Executive Summary
Michael Thompson – thomps@stanford.edu
Lindsay MacDonald – MacDonald_Lindsay@gsb.stanford.edu
Andy Carver – corrado@stanford.edu
Mike Krot – krot_mike@gsb.stanford.edu
**Elevator Pitch**

Learning Path is an e-learning software solution that provides individually tailored professional development resources and services for educators. Our primary market consists of public schools in the United States and principals in charter schools or private schools. However, our primary user of Learning Path will be educators in K-12 schools in the United States.

Learning Path will offer top-notch information on all aspects of teacher professional development with exclusive provider relationships with content providers and leading educational institutions. Learning Path offers the highest quality services and links to other websites related to the education profession. Core to our offering will be a customization engine that will provide tailored professional development information and a portfolio tracking feature that will allow teachers to actively manage their learning progress. We believe that the customer will perceive value because the classroom performance of teachers will improve and the job satisfaction reported by teachers will also increase.

**The Business Opportunity**

We began with examining the education process to determine points of leverage to enhance the quality of education in the K-12 space. We identified teaching quality to be a lever that we could influence to improve education. Currently there is a great deal of variance among schools with respect to the quality, and delivery of professional development. This, along with a recent emphasis on teacher accountability, has generated a need by teachers for long-term, coherent and high quality professional development. We believe that this structural paradigm shift in education ideology has created an explosive need for professional development products and services.

Additionally, most professional development opportunities are one-time affairs that rarely translate into long-term learning. By providing teachers with a tool to record these experiences and have easy future access to them, perpetual learning can occur.

**Learning Path Offering**

By providing teachers and principals with a unified resource for professional development and a tool to be able to track and record this learning, Learning Path serves to radically improve the quality and consistency of teacher professional development. The scalable My Learning Path planning engine will be able to match any teachers’ interests and experiences with a variety of online, class-based and conference style learning opportunities. Additionally, formal educational and career resources will be easily tracked in each teacher’s learning path. Once teachers have attend a professional development event, a robust database driven web portfolio awaits them in My Portfolio to record all the relevant information from these learning opportunities. This portfolio will be easily accessible at anytime and anywhere for the teacher to refresh their memory or check information from these learning events.

In future versions, My Community will allow teachers to interact with other teachers both locally and globally in order to create a continuous learning community. The knowledge exchanged here and in other areas of the site will allow for the creation of a communally accessible Knowledge Base on the best practices and strategies for teacher learning and development.

My Schoolhouse will provide principals and other leadership personnel with access to resources that can help set a learning path for the entire school. Additionally, this area will allow principals to monitor the progress of teachers as they move along their learning paths.

Learning Path will be provided through the internet to the customer. Although we initially considered providing Learning Path on disk format for installation on teacher computers, after a
thorough analysis we concluded that our adaptability and flexibility to changes in the industry would be sufficiently diminished and would increase the riskiness of our venture. Since up-to-date information and services are crucial to our value proposition, an internet distribution channel remains the most viable option.

We believe that there is an unmet need in K-12 education for a service that increases the efficiency of teacher professional development management and content aggregation.

**Business Model**

We will market and sell Learning Path to school districts and possibly individual schools or states as well. Our key selling point to these schools is that we will provide products and services through a convenient interface that will help improve the quality of their teachers. Specifically, we will help their teachers 1) Find and evaluate professional development opportunities, 2) Improve ability to teach to the state proficiency exams and 3) Manage their career development. In an increasingly competitive K-12 school market, we will encourage schools to market the fact that their teachers all attend top-tier professional development programs (as rated by Learning Path). Furthermore, in the tight teacher job market, school districts can use the fact that they have Learning Path product and services available.

We would supplement the revenue that we would get from schools with revenue from a variety of content providers. For example, we hope to negotiate revenue sharing arrangements with top professional development providers. At first, we would not like for this to be a large portion of our revenue, since we want to uphold the integrity of the service that we provide to schools and districts. After we build a critical mass of teachers, we would then be able to leverage our strong position with access to numerous teachers to capture a portion of revenues of all the products and services they access through our site.

