar growth is expected with tablets and laptops.

Disposable Incomes



India will be home to the world's 2nd largest middle class by 2030; coupled with a relatively low-income elasticity of education (0.93) it will lead to high levels of spending in the sector.

Government Initiatives



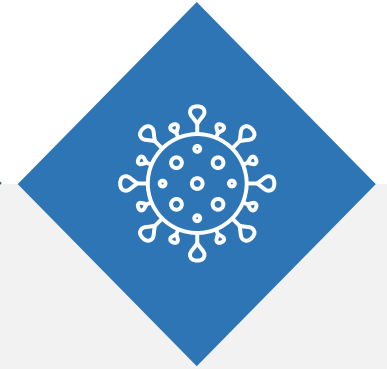
The govt. is bullish on the role of EdTech in "Digital India" to improve foundational learning outcomes. The NEP promotes app-based learning to empower the underserved.

Awareness of Quality



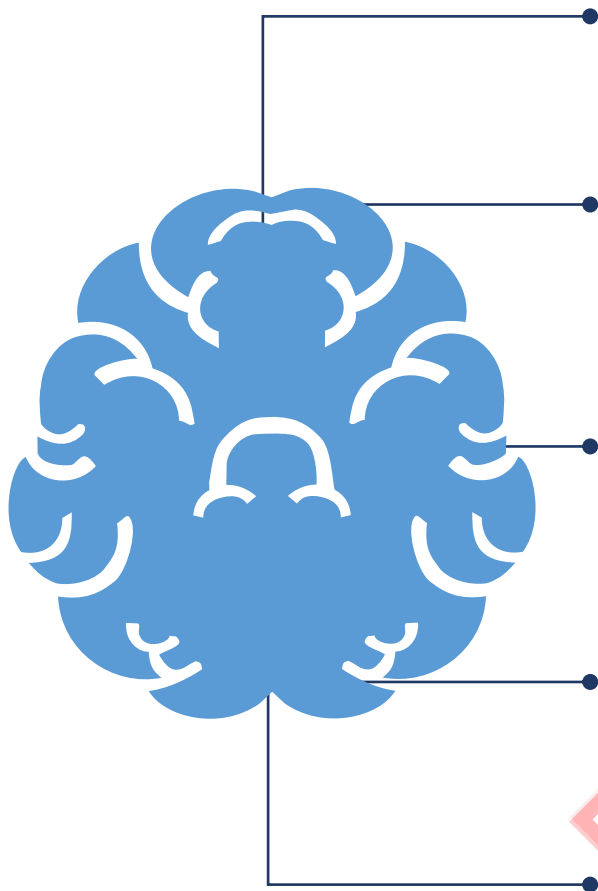
EdTech is seen as a tool that levels the playing field across income groups. A high potential for impact exists in regions where the quality of offline education is low.

Covid19



The COVID19 Pandemic and the closing of schools has highlighted the need for accessible EdTech platforms that are free from the disruptions that effect physical channels.

Key FLN EdTech Industry Trends



Gamification

Gamification is expected to play a major role in EdTech offerings focused on younger users to make learning more fun and application based. It can help drive greater engagement with the product by demonstrating concepts in an interesting manner that promotes learning.

Peer and Family-Based Learning

The NEP promotes peer and family-based learning, which is particularly important in times of Covid19 as parents are subsuming the role of teachers because of school closures. Furthermore, low-income households have limited hardware and peer/sibling-based learning can conserve resources while promoting collaboration.

Roll of Network Providers as Facilitators

The National Commission for Protection of Child Rights has recently called out network providers for disruptions that disproportionately effect the underserved. Going forward network providers are expected to face greater scrutiny as Digital India reaches the hinterland, and the role of the internet becomes more important in education.

Offline Integration

Offline integration will be more important than ever going forward if EdTech players are to expand their offerings beyond existing markets. Majority of Indians still do not have access to reliable electricity, internet or hardware therefore one cannot expect online based EdTech platforms to replicate their success without offline tools.

Personalized Adaptive Learning (PAL)

EdTech needs to personalize their offerings through adaptive learning as India's diversity means that there is no one size fits all solution. This is particularly true for the young as vast differences in the quality of pedagogy exist. No two students learn at the same pace and maximizing outcomes requires there to be a focus on individuality.

