Connect LMS – A New Type of LMS

Learning Management Systems (LMS) lie at the heart of today's e-Learning programs. While the market for institutional LMS solutions grows, there exists an untapped emerging market for a smaller scale classroom based learning management system. The Connect LMS venture is targeted towards primary and secondary education settings who do not have the resources or need to implement a full-scale LMS, but still want to connect the students with teachers, curriculum, social and collaborative networks and parents. *Cloud Connec*t, the company behind **Connect LMS**, is developing cloud based software that meets the needs of the end user while creating a new niche market which is believed to see strong expansion in the next five years.

What is Connect LMS?

Connect LMS is the first classroom learning management system designed to meet the functional course requirements in today's face to face classroom. It is different from the typical LMS model which is used to house all of a curriculum's pedagogy and lessons within a software management system. Connect LMS merges many of educational technologies that are already being adopted and put into use in the classroom, and it is this merging of technologies that allows for optimal integration between all stakeholders within the educational community. The primary modules of Connect LMS include:

- Blogging
- Wikis
- Grading
- Product Showcase
- Product Assessment
- Student e-portfolios
- Cloud based file storage
- Optimized for mobile devices

While each of the above functionalities is already available in many forms, it is the integration that will realize the promise of educational technology. Connect LMS acts as central hub for all of the above modules, giving the user control over where their files are stored and who has access to them. As a long-term selling point, future development of the Connect LMS will incorporate analytic tracking systems which can be used by administrators and teachers to help guide personalized learning.

Management Team

Cloud Connect is a small start-up which requires seed investment to start software development based on the proposed business venture. The two primaries within Connect LMS are Doug Smith, Chief Education Officer (CEO), and Paul Shoebridge (CSO), Chief Software Officer. Mr. Smith has several years' experience working in research and development teams in small-

cap public companies, in the capacity of R&D engineering and General Manager. Mr. Shoebridge is a pioneer in new media and software development, and is seen as a visionary in media development and dissemination.

Market Placement

Cloud Connect is creating a product for a new market based on K-12 education in both the private and public sectors. While it will first be developed in Canada and targeted for the Canadian market, similarities between Canada and the USA in pedagogical approaches should allow for easily accessible market growth.

Canada was chosen to be the first market for Connect LMS because of the founders' familiarity with the educational system and marketplace, along with knowledge of existing available resources (financial, credit, funding, grants, and skilled workforce).

Entrance into the USA will face some challenges. Of prime importance will be the development of a marketing team and sales force which can navigate and penetrate the US market. Sales, marketing and advertising will have lower initial costs in Canada during a period in which the product will be virtually unknown. The USA market will be approached after revenue streams start to increase and the product has begun to build an established base and brand.

Buyers and End Users

Connect LMS will appeal to several different buyers. Using a grassroots development strategy, Connect LMS plans to initially target the software to individual teachers. Connect LMS will be designed as a Software As A Service (SaaS) product. This means that individual teachers and classrooms can purchase Connect LMS without requiring any upfront non-recurring costs. Whereas running a typical LMS requires investment into networks, servers and server management, Connect LMS will run as web based software solution that resides in the cloud.

Pricing models will be used to encourage adoption at institutional levels in public education sectors. By offering cost reduction through site licences, the buyer will eventually be a mix of classroom teachers, individual schools and school districts. The users of Connect LMS will be administrators, teachers, students and users. Cloud Connect sees teachers as being the primary agent in the success of the product: teachers are targeted as both the initial buyer and the user, and therefore they will be the focus of initial sales efforts.

Existing Classroom Products Market

Connect LMS is not only creating a new product but also a market for combinatory software solutions. There already exists many singular software products that individually do a part of what Connect LMS does. Connect LMS is based on four types of currently available software products.

Blogs and Wikis

Blogging and wiki use has exploded across the internet, and is one of the most prolific conveyors of information on the web. It is estimated that there are 156 million blogs on the internet as of February, 2011 ("Blog - Wikipedia, the free encyclopedia"). Edublogs, one of the most used blogging services in education, is said to have over 500,000 users (Pujol, 2011). PBwiki is one of the most popular wiki providers, and as a combinatory product it offers useful comparisons for Connect LMS: PBwiki was founded in 2005 and now has over 200,000 hosted wikis ("PBWorks - Company Information on PBWorks").

