



WHITEPAPER

Separating Core vs. Surround - Part 1: Factors for Success in EdTech



Executive Summary

The EdTech (Education Technology) industry has been at the forefront of the pandemic-induced digital transformation. Between 2019-2021, we have seen a dramatic and unprecedented emergence of EdTech. However, the EdTech industry is still in its developmental phase with significant growth potential over the next five years in a post-pandemic economy. Simplified workflows, adaptive learning, real-time feedback, and upskill development are rapidly emerging opportunities for the industry.

The downside of this rapid growth and adoption is the expectation for more of the same in the future. EdTech companies are expected to maintain the same dizzying levels of growth they have had in the past, in the future as well. Ease of access to global content will require educational institutions and service providers to adopt agile content production and delivery methodologies. In addition, retaining learners' drive, product stickiness, and granular data capture will gain traction.

The venture capitalists that have driven the growth of EdTech and spawned many unicorns may need to be more frugal in the future. We can expect leaders in this industry to recalibrate growth expectations and apply practices from other industries that help improve cost

management and set the course for long term success. Doing so will require a new approach to running the business. EdTech companies need to follow a capability-centric approach instead of the process-centric approach that has been the norm in the past.

Once core vs. surround is accurately defined, organizations need to **follow a design-thinking approach to define the people, process and technology ecosystems required for execution**. Starting with the definition of the learner personas and a granular needs analysis, organizations should then build learner journeys and identify quantifiable metrics for success. The next step is to design the process maps and digital enablers required to address the learner journeys, placing technology front and center, while leveraging human capital for their SME knowledge. Finally, solutions should be deployed in a phased manner, allowing for A/B testing and solution improvement in real time.

EdTech companies need to isolate the capabilities that are core to their businesses from the execution oriented surrounding activities that are better performed by partners specializing in them.



The Evolution of EdTech

Since its inception, EdTech promised to democratize education and learning. Beginning in March of 2020, EdTech success stories are nothing short of a fairy tale, allowing learning to continue across all levels in an environment of severe disruption. The accompanying surge in fundraising enabled entrepreneurs to unlock their growth potential.

Trends in a post-pandemic economy give us confidence that there will be a normalization of trends, but that growth will continue for EdTech¹:

- \$4.5B of EdTech venture funding for Q1 2022
- Straight line momentum in VC funding would still deliver around \$18B for the entire year of 2022 against \$21B in 2021
- **Integration of AI** along with emerging formats through AR/VR/XR tools is expected to help achieve higher learner engagement, especially in K-12 and tutoring products.
- India maintains a strong contribution towards EdTech's emergence in Asia, along with China
- Europe and the US expect continuing growth from their respective EdTech giants considering the early mover advantage they have.
- Markets such as Singapore, Canada and Brazil have established a stronghold over the 'rest of the world.' These countries will play an important role in establishing **EdTech use cases.**



There are three main components which broadly categorize the most common use cases in EdTech:



1. Organization and management of educational resources:

Students bring a wide array of cultural backgrounds and unique learning needs to the classroom. Non-English language learners may need additional language support. In contrast, special-needs students may need teachers to practice more simplified or gamified learning methodologies and provide constructive feedback. All of this must be achieved, ensuring these initiatives don't add incremental financial burden on families. To successfully adapt to these needs, **educational institutions must find ways to provide necessary resources to all students, 24x7 at the click of a button, along with learner support while not in the classrooms.** Flip learning, managing grade books, hosting e-resources and assignment submission are common use cases.



2. Complementary needs of education systems:

Complementary learning is an idea which requires holistic planning and an outcome-focused approach. Integrating on-premise learning and virtual education mapped to learner success is a core objective. With future job skills in focus, it is evident that a significant part of up-skilling will continue to happen outside the traditional classroom. As a result, **emerging skills content, skill dashboards, and cohort-level skill benchmarking will be a common ask among recruiters as a way to manage hiring costs.** This provides a growth opportunity for both institutions and businesses.

