

# How to Succeed in Ed-Tech

James Byers and Adam Frey  
November 2012

# Introduction

Most of today's education technology startups are doomed to fail.

"But wait!" you say. "It's 2012 and ed-tech startups are sprouting up everywhere, pushing real innovation into a slow-moving yet vitally important market, gaining traction, getting funded!"

True. Yet they are still doomed to fail. While any young company faces risk, most of today's ed-tech companies will fail:

- because they're chasing a trendy space without true, lasting passion for education.
- because they lack a business model that works in education and are afraid to charge their customers.
- because their investors have consumer Internet expectations in a market with completely different dynamics.
- because it's easier to build novel technology than to deeply engage with students and teachers to understand their fundamental needs.

That's the bad news. The good news is that some of today's ed-tech startups will be wildly successful. They will change the face of education. But we don't think they will look much like their successful consumer Internet counterparts.

## *What We Believe*

Of course, you may succeed largely by accident. That's what happened to us at Wikispaces. We didn't start out in education, but through a combination of timing and luck, swarms of teachers, students, librarians, and educational technologists started landing on our virtual doorstep in 2005. We welcomed them, listened carefully, and tailored our product and company to fit their needs. Today we're happy to have more than 13 million registered members and more than 35 million total monthly visitors.

Along the way we've formed a strong opinion about what success means for us, and the short list of characteristics we believe are crucial for the success of ed-tech companies. We're sharing what we've learned because the opportunity to improve education through technology is vast, large enough for many times the number of companies in education today. Taken in

combination, these characteristics run contrary to much of the prevailing Silicon Valley wisdom about how to address this market. We hope that today's young education startups will consider this alternate path.

A few words of warning. The universe of education is huge. We don't believe it's productive for us to debate 100,000-foot topics such as fat vs. lean, profit vs. non-profit, market vs. government without a lot of additional context. Our perspective comes from building a software-as-a-service product with an education audience that's roughly two-thirds K-12, one-third higher-education and roughly two-thirds in the United States. The further your product and market are from this perspective, the less applicable these characteristics will be to you.

# Defining Success

**We define success in ed-tech as building a sustainable company that improves student outcomes, empowers teachers, and increases the reach and efficiency of educational institutions.**

This is our definition, and it's personal. You may have a vastly different definition of what success means for you. For example, many recent noteworthy ed-tech startups attempt to reach learners of all ages directly, without any institutional involvement. Permit us to pick apart our definition and highlight why we've put sustainability first and seek to benefit not just students, but teachers and institutions as well.

## *Sustainability*

When an established ed-tech company fails, it's a big deal. The impact on students, teachers, and administrators is far higher than for similar services outside education. Money for a replacement is tied up in an annual budgeting process. IT and technology support roles — already understaffed — need to juggle this emergency alongside their existing responsibilities. Teachers and administrators simply do not have extra hours during the school year for technology training. Students need to start over with new materials and a new product to learn.

We believe ed-tech startups have a higher duty — a moral duty — to their students, teachers, and administrators. This duty should not compel startups to follow a conservative path. Instead, startup leaders must instill in their cultures the courage to balance risk with the long view of their mission.

Build products that will survive the test of time. Build companies that will be around to support students and educators beyond the next fad, the next wave of technology change, the next economic downturn. And temper your expectations with a healthy dose of patience. Companies that are built to sustain themselves will be around long enough to find success.

## *Serve Students*

Helping students must be at the heart of any successful education startup. This will be your greatest challenge. Reaching large numbers of students is hard, helping them in a measurable way is harder, and proving that you did is harder still.

Direct ties in your product to student data are tremendously valuable, as is rigorous research, and even indirect feedback and anecdotal evidence are part of the solution. Whatever approach you take, any truly meaningful evidence takes time to develop. A complete discussion of this topic is well beyond the scope of this article. For small companies the best advice is to focus. Scale down the scope of your product and simplify your positioning until you can make a clear, compelling argument about how adopting your product leads to improved outcomes. Making this case will take time, iteration, an open mind, and allies in your corner who will know when you've succeeded: teachers.

