



WORLD
RESOURCES
INSTITUTE

What Works Case Study

WHAT WORKS: BUILDING SOCIAL CAPITAL WITH APTECH'S VIDYA

Providing an IT introduction to
thousands of poor Indians



MAYANK DHANUKA

DANIEL PRICE

WARREN TEICHNER

August 2003

**SUPPORT FOR THIS DIGITAL DIVIDEND “WHAT WORKS”
CASE STUDY PROVIDED BY:**

THE MICROENTERPRISE DEVELOPMENT DIVISION OF THE UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID), THROUGH THE SEEP
NETWORK'S PRACTITIONER LEARNING PROGRAM



**THE DIGITAL DIVIDEND “WHAT WORKS” CASE STUDY SERIES IS MADE
POSSIBLE THROUGH SUPPORT FROM:**

THE INFORMATION FOR DEVELOPMENT PROGRAM (*INFODEV*)

MICROSOFT

IN PARTNERSHIP WITH:

COLUMBIA BUSINESS SCHOOL
UNIVERSITY OF MICHIGAN BUSINESS SCHOOL
UNIVERSITY OF NORTH CAROLINA KENAN-FLAGLER BUSINESS SCHOOL

EXECUTIVE SUMMARY

Vidya, Hindi for “knowledge,” is a computer literacy program run by Aptech Ltd., one of the two largest computer education and training companies in India. As a part of its corporate citizenship effort, Aptech launched the Vidya program in 1999 to expand its course catalog beyond the company’s core offerings targeted at computer professionals and corporate markets. Vidya allows Aptech to reach underprivileged students, casual computer users, and those who thus far have had little or no contact with computers, such as retirees. The course is profitable, though with lower margins than most of Aptech’s offerings. However, Vidya acts as a feeder for higher level courses offered by Aptech and has increased Aptech’s market share in the IT training/education market in India, opened new markets, particularly in state and national governments and schools, and helped to pave the way for increased international expansion. The success of Vidya has been based on a replicable and effective business model, a highly motivated management and franchise team, and excellent course material.

BUSINESS MODEL

Aptech has a network of 2,449 training centers spread across 52 countries, generated revenues of US\$65.2 million in 2002, and has trained over 2.5 million students across the globe. The average center has between four and six computer labs, five or six classrooms, and 700 enrolled students at any given time. Centers tend to be larger in urban areas and smaller in rural towns.

Virtually all Aptech centers are now independently owned franchises. The transition from a company-owned center model to a franchise model was driven by two primary factors. First, Aptech wanted to grow its business within India without unnecessary capital demands. Secondly, the model enables Aptech to leverage the local knowledge of each franchisee. Despite local ownership, Aptech maintains strict control over franchisees through a combination of contractual obligations, supervision by regional managers, and curriculum and advertising control.

From the students’ perspective, Aptech remains a single entity. All centers teach a common curriculum leading to a common certification and all instructors have met the same Aptech-administered qualification criteria. Advertising, which is generally designed and purchased by Aptech on behalf of its franchisees, is common across all centers, as are promotions and pricing bands. Finally, students can transfer between centers if they move or change jobs.

Aptech initially sought to follow the same franchise model as it expanded internationally. This one-size-fits-all approach, however, created problems in a number of countries due to legal or cultural restrictions on either foreign control or franchise business models. To compensate for this, Aptech has used several different business models in various counties: a master franchisee that owns all centers in a country, a joint venture model; and a wholly-owned subsidiary. In addition to these various structures, in some cases Aptech operates a country office.

The Aptech course model incorporates a combination of instructor-led, computer-based, and Web-based instruction and learning. This model is based on a strong foundation of in-depth research, course design, and instructional design. Research on the latest technologies and industry needs are incorporated to make the course high-end and industry-relevant. A dedicated team of designers and pedagogy experts from Aptech’s Technology and Academics Advisory Group (TAG) design optimum courseware and methodologies that train the students to meet industry standards.

In Vidya, the course instruction begins with introducing users to the computer’s power switch and progressing through skills training for the Internet and Microsoft Office. The course was initially priced at the reasonable rate of US\$39, making it accessible to a wide group of potential students. Aptech has introduced Vidya at approximately 1,250 of the company’s 2,449 centers in India and enrolled more than

350,000 students. The largest group of enrollees is students, many of them from low-income families. Vidya is offered both as a stand-alone course and as “Module 0” of the company’s more advanced programming and multi-media courses. In the latter case, Vidya is an integral and necessary component of the company’s higher margin offerings. Aptech also maintains an active effort to enroll students in the stand-alone Vidya course in more advanced programs. Approximately 30 percent of students who originally enrolled only in the Vidya program eventually enroll in more advanced Aptech courses.

DEVELOPMENT BENEFIT

The Vidya program was created in response to India’s national computer literacy drive. With the scale of its popularity and success, it is clear that it is making a contribution. Moreover, because of its low price, it has provided opportunities to many students that would otherwise not have able to afford computer training. By also providing Vidya training to employees of Indian companies, foreign multinationals, and government agencies, Aptech believes it is contributing to broader economic development and education.

KEY LESSONS

The Vidya course, and Aptech’s experience more generally, shows that for-profit approaches to education and training can fulfill a need in developing countries. Moreover, by providing a high-quality course with up-to-date content, Aptech is providing training that is not typically available in most public schools. By charging a low price and accepting a lower margin, Aptech made Vidya accessible to a wider segment of the population, yet still benefited from gaining market share.

