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State Tax Revenues Soften in Q4

- Collections from major state tax sources increased 2.7% year-over-year in the fourth quarter 2011, with 41 states reporting gains.
- This was a slowdown from the 11.1% and 6.1% growth reported in the second and third quarters.
- The fourth-quarter change was shaped significantly by a large year-over-year decline in California (-8.9%) and an increase in Illinois (24.1%), both related to legislative changes.

Source: The Nelson A. Rockefeller Institute of Government

Discovery Ed. Expands Digital Textbook Line

Discovery Education (Silver Spring, Md.) is expanding its digital textbook series to include middle school social studies and high school science subjects for the 2012-2013 school year.

Discovery launched its techbook series with a program for K-8 science. The K-8 science techbooks currently are being used in 36 states and have been adopted by Texas, Florida, Idaho, Indiana, Louisiana and Oregon.

The new series of middle school social studies techbooks will cover U.S. history, world history and world geography and cultures. The expanded science line will cover high school courses in biology, chemistry, physics and earth and space science.

“For us, going into K-8 science first

[See ‘Discovery’ on p. 4](#)

Kaplan Looks to Test Prep and Common Core in K-12

Kaplan (New York), the education division of the Washington Post Co., has completed a restructuring that changed its various businesses, and the company’s K-12 unit is working with school districts on test preparation and the conversion to Common Core State Standards.

“A lot of people don’t realize that Kaplan has had a business with schools, specifically with a number of large urban districts, for roughly 15 years,” Justin Serrano, president of Kaplan K12 and College Prep, told *EER*. “We provide services and programs for SAT, ACT, PSAT and we implement them in a variety of ways—offering professional development and curriculum.”

Serrano said programs can be delivered online or taught directly with Kaplan

[See ‘Kaplan’ on p. 6](#)

Technology in Classrooms is Used All Day

Teachers and students are interacting with the technology now present in classrooms throughout the school day, according to Simba Information’s *K-12 Technology Tools & Trends 2012* report released in March. Simba Information is the parent organization of *EER*.

The publication reports that technology is expanding its presence in the classroom with growing implications for providers of curriculum and content, software and devices. For the report, Simba Information partnered with the education market research firm MCH Strategic Data on an Internet survey to gather information on how schools currently use technology tools and their future plans to implement them.

Factors driving technology adoption in schools, according to the report, include the pedagogical benefits of technology; the promise of time and cost savings; policy dictates from the federal, state, and district level; and strong leadership in districts and schools where technology is being used successfully.

The primary hurdle to wider technology adoption is budget constraints, but other factors also play a role, including infrastructure issues, the difficulty of implementation, and fears related to safety, security, and durability, the report found.

General Purpose Leads to Day-Long Use

Respondents to the survey conducted for the report say they are spending significant amounts of time using digital devices in the classroom with some technologies used an average of more than 5 hours each school day.

Technology that can be used for multiple purposes, like computers and interactive whiteboards, generate the most use.

The smaller amount of daily classroom time spent using devices like clickers, MP3 players and ereaders can be attributed to their more specific functions. In other cases, the newness of devices like tablets and smartphones in the classroom likely plays a role in why they are used less.

When asked how many hours a day various technology is in use in the classroom, the largest percentage of educators chose the highest time option for desktop computers, projectors, laptop/netbook computers and interactive whiteboards:

- Of respondents with desktop computers in the classroom, 45.8% said they are in use 5.1 hours or more per day.
- Of respondents with projectors in the classroom, 38% said they are in use 5.1 hours or more daily.
- Of respondents with laptop/netbook computers in the classroom, 30.9% said they are in use 5.1 hours or more.
- Of respondents with interactive whiteboards in the classroom, 29.5% said they are in use 5.1 hours or more.

On the other hand, some devices are used less than an hour per day, on average, including:

- Student response systems, with 35% of users saying they spent less than one hour per day employing clickers. This makes sense since student response systems are intended for periodic quick assessments.
- MP3 players, with 19.4% of users employing them less than an hour per day.
- Ereaders, with 17.3% of users employing them less than an hour per day.



