2011 **SIIA** REPORT
Education Technology

SIIA U.S. ED TECH MARKET SURVEYS

U.S. Education Technology Industry Market: PreK-12

Prepared by
John Richards, Ph.D. and Leslie Stebbins, M.Ed.
Consulting Services for Education
(CS4Ed)

Published by
the Education Division of the
Software & Information Industry Association
(SIIA)

Suggested Citation

Richards, J. & Stebbins, L. (2012). 2011 U.S. Education Technology Industry Market: PreK-12. Washington, D.C.: Software & Information Industry Association.

Please contact the SIIA Education Division if you have suggestions or comments on this document. Email: **education@siia.net** .

To purchase a copy of this report, visit **www.siia.net/estore** .

About SIIA

The Software & Information Industry Association (SIIA) is the principal trade association for the software and digital content industry. SIIA provides global services in government relations, business development, corporate education, and intellectual property protection to more than 500 leading software and information companies.

SIIA's Education Division serves and represents over 200 member companies that provide software, digital content, and other technologies that address educational needs. The Division shapes and supports the industry by providing leadership, advocacy, business development opportunities, and critical market information. SIIA's Education Division provides a neutral business forum for its members to understand business models, technological advancements, market trends, and best practices. With the leadership of the Division Board and collaborative efforts with educators and other stakeholders, the Division undertakes initiatives to enhance the use of education technology and the success of SIIA members.

For more information, see: **www.siia.net/education/**

About CS4Ed

Consulting Services for Education, Inc. (CS4Ed) provides business planning services, market research, product analysis and evaluation, and product development to publishers, technology developers, program managers, and educational organizations (**www.cs4ed.com**). CS4Ed's senior staff has experience in both K-20 education and the realities of publishing, project management, and research. The company combines academic quality with product development experience.

CS4Ed's business planning services include:

- Strategic guiding for education vendors, institutions, and policy makers
- Providing high quality, comprehensive market research
- Planning for the launch and commercialization of products and services
- Arranging partnerships and distribution agreements, and exploring market opportunities
- Acquiring high quality materials or resources.

CS4Ed consultants have the comprehensive and specific knowledge to help solve business problems, and they have extensive experience in the development and execution of business plans and strategies. CS4Ed teams specialize in evaluating the design, effectiveness, and impact of educational products and services.

About the Authors

John Richards, Ph.D., is Founder and President of Consulting Services for Education, Inc. (CS4Ed), and Adjunct Faculty at the Harvard Graduate School of Education where he teaches Entrepreneurship in the Education Marketplace. John was President of the JASON Foundation, GM of Turner Learning, the educational arm of Turner Broadcasting, and GM of the Educational Technologies Division of Bolt Beranek and Newman that launched the award winning Co-NECT school design. John's projects have won him numerous awards including two Golden Lamps and several CODIEs, as well as several EMMY nominations. He is the author/editor of four books; over 90 articles, book chapters, and research reports; and has been responsible for the publication of over 1,000 educational products. With Chris Dede, he has just finished co-editing *Digital Teaching Platforms* for Teachers College Press.

Leslie Stebbins, M.Ed., MLIS is CS4Ed's Director for Research. She provides research and analysis on issues relating to K-12 education, higher education, and publishing. She has more than twenty years of experience in higher education with a background in library and information science and instruction. She has worked with Brandeis University as an instructional designer and research librarian and has served as a consultant to Tufts University, Facing History and Ourselves, the University of California Santa Barbara, and Harvard University on issues relating to online learning, distance learning, technology integration, Web 2.0, learning tools and objects, web design and usability, Universal Design for Learning, and online learning communities. She is a member of the American Library Association, the Association of College and Research Libraries, EDUCAUSE and the Northeast Regional Computing Program. She is the author of numerous articles and three books including her most recent: *Student Guide to Research in the Digital Age*.

Authors' Preface

This is our second annual report measuring the size of the U.S. education technology market for PreK-12. It comes at a time when the national conversation around "Ed-Tech" has unprecedented attention, and when our educational system is aggressively making the transition to digital. The report presents the results of a supply-side survey of publishers, developers, and service providers and aggregates the sector's digital revenues in the PreK-12 market.

