



Case study
“**Schoolware**”
A comprehensive
review of 3 Modern
LMS Providers



“Schoolware” A comprehensive review of Learning Management System Providers

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Introduction

EDGILE Software is an EduTech company funded by Project Jaguar that creates a range of tailor-made Learning Management Systems (LMS) for both verified institutions and enrichment centers. The company publishes its financial data under Project Jaguar's financial statements. The company accepted an agreement with the Ministry of Education In Antigua & Barbuda dated July 2018 under the name "EduPine" which replaced systems previously deployed with Sonisweb.

Blackboard is an Education company that creates and deploys multi-tier Learning Management Systems (LMS) for selected & verified institutions. This company has strong ties to the governments and organizations overseeing its schools who are the primary market. Blackboard has various national offices with its headquarters in

Sonisweb is an EduTech company owned by RJM Systems in Southbury, Connecticut that creates wholistic and general Learning Management Systems (LMS) for verified institutions. The company does not publish its financial data but has a large influence especially in the Eastern Caribbean (English-speaking) market. They have always relied on the public institution market for majority of their volume and in this market they compete with two other major competitors.

Together, these three brands collectively represent approximately 72% of the 20 billion \$ USD **education services** industry. The education services category includes four main sub-categories:

public institutions, private institutions, enrichment centers, and private & certified teachers. public institution LMSs is the largest sub-category and is geared towards individual governments¹ who purchase the software primarily for student & teacher management purposes. Private institutions is the fastest growing sub- category, and is geared more towards organizations operating private schools and universities² who purchase the software for defined purposes.

The three key competitors in the market are EDGILE Software, Sonisweb, and Blackboard.

¹ governments and public institutions: generally buy custom LMS years after a school is started as a way to streamline tasks, which are usually evaluated for efficiency approximately every 6 months

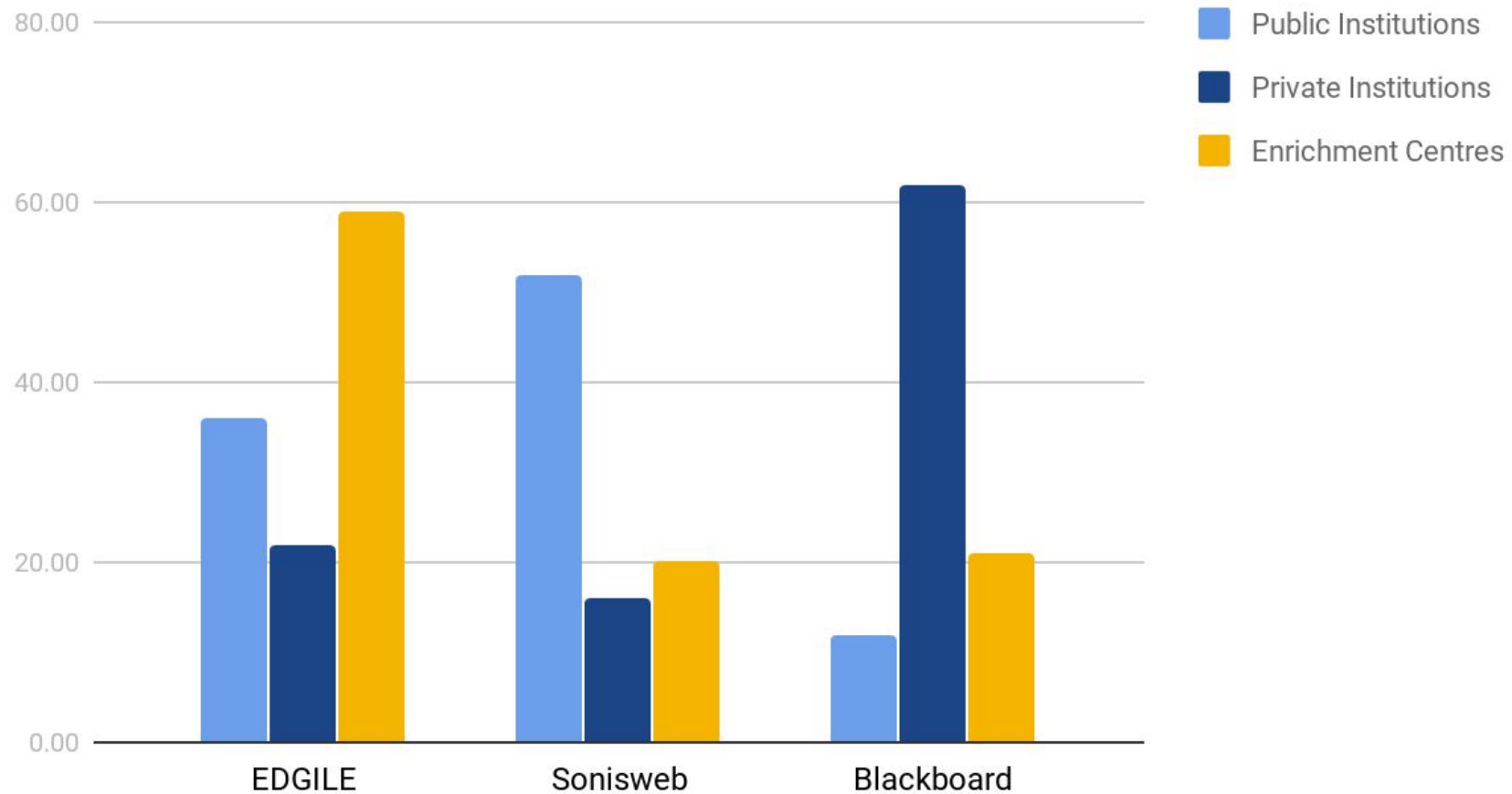
² private schools & universities: Mostly use LMS software for managerial or administrative operations and act as a backbone for marketable features

