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EDTECH INDUSTRY: GOLDMINE TO GRAVEYARD

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Abstract

About 4-5 years back, the edtech industry was considered as the blue-eyed boy of the venture capitalists. Companies were getting unheard of valuations and newer and newer edtech companies were springing up. However, come 2021-22, layoffs became the name of the game. What are some reasons which led to the rising of edtech companies to dizzy lights? Why were these companies galloping away to crazy valuations? What happened post Covid which led to a downfall? Taking BYJU's as a case, this paper tries to find some answers Keywords: Educational Technology; Edtech in India; marketing.

Introduction:

Circa 2017. A KPMG Google report (2017) stated that the education market in India stood at USD 100 billion. An opportunity lucrative enough for monetization by using appropriate technology. This was expected to grow at a CAGR of 52% to USD 1.96 billion by 2021. Circa 2021, the great Indian startup dream takes off. Circa 2022, there is a sudden winter in startup funding and the dream starts crashing down (Kamath, 2022).

Certainly, a huge rollercoaster with dizzy heights and sublime lows. Perceptions of all investors, stakeholders have yoyoed like a pendulum. Organizations which became unicorns during the Covid-19 period are today finding it difficult to stay afloat.

Literature Review:

Edtech also known as educational technology means the study and ethical practice of facilitating learning and improving performance by creating, using and managing appropriate technological processes and resources (Michael, 2013). A more comprehensive definition of Edtech includes new educational solutions as educational applications, online learning platforms, educational games, adaptive educational systems, educational social environments, new devices for training, new forms for testing knowledge, innovative educational techniques, peer to peer training, interactive educational projects, mobile learning, just in time learning and personal assistance in education (Voloshin, 2019).

The education system in India is multilayered formal education system with 200 million students (MHRD, 2018) can be divided into Foundational education, Foundational education & working professionals and only working professionals. Foundational education consists of pre-primary education, primary education, secondary education, tutoring/private coaching, and higher education. Foundation education & working professions consists mainly of test preparation whereas only working professionals consists of reskilling and online certifications, corporate trainings and hobbies and language related learning.

Headwinds driving edtech industry towards a goldmine:

During early days, the online platform providers served as enablers by connecting prospective students and content providers. Nowadays, the platform providers not only connect students and providers but also have become curators. In fact, for corporate trainings, there is an increasing co-creation of content.

As per KPMG in India's research and analysis 2017, during 2017, higher education was expected to grow based on changes in regulatory framework. Language learning and casual learning was a budding nascent market with limited Indian players. Primary and secondary supplemental education was showing significant potential with parents opening to the idea of supplementing children's school education. The most important growth was expected in test preparation like IIT JEE, IAS, UPSC etc. and more in Tier 2 and Tier 3 cities. The future growth was expected from a large base of new entrants of the working population because of the belief that the then education system was not getting enough to make graduates ready for corporate life ahead-and therefore the need for reskilling.

This led to growth of online education in India during 2016. This was further supported by the fact that there was a boom in internet user population from 2011 to 2018 with overall internet penetration of 31 percent in 2016 (Indian Languages-Defining India's Internet, A KPMG in India Google report, 2017).

Some other factors expected to drive growth were:

- Online education was expected to provide a low-cost alternative especially in medical and engineering education
- Increased demand for continued education of working people and those seeking jobs (Bansal, 2017)
- Online education was expected to supplement education where quality education availability was low, especially states like Bihar, Kerala and J&K
- Government initiatives were expected to drive adoption of online education –for example e-Basta (textbooks in a digital format), e-Education (all schools to get broadband and free WiFi), Swayam MOOCs (massive online open courses) and India skills (a portal to impart skills learning)
- Increased internet penetration of around 31 percent
- Increased smart phone penetration from 4% in 2007 to 50% in 2020 (Digital India Report, 2020)
- Increased increase in disposable personal income

The Covid-19 black swan event converted online teaching into a necessity rather than an option. Online teaching enabled speaking to a vast number of students at any given moment and in any part of the world.

