

CASE STUDY

A New Dawn for Education in Post-Apartheid South Africa

ADvTECH: How the Largest Education Group is
Increasing Access to Quality, Affordable Higher Education

March 2018

ABOUT IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on leveraging the power of the private sector to tackle the world's most pressing development challenges. Working with private enterprises in more than 100 countries, IFC uses its capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity.

ABOUT THE CASE STUDY

Expanding access to quality and affordable education is a central element to eliminating extreme poverty and promoting shared prosperity. In developing countries, private education providers play a critical role in the delivery of education, skills, and training that is affordable and relevant to the needs of the labor markets. The IFC education practice is developing several case studies that showcase success stories in the IFC education portfolio around scale, skills, and affordability. The case studies highlight how IFC clients have contributed to meeting IFC's strategic goals in the education of (1) developing skills and enhancing employability of graduates and trainees, and (2) increasing reach and impact at all levels of education.

WRITTEN BY

This case study was authored by Ann M. Casanova, with valuable insights provided by IFC colleagues, Alejandro Caballero, David Ferreira, Salah-Eddine Kandri, Mohammed Ali Khan, Ken Osei, Eric Soubeiga, and Elena Sterlin.

ACKNOWLEDGEMENTS

A special note of appreciation is extended to ADvTECH for sharing details about their company particularly, Rouan Blom, Dr. Felicity Coughlan, Roy Douglas, Dr. Tobias Doyer, Greg Fillmore, Marla Koonin, Shevon Lurie, Andrew Niven, Didier Oesch, Lilian Phiri-Bususu, Desiree Seaton, Thomas van der Zee and Louise Wiseman.

Special thanks to Elizabeth Price and Irina Sarchenko for communications advice as well as to Leticia Crentsil for copy editing and creative design.

DISCLAIMER

The findings, interpretations, views and conclusions expressed herein are those of the author and do not necessarily reflect the views of the Executive Directors of the International Finance Corporation (IFC) or of the World Bank or the governments they represent. While IFC believes that the information provided is accurate, the information is provided on a strictly "as-is" basis, without assurance or representation of any kind. IFC may not require all or any of the described practices in its own investments, and in its sole discretion may not agree to finance or assist companies or projects that adhere to those practices. Any such practices or proposed practices would be evaluated by IFC on a case-by-case basis with due regard for the particular circumstances of the project.

RIGHTS AND PERMISSIONS

© International Finance Corporation 2018. All rights reserved.

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law.

PHOTOS

@ ADvTECH



Table of Contents

Equipping Students with 21st Century Skills	1
The Birth of Good Quality	7
Diversification: Offering Niche Products, Catering to Different Segments and Employability	9
Reaching Lower-Income Students and Expanding Geographically	17
Key Aspects of ADvTECH's Successful Business Model	21
The Role of IFC	25
Conclusion	27



Vega requires students to participate in a “brand challenge,” which simulates real world advertising agency projects. Saarah Saint and Jessica Hay won prestigious international awards for their campaign.

EQUIPPING STUDENTS WITH 21ST CENTURY SKILLS

It was an unusually cold day in Johannesburg, South Africa. Saarah Saint listened to her lecturer announce their latest class assignment, to create a social awareness campaign that would dissuade consumers from purchasing animal fur products. The 21-year-old Creative (Visual) Brand Communications major, became overwhelmed because it was a complex project from a premier global organization, D&AD, that recognizes creative designers and advertisers worldwide through highly regarded annual awards. If the project was good enough, Vega, her tertiary institution, would pay the entry fees for selected students to enter their work in the youth category of D&AD's competition.

At Vega, second and third year students participate in “Work Integrated Learning,” which brings the workplace into the classroom. The “Brand Challenge” is often a project or “brief” submitted by a real company that enables students to simulate work they might be given at an advertising agency. Students form mini-agencies comprising multi-disciplinary teams such as digital and business strategists, copywriters, and visual communications specialists. Students spend a few weeks developing the product and the activity culminates with a presentation to the corporate client, who provides feedback to students.

The approach helps students acquire hard and soft skills necessary for 21st century jobs. In addition to technical skills needed for their field, they also learn complex problem solving, group collaboration, critical thinking, and applied creativity.

