THE EUROPEAN EDTECH MAP: INSIGHT REPORT

Micro-size companies, gender gaps, funding challenges and restricted expansions

The European EdTech Alliance is a not-for-profit network of edtech trade associations that, through its members, represents more than 2500 Edtech start-ups and companies across 20 countries in Europe. We exist to encourage cross-border cooperation and education innovation in Europe. Our collective goal is to achieve a higher quality, more holistic and accessible education for all.

The European Edtech map was launched in May 2022 and provided Edtech start-ups and companies with headquarters in Europe the opportunity to submit data about their companies and be findable on the interactive map. The map can be searched according to multiple criteria and aims to link and connect similar ideas and provide some key trends to watch. For the current report, we are working from a dataset of 1233 companies from 36 different countries. The Edtech Map is a product of our Start-up Taskforce and we are grateful to the core team of members who supported its development and launch from Edtech France and Swedish Edtech Industry.

This report has been prepared by Beth Havinga and Damian Bartsch Cornelsen. Our thanks go to the EEA members, the EEA board, and the thousands of Edtech Companies who have joined our map and continue to work tirelessly to support education innovation both within their local markets and beyond.

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Introduction:

In 2022, the European Edtech Alliance launched the first ever pan-European, interactive mapping tool both to provide much-needed insights into the European Edtech ecosystem and increased visibility for the companies as well as a chance to connect. In total, 1258 companies throughout Europe have contributed to the Edtech map, making an important start to this work.

The past three years have shown the importance of the Edtech industry for the sustainability and access to meaningful education experiences as we have contended with and continue to be challenged by school closures, hybrid teaching models and asynchronous access to education resources.

Whilst the map does not yet represent the full breadth of the European Edtech ecosystem, it is important to highlight certain trends that the map data reveal so that we can approach policy, development and implementation strategies with these perspectives in mind. From the vast majority of Edtech organisations actually being Micro Organisations in size, to the fact that just under half of all organisations have no international sales, or to the extreme disparities in funding, team make-up and company leadership between genders, there are issues influencing the Edtech ecosystem, which can affect the ecosystem's success and innovation possibilities.

In 2023, the EEA looks forward to expanding the Edtech map to include other types of organisations and increase representation from all local education environments within Europe. Join us, as we discover more about this essential industry.

Edtech Hotspots

Deciding where to set up and run an Edtech initiative can have a big impact on its success and growth. Different markets offer different possibilities and support systems. In mapping the European Edtech ecosystem, certain hotspots for Edtech emerge.

Although sometimes viewed as inhibitive due in part to centralised purchasing structures,

France is flourishing as the country with the most Edtech companies mapped. In close second comes Spain, followed by the Netherlands, Germany and the UK.

