

UK PRIVATE TUITION



OPPORTUNITIES IN THE MARKET FOR
SUPPLEMENTARY EDUCATION

Market dynamics



c27%

Current tutoring penetration



£900–£1K

Average spend pa per child



2 HOURS

Average number of hours per week



21%

Children tutored for more than 1 year



10%

Children tutored for more than 2 years

AN EVOLVING MARKET

Private tutoring in the UK is an evolving market with robust fundamentals.

Despite the increasing importance of professional bodies such as The Tutors' Association, the UK tutoring market remains largely unregulated. As a result, market size estimates vary greatly from £2bn to £6bn, often based on studies of limited scope. We estimate that parental spend per year is around £2bn excluding private music lessons and sports coaching based on CIL's survey of UK parents buying tutoring services.

The underlying demand dynamics in the tutoring market are robust and attractive. Most children initially commence tutoring at KS2 in preparation for SATs, 11+ and other secondary school entrance examinations. Many independent school pupils start tutoring around age 8-9, while state school pupils tend to start either at KS1 or later at age 10-11. As the bulk of tutoring happens around GCSE and A-level, this implies that some children receive tutoring support over several years.

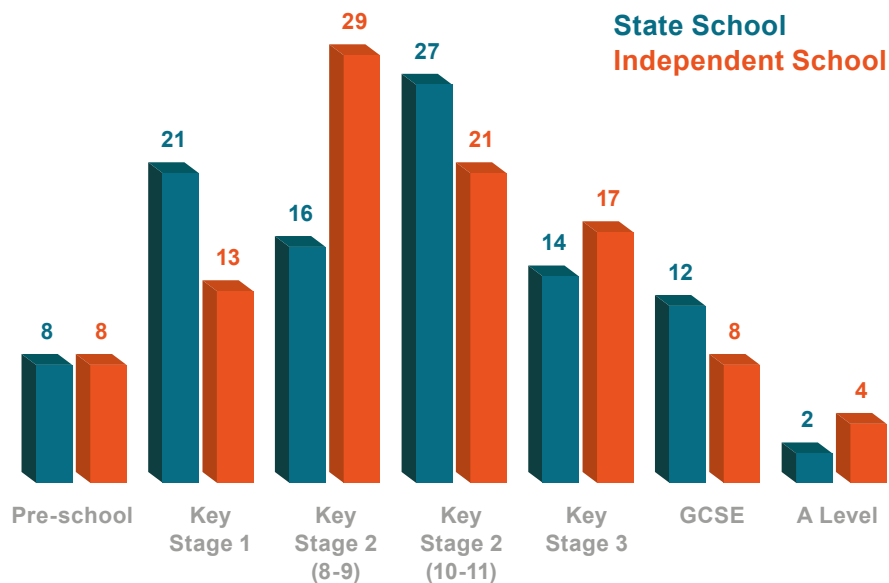
Note: Children do not typically receive tutoring throughout the calendar year with increased demand during holiday periods and in the lead up to exam seasons.



55%

Parents believe they would be disadvantaging their child by not getting them a tutor

Age at which children first start receiving tutoring (% of respondents)



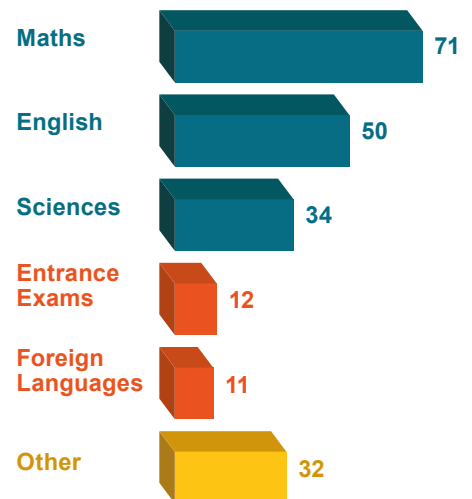
In light of fierce competition for places in grammar and independent schools, and for the best universities, many parents consider tutoring to be essential to help their child keep up with the other children at school. Tutoring is therefore no longer simply a remedial measure, but is increasingly chosen proactively by parents to give their children a competitive advantage.

