

Ideas and reality

How global digital education ideas
turn into viable activities at scale

Ed tech

- Adaptive learning & big data
- Mobile learning
- Edugames and gamification
- Moocs
- Online tutoring and flip learning

Building an ed tech business isn't easy but it can be done:

- Open English, which provides online English tutoring targeted towards Spanish and Portuguese speakers in the Americas, has raised of total \$120m from investors
- The free MOOC Coursera now has about 10 million users on 839 courses from 114 countries
- Knewton, the adaptive learning platform, has raised \$105m and expects to have 10 million users by the end of the year
- Busuu, a language learning app for mobile, now has over 50 million users worldwide and has so far raised \$4.7m from investors

The market is immature

- Hundreds of interesting ed tech start ups emerging all over the world.
- But despite their sometimes large number of users, most start ups aren't profitable yet.
- Speaks to the immaturity of the market.

Underlying drivers good in Maghreb

- Countries looking to train rapidly growing young populations & improve English proficiency
- Government spending on education is strong and steady. Ed tech solutions can lower costs and help address teacher shortages
- The young are avid users of technology

Serious barriers to success

- Barriers felt all around the world, not just in Maghreb
- Institutional barriers
- Ed tech is relatively new and unproven. The low retention rates of online degrees is an example.
- Monetisation and finance – issues facing start ups of all kind

Institutional barriers to adoption

- While young people are 'tech savvy', governments and schools are the customers. They can be conservative, inexperienced, sceptical.
- Infrastructure: only about 65% of schools in UK have optimal broadband. Devices like tablets are expensive and interoperability can be an issue.

Ways around this

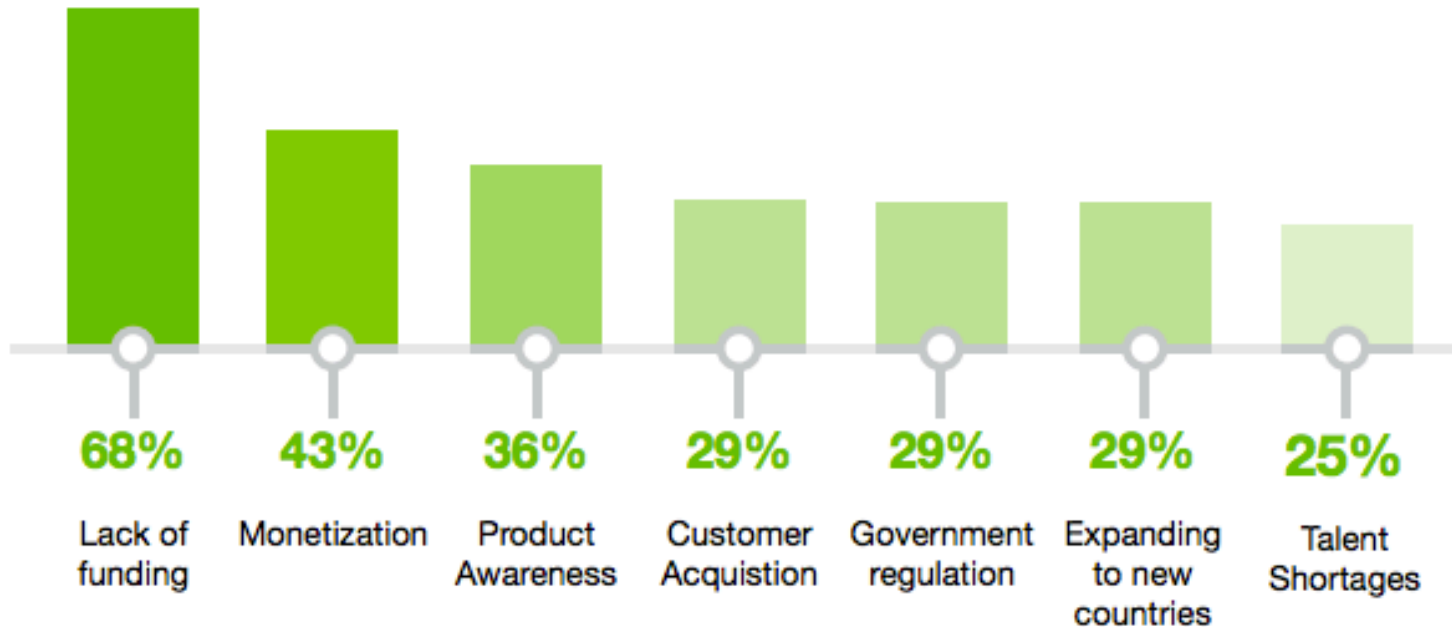
- Marketing and customer acquisition – build strong relationships with decision makers and schools or consumers if you're targeting them.
- Collect data and evidence to demonstrate your product works. Is it a solution without a problem?
- Governments must guide schools/ decision makers on best practice. The UK government this year launched the Education Technology Action Group – an independent group tasked with promoting the use of digital technology across schools, colleges and universities. (Yet to report back)

