

# INNOVATION IN INDIAN EDUCATION SECTOR- A CASE OF RISE AND FALL OF EDUCOMP SOLUTIONS LIMITED

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## ABSTRACT

*Indian education sector is growing at a faster pace. With approximately 28.1 per cent of India's population in the age group of 0-14 years, as of 2015, educational industry in India provides great growth opportunity. The country has more than 1.5 million schools with over 260 million students enrolled. Government target of Gross Enrolment Ratio (GER) of 30 per cent for higher education by 2020 is set to drive investments. Further the education industry in India is estimated to reach US\$ 144 billion by 2020 from US\$ 97.8 billion. Innovation has played a very crucial role in technology as well as business aspect of education sector. Innovation in technology has been continuously shifting the canvas of education. From the chalk and talk methodology in closed classrooms it has now started inching towards an open interactive learning medium. Learning methodology is inclining more towards the video based platforms in K12 school education and is catching up fast even in higher education. More and more students are adopting the usage of laptops and tablets. Technology has enabled e-learning and smart evaluation. Educomp was the first player to enter into the multimedia digital content market through Smart Class and now has presence across 3000 schools with a market share of 4%. Smart Class is one of the biggest core business segments of Educomp. This paper in form of a case study portrays the rise and fall of Educomp in the Indian Education Sector. The paper discusses the various challenges faced by the company since its inception since 1994.*

## KEYWORDS

Education, Innovation, K12, Educomp, e-Education, Technology

## INTRODUCTION

India holds an important place in the global education industry. The country with more than 1.5 million schools with over 260 million students enrolled and about 751 universities and 35,539 colleges is one of the largest higher education systems in the world. Further India has become the second largest market for e-learning after the US. The sector is currently pegged at US\$ 2 billion and is expected to reach US\$ 5.7 billion by 2020. The distance education market in India is expected to grow at a Compound Annual Growth Rate (CAGR) of around 11 per cent# during 2016-2020. The Indian Education sector can be divided under four broad categories, namely, Schooling, Higher Education, Vocational Education & Skill Development and Ancillary. The overview of Indian Education system is given below in Figure 1.

