

Six questions to consider before you enter the education market in Pakistan



This practice paper is primarily aimed at businesses, entrepreneurs, start-ups and not for profits interested in designing and taking to market education innovations that aim to reach poor and marginalised children in Pakistan.

This paper raises six questions to consider before you enter the market and/or scale-up your operations. The response is the advice we would like to pass on based on Ilm Ideas 2's experience, to date, supporting education solutions aiming to become financially sustainable businesses. It is not intended to be definitive advice but rather to serve as a prompt to find out more.



1. What is your motivation for entering the education market?

Education enterprises aiming to reach poor and marginalised children are unlikely to follow the dramatic growth curves of enterprises in other sectors designed for other market segments. The classic hockey stick growth does not happen in the short to medium-term, if at all. Designing the right product or service and taking it to scale can take years; businesses must be realistic about their growth prospects and the speed with which they can generate social and financial returns. The primary focus of businesses entering the education market should be on existence and survival (Churchill & Lewis, 2017). You should expect to make modest returns over a sustained period.

It is critical entrepreneurs and heads of businesses have a clear vision and drive to achieve both social and financial returns.

It is important to be clear about why you want to enter the education market. Is it to help solve an education challenge and create a social return? Or is it to generate a financial return? Or something in between? The answer to this question might depend on who you are: you might be a traditional not-for-profit struggling to take a good programme to scale because of the scarcity of grant funding or you might be a business that has spotted an opportunity to provide a low cost educational product or service that reaches poorer communities while at the same time boosting your revenue. The answer to this question, in our experience, is sustainable education businesses pay equal attention to both social and financial returns. Businesses that are solely focused on financial returns may become impatient and move to more lucrative markets where they have less social impact. Business solely on creating a social return might struggle to be financially stable. In both cases, businesses are likely to falter, fail, and exit the market.

Therefore, it is critical entrepreneurs and heads of businesses have a clear vision and drive to achieve both social and financial returns. This must be clearly reflected in your mission statement and values, and in-turn in your business plan.



Spinning out an existing programme into a commercial business

Children's Global Network Pakistan (CGN-P) is a not for profit with a passion for early childhood education (ECE). Their Parwaan programme provides high quality, sustainable and affordable ECE to pre-school age children while at the same time creating income generating opportunities. CGN-P works with communities to select and train young adults to become ECE entrepreneurs. Once training is completed, Parwaan helps entrepreneurs set up the centres and provides them with a set of materials and equipment required to get started. Parents pay a locally appropriate fee for their children to attend the centres which helps ensure that the centre stays open. In the past, CGN-P has worked at a small scale using grants from donors to support the programme. But now, CGN-P wants to scale up ECE and so they have redesigned the Parwaan programme to generate revenue that in the short term will reduce the amount of grant funding required and ultimately generate sufficient income for them to sustain and grow the programme.

2. Do you understand the education market?

With careful research and planning, you are likely to find opportunities to add value to existing services, to work around the edges of the education market or to fill a gap in provision.

The more you understand about the market, and the more due diligence you can undertake, the better you can tailor your products and services. At a minimum you must understand the rules, taxation, legal, culture, customs, complexities, size and unspoken rules of the market. This will allow you to determine whether you are comfortable with the risks and rewards, and minimise business failure.

The degree of marketisation in Pakistan's education sector is limited. The public sector is particularly difficult for business to penetrate given that products and services such as examinations, assessments, textbooks and teacher training are usually provided by the public sector itself. However, this is slowly changing and increasingly, provincial education departments are using public private partnerships to improve education provision. There is also a significant and growing number of children attending private schools, of which a large percentage are low fee private schools. Private schools enjoy spending autonomy. Poor and marginalised children are most likely to be enrolled in public schools (if they go to school) but thanks in part to voucher systems they may also be enrolled in low fee private schools. Government has limited funds; a significant amount of their recurrent budget is used to pay teacher salaries. There is very little non-salary budget to do other things. Government procurement rules are difficult to navigate and tend not to support market entry for businesses with new products and services. At the school level, in some provinces, such as Punjab, schools have a non-salary budget and freedom to spend. The market for after school tuition/coaching is buoyant.