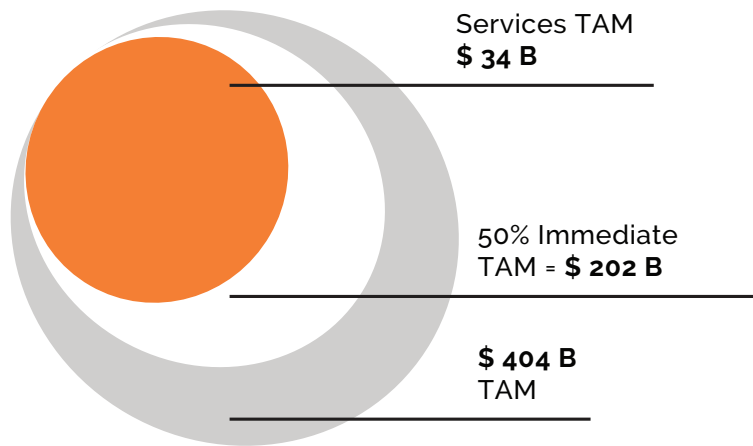


3. Teaching/learning process:

The core purpose of education is to make learning beneficial and meaningful for an individual's growth. This process should be considered an outcome of teaching and enablement provided. Accessibility and affordability help scale any learning program. **The role of technology is to simplify and support learning and improve performance among students by extending an environment where students can:**

- Practice key concepts with real-time feedback
- Search relevant content in one place
- Find career development services/counseling network

The above aspects have led to solid EdTech adoption across K-12 institutions, universities and working professionals. The sector continues to promise a substantial CAGR of 16% with a Target Addressable Market (TAM) outlook below:



Key Segments			
E-learning		Campus management	
LMS & assessment		Learner support	
Content		Information management	

Figure 1: The Global EdTech market size

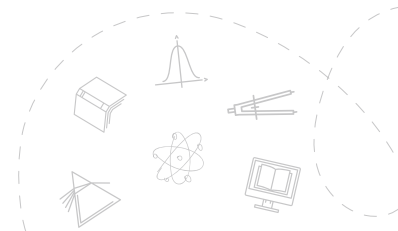
The above estimate is based on varied industry reports on TAM and market level information regarding investment on services like content, learner support, IT infra deployment etc.

Statista research predicts the worldwide e-Learning market evaluation to surpass \$243B by 2022. Even if we further normalize the growth rate to 10% YoY, the segment is set to become a \$355B market. The mentioned segment includes early learning to continuing education for professionals. However, from 2022 onwards, the vertical needs to continually innovate and orient the product lifecycle keeping the learner experience at the center. Based on industry estimates, the COVID pandemic created an incremental growth rate of 25%-30% in the EdTech space over and above the steady CAGR of 16% due to the ongoing lockdowns across the globe.

With reference to the Gartner Hype cycle², we are witnessing an early adoption of future technology. Adaptive learning platforms, smart campuses, iPaaS (Integration platform as a service), and self-integrating applications are still at the innovation stage. With the ease of access and better connectivity infrastructure through 5G, the

next wave of innovation is likely within the next five years. The role of AI and prescriptive learning models in education is at least nine years away. Asia, Africa and LATAM adoption is crucial to claiming a truly global success. China and India are vital in EdTech's growth story. The language translation market is estimated to grow further considering population size, which is likely to accelerate EdTech offerings in non-English format over next five years.

With a hybrid ecosystem, a normalization of trends is expected. Growing the product promise and providing a frictionless service delivery supported by continual innovation in product features will define the market leader.



2022 - 2023 reboot requires 'jump the chasm' approach

To achieve true transformational process and digital maturity, most products need to address their "jump the chasm" phase. Sandboxing can help illuminate what their focus areas need to be as they scale. The sandboxing should be split across five stages:

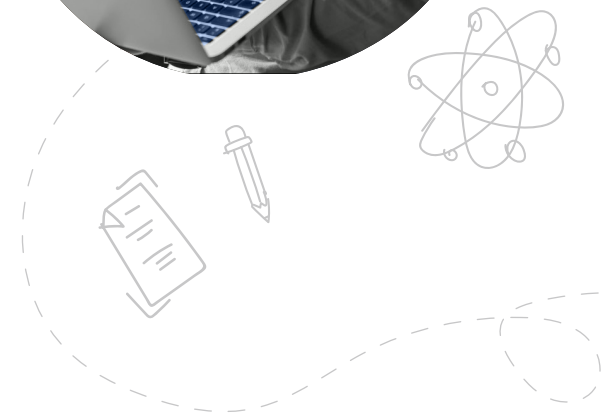
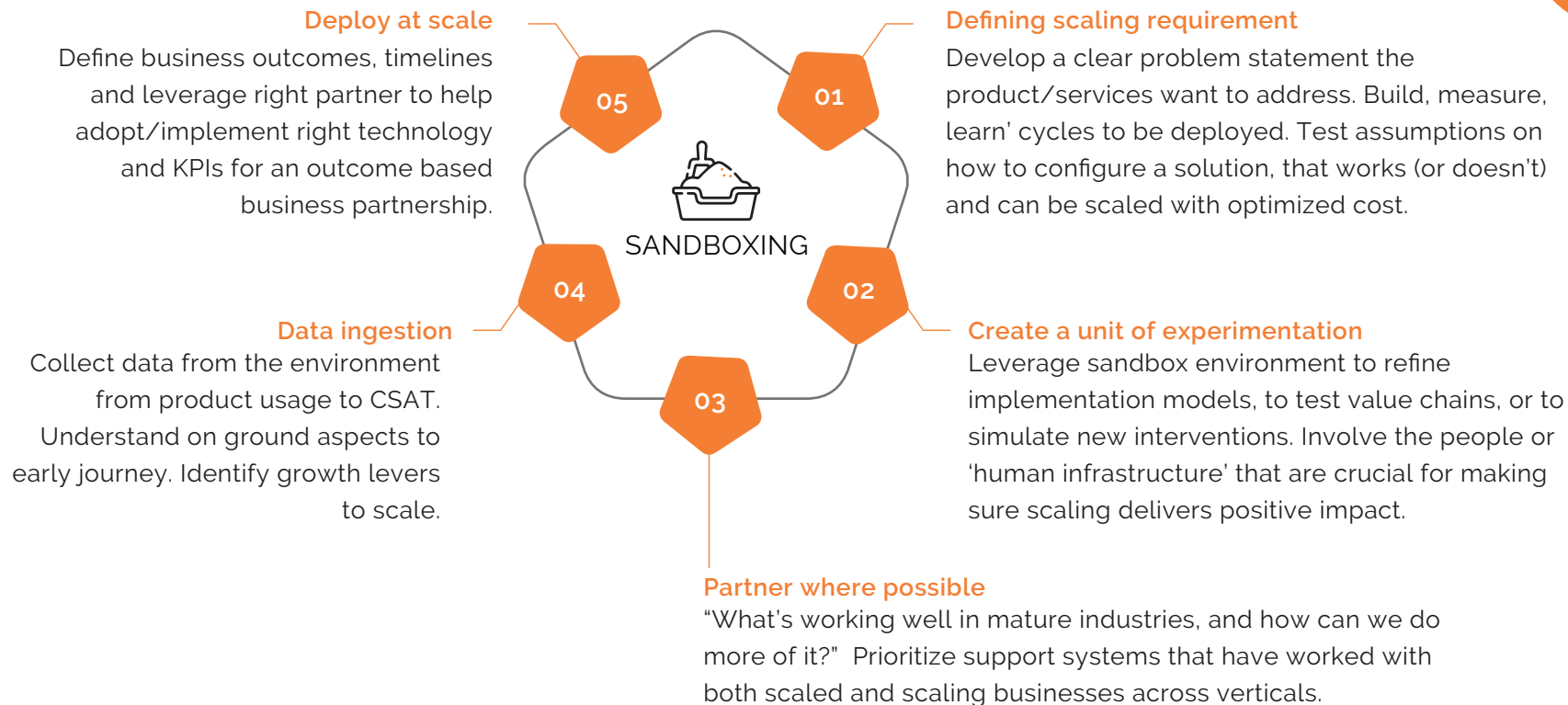
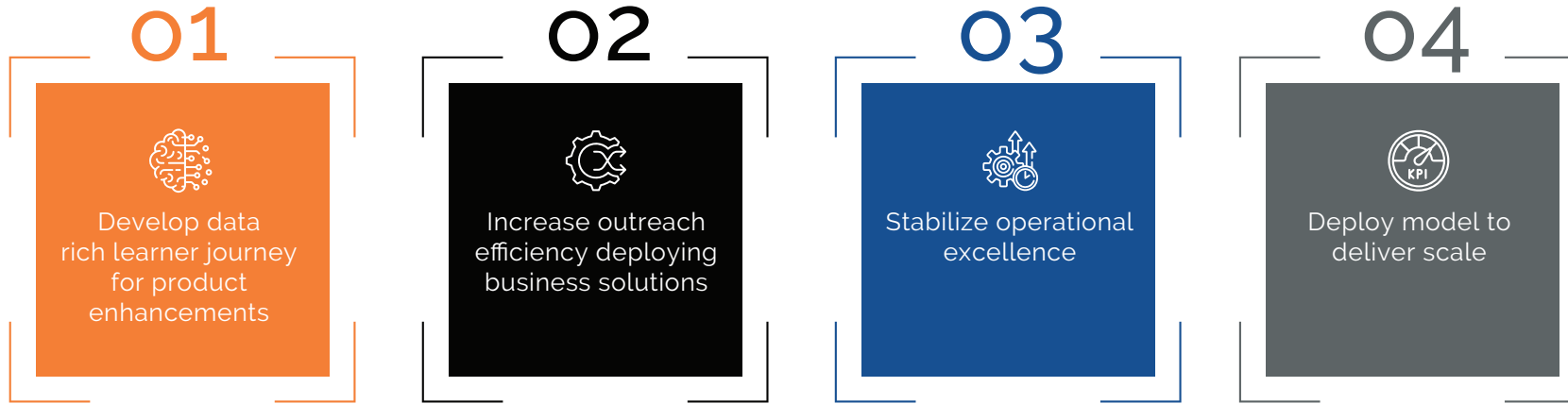