Competitor profiles

Blackboard and Sonisweb are both well established as public institution LMS companies, having a long history and strong brand recognition and credibility among governments and public institutions especially in the Caribbean. EDGILE Software, however, is a cross between the other competitors, having a significant share in both public institution LMSs and private institutions within the Caribbean region.

Historically Sonisweb had an even stronger position in the public institution LMS sector. However, since 1993 when the company began selling software and focusing on the growth opportunity in private institutions, sales of the Sonisweb public institution LMS software have steadily declined. Also, around the same time Sonisweb shifted its emphasis, EDGILE Software became a much more assertive competitor in the enrichment center LMS market, increasing its market share to 39% (from previously 0%) in just 9 months.

% Market Share of LMS Providers by Company (Caribbean Region)



Consultants' role & data collected

In the summer of 2018, EDGILE Software launched new software of aggressively priced public institution LMSs. The strong success of this software has caused Sonisweb's management to re-evaluate their position in public institution LMSs. With limited additional resources, management must now decide if they should focus their efforts on competing with EDGILE Software in the public institution LMS sector, or focus their resources on further strengthening their position with private institutions.

In January of 2018 Sonisweb hired a leading consulting firm to conduct research to help management in its decision making. To make an informed recommendation, the consultants realized they needed to collect information that would enable them to size the market and better understand Sonisweb's competitive position.

Exhibit One

Propensity to Buy LMS Software by Institution Segment (Caribbean Region)