Though much of the above suggests high barriers to entry and limited opportunities to engage at the heart of the market, with careful research and planning, you are likely to find opportunities to add value to existing services, to work around the edges of the education market or to fill a gap in provision. For example, providing education products and services that add value to the very competitive low fee private and NGO school chains, filling the gaps in early childhood/care provision or in the provision of technical and vocational skills training, or selling education products outside of school such as reading books to parents.

It is important to avoid generalisation. The education market is not homogenous. After the 18th amendment to Pakistan's constitution and the introduction of Article 25-A, the State is required to ensure that all children age 5-16 have free access to education and the control of almost all aspects of education service planning and delivery has been devolved to provinces. As a result, there are regional variations within the market. What may be unfavourable conditions for your product and services in one province may be within your 'Goldilocks' zone in another.

It is important you know who your competition is. Especially what they have done to date, their obstacles, their successes and how they approached the market. More importantly what will you do/offer which is different or better.



Understanding the competition

Knowledge Platform has developed a digital learning centre equipped with their Learn Smart Classroom – an innovative and scalable ‘blended learning’ program designed for schools in Pakistan. The programme includes high-quality and interactive digital content, lesson plans and assessments which can be used by the teachers and students in the classroom, and accessed by students after school via mobile in a self-study mode. As part of their business planning process, Knowledge Platform identified a list of relevant attributes and compared itself and its products and services against five other national and international edtech players in the education market in Pakistan. Based on the comparison, they are able to determine how they are different from their competitors and identify their comparative business and educational advantage.

3. What is your business model? Do you know who your customers are?

A business model is your business’ plan to generate revenues. The critical elements of your business model can be set out in four basic questions (UBS, 2017):

- 1) Who is your customer?
- 2) What is the product or service that you are selling to them?
- 3) How will you produce & deliver your service?
- 4) What price do you charge?

You will need to identify the conditions that make your business model successful and look for similar conditions in order to scale it or you might need to consider variations to your business model.

The business plan will include projected start-up costs, the target customer base for the business, marketing strategy, competition, and projections of revenues and expenses.

You will need to decide who is going to buy (pay for) your product or service i.e. your customers. Depending on the product your customers could be children (or at least their parents), teachers, schools, school chains, government - B2C, B2B, and B2G respectively. Customers and users may be one and the same or they could be different. For example, reading materials might be made available to children at no cost because other businesses buy advertising space in them.

You will need a compelling value proposition. Many entrepreneurs have learned that what they originally assumed was a solution was perceived differently by their customers. Successful businesses create a wide and compelling value proposition. Do you understand what your customers want rather than assuming what they need? Do you have a product or service that offers quality and value-for-money for consumers who can ill afford risk or something that yields no benefit?

Given regional market variations, it is important to be aware that just because it has worked in one location does not mean it will work everywhere. You will need to identify the conditions that make your business model successful and look for similar conditions in order to scale it. Or, you might consider variations to your business model.

Though provincial education departments have a reasonable good appetite for new services and products, they tend not to have available funds (governments have big education budgets but almost all of the amount is obligated at the start of the financial year to costs such as salaries). Selling to government may be attractive due to their market share of schools and children, but funding constraints, procurement rules and political influence makes this a hard sell (though not impossible).

Selling your products and services to other companies may be a safer bet, subject to you identifying who they are and having a product or service which is of value to them. The education market in Pakistan has many private school chains. If you can tap into this segment, for example, with a product or service which will result in schools having a competitive advantage, and in-turn attract more children, then you are likely to be successful. That said, the bigger and more established school chains tend to develop products and services 'in house', rather than funding something from the open market.

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Some of the enterprises supported by IIm Ideas 2 are (or plan to) sell direct to beneficiaries of their product/service i.e. children from poor households/their parents. This can be a tough strategy to pursue given that households with a low income are likely to be unfamiliar with purchasing education products/services and such households will need to be convinced that what you are selling will be of genuine benefit to them. In such a situation, you really need to know your customers very well – what are they willing to buy, what can they pay, where are they, how will you reach them and so forth. You may need to tailor your products and reduce costs. For example, households might not be able to pay the subscription fee to access an online tuition service but they can pay Rs15 to download a physics test paper.