Number of Mapped Edtech Organisations Per Country

Top 15 Countries
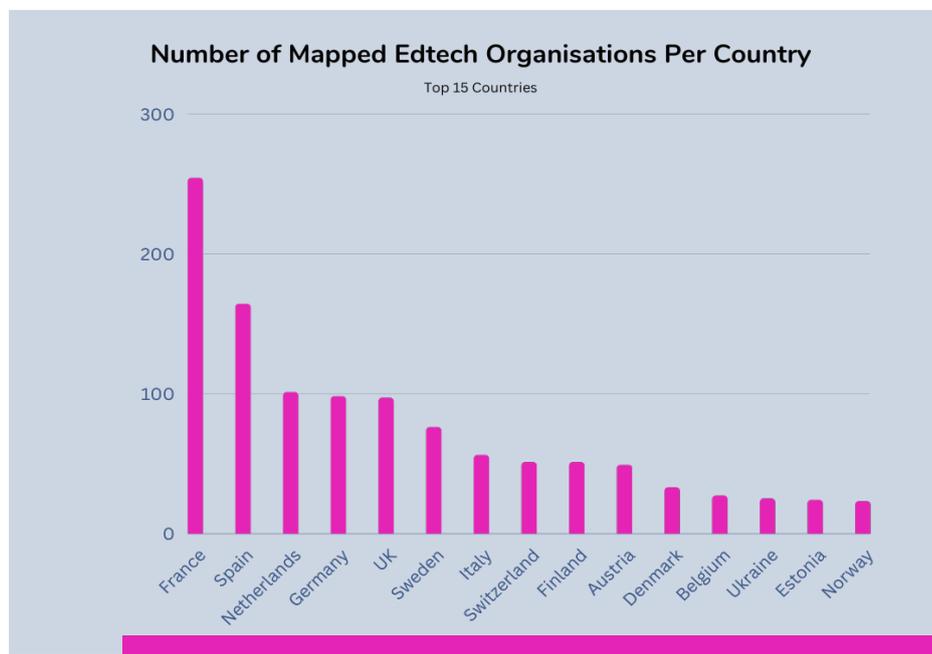
It is perhaps to be expected that the European countries with larger populations would boast larger numbers of Edtech organisations. However, if comparing the number of initiatives with population sizes, we would expect that Germany, with just under 83.5 million inhabitants would be leading and not France with its 64.5 million inhabitants, or Spain with its 47.5 Million. Interestingly, from the countries with 5-6 million inhabitants like Norway, Finland and Denmark, Finland has a marked lead in the number of mapped Edtech organisations. Estonia, although 14th in terms of most Edtech organisations mapped per country, is obviously a hotspot as the number of organisations is comparable to countries with five times the population.

Edtech European City Hotspots
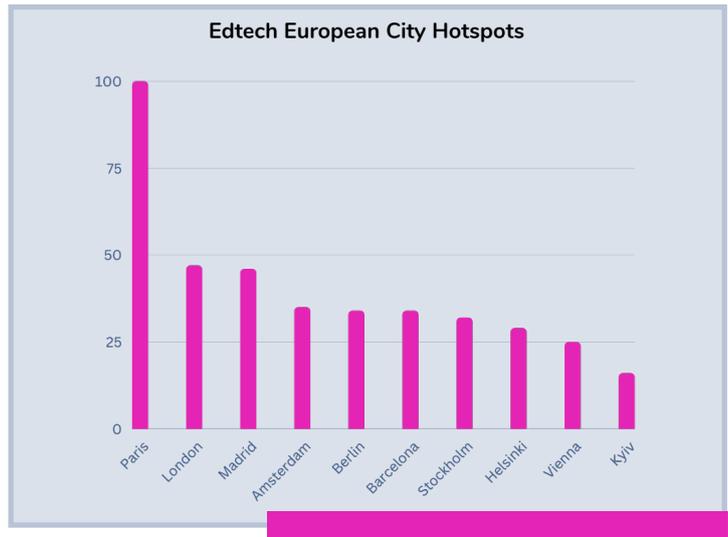
Unsurprisingly, considering the country rankings, the top city Edtech entrepreneurs are founding in is Paris. Interestingly, however, the next cities no longer follow the country ranking with London, Madrid and Amsterdam coming in behind.

Internationalisation and Expansion

With a perceived focus on growth and expansion, it is surprising to see that

> **just under half (48,7%) of the startups responding reported no sales to date outside of Europe.**

This makes the decision of where Edtech initiatives are being founded even more important.

International Sales

No International Sales
33.5%

< 20% of total sales
34.7%

> 50% of total sales
16.8%

20-50% of total sales
15%

A common complaint regarding the European education market in general is that expansion is difficult due to different regulations and processes and the need for a local understanding and access. Knowing that this hurdle has kept many companies from growing to their full potential and understanding that Europe as a market becomes stronger and more attractive to innovation if we can find solutions to this, the European Edtech Alliance has developed a Market Discovery Webinar Series[3] allowing the Edtech Community to do a deep-dive into different countries every month. In strengthening the pan-European Edtech ecosystem and providing educators, learners and their communities the access to the best resources and tools, which adhere to European principles, it is going to be vitally important to support innovations expanding across borders.