Aptech has needed to quickly adapt to changing realities, competitive pressures, and content demands from students. In 2000, Aptech formed the Technology and Academics Advisory Group (TAG) with the purpose of understanding industry IT requirements and translating them into world-class courseware. Inputs from TAG are built back into the curriculum design process enabling Aptech to synchronize its courseware with the demands of the IT industry and the technology needs of non-IT companies. The ability to provide current, relevant curriculum provides an important competitive advantage.

Aptech’s franchisee model has allowed it to expand rapidly. The company also relies heavily on its franchisees as its primary link to its ultimate customers, the students. As a result, Aptech maintains a close relationship with its franchisees and their employees. Aptech developed an “extended organization” concept for the employees at franchise centers. Aptech runs training workshops for franchisees and helps them to understand the importance of employee motivation and satisfaction.

Aptech’s initially unsuccessful approaches to international expansion taught the company several important lessons. First, in order to appeal to the local market, Aptech needed to customize its courses, including translating course materials. Secondly, it had to modify its insistence on a franchise business model to fit the legal and commercial realities of other countries.

WHAT WORKS: BUILDING SOCIAL CAPITAL WITH APTECH'S VIDYA

India's powerful higher education system, high level of English literacy, and low cost of labor are partly responsible for the country's rise as a global information technology powerhouse. Yet, beginning in May 1998, the Indian government recognized that such growth could not continue without a broader national growth in computer literacy that would expose Indian children and adults to the IT industry and prepare them for both office jobs and positions in new, computer-dependent industries in India such as telephone call centers. Under the auspices of the Prime Minister's IT Task Force, the Indian government set computer literacy as a key national priority.

Aptech, one of India's two largest for-profit computer training companies, responded to the call for broader computer literacy with Vidya, an entry-level course with instruction beginning with the introducing users to the computer's power switch and progressing through skills training for the Internet and Microsoft Office. The course was initially priced at 1,950 rupees (US\$39). Over the past five years, Aptech has introduced Vidya at approximately 1,250 of the company's 2,449 centers in India and enrolled more than 350,000 students.

THE INDIAN INFORMATION TECHNOLOGY INDUSTRY

Information technology in India continues to grow rapidly. The Indian IT industry began to grow in the 1980s and reached US\$13 billion by 2002. Software and services export comprises the largest portion of the industry at US\$7 billion. Although training constitutes the smallest industry segment, it is a growing business and is currently estimated at over US\$300 million.

While computer usage was propelled by low cost personal computers and the advent of Internet cafes, IT infrastructure in the country grew as a result of increased corporate investment by local and foreign companies. With continuing drop in prices, PC penetration in India is expected to double by 2005. Over the same time period, the number of Internet users is expected to increase by 200% to 50 million.

The global economic slowdown has tempered India's recent growth rate to some extent. Yet, the increases in outsourced business from developed countries and the ongoing demand for computer professionals have enabled India to avoid the same degree of economic contraction and retrenchment seen in the global IT industry. Moreover, the continuing demand for outsourced services has created an increased demand for both highly trained computer professionals suited for programming and graphic design work, as well as those with basic computer skills suited to such industries as data warehousing and customer service call centers.

APTECH BUSINESS OPPORTUNITY

The growth in the IT industry has created a dramatic demand for computer education and training. Aptech exploited this opportunity in part by launching Vidya. By providing basic computer literacy, the new course expanded the market for Aptech's more advanced offerings. Simultaneously, Vidya allowed Aptech to provide trained professionals for lower-skilled jobs that involved computers. Aptech launched Vidya in 1999 and enrolled 70,000 students in the first 12 months. Since 1999 Aptech has launched numerous variants of the course. For example, Vidya is now offered both on a stand-alone basis and as the introductory unit in more extensive courses. The program is also customized to various cities and regions; in India, it is offered in seven different languages and course delivery is adjusted according to the demographic background of enrolled students, e.g. retirees versus young students. Aptech also created several variants with distinct branding such as Vidya Junior aimed at very young students. Over the years Aptech has refined its strategy regarding Vidya and it now views the program as a means to build product trials and uses the course as a stepping-stone to higher-level courses.

BUSINESS MODEL

Virtually all Aptech centers are now independently owned franchises. The transition from a company-owned center model to a franchise model was driven by two primary factors. First, Aptech wanted to grow in India without unnecessary capital demands. Secondly, the model enables Aptech to leverage the local knowledge of each franchisee.

While each center is independently owned, Aptech maintains a high level of control through frequent site visits and interaction with the corporate sales force, effective financial audits, and strict control over the curriculum, course materials, and instructor training.

