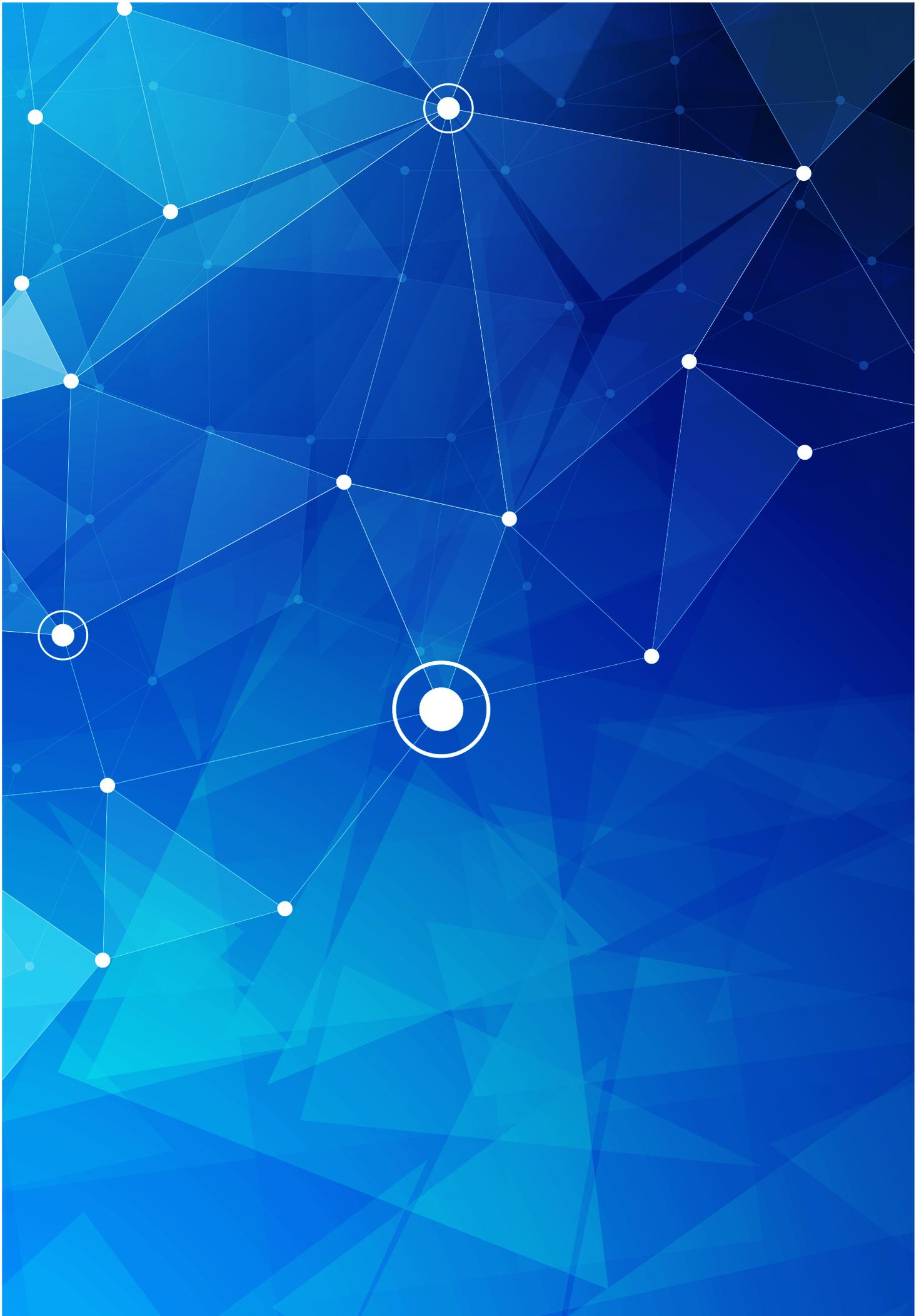




Enabling the growth of the Australian EdTech ecosystem

June 2019



Executive Summary

This report provides a 360° representation of the existing EdTech ecosystem and offers key opportunity areas that, if developed, would contribute to a thriving, high functioning EdTech ecosystem across Australia. Information has been gathered from a series of roundtable events in Sydney, Melbourne, Brisbane and Perth that each included participation from a cross-disciplinary group of professionals including representatives from education institutions, government, EdTech and the investment community.

