



Commentary

A Technological Fix For Education

Sramana Mitra 05.23.08, 6:00 AM ET

Venture capitalists are chasing hot areas with planet-scale problems: energy, water, global warming. Industry legends, including John Doerr and Vinod Khosla, have become prominent spokesmen for the issues and have pumped huge sums of capital into these markets.

In our enthusiasm for green, however, there's a forgotten society and industry segment that remains woefully unaddressed—namely, education.

With the advent of social media, and with the revival of entrepreneurship and investments in consumer Internet services, technology-enabled education looks like a huge opportunity for wealth creation.

Why have entrepreneurs and investors ignored education? "The market is relatively tough to crack due to its seasonal nature and the dysfunctional sales cycle which results in wary investors," says Edward Fields, chief executive of HotChalk, a free online community application that aims to connect teachers, students and parents from kindergarten through grade 12. Unlike many other efforts, HotChalk seems to be getting real traction.

Entrepreneurs have long struggled to sell technology to schools. This struggle and failure has resulted in investor cynicism, so much so that today the segment gets little money and draws few entrepreneurs. Those who do march bravely into the market often languish in an under-capitalized never-never land, not able to take on the big problems due to insufficient funding.

Join the discussion: Is there a future in educational technology? Why has it been so hard in the past? Can social networks make a difference? Tell us what you think in the Readers Comments below.

To give credit where it is due, junk bond king Michael Milken has been the most notable exception to this rule. He has consistently invested in education through his holding company, Knowledge Universe. One of the best-known examples of Milken's investments is LeapFrog, an educational toy company that literally leaped into prominence with a popular reading technology. Today, Leapfrog is a public company and has just launched a new reading product called Tag.

John Doerr, too, has spent several years trying to rally high-impact individuals around his New Schools Venture Fund, which focused on building new charter schools. Fixing schools is tough work. The New Schools Fund has had marginal success, starting some successful charter programs but struggling with "turnaround" schools. And that program doesn't aim to develop technology.

I believe that HotChalk may become the next example of how to develop a winning formula in educational technology.

Think of HotChalk as a social network for teachers, students and even parents. Any teacher can sign up on HotChalk for free. In five minutes they will be able to view another teacher's classroom materials and upload their own lesson plans and get feedback from other teachers.

Teachers can send notes, homework assignments and grades to students electronically. Today all students are accustomed to communicating via e-mail or text messages, so it is essential to incorporate this aspect into their education. "Not to mention the added convenience this gives teachers," says Fields, who appreciates the key role that teachers play in the education-technology adoption cycle.

In a classic social media way, HotChalk has thus created a "community" of teachers, students and even parents, interacting with one another around a software application that makes the process of teaching easier and aligned with 21st century student dynamics. The application ties in with education providers from every niche, including textbooks, supplements and assessment publishers.

Here's the brilliance of HotChalk's strategy: The company doesn't even try to sell to school administrators. They are tapping the core users: teachers, students, parents. HotChalk was launched in September 2004, and membership has climbed this year so far to more than 375,000 teachers. More than 7.1 million monthly unique visitors from 188 countries are using the site. That touches 72,000 schools, 93% of which are in the U.S.

HotChalk's target market is teachers, students and parents. Teachers globally lack essential educational resources. There are 3.2 million teachers, 55 million students and over 140,000 public and private schools in the U.S. Globally, there are 29 million teachers and 464 million students. The English-speaking international market alone includes an additional 1.3 million teachers. Beyond that is the non-English speaking world, encompassing China, Latin America, the Arab countries and Europe. HotChalk defines the comprehensive global education marketplace as its total available market.

How does HotChalk make money? Again, a classical social media principle at work: advertising and partnerships with big industry leaders.

HotChalk has received substantial financing from both venture capital and strategic investors. In August 2007, William Oldsey, executive vice president of McGraw-Hill, learned about HotChalk. He initiated a partnership that would bring McGraw-Hill's significant teacher training and

certification tools to users. Then NBC learned about HotChalk's vision, and its management proposed a partnership to distribute its comprehensive news archive as a supplement to traditional educational materials.

These, unlike the basic HotChalk application, are paid subscription services. Both NBC and McGraw-Hill have since become equity investors in the company, alongside several venture capital funds, the most well known of which is Silicon Valley's Mohr Davidow Ventures.

Today, HotChalk looks to be on track to reach \$12 million in revenue this year and aim for over \$30 million in 2009.

Schools are now part of the program, as the teachers who are already heavy-duty users of the HotChalk offering belong to 72,000 schools. They are helping HotChalk sell school-wide subscriptions without resistance.

"I can't hire sales reps fast enough to meet the market demand," says Fields. (Read my full interview with him [here](#).)

HotChalk's success, I hope, would cause entrepreneurs and investors to pay attention to the vast untapped potential of the educational technology market.

On the list of planet-scale problems, education clearly is one of the most important ones.

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