The business model

- According to a recent survey of 52 ed tech start ups based in MENA by WAMDA (an incubator). It found that monetisation is a major a challenge for start ups.
- 80% said their business model a was based around charging people.
- 30% said it was based around advertising.
- The ‘freemium’ paradox: Young people are used to free services. Free means more users – but monetising can be tough.
- Upselling, advertising and data can be problematic. No parent wants their kid’s learning software plastered with advertising. And data causes privacy concerns, eg collapse of In Bloom

Investment is the biggest barrier by far

Figure 4 : Challenges faced by education technology startups

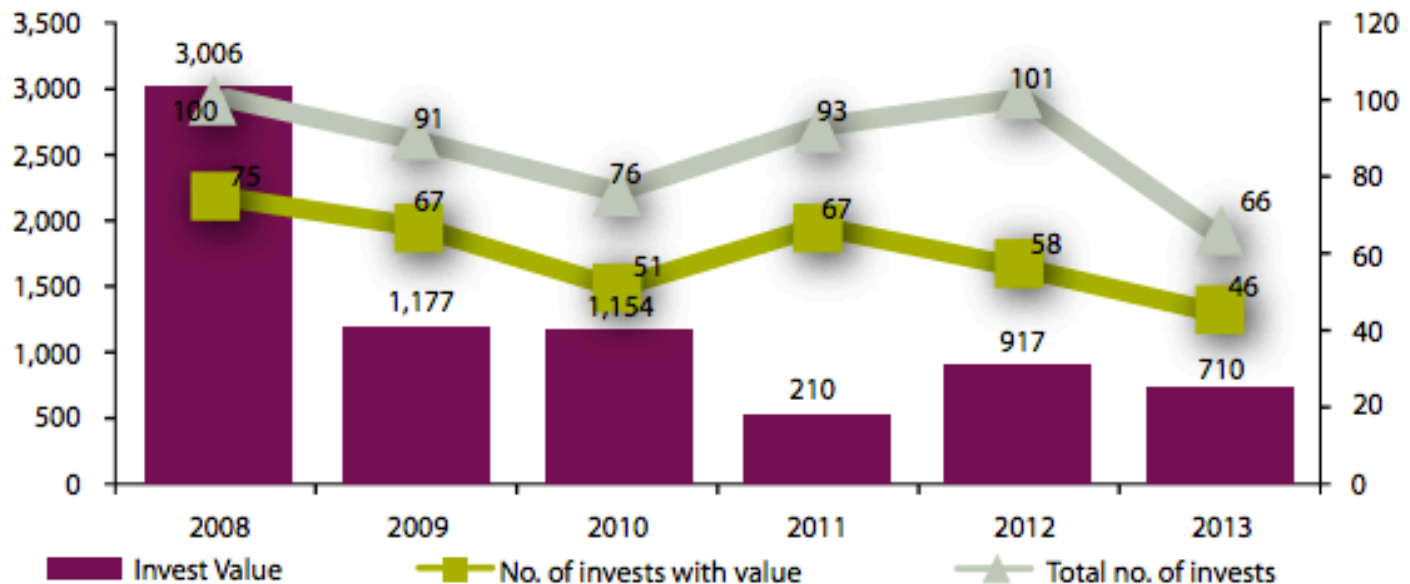


Base: N = 28

**Survey of 52 MENA based start-ups, WAMDA
(incubator with bases across MENA)**

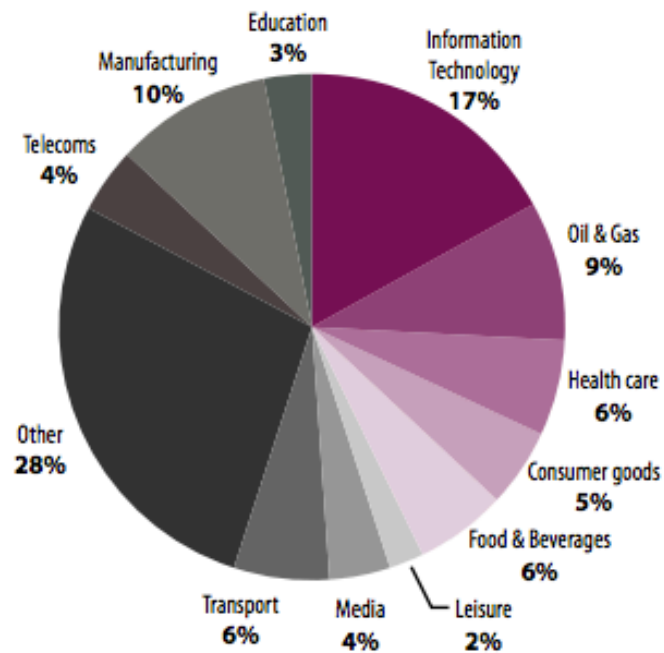
Private equity investment has been decreasing in MENA