> **almost 68% of mapped Edtech companies either have no international sales or their international sales amount to less than 20% of the total sales**.

When expanding internationally, however, it seems that the most popular destination for the remaining 51,3% of respondents was North America with almost 64,6% of these startups boasting customers there. This is closely followed by Latin America (46,8%), Asia (46,3%), Africa (39,8%), and Oceania (26,9%).

Sales

During the pandemic, the majority of startups offered their products for free in order to support the global education efforts. Never was it more obvious, however, how precarious the situation for so many of these companies is, as the majority of them faced short term bankruptcy within months[4]. This is emphasised by the fact that

> **37,6% of Edtech company yearly revenues were below 50.000€.**

Revenue 2021

- 10M - 50M€ — 3.7%
- 2M - 10M€ — 10.1%
- 500 - 2M€ — 18.7%
- 200 - 500K€ — 15.2%
- 50 - 200K€ — 13.2%
- 0-50K€ — 37.6%

Team

Small and medium-sized enterprises (SMEs) make up 99% of all businesses in the EU[5]. These are defined as having under 50 and under 250 employees respectively. This is strongly reflected in the mapped data, which show 98,7% of the respondents falling into this category and only 1,3% of companies mapped boast over 500 employees. Showing the precarious nature of the market,

> **just over 60% of all mapped companies report that they have 10 or less employees, making them 'Micro' enterprises and showing the dedication of the teams supporting so many education environments to bring these ideas to life.**

This fact becomes important at a policy level when considering both tender and purchasing processes, the possibilities available to such small organisations, and the support systems necessary to make the ecosystem sustainable for innovation and growth. It is something the European Edtech Alliance brought to the discussions of the European Commission Round Table on EdTech and its position paper, Time for Action: making EdTech a key driver in the European digital education ecosystem[6].

Financing

Globally, there are currently fewer investments with venture funding down by 53%[7]. Many big Tech valuations are down 60-90%, although early-stage Edtech is showing a smaller decrease at this stage[8]. Some of the bigger themes affecting this change are lower valuations, profitability and runway. With investors focusing more on profitability and cash-flows, rounds are taking up to 6-9 or even 12 months as opposed to 3-6 months and are also becoming smaller. Closing rounds and surviving in the meantime is becoming increasingly challenging. On the positive side, dry powder (deployable capital) is at an all-time high (290 Billion USD)[9] and funds will have increasing pressure in 2023-2024 to start deploying.

Whilst, understandably, not all companies felt comfortable sharing their financing information or did not find it relevant, our map data finds that a lot is being invested into the European Edtech ecosystem.

> The top countries for investments were France, Spain, the Netherlands, Germany and the United Kingdom.

Although investments of up to 200.000€ were the most frequently seen, investments between 1-5 Mil.€ came close behind. Excitingly, 10 companies on the map have received funding of more than 60 Mil. € each with these companies being split evenly between France, the Netherlands, the United Kingdom, Austria and Poland.