With independent school fee growth outstripping inflation and exceeding the £15-20k pa for secondary schools, there is a trend towards attendance of a local state school, supplemented by a regime of private tutoring. This has become a serious alternative for families who can no longer afford, or justify paying, independent school fees.

For some families tutoring also doubles up as a form of childcare, and affluent families increasingly invest in one or more tutors to look after their children and act as a role model, confidant or advisor while the parents are absent. This has driven the rise in elite tutoring services and live-in tutors.

Finally, there remains a cultural perception in the UK that maths, the sciences and languages are difficult, not helped by the fact that the quality of teaching in schools in these subjects is often poor. As such, these remain the most popular subjects for tutoring, with 71% of tutored children receiving help in maths and a third in science subjects.

Pupils tutored that have received tuition in stated subject (% of respondents)



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We're seeing triple-digit growth in demand for online tuition, versus double-digit for offline. There will always be a place for in-person tutoring, but as you've seen with e-commerce, health and other sectors, the role of offline will diminish as parents look for greater choice, and are won over by the ease of scheduling, better prices, and the ability to playback lesson recordings.

Founder, MyTutor

A FRAGMENTED MARKET

Historically, a fragmented market with built-in disintermediation risk.

Despite the strong underlying demand, the UK tutoring market remains highly fragmented, unlike other markets such as the US, Germany and Singapore where large-scale tutoring businesses have emerged.

This is because 56% of tutoring continues to take place in the child's home. As such, personal recommendations and word-of-mouth continue to be a key

feature of the market (despite the proliferation of agencies and online models) which favour individual tutors or regional tutoring businesses with a strong local reputation.

Where agencies are involved in the sourcing and placement of tutors that visit the child at home, disintermediation remains a common problem in the market. This means that tutors end up transacting directly with families outside of the agencies'

terms, which reduces the lifetime customer value to the agency.

These market features have historically made it difficult for a tutoring business with an agency model to scale, and barriers to becoming a category winner have been relatively high. This has put off potential investors who would be instrumental in providing the means to build businesses of scale.



Location of tutoring



56%
At home



16%
At tutor's home



11%
Tutoring centre

How tutors are sourced by parents



70%
Word-of-mouth



11%
Online



NEW MODELS

Exciting new models are emerging.

Tutoring business models are evolving in the UK, benefiting from either proprietary technology or IP, employed staff or a centre-based approach, which greatly reduce the incidence of disintermediation and

represent more defensible assets for investors. Several brands have emerged with credible offerings that have proven the ability to scale, and some are backed by investors.



MyTutor

Online delivery of one-to-one live tutoring by university students via interactive virtual classrooms that fully record sessions. No contact details for the tutor are provided outside of the platform and tutors may not be local to the family, all but eliminating the possibility of disintermediation. The business has made waves and has benefitted from investment led by Mobeus Equity Partners to support its expansion.



KEYSTONE TUTORS

Keystone Tutors

High-end tutoring business offering both ad hoc and long-term / live-in tutoring. Its tutors are employed full-time (with a minimum 2-year commitment expected) and undergo rigorous training at the start of their employment to ensure quality tutoring skills. Its face-to-face offer is supplemented by an online tutoring platform that allows international families to access high quality British tutors.



Explore Learning

Centre-based tutoring model that benefits from its own IP and its reduced cost of tuition due to a group approach. The fact that it accepts childcare vouchers as payment makes it more accessible for families who may not be able to access private tuition otherwise. Explore Learning has 140 centres across the UK in high footfall shopping destinations, and has benefitted from investment by Graphite Capital.



