

YouthActionNet®

CASE STUDY SERIES

Ruangguru:

*Enabling learning through
technology in Indonesia*

A partnership between:



GEORGETOWN UNIVERSITY

School of Foreign Service
Global Human Development Program



Introduction

This is one of a series of case studies produced by students enrolled in the Global Human Development Program at Georgetown University through its partnership with the International Youth Foundation (IYF). Students enrolled in a course exploring the role of social enterprises and social entrepreneurs were paired with young leaders of social ventures identified through the IYF's YouthActionNet® program. The students were given the assignment of analyzing the venture's assets, successful methodologies, and opportunities for investment to increase impact. Through this experiential learning process, the student consultants gained hands-on experience and exposure to the needs of social enterprises. The ventures, too, benefited from student insights into their strengths, areas for growth, and recommendations for enhancing their impact and sustainability. The Georgetown practicum is part of YouthActionNet's larger efforts to partner with institutions of higher learning around the globe to integrate social change into the academic experience and career interests of students.

International Youth Foundation

The International Youth Foundation (IYF) invests in the extraordinary potential of young people. Founded in 1990, IYF builds and maintains a worldwide community of businesses, governments, and civil society organizations committed to empowering youth to be healthy, productive, and engaged citizens. IYF programs are catalysts of change that help young people obtain a quality education, gain employability skills, make healthy choices, and improve their communities.

www.iyfnet.org

YouthActionNet®

Since 2001, YouthActionNet, a program of the International Youth Foundation, has provided founders of social ventures, ages 18 to 29, with the training, networking, coaching, funding, and advocacy opportunities they need to strengthen and scale their impact. These young social entrepreneurs have pioneered innovative solutions to critical local and global challenges, resulting in increased civic engagement, improved health, education reform, economic opportunity, environmental protection, and more inclusive societies. Our work is carried out through a network of 23 national and regional youth leadership institutes that collectively support over 1,350 young social entrepreneurs globally.

www.youthactionnet.org

Global Human Development Program at Georgetown University

The Global Human Development Program of Georgetown University is home to one of the world's premier master's degree programs in international development. An innovative, academically rigorous skills-based graduate program, the Master of Global Human Development degree prepares the next generation of development professionals to work with public sector agencies, private businesses, and non-profit organizations that advance development. Through coursework, extracurricular activity, and practical fieldwork experiences, our graduates develop the insights, skills, and experiences necessary to become leaders in development and make a difference in our global community.

<https://ghd.georgetown.edu>

INTRODUCTION

Meet Muhammad Iman Usman & Adamas Belva Syah Devara: Co-Founders

Muhammad Iman Usman and Adamas Belva Syah Devara are two young social entrepreneurs from Indonesia and co-founders of Ruangguru.com, a web-based learning platform founded in 2013. Ruangguru, which means “teacher’s room” in Bahasa, is Indonesia’s largest online learning platform—enabling students to access national exam prep materials, as well as tutoring lessons on a vast range of subjects.

Both Iman and Belva have always been leaders in solving issues within their community at the interface of civic engagement and education. Before founding Ruangguru, Iman initiated a number of social initiatives, including the first ever youth-parliament assembly in Indonesia to encourage youth civic engagement. US-educated, he attended Columbia University in New York City, graduating in 2014 summa cum laude, in International Education Development.

Belva is equally qualified, bringing information technology and business acumen to launch the early stages of Ruangguru. Belva holds an undergraduate degree in Computer Sciences and Business from Nanyang Technological University, and an MBA from Stanford University and MPA from Harvard University.

Belva and Iman have won multiple awards and recognition from the highest leadership in Indonesia to organizations around the world. Their achievements have been lauded numerous times and featured in local and international news channels.

Like many entrepreneurs, Iman and Belva’s business idea grew from personal experience. The ‘aha’ moment happened when they were preparing for the GMAT and GRE exam to go to graduate school and realized the difficulty involved in finding a suitable tutor in Indonesia. They saw a gap in the market, which they later sought to fill.

Ruangguru is improving the quality of education in Indonesia by using technology to make learning more affordable and accessible.

