BRAND REPOSITIONING
EXERCISE BY UPGRAD

India's ed-tech market size is estimated to strongly grow from the current $2.8 billion to $10.4 billion at a CAGR of ~22% over the coming five years.

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DRIVERS OF GROWTH FOR UPSKILLING COMPANIES

1. Upskilling companies are solving a real-world problem. The skill gap in India and the relatively low employability of its graduates could be one of the things that can derail the country's demographic dividend. India has 250 million people in the age bracket 15-24 years. The country has about 40 million students enrolled in higher education, set to grow to about 90 million by 2035. However, the employability of these graduates is consistently under question with numerous corporates and employer surveys indicating the need for significant on-the-job training.

2. Competition in the workforce is intensifying as job growth is lagging working population growth. Reports indicate that in FY23 six million jobs were created while ten million people were added to the working population. Upskilling and reskilling are becoming increasingly important to people vying for the same jobs, as a means to differentiate themselves and get a headstart.

3. The thriving startup ecosystem in India has created a huge demand for skilled technology workers across disciplines and technologies. In Oct 2023, there were more than 110,000 DPIIT recognised startups in India. Since a large part of the engineering education system in India (barring some of the top colleges) has still not completely caught up with the skill needs of these startups, the online skilling companies have stepped into this vacuum.

4. Technology is enabling upskilling at an unprecedented scale as learners can access sophisticated content and pedagogy anytime, anywhere. Smart phone penetration has brought learning to the learner's doorstep. India's smartphone penetration is already at 71%. The age group of 24-35 has the second largest share of the smartphone population in India. It is likely that the smartphone penetration in this age group is upwards of 90%.

5. Wide choice of options being offered by the online skilling companies is a major draw for learners. The range is not just limited to disciplines but also extends to duration (few weeks to years), format (Self Paced Learning, Instructor Led), model (purely online, hybrid), outcomes (knowledge, badge, diploma / degree), geography (Indian universities, global universities).

6. Online skilling companies were all well-funded startups willing to spend marketing dollars for customer acquisition and university tie-ups. The Covid pandemic created a boom for upskilling as people stuck at home with lot of time on their hands, consumed skilling content voraciously. Online skilling companies capitalised on this demand to create a habit which has sustained to some extent even in the post-Covid world.

CHALLENGES FOR THE UPSKILLING COMPANIES

1. As with any form of education or training, assessments are a big challenge for the online skilling companies. Ensuring that the content and pedagogy being delivered has the necessary efficacy and is resulting in skill development is essential. While technology can ensure operating aspect of the assessment, designing the right assessment models, tools and content is equally important.

2. Monetising content is always a challenge in India given the amount of free material that is generally available. Pricing right and ensuring that learners see value in the paid programmes will continue to be a problem for skilling companies in a price conscious market like India.

3. Most of the upskilling programmes being consumed today are related to the IT/ITES industry. The online skilling companies need to find a way to democratise their offerings to other large industry sectors like automotive, chemical, engineering, healthcare, hospitality, etc. Given the generally modest penetration of digital and other technologies in these sectors, the migration to online skilling will require a significant change in mindset.

4. Regulations related to offering degrees or badges in collaboration with existing domestic or global universities could derail a major part of the value proposition of online skilling companies.

5. Differentiation will be a challenge for skilling companies. Most of the existing online skilling companies are very similar in their business models, content, pedagogy, partnerships and learner communication, with very subtle differences. Differentiating themselves and creating a unique brand / identity will be a challenge given the nature of the business and the low entry barriers. The only recourse to this situation is to continue to spend marketing dollars on customer acquisition and visibility, especially in the B2C segment.

The greatest spend for most of the online skilling companies is marketing. Overall, to ensure profitability, they need to look at ways to leverage the marketing spend better. Developing repeat customers to create a flywheel effect is one way to do it.

Changing the customer mix to focus more on the B2B model (institutional sales) can be one way to achieve this. The B2B model has other benefits as well. Companies would be looking to outsource entire chunks of training to specialists. Different programmes can be created based on need – induction, foundation, transition, refresher. Accounts once converted could become annuities. This model could also be a GTM for the B2C segment as individual employees may also be interested in skilling for their personal needs.

For the B2C segment, ensuring customer stickiness will require creating real value. Bundling job search services or tie-ups with popular job search engines could be explored to deliver additional value to learners. Specialisation in a relatively narrow set of disciplines rather than a scatter-gun, catch-all model might be better for the B2C segment. Not only will this ensure a certain unique positioning and identity for the brand, but it will also help target the marketing better and make the spend more effective and efficient.