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Business models in language learning market

Task 6

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Generic business models and literature review

1. Advertising model (Facebook)
   a. Special case: Freemium model (Expose the customers to the basics for free and then sell premium features to a smaller set of customers -- Subscription fees, charging advertisers for contextual advertising, sponsorships, revenue-sharing fees from partnerships)
2. Switchboard model (Amazon, Ebay)
3. Entrepreneurial model (very specialised products to a niche market, selling off the startup to a bigger company, e.g. Skype)
4. Customer solutions model (IBM - not making profits on selling products but selling expertise to improve customer operations, also Pybossa)
5. Multicomponent system (HP - selling high quality printers cheap, while most of the profits is made on selling cartridges)
6. Time model (first with innovation to become a pioneer)
7. Profit multiplier model (create a product, that may not make money on its own, but can be used for licensing) e.g. Mikey Mouse by Walt Disney.
Defining the empirical scope of the study:

1. Language learning platforms based on crowdsourcing
2. Others platforms (not in language learning) based on crowdsourcing
3. Language learning resources without crowdsourcing
4. Others - smartphone apps

Cases: https://angel.co/language-learning
Population: 700 companies
What needs to be done?

- Environmental analysis
- Industry analysis/target market analysis
  - Threat of new entrants
  - Rivalry among existing firms
  - Threat of substitute products
  - Bargaining power of buyers
  - Bargaining power of suppliers
Language learning market potential

World language learning market is estimated to be 60 billion US$ and due to globalization it’s growing…

Technavio's analysts forecast the Global Online Language Learning Market to grow at a CAGR of 17.89% during the period 2019-2023.

Despite its large size, the field of digital language learning is extremely fragmented. The biggest mover, Rosetta Stone (USA), had a revenue of 154 million euros in 2017, equaling approximately 3.4% of the market.
Platforms analysed

Busuu, Duolingo, Babbel, Myngle, Livemocha, Memrize, Worddive

- Year of foundation
- Founders
- Growth of the platform (number of users per year)
- Main product/additional products
- Start-up funding, investors
- Form of business ownership
- Original business model
- Subsequent business models

Data from: [www.crunchbase.com](http://www.crunchbase.com) + ORBIS (comprehensive database of companies around the world)
- Start-up: 2008
- Venture capital funding: 2010: 400,000$; 2011: 230,000$; 2015: 6,700,000$, 2012: 35,000,000$, 2017: 5,300,000$
- Freremium business model
- Operating revenue (2017): 10,677,873 USD
- P/L for period (2017) -6,809,469 USD
- Total assets (2017) 5,088,934 USD
- No of recorded shareholders 2, one of them is McGraw Hill
- Number of employees (2017) 51 - medium
- Profit margin (%): 2017: -71.18; 2016: -98.03%, 2015: -59.12%, 2014: -37.75%
Year of startup: 2011
Number of users: 2011: 300 thousand; 2018: 300 mil
Originally sponsored by Luis von Ahn's MacArthur fellowship and a National Science Foundation grant.
A-Grade Investments: $20 million Series C round of investment led by Kleiner Caufield & Byers: $45 million Series D round of investment led by Google Capital. A total funding of US$108.3 million. Duolingo received a fifth-round $25 million in July 2017 from Drive Capital
Advertisement model (freemium based on crowdsourcing)
Operating revenue (2017): 250,000 USD
Number of employees (2017): 1 – small
Startup: 2007
- Number of users: more than 1 mil. active paying subscribers in Jan. 2016
- Funding: total: 33,000,000$, 22 mil $ Scottish Equity Partners
- Investors: Reed Elsevier Ventures, Nokia Growth Partners, and VC Fonds Technology Berlin
- Revenues (2016): 71,248,939 USD
- P/L (2016): -8,857,962 USD
- Total assets (2016) 44,485,778 USD
- Profit margins %: 2016: -12.35%, 2015: -20.01%
- Business model: paid content, no ads, transparent, subscription-based business model
- Number of employees: 300+ large
memrise

- Startup: 2005, app is available since 2013.
- Number of users: 35 mil in 2017
- Funding: 2011: 20.000$, 1.000.000$, 6.000.000$, total: 21.800.000$
- Operating revenue (2017): 7,349,699 USD
- P/L for period (2017) -2,784,825 USD
- Profit margin (%) 2017: -43.48%
- Total assets (2017) 5,133,041 USD
- Business model: free app, selling premium features in premium app
- Number of employees (2017) 48 – medium
Next step:

Analysis of the value proposition of each platform

According to the resource-based view of the firm, the product has to be

- Valuable
- Rare
- Difficult to imitate
- Organization
Work-in-progress:

- Industry/market attractiveness
- Organizational feasibility
- Financial feasibility

Thank you for attention!