The Problem

Indonesia has an estimated population of over 255 million people,¹ making it the 4th largest education system in the world. However, Indonesia still ranks low in terms of quality of education. If we use students’ performance as an indicator of education quality, Indonesia tails other members of the Organization for Economic Co-operation and Development (OECD) on the International Student Assessment (PISA), which looks at subjects such as math, reading, and science.²

Indonesia has a relatively good teacher to student ratio of about 1 to 17 in secondary education and 1 to 16 in primary education.³ Anecdotal evidence suggests that you get more students per teacher as

¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>, accessed February 8, 2016

² OECD (2016), Science Performance (PISA) (indicator). doi: 10.1787/91952204-en (Accessed on 08 February 2016)

³ UNESCO Institute for Statistics, World Development Indicators, 2012

you move from urban areas to rural areas. It seems, however, that low student performance is more a result of teacher qualifications and the quality of education than a high student to teacher ratio.

Indonesia reports one of the lowest teacher salaries of all those countries reporting in the UNESCO World Education Indicators.

According to the OECD report, the next closest country on the scale, Turkey, spends more than double the US dollar amount per student and as a percentage of GDP compared to Indonesia. Luxembourg, the highest ranking country, spends over 18 times more than Indonesia on education.⁴

This situation may cause a cyclical problem where poor remuneration of teachers in Indonesia⁵ discourages highly-qualified individuals from entering the vocation and where low-skilled teachers deliver substandard results.

The Solution

It is this problem of access to quality education and teacher remuneration that Ruangguru seeks to address.

In its simplest form, Ruangguru's solution brings together two main actors:

1. **The tutors:** Providing an additional source of income through private tutoring revenues, and helping them improve their skills through specialized training and curricula.
2. **The students:** Facilitating access to quality education and personalized learning from a growing number of vetted teachers and on a number of different subjects.

Beyond the tutoring, Ruangguru also allows students to access online-based exam prep material and optimize their learning by using provided analytic tools. By doing so, Ruangguru helps students to minimize spending on question bank books and similar content – while at the same time helping the students to improve learning by using data.

“The tutoring industry is scattered and unorganized. Either it is dominated by big corporations or it is unreliable.”

- Muhammad Iman Usman (Iman)

Ruangguru also works with a number of other stakeholders, including the government, to conduct research on how to improve the quality of education and document lessons learned in hopes of inspiring and leading positive change, at scale, in the public school system. Moreover, high school teachers and university students are among the many tutors employed by Ruangguru.

Ruangguru took advantage of the growing tutoring market in Asia⁶ and in Indonesia in particular, and the existing

“In Indonesia, finding good tutors has always been a problematic affair that includes randomly calling friends and family members for references, which often results in average-quality tutors.”

- Adamas Belva Syah Devara (Belva)

⁴ OECD (2016), Education Spending (indicator). doi: 10.1787/ca274bac-en (Accessed on 08 February 2016)

⁵ Closing the trained teacher gap report, Global Campaign for Education, 2012

⁶ <http://www.forbes.com/sites/jamesmarshallcrotty/2012/10/30/global-private-tutoring-market-will-surpass-102-billion-by-2018/#46e503e847b3>, accessed February 23, 2016

telecommunication infrastructure. Indonesia has been hailed for its relatively technology savvy population which enjoys good smartphone penetration⁷. Ruangguru leveraged this existing infrastructure to devise a solution that addresses the problems stated above; namely, providing an alternative and competitive source of income to teachers and increasing access to a quality education.

Operational Model

Iman argues that corporations working in the tutoring sector take the lion's share when it comes to remuneration. Ruangguru only charges a 20% commission fee and the remaining portion goes to the tutor. "We take a lot less money compared to the market rate of 40 to 60%," says Iman. The average pay of a private tutor in the public market is US\$3.50 an hour, meanwhile the average pay for Ruangguru's tutor is US\$ 7.5 an hour.

Ruangguru Tutoring Business Model



The services offered by Ruangguru are not only differentiated by better teacher incentives but by area of focus. 'Tuition centers,' another major player in the tutoring industry, typically focus on preparing national tests or offering catch up lessons. As Ikhsan, Ruangguru Business Associate, rightly points out: 'You don't have to be falling behind to use a tutor'.

If the current enrolment of 26,000 teachers in the system is any indication, Ruangguru has definitely struck an untapped market. The number of teachers registered could also be explained by the variety of learning subjects offered which, in theory, are unlimited.