Simba Information
 60 Long Ridge Road, Suite 300, Stamford, CT 06902 USA
 Tel: 203-325-8193; Fax: 203-325-8975
 Internet: www.simbainformation.com
 Follow us on Twitter: <http://twitter.com/SimbaInfo>
 Find us on Facebook
 Join our LinkedIn Group
www.electroniceducationreport.com

Electronic Education Report:
 Analyst/Editor:Karen Meaney (203-325-8193 ext. 4008)
 Managing Editor:Kathy Mickey (203-325-8193 ext. 4002)
 Production Coordinator:Valerie Montinat (203-325-8193 ext. 4007)
 Production Assistant:Farah Pierre (203-325-8193 ext. 4010)
 Customer Service:888-297-4622;
 240-747-3091

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- Tablet computers, with 15.9% of users employing them less than an hour per day.
- Smartphones, with 15.7% of users employing them less than an hour per day. ■

An expanded analysis of the implementation of technology tools in K-12 schools is available in K-12 Technology Tools & Trends 2012 from Simba Information. The report includes full results of the survey, with context provided by in-depth interviews, case studies and the insight of Simba Information analysts to examine the current impact of technology on curriculum and instruction, as well as what educators envision for the future. For more information or to purchase the report, call 888-297-4622 or e-mail customerservice@simbainformation.com.

TCI Sees Schools Shifting to Digital Options

TCI (Mountain View, Calif.), which has provided social studies curriculum to schools since 1989, is seeing a dramatic acceleration of the switch to digital content.

“In 2009, we had 2% of customers buying our subscriptions; in 2010, 50%,” TCI CEO Bert Bower told *EER*. “Our goal in 2012 is 80%.”

All of TCI’s content is available digitally or in print, but two years ago the company began offering a tech-print bundle. Reversing the pattern of some other content publishers, TCI made purchasing the technology the core of the transaction.

Schools purchase teacher subscriptions, priced \$600 to \$800, or student subscriptions, priced like a book at \$70 to \$80. If they want a classroom set of books, they can purchase those at \$15 each.

“We are creating a model where the customers really understand the value of the technology,” Bower said. “We expect the books to go away in three-to-five years—they will be gone—we are positioning ourselves to be ready for that day.”

TCI currently has 19 social studies programs and is work-

ing to complete a new 10th grade world history program. Teachers are frustrated teaching reading and writing in a vacuum and are hungry for social studies programs that provide students with expository text, according to Bower.

When educators access a TCI program, they see PowerPoint-like presentations. They can move slides around, take out, add, or change the slides. When teachers finish their work on a course, they can save it to the cloud where tens of thousands of teacher-made materials are being stored.

The presentations are married with the tools found in interactive whiteboards to provide a multimedia platform that includes audio, video, assessment and professional development.

“What we have found is that TCI is so different in what we expect students to do—they have to get up and move around, evaluate and think critically—we have to sell those lessons to the teacher,” Bower said.

TCI’s digital content is hardware agnostic and the proliferation of whiteboards and projectors in classrooms has helped fuel the growth of its programs.

“Students can work on their iPhone on the bus, on their Mac at home, on the PC in school,” Bower said. “We will remember where they were; it will follow them.”

TCI is working to enhance its student subscriptions with an interactive student notebook online, where students will be able to write, draw and communicate with their teacher. TCI will host all the data and assignments creating a closed social network for teacher and the class.

Science up Next

The next area of interest for TCI is science. The company hopes to be selling science programs to schools within two years, starting with K-5 then middle schools.

“There will be differences, but our hope is that someone who uses the social studies program can seamlessly go over and use the science program,” Bower said.

TCI plans a hands-on, inquiry based science program where what a student is reading, doing and writing about are tightly linked.

