

# EdWeek Market Brief

Market Trends

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## Pressure Building for Education Companies Over Price Transparency in K-12 Market

*More Services Are Emerging to Help Schools Compare Prices of Educational Products and Services*

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How will education companies respond as their pricing becomes public knowledge in K-12, readily available to anyone?

That question looms as price transparency is about to take off as an issue, with more easy, online access to information about how ed-tech companies and other vendors charge for their products and services.

On July 25, for instance, the Technology for Education Consortium plans to reveal the prices schools pay for three popular digital instructional resources in a “Price-A-Palooza” webinar it is sponsoring. TEC is a nonprofit organization with 143 district members dedicated to sharing purchasing information to make the procurement process more transparent.

Pricing for Accelerated Reader, Imagine Learning, and Lexia Core will be featured in the webinar. K-12 attendees are invited to anonymously enter the price they pay for each of these products, then receive an instant report to find out “if you pay too much, or are getting a great deal,” the promo for the webinar says. They also will be polled to learn how much they pay for other products, according to Hal Friedlander, the co-founder and CEO of the consortium.

And that’s just the beginning.

The ability to learn, at a glance, whether a price is “in the ballpark” is unlikely to be much of a secret soon, as the consortium adds two to three districts a week, each one supplying it with contracts, product reviews and pricing information that is uploaded to the TEC Data Platform, powered by the Lea(r)n platform, which provides data analytics.

Meanwhile, Noodle Markets, which is creating a marketplace for schools to identify and vet vendors, plans to roll out the ability for companies to post prices in the fall of 2017, according to its CEO Nicole Neal. “Increase your buying IQ,” the company says on its homepage in its pitch to districts. Nearly 6,650 companies have signed up to provide their information to the K-12 marketplace.

## Schools Look for Transparency

These developments are good news to John Carver, who just joined the 21-school Maury County, Tenn. district as chief digital learning and innovation officer.

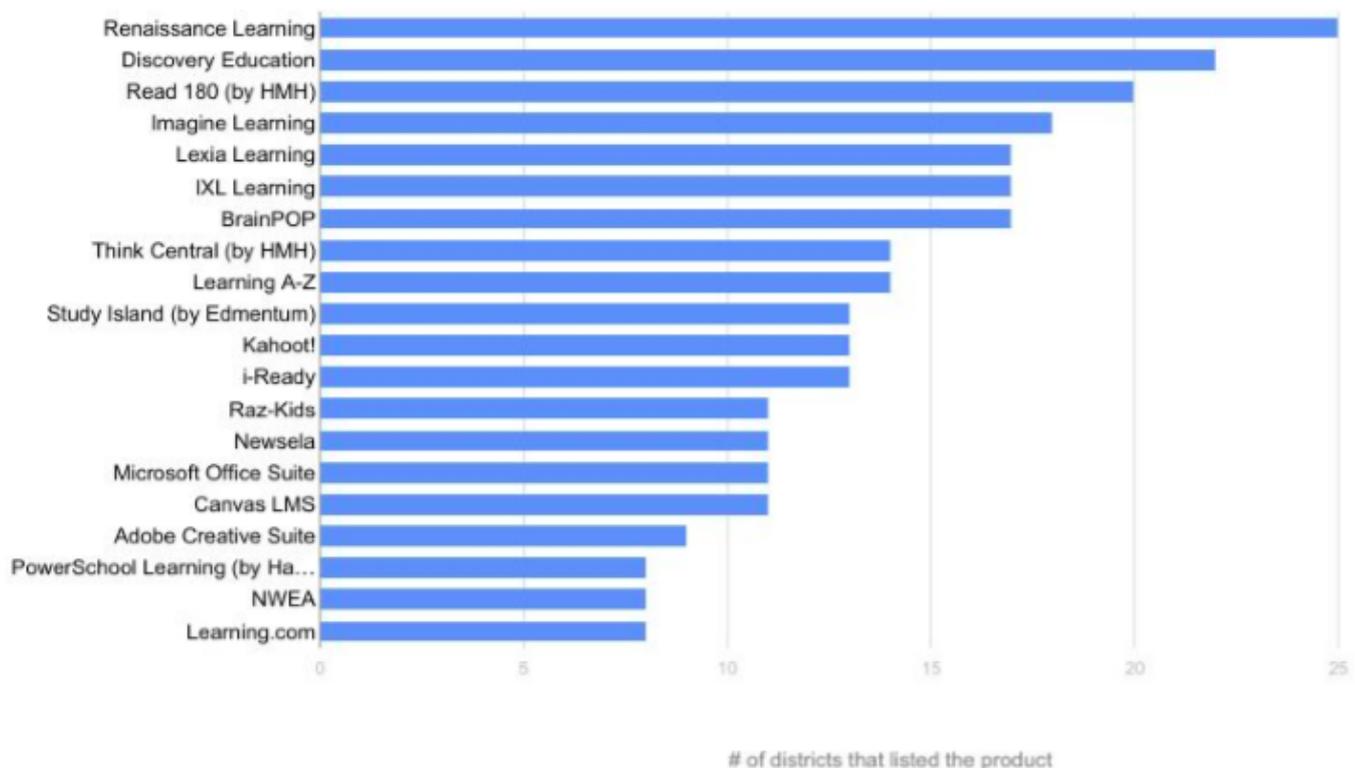
"I always ask, 'What's it going to cost me?'," explained Carver, who was formerly the superintendent of the Howard-Winneshiek Community School District in Iowa. Getting a direct answer from companies isn't easy, he said. "It's always, 'Well, that depends' " on the number of students, and many more factors.

