

Ross Darwin of Owl Ventures

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin, I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. The. Interested in raising funding for your startup where your next fund raised, consider Tin Capital Syndicate platform, an online portal using a special purpose vehicle. The syndicate platform allows for online investment and access to over 12000 accredited investors. Log into the King Capital Syndicate platform to find your next investment. To learn more, go to Tinn Capital Group SPV. Hello, this is Hall Martin with Investor Connect today, we're here with Ross Darwin, principal at Owl Ventures. Founded in 2014, Owl Ventures is the largest venture capital firm in the world, focused on the education technology market, with over \$1.3 billion in assets under management. Silicon Valley firm was purposely built to partner with and help scale the world's leading education companies across education spectrum, including pre-K to 12 higher education and future of work. Ross, thank you for joining us.

Speaker2: [00:01:13] Hey, Paul, it's great to be on today.

Speaker1: [00:01:15] Great. So what was your background before investing in early stage companies?

Speaker2: [00:01:20] Yeah. So I'm sort of lucky I actually grew up doing education consulting, so worked with publishers, with school districts, colleges, universities, helping them sort of with strategic decisions that they were making. I was at a firm called the Parthenon Group, which did sort of a lot of work with those educational clients also happened to do some work for private equity clients who are looking at the education space. And so actually ended up connecting to the private equity or later stage investing side of the world in that way. I was lucky. I worked at a firm called Ta Associates and had the opportunity to actually make an investment around the education space, a company called pro-Kerry Software, which actually helps manage a lot of the daycares around the country. And so I sort of stayed close to the education world in that way. And so when the opportunity came to work at Apple and worked with some of the earlier stage companies and in the education space, I jumped at it.

Speaker1: [00:02:15] Right, so what excites you right now?

Speaker2: [00:02:19] Yeah, well, so I, you know, there's there's a couple of things that are exciting me right now, but one of the things I love about working at Owl is, you know, really we're working at the impact of the intersection of both impact and investing. And so the companies I get to work with every day are helping students in middle school and high school learn, learn math, learn science, learn English. And so I think it just brings sort of a lot of joy, brings me a lot of joy that I get to work with companies in that space. You know, what are the other fun things about working in edtech is you tend to work with a lot of former teachers, a lot of people who are really passionate about making that impact. And so you end up working with a lot of really nice folks, which is just which is really wonderful. You know, one of, you know, Owl, as you mentioned, works across pre-K, college, university career and lifelong learning. And so, you know, we really cover a lot of area. But so one of the only sort of true theses we have, if you will, is that outcomes are sort of driving success in education. And so it's interesting in that one of the areas I could spend a lot of my time is looking at how new technology is actually helping improve learning sort of for those students. And so that's that's that's been sort of a big part of what's excited me. You know, the other thing is just sort of being part of a part of the technology ecosystem that is is really transforming really rapidly. Education is a huge part of our economy.

Speaker2: [00:03:51] It's \$6 billion today and sort of expected to grow to be \$10 trillion in the next couple of years, really the second largest part of the economy after health care. But unlike most parts of the economy where technology spending is in the, you know, 20 percent of sort of overall spend in that that sector in the tech sector is only three percent. And so, you know, we expect that all at least we expect that to really change over the course of the next 10 20 years and have that technology spend really increase. And so it's really a sector that's that's transforming pretty quickly, driven in large part by the, you know, adoption of high bandwidth internet in schools. And so, you know, that's that's been really exciting for me. The other the other thing that's sort of been exciting for me is seeing all the areas that education is intersecting with other parts of the economy. And so, you know, we've spent more and more time at Apple looking at even areas like fintech where you see financial literacy and helping people understand, you know, how to spend money, how to save money, how to invest money, you know, becoming a bigger and bigger part of the conversation in fintech and similarly in

health care. You know, teaching people the techniques to cope with anxiety or depression. We're seeing a lot of really interesting companies around mental health, where education is actually a big part of what they provide to consumers. And so I think it just sort of goes along with that sort of idea that it's a really huge market that's really early relative to a lot of other technology sectors.