The products of Google were particularly useful including gmail, web templates, google classroom, jam etc. a total investment of USD 2.22 billion as compared to USD 553 million in 2019. At least 92 players attracted funding in 202 out of which 61 players received seed funding. BYJU's and Unacademy raised a funding of USD 1.35 billion and USD 264 million respectively in 2020

It was expected that:

- Online players would move towards blended education solutions and create offline touchpoints and enhance values
- Online edtech companies would have a freemium model where students could access the platform for some time, see whether they were comfortable with the teachers and whether they faced any issues In accessing the resources
- If students had a good experience, they would spread by word of mouth
- With a good experience, the students would also start researching other courses and join them
- The online institutions would get rated by students and those with good ratings would generate more business
- Online institutions would continuously add value through industry interactions, career counselling

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and soft skill development

Tailwinds providing barriers-moving towards a graveyard-BYJU's:

BYJU's, an Indian ed-tech company, has been a significant player in the Indian market, offering online learning platforms and educational services. It has also been a high profile company sponsoring huge sports events. Plans to come up with an IPO and be listed in US stock exchange further added to the lustre. Soon it became the most valuable start-up. Despite its initial success, there have been recent reports of challenges and failures faced by the company.

It earns in three ways:

- First, it earns money through live tuition.
- Second, through pre-recorded courses.
- And finally, by selling tablets and memory cards.

It was however found that large part of revenue was by just selling tablets and memory cards Given below are some reasons why BYJU's started failing:

- **Increased Competition:**

One of the primary reasons for BYJU's struggles in India is the increasing competition in the ed-tech market. With the growing popularity of online learning, numerous companies have entered the market, offering similar services and features, making it more challenging for BYJU's to retain its market share.

- **High ad Spend:**

BYJU's splurged lot of money on huge advertising campaigns including spending 55 million dollars million to remain on the jersey of BCCI and ICC.

- **High Costs of Programmes :**

Another significant challenge faced by BYJU's is the high cost of its services, which may not be affordable for a large segment of the population, particularly in rural areas. The cost of a course on coding was as high as Rs 70,000 per year. Many parents found this unaffordable. This has resulted in limited adoption and revenue generation, making it difficult for the company to sustain its operations..

- **Suspicious Financials:**

BYJU's reported gross revenue of around ₹10,000 crore in financial year 2022, after posting a revenue of ₹2,428 crore in the previous year. Revenue for the first four months of this fiscal year stood at ₹4,530 crore. Further, the company said almost 40% of its revenue in financial year 2021 was deferred to subsequent years due to adoption of a new revenue recognition. It's net loss widened to Rs 4588 crore for the fiscal year ending 31 March, 2021. There was a delay in bringing out the financial statements inviting a rebuke from the MCA. BYJU's attributed it to changing in method of reporting structure. This was not taken very kindly by government authorities

- **Quality Concerns:**

There have also been concerns raised about the quality of the educational services provided by BYJU's, with some students and parents complaining about the lack of personalization and the quality of the teaching materials.

BYJU's took over a company called white hat junior which claimed to teach coding to children. Tall claims were made of making children wizards in coaching. However, they were never taught the basics. All apps developed by children were based on spoon fed instructions. So although the children got a certificate of an expert in coding, they were not able to do any coding except the one that was taught to them. These concerns have affected the company's reputation and impacted its ability to attract and retain students. Soon, it was not able to attract students for its coding classes. So it started teaching music! It soon lost all credibility in the market.

- **Negative and Toxic Sales Culture:**

Sales Managers were totally focussed on numbers and

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demanded numbers any how on a daily basis. They were given a target of one sale every day. If they did not achieve it, the sales people were asked to fake sales and deposit Rs 15000. Collect Rs 1000 from each salesperson, so that nobody loses his job, this was what they were told.

- **Lack of Focus on Rural Areas:**

BYJU's has primarily focused its efforts on urban areas, where the demand for online learning is high. However, in rural areas, where the need for quality education is greatest, there is limited access to technology and limited awareness of online learning, making it difficult for BYJU's to penetrate these markets.

Conclusion:

The journey of ed-tech companies in India has been a roller coaster one. From being glittering goldmines to grinding to dust in the graveyard, they are no more the start-up darlings of the the fittest may survive and others may bite the dust?

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