Readers of the report will increase their understanding of the overall market for non-hardware education technology products nationwide in a manner not always possible from purchasing data as traditionally collected from the education customer. The focus is on the education applications, digital content, and related online services provided by the software and information industry represented by SIIA.

One of the most significant challenges in a report of this scope is identifying purely digital revenues and separating them from revenues of related products and services. As innovation and the adoption of digital content, resources, tools, and platforms continue to expand, we will see related shifts from "products" to "services" as is happening in all markets, from purchase to subscription, and from district hosting to cloud. With this in mind, we believe that now is the time to provide industry stakeholders a focused look at this promising subsection of a sprawling and complicated market.

We offer our sincere thanks to CS4Ed staff member Edward Walker, Ph.D. and Maggie Ward who contributed to the research and writing of the report. We would also like to thank Dr. Kurt Moellering for his keen editorial eye, Carrie Cowan for design work, and the in-house SIIA staff for their ongoing support and invaluable industry expertise.

We hope that this report sheds light on the market as it stands now and offers some insight into how it will develop over time.

John Richards, Ph.D.; Leslie Stebbins, M.Ed.

November, 2012

cs4ed
consulting services for education, inc.

Forward

Each year, PreK-12 educational institutions appear to be looking more to education software and digital resources to meet their mission.

To better understand the actual market size and trends, the SIIA Education Board took on the task three years ago of developing and implementing a survey to collect revenue information from sales of digital products and services.

We wanted to know the actual total spent on digital products, as well as the size of specific categories in PreK-12 education institution digital purchases. We developed a survey that focused just on the PreK-12 educational institutional market in the United States. We then collected data within categories that represented the core software purchases. With the help of the Education Division's Market Data and Analysis Committee, we worked to get consensus for the definitions of the categories, then worked very hard to gain the trust of companies to share confidential sales information with SIIA.

SIIA was very proud of the first 2010 report and believes that this 2011 report provides an even more comprehensive and clearer understanding of what is happening in the PreK-12 institutional market in the United States. It defines that market and offers general guidance on questions that education companies and other key stakeholders have about this market. Companies, especially those entering the U.S. education market, will not only find information about the market in general, but will also be able to ascertain where they fit within the market.

We are thankful to a number of individuals for helping to ensure it is accurate, relevant, and informative to all developers of education software and digital content/resources. We gratefully acknowledge the support of the SIIA Education Division Board of Directors and the Market Data and Analysis committee, and the tireless efforts and quality work of the authors at Consulting Services for Education. We appreciate the commitment of SIIA staff who helped complete this project and who ensured the report met the needs of SIIA members and the industry in general, including Lindsay Harman, Mark Schneiderman, Liderby Portorreal, and Sarah Carnes. Last but not least, we also appreciate the work of all the contributing companies (listed in the addendum), without whose participation this report would not be possible.

With this work behind us, we're moving on to reports for the next school year for PreK-12 and higher education market. Please contact us if you'd like to participate or support this effort.

Karen Billings

Vice President, Education Division

SIIA

Opportunity to Participate
2012 U.S. Education Technology Market
PreK-12 and Higher Education Surveys Open

This report, 2011 U.S. Education Technology Market: PreK-12, is the second in a series of SIIA reports that will analyze the size of education technology market segments. Our approach is to gather sales information directly from education technology companies. The reports will become more comprehensive as more companies participate.

We are now gathering company contact information and data for future reports:

- 2012 U.S. Education Technology Market: PreK-12
- 2012 U.S. Education Technology Market: Higher Education

Why Participate

1. The more companies/products participate, the more accurate will be the data.
2. You will get the full report back for free – a $1,500 value.
3. The data is aggregated so it really is confidential and anonymous.
4. No one will see your revenues or be able to figure them out.
5. The survey is short. So as long as you have your sales data, it should only take 10 minutes.

What Do You Do?

If you would like to be an anonymous "data point" in the next report, simply fill out the online survey with your company's annual revenues in the requested categories at **www.siia.net/education/marketsurvey/**.

What Do You Get in Return?

- The executive summary and the detailed report of the findings free of charge.
- All the information—from every category—aggregated in the final report.
- Information that helps you gauge your product's market share in a given category and understand the education technology market more fully.