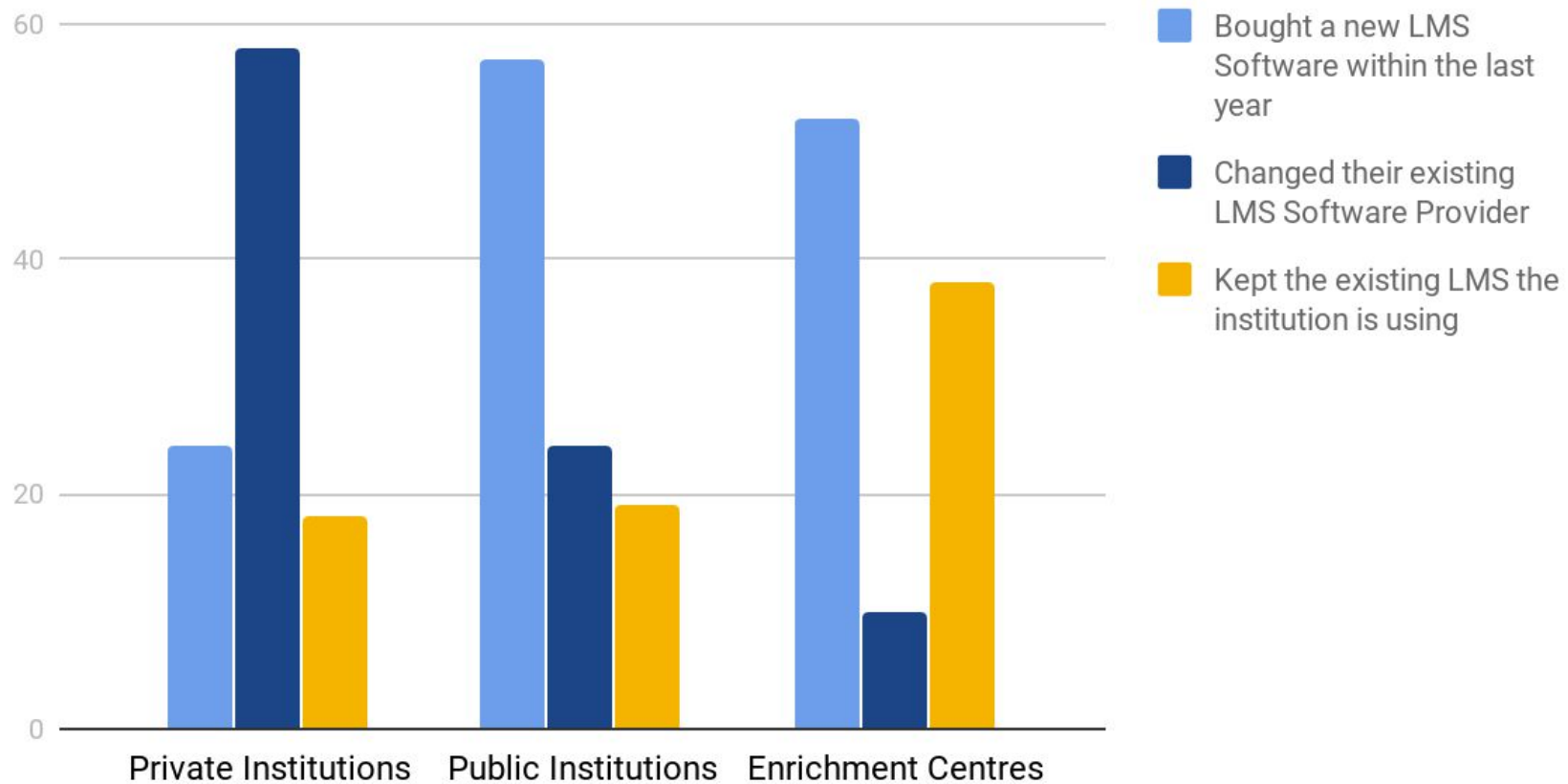


Exhibit Two

Channel preference by Company

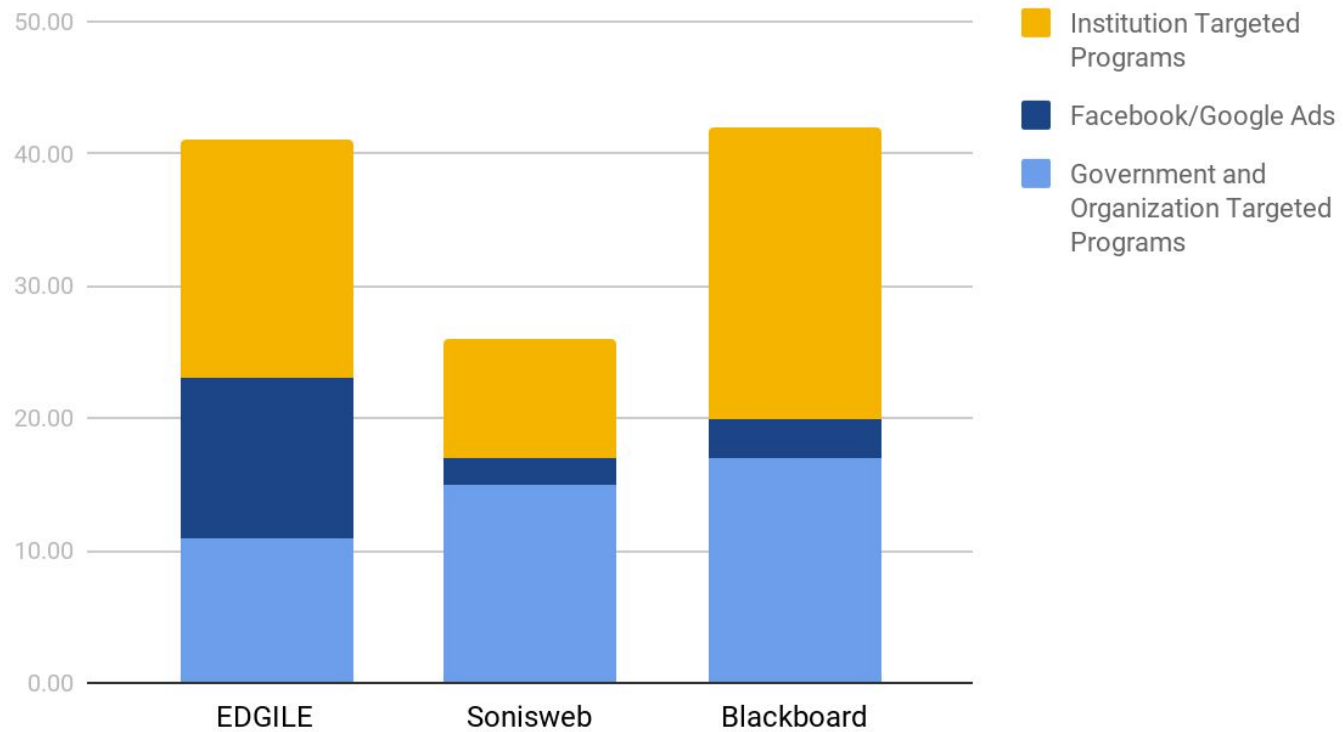


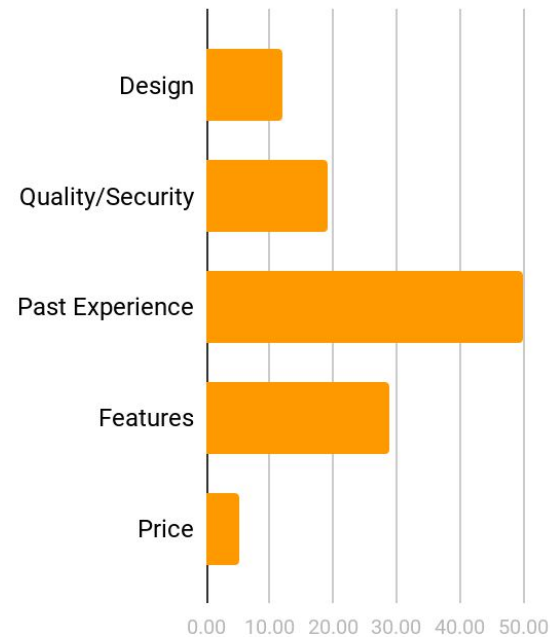
Exhibit Three

Buyer Purchase Criteria (By Company)