Speaker1: [00:05:24] Right? Well, you see a lot of startups and a lot of investors in the ed tech space. What's your advice for people investing in education companies? What do you tell them to do before they write that check?

Speaker2: [00:05:35] Well, so the first thing I'll say is we're super excited to see more folks investing in the space. I think for a long time it has been sort of an underinvested segment, and the reason for that is that super complex and investors tend to like things that are relatively simple because it makes it easier, easier for them to wrap their head around it. And so we're just super excited to see more people investing in the space. I think it's the first thing that I'll say, you know, the one sort of hiccup that folks can get into is they can sort of think that they really understand, understand the education space because they were once students. But it's it's really important to remember just, you know, just how many stakeholders there are. And it's not just sort of the view you may have had as sort of a student in a classroom. You have teachers, you have the students themselves, but then you also have parents, administrators and government through sort of all have different goals and objectives and reasons for sort of their own decisions. And so you really have to have to balance a lot of different stakeholders. In some ways, we sort of view education as being a little bit like the health care segment where there really is some some benefit to being a specialist or spending a decent amount of time around the state or around the around the sector because you really do have so many different voices. And so the one the one piece of advice we sort of give to anybody who's looking at investing in the space is to make sure you, you spend time talking to teachers, talking to administrators, you know, to really to really understand sort of how everybody in the system, you know, and to the students themselves to understand how everybody in the system. Sort of use whatever it is you're looking at investing in, because there really are a lot of folks around the table.

Speaker1: [00:07:24] Great, and then on the other side of that table, what do you tell founders in the tech world to do before they go out to raise funding?

Speaker2: [00:07:32] Yeah, so, you know, the one thing I'll say is we see a lot of founders who have really wonderful ideas about ways to engage students, new ways of learning, new ways of personalizing that learning. But one of the things that we sometimes see founders not spend as much time on here is the go to market motion. If you know, a former former teacher or former administrators can have a lot of, you know, sort of a lot of wonderful ideas about how to sort of increase the quality of education. But to the point we were just talking about, the go to market motion can be really hard. And that's true both on sort of a direct to consumer side as well as on sort of selling to schools. So, you know, from a consumer side, you know, you have the challenge that a lot of you know, at least in this is the K-12 and college university side. But many times there are parents involved in that decision as well. If you're going sort of direct to consumer and so you have to deal with sort of threading a needle between, you know, attracting parents to a platform, but also attracting students to a platform which can often be very different messaging that you have to send if you're going direct to consumer. And then when you're when you're looking at the B2B side, you know, one of the big challenges there can be, you know, not only the number of stakeholders, but the fact that there tends to be sort of one big buying cycle every year right around sort of the start of the new school year. And so, you know, really making sure you have a plan on how you're going to sort of go to market is really something we sort of recommend to any founders who are who are entering the space.

Speaker1: [00:09:06] Well, let's talk about the state of investing in education. How do you see the industry evolving from here?

Speaker2: [00:09:12] So we've been really excited by some of the changes in the industry, and I'll talk just about a couple of them here, but one of the big changes that we've seen is a change in access and this this, I think, is one that a lot of folks will relate to from from other industries. But the the increased adoption of the internet sort of increased prevalence globally has really increased folks access to great learning materials. And so just to throw out a couple of examples from our portfolio that I think are sort of fall into this access bucket. One interesting one is is Shepley, which is a language learning marketplace and allows language learners from anywhere around the globe to connect to language tutors from anywhere else around the globe. And so if I'm a student here in America learning French, I can connect to a language, a language tutor in France who's a French native but who knows English and who can teach me, or I can choose to

connect to another language tutor here in the U.S. who is a English, you know, an English native, but has studied French and so may understand some of the same challenges I'm facing. But you can sort of get that one on one attention, whereas before you maybe had to try to find a language school, you know another another fun one in our portfolio that I think is sort of really great in terms of increasing access is a company called Kingdom, which is actually a platform used in over twenty five percent of schools around the country and is helping students access open educational resources, which are actually curriculums that have been developed by nine non-profits are some of the most effective curriculums out there today.