Total Funding Amounts Across all Countries
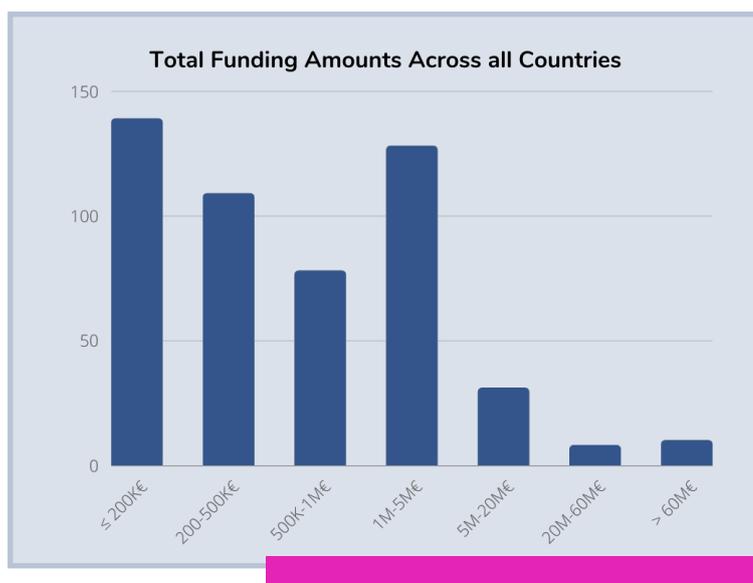
How gender affects funding

In particular, when looking at funding, we can see the disparity between the genders of founding teams:

> 39,2% of those funded are sole male founders, 40,9% are male and female co-founders, and only 11,4% are sole female founders.


Total Funding According to Gender of Founding Team
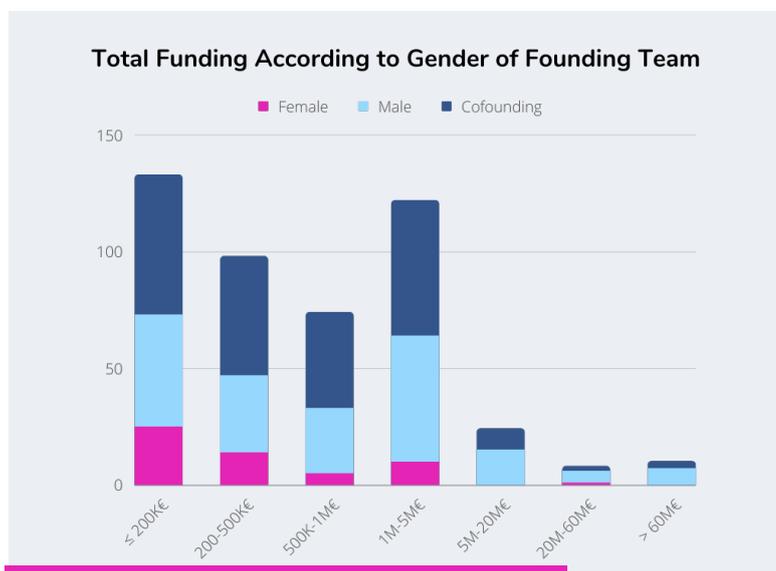
This disparity becomes even more alarming when we explore the amounts that are being invested in the different types of founding teams. We see a disproportionate amount being invested into sole male founded and co-founded teams, especially at the higher level of funding. This reflects the general state of funding for female-led and initiated ideas within Europe[10] but is sobering when considering the fact that female-initiated ideas are generally better investments with higher returns[11], and inherent biases within products need to be addressed in the face of the high female usership within education, e.g. up to 75% of techers in public schools[12].

## Gender Parity and Founding Teams

This year and in the face of an extreme lack of gender parity both in the support and financing of female-led Edtech companies, the European Edtech Alliance initiated the Female Edtech Fellowship[13] in an effort to provide targeted support and build up a stronger community of European women founders.

In total, 44,7% of all mapped Edtech companies consisted of founder teams of both genders.

