Authors’ Preface

This is SIIA’s fourth 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 educational systems are 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 U.S. 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 customers. 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,” from purchase to subscription, and from district hosting to cloud. With this in mind, we believe in the importance of providing industry stakeholders a focused look at this promising subsection of a complicated market.

We offer our sincere thanks to CS4Ed staff member Edward Walker, Ph.D., who contributed to the research and writing of the report. We would also like to thank 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.
December 2014
Forward

SIIA is very proud to provide this fourth in a series of annual reports about the PreK-12 Educational Technology Market. Each year we are seeing growth in the market as educational institutions look more and more to education software and digital resources to meet their mission. We are also pleased that this growth mirrors the increased implementation of educational technology that schools have been reporting in the same period of time. (For the latest Vision K-20 Report, see www.siia.net/visionk20/).

This latest Market Report provides an even more comprehensive and clearer understanding of what is happening in the PreK-12 institutional market in the United States. As in past years, it defines that market and offers general guidance on questions that education companies and other key stakeholders frequently ask. 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 appreciate the guidance that the SIIA Education Board took on five years ago, when it wanted to better understand the actual market size and trends and requested that SIIA develop and implement a survey to collect revenue information from sales of digital products and services. They 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 in the U.S.

We are thankful to a number of individuals for helping to ensure this report is accurate, relevant, and informative to all developers of education software and digital content/resources. We gratefully acknowledge the support of 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 Mark Schneiderman, Brendan Desetti, Christopher Dyer, and Lindsay Harman. 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 the next set of reports for PreK-12 and higher education. Join us if you can provide either the revenue data or support this effort in some way.

Karen Billings
Vice President and Managing Director, ETIN-SIIA
Opportunity to Participate
2015 U.S. Education Technology Market
PreK-12 Survey Open

The 2015 U.S. Education Technology Market: PreK-12 survey is 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.

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.
• 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 kbilling@siia.net or 202-789-4487.
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Executive Summary

Overview
This U.S. Education Technology Market: PreK-12 report is the result of the fourth annual vendor study conducted by Consulting Services for Education on behalf of the Software & Information Industry Association (SIIA). The study is designed to measure 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 fourth 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 markets for hardware, network infrastructure, and telecommunications and Internet services, which would dramatically increase the total market, is not included here.

Direct Survey Reported Data
The SIIA survey collected data from vendors selling software, digital content/resources, and related services to the United States institutional PreK-12 market. The 144 participants reported $3.3B in such revenue for the 2012–2013 school year.

The information from this survey and related market research was extrapolated to represent a broader set of companies constituting the market universe. We project this universe to be comprised of 855 companies.

Market Sizing—Main Findings
Based on our survey data, related research, and statistical extrapolations, the U.S. institutional market for education software and digital content/resources is $8.38B.

This represents an increase of 5.1% from last year’s estimate of $7.97B, and 11.7% over the four years of the survey.

We extrapolated the data for the three major market segments of digital revenues: Instructional Content, Instructional Support, and Enterprise Management Systems (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
The largest market segment was Content ($3.3B), with Reading/Language Arts making up the largest Content category, followed by Mathematics/Arithmetic.

The Instructional Support segment was almost as large ($3.2B). Testing and Assessment ($2.5B) was the largest single category of any market segment.

We collected data on five special categories: English Language Learners (ELL), Special Ed (SPED), Advanced Placement (AP), Online Courses, and Instructional Improvement.

Revenues from Online Courses grew 320% with several significant companies reporting revenues in this category for the first time.

2014 Trends

- The overall market for software and digital resources increased 5.1% from $7.97B in 2011—2012 to $8.38B in 2012-2013.
- Enterprise Management Systems were up 40%, returning to 2010-11 levels.
- Instructional Support was down 2.4% in spite of an almost 16% rise in Testing and Assessment.
- Content revenue was down 1.9% with decreases in every area except Online Courses.
- Testing and Assessment was the largest single category at $2.5B.

The increase in Enterprise Management Systems corresponds to an investment in infrastructure.

Testing and Assessment is up 15.5% year over year, and 57% over two years.

Methodology

We took the following steps in preparing this report:

- We identified 752 educational companies with PreK-12 institutional sales. We expanded this to a “Universe” of 855 companies, allowing for companies not identified.
- We divided revenues into three market segments:
  - Content
  - Instructional Support, including Testing and Assessment and Professional Development
  - Enterprise Management Systems, 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
  - Instructional Improvement Systems.

The 2014 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 2013 (July 1, 2012 – June 30, 2013). The information submitted included only software and digital revenues (i.e., no print, hardware, or analog products), and only institutional sales.

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.

Opportunities and Challenges

During the time that the revenues reported in this survey were being collected (school year 2012-2013) state and local government budgets were recovering from the recession, but were still not funding PreK-12 at pre-recession levels.
The 2014 U.S. Education Technology Market: PreK-12 report suggests there are 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 continuing to prepare for the Common Core State Standards and related digital assessments. There will be a need for aligned content and much more demand for formative data and data analytics.
• Districts are switching 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 Enterprise Management Systems.
• Finally, there has been an increased investment in hardware. This continues to increase the demand for infrastructure, but also prepares the way for a growing demand for digital curricula.

Looking ahead a permanent $1.5B annual funding increase and a reprogramming of funds will give a landmark boost to E-rate funding of high-speed connectivity starting in the 2015-16 school year. This may free up local funds to shift from access to applications, and certainly will increase access/speed to drive deployment of software and content.