From English to physics to karate, Ruangguru wants to create a platform that allows "anyone to learn anything from anyone," emphasizes Belva.

This vision, however, comes with the challenge of making sure that any teacher registered on the platform is qualified. The vetting process currently involves checking for a photo ID and relevant certificate or diploma. The teacher's profile is then uploaded on the web-based platform where interested candidates are able to browse through the list of teachers and subsequent reviews from students. Once a teacher is selected, Ruangguru facilitates an in-person meeting, prepares the invoice, and collects a 20% fee on the transaction.

⁷ <http://blogs.wsj.com/digits/2015/08/14/smartphone-shopping-offers-big-opportunities-in-indonesia/>, accessed February 23, 2016

KEY ASSETS AND PRODUCTS

Ruangguru's team is well connected, energetic, and passionate about their business idea. This may come in handy as Ruangguru grows and seeks more investment. In this regard, Ruangguru already secured seed funding from East Ventures, an Asian investment firm and Series A funding from Venturra, a venture capital arm of Indonesia's conglomerate, Lippo Group. With this money Ruangguru is expanding its activities.

To date, Ruangguru has successfully registered 26,000 teachers offering a wide array of subjects. That being said, all the subjects are not equally popular among customers. English and Math reportedly make up about 60% of all lessons provided through the platform, other academic courses such as physics take about 25% and the balance of 15% comprises non-academic courses like swimming lessons.

Ruangguru devotes the most resources to these popular subjects. In this respect, Ruangguru has developed teaching standards, curricula, and even hired permanent teachers. Ruangguru has 60 employees to date. The goal of the business venture to increase the quality of instruction will likely be achieved incrementally as specific courses garner more demand.

The results achieved so far are impressive for a startup venture. At this point, the focus is on increasing the customer base and testing how successful different products are. It remains to be seen if different products sold will be profitable in the long run.

What does Ruangguru sell?

Ruangguru currently offers the following products:

Private tutoring: This is Ruangguru's largest product and the one that generates the most revenue. Its main selling points are the ease of access to tutor information and reviews, the diversity of subjects covered, and competitive tutor remuneration.

The majority of users for this product live in and around the capital city of Jakarta in the Jabodetabek area. However, courses are available in other parts of Indonesia as well. This product is fueled by a large number of teachers who are registered in the system and are available to offer a variety of subjects on demand.

Live tutoring on demand: Users of this service are charged per minute of tutoring. Tutors in this service are full-time and are paid a monthly salary regardless of the number of hours they work with the registered users. Ruangguru is working on a monthly and annual subscription program to cater to regular users.

“There are currently more than 14,000 scattered, small, private institutions offering tuition services... They normally only operate offline with unclear systems for teacher feedback and reviews. We aim to disrupt this market by offering verified, reviewed, good-quality teachers for any subject anyone can think of.”

– Belva

Exam prep: The platform enables students to access learning content and a bank of questions on multiple subjects for free. It also provides data analytics to track learning progress. This solution was developed to address the issue of lack of quality prep materials for students in K-12 (12 years of elementary and grade school) and the irregularities of the try-out tests.



Photo credit: Ruangguru.com

RuangguruLab: This is a knowledge-creation unit.

It goes without saying that in the long term

Ruangguru will have accumulated a lot of data points which could be used to draw patterns and inform Ruangguru and potentially the Ministry of Education and other stakeholders on how to improve the education system in Indonesia.

OPPORTUNITIES FOR INVESTMENT

Ruangguru has raised undisclosed seed funding from East Ventures in 2014 and seven digit USD series A from Venturra in 2015.⁸ This investment gave Ruangguru the much needed capital to grow activities.

At this point, the priority is strengthening existing products, particularly on mobile-delivery and then developing and testing new ones. This means building a larger customer base for its main product, namely the private tutoring program, specifically for academic courses, which make up 85% of the demand.

Arguably one of the major challenges lies in the fact that Ruangguru touches on a large number of courses and subjects. Guaranteeing the quality of learning beyond student reviews and the initial due diligence on such a wide array of subjects may be a daunting task. In addition to that, Ruangguru also focuses on growing its testing platform and online content – to reach one million users by the end of 2016.

Unmet Needs

There is still room for improvement in making the whole Ruangguru experience as personal and accessible as possible. At this point, Ruangguru.com is a web-based platform. Making the platform mobile friendly would increase the reach and ease of access, as more people have access to mobile phones than they do computers.