Speaker2: [00:10:51] But historically have been sort of in the form of these really challenging to access PDFs require a lot of paper printing and all of that. And so they're they're really digitizing that curriculum, adding in sort of more interactive features, including things like tests that are built right into the platform and sort of grade books that are built right into the platform, really making a single platform for teachers and so really increasing access to some of that great curriculum. You know, in terms of other areas that we spend a lot of our time, you know, personalized learning is is really one of the biggest areas. And so this is how can you make learning really sort of individualized for every, every person who learns at a different level? So one of the examples I like the best here, and I think it's just so interesting as a company in our portfolio called Vizsla, that actually takes articles, whether it be about science, social studies and really levels those article articles to different reading levels.

Speaker2: [00:11:51] So if you're a teacher and you want to give out a, you know, an article on a current event, you can make sure that every every individual reader in the classroom can read that article at the level of reading comprehension that they have that still pushes them, but still then allows them to participate in that broader class conversation about whatever that current event may be, whatever that science topic may be. And so you you don't sort of leave learners behind in the same way you might have historically. Just to mention one or two other areas, you know, social learning is another thing that we're paying a lot of attention to here. I think there's a really interesting company, five of that's working on, you know, actually really interesting because they've hired a large number of actually high school and college interns who sort of really have that in classroom experience and are talking about how students are using chat platforms today like Discord to actually help their learning, setting up study sessions with each other on Discord.

Speaker2: [00:12:51] You know, to hold each other accountable to their study goals. And so we're spending a lot of time thinking about sort of that, that social learning space. And then we also spend a lot of time thinking about sort of that, that data piece and how are how are these startups using data to sort of better measure outcomes? And so I think, you know, I mentioned at the beginning that one of the big theses we have is that educational outcomes and sort of the impact that you're able to have really, I think, drives success in the education market. So if you can prove using our platform students advance faster, that makes a huge difference in terms of your ability to sell to schools. And so an example of a company in our portfolio that's done that really well as a company called DreamBox, which actually looked at doing double blind controlled studies to basically prove that students who use their their platform to study math can actually move up grade levels much faster than sort of using traditional curriculums. So those are those are just sort of a couple of the areas that sort of we're spending time and we're we're seeing a ton of evolution in sort of our industry.

Speaker1: [00:14:01] Well, we're coming out of COVID and we're dealing with remote versus in-person learning. And so it seems like a big change is coming up in education. What do you think is the biggest change we? We'll actually see in the next 12, 24 months in this space.

Speaker2: [00:14:16] I think one of the biggest difference. Sort of the biggest difference is brought on by COVID is probably that it just made folks sort of force folks to adopt some educational tools for us in some ways is a real challenge because we've we've been investing in education and technology for years, but all of those technologies were really designed for in-school learning. And so I think one of the misconceptions, probably a lot of parents and teachers had as they sort of started moving online in the past year was they were using these edtech tools. And maybe we're confused why they they struggle to use them or why, why? Why there were so many technical difficulties. And I think part of the answer to that is these were tools designed to be used in schools originally. And so, you know, our portfolio companies and many others were actually really investing over the course of the summer, both years and throughout the school year to basically recreate their platforms in ways that were they were never meant to be used. But you know, the flip side of that is teachers who may historically have shied away from using some of these edtech tools in the classroom now have seen some of the power of those those tools. And so I think sort of the biggest change is that you're just

going to there are more teachers who are sort of familiar with the tools and have seen some of the benefits of using them that we sort of just expect this to lead to a larger acceleration in adoption of many of those tools. And one of the big benefits to teachers as well is, you know, one of the most challenging things about using some of the edtech tools historically was sort of teaching. The students had basically how to get on them, how to register your accounts, all those pieces and sort of luckily, all the students really have been forced in the past year to sort of learn those techniques and tools. And so I think I think what we expect is just sort of much, much broader adoption in the next couple of years.

Speaker1: [00:16:15] So what is your investment thesis for this sector and in particular, what's your criteria for making a go or no go decision?

