

Education at Bertelsmann

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Why education?

The growing worldwide demand for quality education is regarded as a global megatrend - a trend that Bertelsmann would like to take advantage of.

Factors driving the growth of this sector are the global shortage of qualified personnel, the rapidly growing middle class in emerging markets and, not least, the digital transformation. Digitization has created effective new ways to make education widely accessible – innovatively, anywhere/anytime, and often much less expensively than by other means.

With a volume of around five trillion dollars (USD), education is the second-largest economic sector in the world – second only to the global healthcare industry. Only a small part of the total market is currently covered by the private sector. Bertelsmann has specifically defined three segments in which the company will advance its educational activities in the years ahead: e-learning, medical education, and services for universities.

Why e-learning, medical education, and educational services?

The market for e-learning currently has a worldwide volume of USD 10 billion for businesses and USD 9 billion for private customers. It is growing at a rate of up to 15 percent annually; already, 22 percent of total training hours are carried out through e-learning (compared to just seven percent in 2005).

The U.S. market for medical higher education currently comprises about \$65 billion with annual growth now at 6-7 percent. Spending on health is on a continuous rise worldwide, driven in particular by three aspects: sustained population growth; increased life expectancy, which leads to an aging population with increasing demand for health services; and a growing middle class in emerging markets, which is creating demand for better health care in accordance with the economic growth.

The market for services and digital products for U.S. universities amounts to about one billion dollars (USD) and is growing by 20 percent annually. Universities often face increasing cost pressure, while at the same time the need to offer new course programs and online degree programs keeps getting bigger. Here private companies can help out with their expertise – e.g. by handling the marketing of the degree programs or providing administrative student support.

What is Bertelsmann already doing in the education sector?

Bertelsmann entered the global education business in January 2012, shortly after Thomas Rabe took office as Chairman & CEO. The company deliberately chose to team up with experienced educational entrepreneurs and to diversify its risk through a fund structure: a “University Ventures Fund” was jointly established with well-known financiers and entrepreneurs from the education sector, in order to launch innovative degree and continuing-education programs in Europe and the USA in partnership with leading universities. In 2014, Bertelsmann became the anchor investor of the “University Ventures Fund II.”

In addition to its fund holdings, Bertelsmann is also investing directly into innovative companies in the field of education. For instance, in September 2014 Bertelsmann participated in a round of financing for Udacity, a leading online education provider in the U.S. Bertelsmann is also pursuing these two models – investments through funds and direct investments – in its strategic growth regions of China, India and Latin America. Bertelsmann is involved in the Indian learning platform WizIQ, and has set up a special fund in Brazil for investing in companies that provide technological solutions and services in the education sector (education technology).

With its complete takeover of the U.S. education provider Relias Learning in October 2014, its largest ever direct investment in education, Bertelsmann took its first significant acquisitive step in expanding its education business. By acquiring Relias Learning, Bertelsmann profits from the three global megatrends education, health and digitization; Relias is a leading e-learning provider in the healthcare and compliance sectors.

Specifically, Bertelsmann is currently involved in more than a dozen education companies worldwide, among them:

- Synergis Education: service provider that supports traditional U.S. universities with the establishment of online degree programs etc.
- UniversityNow: a higher education system that offers fully accredited, innovative online degree programs at rock-bottom cost
- Learnship: Provider of foreign-language classes with online face-to-face instruction
- WizIQ: Indian online learning platform that offers cloud-based learning software for teachers, professors and students.
- Udacity in U.S.: Innovative online education provider for continuing job training; founded by Sebastian Thrun

How does the education business fit into Bertelsmann’s strategy?

As part of Bertelsmann’s corporate strategy with its four priorities (“strengthen the core,” “digital transformation,” “build growth businesses,” and “expand in growth regions”), the establishment and development of the education business falls primarily under “developing growth businesses.” However, investments are also being made in growth regions.

Bertelsmann’s goal is to establish an Education division with substantial revenues over the next five to ten years by pursuing these activities. Education is a declared growth area for the Group. It meets all of Bertelsmann’s strategic investment criteria: good growth prospects, global reach, a proven digital business model, scalability and low cyclical risks.

The overarching aim is to make education a third mainstay of income for Bertelsmann, so that the Group has three “pillars” of business: media, services and education.