Reaching poor households with education products and services typically requires a sophisticated and patient approach; this may include building trust, using the brand name and networks of established partners, offering different financing options and charging the cost on to others (Ashley & Sinha, 2014).

One way of addressing the 'poor to pay' conundrum is to separate out consumer from customer. The former is the end user, the individual who will use and benefit from the product or service, i.e. the beneficiary. The latter, is the individual who pays for the product or service. They may not necessary use it, or derive direct benefit. In some cases they are the same, but in others they can be very different.

In addition, you could explore cross subsidy models. If/when you become financially sustainable by selling your products and services to wealthier customers, you may use the returns to reduce the cost of products and services for poorer households.



Working with different customers

ILMI is an intervention designed and successfully implemented for the Education and Literacy Department, Government of Sindh by TEXT Ltd. Issues and questions are raised through a simple text message to ILMI. If the question cannot be answered immediately, a 'case' is created. As the 'case' gets routed through departments at the relevant levels, ILMI monitors its progress, escalating the issue until it is fixed. TEXT was able to take advantage of a dynamic and interested Education Secretary and a fund established by him to support the introduction of new products and services to the education system in the province. With support from Ilm Ideas 2, TEXT is replicating ILMI in other provinces – using Ilm Ideas 2 funds to get started and demonstrate value that will eventually be paid for by the education department. In addition, TEXT plans to try innovating their service by adding education content to their platform for students and teachers.

Dot & Line's blended-learning math enrichment programme is delivered after school, through a network of trained and certified women teachers. They apply to become Dot & Line Teacher Franchise Partners. Selected applicants, all of whom have at least graduated with bachelor degrees, receive training on teaching mathematics, and on how to facilitate use of Dot & Line's blended learning product, allowing them to run small the programme from home and earn money as well. The math programme is intended for children in grades 3 to 8, and includes paper-based worksheets, a gamified app, an interactive base-ten kit and a comprehensive teaching manual. In the case of Dot & Line, the customers are the Franchise Partners, i.e. the women who run the programme. They pay Dot & Line a Franchise Fee and a share of their monthly revenue.

4. What is your product and/or service?

Your product or service must be valued by poor households.

In our experience one crucial mistake education businesses make is not drilling down to really understand the education challenge that they are trying to solve through their product and service. If for example, a company intends to add value to education services by providing interactive content on low cost tablets or reading books to schools, it will be of little benefit in situations where teachers are not supported or motivated to use them, or where there is no safe place to store them. In such a situation, the company needs to find a way to incentivise schools and teachers to use the resource, or help users come up with storage solutions – or maybe even pivot their product to one that is sold to parents for their children to use at home. Not understanding the different dimensions of the challenge to be addressed may result in significant time and money spent on inappropriate products and services that are not valued by the customer/consumer.

You need to remember that adding new features and continually upgrading your product or service could increase cost. A better strategy if you want to scale is to find ways to make it more desirable or accessible to the user and to drive down costs for the end customer. In the beginning you may see strong revenue from early adopters by creating a state of the art product or service, but you will hit a revenue ceiling and you may end up with a niche product/service reaching a relatively small market.

Your product or service must be valued by poor households. They are looking for opportunities to improve life chances for their children and are willing to invest in education. But, they have limited budgets and need to be convinced

the investment is worthwhile. How are you going to convince them that your product or service is of value/benefit to them? Do you have empirical evidence (or you can get some) to prove that if they buy your product or service their children will be more likely to succeed?

It may be a great product but if no one knows about it then your chances of success are small. How are you going to market and promote your product or service? Your business plan and marketing strategy must carefully think this through. Targeting the poor and marginalised requires sophisticated techniques. Remember, marketing is not cheap if it is done well.



Using market research to improve the product

RADEC identifies community-based education entrepreneurs and provides them with resources to set up mobile, digital 'classrooms' where young people meet to study after school. RADEC had assumed that parents and students in their target communities would be eager to switch from their existing tuition provider to the digital classrooms they provide. However, when they conducted their initial round of rapid market research they found a high level of satisfaction with existing tuition services in target communities. RADEC now knows they need to work even harder to demonstrate the value of their product in target communities if they are going to be successful. They also have data from the market research about tuition fees which is helping them establish a price for their product.