## *Serve Teachers*

Teachers are the lynchpin of the educational process and key to ed-tech startup success in three important ways:

- They are the great enablers of student adoption. Teachers decide which products and platforms their classrooms use.
- They know better than anyone how to help their students succeed. Teachers will show you how to build a better product, but only if you respect their time and the fact that all students, teachers, and schools are different. A great product that requires a 25th hour in the day is not going to get used. A great product that mandates a narrow pedagogy will not achieve broad adoption. When you empower teachers to use technology effectively, it magnifies the impact they can have on their students.
- Teachers exert a large and growing influence on the technology decisions of their institutions. The impact of this final point on ed-tech startups cannot be overstated.

## *Serve Institutions*

A popular view in recent ed-tech buzz is to cater to students directly and sidestep institutions. We take the opposite view: embrace institutions.

We don't mean to suggest that there's no place for reaching learners directly or that institutions don't need to radically change. We're thrilled by both movements and the promise of more open access to knowledge. But we are mindful that the vast majority of full-time students in the US and around the world are — and will for the foreseeable future be — taught by teachers in

traditional educational institutions. Schools, school districts, regional education programs, small colleges, large universities.

Despite the prevailing wisdom that serving institutions is the death of young ed-tech startups, educational institutions are undergoing unprecedented change while still controlling aggregate technology budgets in the tens of billions of dollars. In any other industry this would be seen as a huge opportunity. We see no reason why the education market is any different.

Schools have lost their appetite for cold calls, long sales cycles, big-ticket software contracts, torturous implementations, and projects loaded with long-term risks. Without grass-roots adoption, salespeople can't show the one thing that institutions crave most: demonstrated success under their own roof.

While customer quotes and whitepapers and research analysts can claim that a product will be successful, teachers who already use the product in their classrooms are the real proof. Bottom-up has replaced top-down. We're seeing more and more leaders of institutions large and small influenced by stories of products that work today for their own students and teachers. Successful ed-tech products will draw a clear line between product adoption and improved student outcomes \*and\* empower teachers to succeed with the product before it is adopted by their institutions. Establish yourself in classrooms and libraries and lecture halls before taking your case to administrators.

Reaching institutions through influential teachers is only the first step. Your institutional customer will only stay with you if you empower them to serve their entire population of students and teachers effectively and efficiently. Make sure your product and team are ready to help them transition from their early adopters to everyone else. It's a great feeling when an institution embraces your product on the back of grass-roots success. We believe it's also the foundation of many transformative ed-tech companies to come.

## *Success Isn't...*

Our definition intentionally excludes a few items that are sometimes confused with success:

- Fundraising. Don't confuse raising money with success. It's a means to an end. Sometimes it helps your business, many times it doesn't. Venture capital in particular can take valuable time away from building your business, demand extraordinary rates of user and revenue growth, and can transfer control of a company out of the hands of its founders.

Carefully consider whether these tradeoffs fit you, your business, and your market. And whatever choice you make, don't confuse fundraising with what you set out to achieve.

- **Extraordinary financial returns.** Seeking riches, particularly through acquisition, may be a great personal outcome. But unless your product and its benefits to students, teachers, and institutions survive over the long-term, we believe there are better industries where you might try to build dynastic wealth.
- **Fame.** After you get a few unsolicited hugs from teachers you've never met before, you'll have all the fame you need.
- **Technology innovation in ignorance of customer benefit.** Building novel features based on new technology is very satisfying — particularly to engineers — in the short-term. In the long-term, we believe that most innovative products will balance novelty with simplicity, and will always be based on a deep understanding of the customer.

# Characteristics

Having defined what success means to us, what are the qualities requisite for achieving that success?