Given the large number of subjects that Ruangguru covers, much of the resources and full-time staff work on academic subjects which are most popular among users.

Additional full-time teachers and curricula may have to be added in the future as demand for other courses increase. In this regard, a market analysis could supplement the data collected so far. This

⁸ <https://www.techinasia.com/indonesia-jakarta-ruangguru-belva-devara-iman-usman-east-ventures-seed-funding-investment>, accessed February 26, 2016

would allow Ruangguru to project what the next big courses will be and prepare ahead of time in terms of curriculum development and tutor training.

On the subject of tutor training, Ruangguru already works with the Department of Education in Indonesia in terms of research, and could hopefully leverage that connection to extend the work to vetting some of the curricula developed by Ruangguru and improving standards within the education system at large.

Potential for Further Development

Education is a specialized sector and one that builds on reputation. Ruangguru's focus is not only to provide students with preparedness for national exams but also to provide a quality education in a vast number of subjects. Ruangguru already has a good system of vetting teachers, and users have access to reviews from previous learners. But given that the most popular subjects are academic, there is room for investing more in building partnerships with institutions of higher learning. Ruangguru already employs university students as tutors. This relationship with universities could be taken a step further to work with faculty to design university vetted curricula for various academic subjects being offered or to train tutors.

Ruangguru already works with both the Faculty of Medicine of the University of Indonesia for online tryouts of its university entrance exam, and the Department of Education in Indonesia for the National Teachers' competency test preparation (done through Ruangguru's platform).⁹

The seal of approval from institutions of higher learning and the Department of Education could be an added value and would further cement Ruangguru as the leader in quality tutoring.

Ruangguru already has a number of lessons learned and the data it collects helps to identify what courses are most popular and most likely to bring in revenue. This is yet another opportunity for investment: conducting research to better understand why people choose private tutoring, future trends, and how helpful the lessons are. This could potentially inform opportunities for scale, especially in cities outside Greater Jakarta. A market analysis in major cities and rural areas would be valuable to better understand specific needs in terms of tutoring, and other market dynamics which may influence the private tutoring market.

CONCLUSION

There is no question that there is currently a great market for the type of services Ruangguru offers. This is especially true given the aforementioned issues with quality of education in Indonesia, poor teacher remuneration, and the need to prepare for standardized exams. However, private tutoring is not people's first choice when it comes to learning academic subjects. "When people can't find good quality [education] in public schools they look for sources outside," says Iman.

An estimated 85% of the Ruangguru's demand is made of academic courses such as math, English, and physics, which are typically offered in formal schools. As the quality of education improves in formal schools, Ruangguru may have to readjust so that its main product offering—private tutoring for academic subjects—stays relevant in the long run, or pivot to other offerings. After all, Ruangguru

⁹ <https://www.techinasia.com/edtech-startup-ruangguru-raises-series-venturra-capital>, accessed February 25, 2016

also works with the government to help improve the quality of education at large, even as the limitations of the public education system are, in part, Ruangguru's business opportunity. Ruangguru could derive value in conducting market research to tease out what alternative subjects are likely to grow and allocate resources accordingly.

In any case, Ruangguru's vision to promote quality learning addresses a critical social need in Indonesia, which has far reaching positive consequences. Iman and Belva saw the opportunity to provide value in the untapped tutoring market and worked to fill this gap in innovative ways. They resolved to pursue a mission to create not only private value, but also social value. The most obvious example in this regard is their "one-to-one" program in which Ruangguru donates the money equivalent of one schooling day to children in need, for every hour of tutoring made through the platform.

FURTHER INFORMATION ABOUT RUANGGURU

- Ruangguru's website: <http://ruangguru.com/>
- Iman Usman's YouthActionNet profile: <http://www.youthactionnet.org/fellows/1056/>
- YouthActionNet video interview: <http://www.youthactionnet.org/videos/creating-online-marketplace-tutors>
- Iman's TED Talk: <https://www.youtube.com/watch?v=LhFqP-O9v0>
- Euro News – Big ideas making waves in worldwide education: <https://www.youtube.com/watch?v=0VuzCSD947Q>
- Iman's interview with Daily Social TV: <https://www.youtube.com/watch?v=B4Fk6q5-WF8>

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