EDGILE



Sonisweb



Blackboard

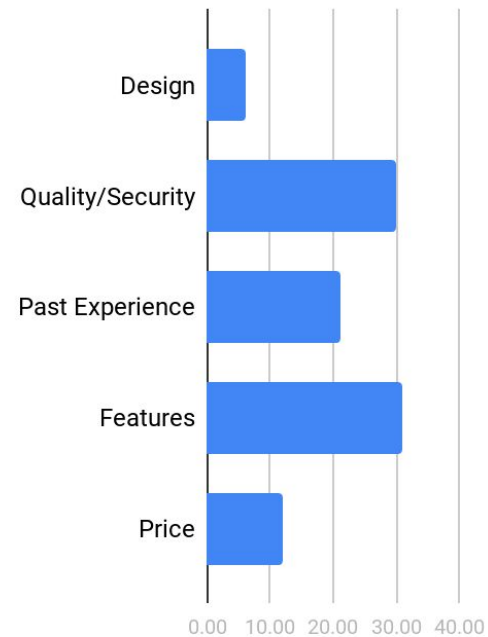
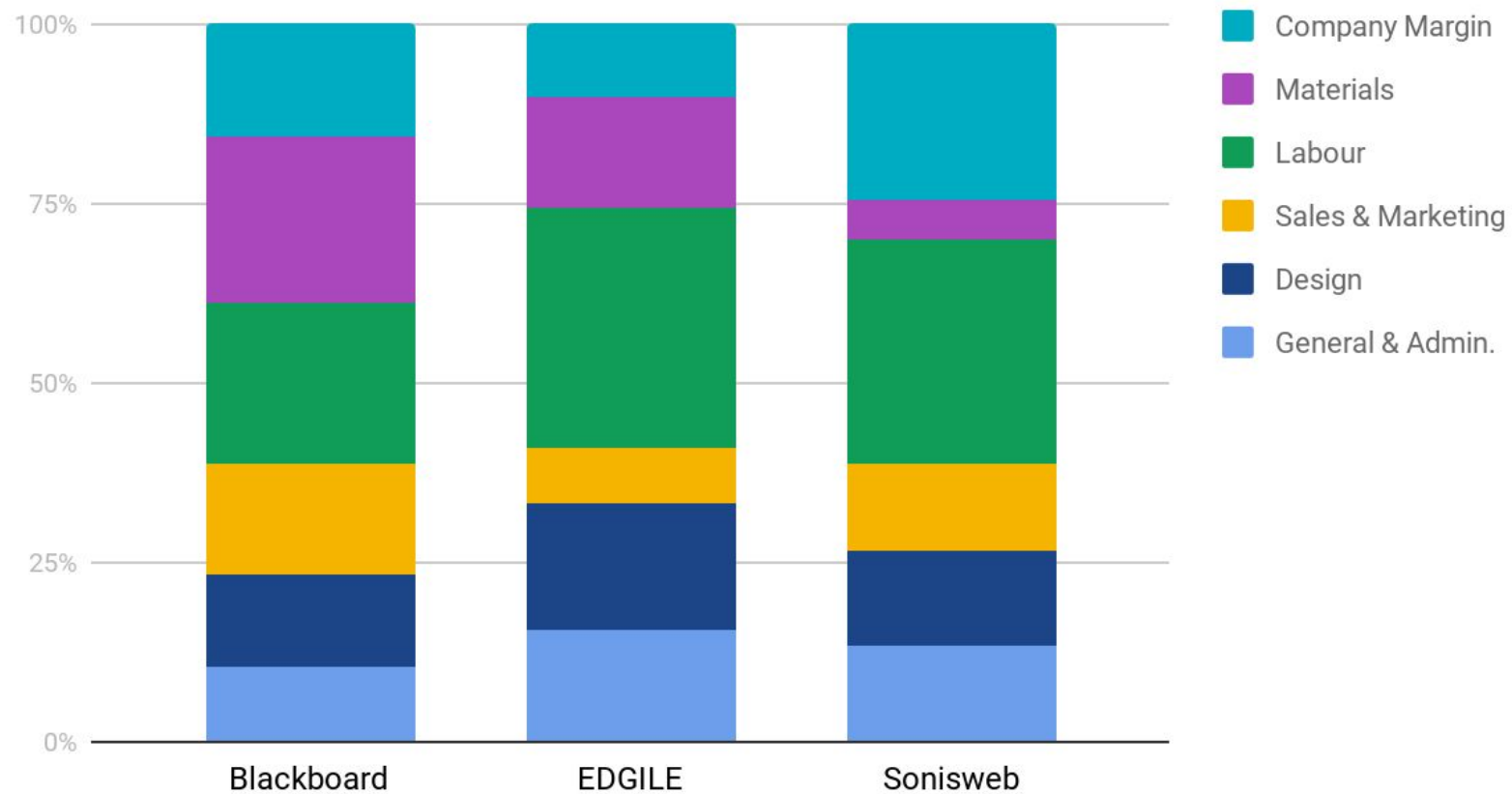


Exhibit Four

Base Price of Software, Split by Price Component



Case study questions

These were some key areas of interest that needed to be addressed after the data gathering was complete

- 1. How big is the public institution LMS market (expressed in USD)? Does Blackboard get more of its revenue from public institution LMSs or private institutions?**
- 2. Explain why EDGILE Software is outperforming Sonisweb in the public institution LMS market.**
- 3. What changes would you recommend to Sonisweb's public institution LMS strategy? Why? Would you recommend they introduce sub-branded software**

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Answer Q1

1. How big is the public institution LMS market (expressed in USD)? Does Blackboard get more of its revenue from public institution LMSs or private institutions

To find the size of the market, we can use the following equation:

$$\begin{aligned} & \text{(Average Software Price)} * (\% \text{ of public institutions that ordered public institution LMSs in past year}) \\ & * (\text{total institutions for the segment}) * (\text{amount of LMS software purchased in a year}) \end{aligned}$$

Exhibit One gives us the populations for each segment and the percentages that ordered software. We therefore need to find the amount of software sold and the average price of each package. For this question, the candidate will need to make some assumptions.