Figure 2: Sandboxing

Four Goals Critical to Improving Student Journey Performance

Digital capabilities hold the key to dealing effectively with student enrollment, learning outcomes, and managing the cost of delivery. In our illustration below, we have showcased the most common solutions demanded across each stage:



While bringing the concept into practice one needs to understand the frameworks of 'digital transformation' while not limiting them to 'digital improvements'. For example, when you improve technology, you're upgrading speed and functionality of existing interfaces. When you transform your technology, you're revamping processes across all crucial business practices, including those that your existing solutions may not yet address.

Reimagining workflows, process competitiveness and data strategy will continue to be crucial strategic initiatives among EdTech orgs. UX + CX can be core pivots while processes can be evolved around them. As a business matures, the strategy often requires a revisit, hence the need to design workflows with one-to-two-year outlook.



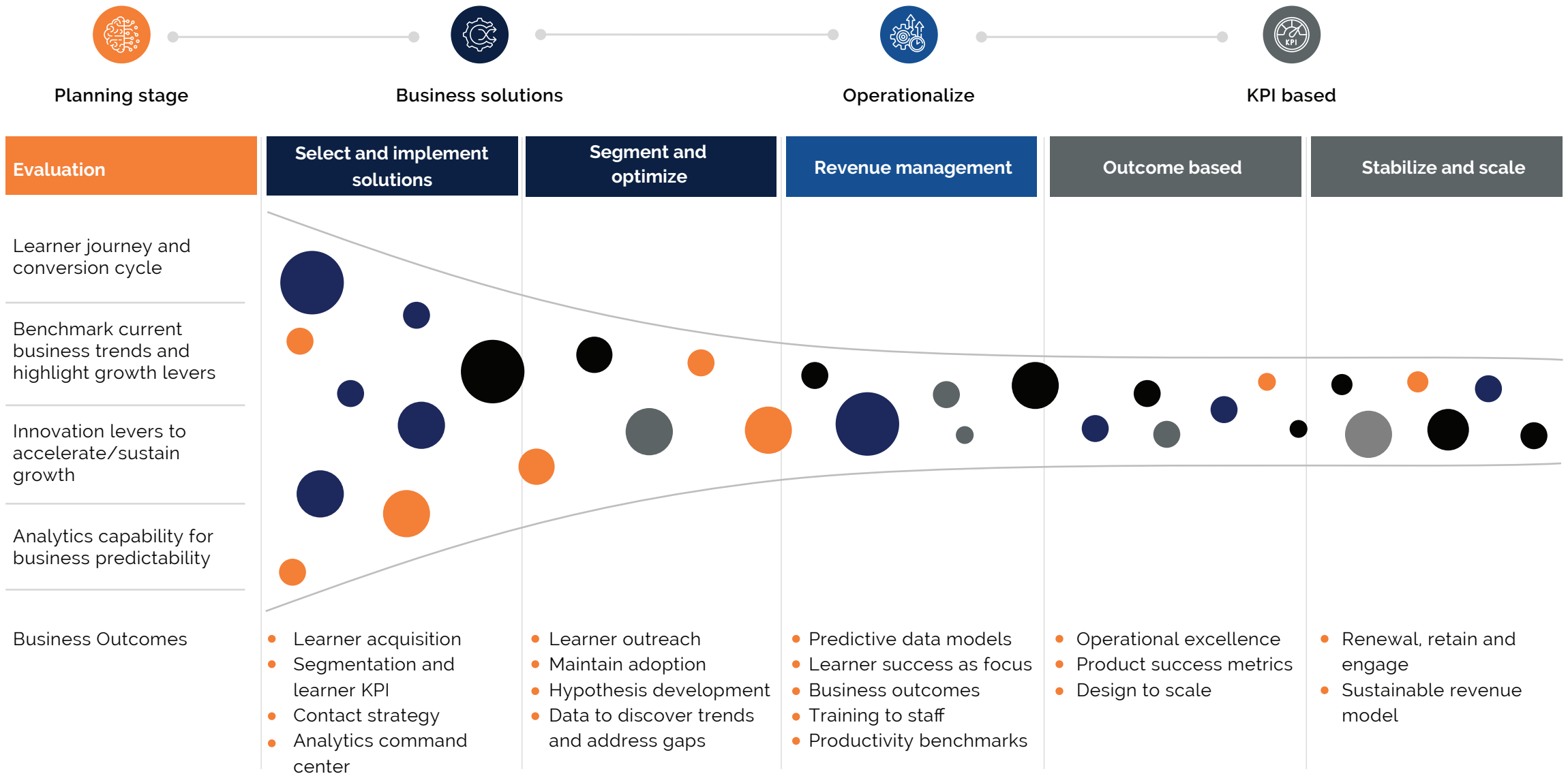


Figure 3: Process interventions for efficiencies

To retain market leadership in a highly competitive market, EdTech businesses need to follow six business Key Performance Indicators (KPIs):

01 | Learner retention:

Reducing student churn is among the most crucial tasks for any business, especially in a post-pandemic economy. Creating a seamless onboarding, support desk, and LMS feature enable a learning pace. This can be boosted by:

- Providing an intuitive end-user journey
- Regularly adding extra features, running various learner reward programs, and continually assessing the health of the student file in total and via various cohort analysis

Enhancing student experience is a critical factor in long-term satisfaction among learners when measuring end-user engagement. Often seemingly minor UI/UX details can be very empowering or detrimental and may dramatically affect the chances of market success.