India 3: A Perspective

Large Population

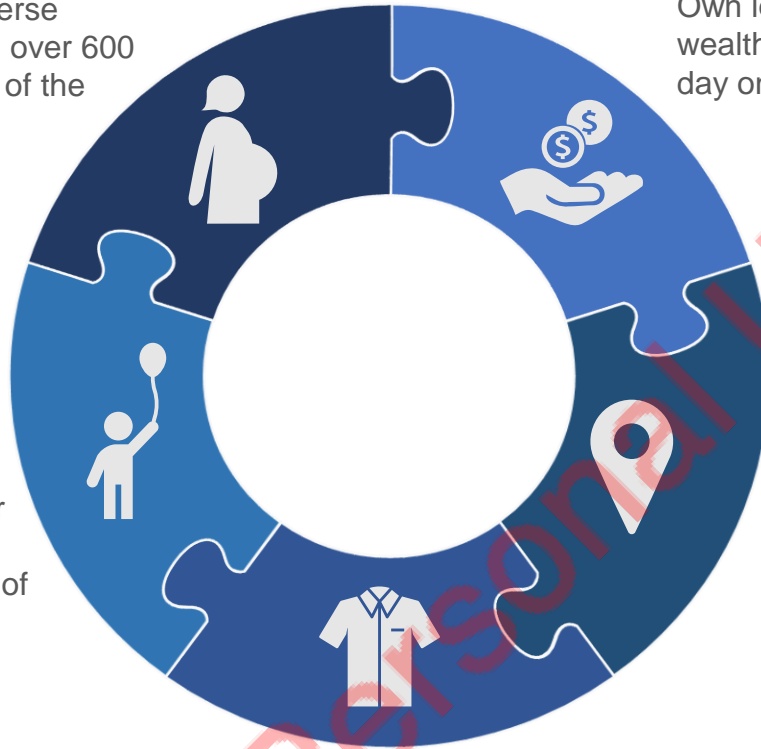
Biggest and most diverse segment of India with over 600 million people (>40% of the population)

Low Wealth and Income

Own less than 7% of the nation's wealth and earn a meagre \$5-\$6 a day on average.

Youthful

Higher fertility rates on average lead to a lower median age and contribute to over 50% of the K5 population



Rural

Majority lives in Tier 2 cities and rural areas without access to quality infrastructure

Limited Livelihood

The “better off” in the segment work for services/industries with job security while the rest are dependent on a good harvest

Key Takeaways

- India 3 is a vastly different market from the segment that India's EdTech players have built products for
- Existing offerings need to be redesigned and refocused to cater to the financial capacity and diversity of the segment
- The lack of sufficient digital infrastructure implies that some form of offline integration is integral
- **India 3 is the next frontier for EdTech and will contribute \$50M to the online K5 market by 2022, presenting huge opportunities for growth for the right players**

An Innovative Player



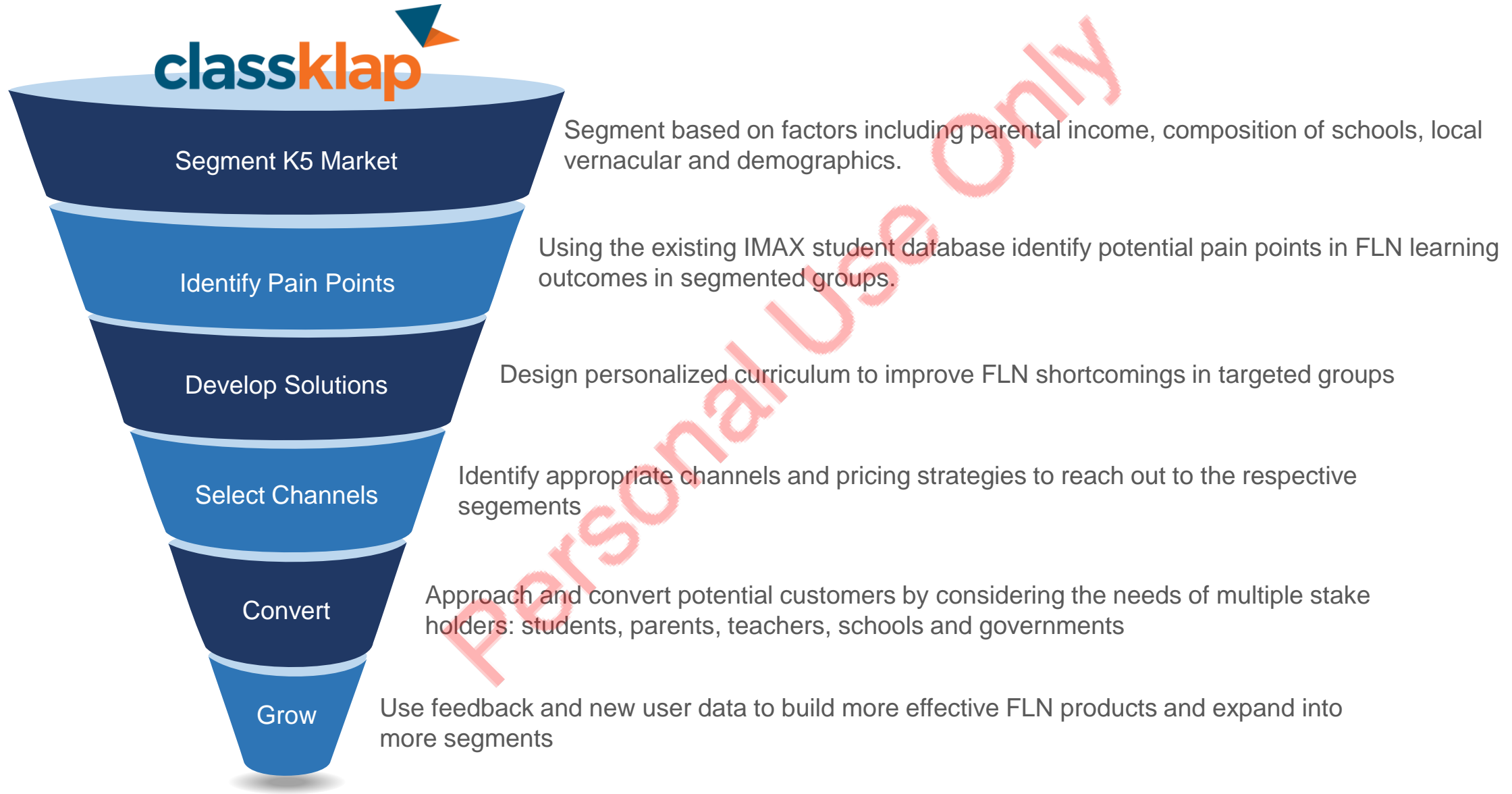
\$6.3M	\$17.8M	\$2.82M	Series A
<i>Revenue('18)</i>	<i>Total Funding Raised</i>	<i>Latest Funding Round ('20)</i>	<i>Stage</i>