This control strengthens the model by:

- Ensuring effective control despite geographic dispersion
- Increasing the comfort of individual students by backing each center with the corporate infrastructure
- Enabling student flexibility by permitting students to transfer centers

INTERNATIONAL BUSINESS MODEL

Aptech initially sought to follow the same franchise model as it expanded internationally. This one-size-fits-all approach, however, created problems in a number of countries due to legal or cultural restrictions on either foreign control or franchise business models. To compensate for this, Aptech has used several different business models in various countries:

- Joint venture
- Wholly-owned subsidiary
- Master franchisee (a single franchisee owning all Aptech centers in the country)

In addition to these various structures, in some cases Aptech operates a country office. Below is a summary of the various international business models by country:

Table 1. Aptech International Business Models by Country

Country	Model	Profile of Partner	Number of Centers
China	Joint Venture	Beijing University Company	90
Bangladesh	Own Subsidiary	n/a	34
Vietnam	Master Franchisee	Educator	11
Colombia	Master Franchisee	Entrepreneur	9
Nigeria	Master Franchisee ¹	Entrepreneur	7
Mexico	Master Franchisee ²		5
Yemen	Master Franchisee	Entrepreneur	5
Nepal	Master Franchisee + Individual Center	Entrepreneur	5
Russia	Master Franchisee	University (4 centers); Entrepreneur (1 center)	5
Philippines	Master Franchisee	Entrepreneur	4
Indonesia	Master Franchisee	Entrepreneur	4
Sudan	Master Franchisee	Entrepreneur	3
Fiji	Single Partner for all centers	Entrepreneur	3
Turkey	Master Franchisee	Educator	2
Uganda	Single owned center	Entrepreneur	1
Singapore	Exclusive Corporate Services Center	Entrepreneur	1

¹ Also has a country office

² Aptech maintains all content

APTECH WORLDWIDE

COMPANY PROFILE

Aptech is one of the two largest computer training and education companies in India with revenues of Rs. 3.2 billion (US\$65.2 million) in calendar year 2002. Aptech has a network of 2,449 training centers spread across 52 countries and has trained over 2.5 million students across the globe.

Aptech was the first IT training and education organization to be awarded the ISO 9001 certification (International Organization for Standardization) for Education Support Services in 1993. This has ensured consistent high quality standards in delivering world-class curriculum.

The company measures its performance against several benchmarks. As a public company, the first metric is return to shareholders. Given Aptech's vision is to become a premier provider of computer education and training globally, it also measures its performance in terms of corporate citizenship. Several of Aptech's initiatives are aimed at increasing financial opportunity through IT empowerment. While, Vidya falls under the for-profit business category, it has proved to be one of the major avenues through which Aptech achieves its social objectives.

PRODUCTS

Over the years, Aptech has introduced courses for different segments of the IT industry offered through the global network of centers which address individual needs in the domestic and global marketplace.

- **Career-Oriented Education:** The premiere offering from this division is the three-year ACCP World Program. Aptech Computer Education has also launched the "Velocity Series"—short duration specialized career-oriented courses on next generation technologies meant for professionals looking to enhance their skills.
- **Business Process Outsourcing:** Aptech has the first-mover advantage of focusing on developing curriculum for the Business Process Outsourcing (BPO) sector. Aptech has recently launched the ACPG suite of courses with domain specialization in the fields of Banking, Sales & Marketing, Accounting, and Call Centers.
- **Vidya:** Aptech has trained over 350,000 students in Vidya, its basic IT literacy program launched as part of the Prime Minister's National Literacy Drive in 1999. Vidya aims at giving each Indian the opportunity to become computer literate at an affordable and attractive price. The course is offered throughout the country in seven languages.

POSITIONING / INTERNATIONAL PRESENCE

Aptech Global Education's strategy is to be the preferred alternative to University IT education in developing countries by providing the structured courses that incorporate the latest technology and advances in IT. Aptech also markets its courses directly to corporations and operates in-house training programs closely tailored to each corporate client's needs.

Aptech's international business began in 1993 in Bahrain and has since expanded to countries across Latin America, South East Asia, the Middle East, and Asia. Aptech's presence in the Latin American market includes Venezuela, Columbia, Argentina, Panama, Brazil, and Mexico. Aptech also has a presence in markets across China, Bangladesh, Vietnam, Nigeria, and Colombia. Aptech has specifically targeted developing countries where they believe there is a greater need for IT education.

Course contents are translated into Chinese, Russian, and Spanish to overcome language barriers. Its alliances with Southern Cross University in Australia and Sikkim Manipal University in India have enabled Aptech to access those markets with greater speed due to their partners name recognition and its reputation for high quality courses.

Aptech Worldwide's India Window Program (IWP), a unique IT curriculum for foreign university graduates and undergraduates, gives Aptech students enrolled in the Aptech Certified Computer Professional (ACCP) program in foreign Aptech centers a chance to hone their skills at Aptech centers in India during the final year of their Aptech curriculum. The IWP is training students from Korea, Maldives, Bangladesh, Kenya, El Salvador, Sri Lanka, Madagascar, and Tanzania.

TRAINING METHODOLOGY

The Aptech Multimodal Education Delivery and Architecture (AMEDA) model for learning incorporates a combination of instructor-led, computer based training (CBT) and Web-based instruction and learning. This model is based on a strong foundation of in-depth research, course design, and instructional design. Research on the latest technologies and industry needs is incorporated to make the course high-end and industry-relevant. A dedicated team of designers and pedagogy experts from Aptech's Technology and Academics Advisory Group (TAG) design optimum courseware and methodologies that train the students to meet industry standards.

Business Model

Aptech centers are almost exclusively locally owned and operated franchises. Aptech elected the franchise-based business model in order to expand rapidly while conserving capital. Despite local ownership, Aptech maintains strict control over their franchisees through a combination of contractual obligations, supervision by regional managers, curriculum control, and advertising control.