The discussion was crafted to flesh out the strengths, opportunities, synergies and emerging trends within the industry, with a goal to formalise a process to connect, collaborate and accelerate Australian EdTech. The comments, views and conversations held in these events have formed the basis of this report and offer six key recommendation areas:

- **Innovation fund**

Establish a national education innovation fund that supports educational institutions whilst investing in innovations from Australian EdTech companies.

- **Testbed activation**

Establish formal, focused and structured pilot models in specific sectors.

- **Rapid procurement model**

Develop with institutional customers a rapid procurement model that articulates the role of early-stage and late-stage startups.

- **Collaborative problem definition and co-design**

EdTech companies can bring educational institutions into the innovation sector by supporting a collaborative problem definition and solution co-design environment.

- **Access to investors and capital**

Capital and investors are critical to EdTech company success, however, the benefits are mutual; greater collaboration will drive investment opportunities.

- **Collaboration and knowledge sharing**

Collaboration across the EdTech sector is essential to growing the industry as a whole through cooperative development, knowledge sharing and direct partnership.

Australian EdTech industry participants are united by a common goal: for Australia to play a leading role in the development of education technology globally.

Australia has all the ingredients to build a thriving EdTech sector including its globally recognised Australian Qualifications Framework, high-quality education system, booming international student market, burgeoning domestic markets for ongoing workforce development and corporate training, timezone advantages and a vibrant and world-leading NGO sector.

This report highlights initiatives for government to cultivate a thriving Australian EdTech ecosystem. Definition and reporting of the EdTech market separately from education will provide greater clarity and understanding of EdTech's economic contribution and help support sector initiatives. The establishment of an innovation fund that supports education institutions to adopt new Australian innovations and the profiling of key growth markets globally are key areas where government can help accelerate the sector.

Initiatives for education institutions to contribute to the maturation of the ecosystem include adopting new technologies, piloting and endorsing effective products, and leveraging their intellectual weight and expertise as educators to support EdTech companies in advisory roles, academic oversight, structured advice and mentorships.

The Australian EdTech ecosystem comprises approximately 600 EdTech companies from startup to established businesses. Along with the national discussion, we also highlight local themes. Sydney is home to the strongest concentration of EdTech startups with well-established support networks; this market could be an EdTech challenger city to Boston. Melbourne is the next largest EdTech community and could be a significant test-bed market with a focus on co-creation between EdTech and education providers. Whereas the Western Australian timezone, shared with parts of Asia, offers unique opportunities for Perth EdTech companies seeking to serve international markets with support and implementation services.





Background

This report was developed from a series of national events that invited participation from representatives from all parts of the Australian EdTech ecosystem: education institutions, educators, government representatives, EdTech entrepreneurs, investors and other industry players.

Through roundtable-style events in Sydney, Melbourne, Brisbane and Perth—the key Australian EdTech hubs—participants were posed various questions to flesh out the strengths, opportunities, synergies and emerging trends within the industry, with a goal to formalise a process to connect, collaborate and accelerate Australian EdTech. The comments, views and conversations held in these events have formed the basis of this report and provide a 360° representation of the existing ecosystem. This report offers key opportunity areas that, if developed, would contribute to a thriving, high-functioning EdTech ecosystem across Australia.



Key Recommendations

Innovation Fund

The establishment of a national education innovation fund that allows educational institutions to invest in innovations from Australian EdTech companies will have an important and profound impact on the Australian EdTech ecosystem.

An innovation fund will provide an incentive for education institutions and EdTech entrepreneurs to collaborate and will drive new, more effective solutions and better outcomes across the education sector. It will support collaborative partnerships between government, education institutions and EdTech. Also it will strengthen Australian innovation and education capability. An innovation fund will promote and enable the adoption of innovation to deliver better outcomes for students, teachers and institutions, enabling Australia to compete more successfully in a rapidly changing global market.

Testbed activation

Access to testbeds to run efficacy trials and product improvement is key to an EdTech product's success and contributes to a thriving EdTech ecosystem (Navitas Ventures 2018). It allows education providers to move from trial to adoption of new technologies and solutions as they are proven. Activating a program that supports and incentivises testbed organisations could result in a competitive advantage for the industry, which would attract further activity and investment.

Government and education providers have a role to play in activating testbeds: government by creating incentives and mitigating the challenging barriers that currently exist within government schools; and education providers, by proactively seeking and running pilot programs within a structured framework for technologies that solve problems and enhance learning outcomes.



