

SIIA 2008 Ed Tech Business Forum – December 1-2, 2008

Morning Panel: CEO Interview, Publishers' Perspectives on the Economic Downturn

Todd Brekhus, Vice President and Chief Marketing Officer at PLATO Learning moderated this panel of leaders from large, medium, and small companies. Panelists shared their perspectives on the economic downturn, responding to a series of questions on how the current state of the economy would affect the education technology market. Members of the panel included:

Steve Ritter, Founder & Chief Scientist, Carnegie Learning, Inc.

Robert Iskander, CEO, VIP Tone

Francie Alexander, Senior Vice President, Scholastic Inc.

Moderator and audience questions, and corresponding panel responses are captured by the summaries provided below:

Summary by Jim Rosso, Director, External Relations, Project Tomorrow

“Q” indicates a question, while initials indicate the respondent. Note that not all panelists responded to all questions.

Q – Education markets have had downturns in the past, yet companies have come out stronger with new products and more efficient business models. What is your view of the current situation and ed market?

FA: People are constantly having more children, which keeps our market alive. There are pockets of money; we just have to find them.

RI: None of us could have guessed that the economy would be so bad. Companies that have a wide selection of product areas of growth will do well- areas that help districts save money. Virtual learning and distance learning will do well. There is opportunity in the downturn.

SR: It is necessary to focus a customer. Doing well saves schools money. Provide a service to the client and cut back on frills.

Q – What is your long term view of the market?

SR: More personalized instruction; customized learning.

RI: Service delivery model. Virtual desk tops. Virtual servers. 24x7 service. Wireless.

FA: ACT. A= assessment and accountability. Real time assessment. C = College readiness. Every student has an IEP. T = technology. Less emphasis on print.

TB: interoperability

Q – We have a major political change in DC and throughout the country. In your opinion what impact will these changes have on funding?

FA: E-Rate spending; transition team- stimulus package \$500 billion.

RI: E-Rate will decline because of fewer long distance phone calls. When will NCLB be reauthorized?

SR: The administration will be friendlier to technology. 21st century skills. Authentic assessment.

Q – What tactics can companies employ during a time of economic difficulty to remain healthy and vibrant?

RI: Not business as usual. Continue to focus on R&D. Now is a good time to buy companies that might not make it.

SR: Focus, focus, focus. Evaluate state by state. Invest in R&D.

FA: The market will be back. Control costs.

TB: Analyze the customer.

Q – What advice do you have for the startups during the economic downturn?

SR: focus more on customers instead of technology. Understand why they need it.

RI: Go talk to Kevin Custer. If you don't have money in the bank – go raise it.

FA: Focus on the customer. Think 'solutions' – not 'products'.

Audience Q & A Responses:

RI: Know the needs of your customer. Open source technology will play a larger role.

FA: With regard to print versus digital materials, both are essential. Format fits function and need. Harry potter works well in print, but online assessment works better than print.

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Summary by Richard Carey, Managing Director, RC/A Digital Media

Francie Alexander

Our renewable resource is children who always need education. We have to be much sharper on identifying customers and real opportunity. Even Warren Buffet calls education a growth market. Raising test scores and lowering the achievement gap are critical. Employ the principles of 'ACT':

- Accountability movement will be ongoing, real time, measure response to the intervention, and report an IEP (Individualized Educational Plan).
- College-ready and career-ready is the outcome K-12 educators are looking for.
- Technology delivery is becoming predominant.

Robert Iskander

This economic downturn will be selective. Growth areas include : virtualization, innovative server technology, and saving the customer's money. Companies with a consumer play will be stronger than ed-tech only. Everything is moving to web services (SaaS) because of savings. Service-defining model: how does your product integrate / become one platform?

Steve Ritter

The transition from good years to down years is difficult. It requires focus on customers and delivering value to customers. The SaaS (software as a service) pricing model is easier for the customer. Q2 '09 will be an inflection point. What is the 3 to 5 year view of the market? Customized for states and districts, individualized for students. Virtualization of desktops and services. 24x7 delivery.

Todd Brekhus

Interoperability (SIF), tagging, and metadata are becoming increasingly important.

Questions:

How will political change in Washington impact funding at the state and local level?

Francie Alexander - \$500M Federal monies are available for EdTech

Robert Iskander - ERate has been a big driver but is it sustainable? We don't know how long it will last. Where NCLB is going is a big question as well.

Steve Ritter - New administration will be more friendly to education. Tech is becoming more mainstream and not a side-line budget allocation.

What can companies do to thrive during a time of economic difficulty?

Robert Iskander - Either you have the cash resources you need or not. Many companies will have to make severe cuts. Remember, revenue matters and profit matters. And if you do have cash, this is a great time to bring in newly available executive talent and buy companies that can't make it.

Steve Ritter - The key word is "focus." You can't be everything to everyone. You need to evaluate the market state-by-state, school-by-school and ask: Who has the money? What are the schools looking for?

Francie Alexander - Everyone needs to follow C-squared: control costs, control cash. The market *will* come back and tech is in the right place when it does. Patience.

Todd Brekhus- SaaS products allow you see what gets used on a day-to-day basis. What can you learn from that to improve your offering?

Do you have any advice for smaller and start-up companies?

Steve Ritter - Focus more on your customers than your technology.

Robert Iskander - We're in a fragile state. If you don't have money, raise it. If you do, focus on generating revenue in the short-term. You may need it.

Francie Alexander - Performance, service, implementation – schools need and want a smart educational technology partner. Open source solutions will play a big part in the “down” economy, and that will drive the need for service contracts. Bottom line, though, good instruction and content will sell.

Will the economic downturn impact technology more than print companies?

Francie Alexander - No, there's no difference. Think of instructional materials as “print in multiple formats,” some of which happen to be technology products or services.

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