

AT&T and KDDI should provide inspiration for operators that are exploring the digital education market

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A growing number of telecoms operators are experimenting with direct-to-consumer digital education services, but most operate in low-income, rather than high-income, countries, despite the higher monetisation potential in the latter.

However, some operators in high-income countries are entering the digital education market and can therefore offer lessons for others. For example, AT&T and KDDI are leaning on partners to deliver targeted services while implementing a range of business models.

Digital education offers operators the potential to diversify their revenue streams and develop their ESG credentials

Direct-to-consumer digital education is a high-growth, multi-billion dollar opportunity. It offers operators an opportunity to generate revenue, diversify their businesses and win support from public authorities and investors with preferences for companies with strong environmental, social and governance (ESG) credentials.

Operators should adopt a nimble business approach and partner with sector specialists to sell directly to consumers due to their lack of sector expertise. The core strengths that operators can mobilise to support digital education services include their:

- network capabilities, including their ability to zero-rate digital education services
- video delivery and security expertise
- well-established distribution networks and large customer bases.

Opportunities in high-income countries are not being exploited by operators, despite arguably more-favourable market conditions

Most of the operator activity in the digital education sector is occurring in large, low-income countries where operators are important digital economy players. Operators in high-income markets are less involved despite having arguably more-advantageous conditions, such as mature digital education markets from which to choose partners and higher disposable incomes.

AT&T and KDDI both operate in high-income markets and are active in the digital education sector (the latter through a wholly owned education-specific subsidiary, AEON) (Figure 1). Other operators in high-income countries can therefore take learnings from these two players.¹

¹ For more information, see Analysys Mason's [Direct-to-consumer digital education: the opportunity for operators](#).

Figure 1: AT&T's and KDDI's approaches to direct-to-consumer digital education services

	AT&T (USA) – The Achievery	KDDI (Japan) – AI Speak Tutor
Service description	Media-rich learning platform that currently covers social-emotional learning, the arts, English language, technology and engineering	English language learning service that enables users to practise speaking English with an AI chatbot
Launch date	March 2022	April 2021
Target market	5–18 year olds (K-12)	Consumers seeking to learn English
Service rationale	The service caters to demand for media-rich learning. Around 80% of respondents to a 2021 survey of parents, teachers and non-profit education providers conducted by AT&T and Morning Consult said that their students' engagement with learning tools would increase if lessons included characters from popular entertainment.	Japan ranked 117 out of a total of 135 countries in 2019 for English listening, reading, writing and speaking according to the TOEFL. Multinationals in Japan require the use of English at work.
Business model	The service is not monetised and is free to use. AT&T's CSR funds pay for the service.	The service is sold on a subscription basis and costs JPY3300 (USD25.35) per month.
Level of operator input	High. The platform was developed in-house but most services are from third parties.	High. The service was first developed by LG CNS for the South Korean market; the Japanese version was developed by LG CNS and KDDI-owned AEON.
Operator assets or strengths used	<ul style="list-style-type: none"> The platform features content from Warner Bros Discovery (which was formed from AT&T's WarnerMedia division). The service can be accessed in AT&T Connected Learning Centers, which provide free internet access to underserved communities. 	<ul style="list-style-type: none"> KDDI-owned AEON, an English language teaching provider and a member of the “big four” providers in Japan, input sector expertise to design the Japanese version of the service. The Japanese version was first distributed through AEON-owned teaching facilities (250 in total) before being marketed to the public.
KPIs	None	3.6 rating on the App Store (July 2022)

Source: Analysys Mason

These two examples are instructive to other operators because of what they have in common and how they differ. Their similarities include some strategic elements that other operators can replicate.

- **The services rely on partners.** Each service relies on the proven expertise of sector specialists. The Achievery includes content from well-established non-profit entities such as Khan Academy. AI Speak Tutor is the Japanese iteration of a service that has already proven to be successful in South Korea.
- **The services target highly specific market needs.**
- **The services use special operator-owned assets.** The Achievery draws on Warner Bros Discovery's premium content library. AEON's expertise in teaching English in Japan has made AI Speak Tutor possible; the service was initially rolled out in AEON-owned outlets.

These services differ in terms of their business models, which demonstrates the flexibility that operators can enjoy with respect to monetising services. The Achievery is not monetised and is funded by AT&T's CSR fund. This approach affords AT&T the opportunity to test out the service with limited business risk; if successful, AT&T could launch a paid-for service at a later date. By contrast, AI Speak Tutor charges consumers on a subscription basis. Subscription products can be bundled with telecoms packages later on.

Alternative ways of monetising services include charging businesses for employee training or monetising mobile apps via ads, though this is difficult in high-income markets due to Apple's privacy policies and iOS's large mobile operating system market share.

Digital education is a fast-developing sector, so service agility is essential

The initiatives of AT&T and KDDI give a sense of emerging best practice to operators that are examining the digital education opportunity. Some may have different assets to exploit than AT&T and KDDI, but operators as a group are unlikely to fail to attract partners from the sector because of the scale of their businesses and distribution networks.

The right choice of partner and market niche will be key to operators' success, but service agility is even more important because of the fast-changing nature of the market. The availability of different business models means that there is inherently some potential for agility. Providers will also need to interact closely with their customers to ensure that they are selling the right kinds of products. Changing target markets and product lines may ultimately be the best route to follow, and providers should be prepared for this.