Gender of Founding Teams

Female 12.4%

Male 42.9%

Mixed Gender Team 44.7%
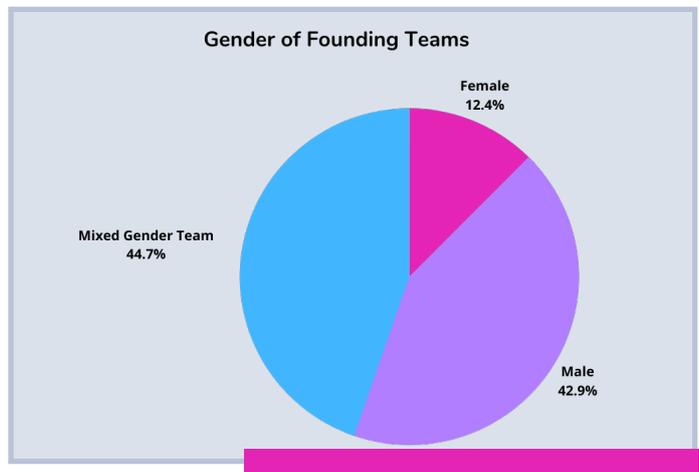
> **Companies with single founders, however, showed a larger gender divide with 42,9% being founded by male and only 12,4% by female entrepreneurs.**

The countries with the highest percentage of women-founded Edtech companies are Ukraine (29,2%), Lithuania (26,7%), Ireland (20%) and the United Kingdom (18%). Those trailing behind in terms of female founders are Belgium (4,5%), Austria, (5,0%) Sweden (5,7%), and Germany (8,2%). At the same time, and seeing the strength in co-founding, the countries leading the ranking with both male and female co-founders are Estonia (60,9%), Italy (56,9%) and Finland (56,5%) with Germany and the United Kingdom close behind

Gender Breakdown of CEOs of Edtech Organisations

■ 73,9% Male CEOs   ■ 26,1% Female CEOs
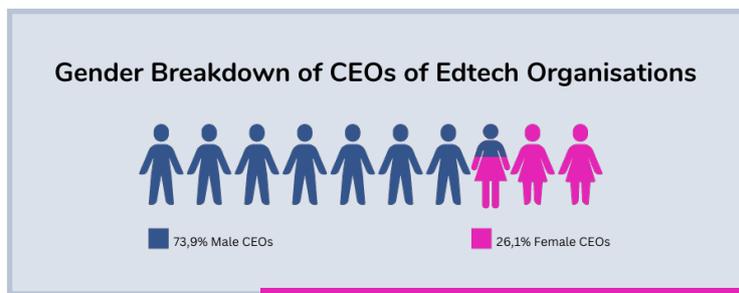
> **The gender divide becomes even more distinct when addressing the gender of CEOs of the companies with 73,9% of all mapped companies being led by males and only 26,1% by women.**

Business Models and Sectors

Sector

The Edtech sector consists of multiple different segments each supporting a different facet of learning and teaching. With some strongly focussed on the school sector, others are supporting individual learners and their families, lifelong learning, or corporate learning and teaching.

The focus of the startups is also varied, however, demonstrates clear leaders with 24.2% of startups in the knowledge and content space. Education Management tools (16.5%) and Experiencing Learning tools (15.4%) round out the top three segments closely followed by skills and jobs, and learning support.
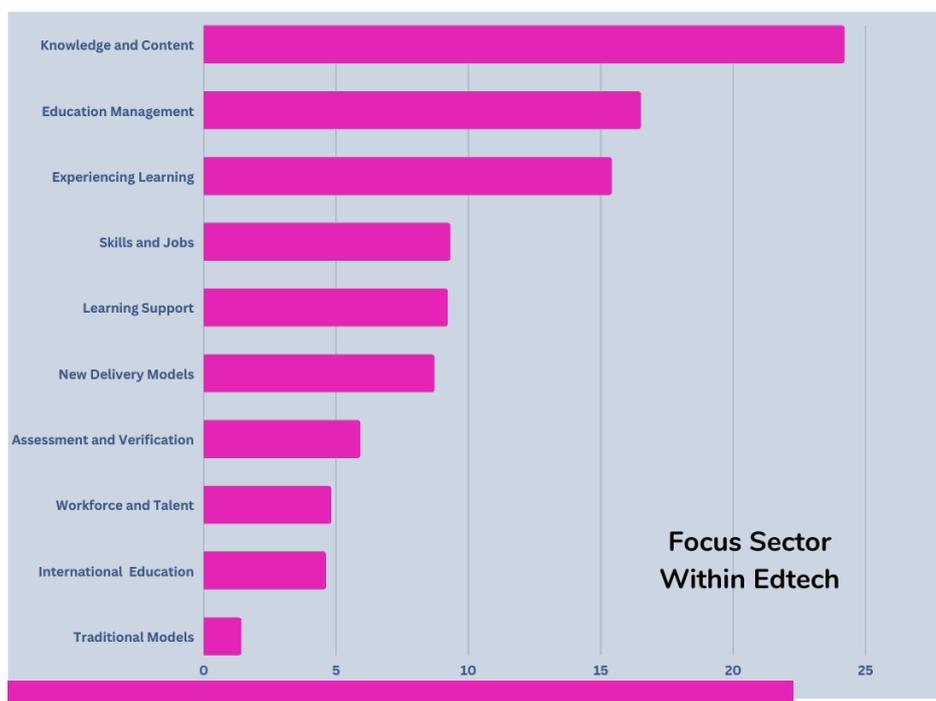
Models