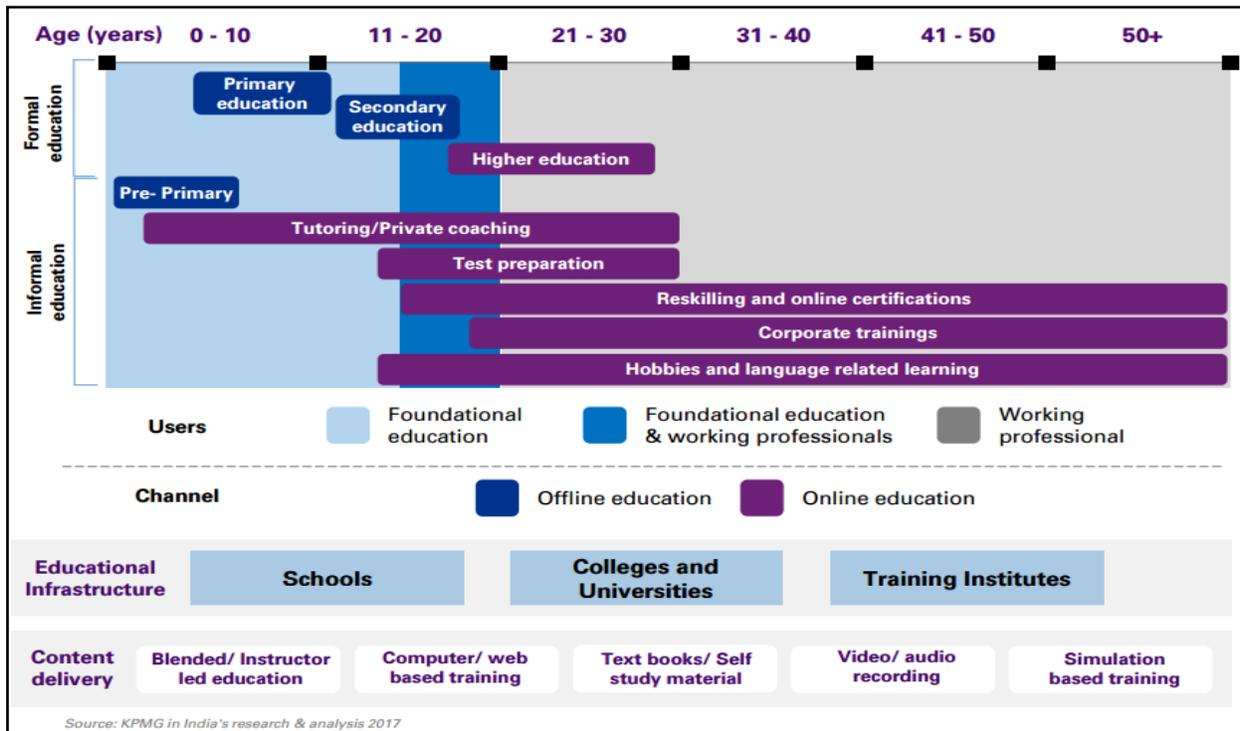


Figure 1: Indian Education System

The impact of technology has been highly significant in the education sector. Innovation has led to the development of various interactive methods which make learning an interesting process. Schools are progressively adopting digital teaching solutions to engage with a generation of pupils well-versed with technology and are trying to make the classroom environment more inclusive and participatory. The top three players in the

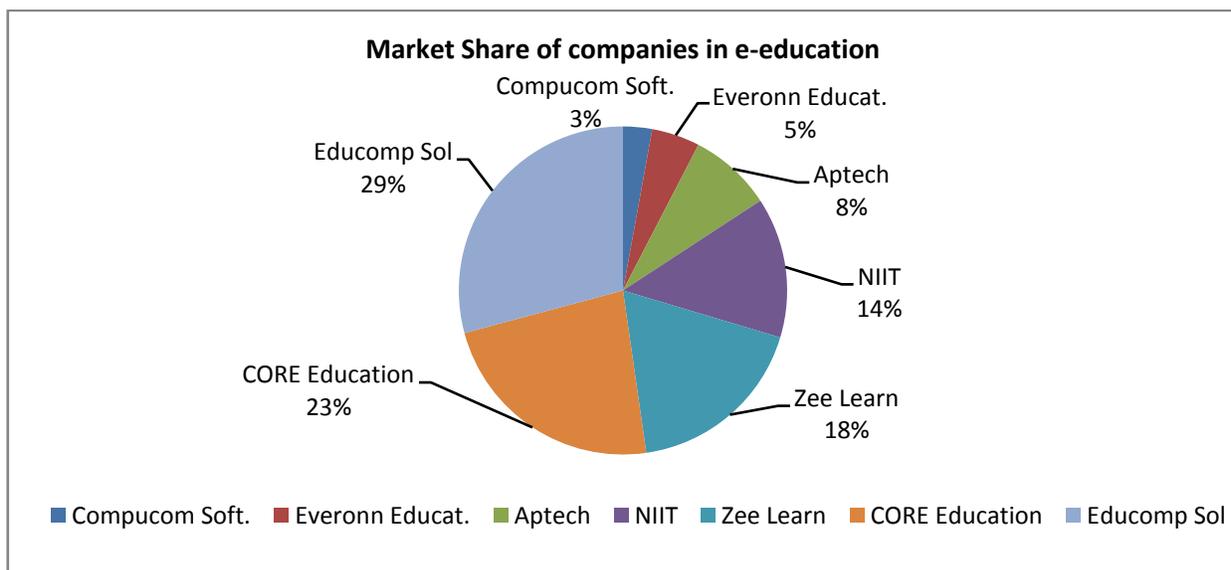
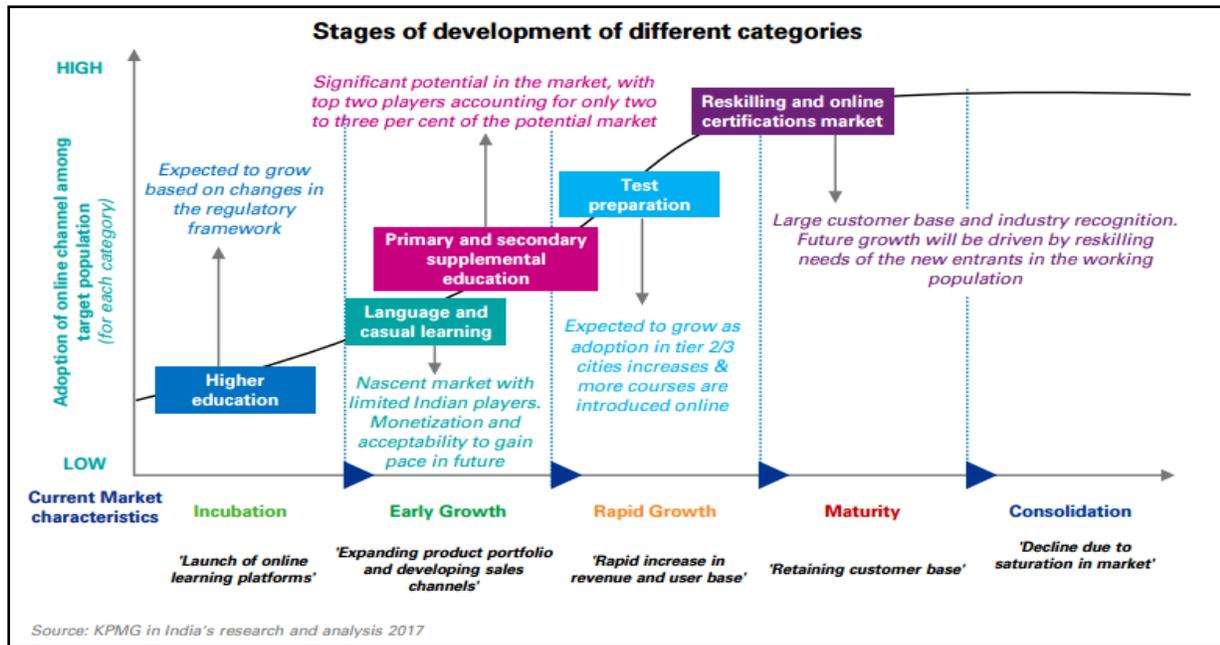