“The experience helps students to understand how agencies work and how they come up with brilliant ideas,” Saarah said. “When I was being considered for a special program for recent graduates offered by Ogilvy and Mather—one of the eight largest advertising companies in the world—I was invited with about 40 other candidates to work on an assignment. We had to come up with a solution for a problem while the Ogilvy staff were watching us. I couldn’t believe it. It was like a brand challenge! I was prepared to do it but the other participants did not know how to work that way. Vega equipped me with the right skills, and I was selected for a one-year graduate program.”



“Vega equipped me with the right skills, and I was selected for a one-year graduate program at Ogilvy.”

**Sarah Saint,
Vega Student**

Traci Salter, Strategic Academic Development Advisor at ADvTECH, Africa's largest private education provider explains, "Many international businesses and thought leaders are increasingly raising the discussion around competencies students now need, so that they will be able to face the complex challenges and changes taking place in the global workspace."¹

Saarah and her copywriting partner, Jessica Hay, went on to win the prestigious international D&AD Pencil award, as well as the ProMax Africa Future Award, recognizing talent from the African continent, and the Black Pixel at the South African IAB Bookmark Award for their "[*Fur is for Animals*](#)" campaign. The awards gave Saarah global visibility and recognition and positioned her for the job at Ogilvy. It was a proud moment for a talented young woman who was adopted by her grandparents as a baby, because her parents did not have the financial ability to support her. Her dreams almost evaporated when her grandfather lost his job as a telecommunications technician and they could not afford to pay for her second year of studies. Determined to continue and finish, she found a scholarship through Rockstart, a philanthropic organization providing financial support to students pursuing careers in creative fields and that support will allow her to graduate in May 2018.

Saarah has overcome adversity and has a bright future ahead of her. Her earnings have already increased from R24,000 (\$1,800) a year while working as a student in the gig economy to R96,000 (about \$7,000) a year in Ogilvy's first year graduate program. She can expect to earn an average annual starting salary of R480,000 (about \$36,000) as a Creative Director.



"Young people understand that a successful future depends on a good quality education, consequently, the high caliber of our academic offering is very important to us."

**Roy Douglas,
CEO of ADvTECH
Group**

Roy Douglas, CEO of ADvTECH (Group), the parent company of Vega explains, "In a post-apartheid era, where the majority of the population was denied access to a decent education through a very deliberate strategy, there has been a burgeoning growth for good quality education. Young people understand that a successful future depends on a good quality education, consequently, the high caliber of our academic offering is very important to us. For example, we are finding that employers are looking for students with depth and breadth. They need someone with the ability to handle more than one specific skill and that type of multi-faceted quality will position our students for the jobs of the future."

ADvTECH Group is the largest education Group in South Africa, a nation of 56 million people. It is a publicly traded, for-profit, educational holding Group of 16 independent educational brands that consists of three business lines: schools, tertiary, and staff resourcing. It is unique for its diversity of brands, student segments, learning philosophies, and niche academic offerings that have positioned the Group to be a full-spectrum education provider. This allows the Group to address the needs of people from a diverse range of backgrounds in South Africa.

As of February 2018, it had a total of nearly 92,500 students at 122 educational sites. Through seven distinct brands, its school's division taught nearly 27,500 students. The tertiary division, the fastest growing segment, is teaching about 36,100 students who were pursuing full time qualifications ranging from higher certificates to PhD's. About 29,000 students were pursuing Technical and Vocational Education and Training (TVET) skills development courses and short learning programs. To deliver its educational programs, it relies on a cadre of nearly 7,000 employees, of which 72 percent are women.

1 "Clock Ticking for SA Education to Move on Core Employability Skills," ADvTECH Press Release, April 2017.

The tertiary division has developed a portfolio of nine diversified brands in fast-growing sectors and it offers 165 accredited qualifications. In 2005, it consolidated its tertiary brands under one institution, the Independent Institute of Education (The IIE), making The IIE the largest private educational provider in South Africa, serving about one quarter of privately educated students in the country. The IIE is unique because it is the institution that confers the qualifications rather than the individual schools. The IIE is the centralized body that provides academic leadership and governance for the entire Group. It develops the curriculum, ensuring relevance and alignment with “the world of work.”

Currently, The IIE consists of three brands: Rosebank College, Varsity College and Vega. Eighty-one percent of The IIE tertiary students enrolled in full qualifications are black and 55 percent are female. In 2017, about 4,420 students graduated from The IIE. The division also houses recent acquisitions which have not been integrated into The IIE as they are not higher education providers or because they have a specific niche focus. The central academic structure of The IIE provides academic leadership and guidance to the Capsicum Culinary Studio, The Private Hotel School, and Oxbridge Academy (TVET and Further Education and Training (FET)). In 2017, it acquired the first institution beyond its borders, the University of Africa in Zambia from which it plans to springboard into other African countries.