A common hurdle of the Edtech market is access: Edtechs accessing the necessary decision makers, and users accessing the best innovations for their specific learning and teaching needs. Because of this and the structures found in the education markets, our map shows that most companies have multiple business models targetting multiple segments.

The complexity of accessing the school market directly, Business to Schools (B2S), is seen in the fact the number of mapped startups who only follow this business model is just 5.3% of all startups. Although each European market has its own challenges, it is clear that the Edtech innovators must go through other channels to supplement their businesses and that there need to be discussions around how to better make Edtech accessible to schools and support the interactions between schools and Edtechs so that tools can be adapted and educators better supported.

The Business to Business (B2B) model is the most popular both in terms of companies only following this model (20.6%) and those who use this model to complement other business models (72.9%)

Business to Customer (B2C), a model that is seen for example strongly in the tutoring and app market, is the second strongest model both as a stand-alone company model (8,3%) and as a combined business model (49,8%).

With many restrictions in place and often no clear sales path, it should come as no surprise that Business to Government (B2G) comes in last within the mapped companies comprising only 0,6% of the single model approaches and 35% of the combined models.
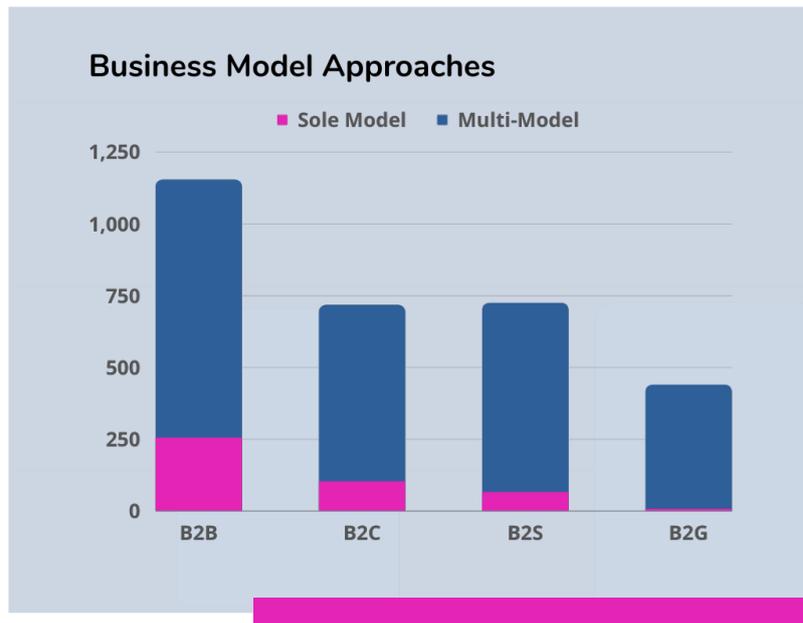