Connect LMS will include both a blog and a wiki module that allows for individual and collaborative blogging with flexibility security settings that help protect students and meet requirements for the Freedom Of Information and Privacy Act (FOIPA) in Canada.

Cloud Storage

As a SaaS product, Connect LMS inherently uses cloud computing for file storage and connectivity. However, Connect LMS is not intended as a competitor to existing cloud storage products such as Dropbox. The cloud storage aspect of Connect LMS will be marketed as a convenient method for communication and collaboration with parents. In this sense its nearest competitor is Microsoft's Sharepoint. However, Sharepoint is an institutional product with significant costs and required resources, and it is very unlikely that the initial buyers of Connect LMS will see these two products in a competitive light.

Grading Software

There are many types of grading software on the market and Connect LMS at this time cannot compete with the offerings in the existing market. However, the ability to share grading information is relatively weak within the current grading software market, and this feature may be exploited in the branding of Connect LMS. Current trends in policy setting in public education are focused on 21st Century Learning and public/parent accountability, and this aspect will be addressed with Connect LMS.

Mobile Use

Mobile use in classroom software deployment has not been marketed or realized yet, and Cloud Connect plans on leveraging their position by being a market leader in this area. The graphic below serves to emphasize the potential that exists for products that can take advantage of mobile devices and computing.
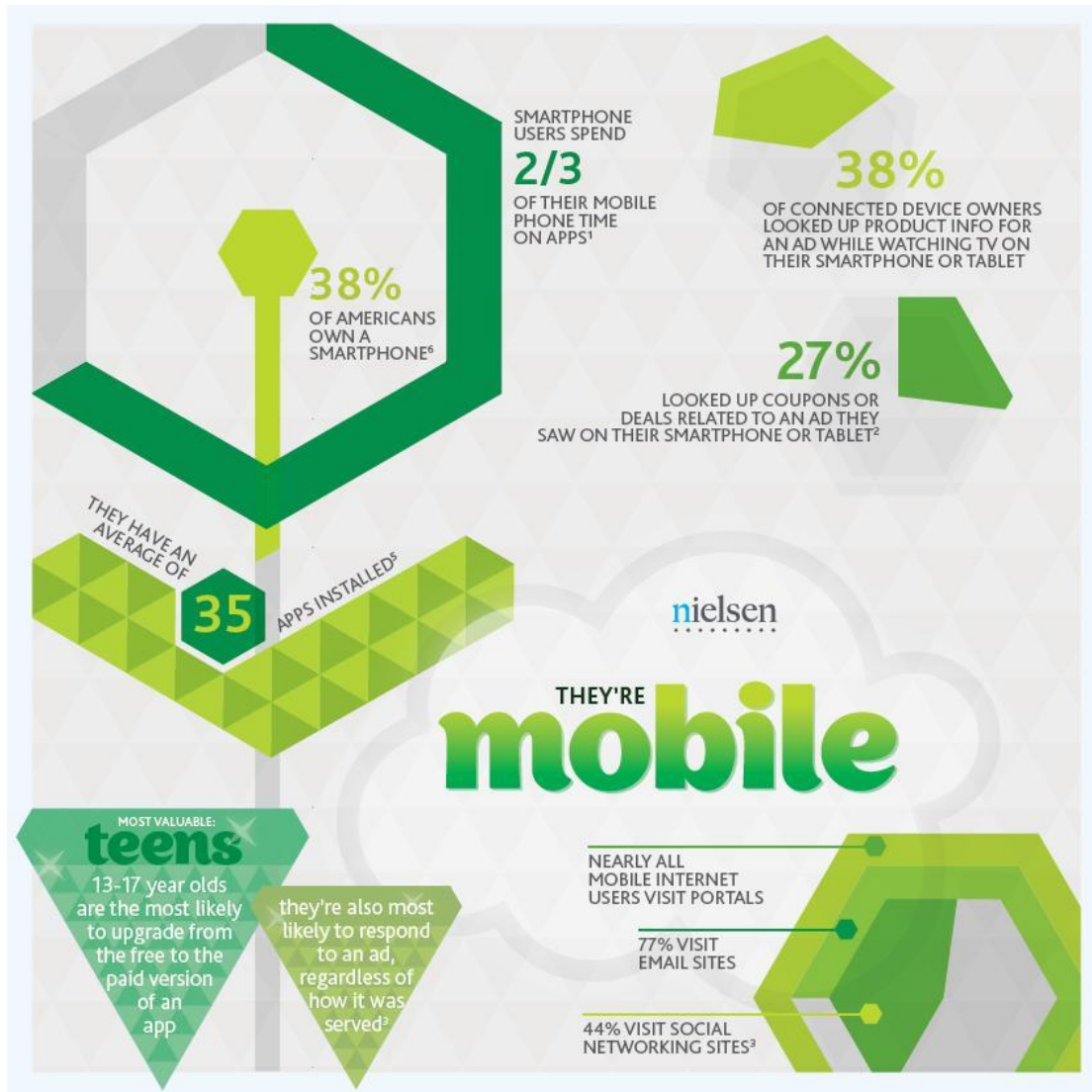
(Infographic: The Most Valuable Digital Consumers | Nielsen Wire)