From the students' perspective, Aptech remains a single entity. Despite the franchise system, students have the same flexibility that they would expect if all centers were company-owned. All centers teach a common curriculum leading to a common certification and all instructors have met the same Aptech-administered qualification criteria. Advertising, which is generally designed and purchased by Aptech on behalf of its franchisees, is common across all centers, as are promotions and pricing bands. Finally, students can transfer between centers if they move or change jobs.

International Business Model

While Aptech initially attempted to follow a franchise-based business model as it expanded beyond India, the model proved an obstacle to international expansion in many countries for several reasons. First, some countries have legal barriers or cultural to franchising. But perhaps most importantly, Aptech did not have a strong regional presence outside India that would allow the company to closely monitor its franchisees. As a result, it developed a number of hybrid models tailored to international markets.

- **Content Licensing:** In cities where Aptech has been unable to find suitable franchisees they have elected to license the content. While franchise fees are typically calculated as a percentage of revenue, licenses are charged on a fixed basis. Typical rates are Rs. 250 (US\$5) per hour of content licensed in India¹ and US\$20-50 per hour internationally. The discrepancy results from the larger area covered by the typical international license. In addition to licensing content, Aptech offers instructor training and certification. While licensees can, and do, present students with certificates at the conclusion of the course, Aptech stipulates that it has no role in the

¹ Aptech also licenses content in a very small number of markets within India where they do not have a regional presence.

presentation of these certificates. Aptech believes that its licensing price point is low enough to inhibit piracy through the illegal duplication of its course materials.

Some courses—such as the lengthy professional-oriented courses such as ACCP,² however, are not suitable to content licensing. Vidya, on the other hand is relatively simple and thus suitable for content licensing.

- **Joint Ventures:** In certain countries Aptech has entered into joint ventures with local partners rather than using the franchise model. This model was primarily used where Aptech needed local knowledge or the access provided by a local partner. This is particularly true in countries where partnering with an established academic institution enabled Aptech to both access the higher education market and obtain rapid brand recognition and legitimacy.
- **Company-owned centers:** In Malaysia, Aptech felt that they were unable to find suitable franchisees or partners. As a result, they invested in company-owned centers.

FRANCHISES

Aptech has a sophisticated franchising business model. Franchisees are identified as being either an A, B, C, or D franchisee, based on their revenue potential. For example, an A franchisee must have revenue potential of at least Rs. 1.2 million (US\$24,000) in India or US\$40,000 internationally while a D franchisee would only revenue of Rs. 100,000 (US\$2,000). Aptech has also made extensive use of master franchises in which one individual will hold the franchise for a given geographic area and either operate multiple centers or sell sub-franchises. Typically, the master franchise will be either an A or a B franchise while the sub-franchises will be classified as either as C or D franchises. The master franchise will receive a portion of the franchise fee from the sub-franchises.

A, B, and C franchisees pay a 15% of revenue as a royalty payment to Aptech in the first year. In the second year and thereafter the franchise fee increases to 20% of revenue. D franchisees pay a fixed-fee royalty.

Aptech maintains strict financial controls over its franchisees. Students receive an Aptech invoice and pay their course fees directly to Aptech. After Aptech audits these receipts, the company then remits the revenue, minus the Aptech franchise fee, to the franchisee.

Aptech also makes use of business development associates who identify potential franchisees in exchange for a fixed fee. This has allowed Aptech to grow their franchise base at a continuously rapid growth rate.

Franchisees initially sign a five-year contract and then renew their franchises in one or three year increments. The following table outlines the division of responsibilities between Aptech and its franchisees.

² Aptech Certified Computer Professional
WHAT WORKS CASE STUDY

Table 2. Organizational Responsibilities of Franchise Partnerships

Franchisee responsibility	Franchiser responsibility (Aptech)
<ul style="list-style-type: none"> • Investment infrastructure • Financial stability • Administration of courses • Hiring of instructors • Course scheduling • Market intelligence 	<ul style="list-style-type: none"> • Course design • Preparation of student materials • Production of instructor materials • Trainer instruction • Course revisions and updates • Placement assistance for students • Periodic center audits • National marketing • Certification and evaluation

TECHNOLOGY REQUIREMENTS

Aptech specifies the basic technology requirements for each franchise. The technology investment and maintenance, however, is the responsibility of the franchisee.

Software:

- Basic keyboard and mouse tutorials
- Windows NT workstation
- Netscape Navigator 4.0
- MS Office 2000 suite of products

Hardware:

- Nodes with Pentium 100Mhz processors with
 - 16Mb RAM
 - 2.1GB Hard Disk
 - 3 Button Mouse
 - 104 keys Keyboard
- Windows NT server with a Pentium 166 MHZ processor with
 - 64 MB (preferred) RAM
 - SVGA Mono/Color monitor
 - 2 GB Hard Disk
 - 3 Button Mouse
 - 104 Keys Keyboard