Audience

The different business models also target specific customer bases. Perhaps unsurprisingly,

> **the combination of Parents, Teachers and Students was the largest target audience group for Edtech companies, comprising over 54.4%.**

Only 5,7% of companies focussed solely on students or learners and 13% directly and only focused on teachers. Interestingly, companies with a focus on selling to corporate customers make up 26,9% of the mapped companies.
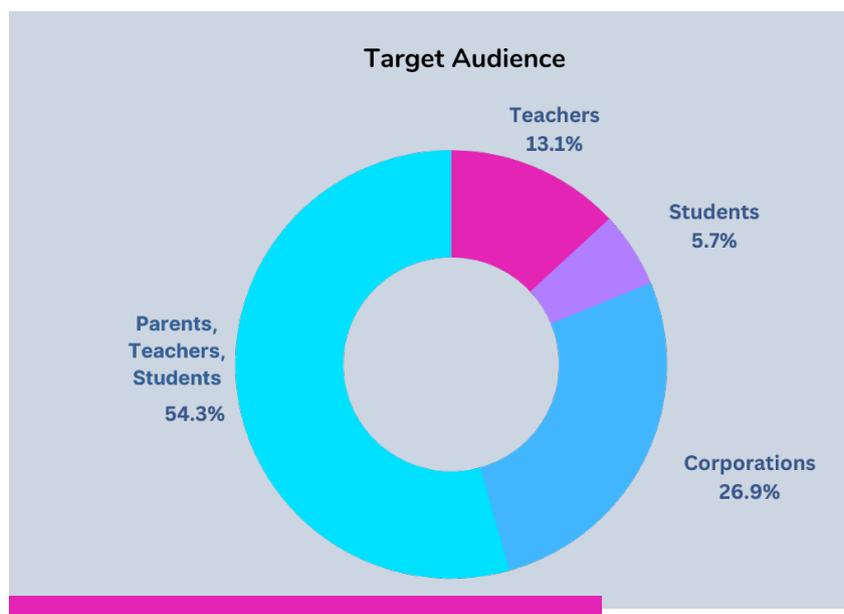
Final Remarks

There is a lot of action within the European Edtech ecosystem and thousands of initiatives are being developed. In terms of sustainable structures, gender parity and funding possibilities, and support for smaller-sized organisations, there is a lot of room for growth. We look forward to further exploring the challenges and chances for expansion and internationalisation, and together developing solutions, which can ensure that the European Edtech ecosystem becomes easier to navigate and recognised internationally.

