

Accelerating Global Education



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During an era of technological transformation, the global education landscape has seen relatively little innovation in the past 50 years. Only 10% of the education industry has been digitized today compared to 70% for sectors such as finance and media.

As such, we view the global online education technology “gap” as close to a \$3tn market opportunity as the space between digital learning and digital ed tech revenue condenses (as we have previously seen with other industries such as with the mobile advertising “gap”). The opportunity is in early stages of secular growth, which we expect to continue over the next decade guided by innovation across all major market participants: Governments (with regards to the K-12 market), Employees (as they seek to lower the cost of acquisition and increase employee retention), Universities (as they seek to innovate on secondary and post-secondary business models), as well as Consumers (those looking to gain an education or to upskill themselves).

The pandemic has re-focused these market participants on three key trends within education – 1) limited access to equitable higher education both in the U.S. and globally, 2) accelerated demand for employees with digital skills (software, analytics, cybersecurity, big data), and 3) the rise of remote work reshaping the supply and demand dynamic of the labor market.

As market participants engage with these three megatrends in education, we see the following key areas of growth and disruption:

- **Ease of Access to Education:** According to the United Nations, there are approximately 262mm students worldwide who are unable to receive a full-time education. This is primarily due to a lack of educational institutions, materials, and guidance for prospective students. Digital textbooks, online learning platforms, and other education accessibility features are crucial for access within remote areas. Due to this (as well as an acceleration stimulated by the COVID pandemic), scaled players in the education space have focused on transitioning their businesses digitally. Cengage, one of the key players within the Higher-Ed market, has transformed their business into one that is over 70% digital. 2U's Alt Creds business, which formerly had a large in-classroom component, is now almost entirely online. Nerdy, well-known for its tutoring services, has recently transformed its business from in-person to digital. These players are just a few examples of the recent digitalization of EdTech to capitalize on the need to enhance the accessibility of education, a trend that will only accelerate in the coming years.
- **Focus on Personalized Education:** Advanced learning tools are necessary to evolve towards enhanced personalized education, in which students engage in higher quality learning and content tailored to their needs. Given the broad spectrum of learning styles, personalized education can better serve the growing population of children entering the system. Several of the most well-known brands within Education have capitalized on this. Chegg, Quizlet, and Duolingo – three of the most well-known EdTech companies, made their names by allowing learners to consume educational content at their pace, preference, and style supplementing what students can achieve in the classroom.



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- **Online Degrees and Tools:** Schools, colleges, and universities around the globe are already providing access through e-courses. This trend was catalyzed by COVID-19, given a remote environment, however electronic worksheets, audio recordings, video recordings, and one-on-one devices continue to better serve a wide range of students with different capacities. To improve digital learning experiences, EdTech companies need to find better ways to analyze valuable information such as textbook consumption, performance, and feedback. Companies can boost learning engagement by connecting with students on a deeper platform than the traditional education environment. Online degrees and learning tools come in all shapes and sizes. On one hand, there are OPM (Online Program Management) providers that are working with top-notch universities to take their academic programs online. On the opposite end of the spectrum, there are companies such as Masterclass, that are providing tutorials and lectures across a wide variety of topics for students across all age and skill levels to enhance their skill sets digitally.
- **Professional Development Education:** While many think of education as pre-school, K-12, and higher-education, there is a vast opportunity within assisting professionals with upskilling or re-skilling to the tune of a \$13bn TAM with several secular tailwinds. In a competitive job market with enterprises seeking prospective employees that are tech savvy and/or have unique skills, several EdTech companies are focusing on bootcamps and short courses in cybersecurity, healthcare, IT, coding, and other skills to capitalize on this trend. EdTech innovators are also capitalizing on professional education through the emergence of online test prep companies to help students study for certifications within their respective fields – Barbery, Uworld, Kaplan, and many others are taking advantage of this trend.
- **Embedded Tech:** Global AI expenditure in education is expected to reach \$6bn by 2025, with China and the U.S. contributing a majority of this total. Automation of rote tasks such as grading, rescheduling and administrative paperwork offer promising applications for teachers to enhance focus on student learning and retention. Robotics are also increasingly being used as an introductory tool to help students learn how to code; the robotics in education market is expected to reach \$3.1bn by 2025. Developments in robotics have helped students gain access to more advanced educational “instructors” that can further elicit interaction and emotion compared to other forms of learning.

While there are now several scaled, publicly traded Education companies, a majority of the industry remains privately held. In the coming years, we can anticipate seeing a wave of consolidation and capital raises as privately held companies that last received relatively rich valuations in 2020 and 2021 come back to market seeking fresh capital. With almost all the traditional sponsors now involved in education as well as a continued VC presence in the space, there will be ample capital to meet company demands, spurring transactions and accelerating growth for the educational space in 2023 and beyond.