

## Implications of Covid-19 on Education Environment

April 2020

**As many sectors in society, the education sector is significantly impacted by the Corona/Covid-19 situation. We describe this impact and the resulting necessary strategic choices in 4 sections:**

1. Education Delivery Impact – 3 phases
2. Revenue Impact – this year and beyond
3. Overall Business Impact Education Industry
4. Blended Capabilities and EdTech

While much of the paper - especially sections 1 and 4 - applies to both Private and Public education, the Revenue and Business impact sections 2 and 3 focus more specifically on Private education.

### **1. Education Delivery Impact – 3 phases**

The lockdown/social distancing measures taken by Governments in most countries have prompted a quick and immediate response from hundreds of thousands of education institutions around the world. However impressive in speed, this immediate reaction is only the first phase of what will happen. We see the following 3 phases in the Education Delivery Impact of Covid-19:

#### **○ Phase 1. Fast Changeover to Remote Interaction & Teaching (Completed)**

- Immediate closure of physical education institutions after announcement of lockdown measures to ensure student and staff safety
- Re-establishing interaction with students via learning management systems, communication platforms or email
- Quick, and often improvised, adoption and implementation of tools to conduct remote teaching
- Heavy reliance on synchronous video (Zoom, MS Teams, Google Hangouts, etc.) rather than full fledge online learning through Learning Management Systems
- Short term horizon to continue some level of teaching rather than replicating the full learning experience (interactivity, tasks, etc.)
- Significant limitations in testing/examination capabilities leading to postponements and/or temporary lifting of certificate requirements
- Inclusiveness problems for students with suboptimal access to internet or laptop/pc
- High improvisation, low on systematic approach, no 100% coverage of subjects and tasks, navigation issues, issues of privacy and security, inclusiveness
- Solutions are best described as Remote Teaching rather than online learning

#### **○ Phase 2. Setting up for Enhancements and Extended Delivery (Now till start 20/21 academic year)**

- From *'We quickly do what we can'* to *'What must we do better'*
- Re-adjustment of shortcomings in short term, plus planning for possible extended period
- Re-connecting with students who have lost out in the emergency phase – re-establishing contact, assessing needs

- Addressing key shortcomings in the immediate measures, e.g. course completeness, course navigation, testing/examination solutions, IT capacity, security, student inclusiveness, etc.
  - Improved tools – as far as quickly available and implementable – more structured navigation and processes, better security protocols, emerging solutions for examination
  - Contact with and solutions for disadvantaged students – providing laptops, telephone contacts, partial F2F
  - Planning for the potential restricted scenarios in the next academic year:
    - a. Partial or temporary lockdown
    - b. Reduced classroom capacity
    - c. Online/blended delivery for part of the next academic year
  - Building for fully comprehensive coverage of learning needs for a full quarter/semester
- **Phase 3. Planning for the New Reality Post-Covid-19 (Q4 2020 & Beyond)**
- Any expectation that post-covid-19 there will be a situation where the balance F2F/eLearning returns to what it was in 2019 must be deemed unrealistic.
  - It is a certainty that the current, temporary, increased heightened dependence on online or remote delivery will result in a new reality in education with a more prominent role for eLearning, because:
    - *Demand-driven*: Student and families acceptance and openness to online will result being increased, if not actively demanded, due to the current exposure, especially once the initial teething problems have been resolved. Any negative stigma on online learning – with students or parents - will come out significantly reduced
    - *Broader society*: Our society as a whole will come out with significantly increased levels of remote activity, like working from home for any portion of a week. Learning from home, again for any portion of the week, will be a logistical part of this.
    - *Supply-driven*: Institutions are currently necessarily investing in eLearning to cope with the current situation. Once this effort and investment are made it is no more than rational to expect that these new online capabilities will be made to use in blended modalities even post-crisis
    - *Regulatory*: Authorities and accreditors will end up modifying and relaxing current hurdles or constraints put upon blended or online learning as a logical extension of facilitating measures that are currently put in place
  - Because of this new permanent level of increased relevance of eLearning, education institutions - at any level - will not be able to avoid strategizing and preparing for this new reality. Their option will be to plan for a competitive opportunity or to minimally plan to invest just to stay at par in this new situation. Do nothing will not be a realistic option.
  - The three strategic options for institutions and education groups to plan for this new reality with new levels of eLearning quantity, quality and infrastructure, are:
    1. Permanent Blended Learning Solution  
A structured plan for a permanent *blended learning infrastructure*, where online will complement, enrich, combine, or alternate with F2F. This will require an IT infrastructure, Learning Management System, tools, learning plans, processes, staffing implications, etc., as it will in a full online operation
    2. Online as Full Fledge Business Model  
A strategy to build *Online Learning as full-fledged educational business model*, for example a

unit or department offering a selection of the institutions programmes in online modus, or even a standalone operation for e.g. homeschooling, part time courses for working professionals, etc.