Speaker2: [00:16:22] So I keep coming back to this because I do think it's a really important thing for for any investor in the space to spend time on is really paying attention to what are those those learning outcomes. And so just to give sort of a couple examples of that. You know, in the K-12 space that may be looking at, how does how does a technology improve student attendance? How does IT technology improve student performance on standardized testing? How does a technology improve student mental happiness or well-being? You know, all of those are really important outcomes, but if you can't measure those outcomes, it becomes really hard to convince a school to use their limited funding sort of on on that technology. And so one of the biggest things for us is that, you know, a company really has spent time, you know, looking at, you know, looking at and sort of assuring that the technology that they're using is making it making a difference in the classroom when it sort of puts to that test because, you know, the classroom is is chaotic and hectic and stressful environment for teachers. And so you really sort of need to be able to prove out sort of those outcomes. You know, the other piece we do sort of really spend time on is is that strong go to market motion and sort of making sure that, you know, making sure that companies have figured out how they're going to sort of scale that offering and scale to go to market motion.

Speaker2: [00:17:52] You know what, we what we what we do sometimes come across are really, really wonderful founders and really wonderful solutions. But where they, you know, they have to spend so much selling the school district, teaching the teachers, teaching the administrators how to use the product that ends up being sort of that unit economics just don't

make sense. And when you sort of think about how to take impact and drive it at scale across the entire country, you end up you sort of need to believe that there's a business model there that's sustainable in the long term. And so given the the go to market challenges in education, we do think it's it's really important that that founders have spent the time on that early on. And so, you know, I think those are sort of the two biggest sort of criteria we use as we sort of assess companies in their in their sort of readiness for investment.

Speaker1: [00:18:52] Great. Can you talk about one or two startups, perhaps portfolio companies that fit that thesis?

Speaker2: [00:18:58] Yeah, so maybe I'll mention a couple here. One one company I mentioned earlier, New Zealand really was an innovator, I would say in in terms of sort of that go to market motion. And so one of the unique go to market motions they used is they really offered a freemium product to feature so a version of their of their sort of tiered articles and, you know, science articles, social studies, articles, but that's free to teachers. But then what they would do is they would find schools where five, six seven teachers were already using the product and then go to the school and sell it at a school or district level. And so you had really strong advocates within the school or district already who use the product, but who wanted access to advanced features like whether it's weekly quizzes or grading or just single sign on. And some of those ease of use pieces that really allow the product to spread throughout the school and move from sort of those innovative first teachers to sort of the full district. But that really simplified their go to market motion because now they're not spending money, you know, reaching out to administrators who haven't heard about them. Instead, they're reaching out to administrators whose teachers are already asking them to pay for the sort of upgraded version. And so I think that's sort of one really great example of of sort of that somebody who's really thought through that go to market motion, you know, to sort of talk a little bit on sort of the outcome side. There's a company in our portfolio, DreamBox Learning, which I think I mentioned earlier. You know, when when they sort of look at sort of the outcomes of students, you use their software, they can actually show that students grow on average one point nine grade levels in one year when they're sort of using DreamBox compared to the standard.

Speaker2: [00:20:51] And so when you can show that sort of result to an administrator, you know that it speaks volumes in that sales process. And so I think I think that's sort of another

sort of really great example on sort of the outcome side. You know, another really interesting one on sort of the outcome side that that fits that thesis is a company in our portfolio portfolio called Hazel Health. And what they do is they're actually a telemedicine provider into school districts helping helping school nurses who historically may not have had the ability to sort of provide a child with something like Pepto-Bismol or Advil because it's a medication. But by connecting them with real doctors and sort of getting getting parents permissions in advance, they're actually able to keep students in school, which is one of the biggest indicators of, you know, student success in the long run. And so they can actually go to school districts and show so really impressive differences and student attendance before and after Hazel is implemented. And in terms of sort of an interesting go to market motion, there's in many states there's actually financial incentives for schools to keep students in the classroom, so they're actually financially incentivized for student attendance, among other things. And so, you know, in some ways, Hazel is able to show, hey, by adding us, you actually save money. It may be a ROI positive for you outside of even just student learning, which is like one of the best outcomes you can show a school. And so, you know, I think that's a really another really interesting example of having both that outcomes success as well as go to market success.