Investment Value By Volume & Year

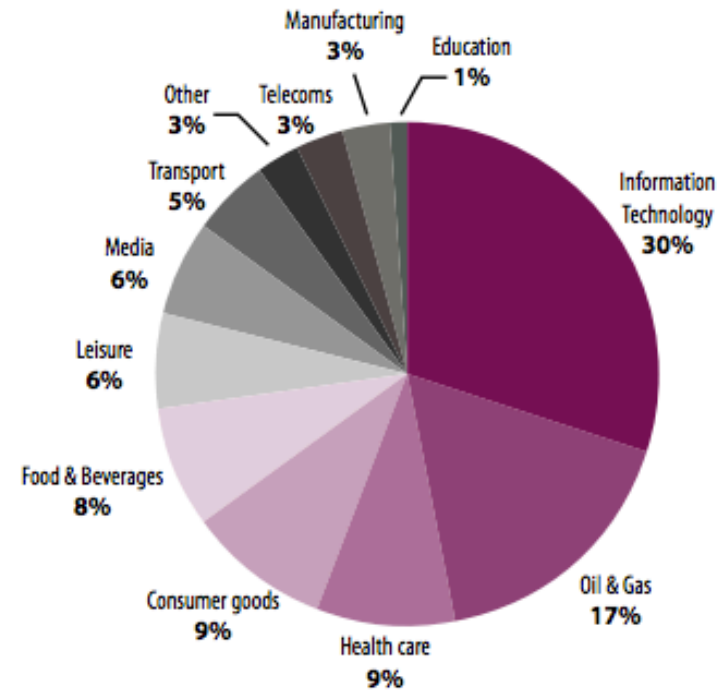


MENA investment by sector

Investment Volume By Sector Since 2006