Connect LMS plans to combine mobile connection capabilities with product showcase functionalities to become a leader in Product Based Assessment. This is where students will be able to upload and access assignments and products and have them integrate with personal e-portfolios. Cloud Connect sees this as a powerful tool that will help grow the brand of Connect LMS.

Existing Institutional Market

Taken as a whole, the biggest competitors to Connect LMS are the current offerings for LMS software. There are several large players in the LMS market, including Moodle and the market leader Blackboard. The closest incarnation to Connect LMS is a relatively new product called LoudCloud. Not only does LoudCloud offer the expected functionality of an LMS, but since it is a cloud based application it provides learning analytics.
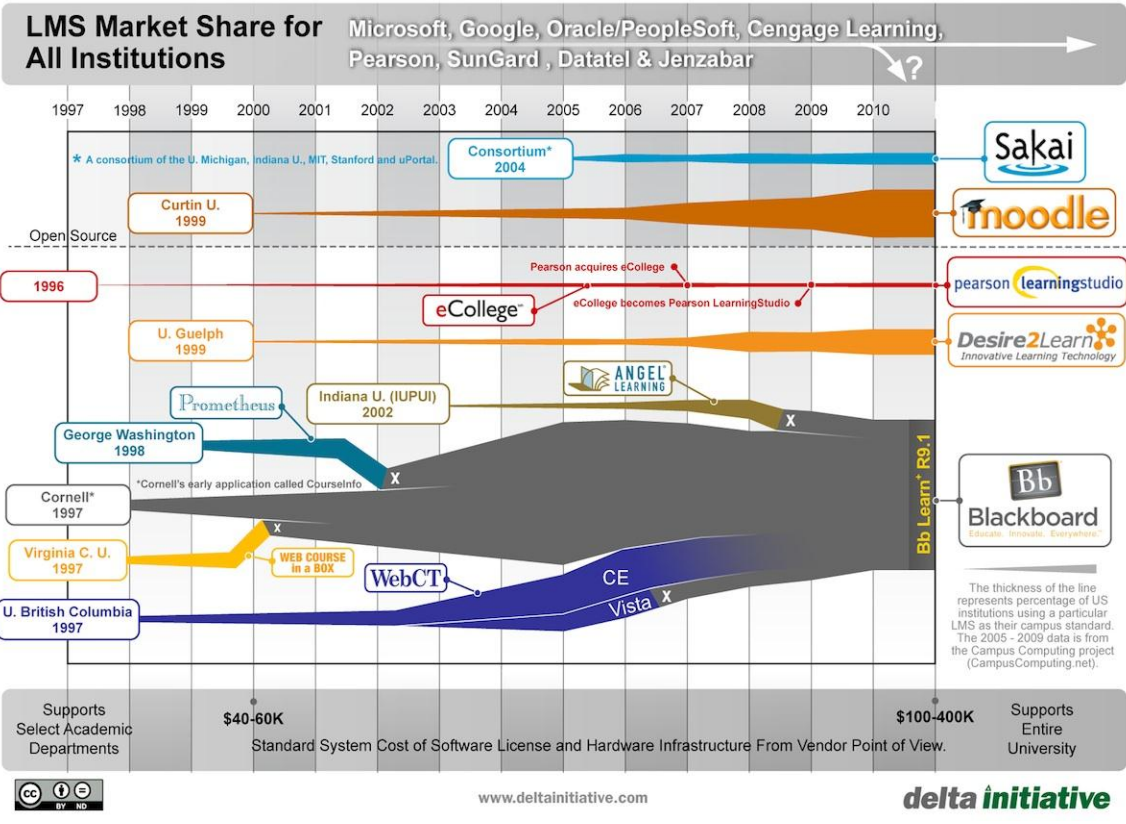
(Hill)