EDKASA is a start-up. They graduated from the LUMS Centre for Entrepreneurship and they aim to increase access to quality secondary education by making available top quality secondary teachers across the country through their interactive online learning platform. IIm Ideas 2 is supporting EDKASA to pilot their intervention and to conduct more market research, with the aim of helping them secure additional investment when IIm Ideas 2 support ends. Via their market research they have generated a number of findings from potential customers including: offering students subject enrolment so that they don't have to pay for courses they don't need, attracting top students so as to build a reputation for their product and the importance of creating an EDKASA community.

5. Do you have the right team and partnerships in place?

Running an education business in Pakistan requires strong education domain knowledge, business expertise and an understanding of the local context/market. Your own education experience does not necessarily qualify you as an education expert! You need to ask yourself, do you have the right people, with the right skills in the right positions?

Having access to domain knowledge will ensure you build on good practice, research and evidence about what works. Similarly, having access to business acumen will help you avoid the classic pitfalls of entering a new market. Success in almost every field in Pakistan is still heavily reliant on who you know. Therefore, people on your team (and with whom you partner) must be well networked (you are paying for their connections). They will be able to unlock doors, lobby and canvas for you, and call in favours; all of which you will need throughout your journey. We suggest you have a pool of experts to hand; as with education, area of business expertise and specialism varies: business planning, marketing, product launch, IPO and so forth.

**You will access to
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You will need to have access to different kinds of expertise at different points on your business journey. In our experience, it is highly unlikely to have the same people on your team throughout your business and growth cycle. Please note you will need to pay a premium for good local talent.

It is critical you have like-minded people on your team. Setting up a business not only requires the team to burn the midnight oil, but to work towards a common goal. In the early stages, you will need your whole team pulling in the same direction. Disruptive talent and ideas are to be welcomed but they need to be managed constructively so that it does not impede your progress and performance. Also, careful thought must be given before bringing family members into your team.

Strategic partnerships and having the right partnership ecosystem is as important (if not more so) than building a company team that checks all the boxes.

“ The journey to scale requires that entrepreneurs understand the partnership opportunity landscape and align available support with the enterprise’s priority needs. There are different types of potential partnerships. Businesses may need to develop partnerships that help enable business activities, such as implementation support or market access, or those that build the capabilities of the enterprise itself, such as training or financing. They may also need to engage partners that can build the market environment within which their enterprise operates – raising customer awareness or ability to engage. **”**

(London, 2016).



Partnerships to scale up, access expertise and add value

AZCorp is creating a series of exciting and engaging graphical comic books for children called ‘Sheeba and the Private Detectives’. The series is based on the adventures of a little girl called Sheeba and her friends. In comic book titles such as ‘The case of the missing tiger cub’ and ‘The case of the chunri dupatta’ they use their knowledge of maths and science to solve mysteries and problems in their community. Via the series, AZCorp aims to stimulate interest in reading and to increase children’s understanding of maths and science while at the same time presenting a positive role model for children. The company has a track record of designing and producing comics to promote values such as tolerance and respect. However, they recognised that the new series about Sheeba and her friends would require expertise in education to help decide on appropriate content and reading levels. For this, AZCorp established a partnership with an education company ‘World Learning’. World Learning is providing a high level of education expertise and quality assurance as well as helping AZCorp reach new markets in Azad Jammu and Kashmir and Gilgit Baltistan.

Elementary Education Foundation (EEF) is an autonomous government organization working in Khyber Pakhtunkhwa to support the private and non-formal sector in providing quality education in the province. TeleTaleem is partnering with EEF to connect teachers and children in multigrade community schools to online specialist teachers. The online teacher connects with the school every-day to teach English, mathematics and science to children in grades 4 and 5. This allows the local teachers to focus on teaching and learning in lower primary grades. The same remote approach is used to provide teachers at the school (and in nearby schools) with professional development. The EEF is already contributing to the cost of services and has committed to continue paying for them when Ilm Ideas 2 funding ends. The autonomous nature of the EEF has helped make the partnership with Teletaleem possible – and via the partnership Teletaleem is supported by government resources.

