



## Stanford eCorner

### Achieving Profits Through Customer Focus

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Video URL: <http://ecorner.stanford.edu/videos/617/Achieving-Profits-Through-Customer-Focus>

Smith poses the question: How can companies be profitable in the education sector? She discusses how education is more recession-proof than other industries and how newer schools have shifted their program focus to non-profit.



#### Transcript

The question is about potential profitability in the education sector given that we have a lot of cuts in public spending. I think there are profitability issues in many industries right now. I think the public education is sort of an interesting industry because to some degree, it's more recession proof than some other industries in the sense that at a minimum level, we'll keep spending no matter what. The question is we're not necessarily going to be spending above that minimum and so where are people going to get their margin in a business? It's a very difficult industry to make a profit running entire schools, very, very hard, which is why we've shifted our strategy around running schools from for-profit to nonprofit. However, having said that, there's a large opportunity I think for profitability if you really solve the problems the systems are facing around data, around accountability, around English language learners, special education. There are a number of niches where the system has not been able to solve the problem and is throwing gobs of money at the problem ineffectively right now. Long term, will there be an appetite to pay once you've solved the problem? Would they want to take it back? It's a legitimate question but the system hasn't done a good job of learning from its outsource providers and folding it back inside. They started outsourcing bussing and then lunches and then cleanup and all those sorts of things and tax books obviously are an industry that they don't do in-house. So typically, once they've begun to bring external providers then they're not good at bringing it back inside. Obviously, there's high and low margin, service business being the lowest and technology solutions being the highest.

So I do think that there's an opportunity for profitability. I think it's just important that you really begin from the standpoint of the customer and what their pain is as opposed to what a number of companies have done which is beginning from the technology side and saying I have a cool technology, there must be an application in education. That's bad. You're not going to make a profit there because your buyers aren't going to buy it. It's a long sales cycle. It's painful. Don't go there. But if you really get inside your customer's head and say where is your pain, oh you can't figure out how to educate special education students with learning disabilities, here's a cheaper way to do it. Super profitability. Or, English language learners.

There are all sorts of niche opportunities.