Questions

Contact Karen Billings at **kbillings@siia.net** or 202-789-4487.

Table of Contents

List of Figures

List of Tables

Executive Summary

Overview

This *U.S. Education Technology Market: PreK-12* report is the second annual vendor study conducted by the Software & Information Industry Association (SIIA). The study is designed to measure the size, scale, and ongoing trends in the U.S. institutional market for education software, digital content/resources, and related services. This report includes the results of the second annual survey and examines those results in the context of the larger policy, funding, and technology industry environments.

We define "software and digital content/resources" narrowly as education software and related platforms, products, and services sold to PreK-12 institutional markets within the U.S. These products and services can be used both in and outside of the classroom, including professional development but excluding hardware. The market for hardware, network infrastructure, and telecommunications and Internet services, which would dramatically increase the total market, is not included here.

Direct Survey Findings

The SIIA survey collected data from vendors selling software, digital content/resources, and related services to the United States institutional PreK-12 market. The 105 participants reported $2.04B in such revenue for the 2010–2011 school year. Digital Instructional Support represented 43.7% of all reported revenue, and Digital Content (and related products) represented 39.0%.

The information from this survey and related market research was extrapolated to a broader set of companies constituting the market universe. We project the size of the overall market for non-hardware education technology products and services at $7.76B. This represents an increase of 3.5% from last year's estimate of $7.5B.

Methodology

We took the following steps in preparing this report:

- Defined a vendor "Universe" of 581 educational companies with PreK-12 institutional sales.
- Divided revenues into three market segments:
  - Content
  - Instructional Support, including assessment and professional development
  - Platforms and Administrative Software Tools, including central office, data, and IT.
- We collected data on several areas of interest; setting them up separately in order to avoid double counting of revenues. These categories consisted of:
  - Advanced Placement (AP)
  - Special Education
  - English Language Learner (ELL) materials
  - Online Courses—a new category this year.

The ***2011 U.S. Education Technology Market: PreK-12*** online survey provided a format for participating companies to submit total revenues in the above market segments and for categories within these segments for Fiscal Year 2011 (July 1, 2010 – June 30, 2011). The information submitted included only software and digital revenues (i.e., no print, hardware, or analog products), and only institutional sales. This is the second survey in an ongoing series that will provide increasingly robust analysis of trends over time.

We used both survey results and publicly available data on non-respondents to better understand the size and shape of the overall market. We also used survey results to bring out a picture of the overall revenue split among categories within these segments.

Market Sizing—Main Findings

Based on our survey data, related research, and statistical extrapolations, we estimate the U.S. institutional market for education software and digital content/resources at $7.76B.

We extrapolated the data for the three major market segments of digital revenues: Instructional Content, Instructional Support, and Platforms and Administrative Tools (see Figure 1). There was a strong response from content companies, defined as those organizations selling basal or supplemental curricular materials for use in the classroom. We also received strong input from companies offering testing and assessment and professional development products and services. There was a low response from companies in K-12 extensions and IT consulting and security software.

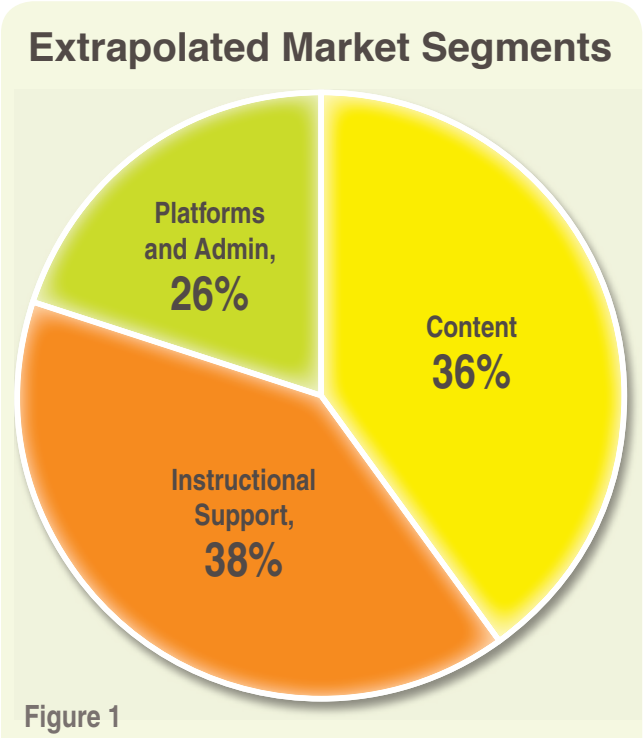

Figure 1
Extrapolated revenues by market segment: Content and Instructional Support were the largest segments.