In terms of market size, the North American LMS market was worth approximately $750,000,000 in 2010, and this number was expected to grow 2 to 5% in 2011 ("New Research Projects Global LMS Market to Grow Substantially - Chief Learning Officer, Solutions for Enterprise Productivity").

The Opportunity

Blackboard is estimated to be losing 150 LMS clients per year, which equates to approximately 1 million students ("Blackboard Acquisition - Analysis of License Numbers," n.d.). There appears to be a shift in downsizing LMS costs in the marketplace, and this could be an indicator that the public education marketplace is ready for a smaller, classroom centered LMS product. Cloud Connect intends to create this emerging market, starting with grassroots growth through a low-cost "Foot in the Door" (Freedman & Fraser, 1966) pricing structure. Being a new niche market, this gives Connect LMS a chance to mature as a product with less pressure than if it was developed for a mature market.

Cloud Connect has not yet conducted a financial analysis of the proposed venture. However, it is known that PBwiki was started using seed funding of $350,000 ("PBWorks - Company Information on PBWorks"). Connect LMS is seen to be a larger scale project but much of the

foundational code development costs should be similar between the two projects. A rough estimate for development is $1,000,000 per year, with a 1.5 year development time to market. Based on the market size of $750,000,000 in North America, it is believed that a 5% share can be attributed to Canada. If Connect LMS can grab a 5% representative share of this value (recognizing that Connect LMS is targeting a different buyer), it is estimated that Connect LMS can attract $1.8M within the first two years of sales. The growth of this market is anticipated to be very high, as it is a new emerging market and not confined to the 5% growth of the established LMS market. Returns on investment are expected to be significant after 3 years of development.

The Challenge

Cloud Connect is attempting to create a new market for classrooms, where educational technology adoption is varied, as is funding for new product purchases. Furthermore, it may be difficult to convince potential buyers that a combinatory product is advantageous to them.

Perhaps the greatest threat to Connect LMS is competition from freeconomic software products such as Moodle, Wordpress, TikiWiki, and Pearson's new free LMS "OpenClass." Research has shown that even with very small price differentials, free products carry a non-proportional advantage (Pujol, 2011).

Finally, Connect LMS will have some internal threats related to its early stage of development. However, seed investment and share allocation can be adjusted accordingly to offset risks that accompany any small start-up venture.

Cloud Connect looks forward to meeting with interested investors and anticipates a very exciting and successful venture for a range of investment opportunities.

<u>**Self-Evaluation**</u>

Strengths of the Venture Pitch
- Clearly identifies the market and buyer, along with a rationale

- Offers a comparison product for development resources (PBwiki)

- Defines the competition in the market, along with how it is changing

- Identifies risks associated with the emerging market and buyer adoption

Weaknesses of the Venture Pitch
- Unclear if the reader will understand what the product really is, and its significance

- No data showing why the market would actually grow

- Company structure and principals are only briefly defined

- Is the emerging market clearly defined?

- Venture pitch is a bit mechanical and lacking excitement

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