“Using the concept of positive redundancy, students will see things over and over again,” Bower said. “Our technology will make it easy for beleaguered elementary teachers to turn on their projectors and start doing science right away.” ■

Discovery, cont'd. from p. 1

was a natural step as science is very much a core sweet spot for Discovery as a whole,” Discovery Education vice president Craig Halper told *EER*. “Going into high school science extends what is already a core competency for us where we have had a lot of success.”

Discovery’s new techbooks for middle school social studies follow a Discovery partnership with the Indianapolis schools where the company worked with the district on content integration, alignment with pacing guides and professional development. Halper said that collaboration resulted in significant gains in students social studies test scores and spurred Discovery’s expansion into social studies.

Learning in Real Time

Discovery’s techbooks are an alternative to traditional textbooks featuring differentiated digital resources, including interactive explorations, video, images and informational text. The programs are updated in real time and are cloud-based and platform-agnostic.

“Real time updates are an innate advantage of digital,” Halper said. “One of the things we are excited about is that social studies and science both lend themselves to current events.”

In social studies being able to update something like the presidential election in real time is a big advantage, Halper said, while on the science side, the meteorological aspects of events like the Gulf Oil spill or the tsunami in Japan can be incorporated into a digital curriculum.

“One of the things we talk a lot about is not only the ability to update the content, but the ability to update standards as well,” Halper said. Discovery already has updated earlier techbooks as states moved to new standards and will be able to update its science programs when the next generation science standards that are in the works are adopted.

Discovery delivers its techbooks to students across the wide variety of devices found in today’s classrooms.

“One of the important pieces for us is to be able to work in today’s classrooms—the classrooms that you actually see in schools today—not just the classrooms that everyone is driving towards,” Halper said. “We work great in a one-to-one environment, but we also work very, very well in that single-projector or single-whiteboard environment as well.”

Halper said Discovery is not seeing an overwhelming percentage of districts moving to tablet or mobile devices, although they are becoming part of school’s technology mix. “Even the people who are not deploying mobile devices are exploring the possibility of going in that direction,” he said.

Savings over Print

Discovery’s techbooks are sold as a less expensive option than print textbooks, with additional savings derived from a lack of textbook replacement or inventory costs. “Typically, our digital textbooks, including the professional development, are about 40% less expensive than a traditional textbook,” Halper said.

Discovery’s K-5 science product is \$38 per student for a six-year subscription; the middle school product is \$40 per student for a six-year subscription. Discovery presents a six-year subscription to match the adoption timeline, but variable pricing is available based on the duration of subscriptions.

The Discovery techbook programs include customized professional development. “With each implementation of techbook, we work with the district before delivering the professional development to determine not only what their goals are, but the state of their technology deployment, and how they expect their teachers to use techbook in the classrooms,” Halper said.

The implementation of digital curriculum is a shift not only for the teachers, but for the entire district, Halper said. “Providing professional development at the administrative level is an important part of ensuring that digital becomes an engrained part of the ecosystem, as opposed to just something that the teachers and students are experiencing,” he said.

One of the things Discovery educators learn to use is the formative assessment platform that is part of techbooks. Teachers can deliver assessment at the class level, to a group of students, or to individual students if they are looking to assess understanding or to drive acceleration or remediation. Following the assessment, the platform recommends additional content that can include reading passages, video clips and virtual labs. ■

Cambium Learning Credit Rating is Downgraded

Cambium Learning Group's (Dallas) corporate credit rating in April was lowered by the Standard & Poor's Rating Services from B to B- after the company's weaker than anticipated fourth-quarter operating performance. Cambium's rating outlook is stable, reflecting the company's cash balance, which provides a near-term source of liquidity.

Cambium's 2011 revenue was \$172.3 million, down 5% from 2010. Fourth-quarter revenue was \$31.5 million, down 35.2% from 2010.

The company had operating income of \$85,000 in 2010, but an operating loss of \$31.5 million in 2011. In the fourth quarter 2010, operating income was \$4.4 million; in fourth quarter 2011 operating loss was \$43.4 million.