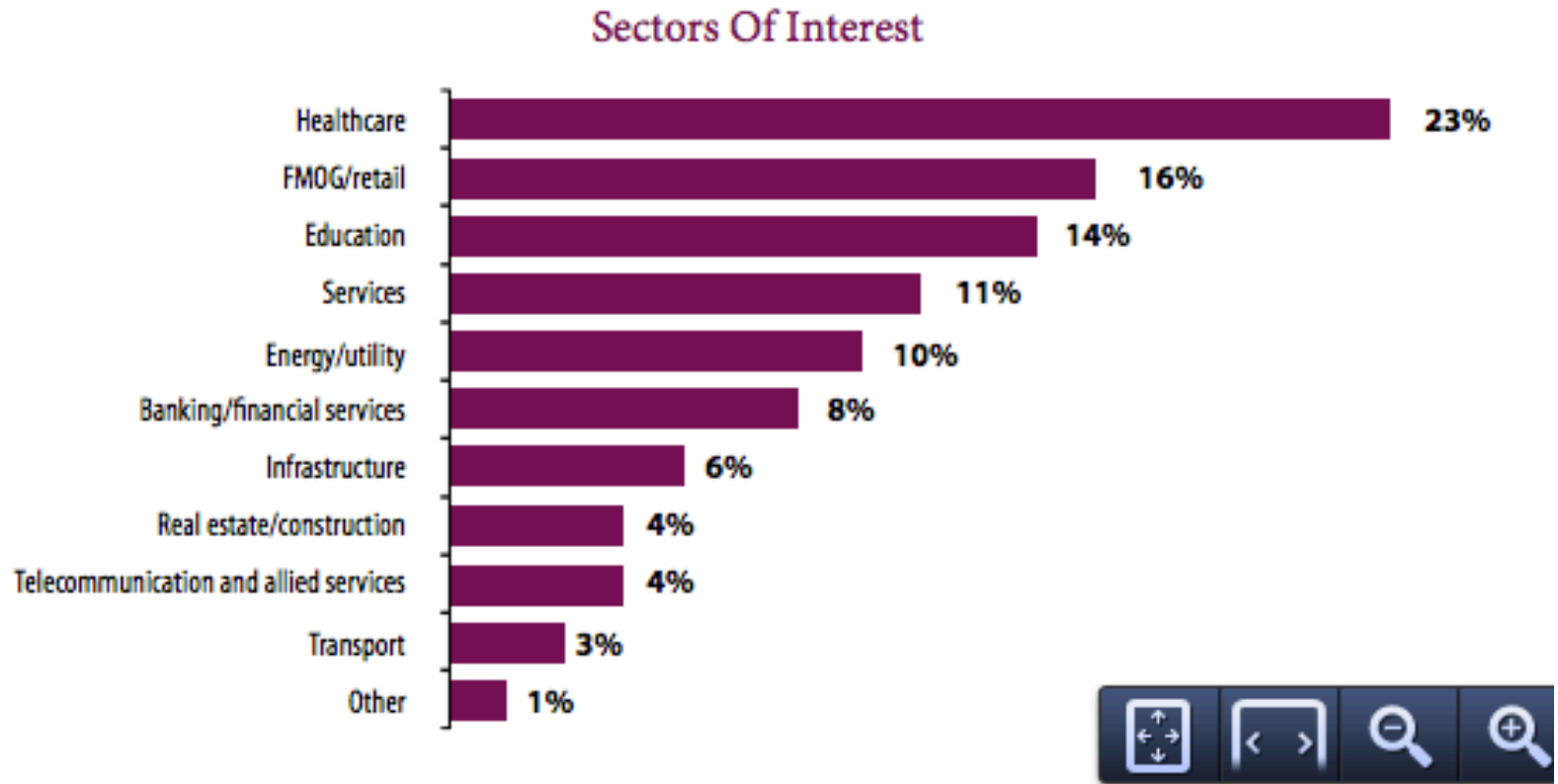


Investment Volume By Sector in 2013



MENA: Sectors of interest

In what sectors will you be investing in 2014?