### 3. Emergency Only

In this third – and least advised – scenario, institutions will only plan for *future emergency situations* in order to be more prepared than this year. This, however, will result in lagging behind what the market will do, and will also result in necessary investments made without putting them to everyday use

- In parallel to the strategic choice, institutions/groups will have to make decisions the *how*:
  - a. The organizational structures, capabilities and staffing present and required
  - b. The eLearning infrastructure, tools and providers or partners
  - c. The balance between internal and external management; ranging from a full DIY open source philosophy, to DIY with bought in dedicated platforms/tools, to externalization to OPM partners

## 2. Revenue Impact

- The current Covid-19 situation obviously has a significant impact on student numbers and revenue in 2020. But there also is most likely to be a long-term impact, beyond 2020.
- The gravity and nature (negative or positive) will depend on the market context of each institution. Based on an assessment of likely outcomes Afaya Partners has conceptualized these impacts in the following table:

|                             |       |  <b>Estimated Impact Covid-19 on Revenue of Education Institutions</b>   |   |   |                                    |  |
|-----------------------------|-------|---|---|---|------------------------------------|--|
|                             |       | "Full F2F Institutions"   | "Blended Institutions"  | "Online Institutions"   |                                    |  |
|                             |       | Before Covid-19 fully on F2F, adopted emergency eLearning / remote teaching   | F2F with an established eLearning infrastructure for blended learning | Fully online learning   |                                    |  |
| Full Time / Academic Year   | ST =  | loss of some add-on revenues, e.g. residencies, summer courses  | ST =  | ST =  |                                    |  |
|                             | MT -- | student postponement, loss int'l students, loss to blended  | MT -  | losses postponement and int'l students, some gains from full F2F    | MT ++                              | online as MT alternative for F2F FT                      |
|                             | LT -  | some recessionary impact, loss int'l students, loss to blended  | LT +  | gains from full F2F outweighing losses recession and int'l students | LT ++                              | online as LT alternative for F2F FT                      |
| Part Time / Multiple Starts | ST -- | student postponement given suboptimal situation   | ST =  | ST +  | online filling gaps of F2F FT & PT |  |
|                             | MT -  | student postponement and/or shift to blended and online   | MT +  | gains from full F2F and full time                                   | MT ++                              | online as MT alternative for F2F FT & PT                 |
|                             | LT =  | recessionary impact made up by gains from FT and working adults   | LT ++   | gains from full F2F, full time and working adults                   | LT ++                              | online as LT alternative for F2F FT & PT, working adults |
|                             |       | - = Negative Impact   | ST = 2020 1st half year   |   |                                    |  |
|                             |       | + = Positive Impact   | MT = 2020 2nd half year   |   |                                    |  |
|                             |       | = = Close to Neutral  | LT = 2021+  |   |                                    |  |
| Notes:                      |       | 1. Specific market conditions (e.g. regulatory) may lead to adjustments versus this general projection<br>2. It is expected that in the situation 2021+ part of initial "Full F2F" institutions will shift into "Blended" as the centre of gravity will move to the right |   |   |                                    |  |

- **Full Time / Academic Year based institutions**

For the *remainder of academic year 19/20* these institutions will be relatively neutral since students are already enrolled and revenue losses will be limited to e.g. residencies or summer courses.

However, for the *academic year 20/21 and beyond* there will be a significant impact. There will be a general impact due to the economic perspectives and uncertainty that will reduce the readiness of families to invest in private paid education, mainly in markets with an acceptable quality of public funded education. Additionally, recruitment and enrollment campaigns for the academic year 20/21 will be severely compromised by the current lockdown situation: delay in admission exams, no fairs, cancellation of open days and F2F meetings, cut off possibilities for language courses and testing, etc.