- ClassKlap is a largely B2B focused EdTech firm that follows a hybrid online-offline model for a wide range of subjects by partnering with private schools Tier 1+ cities
- Through its IMAX program it provides personalised data science backed curriculum to students and helps teachers customise assessment and teaching pedagogies to maximise learning outcomes
- Online products include apps for students, teachers and parents.
- Offline products include textbooks, teaching aids and individualised worksheets
- The firm has impacted over 1,000 schools and 300,000 students


Competitive Advantage

- 1 Established player with FLN focused products that have been tailored to the NEP and adopted across income groups
- 2 Offline - Online integration critical for Rural regions
- 3 Highly personalized products that can cater to India 3's needs and diversity
- 4 One of the cheaper full-stack products currently in the market

ClassKlap: India 3 Market Approach



ClassKlap: India 3 Market Approach

	B2B	B2C B2B2C	B2G
Target	<u>Private Schools</u> >400K in number with a sizeable portion serving aspirers in Tier 2+ cities	<u>Parents</u> Primary stakeholders who decide child's learning avenue	<u>State Governments</u> Rural India 3 students study in govt. school majority of which are under state boards
Barriers	Slow sales cycle, ability to localize content, affordability, skill level of teachers etc.	Plethora of free products, high sensitivity to pricing, limited hardware, lack of interest from child, relevance with syllabus etc.	Bureaucracy, Slow sales cycle, poor digital infrastructure, ability to localize content, skill level of teachers, etc.
Product Features	IMAX integrated online-offline platform for students, teachers and parents	Free app with limited content. Should look to expand on the app and build tablet/SD card integrated products focusing on video and adaptive learning	IMAX integrated online-offline platform for students, teachers and parents
Pricing Strategy	Median annual private school fee ~\$70 Similar products price at around ~30% ¹ of the fee per student per year.	Freemium/trial model to convince parents of benefits and unbundled offerings to keep price low. SD card products can cost as low as ~\$50	Pricing may be cost effective if large contracts help achieve scale

Concluding Insights

- EdTech has great potential to improve learning outcomes in low income communities as has been demonstrated by the famous Hole-in-the-wall experiment and Mindspark's impact on schools in Rajasthan.
- However, my research and analysis of India's digital educational space has taught me that the inequalities of India are not only reflected but also compounded by the current nature of this sector.
- Scaling most India 1 products into India 3 in their current form seems to be a challenging task. This is true both from a price stand point and a content stand point. Most EdTech platforms offer a majority of their products in English and on prominent boards such as CBSE or ICSE which are a drop in the ocean (~30,000 schools). Most Indians will never study in these schools.
- It is a sad reality that the part of India that needs the greatest emphasis on improving learning outcomes is unable to access the necessary tools because they were never designed for them in the first place. This scenario will only worsen the existing differences in the quality of education imparted in India.
- I believe that if India is to utilise the true potential of EdTech the government needs to play an active role in promoting an environment that is conducive to equitable EdTech. The NEP is a step in this direction but there is a long way to go.

Sources

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- “The EdTech Lab series” – CSF
- “The Future of EdTech in India” – Inc42
- Interactions with with EdTech entrepreneurs

Thank you

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