6. Do you have access to finance?

Entering the education market and/or expanding operations require significant capital. Where are you going to get the money from? One option could be to reinvest sales/profit/returns. That said, in the early years you are likely to be spending more than you earn from your product or service, so this may not be a viable option – and it is solely dependent on the growth of your business. You might look to angel investors, venture capital, commercial banks, donor funding, CSR, philanthropy and private savings to name just a few potential sources of finance.

In Pakistan, angel investors exist but they are often looking for relatively quick financial rather than social returns. There are an increasing number of very high net worth individuals who you might approach via informal channels but your success is likely to depend on your networks and connections. You will need to do serious homework to find out more about them: are they right for your business? Are they people who want to make a difference in education?

Venture Capital (VC) funds can be approached. However, across the globe they generally lose patience and interest in education businesses, unless they are mandated to do so, due to the long redemption period and growth curve. Social Impact VCs do exist in Pakistan (GIIN and Dahlberg, 2015). Acumen is a good example of a social impact investor active in Pakistan interested in education impact for poor and marginalised communities. However the number of such investors is small and many start-ups/businesses fail during the due diligence stage. For both angel investors and VCs you need to be clear on what your offer is. Are you offering equity, debt? How much stake are you offering (or willing to give up)? Investment is not for everyone, especially as an investor may have a seat on the board. You will need to carefully weigh up the pros and cons.

CSR may be a good option for some businesses. There are some high-profile organisations who are active in Pakistan's education market: Jazz, PTCL and Habib Bank to name just a few. Again, serious research is required; especially on how aligned is your mission/venture to theirs. You need to be clear on what you are offering and the nature of the partnership you are seeking to establish. Do you want their financial support only? Or would you like to benefit from their expertise or from their distribution networks? Or perhaps you are interested in starting a joint venture with them?

There are a variety of multilateral and bilateral donors active in Pakistan such as DFID, The World Bank and USAID, although the chances of you getting direct grants/funding from them are small due to their conditionalities and the size of your business. Donor policies do change and the trend towards supporting entrepreneurship, public private partnerships and strategies that promote economic growth could provide entry for education businesses. Perhaps the best way of getting your business noticed by a donor is to look out for opportunities to partner with contractors and other non-government organisations (who have already established relationships with donors) and offer your products and services through them.

Commercial loans are an unlikely option. There are numerous commercial banks in Pakistan with lots of capacity to manage investment but they typically target medium to large enterprises with a stable revenue generation – and they have a low appetite for risk and early stage ventures.

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Accessing new sources of funding

The SABAQ digital learning programme creates and presents high quality, locally relevant digital content to children on low cost tablets and via an app. Children in school and their teachers use content to provide extra practice and to reinforce regular classroom instruction. Children out of school use the tablets at informal centres to develop critical literacy and numeracy skills. They plan to sell their content directly to children from wealthier households and to private schools, and to generate revenue from bespoke data management and digital content solutions. The model for reaching out of school children in poor and marginalised rural communities via SABAQ centres will require other sources of grant or philanthropic funding. SABAQ has partnered with a large and well-known international NGO to bid for funds from the Qatar based Educate a Child (EAC) initiative.



This paper has raised six questions to consider before you enter and/or scale-up your operations in Pakistan's education market. This is not a pass or fail test per se, but advice we would like to pass on based on IIm Ideas 2's experience, to date, supporting education solutions become financially sustainable businesses. Having adequate answers to the questions will help you to further analyse and critique the business logic behind your intention to enter the education market.

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About IIm Ideas 2

The IIm Ideas 2 programme engages with a wide variety of players, primarily from the private sector, to design, test and transition to scale innovative approaches to improving the supply and demand for quality education in Pakistan. The programme provides grants and advice to established businesses and not for profit organisations to help them design, test and transition to scale education innovations with potential to achieve financial sustainability. IIm Ideas 2 also partners with business and technology incubators in Pakistan to support education start-ups (very new businesses) with innovative products and services. Since the start of programme in April 2015, IIm Ideas 2 has conducted three rounds of solution sourcing to identify and select education innovations for investment. As of the end of 2017, the programme is investing directly in 11 education innovations to help them build and pivot to success and sustainability.

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