## *Passion*

**You must have a burning passion to serve the educational market, and the determination to commit a decade or more of your life to your startup.**

Passion and determination are prerequisites for building any company from scratch. But the education market, K-12 in particular, has a unique set of challenges that make it a difficult environment for growing a successful company. They include:

- Long and uncertain budget cycles
- Purchasing bureaucracy
- Limited outside funding sources
- Micro and macro political pressures
- Lack of and low upside for technology champions
- Lack of resources for large-scale technology implementations
- Resistance to change, especially when institutions have been burned before
- An unprecedented level of competition for attention in the ed-tech space

These pressures mean it can take years to get the kind of "hockey-stick" growth that sometimes happens on the consumer Internet. On the flip side, once you build a strong relationship with your customers in this market, our experience is that their enthusiasm and fierce loyalty can result in truly extraordinary growth.

If you wake up each morning with a passion for serving students and teachers, you're off to a great start. Better still if you know in your heart that you'll still have this passion years from now. There are no quick flips of real significance in ed-tech. If your passion is fleeting, you'll never get to the inflection point where you know your small startup will make a big impact.

## *Business Model*

### **Start charging your customers on day one.**

There is nowhere more tempting than in education to try and deliver a product that's free for all to consume. "Free" is without question a wonderful marketing tool to get your product in the hands of as many students and teachers as possible. For a company to survive, however, someone must foot the bills. Of the many creative options available, we believe the best source of revenue for an education company is to charge your customers directly for the services they use. Set fair and transparent prices and clearly align your interests as a business with the interests of your customers as educators. The best proof of your value is when your customers ask you where to send their check.

Large-scale Internet services cost real money to operate, both for servers and bandwidth but also for visionary developers, designers, and systems engineers to keep services evolving with the constant pace of technology change. Many of these services are free for the end user but make money, in some cases lots of money, in non-obvious ways.

Education companies must be transparent about their interests, and that these interests must be strongly aligned with those of students, teachers, and institutions. In simple terms this means that you as a startup know who your customers are, and your customers know what they're paying for. We believe in a model where your customers are paying for the experience of a great product, for those who build and maintain it, for support staff to pick up the phone when they call, for servers and bandwidth, for the stability of a company that will serve them now and in the future. And if you serve a portion of your customers for free, they need to know that they aren't part of a bait-and-switch but that their free usage ultimately contributes to your success.

A counterargument we've heard a lot lately goes as follows: make your service completely free, build it up to massive scale (say, a hundred million users), and only then figure out how to make money. This is a scenario that's playing out in the consumer Internet with companies like Facebook and Twitter. For those two companies and many like them, the most common "figure-it-out-later" source of revenue is advertising. This revenue stream works at massive scale on the consumer Internet, but for reasons too numerous to list here, is wholly inappropriate for education.

Another way to make money is to bundle up the millions of students, teachers, staff, and parents and sell access to them — or data about them — to content providers, application developers, education-specific marketers, and other third parties. We're wary of this path. As we're seeing today in the Twitter ecosystem, the interests of your company, the audience, and the third-parties in your ecosystem can be in conflict. When you need to increase revenue under these circumstances, the temptation is to offer more and more data about your audience to people who will pay for it rather than focusing on serving your users. We believe this tension — and any tension that removes you from a direct interest in the needs of students and teachers — puts everyone at risk.

Take the direct approach: charge your customers. Price your products transparently and fairly. Show your customers that you serve their interests exclusively by providing them the best product you can build, supported by real people.

## *Marketing*

### **Start at the grass-roots and work your way up.**

The ed-tech community is strong and tight-knit. When teachers and education technologists find a product they like, they tell their friends, colleagues, and anyone who will listen. This is by far the best way to market your product: one personal recommendation at a time, from the people who actually use your product.

Save the press releases and PR campaigns for later. Too often startups push hard for early press coverage and wind up with a blip of unsustainable attention and interest that never translates to sustained usage. PR can be an important part of a business strategy, but it's one we believe is best used as a second- or third-stage rocket booster: the ship is off the ground and has broken free of gravity and now needs more push to reach its destination.