Figure 2: Market Share of companies in e-education

Educational sector in India are Educomp Solutions, Core Education and Zee Learn. The pie chart shows the market capitalization by the major companies in the Indian scenario (Figure 2). The market leader is Educomp Solution Limited with 29%.



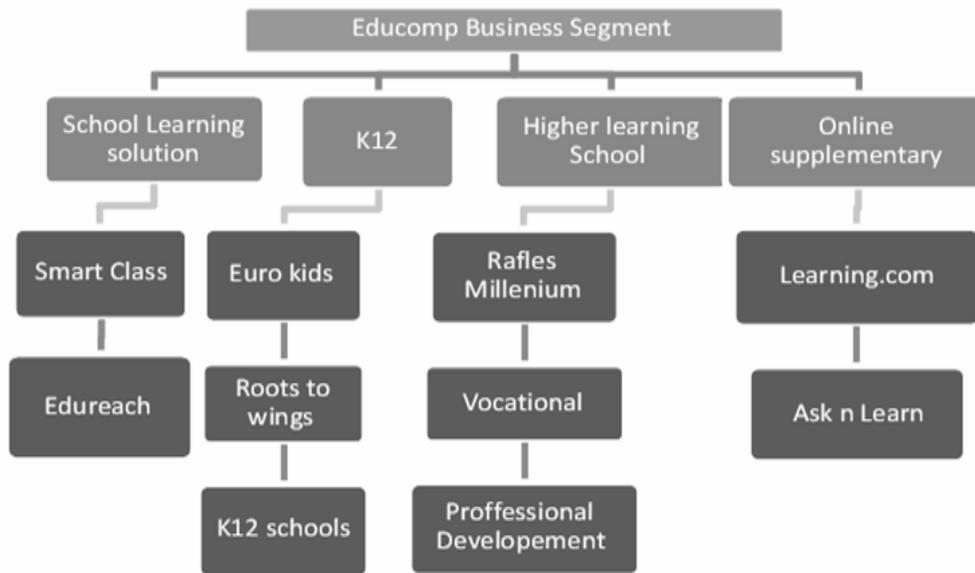
**Figure 3: Stages of Development of different education categories**