Carver, who elevated the issue of purchasing in meetings of the Future Ready schools group, likened the experience of buying ed tech to visiting a car dealership and being asked what options you want. "You've got to go in and negotiate with them," he said.

Many superintendents, chief information officers, and directors of instruction are under pressure to embed technology in instruction for the 21st century, and they are "desperately" looking for someone to help them through the decisionmaking and purchasing process, Carver said. This makes them susceptible to sales tactics and less likely to be concerned about pricing.

The Technology for Education Consortium surveyed 94 districts that are part of Future Ready community, and learned that those districts pay for 254 software titles, but there's little commonality in the titles chosen. Only 39 of those titles are used by five or more districts. By comparison, 98 percent use Google Apps for Education, researchers found in the study, which was conducted between June 2016 and January 2017.

**Top 20 Software Titles by Popularity of Usage**



In a survey of 94 Future Ready districts, the top 20 software titles mentioned are ranked here by the Technology for Education Consortium.

“District leaders and school leaders would like to know what other people are paying, and that they’re getting a fair price,” said Karen Cator, president and CEO of Digital Promise, which oversees a coalition called the League of Innovative Schools, comprised of 86 districts serving 3.3 million students.

But it’s not just about price. They also want to know they’re getting the right level of support, that there is a foundation of research supporting the product, and that the product has been adequately tested, Cator said.

While people are more concerned about transparency, she said that so far there isn’t a “Consumer Reports”-like place where schools can get that kind of information—although bits and pieces of it are being provided by different sources. One example of how transparency can impact prices schools pay is the EducationSuperhighway’s Compare and Connect K-12 platform, which allows districts to see what districts are paying for broadband.

This year, EducationSuperHighway will work with 1,000 school districts across the country, and CEO Evan Marwell said the website, launched last November, is frequently mentioned as a way districts were able to buy more bandwidth for the same price. Broadband vendors are using the site as a way to get leads, he said.

## Companies React to the New Expectations

How do companies look at the organized effort to bring more precise pricing data “front and center” in discussions with schools?

Executives from two of the companies in “Price-a-palooza” said they don’t anticipate that it will produce much change because they believe pricing transparency is not new—and some of them are already working with the Technology for Education Consortium on the issue.

“At the end of the day, it’s critical that we ensure our customers at schools understand our pricing,” said Marc Caltabiano, the chief product officer for Renaissance Learning, which makes Accelerated Reader. “It’s in our interest, and it’s in their interests.”