The Profs

Professional private tutors for school and university level subjects, mostly in highly specialised subject areas. Developed an online tutoring platform that allows remote tutoring and gives the business global reach. Awarded 'Best Private Tuition Provider' at the EducationInvestor Awards 2017.

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I don't think that online learning software and platforms are cannibalising private tutoring, instead they are opening up the buying behaviours and concept of spending on supplementary education services. This has an ecosystem effect with positive growth for everyone in the market.

Founder, Lingumi

BETTER BUSINESSES

Harnessing the development of edtech to build better tutoring businesses.

Online learning platforms are proliferating, with providers such as Lingumi and Gojimo becoming increasingly popular. Online subscriptions are attractive due to the relatively lower cost compared with traditional tutoring and as such could be considered a risk to the in-person tutoring model. However, parents are in fact choosing to invest in both forms of additional education, often subscribing to one or more learning platforms, while supplementing this with tutoring at key inflexion points in their child's educational journey.

Some tutoring businesses are actively developing their own online learning tools that will help to make their IP more accessible to a wider audience and diversify their offer. For example, Pembroke Tutors is launching an online adaptive learning software called Atom Learning, designed to support in the preparation for various KS2 tests at a more accessible price point than its premium London-based tutoring offering. And regional maths and science tutoring business NumberPrep is building a digital platform to reach young people across the UK with its innovative maths engagement programmes.



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It would be great if you could just dial-in to a class being given by the most incredible biology tutor in the country and they could literally walk you through a strand of DNA – that is mind-blowingly cool!

Founder, Tutopia

Virtual and augmented reality accessed through wearable technology is the next frontier in the development of defensible tutoring businesses that can scale nationally and cross-border. From walking with dinosaurs to exploring the depths of the oceans,

technological developments have the ability to immerse the students in the study material and excite them about learning in a way that many traditional classroom settings (particularly in the UK's under-funded state schools) simply don't do today.

Proportion of parents who...



51%

...intend to spend more on tutoring in the future



15%

...expect their tutoring spend in the future to remain stable



5%

...imagine that they will shift their spend to online learning solutions

INCREASING INVESTOR INTEREST

Strong outlook amidst increasing investor interest.

An ever-growing practice of evaluating pupil progress through formative and summative assessments in schools, makes parents seek supplementary support outside of the classroom. This combines with tough school entrance examinations and shrinking catchments for the best state schools, driving parents to invest more and earlier in tutoring – a trend that is set to continue.

Our research indicates that parental appetite for tutoring is unlikely to decrease anytime soon, with over 50% of respondents in