Speaker1: [00:22:28] This sounds like great examples there. So what do you think is the main challenge? Startups in the edtech space face today in launching their business.

Speaker2: [00:22:38] So one one, maybe that we haven't touched on yet that I think is worth mentioning is really the challenge of engaging the learner. And so as you sort of think about all the different areas where ED Tech touches, whether it's teaching students math, teaching them science, English financial literacy, wellness, the one of the biggest challenges all startups face is how do you engage the learner? How do you keep them coming back and make sure they're paying attention? And so we're always looking for startups that have really sort of captured captured folks attention and sort of a lasting way. And so that's that's, I think, one of the biggest challenges in the space.

Speaker1: [00:23:22] Right, and then what's the main challenge the investor faces today in the education space?

Speaker2: [00:23:27] So, you know, I think we've we've talked about about a lot of them. I think one of the big ones is that go to market motion and a part of that that we haven't even discussed yet is the challenge, at least in the K-12 and college university side. Maybe less true in sort of the corporate learning side, but of having a single sales cycle. And so when most of those sales are happening over the summer holidays, every year, it can be really challenging, but it puts a lot of time pressure on a very short window of time. And so not only can that be a challenge for an investor, if you're looking at investing in September to then guess what's going to happen for the rest of the year. But it can also be a challenge because you then have to decide over over sort of the off season how many new salespeople to hire, how many new engineers to hire. And that can be really hard when you're not sort of getting the constant data points of month over month sales in a very long off season. And then, you know, maybe one of the the other challenges for me, at least, is it's a it's a segment where it's really challenging to say no to the entrepreneur, the entrepreneurs and the edtech sector, which I talked about earlier, are some of the nicest, most caring impact driven people out there. And so when you're when you're talking to 30 companies in the space and you have to say no to twenty nine of them, it can be really challenging. So just a fair warning to anybody out there, but I'd say those are probably the two biggest challenges.

Speaker1: [00:24:57] Right, well, you've talked a lot about a lot of different subsectors in the ED tech space, if you had to pick one that you're really excited about, what do you put at the top of the list?

Speaker2: [00:25:06] You know, one of the areas that I'd say we're spending the most time these days is really lifelong learning. And you know, part of the reason for that is, you know, we sort of concept that you're going to learn everything you learned in the first, call it, twenty five percent of your life and then go on and do things for the next seventy five percent. It's just sort of not how the world is really working anymore. And so as technology shifts, as the world shifts, it turns out like we have to constantly reinvent ourselves, constantly learn new skills, learn new technologies. And so we think there's a lot of opportunity in helping people throughout their life, throughout their lives sort of continue to build up their skills and build out up their knowledge. And so we've invested in both career focused learning. But then even more fun learning like Masterclass is is sort of a perfect example of sort of that lifelong learning that just for fun. So that's that's an area we spend a lot of time.

Speaker1: [00:26:04] Great. Well, the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:26:09] Well, the last thing I'll say is I'm just so excited to see more people investing in the education space. And, you know, it's an area that is behind a lot of other technology sectors in many ways in terms of adoption, in terms of use of technology. And so for investors, that means there's a lot of opportunity here. And we're just excited to see, you know, not only so many more investors entering the space, but really a lot of wonderful entrepreneurs, I think driven in part by having seen sort of learning loss in their own children during COVID. And so I think it's going to be a really, really exciting five, 10, 20 years as all of these new entrepreneurs sort of build really long lasting and sustainable companies.

Speaker1: [00:26:50] Right. So how best for listeners to get back in touch with you?

Speaker2: [00:26:53] Yeah, the best way is probably my email. It's Ross Ross at Owl DC.

Speaker1: [00:26:59] Great. We'll include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon. Thanks again. Really fun. Investor Connect helps investors interested in startup funding in this podcast series, experienced investors share their experience and advice. You can learn more at Investor Canaccord. Paul T. Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.