MARKETING

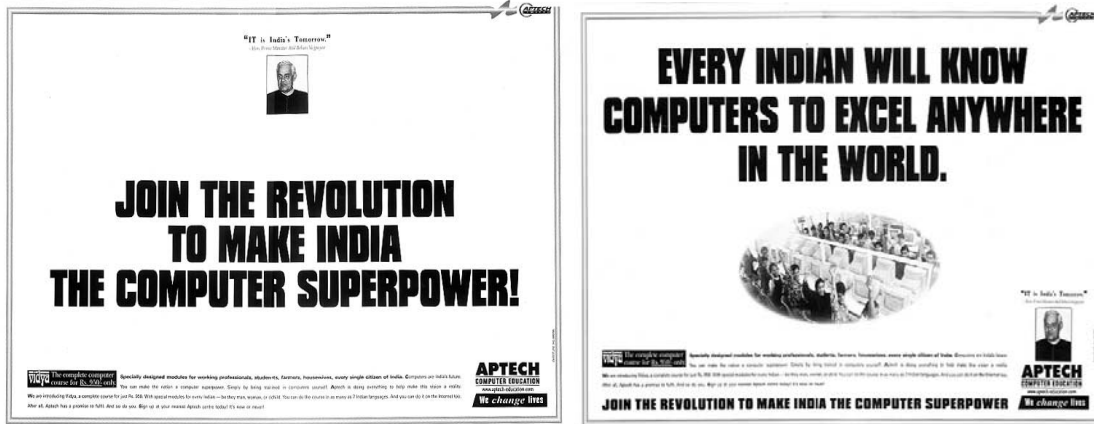
Marketing is critical to Aptech's success. Marketing takes place at two levels in the organization:

- **Aptech:** Aptech is responsible for national and regional marketing to raise the brands of both Vidya and Aptech. The most common forms of advertising are print ads in national and regional newspapers. Aptech also makes extensive use of billboard advertising. While Aptech controls and directs marketing at this level, the franchisees ultimately pay the bill; Aptech charges a fixed percentage of revenue on top of its normal royalties to cover this advertising expense.
- **Franchise:** the franchises tend to use far more targeted and specific measures to market the courses. The most common forms of advertising at a regional level are leaflets, local print media, as well as target mailing (e.g. to schools). Franchisees not only decide which marketing tools to use but also whom to target as potential customers. The demographic make-up of centers can vary significantly

depending on their locations. This demographic will also determine the demand for specific courses and thus the courses featured in advertising materials.

Initially the advertisements focused on Indians drive to be a superpower and appealed to consumers' patriotic spirit (Figure 1). They drew heavily from the support provided by the Prime Minister's IT taskforce.

Figure 1. Aptech Advertisements (India Print Media): Patriotic Campaign



Gradually, however, ApteCh transitioned to a campaign focused on individual success and drive for greater skills. The campaign revolved around the slogan “Muje Vidya Do” or “I want Vidya” (Figure 2). This campaign focused on the idea that it is the individual’s own responsibility to educate his or her own self to become computer literate.

Figure 2. ApteCh Advertisements (India Print Media): “I want Vidya”



When ApteCh launched the shorter My Vidya course, the company promoted the new offering through an extensive campaign focusing on the low price point.

Figure 3. Aptech Advertisements (India Print Media): “My Vidya” Program

“From now on, I won’t depend on anyone for operating Windows.”

PRESENTING
vidyā[®]

The basic Computer & Internet course.
More hours. More confidence.
AT JUST RS. 999.

- 2436 Centres in 52 Countries
- The first Microsoft® Centre of Excellence in India
- Microsoft® Certified Curriculum
- 3,00,000 Students Trained
- Practical-led Training Methodology

Also available
Video-Literate course for those with
prior computer knowledge.

WE CHANGE LIVES
APTECH COMPUTER EDUCATION
www.aptech-education.com

Basic Computer • Windows • Internet • MS Word • MS Excel • MS Powerpoint • Office 2000

Want to learn computers ?

Enroll today for
my vidyā
BEGINNERS
COMPUTER
COURSE
one week program

RS
450
ONLY

Hurry, limited seats!

You have always wanted to learn computers but could not. Maybe because of lack of time, guidance or affordability. Well now is your chance to make a beginning, after all IT is an important part of modern life. Enroll today for 'My Vidya' and equip yourself with the basics of computer knowledge.

WE CHANGE LIVES
GLOBALLY

APTECH
COMPUTER EDUCATION
www.aptech-education.com

Contact your nearest Aptech centre or call for details

CENTER MAKEUP

The average center has 700 enrolled students at any given time. Centers tend to be larger in urban areas and smaller in rural towns. Centers are typically open from 7:00am to 8:00pm, seven days a week and students are free to visit the center and use the facilities for practice or to complete assignments during those hours.

The typical center has between four and six computer labs and five and six classrooms. A medium-sized center will employ between 20 and 30 people, half of whom are dedicated instructors. The remaining employees hold accounting, marketing, administrative, and counseling positions. Franchisees employ their own staff; however all staff members must undergo Aptech training courses.

PARTNERS AND ALLIANCES

In order to extend its reach and client-base, Aptech partners with several types of outside organizations.

Private universities: Aptech does not have the ability to confer degrees in India, but Aptech maintains partnerships with various universities both within India and abroad. These partnerships serve a dual purpose. First, they allow Aptech to offer courses that can be used as credits towards degrees. Secondly, these partnerships allow Indian students to spend time abroad and interact with a diverse student body.

Governments: Both in India and in foreign countries, Aptech has made a conscious effort to partner with national and regional governments in building the Vidya program. This had the dual advantage of leveraging government support for computer literacy and securing government contracts to provide computer training to government workers.

Software/Industry partners: Aptech maintains numerous industry and software alliances, including with some of the most prominent names in the IT industry, such as Microsoft, Thomson, Prometric, and NETg. These partnerships help Aptech to ensure that its curriculum is continually synchronized with the latest technology.

