CuriosiT

Executive Summary

Opportunity

Demand for higher education continues to grow, yet the vast majority of universities are resource constrained and struggling to adequately serve students and other stakeholders. As a result, many universities are experimenting with e-learning solutions as a means of reducing teacher workload, expanding enrollments, meeting demand for distance education and increasing course selection.

Unfortunately, at many universities, course development is left to faculty who lack the experience, time and money to develop state-of-the-art on-line courses. Further, once courses are developed, institutions lack the infrastructure to support those courses and address myriad technical problems. In addition, with faculty turnover, maintaining the integrity of course content becomes an issue, making it difficult for the university to continue to support a given course. As a result, many inexpensive e-learning solutions are not much more effective than textbooks. They simply present information as opposed to developing the kind of exercises and collaborative experiences that lead to top performance. Consequently, there is a strong need for quality online course content and access to advanced educational technology.

Market research estimates that this sector of the e-learning market will explode in the next several years:

- Forecasts predict the higher education e-learning market to grow from $4 billion in 2000 to $11 billion in 2003. [1]
- 98% of working adults believe that the higher education process will change because of the Internet. [2]
- Over 1,600,000 enrolled students were in distance-learning courses in 2000. [3]

Business Concept

CuriosiT supercharges education. The firm will make available a portfolio of courses from leading educators that can be customized by individual instructors. Using the 'CuriosiT Direct Model' the company will provide courses using an innovative format that allows instructors to augment the design by accessing a menu of support materials, or by adding their own content. Professors will assign the courses to their students and CuriosiT will be paid by each enrolled student eliminating the cost to universities.

CuriosiT Corporation has received favorable response from a number of component suppliers, including Cardean University, Skillsoft, Smartforce, Xanedu, Centra, Placeware, Element K, Interwise, and WebEX and a number of recognized university
faculty. Several local and regional universities have been identified as potential initial customers. CuriosiT’s courses will enable colleges and universities to dramatically improve penetration rates of e-learning technologies by eliminating the two key factors currently restraining growth:

1. Instructors are left out of the design process and are resistant to change.
   • CuriosiT practices distributed authorship. Instructors receive revenue from any course content they author and is delivered via the CuriosiT infrastructure.
   • Courses can be customized to the last detail for individual faculty.
2. E-learning courses are viewed as sub-standard, lacking collaborative dynamics.
   • CuriosiT’s leverages the resources of the best online courses and educational technology available to develop solutions that exceed classroom instruction.

In the final analysis, universities will be able to offer more and better courses, reach more students, and generate more revenue, while also putting their own identity on the courses they offer.

Company Strategy

CuriosiT’s competitive entry wedge is the ability to leverage the resources of universities’ existing online content and e-learning companies’ products to develop customizable solutions.

The Company will have the following sustainable competitive advantages:

1. Eventual Scale Economies & Breadth of Selection Ð CuriosiT will acquire a critical number of course component vendors and content suppliers to reduce new entrant’s ability to attract customers.
2. Intellectual Property & License Rights Ð CuriosiT will source the majority of its content from professors existing online courses and will secure distribution rights.
3. Brand Ð CuriosiT will build its brand image at both the university and student level by sourcing only the highest quality course components and providing excellent technical support.
4. Technological Leadership Ð Because CuriosiT is not technologically reliant on any one platform our Company will be better positioned to take advantage of advances in hardware and enterprise software that will make other competitors outdated.
5. Low Cost Ð By establishing a large and secure customer base, CuriosiT will be able to achieve low prices from suppliers who otherwise would be faced with a fragmented and hard to serve market.

Market Environment and Marketing

The market for distance learning courses and educational software is expanding rapidly. There are at least 1,600 institutions offering distance learning classes and this figure is expected to top 3,300 universities and 2,230,000 students by 2004.[4] CuriosiT’s market
research indicates that the largest and most easily served target market is community colleges and public 4-year universities with enrollments over 3,000. The Company has identified approximately 640 schools which enroll 75% of the existing distance education students. Marketing strategies will be built around a direct sales force, highly targeted promotions, and referrals from university content developers.

Economics

The Company's variable costs are approximately 45% of total costs, including royalties, sales commissions, user licenses, and customization. Revenues rise $19 million by the end of Year 2 to $77 million by the end of Year 4. Operating margins rise to 48% by Year 4. Based on a 56 courses developed and fixed cost estimates of $4,000,000 per year, the Company would require only 1,300 enrollments per course per year, or approximately 13 universities offering the full CuriosiT product line every semester to reach break-even.

CuriosiT is seeking initial capitalization of $5,000,000 in two stages in exchange for preferred stock. The Company will incrementally allocate these funds based on market success of the first courses and should sustain the Company through two years:

1. Develop the first 31 courses $1,100,000
2. Acquire and serve 25 university customers $2,000,000
3. Compensate principal executives $340,000
4. Develop operational infrastructure $1,000,000
5. Purchase capital equipment and software licenses $560,000

Operations

CuriosiT will be a highly leveraged company. It will be a network-based company, bringing together course developers, teaching faculty, platform providers, specialized software providers, universities, and student audiences. Operations will focus on sourcing and developing standardized yet customizable online content and technology components. This will be accomplished via the creation of the ID3 Customization Engine for professors to design and deliver courses and the implementation of the CuriosiT Direct Model for interoperability of these components.

Management Team

The CuriosiT management team has proven experience and complementary skill sets. The team has experience in web technologies, education, venture capital investing, market research and entrepreneurial consulting. The team has demonstrated the ability to craft superior strategies and effective business models and develop plans for implementation. The founding management team recognizes the benefit of recruiting senior level employees with experience in the industry and will reserve a portion of the investment for this purpose.
Exit Strategy

CuriosiT will seek to establish a market presence and brand identity, and to then pursue an IPO. The firm will operate in an industry with multiple viable exit strategies. There are a number of publicly traded Companies such as University of Phoenix, Digital Think, Centra, Docent, Saba, Smartforce and Skillsoft, which have recently had IPOs. A number of other firms have also exited via mergers and buyouts. The pace of mergers and buyouts has been rapid over the past 12 months as the industry underwent a period of consolidation and several larger more integrated companies emerged.

[1] Eduventures
[2] Capella University