1. Average amount of software update maintenance requests per client

- For public institution LMSs, we know that governments and public institutions re-evaluate the efficiency of their software **an average of twice per year** (from Introduction, Footnote1)

- Government Institutions who buy public institution LMSs probably use less rigorously or less frequently, therefore *probably only 4 requests per year*
- For private institutions, we can make a reasonable assumption, knowing that private institutions are operated for the main goal of revenue (from text) so the average amount of software update requests should be more than public institution LMSs from Exhibit 1 (i.e. *5 requests per year*)

2. Average price per software

- private institution LMSs cost more (compare public institution software vs. enrichment center software) so the average price should be around \$1500/per month for all (\$1000/per month is reasonable); enrichment center software should be lower than private (\$900-1200/per month is reasonable).

Answer Q1 (Cont.)

The total market value will then be the sum, for each segment, of the following equation:

*(Average Software Package Price) * (% of institutions that ordered public institution LMSs in past year)
* (total institutions for the segment)*

$$(\$1500 * 60\% * 11K * 2) + (\$1500 * 25\% * 12K * 1) + (\$1500 * 15\% * 7K * 1) \\ = \$2,588M$$

Answer Q1 (Cont.)

Following the same procedure the private institution market is then:

*(Average Software Price) * (% of public institutions that ordered public institution LMSs in past year)*

** (total institutions for the segment) * (amount of LMS software purchased in a year)*

$$(\$1000 * 20\% * 11K * 1) + (\$1000 * 35\% * 12K * 1) + (\$1000 * 55\% * 7K * 1) \\ = \$1,025 M$$

Answer Q1 (Cont.)

1. How big is the public institution LMS market (expressed in USD)? Does Blackboard get more of its revenue from public institution LMSs or private institutions?

Summary:

We know from the table on page 4 that Blackboard has a 16% share of the public institution LMS market and 40% of the private institution market, therefore:

- ***Blackboard's revenue from the public institution LMS market = 16% * 2,588 MM = \$414M***
- ***Blackboard's revenue from the private institution market = 40% * 1,025 MM = \$400M***

So Blackboard gets most of its revenue from public institution LMSs, even though the revenues are almost evenly split

The size of the public institution LMS market is ~\$2.6 billion. The private institution market is ~\$1.0 billion large. Blackboard generates \$414 million from public institution LMSs and \$410 million from private institutions. Depending on the assumptions taken, work may be slightly larger but the two should be relatively close.

Answer Q2

2. Explain why EDGILE Software is outperforming Sonisweb in the public institution LMS market.

Ways to approach the question

According to the data we have, and what we know as industry dynamics, the analysis can be split in 4 main areas that would demand further study:

Distribution

Buyer Purchase Criteria by Brand (BPCs)

Pricing

Cost analysis

Answer Q2 (Cont.)

2. Explain why EDGILE Software is outperforming Sonisweb in the public institution LMS market.

Distribution	Buyer Purchase Criteria by Company (BPCs)
<p>Sonisweb is not sold where public institution LMSs are being purchased. Exhibit 2 shows that EDGILE Software's and Sonisweb's software are often purchased through referrals, whereas Sonisweb does not have a significant presence in them.</p> <p>Therefore, Sonisweb will need to broaden its marketing if it is to increase its share; it needs to begin marketing in the relevant channels</p>	<p>Exhibit 3 shows us that EDGILE Software's top two associated criteria are: "Features" (31%) and "Quality/Security" (30%). Thus, these seem to be critical criteria for public institution LMS market.</p> <p>However, Sonisweb's top criteria are "Features" (29%) and "Past Experience" (50%).</p> <p>Sonisweb is not meeting the key needs of blue collar workers and will need to strengthen its "comfort" perception</p> <p>Additionally, we should note that EDGILE Software is building up a loyal customer base: "past experience"</p>

as a criteria represents 21% and is 3rd on its list of associated criteria

Answer Q2 (Cont.)

