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EdTech: the key markets and business models

The education technology market is in turmoil: let's find out what the key markets and business models of EdTech are.

The field of applied education technology has grown exponentially in recent years, driven not only by technological advances and the growing demand for more affordable, personalized and effective learning solutions but also by the consequences of the COVID-19 pandemic. According to this **research**, EdTech spending by governments, businesses and consumers worldwide will reach **$7.3 trillion** by 2025. It is therefore not surprising that entrepreneurs are eager to enter this market and capitalize on its potential.

However, navigating the EdTech market can be challenging, with different target audiences, business models and revenue streams to consider. To succeed in this competitive space, entrepreneurs must carefully assess their target audience and develop a sustainable business model that meets their needs.

In this article, we will explore the various EdTech target markets and business models to bring some clarity to this fast-moving market.

The top 5 target markets of the EdTech industry

eLearning has a wide and diverse range of target audiences; below we look at what the **main target markets of the education sector are:**

- **Secondary schools.** This market includes students, teachers, parents, and educational institutions up to high school and is essential to the EdTech sector, with unique needs for interactive and personalized learning experiences given the young age of the students. Successful EdTech companies in this segment combine **technology, data analytics**, and **pedagogy** to provide effective learning experiences and enable teachers to monitor student progress.
- **Corporate training.** This market includes learning and development offered to employees of a company or organization to improve the specific skills and knowledge needed to perform their job. It includes various activities such as workshops, seminars, online courses, and on-the-job training. The goal is to improve employee **productivity**, **job satisfaction**, and, as a result, **business performance**. In the EdTech market, the corporate training customer segment includes companies of all sizes looking for effective and scalable solutions to provide employees with continuous learning and development opportunities.
- **Postgraduate education.** This market includes people who complete a college education and seek to further their knowledge through **advanced degrees**, **certifications**, or **continuing education tools**. This market includes undergraduate and graduate students and professionals who upgrade frequently or move on to new careers. These people increasingly use online platforms and technology tools such as MOOCs (Massive Open Online Courses), learning management systems, and so-called virtual classrooms. EdTech companies must understand the evolving needs and preferences of this category of people and develop innovative solutions to help them achieve their educational and career goals.
- **Professional Development.** This market includes professionals looking to **upgrade** or **learn new skills useful for their careers**. They are willing to invest time and money in their professional development and require flexible and convenient learning solutions that can be provided online or in person. The professional development segment includes professionals from various industries and career stages and represents a significant growth opportunity for EdTech companies.
- **Language Learning.** This market offers training and tools for people who want to learn a new language, from beginners to advanced learners. EdTech companies offer online courses, language apps, tutoring services, language exchange platforms, and immersion programs to meet the growing demand for language skills in today's globalized world.

The top 7 business models in the EdTech industry.

In this section we will explore the most popular business models in the EdTech sector, discussing their strengths and weaknesses.

Pay-per-use model

The pay-per-use model is a more traditional business model in which customers pay for each use or session of a product or service. In the EdTech market, this means charging users per course, lesson, or tutoring session.

Pros:

The pros of this model are that it offers **flexibility** to customers who do not want to commit to a subscription or pay for features they do not use. As a result, it can be a **lower entry barrier** for potential customers who cannot afford a subscription or high upfront costs. In addition, revenues are directly tied to usage, which gives a clearer and more accurate picture of the value provided to customers.

Cons:

However, unlike others, this model **does not guarantee a predictable revenue stream** and **can be more difficult to scale** than other models. The cost of single sessions can also discourage customers from using the product or service frequently, consequently it can lead to a **less engaged customer base**

Subscription model

Subscription is a business model in which customers pay a recurring fee, usually monthly or annually, to access a product or service. In the EdTech market, this means charging users a subscription fee to access educational content or services.

Pros:

The benefits of this model are providing a **predictable revenue stream** and generating **long-term relationships with customers**. It can also be **easier to scale and grow** the business than other models and consequently allows the company to continuously improve and update the product or service for subscribers.

Cons:

The limitations of this model lie in so-called customer acquisition: **acquiring and retaining subscribers can be difficult and expensive** without offering unique or high-quality content. In addition, prices may be a **barrier to entry** for some potential customers, and there may be competition from free or low-cost alternative products.

Freemium model

Freemium is a business model in which a company offers a basic, free version of its product or service while charging for premium features or upgrades. In the EdTech market, this means providing a limited version of a platform or educational software for free and charging for additional features or services.

Pros:

This model generally attracts a **wide user base** by offering a low barrier to entry because it allows customers to try the product before committing to pay for premium features. If users are satisfied this model can provide a **steady revenue stream** from customers who upgrade to premium features.

Cons:

Conversely, it can be **difficult to convert** free users into paying customers, and the company may have to invest heavily in **customer acquisition** to maintain growth.

It also often happens in these models that the **quality** of the free version may be inferior to that of the premium version, resulting in dissatisfied users.

Marketplace

A marketplace is a business model in which a company creates a platform for buyers and sellers of goods or services. In the EdTech market, this means creating a platform for educators or experts to sell educational content or services to students or learners.

Pros:

This model can provide a **scalable business model** with **low overhead costs** and can generate revenue through commissions or transaction fees.

Cons:

On the other hand, the **quality** of content or educational services may vary depending on individual vendors. Also, **competition** in this space can be tougher than in the other reported models, and a company may have to deal with disputes or problems between buyers and sellers.

Ad-based model

The ad-based model is a business model in which a company offers a product or service for free to users, and generates revenue through advertising. In the EdTech market, this means providing educational content or services for free, but showing users advertisements. This strategy assumes that the company is able to attract a large number of users and retain them so that they regularly visit the site or app where the service or product is sold, otherwise the ads will not be able to generate enough revenue.

Pros:

This strategy provides a **low barrier of entry** for users who may not want to pay for content or educational services. It can also generate a significant amount of revenue through targeted advertising. This type of strategy can also have a **social impact**, especially when it comes to education, because it allows companies to offer a high-quality product or service for free around the world, even in countries where these technologies are unaffordable.

Cons:

On the other hand, **advertisements can distract or annoy users**, causing a poor user experience. In addition, the **quality** of content can be negatively affected by the need to generate revenue through advertising. Another downside is that advertising-based revenue can be unpredictable and fluctuate according to market conditions.

Sponsorship and subsidies

Sponsorship and subsidies are a business model in which a company or organization receives financial support from sponsors or grant-making organizations to provide educational content or services.

Pros:

This model became very popular during the pandemic period from COVID 19 to help all the boys and girls around the world who could not access educational materials due to restrictions. During this time, numerous companies, international organizations, and charities came together to create tools to bring education to every corner of the globe. This model can provide a significant amount of funding without the need to generate revenue from customers and can increase the visibility of both the company and the charities involved. It can also allow the company to **focus on the quality and impact** of its educational content or services without prioritizing revenue generation.

Cons:

The downside is that the company may be **limited** in its **ability to innovate or evolve** its product or service because of restrictions imposed by the sponsoring organization. In addition, the company may be competing with other companies for **limited funding**. Other restrictions could be requirements to **show a certain level of impact or results** to maintain funding.