Another possible business model would be sell the service directly to teachers. We rejected this model because of the difficulty in selling directly to around 3 million teachers nation wide. Furthermore, teachers would have little incentive to pay for their own professional development evaluative tool. Schools capture the value of improved teachers, so they should pay for the service.

**Pricing**

We would sell the product at a $1,000 per district set-up fee and a $40 per teacher per year. We would market the $40 as less than 0.1% of a teacher's salary. (See attached financials.)

**Market Characteristics**

**Market size**

- 81% of all public school teachers had participated in professional development to enhance understanding of state or district curriculum / performance standards in the past year (NCES survey)
- There are around 3.3 K-12 million teachers in the U.S., 2.9 million in public schools (http://nces.ed.gov/pubs2000/projections/chapter5.html)… Growing at a project 0.3% rate
- Thus our target market of public school teachers who are involved in professional development is 2.9 million X 81% = 2.35 million
- If 1-5% of teacher's salary is spent on their development, professional development would be a $1 - $5 billion market…
- Schools could be expected to spend 10% evaluating and organizing this development creating a $100 - $500 million market… If we could capture 10% market share we would be a $10 - 50 million business.
Market segmentation

Two key market segments are the public and the private schools. We will focus on the public schools since they are under increasing pressure to improve the quality of their teachers and to perform well on state standardized tests.

Within the public school target segment, we will focus on states, like Massachusetts, California, Ohio and Arizona that have some degree of competition among public schools.

Competition

There are several teacher information portals that offer online services to teachers. Most of these services are provided for free with advertising or commission base revenue models. Although each of these companies offer some type of professional development curriculum, none of them provide a comprehensive, cohesive, track able, customizable solution. Some of these companies provide software and consulting services to schools. These services in the form of seminars and short courses make up a non-trivial portion of teacher professional development. A few of the major competitors in the Professional Development Space include:

- TeachersPlanet.com – Primarily an information portal. Professional Development services come in the form of links to education companies and institutions. Other services include: teaching supplies, job services and reference material (primarily links to information providers)
- Classroom Connect- a comprehensive subscription based resource for teachers. In addition to classroom reference materials there are some teacher learning focused resources. These include online courses and information about conferences industry news.
- Teacher Universe – Provides proprietary online courses for teachers.
- Lightspan.com-A reference for teachers, parents and students.
- Tapped In-online community with links to professional development providers
- The Teachers Workshop –Website that specializes in professional development. Provides web based courses, teleconference workshops, links to conferences, speakers and other professional development resources
- Teachscape-A professional development focused website. Services include case based coursework, an online community and diagnostic assessment.

Suppliers/Partners

There are numerous providers of professional development services that would like to be able to market these services through us. Some of these partners include: TeachersPlanet.com, The Teachers Workshop, The Master Teacher and Teachscape.

Barriers to Entry

Relationships with both schools and content providers will be the biggest barriers to entry. School boards, charter school administration and private school principals are the primary decision makers for schools. The bureaucratic nature of some of these customers may reinforce the extent to which existing relationships act as barriers to entry. Given the early stage of this industry these barriers are not significant now. However, if we are successful, we will have a significant first mover advantage.

Substitutes

Schools can and currently do provide some of these services to their own teachers. Schools often spend more than 10% of the cost of professional development looking for and evaluating programs for their teachers. Elimination of these search costs is part of Learning Path’s value proposition. We would provide additional value to teachers to supplement the professional development search and rating service and therefore we would be the low cost alternative.
**Strategy**

As described above, Learning Path's overall strategy is to be the market leader in providing schools software and services that enable improved teacher professional development. In order to accomplish this goal, Learning Path will focus on

**Engineering/Development Plan**

A prototype of the product's front-end has already been developed by company CEO, Michael Thompson. The first step in the development will be to hire an engineering team of four individuals. Two will focus on building the scalable planning engine that matches teacher profiles with development opportunities (My Learning Path). The other two engineers will develop the database driven portfolio capabilities (My Portfolio). Development will begin in August. A Beta version of the product should available by early October and a final version in early December. The engineering team will be lead by Andy Carver, VP of Engineering.