The best first-stage booster is giving your product to teachers for free, without restrictions. In addition to gaining the vital knowledge of how students and teachers actually use what you've built, you'll build champions inside the organizations you may eventually sell to.

There are many ways to distinguish between your free service and your service designed for paying customers, especially institutions. Authentication, reporting and analytics, security, look-and-feel customizations, and administrative power-tools are just a few ways you can draw distinctions between a free-for-individuals and paid-for-institutions product. But we've found

that it's crucial that your free service is of significant value on its own. It's no good trying to build viral growth based on recommendations for a product that's tantalizingly out of reach. Make sure teachers are genuinely thrilled by your free service.

## *Connection*

**Connect deeply with your customers as often as possible through one-to-one human conversations.**

When you think of the companies you love, does a real person pick up the phone when you call? Do you get actual replies to your emails? Is there an identifiable human blogging and tweeting?

In our experience the answer is almost always yes. There is no currency more valuable to young companies than direct feedback from real people about what works and what sucks in their product. And the type of loyalty and passion we think is crucial for viral growth depends on personal connections. Human contact is the only way to get either.

Stick your head up and make yourself available, directly, to anyone who cares to talk to you. Cling to this openness as you grow: the moment you get comfortable with your success is the moment you are most vulnerable to losing the feedback you need to survive.

A few words about conferences. We don't think the traditional vendor approach is a substitute for real human interaction.

Rising above the din of the tradeshow floor and having meaningful interactions with your customers is hard. Many companies seem to follow the "spray-and-pray" approach of handing out t-shirts and schwag in hopes that one in a hundred interactions (and the gathering of as many email addresses as possible) will result in sales. We're not so optimistic.

Don't run a trade-show cargo-cult. Skip the exhibit hall booth entirely or if you need one, optimize for having as many personal discussions as possible. Tell everyone who will listen that you will be at the show and will personally talk to all comers about how to better serve educators, how to improve your product, how to delight institutions. You will gain more knowledge about your customers than you can imagine, and they'll love you for it. But you have to follow through on your promise to listen rather than sell. If you betray a lack of genuine interest or passion, you're sunk.

## *Value*

### **Respect the educational dollar: give more than you get.**

Every dollar you get is a dollar that can't be used to pay a teacher, buy supplies, or repair a building. An oversimplification, maybe, but the takeaway remains the same: make the dollars you get count.

We believe one of the greatest losses of value in the ed-tech ecosystem is the enterprise sales mindset. Here's what we mean:

Software is a remarkable business because the marginal cost is so low. Once you build your product, the marginal cost to serve customer number one is the same as customer number 10,000, setting aside the overhead of installation, infrastructure, maintenance, and support. So why do some tremendously complex software products for your laptop cost a hundred dollars while others for an institution might cost a hundred thousand dollars a year? Surely all that additional cost can't be accounted for in technical overhead?

The answer is that there's another cost some companies must account for: sales and marketing. When institutions buy traditional enterprise software, they're occupying the time of salespeople, sales engineers, managers, and marketers for months or years before they buy. And because these products come with long, complex sales cycles, the sales processes used to sell them are inherently low-volume. A large percentage of the value of an enterprise contract goes directly to sales and marketing.

We're much happier having those dollars go directly toward building and supporting the product itself, or remaining in the pockets of our customers, rather than paying the salaries of a huge sales force. Unfortunately this is a difficult mindset for companies to adopt after the fact. It requires a philosophy focused on grass-roots adoption instead of top-down sales, ease-of-use instead of extensive user training, and products with focus instead of ocean-boiling breadth.

Take down the barriers that come with an enterprise sales mindset. Build a product that students and teachers can start using today. Publish your prices. Empower your customers to generate their own quotes and pay using a credit card where possible. Give institutions trials of your complete product, with all backend integrations enabled and ready to go through self-guided setup. Help your customers sell themselves on your product.