The resulting impact will be highly related to the institutions state of eLearning delivery:

- Full F2F institutions with no more than emergency remote teaching will be significantly negatively impacted. This is the result of students deciding to postpone their start of study, an expected sharp reduction of the number of international students – at least for the next academic year – and a loss of market share to institutions who can demonstrate a strong blended learning capability.
- Institutions with an established, demonstrated capability in qualitative blended eLearning are likely to see some negative impact in the academic year 20/21 for the same reasons as above, but in part made up for by an initial share gain from the ‘full F2F counterparts. Beyond 20/21, this competitive advantage, in the new societal and educational reality, is likely to prove a winning model. They should be able to draw more students away from the static F2F institutions than they lose on account of industry wide impacts. Both domestic and international students will in this new reality much more often select institutions with strong blended learning.
- Online institutions will clearly gain, both mid-term and long term. The society as a whole will have become much more online receptive after this Covid-19 experience, and inevitably this will cause an acceleration of the already increasing share of online learning. A caveat is that students will also be savvier about the differences in quality of the offered learning model. Cheaper, pdf-based distance learning will still have a significant share next to truly interactive online learning models, but students will make a more conscious decision between these two models than in the past.

- **Part Time/Multiple Intake institutions**

For Part Time / Multiple Intake based institutions the revenue impacts will be amplified – both short term and long term, and both negatively (initially) and positively, strongly connected to their level of eLearning preparedness and quality:

*Already In the short term* – the remainder of academic year 19/20 – the part time / multiple intake institutions will be immediately impacted, above the overall effect of postponement and delay in enrolment decisions because of the economic uncertainty:

- F2F institutions without an established eLearning infrastructure and only running emergency solutions will see an immediate and very negative impact, as students will obviously postpone, or go elsewhere, rather than stepping into a makeshift solution.

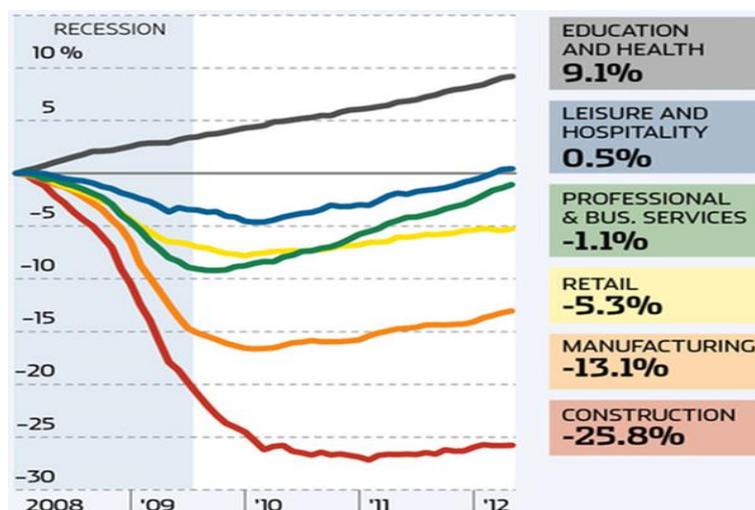
- Institutions with an already existing blended offer may be better equipped to keep their revenue neutral – with initial student losses more or less balanced by gains from full F2F alternatives.
- Online institutions may see immediate increases even in the short term, as students try to fill the shortfalls of F2F/blended, coming from part time (switchers) or from full time (complementing, filling up). As a matter of example, intake increases of 100% were reported during April in some businesses.

*In the mid-term* (the 2<sup>nd</sup> half of 2020) *and longer term* (2021 and beyond), F2F based institutions will become the market share losers whereas blended and online institutions will make substantial gains:

- F2F based institutions are for the second half of 2020 likely to see share moving to blended and online alternatives, with students reducing the risk to start a course that may not be adequately delivered.

In 2021 and beyond they are likely to balance that loss by increases from Full Time studies, as is often seen in recessionary periods, with especially working adults investing in short term education to better their employment chances.

- Truly Blended and Online part time education is set to make major gains in this post Covid-19 reality. Firstly, in line with the increasing profile of eLearning and reducing risks of F2F only, they will attract students from F2F only competitors. And secondly, driven by recession and uncertainty, part time education will attract students from full time and additional students from working adults.
- The obvious implication of all this is that staying in F2F only mode is not the place to be. Therefore, schools and groups which were so far essentially F2F based, should at high priority make the transition to the “Blended” situation in order to avoid the highly negative impact of staying in full F2F mode. Especially in the for-profit education sector, that will be more sensitive to revenue losses and gains than public education.
- For these institutions there is no reason to expect – other than in 2020 – a sustained overall revenue drop of the education sector. Education has in previous recessionary periods proven to be a sector that holds on better than most sectors. As an example, the below graph shows the sector developments during the recession after the 2007 financial crisis:



