ED-TECH

Inside LEAD schools' model that cracked K-12 ed-tech and B2B in one shot

Teacher during a class in Lead school; image courtesy: Lead School.

Synopsis

Addressing three key challenges — admissions, administration, and academics — LEAD has built a network of around 3,500 schools. Its modus operandi starts with classroom transformation, followed by upgrading school operations, and rounded off with improved monitoring. Better learning outcomes, which lead to better word of mouth, drive further growth.

K12 ed-tech has been in the news for many reasons in 2022, not all the reasons being the right ones — from the limited share of wallet and time even as schools resume operations, to high acquisition costs, and even in some cases to allegations of mis-selling.

While some of the most-funded ed-tech companies in the K12 space have explored B2C models for fast growth, there are a few that have stayed focused on a B2B model, working with and within the school ecosystem.

Among these is LEAD, which completes 10 years this month, and has built a network of around 3,500 schools and reached unicorn status along the way. What are the salient points of its model and how can it scale further?

LEAD milestones

2012	LEAD schools established in a remote village in Gujarat
2014	International Standard Curriculum with ELGA and pre-primary till Grade 5 launched
2015	Building of four affordable private schools
2016	Building of four CBSE schools in Maharashtra with focus on student outcomes
2019	Partnered with 35 schools to offer LEAD integrated system
2020	Expansion from nursery to grade 10 with different boards and partners
2022	3,500-plus partner schools

Source: *LEAD*

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The problem
Schools traditionally had multiple companies approaching them — from book publishers to those providing smart classes and the ones selling content. The entire process was unorganised, as each solution was sold independently and the onus was on the school and teachers to figure out how to stitch things together and take ownership of the outcomes.

That was the paradigm that LEAD decided to break.

Having built and developed schools during the early part of journey, the company had an idea of the complex process of tracking day-to-day school outcomes. “The institutional capacity across schools is low. If they continue with the same capacity, real outcomes won’t happen,” says **Sumeet Mehta**, LEAD’s co-founder and CEO.

To address this challenge, it zeroed in on three key areas — business model, product, and outcomes.

Area #1: The business model: Deciding to stay away from a typical sales-to-school model, which involves selling more to schools, LEAD adopted an education-as-service model, with more predictable revenue, SaaS contracts, and outcome guarantees.

Area #2: The product: LEAD’s system comprises books, workbooks, and smart classes which involves teachers, students, principals, and school owners:

- **Teacher-capability:** Included daily lesson plans to micro-training videos, audio visual resources, smart tv casting, classroom management routines, activity-based learning, and group and individual practice. The objective here is on solving issues that occupy the maximum teacher time besides teaching — managing homework, attendance, assessment, and preparing for the parent teacher meetings. Teacher training and development as well as certification are part of this process.

The competition here: This segment is also served by companies such as Centre for Teacher Accreditation (CENTA), Million Sparks, and Teacher App, some of which were operating as non-profits.

- **Student development:** LEAD worked out a "confidence index" based on parameters such as conceptual clarity and thinking, collaboration, communication, and exposure. While every company has its own way of breaking down the learning process, adding confidence-building exercises along with subject-specific inputs is a more integrated way towards hone cognitive and socio-emotional skills needed to achieve learning outcomes.

The competition here: This has been a highly competitive segment, with multiple companies in the fray. Some cater to all subjects, while others offer subject-specific solutions. Given the large number of schools with different fee levels, infrastructure, systems, and aspirations, the exact segment of schools being catered to matters a lot in building strength in this area.

- **School technology:** Handling admissions is a critical and immediate need for private schools. LEAD's integrated system addresses this need, enabling the school's listing for events, referral programmes, and providing admissions kits online. Besides, its academic-administration ERP helps principals manage issues such as teacher evaluation and remedial student analysis, and school owners with marketing, progress reports, performance assessment, combining classroom and home learning, and school-calendar management. The tech platform can also handle parent orientation and track follow-ups on **leads**.

The competition here: Here again, the competition is disparate from ERP companies to companies driving parent communications and more.

Area #3: The outcome: For many ed-tech companies, the focus on learning outcomes have been glaringly absent. At best, metrics such as time spent and user engagement are used as a proxy. LEAD works with partner schools on outcomes with specific timelines, which could range from improving the learning gap of 1.5 years in English within two to three years, to improving board results. This approach helps it bag three-year contracts backed by outcome guarantees.

Onerous task

Traditionally, some companies backed by impact-funding VCs have tried to set learning-outcome benchmarks. According to **Mehta**, one metric to assess this is

that better learning outcome has to reflect in more admissions. Financial and impact return should converge, which would not necessarily need third-party assessment. However, third-party benchmarks can be a welcome differentiator.

"Learning has to be contextual and at the point of need. It has to be integrated in the way that it is easy to execute. Think of it as microwave-ready meal, ready to heat and serve," says Mehta.

Issues such as long sales cycles and difficulty in managing cash flows and payments make B2B school sales an uphill task. In the case of LEAD, while the founders' background in running schools has definitely helped them in developing a solution, scaling is also a challenge, especially under the watch of investors.