# Endnote

It's an exciting time to build technology for education. There's a revolution underway at every level of the ecosystem, one that will see a wave of new startups bringing tremendous value to students, teachers, and institutions. We hope that some of these startups eschew the go-big-or-go-home mentality of Silicon Valley, and take a patient view of this market, respecting the educational dollar and believing in the value of authentic grass-roots engagement. Those who do will ultimately make the biggest impact on education and have the best chance of success for themselves, their companies, and their investors.

## About Us

Wikispaces is Adam, Dom, Eric, James, Jeff, Julie, Max, Ryan, Ryan, Sarah, and Wendy, a close-knit team in San Francisco. We launched Wikispaces in 2005, built the company without raising venture capital, and have grown entirely through grass-roots marketing.

Our product is designed to help teachers and students work together. Wikispaces is commonly used for class websites, assignments, class projects, portfolios, parent communication, professional development, independent study, and much more. It's delivered as a SaaS platform with free, unlimited use, fully featured, private wikis for teachers and students, and a paid Private Label service for schools, districts, and universities who want to provide wikis for their entire faculty and student population.

We're most proud of the love we get from the education community, the team we've built, and the way we do business. But for what they are worth, here a few numbers.

- 35 million monthly unique visitors
- 13 million registered members
- 7 million wikis

# Further Reading

## *The Big Picture*

- Michael Moe and the GSV Advisors team provide a comprehensive overview of the modern education market in "American Revolution 2.0"  
<http://gsvadvisors.com/wordpress/wp-content/themes/gsvadvisors/American%20Revolution%202.0.pdf>
- Union Square Ventures' ongoing research on the education market:  
<http://www.usv.com/2012/10/researching-online-education.php>

## *Platforms*

- Dalton Caldwell describes the fork in the road faced by Twitter, and how advertising-supported platforms face an inherent conflict:  
<http://daltoncaldwell.com/what-twitter-could-have-been>  
<http://daltoncaldwell.com/an-audacious-proposal>

## *Education Startups*

- Steve Hargadon and Audrey Watters on value vs. pain:  
<http://www.stevehargadon.com/2012/09/reframing-ed-tech-ventures-from-pain.html>
- Avichal Garg on why education startups fail:  
<http://avichal.wordpress.com/2011/10/07/why-education-startups-do-not-succeed/>
- Mehdi Mahshoodnia describes the next billion-dollar education company:  
<http://venturebeat.com/2012/07/12/what-the-next-multibillion-dollar-edtech-company-will-look-like/>
- Reynol Junco addresses the disconnect between startups, educators, and data:  
<http://venturebeat.com/2012/10/28/most-ed-tech-startups-suck-heres-where-theyre-going-wrong/>

## *Venture Capital*

- Marc Andreessen on investing in ed-tech:  
<https://www.edsurge.com/n/edsurge-exclusives-view-from-the-top>
- Jon Sakoda on the major themes shaping education today:  
<http://www.nea.com/blog/?p=352>
- Audrew Watters on open education in the VC era:  
<http://www.hackeducation.com/2012/11/06/venture-capital-and-the-future-of-open-education/>

## *Bubble!*

- Betsy Corcoran on mission-driven vs. boom-driven startups:  
<http://allthingsd.com/20121030/bubbles-on-the-brain/>
- Nick DeSantis surveys the higher-ed environment:  
<http://chronicle.com/article/A-Boom-Time-for-Education/131229/>
- Frank Catalano on the dangers of ed-tech hype:  
<http://www.geekwire.com/2012/coming-tech-bubble-education/>
- Lauren Landry on the promise of ed-tech hype:  
<http://bostinno.com/2012/10/25/the-hipsters-case-against-education-startups/>
- Audrey Watters reframes the debate:  
<http://www.hackeducation.com/2012/10/29/ed-tech-bubble/>