Become a part of the European Edtech Alliance Edtech Map here and find connections and synergies beyond borders:
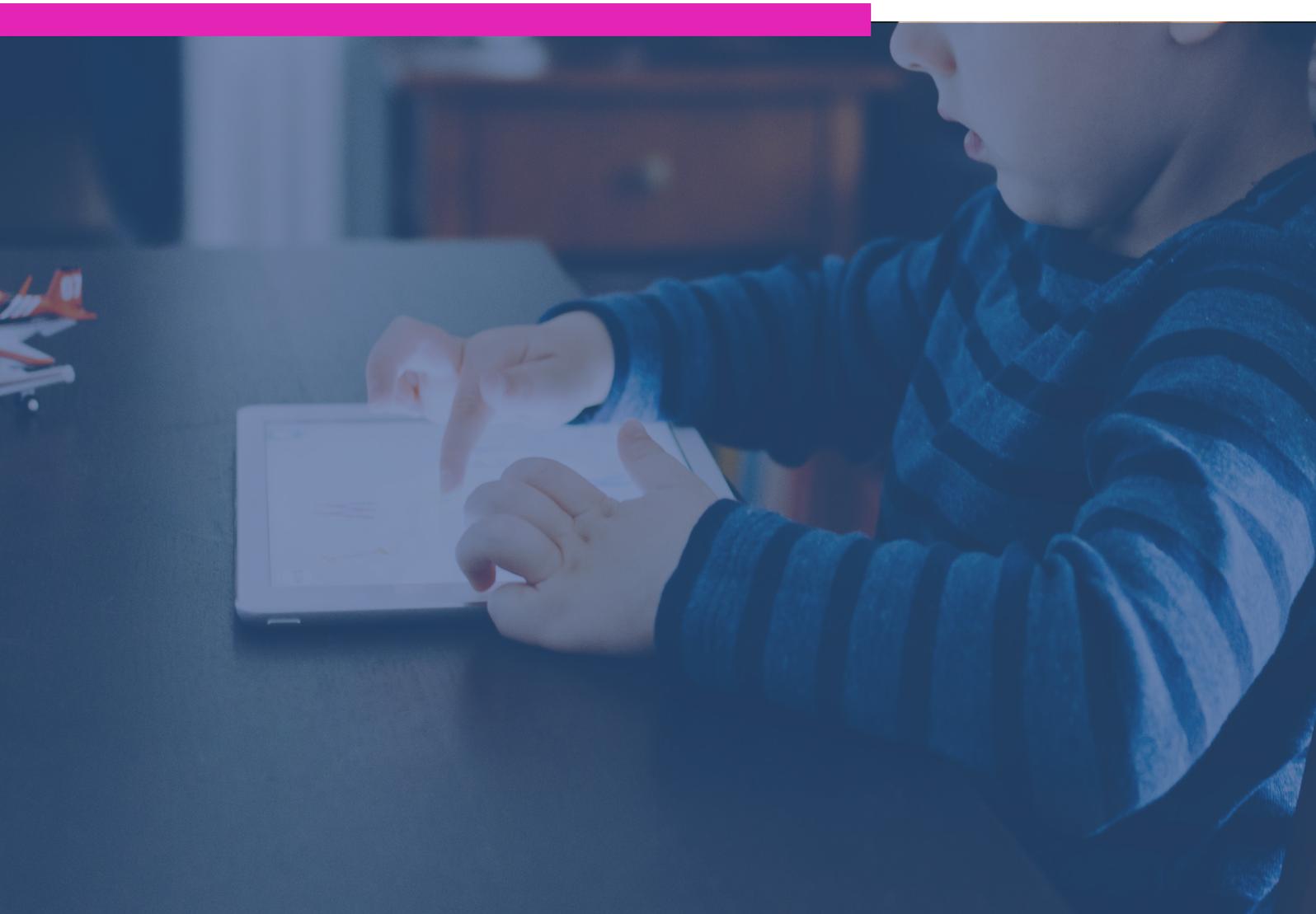
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Sources:
[1] We view Europe as the entirety of continental Europe including Scandinavia. Additionally we have included Ukraine.
[2] As of 12. December 2022: https://www.edtecheurope.org/european-edtech-map
[3] https://www.edtecheurope.org/webinar
[4] https://medium.com/age-of-awareness/the-full-er-picture-f171aa15b8bf
[5] https://single-market-economy.ec.europa.eu/smes/sme-definition_en
[6] https://digitaleducationstakeholderforum.eu/public/uploads/Time-for-action-making-Ed-Tech-a-key-driver-in-the-European-digital-education-ecosystem.pdf
[7] https://news.crunchbase.com/venture/global-vc-funding-pullback-q3-2022-monthly-recap/
[8] SuperCharger Ventures based on Alumni Portfolio
[9] https://techcrunch.com/2022/11/11/amid-record-dry-powder-vcs-are-determined-to-fund-any-thing-but-you/
[10] https://pitchbook.com/news/articles/senior-female-vcs-call-out-major-funding-disparity-in-europe
[11] https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet
[12] https://www.holoniq.com/notes/the-2022-global-state-of-womens-leadership
[13] https://www.edtech-fellowship.eu/

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