**Sales and Marketing Plan**

The sales and marketing team will initially consist of Lindsay MacDonald, VP of Sales and Marketing, and one - two marketing analysts that will be hired upon securing funding. During 2001, the marketing team will work with the engineers to define product requirements. They will also conduct focus groups with teachers to help define product requirements. They will also oversee a Beta test launch in which they will provide the product for free to several hundred “test” teachers. They will incorporate feedback from this Beta launch into the final version of the product.

Beginning in 2002, we will begin “selling” Learning Path. We will hire nine salespeople (each of whom need to sell to around 40 districts or 80 private schools). We will also promote Learning Path through several campaigns. First, we will generate awareness by placing advertisements in the leading education magazines. Second, our sales team will send information packages to school boards and principals in public schools and principals of private and charter schools (beginning with public schools in our target “competitive” states). Simultaneously, we will provide information on our website to allow teachers and administrators to gather more information about our product. Third, we will offer a small-scale free trial period in selected markets. We expect this trial to create positive word-of-mouth advertising that will also begin to develop the network externalities that we expect to become important in the adoption of our service. Finally, our sales team will contact all of the relevant foundations and other sources of school funding to identify sources of funding that schools may be able to use to pay for our product. Our sales team will also assist schools and districts with writing grant proposals as needed. Since, we believe that initially it will be difficult to make schools pay for our product out of their current budgets, this last step is crucial.

**Business Development Plan**

The Business Development team will consist of Mike Krot, VP of Business Development and one - two Business Development analysts that will be hired upon securing funding. They will focus initially on developing relationships with professional development providers in target states. They will eventually expand focus into other states and potential types of partners (see discussion of extended opportunities)

**Proprietary Content Plan**

In 2002, Learning Path will expand into providing education consulting and proprietary content. This content will be provided by a team of internal experts. Michael Thompson will recruit an expert on Professional Development to lead this team in the beginning of 2002.
Management

Michael Thompson, CEO – Michael will graduate with an A.M. in Education, Learning, Design and Technology from the Stanford School of Education. Prior to this experience, Michael worked as a Technology Director at an independent school in the area.

Lindsay MacDonald, VP of Sales and Marketing - Lindsay has just finished her first year at Stanford Graduate School of Business. She had extensive experience in product marketing, serving the product management role for several clients while working as a management consultant for McKinsey & Company before Business School. Lindsay comes from a family of teachers and has always had a passion for education.

Mike Krot, VP of Business Development - Mike is finishing his second year at Stanford Graduate School of Business. Mike served as a Naval Officer for six years before attending business school, where he developed his leadership and negotiation skills. Mike also worked for McKinsey & Company.

Andy Carver, VP of Engineering – Andy previously worked in foreign exchange options trading at Bank of America. He is a doctoral student in the department of Management Science and Engineering at Stanford University.

Proposed Financing

Base case financials are provided in Exhibit 1. The financials are driven by:
- The pricing described earlier ($1000 per district initiation fee, $500 per school initiation fee and a $40 per seat fee).
- Slow growth in penetration of public school districts from 2% in 2002 to 15% in 2005.
- Slow growth in penetration of teachers within enrolled school districts from 33% in 2002 to 81% in 2005 (81% is the percentage of teachers who conduct any type of professional development today).
- Costs based on estimated full-time equivalent employees increasing from 10 in 2001 to 58 in 2002.
- A WACC of 20% and a conservative perpetual growth rate of 5%.

According to the financials, Learning Path will begin making a profit in 2004. It will eventually require cash inputs of $4.7 million. Since we think that by 2002 we will have developed additional sources of revenue and will be valued higher, we would like to minimize the amount of cash we receive in the current round of financing. Therefore, we would like to request $1.3 million in venture financing which will just get us to the product development milestone. With the discounted cash flow analysis the value of the company is $17 million. At a $17 million valuation, we should give up 8% of the company ownership in exchange for $1.3 million. We would be willing to discuss alternative arrangements such as all $4 million necessary to get to IPO level for 23% of the company.