Where there is complexity in pricing, it's not meant to be confusing, but rather to give the best options to district buyers who may have very different needs, he said. With four product lines, and different product options in each, that leads to dozens of permutations for different price points. Caltabiano said district buyers will ask questions like, "Which of these options make sense for me?" and "Does it help me from a pricing or value perspective if we combine these products to work together?"

Lexia Learning, a Rosetta Stone company, sells a personalized learning platform designed to build the foundational skills students need to read.

"Our philosophy is that we are transparent—we have standard pricing," said Nick Gaehde, the company's president and CEO. "We sell an online subscription service on a per-student and per-school basis."

Like most products sold in K-12, Lexia's prices aren't listed on its website. But they are included in summaries provided by some review organizations, Gaehde said. We found one such listing for Lexia Reading Core5 in a review by Common Sense Education.

Imagine Learning declined to comment on the upcoming webinar, referring instead to an earlier statement the company released when asked for comments on the consortium's initial report in April about ed-tech prices.

That study found discrepancies between the highest and lowest prices districts pay for the same hardware and software product can range between 20 percent and 40 percent, the researchers said. Licenses for purchases of the same popular software could vary from \$4.97 per license to \$7.54, depending upon the district, according to the consortium's research.



Anything that involves transparency or change requires selling.

*Nicole Neal*

Jeremy Cowdrey, executive vice president of sales and marketing for Imagine Learning—one of the popular products identified in the study—pointed out that many factors

influence the price of a license. While the company, like most vendors, offers standard pricing with a volume discount, Cowdrey added: "But the reality is that every district partnership requires a unique implementation plan...And, of course, final pricing will reflect the array of services, support, and professional development options a district chooses."

Neal of Noodle Markets said her company offers a tiered pricing structure, with districts of more than 50,000 students paying \$5,000 per month and smaller districts paying \$750 monthly. "It averages about \$2,500 per month for a district." The company is closing in on its 100th customer, with six pilots underway now, she said.

## What's Next for Pricing Transparency?

"Spending is tied to pricing, and therefore pricing transparency will become a critical factor in schools being able to run more efficiently," said Neal. When the thousands of companies that sell more than 33,000 products in Noodle Markets' vendor community are asked to add pricing information later this year, does she expect them to jump at the chance?

"Anything that involves transparency or change requires selling" them on the concept, she said.

Karl Rectanus, co-founder and CEO of the company that built LearnPlatform, the underlying technology for the Technology for Education Consortium, said studying prices "isn't just about, 'Did I get the same price as somebody else,' but can we scale achievement for kids?"

Establishing consistency in pricing is essential for schools, said Fiona Hollands, the associate director and a senior researcher for the Center for Benefit-Cost Studies of Education at Teachers College, Columbia University.

*Any ed-tech company should be thinking of price transparency.*

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But she emphasizes that transparency is not a unilateral threat to companies' survival. "You want to see good quality products out there," she said, and the companies that

produce them need to explain what goes into product prices, like continuous improvement.

Friedlander is starting to have conversations with executives about how to address the issue of pricing transparency, which some have told him privately is a problem that needs to be addressed. "No company I've talked to has said, "This a terrible thing you're doing,'" he said, referring to the group's pricing studies.

"We've had relative price transparency in the hardware side of ed tech, and I definitely believe that's moving into the software and services aspect of ed tech," said Rectanus, whose LearnPlatform has more than 1,000 schools online to monitor usage and run trials of educational technology. "Any ed-tech company should be thinking of this."

Being upfront about pricing could help districts focus more clearly on what they expect to get from the purchase, according to Friedlander. "A district might decide reading is the most important thing we do, and we'll pay 15 percent more if we know it will get those 4th graders up to reading level."

*See also:*

- [K-12 Companies to Get Price Transparency on Broadband Rates With New Tool](#)
- [K-12 Schools Could Save Billions by Sharing Ed-Tech Prices, Report Says](#)

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Tags: Procurement / Purchasing / RFPs, Research/Evaluation

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