COMPETITION

NIIT is Aptech's primary competitor, offering competing courses in virtually all categories. NIIT markets its computer literacy course—the equivalent of Vidya—under the brand “Swift.” Combined, Aptech and NIIT account for more than 80% of the market. Aptech believes that it currently has a slight market share advantage over NIIT (just over 40%), however there are no independent market share statistics and both companies operate roughly equal numbers of centers. In certain markets there are also regional players—primarily LCC in northern India and Brainware in eastern India—who provide similar courses. Finally, there are numerous small, independent proprietor-owned stores. Together, however, the regional and independent companies hold only a small share of the market.

NIIT's Swift series covers a range of six simple, short and affordable computer courses that cater to all Indians who wish to use computers. The Swift courses, like Aptech's Vidya courses, allow users to learn the basics of computers in an easy manner at an affordable price. The Swift course is offered across NIIT's 2,445 education centers.

NIIT first offered the Swift course in 2001 at a price of Rs. 500 (US\$10). The course has proved to be successful and they have so far trained over 100,000 students in basic computer literacy. In 2002, a longer duration program was introduced at a price of Rs. 749 (US\$15).

The Swift and Vidya product offerings are very similar and cover the same software programs. NIIT adopted a similar franchise model and the majority of their centers are franchised.

Table 3. Comparison of NIIT and Aptech

	NIIT	Aptech (incl SSI)
Number of centers	2,445	3,208
Number of countries	31	52
Global Revenue	Rs. 3,760,000,000	Rs. 4,180,000,000
Market Share	45%	55%

Source: The Franchising World, April 2003

THE VIDYA PROGRAM

Vidya is Aptech's computer literacy course, which is offered at significantly lower prices than its other longer term course offerings.

Business Objective

- Profit: As a for-profit public company, Aptech requires that each of its initiatives is independently profitable. Vidya is no exception and, while it operates at a lower margin than the firm's more advanced courses, it remains profitable.
- Feeder course for advanced courses: Vidya is offered both as a stand-alone course and as “Module 0” of the company's more advanced programming and multi-media courses. In the latter case, Vidya is an integral and necessary component of the company's higher margin offerings. Aptech also maintains an active effort to enroll students in the stand-alone Vidya course in more advanced programs. Approximately 30% of students who originally enrolled only in the Vidya program eventually enroll in more advanced Aptech courses.

Social Objective

- Literacy: Vidya increases Aptech’s profile and allows the company to participate in the national computer literacy drive. Moreover, by providing Vidya programming to government clients and to foreign multinationals, Aptech is seen as contributing to broader economic development and education.

COURSE MAKEUP

Vidya—literally “education” or “knowledge” in Sanskrit and Hindi—was formed in 1999 and comprises six modules of technology training:

1. Introduction to Computers & Operating Systems
2. Microsoft Word 2000
3. Microsoft Excel 2000
4. Microsoft PowerPoint 2000
5. Concepts of the Internet
6. Integrating Office 2000 with the Internet

The course is made up of a mix of lectures (class time) and laboratory time (practicum with computers). Originally the course was designed to be 48 hours in length. The course was structured as follows:

Table 4. Initial Vidya course structure

Module	Class Hours	Lab Hours	Total Hours
1	6	6	12
2	4	4	8
3	6	6	12
4	4	4	8
5&6	4	4	8
Total	24	24	48

Typically students would attend a two-hour contact session four times per week, thus completing the course in approximately six weeks. Aptech is flexible in this regard, however, and will occasionally offer Vidya courses that compress the same course into fewer weeks through more frequent sessions. Students are not required to pass an examination at the end of the course. Assuming adequate attendance, students receive a “certificate of participation” upon course completion.

In order to attract a broader client base, Aptech developed shorter, less expensive versions of Vidya. In 2001, Aptech developed a 22-hour version of the course priced between Rs. 950 and Rs. 999 (US\$19-20). Although the course was much shorter, the course covered the same breadth of material, although clearly in less depth.

In November 2002, Aptech launched “My Vidya,” a 12-hour version of the course priced at Rs. 450 (US\$9). My Vidya represented both a tactical move in response to NIIT’s introduction of a course priced at Rs. 450 and a strategic move to attract people to Aptech centers in the belief that once they had completed an initial course, they would be more likely to enroll in additional offerings.

Table 5. Growth of Aptech Course Enrollment and Revenue (1999-2002)

Year	Enrollments	Price Points (Rs.)					Revenue (INR lakhs)
		450	950	1,250	1,950	2,450	
1999	73,500		58,800	7,350	7,350		793.8
2000	84,000			33,600	33,600	16,800	1,486.8
2001	91,000		27,300	18,200	36,400	9,100	1,419.6
2002	101,500	20,300	40,600	20,300	10,150	10,150	1,177.4
Total	350,000	20,300	129,700	79,450	87,500	36,050	4,877.6

PROFITABILITY

On a financial basis, Vidya holds an important position within Aptech's product line. While, on a stand-alone basis, the course is less profitable than the company's more expensive offerings, it generally occupies less-than-prime time slots at Aptech centers, thus increasing utilization rates for both infrastructure and instructors and lowering the company's cost basis. Secondly, Aptech is able to leverage its existing franchise network, course development staff, corporate infrastructure, and distribution systems to serve Vidya at a low cost. Moreover, Vidya's role as a feeder to other Aptech courses enhances its financial value.

