

April 12, 2004

E-COMMERCE REPORT

Preparing for Entrance Exams Online

By BOB TEDESCHI

BY now, beads of sweat have collected at the temples of high school juniors as they prepare for next month's college entrance exams. Given the fact that these students have practically grown up in cyberspace, and that many live in areas not served by traditional test tutorial companies like Kaplan and Princeton Review, one might assume that businesses are making real money from online test preparation.

But so far, that has not happened. For that, the companies can hold responsible - who else? - parents and teachers.

The online test-preparation industry has rolled out an array of services in recent years, looking to capitalize on several factors that, at first glance, make this market appear to be a lock. Not only is the population of high school students surging, but a higher percentage of students are seeking slots at four-year colleges that have generally held the line on enrollment. That has made competition among applicants stiffer and increased the importance of high test scores. Half of the 1.4 million students who take the SAT will rely on preparatory classes or tutorials, at a cost of \$500 million, according to Eduventures Inc., a consulting company based in Boston. Of that, only about 5 percent, or \$25 million will go to online test preparation.

"Generation Y is more than ready for this," Adam Newman, vice president for research at Eduventures, said. "But it's the baby boomers who have to pay for it, and they're not convinced that students can perform as well as, or better than those taking the classroom-based prep courses if they go online."

According to Seppy Basili, vice president for learning and assessment at Kaplan, parents have been slow to embrace online test preparation not because they doubt its pedagogical merits. "They're concerned that their kids' time online hasn't been valuable time online," he said. "I've heard this from parents all over the country."

Test preparation companies offer online classes in a variety of flavors. Princeton Review's most popular online course, for \$400, includes interactive multimedia lessons, with audio explanations of various academic principles. Offline, the company's courses cost \$800 to \$1000, depending on the region.

Online students, who are expected to complete the course in 40 to 60 hours, also receive eight practice tests that, when completed, yield explanations of correct answers, as well as personalized assignments for students to improve on weaknesses. Princeton Review coaches are available at all hours to answer basic questions from course participants online, while more detailed questions are answered via e-mail message.

The lessons "are highly interactive," according to Drew Deutsch, a Princeton Review assistant vice president. "Students are constantly clicking. It emulates the Socratic method we use in the classroom experience."

Princeton Review also offers a more expensive online course that, for \$700, includes eight live online classroom sessions led by a company instructor. The sessions, which feature both text chat and a virtual "white board," will later this month include two-way audio between the instructor and the students. Budget-conscious (or time-pressed) students can also enroll in a \$100 cram course, with two practice tests and about 20 online lessons.

Mr. Deutsch would not say how many of Princeton Review's students enroll in online courses, or how much of the company's revenues come from the online division, but he said that with annual growth of about 80 percent, "it's one of the fastest growing areas of our business."

Profit margins, meanwhile, "are at least twice what they are for our classroom course business, because you don't have to provide rooms or instructors, and all the training associated with that."

Profitable as they are, the online courses were never intended to displace the off-line courses as much as they were "meant to expand the reach of our business," Mr. Deutsch said. In particular, online courses are targeted to students who are too busy to schedule classroom sessions, those who cannot afford the traditional courses, those who cannot stomach the idea of sitting in a classroom in nonschool hours, and students who live too far from the company's traditional classroom centers.

To help prove the effectiveness of online study, Princeton Review will release a study of its Internet courses this fall. "We see similar score improvement in our Internet and classroom courses, which average 140 points combined in the math and verbal," Mr. Deutsch said. "We expect the study to show numbers very close to that, if not higher."

That study "will certainly help, in that we can put it in marketing material," he said, "but I don't know if it'll give us a significant increase in business."

Mr. Basili at Kaplan said he was "satisfied" with the company's online test preparation revenues, which he would not disclose. "They're not close to rivaling our traditional business yet," he said, "but we're really excited about the growth."

Part of the reason the Web classes have not caught on more quickly, Mr. Basili said, is

that students are not as ready for online education as some believe. "People get attached to how they traditionally learn, and this is not how they're learning in school."

Ann Kirschner, president of Comma International, an education and technology consulting business, agreed. "Their high school experience bears no resemblance to the rest of the way they communicate and learn, because the high school instructors haven't caught up," she said. "Yes, classrooms have Web connections, and many have computers, but they're in the back of the room, literally and figuratively."

"The classroom experience is magical, no doubt about it," said Ms. Kirschner, who taught at Princeton University before embarking in a career that eventually led her into online media and education ventures. "But there's also no getting around the fact that the kids love this technology, and it can help make learning fun, and there's nothing trivial about making learning fun."

SparkNotes (www.sparknotes.com), part of the Barnes & Noble Learning Network, will sell online practice SAT tests to 500,000 students this year alone, said Justin Kestler, the site's former editorial director, who is now a consultant with the company. The company provides the first practice test free, along with scores and a diagnostic report, then sells tests for \$5 each, or \$25 for an unlimited number.

The College Board, a nonprofit organization that administers the SAT, will also join the low-cost online preparation market this fall, in advance of the new SAT test to be offered next year. David Justus, a member of the College Board's product development team, said the organization had not set prices for the online course, but "it'll be at a meaningful discount to the expensive commercial offerings now available."

Lower income students will qualify for discounts from the base price of the online course, Mr. Justus said. "The goal here is to broaden student access to SAT preparation, and to college," he said. "We're hoping this will help level the playing field."