### 1.1 Educomp Solutions Limited

Educomp Solutions founded in 1994 by Shantanu Prakash has emerged as India's largest technology driven Education Company and is a pioneer in Education Process Outsourcing (EPO) in the country. The company today has 27 offices worldwide including an office in Canada, two in Singapore, three in the United States, and 21 in India. The company provides end-to-end solutions in the education technology domain for the K12 segment (Kindergarten to Class 12) i.e. creation (digital content), delivery (IT education, online tutoring) and management of learning (professional development and retailing of educational content).

Educomp is a leader in digital content solutions for the K12 segment. Educomp is the first player to enter into the multimedia digital content market through Smart Class, which now has presence across 3000 schools. Smart Class is one of the biggest core business segments of Educomp, it contributed to 62% of revenue in 2010. The business segments of Educomp are given in the figure below (Figure 4).

**Educomp Business Segments (Chart)**



**Figure 4: Educomp Business Segments (Chart)**

Educomp provides School learning solutions in form of Smart Class and Edureach. It has presence in K12 segment via two brands, Roots to wings and Euro kids. In the high school education business it operates under 3 brands Millenium, Takhshila and Vidhya prabhat. In addition to this Educomp provides online supplementary with two brands Ask and Learn and Learning .com. The vision of the company is also focused on innovation. The vision of Educomp Solutions Limited is “To solve critical education problems by applying innovative solutions focused on “Quality of Education” and “Access to Education”.

**Objective of Research**

The objective of this research is to study and analyze the role of innovations in the Indian Education sector with special reference to Educomp Solutions Limited. It also aims at analyzing the impact of innovation on the sales/revenue of the company. And how the company has seen its rise and fall.

**Research Methodology**

The research paper uses a case study approach. A single corporate company Educomp Solutions limited is taken. The company is the pioneer in e-education in India and is listed in BSE and NSE. It is also the market leader with 29% market share in the e-education sector.

## **Scope of Study**

The scope of study is limited to only one company i.e. Educomp Solutions limited and only secondary sources are used for analysis.

## **Discussion**

### **1.2 Innovation at Educomp Solutions Limited**

Educomp since its beginning has been providing innovative products. The following section discusses the various product innovations carried out by the company along with the innovative business model and content delivery system that it uses to overcome implementation challenges. The company with its innovative products has provided breakthroughs to the e-education and e-learning across all education segments. This paper discusses the innovative product like Smart Class and O3 launched by Educomp. It further discusses the innovative delivery method– satellite technology and the innovative business model – BOOT innovated by the company.

#### **1.2.1 Smart Class**

Smart Class was launched in 2003; it provides educational instructor led content catering to schools for students from kindergarten to class12. It has developed over 8,000 content modules for various subjects in more than 10 languages. It has two content development facilities in India at New Delhi and Bangalore Educomp smart class is a highly innovative product, it is a teacher-led educational content solution that dramatically improves learning outcomes. Smart Class Class Transformation System (or CTS) and the Smart Class Digital Teaching System (or DTS) are the leading and most innovative initiatives in the space of digital classroom content and digital classroom hardware respectively. This innovation has changed the way classrooms looked and teachers taught. These IT enabled class rooms have a basket of options for teaching various topics right from a range of multimedia animations with or without voice over, an assortment of classroom activities and ideas, and a remote assessment package linked to selected topics. The product is a major contributor to the revenue earned by the company.

#### **1.2.2 One-On-One Learning System (O3)**

One-On-One Learning System was developed by Educomp after years of intensive research and launched in 2008. It provides teachers with a host of tools, strategies and applications to facilitate learning in a One-On-One computing environment. In this innovative teaching methodology every child in class is equipped with an Intel powered Classmate PC, a rugged and durable portable laptop fully loaded with applications and features designed for One-On-One learning in

schools. Teachers are also equipped, trained and empowered with intensive teaching learning strategies to help them make a seamless and effortless transition to the new age teaching methodology using Educomp O3. Educomp O3 is offered to schools as a comprehensive one stop solution. It acts as novel way of providing all the essential components that schools need to make an effective transition to this new age learning. Educomp provides schools with all the components of the solution which include a personalized Intel powered CMPC laptops for every student in the school, laptops for teachers with special teaching tools developed for One-On-One teaching and learning, Educomp O3 Learning System that includes comprehensive facilitators Guide Book to help teachers integrate One-On-One learning system in their day to day teaching in school, intensive teacher training to help teachers work with the system and ongoing hand holding support, Curriculum based digital resources for use in Educomp O3 and all supporting equipment and infrastructure. This methodology followed by Educomp ensures a smooth transition in the learning system thus enhancing effectiveness and easing implementation. It is a highly innovative product.