Basic computer literacy courses, the prototype for which is Vidya, have become a staple of Aptech's international expansion. From Africa to Vietnam, the company has introduced basic computer literacy courses based on the Vidya material, although always under locally derived names and translated into the local language.

PRICING AND COST STRUCTURE

Aptech charges a fixed price for its Vidya course. While most expenses are variable, the fixed cost of the faculty means that the number of students per class drives ultimate profitability. The following three tables outline the economics of the 48-, 22-, and 12-hour courses.

Table 6. Pricing and Cost Structure: 48-hour Vidya Course (Rs. 1,750)

	Base Rate (all figures in INR)	Number of Students			
		6	12	24	36
Hours		48	48	48	48
Revenue	1,750	10,500	21,000	42,000	63,000
Royalty	20%	2,100	4,200	8,400	12,600
Course Materials	125	750	1,500	3,000	4,500
Infrastructure Cost (Rs./hour)	30	4,320	8,640	17,280	25,920
Marketing Expense	7.5%	787.5	1,575	3,150	4,725
Faculty Cost (Rs./hour)	50	2,400	2,400	2,400	2,400
Total Expenses		10,357.50	18,315.00	34,230.00	50,145.00
Profit (Loss)		142.50	2,685.00	7,770.00	12,855.00
Profit Margin		1.4%	12.8%	18.5%	20.4%

Source: Aptech Ltd.

Table 7. Pricing and Cost Structure: 22-hour Vidya Course (Rs. 999)

	Base Rate (all figures in INR)	Number of Students			
		6	12	24	36
Hours		22	22	22	22
Revenue	999	5,994	11,988	23,976	35,964
Royalty	20%	1,198.8	2,397.6	4,798.2	7,192.8
Course Materials	86	516	1,032	2,064	3,096
Infrastructure Cost (Rs./hour)	30	1,980	3,960	7,920	11,880
Marketing Expense	7.5%	449.55	899.1	1,798.2	2,697.3
Faculty Cost (Rs./hour)	50	1,100	1,100	1,100	1,100
Total Expenses		5,244.35	9,388.70	17,677.40	25,966.10
Profit (Loss)		749.65	2,599.30	6,298.60	9,997.90
Profit Margin		12.5%	21.7%	26.3%	27.8%

Source: Aptech Ltd.

Table 8. Pricing and Cost Structure: 12-hour Vidya Course (Rs. 450)

	Base Rate (all figures in INR)	Number of Students			
		6	12	24	36
Hours		12	12	12	12
Revenue	450	2,700	5,400	10,800	16,200
Royalty	60	360	720	1,440	2,160
Course Materials (included in Royalty)					
Infrastructure Cost (Rs./hour)	30	1,808	2,160	4,320	6,480
Marketing Expense	7.5%	202.5	405	810	1,215
Faculty Cost (Rs./hour)	50	600	600	600	600
Total Expenses		2,242.50	3,885.00	7,170.00	10,455.00
Profit (Loss)		457.50	1,515.00	3,630.00	5,745.00
Profit Margin		16.9%	28.1%	33.6%	35.5%

Source: Aptech Ltd.

As can be seen in the above tables, the optimum price to offer the course differs depending on the estimated size of the class. The high priced Vidya course is highly profitable at high volumes while the low priced course is better suited to small class sizes.

DEMOGRAPHICS

The majority of people who take the Vidya course are full-time students (52.8%). Salaried employees account for 34.1%, retired people, housewives, and self-employed attendees account for the balance.

Aptech has found that traditionally people who take their courses come from one of three backgrounds

1. People who fear they will be left behind in the IT evolution (students who feel their IT education at school is inadequate represent a large segment of this group)
2. People who use computers incidentally, although not as primary tools, in their jobs
3. People who are using computers as a key part of their job

Vidya is specifically targeted at the first two demographic segments. In its first four years, Aptech enrolled 350,000 students in Vidya courses at all price points

VARIATION AMONG CENTERS

Each of the franchises has discretion as to which courses they offer. Some have elected to offer only the original version while others have elected to offer both the longer and shorter versions. Franchisees have the discretion to set the price of the courses that they offer. Outlined below are some of the key differentiating factors of these centers. As can be seen the franchisees have a high level of flexibility to run their centers independently.

Thane, Mumbai Center

The Thane Center main course offering is the three-year ACC course. Vidya is offered free to students enrolling for the three-year program. The center management feels that while Vidya is a basic design course, it helps build programming logic, which helps students acclimatize to higher level courses to follow. At this center, approximately 25-30% of the enrolling students sign up for Vidya, of which a little less than half use it as a stepping stone and sign up for a higher level course.

The center offers two variants of Vidya – a basic Rs. 450 version and the complete Rs. 1,750 version. While a small number of people sign up for the shorter version, most people enroll for the complete offering. The enrolled student body at this center (about 700 students) mostly comprises of college going students.

Surat, Gujarat Center

The Surat Aptech center started small but has grown to become a highly profitable business. Low literacy rates in Gujarat posed a major problem in enrolling students for computer education. As a result, the franchisee started targeting high schools for potential students. As a result, Surat developed into a center mainly catering to high school students, which is significantly different from the Thane and most other Aptech Centers. This highlights the flexibility that franchisees have in marketing Aptech courses in their regions.

