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Education Technology

SIIA U.S. ED TECH MARKET SURVEYS

2013 U.S. Education Technology Market: PreK-12

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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 850 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.

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Executive Summary

Overview

This *U.S. Education Technology Market: PreK-12* report is the result of the third 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 third 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 122 participants reported $2.4B in such revenue for the 2011–2012 school year. Digital Content (and related products) represented 44.9%. Digital Instructional Support represented 43.7% of all reported revenue, and Platforms and Administrative Support was 11.4%.

The information from this survey and related market research was extrapolated to represent 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 $7.97B. This represents an increase of 2.7% from last year's estimate of $7.76B, and 6.4% over the three years of the survey.

Methodology

We took the following steps in preparing this report:

- Defined a vendor "Universe" of 722 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 ***2013 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 2012 (July 1, 2011 – June 30, 2012). The information submitted included only software and digital revenues (i.e., no print, hardware, or analog products), and only institutional sales. This is the third 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.

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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 $7.97B.

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 Central Office, SIS/Scheduling, K-12 extensions, and IT consulting.

Extrapolated Market Segments

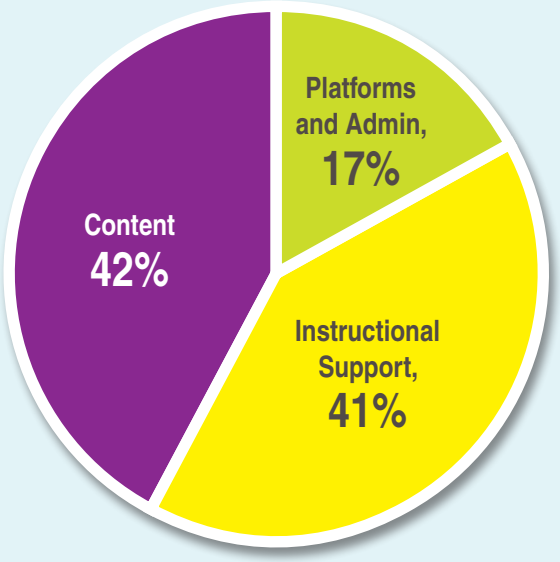

Figure 1
Content and Instructional Support were the largest market segments based on extrapolated revenues.

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

Vendors were also asked to report the relevant range of grade levels within the content areas. Estimated per-grade spending was almost evenly distributed across the grades, with middle school grades spending up from the previous study.

We collected data on five special categories. Revenues from special education products were highest showing significant growth year over year. Revenues from online courses grew 200%. We introduced a new category this year for instructional improvement systems; 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.

2012 Trends

- **The overall market increased 2.7% from $7.76B in 2010 – 2011 to $7.97B in 2011—2012.**
- **Instructional Support increased 36%, a significant increase for the second year in a row, due largely to increases in the Testing and Assessment category.**
- **Content revenue increased almost 20% with increases in every area except Reading/ELA.**
- **Platforms and Administration (down 32%) dropped significantly.**
- **Testing and Assessment was the largest single category.**

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Funding Landscape Summary

During the time that the revenues reported in this survey were being collected (school year 2011-2012):

- State and local government budgets were severely restricted due to the recession.
- The U.S. Department of Education cut spending by $1.2 billion.
- 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 was no longer available with the exception of two programs: Race to the Top and Investing In Innovation.
- Title II-D (Enhancing Education through Technology or "E2T2"), the technology component of the No Child Left Behind program, was defunded.
- There were 10-15% cuts to Title II Teacher Quality and Perkins Vocational-Technical Career Education.

Even with all of the spending cuts, though, 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 *2013 U.S. Education Technology Market: PreK-12* report suggests there are unique opportunities in such areas as testing and assessment and 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 a need for aligned content and much more demand for formative data and data analytics.
- Districts are beginning to switch from print to digital state assessments, and student preparation also requires a 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.

Educators and educational leaders in K-12 classrooms, schools, and districts in the *SIIA's 2013 Results from the Vision K-20 Survey* confirm these opportunities. In the survey, they indicated that they want more bandwidth, more supplemental instructional resources and/or online tutoring that is accessible to all students, and more technology-based assessments (SIIA, 2013).

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.

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Opportunity to Participate 2014 U.S. Education Technology Market PreK-12 and Higher Education Surveys Open

The *2014 U.S. Education Technology Market: PreK-12 and Higher Education* surveys are now open. The SIIA is gathering sales information directly from education technology companies. The SIIA reports have become more comprehensive each year as more companies participate.

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

- *2012-2013 U.S. Education Technology Market: PreK-12*
- *2012-2013 U.S. Education Technology Market: Higher Education*

Why Participate

1. The more companies/products participate, the more accurate the data.
2. You will get one copy of the full report 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 participate and receive the next report for free, 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*.
- Advanced access to the data in an exclusive participant-only webinar.
- 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.

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