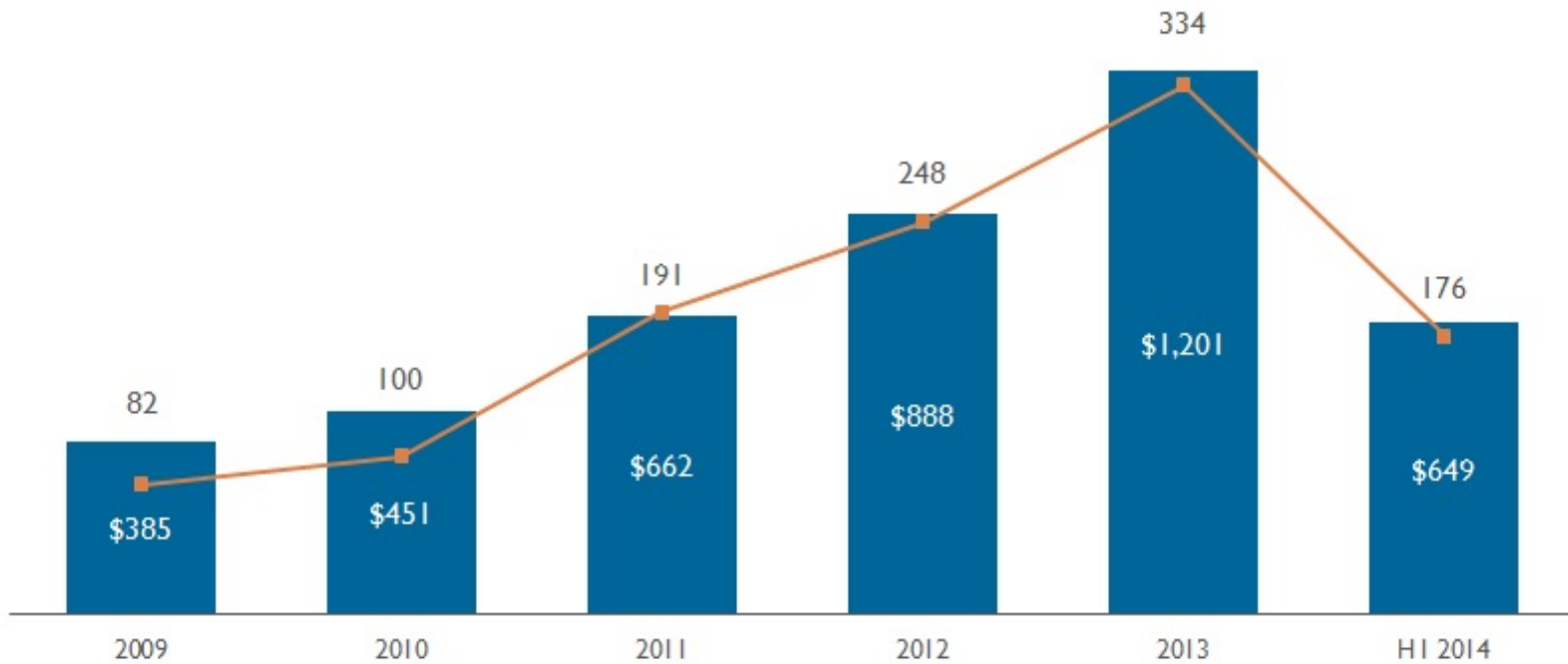
MENA Private Equity Association survey

Why does investment matter?

- Ed tech start ups can struggle to find successive rounds of growth capital and end up crashing
- Chicken and egg: Investors want to see that you can attract customers and increase sales before they invest
- But if you can't raise the growth capital to begin with, it's hard to 'prove' those points – how can you develop, market and scale your product without capital?
- Running a start up is tough. Usually entrepreneurs must bootstrap their business themselves.

The US shows there is appetite

Ed Tech Financing: Investment Deals and Dollars
2009 - H1 2014



Ways forward

Investors could create specialised funds that support the education sector

Most Active Ed Tech Investors

Rank	VC Investor
1	500 Startups
2	NewSchools Venture Fund
3	Kapor Capital
4	Learn Capital
5	GSV Capital
6	SV Angel
7	New Enterprise Associates
7	Felicis Ventures

Learn Capital backs only ed tech like Edmodo and Coursera; NewSchools Venture Fund has backed Khan Academy and Class Dojo

Social impact investors

- Pearson launched the Pearson Affordable Learning Fund in 2012.
- Backs low cost learning solutions in the developing world, with a focus on learning technologies.
- It has about six firms in its portfolio at the moment, including Spark Schools, an affordable school chain that uses blended learning in South Africa; and Zaya, which provides low cost blended solutions in Indian schools.
- The International Finance Corporation makes similar investments.

Launch some ed tech focused incubators in Maghreb

- Incubators help start ups by: investing a bit of equity; providing advice on how to reach customers; connecting start ups with investors
- Most are in the US. But some have been launched in the UK, Colombia and Chile (which was backed by the government)
- There are a number of incubators in Maghreb already – but none are purely education-focused as far as I can see

Some ed tech incubators

Explore foreign incubators:

- Imagine K12
- Pearson Catalyst
- Emerge Education (London, UK)
- 1776
- Socratic Labs
- Macmillan Ventures

Work together

- For ed tech to thrive, it needs an 'ecosystem' where investors, start ups and the government collaborate.
- Investors aren't going to back start ups if they view the ed tech market as very risky
- And the market will always be risky if governments/ educators aren't on board: supporting innovation and endorsing best practice (as well as warning against bad practice)
- Finally, ed tech entrepreneurs need to explain their products and ideas clearly. If ideas sound too convoluted, consumers, policy makers and investors tune out.