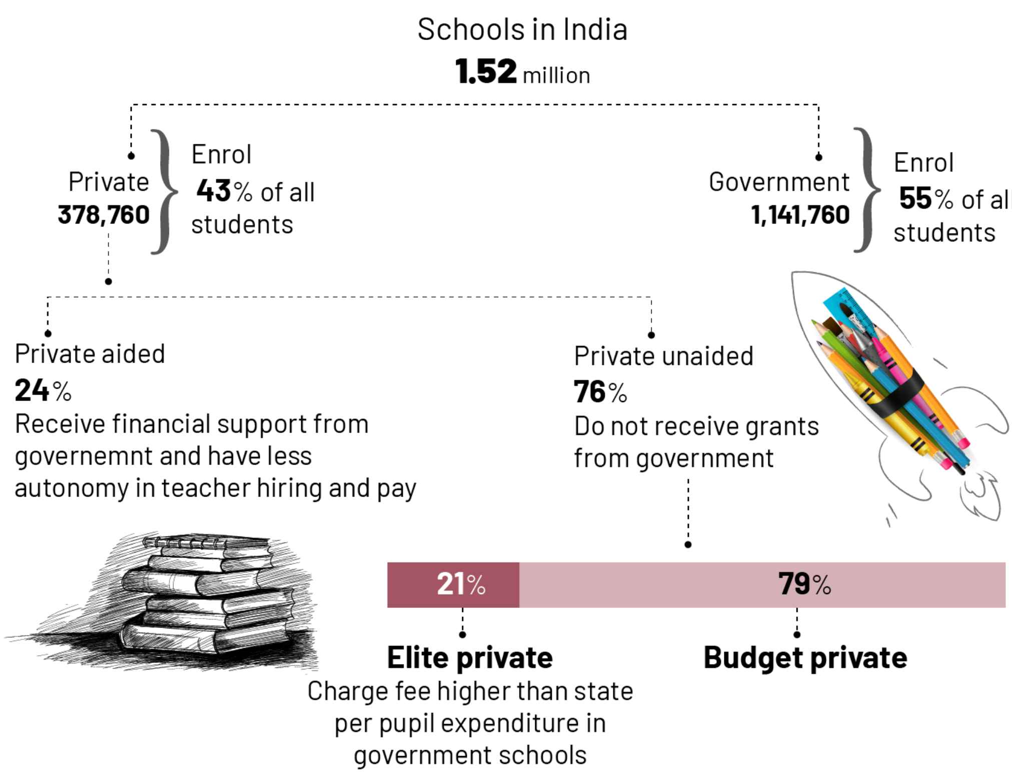
Mehta says that during the ed-tech exuberance soon after the pandemic broke out, when schools were struggling to retain students, some investors wanted the company to move to a B2C model. "When the Delta wave hit, we were wondering how we would survive if the situation went on for another three years. Sticking with the schools during that period was not easy. We took our partner schools online and made sure that they stayed active. We collected fees, though not 100%. It was also an intense product-building time — from developing a hybrid school stack to training teachers on going online."

Mehta feels that LEAD's decision to continue supporting the schools despite delays and incomplete fee collection helped the company build deeper trust with them.

Segmentation and scale

India has 1.5 million schools, of which about 70% are under run by the government. Of the remaining 30%, about 20% are expensive private schools. They have good paying capacity, but Mehta says the segment is crowded and, therefore, not one that they chose to focus on. LEAD is instead looking at the category that has traditionally been called affordable and mid-market private schools, numbering over 200,000. There is a similar number of schools with annual fees less than INR15,000. Their needs and ability to pay are different.

The inequity in school access



Source: District Information System for Education, FSG and Centre for Civil Society

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With a current school base of 3,500, where can LEAD look to scale next?

One way is to reach more of the affordable and mid-market schools. Mehta's aim is to add about 2,500 schools a year. Once they onboard a school, retention is not a huge challenge, given their focus on outcomes.

Low-fee schools, with less than 400 students each, represent another segment that LEAD wants to tap. While addressing this group would require LEAD to innovate further on product, it may also have to foray into regional language-focused

content as well.

School-financing tie-ups
Channel sales are a well-known method to augment direct sales, especially in B2B.

Apart from learning-solution companies, publishers, and smart-class providers who sell to schools, school-financing companies have also traditionally worked with the school ecosystem. These companies have also tried to incorporate learning-outcome components to encourage better financial behaviour.

LEAD partners with some of the largest school-financing companies, such as Varthana and ISFC, which provides it access to their school base.

"You have to solve admissions, administration, and academics — all three being challenges for a school. The starting point can be classroom transformation, then move to school operations and better monitoring. The flywheel starts with better learning outcomes, leading to better word of mouth and that drives more growth," says Mehta.

But learning outcomes take time. Hence, the short-term focus on admissions is also important. LEAD claims to have registered 8%-10% admissions growth yearly for its schools.

There are other underlying currents. During the pandemic, some parents chose to return back to government schools to save money. With the easing of the pandemic, some parents would want to explore private schools again. They also aspire that their children speak fluently in English, and improve their performance in languages and science.

According to Mehta, the idea that all learning can happen digitally is a "forced reality". He believes that K-12 learning needs brick-and-mortar schools.

In the short term, he hopes that K-12 investors are able to separate the wheat from the chaff. It will take another year for students to fully return to school and for the schools to regain balance-sheet strength.

One of the biggest opportunities for LEAD would be to help its partner schools implement some of the changes planned in the National Education Policy (NEP), whether it is the move towards the common admission test or other shifts in examination patterns and learning.

“People achieve depth without scale or achieve scale without depth,” says Mehta. Doing both will be LEAD’s biggest next step.

Aarushi Jain, who heads the education, media, and intellectual property practice at global law firm **Nishith Desai Associates**, believes that with the scale LEAD is achieving and its strong focus on impact, it can make a strong case for impact allocations of PE and VC funds apart from mainstream funding sources.

(*Graphics by Sadhana Saxena*)