- **The largest market segment was Instructional Support. Within this segment, testing and assessment was the largest single category, with strong reporting also in professional development.**
- **The Content segment was almost as large with reading and language arts making up the largest category, followed by mathematics.**

Vendors were also asked to report the relevant range of grade levels where applicable—this primarily applied to content areas. Estimated per-grade spending was mostly evenly distributed between elementary and high school with middle school grades spending slightly less, although this may result from some K-8 schools being included in the elementary category.

Of the four special content areas, revenues from special education products was highest, with lower revenues in ELL and Advanced Placement. We introduced a new category this year for online courses and respondents reported modest revenues.

These revenues can help to provide insight into the most promising—and in some cases, potentially underserved—corners of the institutional education technology market.

2011 Trends

- **The overall market increased 3.5% from $7.5B in 2009 – 2010 to $7.76B in 2010—2011.**
- **Content revenue decreased just over 2%.**
- **Spending in Instructional Support (up 12%), and Platforms and Administration (up 17%) increased significantly.**
- **Testing and assessment was the largest single category.**
- **Central office, SIS/Class scheduling, and content management all increased.**

Funding Landscape Summary

During the time that the revenues reported in this survey were being collected (school year 2010-2011), the biggest driver of funding and policy was the American Recovery and Reinvestment Act (ARRA), which poured $97.4B into the education system over a two-plus year period starting in the 2009-2010 school year. In many cases, these funds helped shelter the U.S. education market from the dramatic negative effects of the 2008 recession (and the ensuing reduction in state and local tax revenues). Most funds went to avoid staff reductions. However, many districts used the flexibility to not only push forward with key technology initiatives that might otherwise have been delayed, but also to accelerate them sometimes with this one-time funding stream (which seems to have benefited especially the electronic white board and other hardware segments). Title II-D (Enhancing Education through Technology or "E2T2"), the technology component of the No Child Left Behind program, was funded at $267MM in regular FY 09 and $650MM in ARRA, in addition to $100 million in regular FY10 appropriations, providing a boost to state and local initiatives designed to encourage technological literacy and advance the effective use of technology in schools.

These initiatives combined with a growing focus on accountability, data collection, and analysis in schools echoed the "big data" initiatives in other sectors of the enterprise software industry. Even though ARRA funds are largely exhausted, Title II-D funding has been discontinued, and state budgets are tightly constricting, opportunity remains for vendors offering educationally efficient, cost-saving technology products to schools. Increasingly, local decision makers are looking at technology not as a distinct budget item, but as a means to more efficiently and effectively address core goals and needs throughout their budget. Companies will, however, need to be more creative and focused on results as they present new technology products to schools and districts nationwide. Education leaders are becoming more sophisticated. They are not looking for companies to sell them technology products but are instead looking for partners who understand their challenges and can help provide matching solutions.

Opportunities and Challenges

The *2011 U.S. Education Technology Market: PreK-12* report suggests there are unique opportunities in such areas as testing and assessment, infrastructure, and from specialized funding such as Race to the Top grants. In our judgment, there are several reasons for these investments:

- States and districts are beginning to prepare for the Common Core State Standards and related assessments. There will be need for aligned content and much more demand for formative data and data analytics.
- Districts are beginning to prepare for the switch from print to digital state assessments, student preparation for which also requires digital curriculum.
- A significant rise in Bring Your Own Device (BYOD) leading to speedier adoption of one-to-one classroom models requires district investment in platforms and administrative and IT infrastructure.

Funding constraints from a weak economy and a decline in government spending on education loom as a potentially significant challenge. This will particularly impact new companies trying to gain a foothold in an uneven, but highly promising, education technology market.