Realizing that Surat is a cash rich city, the franchisee decided to sell Vidya at a higher price point than most centers. The 40-hour Vidya module sells for Rs. 2,500-3,000 in Surat. However, the pricing is seasonal and often drops to Rs. 500 for the 40 hour module in January and February. A shorter version of Vidya is not offered at this center.

Pune Center

Pune is an urban area approximately two hours east of Mumbai. The region is home to several large multinational manufacturing plants producing automobiles and heavy industrial equipment. In recent years, the city has seen an increase in outsourced call centers that demand computer literate employees.

Aptech's relatively small Pune Center reflects this demographic with a heavy emphasis on Vidya offerings. The center consists of two classrooms, a large computer lab, a small office for the center manager, two small rooms used by sales people and career counselors and a reception area with a small section designated as the "research library." Most of the jobs advertised on the bulletin board are for call centers and other positions that require basic computer literacy. The center's students are a mix of school age students and adults looking to advance their career through computer literacy. The center offers the standard Vidya offerings with most students enrolled in the 22-hour version.

CHALLENGES

Aptech as a whole has suffered during the IT slowdown. The slowdown has had a significant impact in the number of jobs available for students entering the workplace with Aptech certifications and thus complicated the value proposition of Aptech's courses.

Aptech also faces significant competitive pressures and difficulty differentiating itself from other companies. This is particularly true at the basic computer literacy level where Vidya and Swift are virtually indistinguishable.

Another challenge that Aptech has faced is the identification of the appropriate partners and franchisees internationally. They have identified this as the most crucial risk in entering a new market.

The biggest challenge for Aptech with regards to Vidya will be to justify its financial viability if it fails to deliver successfully as a market share generator and as a feeder course to higher level offerings.

KEY LESSONS

Aptech's unsuccessful initial approaches to international expansion taught the company several important lessons. First, in order to appeal to the local market, Aptech needed to customize its courses, including translating course materials. The company's initial one-size-fits-all approach and rigid adherence to its franchise business model lead to initial failure.

As a technology-centric company, Aptech has needed to quickly adapt to changing realities, competitive pressures, and content demands from students. In 2000, Aptech formed the Technology and Academics Advisory Group (TAG) with the purpose of understanding industry IT requirements and translating them into world-class courseware. Inputs from TAG are built back into the curriculum design process enabling Aptech to synchronize its courseware with the demands of the IT industry and the IT needs of non-IT companies.

Aptech relies heavily on its franchisees as the company's primary link to its ultimate customers—students. As a result, Aptech maintains a close relationship with its franchisees and their employees. Aptech developed an "extended organization" concept for the employees at franchise centers. Aptech runs training workshops for franchisees and helps them to understand the importance of employee motivation and satisfaction.

APPENDIX 1. PHOTOS



Photo 1: Aptech management with team

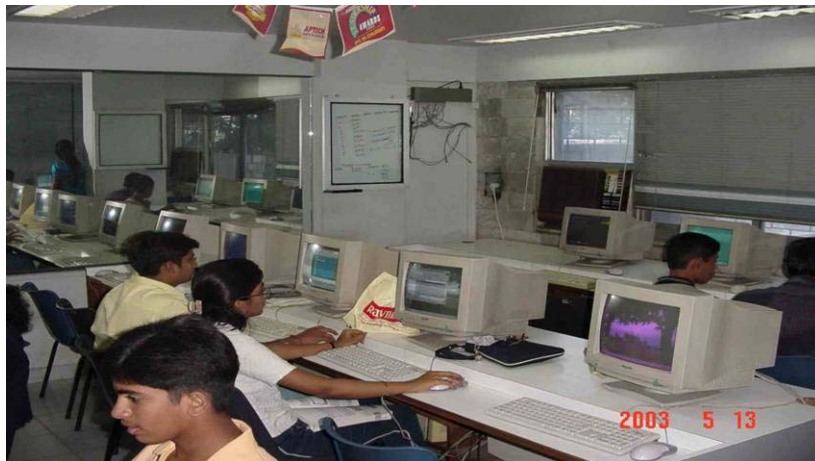


Photo 2: Thane Computer Lab



Photo 3: Thane management with team



Photo 4: Pune management team

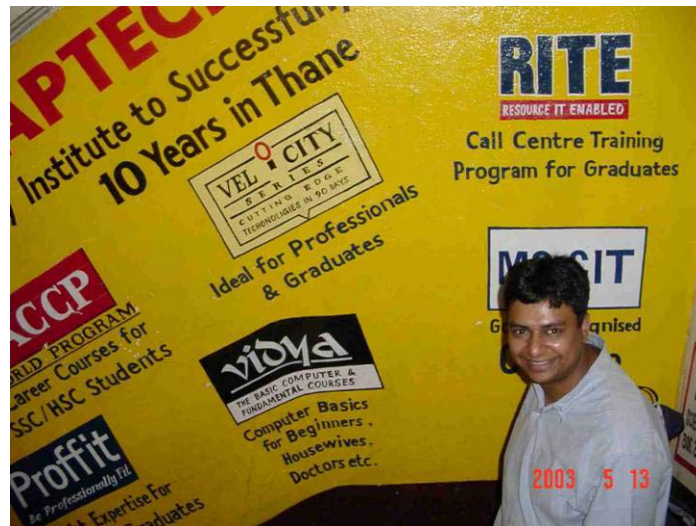


Photo 5: Thane Center