In its rationale for the downgrade, S&P stated, "Relatively high debt to EBITDA and weak discretionary cash flow, reflecting ongoing high product development spending, support our view that Cambium's financial risk profile is highly leveraged."

S&P expressed concern that strained government budgets will continue to negatively impact Cambium's profitability and debt leverage and noted the end of federal education stimulus funding is another concern.

S&P also noted that, in relation to its competitors, Cambium has a smaller presence with 18% of sales derived from two states—California and Florida—where budget pressure could reduce spending.

"Under our best case scenario, we expect revenues to decline at a mid- to high-single digit percentage rate in 2012 and 2013, and EBITDA to fall in the mid-teens area,"

the outlook said. The company has not provided guidance for 2012.

School Turnaround Successful

Cambium's education services unit was a bright spot for the company in 2011 as the business more than doubled as a result of deals to work on federally funded school turnarounds. School turnaround is a profitable business for Cambium, which is expanding the number of turnaround schools it works with in Milwaukee and beginning turnaround work with schools in Providence, R.I.

In April, Cambium changed the name of its services division from Cambium Learning Solutions to Voyager Education Services. The company said the change was made to reflect a broad commitment to respond to educators' changing needs and to provide tools to increase student achievement. ■

Princeton Review Sells Test Prep Business

As Kaplan moves forward with an evolving mission, its competitor the Princeton Review (Framingham, Mass.), which has struggled in recent years to define and promote its mission, is breaking up. The existing company is selling its test prep business—the cornerstone of the original company—and the Princeton Review name to an affiliate of private equity firm Charlesbank Capital Partners in a \$33 million fire sale. The cash transaction is expected to close in April or May.

Post-divestiture, the host company will focus on its Penn Foster division, the global online career and vocational postsecondary education provider the Princeton Review acquired in 2009. Through the first nine months of 2011, Penn Foster accounted for about 45% of total company revenue.

The host company of the Penn Foster business will adopt a new corporate name once the sale has been completed, but that name has yet to be determined.

In a message to customers on the Princeton Review web site, Scott Kirkpatrick, president of the Higher Education Readiness Divisions, as the test prep division is titled, said it is "business as usual—both now and once the sale is complete."

The sale takes that part of the business private, which should help as TPR Education, the Charlesbank Capital affiliate, invests to build the business that provides a variety of services and resources to help high school students evaluate and get into college, including test-preparation courses, tutoring and publications.

While the Princeton Review offers courses online, it continues to offer courses outside of the U.S. and Canada through independent franchises. It is anticipated that Princeton Review will turn more of its focus to online offerings. ■

Kaplan, cont'd. from p. 1

teachers, depending on the needs of the district. In Memphis, for example, Kaplan is in the second year of program that blends online and direct instruction as part of an effort to raise ACT scores—a goal Tennessee set in its successful Race to the Top submission.

“We are not a core curriculum provider—we are not going to give end-to-end curriculum—but we can help students achieve a better result no matter where they are and we can accelerate that process with our programs and the technology that we use,” Serrano said. He added, “We have done it with wealthy suburban students and with students in poverty in inner cities.”

Kaplan also puts its SAT, ACT and PSAT products on top of the Smart Track Technology platform it first built for K-8 math and English language arts students in 2008. The adaptive platform assesses student and then leads them through guided and independent practice.

Students in SAT/ACT classes are put into differentiated groups every session. Smart Track gives teachers information on the groups they should make, based on testing and work done, and gives teachers plans for lessons.

“We have a unique platform to boil down to suggested ways to teach based on data and how to differentiate instruction based on data,” Serrano said, adding this allows teachers to focus on what they do best—instruction, rather than data analysis.

Getting Ready For Common Core

Many of the Kaplan strategies honed in test prep will be part of the company’s work around the Common Core.

“We are very focused and involved in Common Core,” Serrano said. “Given our lengthy history in preparing students for high-standard, high-rigor assessments—not to mention we have been building programs for tests that been online for a long time, since GRE and GMAT went online back in the 90s—we can bring a lot to the table.”