Procurement practices

Australian education providers are conservative in their approach to education technology procurement and implementation. Current procurement processes are extensive and inhibitive to navigate. There is an opportunity for government to support Australian EdTech by addressing procurement practices and articulating the role of early-stage and late-stage startups. Modifications or exemptions within tender documentation and procurement assessment mechanisms would support EdTech startups in winning contracts. Models specifically developed to acquire, test, iterate and then expand or remove early-stage EdTech products will provide substantive support to the EdTech sector.

Access to investors and capital

Capital and investors are critical to EdTech company success, but the benefits are mutual. Capital investment, including the angel investor market in Australia, is in its infancy. This market is under-developed with prohibitive and restrictive regulatory requirements that have historically resulted in both investors and innovators seeking investment opportunities from established offshore markets. To grow, the EdTech ecosystem would benefit from raising the profile of the Australian EdTech industry as an investment opportunity and the establishment of a program to coordinate and engage with investors in a structured way. This would provide better connectivity with investor networks and EdTech innovators, provide a bridge to capital for startups and start to establish Australia as a target market for international investors.

Collaborative problem definition and co-design

EdTech can provide value in terms of solving problems in innovative ways. An opportunity exists for collaborative problem definition and co-design between and among education providers and EdTech innovators to help identify and solve the industry's biggest problems. Doing so will expand the industry as a whole and keep education institutions at the forefront of education innovation and delivery.

Collaboration and knowledge sharing

Collaboration across the EdTech sector is essential to growing the industry as a whole and is a characteristic visible in high-functioning, successful EdTech communities overseas (Navitas Ventures 2018). To enable the growth of the sector, Australia needs to nurture a coordinated approach to knowledge sharing and EdTech innovators need to foster a culture for cooperative development, helping others and direct partnerships.

Celebrating our strengths

Aspiring to be an education technology leader

International education is Australia's third-largest export and supports over 130,000 jobs (Australian Government 2017). Australian EdTech is producing real and innovative solutions that are facilitating the transformation of education, thus fuelling an exciting growth phase with the potential to play a much larger role in the Australian economy. Australian EdTech industry participants are united by a common goal: for Australia to play a leading role in the development of education technology globally.

Leveraging the Australian landscape

International student education market

Australia is the third most popular destination in the world for international students, boasting over 623,000 enrolments nationally and contributing over A\$30 billion to the Australian economy annually (Australian Government 2019). It is recognised that traditional models of education for international students are unsustainable based on current and projected demand. The booming and very robust international education sector provides Australia with significant economic opportunities. Specifically, there is a rapidly growing market for Australian education being sought by and delivered to overseas students from within their native country (Australian Government 2015). The knowledge and IP gained from servicing international students in our local system can be leveraged for servicing international students in their native country.

New Domestic Markets

Australia is experiencing a burgeoning of the domestic ongoing workforce development and corporate training markets, both of which are leveraging digital and online modes of education delivery. These markets are expected to continue to grow with the cultural shift to life-long learning, skill acquisition and stackable, micro-credentialing (Australian Government 2017).

Reputation

Australia's national policy for regulated qualifications in education and training, the Australian Qualifications Framework (AQF), is globally recognised. The AQF has contributed to Australia enjoying a global reputation as a high-quality education destination. Australia's educational expertise, proven methods, high-quality content and high level of care and attention paid to product design, put Australian EdTech at an advantage.

Grant Framework

Australia has a good grant framework, including staged grants that allow companies to apply for funding at different stages of development.

Enabling growth

All ecosystem participants have a role to play to enable the growth of the Australian EdTech ecosystem. This section highlights the opportunity areas and specific initiatives for industry participants that will benefit the ecosystem as a whole.

Government agencies

There are various government departments and government-led initiatives at local, state and federal levels offering supplementary services, information, programs and grants for education, technology and social impact businesses—all of which can be accessed by EdTech entrepreneurs.

It would be beneficial to EdTech entrepreneurs if this complex matrix of resources were more easily understood and accessible. Likewise, EdTech could better understand the unique objectives of each government department and the role it can play in contributing to their outcomes.

The EdTech sector has only recently been reported independently from the education sector; therefore, there is less understanding about the historical data relating to EdTech market size and growth potential. Defining the industry in terms of market size, growth potential, revenue, jobs creation, export potential and impact, as occurs in other industries, will help establish the sector and provide needed feedback to government as a key to obtaining further support for industry initiatives.

