



The Post-Covid-19 Future Is Bright For Ed-Tech Firms That Can Address New Pain Points In K-12 Education

by Alex Hicks
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School's out and it's not coming back, at least not how we know it.

Five months into the year of coronavirus, around 1.2 billion children have shifted out of physical classrooms and schools around the world have stampeded to online learning solutions.

When the immediate health threat subsides, the vast majority will go back to brick-and-mortar schools. But it's equally clear that K-12 education will never be the same now that teachers and school districts have been forced to overcome their long-held reluctance to embrace online learning tools.

Investors in the ed-tech sector are also eyeing an exciting paradigm shift, which likely has a long way to run. Global ed-tech investments have boomed in the last two years, hitting a record of \$18.66 billion in 2019 and are only going to accelerate in the wake of Covid-19.

From an investment perspective, it's important to understand the pain points being felt by teachers and school districts, and which of the myriad ed-tech firms can address them. The Covid-19 crisis brought many of these challenges to the surface, especially for those who'd been slow to incorporate ed-tech solutions.

It's instructive that there are really three types of approaches to school right now. Some are "brick to click," putting the priority on a return to school buildings but with a contingency plan to go back to online if events dictate. Others are "click to brick," aiming to keep students online and bring them back to buildings at a later date. Still, others are taking a hybrid approach, aiming to mix physical classes with online learning.

The common factor is that none of them are contemplating a future without an online element to the way children learn. Covid-19 has taught teachers, students, and school administrators that online learning is an essential part of the education toolbox.

So far, most schools have been using a stopgap mix of tools like video conferencing and free online tools to make it through to the end of the semester. But as they consider long-term needs, there will be more demand for quality, comprehensive solutions from ed-tech providers.

The sector is also getting a lift from the \$27 billion in additional federal funding in response to coronavirus, aimed at supporting the shift to online learning and improving outcomes in K-12 and higher education. At MHT, we forecast that U.S. K-12 technology spending will rise to \$14.3 billion in 2024 from \$11.9 billion in 2019.

Coming out of Covid-19, online learning won't just be seen as a fall back contingency in case of another pandemic or other disaster. Ed-tech providers are creating solutions that promise superior outcomes to traditional learning on some key pain points for school districts. Edmodo, Google Classroom, K12, ClassDojo,

Powerschool, and Frontline Education are just some of the players set to benefit from the move to a new normal.

The following are three of the main K-12 pain points that ed-tech firms are well-positioned to address:

- **Social-Emotional Learning (SEL).** Schools' interest in SEL is booming as educators look to address previously overlooked skills like communication, managing emotions, and problem-solving (also known as "soft skills" which are defined as non-academic skills that help students succeed). The skill of thinking, previously seen as something for college, is increasingly being viewed as important at a more formative age. Mostly small providers are stepping into this niche to help kids develop soft skills. The demand for SEL solutions is likely to be strengthened at a time when kids are missing out on their regular social interactions at school.
- **Equitable learning.** Educators are more aware of how online tools can address the problem of widening funding disparities between states and districts. High poverty districts are experiencing funding cuts of \$1,500 per student, compared to just \$500 in affluent districts. Online tools can be part of the solution because they can help teachers prioritize and target instruction effectively without breaking budget constraints and provide personalized learning programs for students. The need for equitable learning solutions is being accentuated in a remote learning environment where underprivileged kids risk falling even further behind.
- **Focus on outcomes.** The Every Student Succeeds Act (ESSA), passed in 2015, has intensified school administrators' focus on ensuring their spending is tied to measurable outcomes. This is another sweet spot for the targeted, personalized approach allowed by ed-tech tools. Ed-tech firms are in a good position to provide the data that school decision-makers are now demanding in order to show they are getting an educational bang for their buck. Ed-tech companies like McGraw-Hill, Edmentum, HMH, Chegg, Renaissance Learning, Wiley, and many others are offering solutions that measure students' performance through formative assessments.

There will be no one-size-fits-all ed-tech solution for schools after Covid-19. Each state, district, and school will have different health requirements and different approaches to the role of online learning. But the big picture trend is clear - ed-tech has now got its foot firmly in the door of school classrooms and it isn't going away.

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