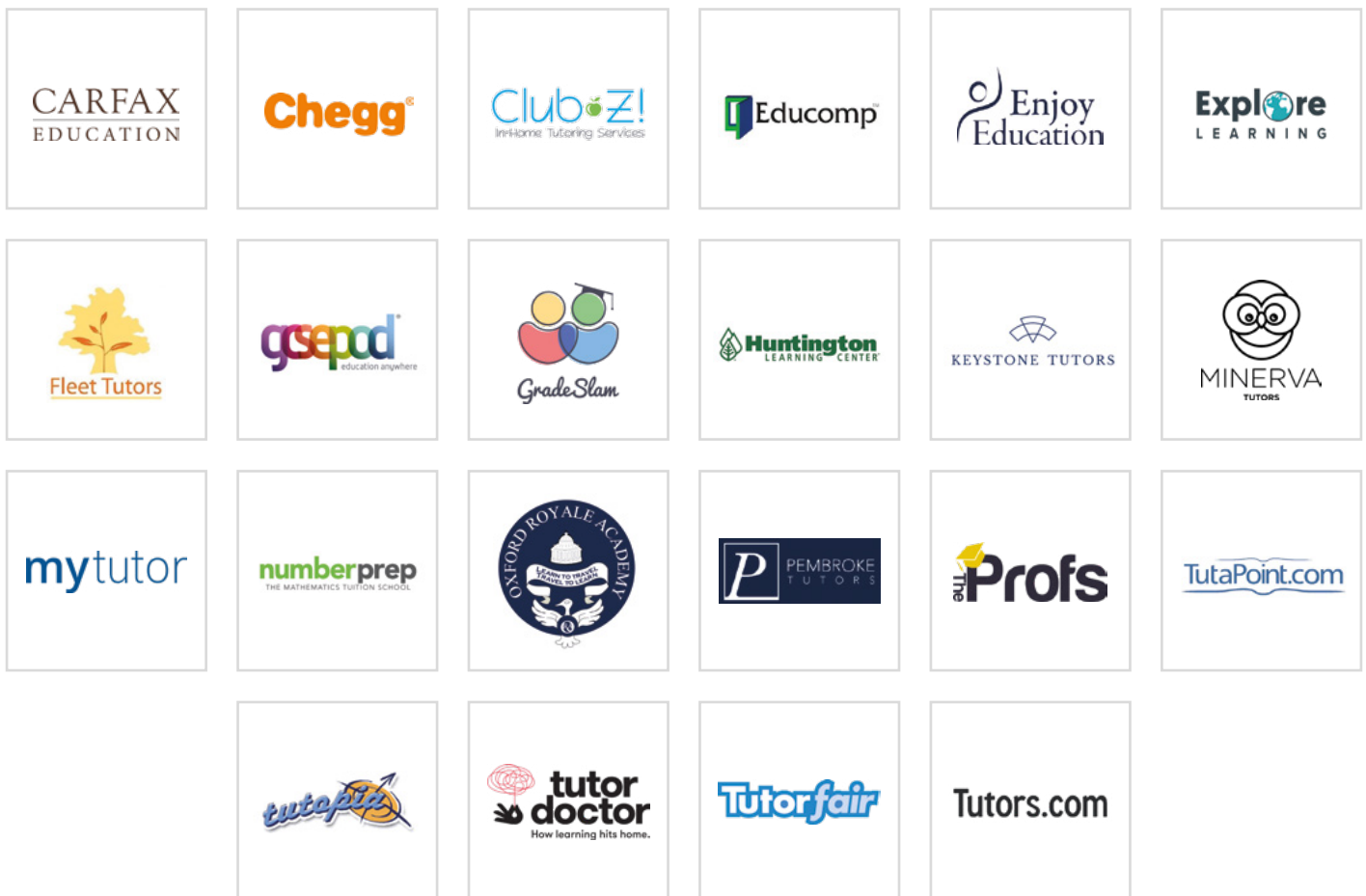
CIL's survey suggesting that they expect to increase their use of tutoring for the same or additional subjects in the future.

Growth is also likely to be supported by the increased shift in educational practice, as education slowly moves away from the traditional classroom model to a more personalised, discussion-based approach supported by study of curriculum materials outside of school (sometimes called "flipped classroom").

As the next generation of parents are digital natives (born in the 1990s and after), the appetite for and uptake of, AI-enabled personalised learning and online tutoring models is likely to grow substantially going forward.

Finally, looking at international markets which have greater market concentration and have seen the growth of substantial national businesses (e.g. Schülerhilfe in Germany) helps envision a future UK market with clear category winners of scale, backed by investors who want to harness the exciting potential of the tutoring market.

Tutoring businesses to watch in the UK and globally



The CIL education team

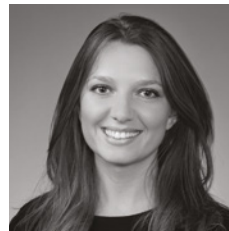


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We would like to take this opportunity to extend a special thanks to all the market experts and participants that spoke to us as part of this work and generously shared with us their time and expertise.

Sources: CIL parent survey (201 respondents), CIL market interviews, BBC, Chegg, Companies House, Department of Education, Lloyds Bank, Mintel, Office for National Statistics, The Sutton Trust.



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