AGEM - Business Model

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1 Introduction

Our business model is defined in relatively greater detail for the first of three stages of implementation. It is structured by the following basic issues:

1. CBSE, India's primary Examination Board[1] has instituted a requirement for Continuous and Comprehensive Evaluation (CCE)[2] to reduce the focus on rote learning.

2. The Right to Education Act (RTE) has mandated the right of the poor to form 25% of every class in every school barring minority religious institutions in the interests of inclusive education.

3. CBSE's recent announcement of open book examinations[3] represents a move away from the memory recall focus of their current examination systems to displace rote learning with inferential ability.

AGEM presented its ideas to more than 30 principals of Atomic Energy Schools. It was clear that even among these top echelon schools fulfilling the CCE requirement was a challenge. The flipside is that much of CCE is a normal outcome of the AGEM process.

While the Govt. did not succeed in implementing the 25% inclusive education requirement this year, the fact that the Supreme Court has upheld that requirement means it will be a reality in the coming Academic Year. AGEM is ideally suited to bridging the gap between these students and the rest of the class. We are hopeful of taking them to a higher level than their peers in the same classroom as there is less to unlearn.

The Open Book exams and the new focus on inferential testing is welcome news for AGEM as the three pillars of our approach are inferential learning, competent decision making, and participative decision making.

A fundamental tenet of the AGEM approach is that it is massively scalable. Scaling up improves the quality of feedback we can provide through analytics. It also means that we can take on additional subjects of study at a cost that is miniscule compared to revenue. We believe that eventually we would become the arbiters of selection and the primary guide to students career choices when we have several hours of responses per day for several years.

2 The marketing approach

2.1 First stage

During this stage we intend to use a bus outfitted with our feedback and projection systems to cover 900 students per bus, for 1 hour each of Maths, English and Systems Thinking on three occasions per week for any one student. In this way we intend to service 50 students per grade for Grades 6, 7 and 8 in six schools. The fee would be USD 65[4] per student for the year, payable in advance. The primary rationale for the bus, which will park in the premises of the subscribing schools during delivery represents a more controlled and appropriate environment for delivering our content in terms of temperature regulation, a quieter environment, and security of our equipment.

Given the introductory statement we believe the marketing effort should be focused on poorly performing CBSE schools in Bangalore which are in proximate locations. We estimate the cost of a 3 bus operation to be about USD120,000 per year with a revenue generation of USD176,000 per year yielding a potential profit of about USD 56,000 per year before tax. This 3 bus operation yields a student base of 2700 individual students who will be exposed to the benefits of the AGEM process.

The timing for this effort would be relatively immediate so the concept can be proven prior to the onset of schools budgeting for the 2012-13 academic year. We would need funding of about USD90,000 to ensure adequate cash-flow during this stage.

2.2 Second stage

At this stage we would move the operations to the classrooms of schools from which the children of the First Stage originated, and also commence operations for the successor Grade 9 in the same schools. The overall cost would remain the same but we would charge a first registration lifetime fee of USD 18 per student. We would also mount a one week training course for teachers for which we would charge USD180 per student. At this stage we expect that schools would replace their current Maths and English classes with AGEM classes.

During this period we need funding to enable us to initiate these operations, and to start the manufacture of the next generation of feedback and projection systems and also create infrastructure so that content can be sent to the

[1] Central Board for Secondary Education (CBSE) is India's most popular Board of Examinations with more than 8000 schools cited in its latest annual report.

[2] CBSE has instituted a process for a more comprehensive evaluation. A brief look is available at http://www.icbse.com/cce

[3] This attempt to reduce the stress on rote learning is better described at http://news.icbse.com/cbse-implement-preannounced-test-pat-std-xii-1766

[4] There are about 55 indian rupees for one US Dollar

school and response data can be sent from the school to our data center in real time. We estimate these expenses to be about USD360,000 including setting up a video and recording laboratory to allow a larger quantity and a higher quality of video content to be made.

2.3 Third stage

In this stage we would give our services an all India footprint with using DTH frameworks to allow the school to download data while uploading of data would continue over GSM/CDMA systems. Our preferred markets at this stage would be state govt. schools across the country. We would need an additional funding of USD 500,000 at the beginning of this stage.

3 Business Model Canvas

3.1 Key partnerships for Stage 1

These key partnerships would in time be with hardware manufacturers in East Asia, and state governments with progressive ideas on education, as well as with a company which can provide all India hardware support.

3.2 Key Activities for Stage 1

Our key activities for Stage 1 would be to work out the mechanisms for bus operation which includes getting permissions from the Transport Authority and the Police. We would need to create our custom made cabin with seating for the students and space for the AGEM feedback devices. We would choose between 35 and 50 seat per bus operation depending on the relative costs and we would fine tune the materials. Finally the logistics of bus operation would have to be resolved between subscribing schools.

The marketing activity would be an early and critical element of Stage 1 operations.

3.3 Key resources for Stage 1

Our key resource, apart from our own team members, would be a company that modifies buses. We have identified such companies in Bangalore, Coimbatore and Chandigarh.

3.4 Value proposition at Stage 1

We would:

- enhance the overall standards of the subscribing students and demonstrate that enhancement with data.
- decrease the gap between the weakest and the best students while improving standards overall.
- fulfill a majority of the requirements of CBSE's CCE.
- bring zest and energy to the classroom and intensify interest in what children learn.
- bring a systems understanding to topics in Maths and English which should translate into a systems understanding of topics in Physics, Chemistry, Biology, Social Studies and Literature.
- bring greater academic inclusiveness to the 25% of the socio-economically challenged student group and thereby assuage the pain of their inclusion both for the school and for all students.
- prepare students for the Open Book examination policy of CBSE. This invokes a framework of understanding rather than a skill so it cannot be acquired over a short time period.

3.5 Customer relationships for Stage 1

At this stage customer relationships would be handled by a member of our team who has been wildly successful in helping apartment blocks to segregate garbage in Bangalore, thereby demonstrating considerable skills in working with people even in this sensitive area.

In later stages we would need a response center to provide such services.

3.6 Cost structure for Stage 1

At this stage cost structure would be largely composed of:

- hiring and modifying the 3 buses,
- using our existing 150 feedback devices to outfit the buses, and acquiring a suitable projector
- providing appropriate power units within the bus.

Additional costs would arise from hiring teachers for the additional buses, and for the limited fuel and maintenance costs.

We have estimated costs of marketing and acquiring subscribing schools at USD9,100 for the 6 schools. We estimate total costs to be USD 120,000 leaving a profit of USD 56,000 before tax.

3.7 Revenue streams for Stage 1

There are two principal revenue streams at this stage:

- USD 65 per student per year for 3 hours of instruction per week at the rate of USD1.8 per student per subject per month.
- USD 900 per bus per month for advertising revenue for child related products on the outside of the bus. This is however, dependent on the nature of the product, the sensitivities of schools, and any regulatory requirements. We have not taken account of this revenue is our estimates as we see it as discretionary funding.

We see these amounts to be reasonable in the context of what we are providing and that the Association of Chambers of Indian Industry (Assocham) survey yields parent spend on education to be USD 1700 in a survey of 2000 parents in nine Indian cities.

It is clear to us that the school will charge students for these services and will extract a certain percentage typically about 20% from the amount collected.

4 Conclusion

We have a specific business model for the first stage and a less granular model for subsequent stages. We believe that this model is viable and we look forward to implementing it in the coming months.