Government can provide leadership in the activation of testbeds and mitigating the challenging barriers that exist within government schools. This could take the form of incentives or advocacy for EdTech pilots in government and independent schools. Access to testbeds to run efficacy trials and product improvement is key to EdTech product success; activating a program that supports and incentivises testbed organisations could lead to a competitive advantage for the industry, attracting further activity and investment into Australian EdTech.

Government can further support EdTech by becoming a client, offering exemptions for areas in current tender requirements and procurement assessment mechanisms that would support EdTech startups to win government contracts. EdTech can provide real value in terms of solving problems in innovative ways, as opposed to responding to written tender documents that prescribe how a solution should be approached.

Education providers

Education institutions are complex organisations and new technologies require support and endorsement from various departments and levels. It would be beneficial for education institutions to share their complex structures and decision making processes to help EdTech navigate how best to approach them as a customer.

Education providers, historically, have been resistant to new technologies and solutions, and have been limited by internal policies and government regulations. It would be beneficial for EdTech if education providers were able to deploy a rapid procurement model or framework that would be able to support new education technology implementation or trials in a timely manner.

EdTech innovators are creating solutions to problems predominantly in isolation. Education institutions can play a significant role in the expansion of the Australian EdTech ecosystem by identifying and sharing their biggest problems and inviting EdTech to help solve them. This could be further enhanced through a co-design model with education providers and EdTech working in partnership. By doing so, education institutions would support EdTech growth and have early access to technologies that will enable them to remain at the forefront of education delivery.

Education institutions, in conjunction with government, have a role to play in the activation of testbeds. Under partnership models between education providers and startups, EdTech pilots could be activated within a structured framework. This testbed framework could then operate as an efficacy validation program. Australia currently has no mechanism for the validation of technologies. Efficacy based testing via a credential program that confirms that a product works and has an impact would help EdTech businesses to scale and reduce the risk for first customers who are unlikely to purchase without evidence of some success.

EdTech Innovators

Collaboration within the industry is key to seeing the overall advancement of the ecosystem. Innovators must be active participants in the Australian EdTech ecosystem by contributing to knowledge sharing opportunities, forming collaboration partners and seeking out synergies among peers and network. Participating in case studies, telling their stories and sharing their experiences with new players, be it formally or informally at industry events, are all ways innovators can contribute to their own and the industry's success. Ongoing collaboration with and among the ecosystem participants will see an overall advancement of the ecosystem.

As EdTech innovators reach the international market, they are encouraged to become Australian EdTech spokespeople, spruiking Australian innovation in international markets. Sharing the successes and innovations of the Australian ecosystem will grow its reputation. By showcasing Australian capability globally, we can further improve the international perceptions of Australian EdTech companies.

Raising the profile of the Australian EdTech industry as an investment opportunity is another key to ecosystem growth. Specifically, this requires the establishment of a program that coordinates and engages with investors in a structured way. This would enhance connectivity with investors and EdTech innovators, providing a bridge to capital for startups and establishing Australia as a target market for international investors.





Strengths in the local ecosystem

The Australian EdTech ecosystem comprises approximately 600 EdTech companies at various stages of development. Sydney has the highest concentration, followed by Melbourne, Brisbane, Perth and Adelaide. This section highlights the local themes that emerged as part of the national discussion. It is evident that there are pockets of strength around the nation that align with the goals of the ecosystem as a whole. Leveraging these strengths as opportunities and supporting the industry will help these areas become truly effective global competitors for local and international education providers.

Brisbane

The Queensland government supports early-stage EdTech through the availability of specific government grants available for early-stage companies. Partnerships are the key to growth and commercial viability; it is suggested that a framework needs to be developed. Such a framework would support EdTech to overcome regulatory issues and challenges associated with building partnerships with education providers and facilitate the early adoption of technology.

Sydney

Sydney has more education companies, a strong EdTech community and support networks. Sydney is home to 37% of Australian EdTech startups (Deloitte & EduGrowth 2017) and 43% of all Australian startups (StartUp Muster 2018). The Sydney and New South Wales EdTech community are looking not to cement themselves as a national leader; they seek to be a global leader and global hub in education technology. Sydney aims to be a challenger city to Boston USA.