### **1.2.3 Delivery Method-Satellite Technology**

The company has also been practicing innovation in terms of the delivery methods that it uses for its products. Educomp for implementation of its technology oriented products required a platform which would integrate the advantages of traditional methods of learning and simultaneously cater to geographical segments spread across India. The innovative solution that the company opted for was - connectivity through satellite. In satellite connectivity there is no incremental network cost involved with the number of locations increasing thus saving costs to be incurred by the company. Educomp has partnered with Hughes' Technology for enabling its e-education initiatives. With support from Hughes Technology, a real time Interactive onsite learning was developed. Educomp's Purple Leap Learning Centres used these platforms. It acted as a network of virtual class rooms that are connected via VSAT network where the faculty taught from a central studio. This technology platform was used by using satellite as a medium of connectivity. This system allows faculty to zoom into any class and interact with student. It also projects a bright and large screen with stereo sound. Smart assessment system accounts for student's attendance, MCQ response and text messages. Educomp's risk with this new technology has proved to be highly profitable for the company.

#### **1.2.4 BOOT- The innovative Business Model /EduReach**

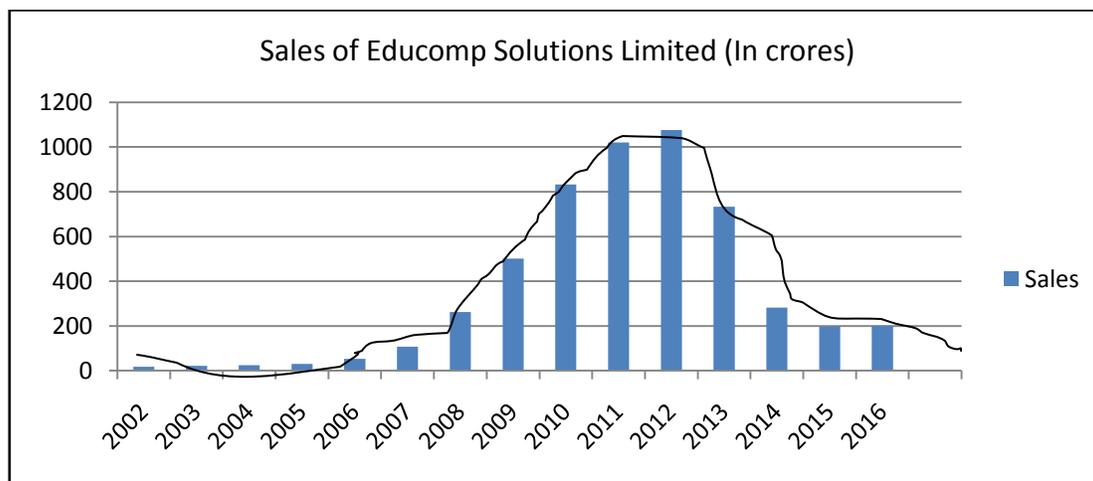
Edureach, a division of Educomp Solutions Limited installs and maintains the IT infrastructure and provides computer aided learning solutions to government and private schools. The business model that it applied was innovative and successful. The company uses a BOOT contract. For installation at government schools the company enters into a BOOT contract through L1 bidding process with state government for a specified number of schools as per the contract usually for a period of 3-6 years. The margins of this division are significantly lower due to the L1 bidding system. As part of this program, the Company sets up Computer Labs in Government Schools, provides Multimedia Content in regional language, testing and certification in computer education, full time assistants as well as teacher training, monitoring and supervision. It illustrates another innovative step to improve the quality of education in the government schools in country and a new form of business model to grow and expand.