(Wall Street Journal 2012)

### 3. Overall Business Impact Education Industry

- As described, education institutions will confront major changes in their educational delivery requirements – necessarily building enhanced online/blended capabilities - as well as revenue implications.
- In addition, they will face cost increases:
  - Short term due to the additional expenses of all the short-term measures taken during the lockdown situation
  - And mid/long term due to the inevitable need to step up the quality of their eLearning infrastructure and staffing
- The combination of – at least short term - revenue pressure and a remarkably high level of planning uncertainty will force most campus-dependent institutions to put a temporary hold on Capex and strategic initiatives – other than those related to the shift towards blended capabilities
- In addition, institutions and education groups will need to reassess the level and usage of buildings and fixed property, both short term and long term
- **The clear conclusion is that in the second half of 2020, when the core of the Covid-19 crisis will likely be passed, institutions need to make major strategic assessments and choices. During these months, the choices need to be made for the new 2021-and-beyond, educational reality. Most institutions will make decisions to what extent and how to incorporate the inevitable shifts toward more blended learning – either offensively to gain position, or at least defensively, not to lose out. These choices and strategies go well beyond just technical consideration such as which Learning Management System to apply. Strategic positioning, cost/revenue projections, business modeling, organizational implications, IT, educational processes all will need to be considered.**
- The stronger institutions/groups will be more capable to achieve this than the weaker ones. Therefore this situation creates a positive competitive opportunity for stronger, well organized groups, while it may lead to accelerated weakening or shake out of the less strong organizations. This will be true in general – but even more pronounced in the for-profit education sector.

### 4. Blended Capabilities and EdTech

- As seen, in the first phase of reacting to the Covid-19 lockdown there was mostly a scramble for quick tools, often video conferencing, to facilitate remote teaching.
- Building for the new 2021+ reality where the market will adopt a significantly higher level of blended learning than before, will require a much more structured and broader assessment of capabilities needed, considered EdTech choices and decisions to what extent to do things in house or to externalize to providers or partners. It is much more than a technical choice.
- Broadly, a solid Blended or Online learning approach requires the following capabilities:
  1. Instructional Design
    - Activities as learning vision and design, pathway/scaffolding choices, faculty processes, course development, content creation and testing/examination capabilities

- Realization that online and blended learning require a different learning approach than F2F teaching. Also, quite different possible approaches exist, depending on e.g. learning philosophy, price positioning, synchronous versus asynchronous, interactive or non-interactive, etc. Faculty training will be required in any approach, but tailor made to the selected one.
  - 2. Learning Technology
    - Technology choices on Learning Management System, Student Information System, technology integration, cloud or server based, integrated or connected tools, etc.
  - 3. Program Delivery and Operations
    - Learning delivery, teaching, monitoring, student support, learning analytics, retention and progression management, faculty engagement, administration, course scheduling, etc.
  - 4. Marketing and Enrolment
    - In the case of a blended/online operation that operates as a separate entity: Marketing structure and budgets, lead generation, conversion, CRM, enrolment management, etc.
  - An important basic decision is to which extent to develop, structure and manage eLearning and EdTech in-house versus using providers or partners. This is a key choice and once made, it is costly to change. Different approaches exist, with different balances between countries/regions, and so far, no clear winning model has emerged. Each model has its strengths/advantages and risks/weaknesses that need to be considered and managed
  - Some of the options available are:
    - In-house/ DIY: Institutions build their own in-house capabilities by developing internal units, hiring specialists, using open source or developing tailor made learning management platforms and solutions, hosting on own servers, etc.
    - Syndicated DIY: Groups of institutions build a central unit to manage this for the associated institutions
    - Self-managed, provider-based: Internally managed delivery and operations, using platforms, tools and services from external EdTech providers
    - OPM providers: Handing over some, or all 4, of the basic eLearning activities to an external Online Platform Management provider
  - A careful assessment of objectives, capabilities, budget and strategy is needed to decide on the right model to go for
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## **About Afaya Partners**

*Afaya Partners is a Global Education Consultancy providing high-impact solutions for long-term sustainable growth. We leverage more than 40 years in combined experience in the field of education and have worked and conducted business in over 60 countries on 5 continents.*

*We operate across all segments of education: K-12, Higher Education, Continuing Education, Online Learning and EdTech and provide our services to a broad range of clients, from institutional investors and private equity firms, to educational organizations and founders/owners.*

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