Melbourne

Melbourne is focussed on the design collaboration process: a co-creation process allowing education providers and EdTech companies to co-develop solutions. Education providers bring knowledge of end-user challenges and problems, and through collaboration with EdTech innovators, offer a multi-disciplined co-designed solution approach. The Melbourne industry seeks to lobby government support and encourage innovative funding that allows education providers and EdTech companies to co-develop solutions.

Perth

Perth has a unique advantage over other Australian states; the timezone is shared with the remainder of Asia. This means Australian companies occupy the same timezone as 3/5ths of the world's population. Perth EdTech businesses can leverage this advantage and build end-to-end solutions as opposed to just products that service China and the Asian education market, particularly as few global EdTech companies have entered this market. Another characteristic is the small size of the Perth EdTech market; this provides the opportunity for all players in the industry to know one-another, seek out collaboration and professional synergies and to build a high-functioning local ecosystem.



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Contributors

Christina Chun, *1Scope*

Clinton Hoffman,
Ambrose Solutions

Carlos Schafer, *ASG*

Emmet O'Sullivan, *Austrade*

Jose Palmero, *Blake eLearning*

Sandy Heldsinger, *Brightpath*

Anthony Morris, *Cahoot*

Errol La Grange, *Cahoot*

Steve Marmion,
City of Joondalup

John Fish, *City of Perth*

Michael Pasquale, *City of Perth*

Leon Young, *Cogniss*

Mark Fletcher, *CohortGo*

Jane Fahey, *DeakinCo*

Colette Rogers, *Deloitte*

Amanda Pickrell, *Department of
Jobs, Precincts and Regions*

Caroline Hartnett, *Department of
Jobs, Precincts and Regions*

Eleanor Everist, *Department of
Jobs, Precincts and Regions*

Maria Chirikina, *Department of
Jobs, Precincts and Regions*

Mark Pettitt, *Edified*

Julie Boston,
Edith Cowan University

Martin Masek,
Edith Cowan University

Michael Cejnar, *EdQuire*

Steve Watt, *EDT Partners*

David Linke, *EduGrowth*

Tony Brennan,
EduGrowth and Talisium

Lucas West, *EdVenture Co*

Srdjan Danjubic, *Five V Capital*

Andy David,
Fourth Side Technologies

Jonathan Nalder, *Future We*

Nick Burnett, *Future We*

Andrew Barnes, *Go1*

Vu Tran, *Go1*

Julienne Senyard,
Griffith University

Nick Barter,
Griffith University

Bevis Cheng, *Hacker Exchange*

Warwick Freeland, *IDP Education*

Ian Quartermaine,
Independent Schools Queensland

Vahid Kolahdouzan, *Inkerz*

Terry Hilsberg, *Innohub Capital*

Ryan O'Hare, *Keypath Education*

Kathleen Donohoe, *KPMG*

Claire Macken, *KPMG*

Victor Renolds,
LaTrobe University

Ben Dawes, *Learnosity*

Adam McArthur, *Literacy Planet*

Lachlan Fitzpatrick, *Math Mate*

Cath Godfrey, *McGraw Hill*

Eiko Bron, *McGraw Hill*

Simon Banks, *McGraw Hill*

Rowan Brookes,
Monash University

Dan Ingvarson, *Moxie Reader*

Josh Valeri, *Navitas*

Brenton Thom,
Navitas Professional

Tim Praill, *Navitas Ventures*

Catarina Piperidis, *Nous Group*

Adam Brimo, *Open Learning*

Gerard Holland, *Outcome.life*

Gerard Manion, *People Plan*

Elissa Newell, *Plato Project*

Warren Kennard, *RMIT Online*

Lee Aitken, *SAE Institute*

Sharon Grosser, *SEQTA*

Alice Nuttall, *Social Garden*

Darren Phillips, *Softskilz*

Dylan Malloch, *St Pauls School*

Jack Goodman, *Studiosity*

Toshi Kawaguchi, *Study NSW*

Gordon Scott,
Successful Graduate

Josh Flannery,
Sydney Startup Hub

Natalie Mactier, *Vivi*

Ben Hallett, *Vygo*

Craig Simon, *Zomo Consulting*

EduGrowth is Australia's education technology and innovation industry hub. Through connection and collaboration we accelerate Australia's EdTech ecosystem globally.

 hello@edugrowth.org.au

 edugrowth.org.au