It follows a similar model for private schools. In BOOT (build – own – operate and transfer) model for content delivery and infrastructure set-up Educomp enters into 36-60 months contracts, wherein Smart Class program is licensed and installed at the school. The hardware cost per class adds up to around Rs 60-70,000. Recurring costs include maintenance charges and the salaries of the full time resource coordinators deployed in the school to train and support teachers. The company earns profits after a markup is applied over the total costs. Company receives quarterly payments over the tenure of the contract from the school and at the end of contract period the computer hardware is transferred to the schools at zero cost while the content and other IPR protected software is retained by the company. Educomp continues to provide content and maintenance services to the schools even after the completion of initial contract period, leading to sustained revenue streams. This highly innovative business model has helped the company to attract schools during its initial launch. Because of BOOT model the investments which were to be met by the schools were low this allowed company to capture huge market share in the untapped market during 2003-05. It also helped the company to take full first mover advantage in the e-education sector in India. There have been many awards that the company has received for its innovative products. Educomp Solutions won three prestigious awards at Indian Education Awards 2012 these included “Best Education Company to work with,” “Best Innovative K 12 School” and “Best Education Webinar Series”. Educomp and its associate companies won the highest number of awards at the 2011 edition of the prestigious World Education Awards as well. Educomp was awarded with Best Public Choice Award for Innovation in Teaching Pedagogy it was bagged by Educomp R&D for EFES (Empowering Facilitators with Effective Strategies). It

received Best Public Choice Award for Learning Initiative of the Year, it was bagged by Educonnect Language Connects (Educomp-IndiaCan English Speaking Program), and AuthorGen Technologies (an Educomp subsidiary) won the Best Public Choice Award for Innovation in Open & Distance Learning. Thus innovation is the key for a company to be successful and remain competitive.

### 1.3 Impact of Innovation on Educomp’s Business Performance

The company has been accredited with various awards for its innovative product and services for the education sector. An analysis of their business performance can be done by analyzing the sales figures and comparing them at different times during which innovative products were launched by the company. The sales graph shows an upward trend. In the year 2003 SMART-CLASS was launched. Since it worked on a recurring business model the BOOT model, growth came steady in next 4-5 years. The sales of the company grew from 20.71-106.51 crores from 2003-2007. The company again innovated in 2008 with a new product/concept O3 (One-On-One Learning). It was launched and the sales again picked up in the following years. This time from 2008-2012 the sales grew from 262-1076 crores. These are only two examples that have been taken to show that for Educomp Solutions Limited innovation with the products has brought an increase in the sales of the company.



**Figure 5: Sales of Educomp Solutions Limited (In crores)**

The problem that Educomp faced after 2012 was mainly because of the one-time Business Transfer arrangements for the older SmartClass Contracts. Apart from this problem, Educomp’s SmartClass business revenues & profits were impacted by huge delays in securitization sanctions from Banks after Educomp Solutions insisted on limiting its Loan Recourse to just 20% of the Contract amount.

## Findings

The case study here shows that the Indian education sector is seeing tremendous growth and innovation is playing a major role in the same. The case of Educom Solutions Limited shows that for a company to remain market leader it needs to be innovative. Educomp has been doing innovation with their business in terms of both technology and the products that they are providing for the education sector. The analysis from the sales figure of the company also shows that innovation brings dividends to the company in the following years of its growth. But then after 2012 Educomp began procuring computers for schools under a build-own-operate-and-transfer model. The company paid for the hardware up front by taking on debt and planned to collect the money over five years. But from 2010 to 2014 it was slammed with large-scale delinquencies, mostly in tier 2 and tier 3 cities.

## Conclusion

This case study here brings out that Educomp Solutions Limited is an extremely innovative company and that it has been proving innovative products and services for the education sector in India. The innovations brought by the company have given the company a competitive edge over its competitors. The company today is struggling to revive itself, it currently has 4 million students across 75,000 classrooms that use Educomp's SmartClass Modules, while the company has 3,000 employees. Due to the uncertainty caused by lenders' inability to decide on its revival plans, the firm has stopped taking up new business and is focused on collecting receivables from schools and fulfilling its contractual obligations.

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