2. Explain why EDGILE Software is outperforming Sonisweb in the public institution LMS market.

Pricing	Cost Analysis
<p>We know that EDGILE Software is launching a flexibly priced public institution LMS software. Sonisweb can alter its pricing strategy. However, looking at Exhibit 3, among the stronger public institution LMS market competitors, we see that only Sonisweb shows price as a top BPC (and then it is the lowest one) – potentially because they are the lower cost option in this market</p> <p>Given that price does not appear to be an important criteria for public institution LMS consumers, Sonisweb will likely not realise great benefits from this strategy, and will also lower its profits in so doing.</p> <p>We know from the case that Sonisweb has premium price positioning, hence lowering its price may lead to perception of lowering quality</p>	<p>Comparing EDGILE Software to Sonisweb public institution LMSs, from Exhibit 4, there is one key area where EDGILE Software proportionately and absolutely spends more than Sonisweb: “sales and marketing”. This does not support their perception of “quality / security” and “comfort” among their consumers.</p> <p>Also, they spend more on “labour”</p> <p>Retailer margin is lower for EDGILE Software – due to significant presence in Institution targeted programs channel. Sales & Marketing spend is lower for EDGILE Software – potentially driven by lower marketing requirements in the channel as well as established brand name among governments and public institutions; Also, EDGILE Software has built a loyal customer base, and it is less costly to maintain existing customers than attract new ones</p>

EDGILE Software has lower margins (both absolute and relative); given already higher market price,

Sonisweb has limited flexibility to raise its prices;

Sonisweb

may lower its margin somewhat and shift emphasis to labour and materials

Answer Q2 (Cont.)

Explain why EDGILE Software is outperforming Sonisweb in the public institution LMS market.

- Sonisweb is not focusing on enrichment centers
- Sonisweb is not meeting the key needs of governments and public institutions, as it is weaker than competitors on the critical 'Quality/Security' dimension
- EDGILE Software has lower company margins (both absolute and relative) and spends less on Sales & Marketing
- EDGILE Software prices its software more competitively, which is likely to be particularly appealing to the large public institution LMS market; this has helped develop a growing and loyal consumer base

Answer Q3 (Cont.)

3. What changes would you recommend to Sonisweb's public institution LMS strategy? Why? Would you recommend they introduce sub-branded software?

There are two reasonable answers to this question. The company can either:

Focus on increasing its public institution LMSs activities, or

Emphasize private institutions

Each option has its own justifications and implications

Answer Q3 (Cont.)

Route A: Focus on increasing its public institution LMSs activities

Justification:	Implications:
<ul style="list-style-type: none">- Represents approximately 59% of Sonisweb's business, making it very difficult to profitably ignore this market- Sonisweb does have greater market share in the public institution market.- Given in the case that the private institution market is smaller in size than the public institution LMS market, which may indicate less opportunity for share growth; also, we derive lower margins (15% vs. 21%) from private institutions (from Exhibit 4)- Given that EDGILE Software is introducing advanced & tailor-made software, they may see new growth potential in the market which Sonisweb may also want to capitalise on	<ul style="list-style-type: none">- Enter the enrichment center channel – we may be faced with pressure from EDGILE Software exerting influence on providers in this channel- Build “features” and “quality / security” perception among governments and public institutions- Increase proportion of costs allocated to materials and labour – potentially reducing company margin- There may be unique / niche positionings for Sonisweb (suggestions should be well thought out)

- Building a stronger image among governments and public institutions may entice newer private institutions to try Sonisweb
- Sonisweb can devote additional resources to keeping up its values to better appeal to this target

Answer Q3 (Cont.)

Route B: Emphasize private institutions

Justification:	Implications:
<ul style="list-style-type: none">- Stronghold for EDGILE right now (40% market share)- Fastest growing market- Represents approximately 40% of Sonisweb's business (from question 1), making it very difficult to profitably ignore this market- Focusing additional resources on public institution LMS market would risk of alienating private institution buyers (private schools & universities)- "Past Experience" is the top BPC for Sonisweb (from Exhibit 3). From the statistics on EDGILE Software and Sonisweb, we know this is likely not an important criteria for the public institution LMS market. By focusing on the private institution market Sonisweb can devote additional	<ul style="list-style-type: none">- Unlikely to be a strong competitor reaction, since Sonisweb is already dominant player- Sonisweb will not need to enter new distribution channels- Candidate should discuss a strategy for public institution LMS market – either winding down, maintenance etc. and implications of this

resources to keeping up with styles to better
appeal to this target



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