Serrano sees two major challenges for school districts as they implement the Common Core. The first is migrating curriculum and providing professional development to teachers so they can change what they are teaching.

“One issue that a lot of schools are struggling with is there is coverage of a topic and then there is the rigor and depth at which they are going to need to deliver it given the new standards and where the new assessments will be as they roll out,” Serrano said.

The other challenge Serrano sees is technology infrastructure—still largely in the planning stages—and a

KAPLAN, Q4 & FULL-YEAR FINANCIAL RESULTS, 2011 VS. 2010

(Period ended Dec. 31; \$ in millions)

	Q4 2011	Q4 2010	Chg.	2011	2010	Chg.
Revenue	\$597,689	\$691,941	-13.6%	\$2,465,048	\$2,862,279	-13.9%
Test Prep	\$66,901	\$75,590	-11.5%	\$303,093	\$314,879	-3.7%
Operating Inc./Loss	\$32,270	\$66,235	-51.3%	\$89,434	\$346,733	-74.2%
Test Prep	\$520	-\$18,861	102.8%	-\$28,498	-\$32,583	NA
Operating Margin	0.8%	-25.0%	25.8	-9.4%	-10.3%	NA

Source: Washington Post Co. financial report

big concern of districts as they get ready for the next couple of years.

To address the challenges, Kaplan developed Teach! Strategies and Resources, an online tool kit with instructional and professional development resources. Teach includes lesson plans correlated to state standards and crosswalked to the Common Core.

Teach! is being sold for \$59 for an annual individual teacher license or \$1,900 for an annual school license for all teachers.

In March, Kaplan announced a partnership with Teach for America to provide their educators with Teach! Kaplan also is partnering around Teach! with the Hispanic Association of Colleges and Universities, which works with feeder K-12 districts where generally the student population is over 25% Hispanic. Kaplan also is working with GearUp schools, including in Clark County, Nev., where Teach! is being used in 11 of middle schools as the district ramps up its program with a new federal grant starting this fall.

Changes across Kaplan

Kaplan's Test Preparation business includes the company's standardized test preparation and tutoring offerings and K-12 programs. In 2011, Kaplan completed a two-year

initiative to close down its free-standing test-preparation centers and migrate to online and hybrid test-prep operations, incurring restructuring and severance costs.

Test preparation revenue year-over-year declined 3.7% to \$303.1 million in 2011 and declined 11.5% to \$66.9 million in the fourth quarter 2011. Higher enrollment, particularly in the health and bar review programs, was offset by reduced prices for many programs due to increased competition and a shift in demand to the lower priced online test prep offerings.

Kaplan's largest unit, Kaplan Higher Education, which includes Kaplan's domestic post-secondary education business including fixed-facility colleges and online postsecondary and career programs, implemented a number of marketing and admissions changes to increase student selectivity and to comply with recent regulations.

Other Kaplan units include Kaplan Ventures, several businesses in various stages of development managed separately from the other education businesses, and Kaplan International.

Kaplan sold Kaplan Compliance Solutions in October 2011, Kaplan Virtual Education in July 2011 and Education Connection in April 2010. ■

EER Stockwatch 2012

Share Price Values for Instructional Technology Providers, March 23—April 5, 2012
(closing prices)

	Ticker	March 23	March 30	April 5	% Chg 3/23-4/5	% Chg. YTD
Archipelago Learning	ARCL	\$11.08	\$11.12	\$11.08	0.0%	20.2%
Cambium Learning	ABCD	\$2.88	\$2.65	\$2.48	-13.9%	-20.0%
K12 Inc.*	LRN	\$24.51	\$23.63	\$23.65	-3.5%	28.6%
Peoples Education	PEDH	\$0.58	\$0.70	\$0.75	29.3%	41.5%
Pearson*	PSO	\$19.37	\$18.74	\$18.10	-6.6%	-5.3%
Scholastic	SCHL	\$37.51	\$35.28	\$35.21	-6.1%	15.4%
School Specialty	SCHS	\$3.75	\$3.54	\$3.44	-8.3%	32.8%
Scientific Learning	SCIL	\$1.76	\$1.78	\$1.76	-0.0%	-31.0%
Average for Group		\$12.68	\$12.18	\$12.06	-4.9%	11.3%
NASDAQ Nat'l. Mkt. Composite Index		3,067.92	3,091.57	3,080.50	0.4%	15.9%

*K12 and Pearson are listed on the NYSE; all others listed on NASDAQ exchanges

Source: Yahoo! Finance; Simba Information

News Briefs ...