Important directional metrics when measuring renewal rates are:

- Developing feedback loops among users
- Tracking learner journeys, and
- Understanding CSAT trajectories

02 | Intuitiveness and usability:

03 | In-depth analytics and assessments:

The gold standard is **understanding the learner engagement** delivered through the product. This can be achieved by processing two types of analytics based on historic data:

- **Descriptive:** Highlight the North Star to course correct when deviations occur
- **Predictive:** Show the reasons for past mistakes. As operations grow in a post-pandemic world, businesses need to leverage these insights to deliver change in an omni-channel environment



04 | Conversational design:

Structuring content is core to any successful product. Interactivity and real time engagement are essential for businesses to truly understand their product use cases. This aspect focuses upon:

- Integrating multiple content types – structured, interactive, conversational DIY modules, hands-on application
- Ensuring the end-user journeys are engaging and remain motivational. The depth of content engagement and time spent are likely to be benchmarked here.

Various design strategy factors are vital for creating excellent e-Learning content: interactivities, animated videos for case studies, voice-overs, as well as in-product visual branding with company styles to reinforce authenticity and credibility. In addition, interactivity and bite-size refreshers help enable smooth student journeys and positive learner outcomes that are self-fulfilling in nature.

05 | Immersion and gamification:

E-Learning gamification has come a long way from where it started with the badges and dashboards. VR/AR solutions are used in various niches, from K-12 education to professional training to provide ongoing engagement and encouragement. In addition, virtual labs which provide truly immersive experiences are gaining traction and promise to further improve engagement and successful outcomes.

06 | Content development:

To scale operations, EdTech businesses will start evaluating processes for continually **improving the depth and breadth of their content offerings**. This must be core to their operations and must remain in-house, as the content itself is a key differentiator for each EdTech provider. At the same time, ***the surrounding ecosystem will rely on service providers to help them scale to reach new potential learners.***



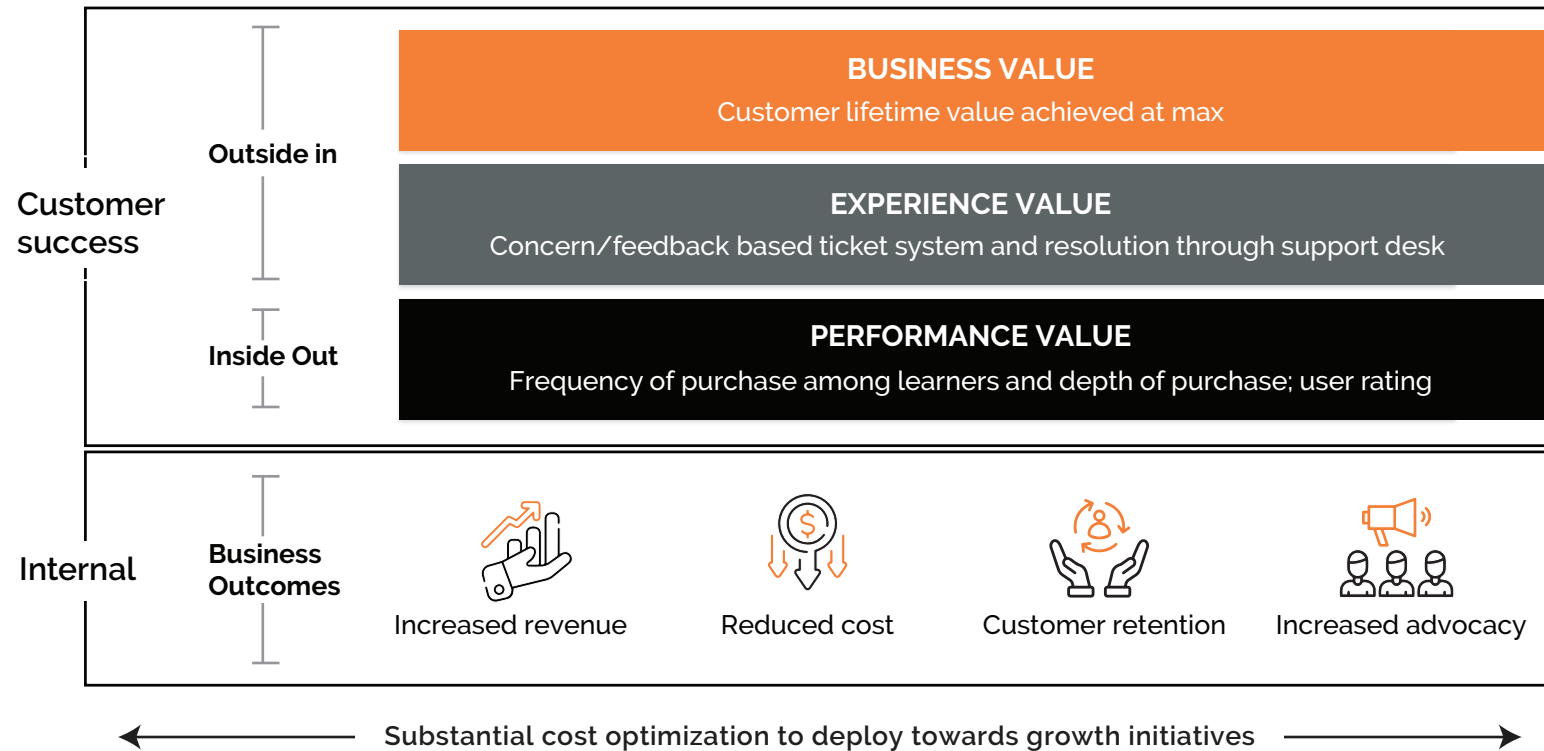


Figure 4: Sustainable revenue engine demands enhanced CX practices

As more people switch to online or hybrid learning, EdTech will become increasingly adaptive, designed to meet the needs of specific groups and individuals. Personalized learning, learner support services, along with accessibility through democratized education is a significant part of tech's future.

As the EdTech industry moves to the next phase of its evolution, leading players will need to adapt to changing realities of the business. The challenges faced by a small but growing business are very different from a large business trying to continue its growth trajectory. One of the key imperatives at this stage is the ability to accurately differentiate between core vs. surround.



About the Authors



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Tij brings 25+ years of experience in education domain. He has advised education institutions and EdTech companies on how to develop and implement digital strategies to transform their business models and reimagine learner experience.



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