- ▶ New Jersey Virtual Academy Charter School will open in the fall of 2012 to serve students across the state as an online public schools with curriculum and school services provided by **K12 Inc.** (Herndon, Va.). The school will initially serve students in grades K-10 with additional high school grades added in succeeding years. The school will offer blended learning programs of online and face-to-face instruction in Newark and other locations.

Partnerships & Acquisitions ...

- ▶ **Skype** (Luxembourg), the software that allows users to make telephone calls over the Internet, in partnership with DonorsChoose.org, is donating \$250,000 for technology materials for teachers. The donation is part of the initiative, Skype in the Classroom, a free online community started to help teachers use Skype for student educational experiences.
- ▶ **McGraw-Hill Education** (New York) in March forged an exclusive partnership with **Baby Care** (Beijing), which provides infant education services through the more than 400 centers it operates in 180 cities. Through the partnership, children 2-6 will have access to some McGraw-Hill Education's digital learning solutions to enhance English-language skills. The solutions will be based on McGraw-Hill's DLM Early Childhood Express preK curriculum. McGraw-Hill expects to reach 123,000 students in China over the 10 years of the agreement.

People ...

- ▶ **SMART Technologies** (Calgary, Alberta, Canada) in April named **Jeff Lowe** vice president of marketing, charged with leading the development, coordination and execution of global market strategy. Lowe reports to president and chief operating officer **Tom Hodson**. Previously, Lowe was vice president of marketing and business solutions at the Canadian telecommunications company Telus.
- ▶ **ASCD** (Alexandria, Va.), a non-profit, educator-

member group that provides programs, products and services, in March named **Debra Hill** president. Hill, who succeeds **Paul Healey**, is an education consultant, associate professor at Argosy University and a retired school superintendent. ASCD also added four new members to its board of directors: **Marie Adair**, executive director of the N.J. ASCD; **Susie Carr**, assistant superintendent Whitehall City Schools in Galloway, Ohio; Becky Berg, superintendent, Deer Park (Wash.) school district; and David Mathis, superintendent, Saluda (S.C.) County Schools.

- ▶ **Brian Napack**, who served as president of **Macmillan** in the U.S. (New York) from 2006 through December 2011, in March joined private equity firm Providence Equity Partners (Providence, R.I.) as a senior advisor. Responsible for identifying and managing new investment opportunities in education and media, Napack joins the board of directors of **Blackboard** (Washington, D.C.), which Providence equity acquired in October 2011 in an all-cash transaction valued at \$1.64 billion plus the assumption of \$136 million in debt.
- ▶ **School Specialty** (Greenville, Wis.) made changes to its management team in April. **Gerald Hughes**, formerly a president and chief operating officer of **Houghton Mifflin Harcourt** (Boston) and most recently president of **Staff Development for Educators** (Peterborough, NH), was named chief administrative officer. **Kathryn Pepper-Miller**, who most recently was CEO of Leopard, an Ogilvy & Mather company in Denver, was named chief marketing officer. **Steven Korte**, president of School Specialty's Accelerated Learning Group, and **Rachel McKinney**, executive vice president, human resources, are leaving the company.

Financial Briefs ...

- ▶ **Scientific Learning** (Oakland, Calif.) in March issued 4.2 million shares of common stock, priced at \$1.73 per share, for private placement to a group of new and existing investors. The \$7.2 million raised is intended to help Scientific Learning accelerate the spread of its software-as-a-service model.