Having dominated the South African market with a footprint across six provinces and with 2017 revenues of R4.1 billion (\$307 million), the Group looked beyond South Africa to grow further. In July 2016, IFC acquired a 4 percent equity stake valued at R320 million (approximately \$22 million), to mainly finance expansion of tertiary programs across the rest of Africa. It currently has a presence in different PreK through tertiary institutions in Botswana, Kenya and Zambia and is actively exploring partnerships in other countries across Sub-Saharan Africa.



In 2017, about 36,000 students were pursuing full-time qualifications through the tertiary division.

KEY SUCCESS FACTORS

ADvTECH is demonstrating that the private sector can reach a broader number of students from all socio-economic levels. The three key factors to ADvTECH's success are quality, a diversified product portfolio, and value for money.



"The IIE provides academic leadership that is focused on promoting effective teaching and learning. The IIE structure preserved brand equity and product differentiation while simultaneously giving the Group economies of scale."

Dr. Felicity Coughlan, Director of the IIE and the ADvTECH Group Academic Director

QUALITY

Delivering academic excellence is at the heart of everything the Group does. It recognizes that for it to be the first choice of students, it must deliver quality education consistently. The IIE provides academic leadership that is focused on promoting effective teaching and learning. It is not a research institution. All of The IIE higher education qualifications are accredited nationally and The IIE has accreditation as an independent higher education institution through the British Accreditation Council (BAC). The IIE ensures that curricula are relevant and aligned with the needs of the economy and employers.

Class sizes are significantly smaller than at public universities in South Africa, thereby facilitating greater interaction between students and faculty in ways that enrich the learning experience. Lecturers are recruited for their work experience. Through its "Work Integrated Learning" program, students apply hard and soft skills in projects that simulate situations they would encounter in the workplace, giving them an advantage over students from other institutions. Its career centers prepare students to present themselves confidently to prospective employers and helps them get jobs.

Combined, all these factors have built the Group's reputation and given value to the "piece of paper" that the qualification is printed on. Quality makes the qualifications marketable and positions students to get meaningful employment, build careers and improve the quality of life for themselves and their families.

DIVERSIFIED PRODUCT PORTFOLIO

ADvTECH is diversified with brands that offer their own unique value proposition. As a result, it reaches diverse population groups across wide geographies at a range of price points. Largely through acquisitions, it created a portfolio of tertiary institutions that gave it an expanded range of qualifications ranging from Higher Certificates to PhD's. Increasing opportunities for students in a growing number of sectors, it offers a very broad scope of qualifications in Accounting, Branding, Commerce, Communication, Culinary, Design, Education, Finance, Hotel and Hospitality, Information Technology, Humanities, Law, Management, Psychology, Technical and Vocational (TVET) and Tourism.

The market positioning of the different brands has allowed the Group to attract students from different socio-economic levels. Brands at lower price points offer the same educational quality proposition and an increased focus on employability programs for the students while eliminating some “frills” in order to do so. It is reaching students in secondary cities and rural areas with campuses that leverage off the online platforms to offer more affordable tuition combined with face to face support. It also offers distance programs. The tertiary offerings are geographically diversified, offering face- to-face and distance courses at 28 physical sites in 6 out of 9 provinces in South Africa. It is expanding into the rest of the African continent and plans to reach even more students with opportunities to improve their lives.

VALUE FOR MONEY

Unlike the oversubscribed public universities, private institutions must sell their seats to remain relevant. ADvTECH does this by offering quality education at an attractive price. Programs are positioned to be affordable in their market segments and lower-income students can get third-party financing or scholarships. It positions products so that that people get value for money in the form of a return on their investment. In many cases, students can recoup their tuition investment in under two years of working.



Class sizes are significantly smaller than at public universities in South Africa, thereby facilitating greater interaction between students and faculty in ways that enrich the learning experience.



ADvTECH provides quality education across a full spectrum, from PreK-tertiary. Students from Crawford have been admitted to Harvard and Oxford as undergraduates.

THE BIRTH OF GOOD QUALITY

As South Africa's post-apartheid transition began in 1994, Brian Buckham recognized that education would be a key factor in the nation's success. Although he had previously founded Advanced Technical Systems, Ltd (ADvTECH) in 1978 to provide IT training and supply educational products, it was time for the Johannesburg Stock Exchange (JSE) listed company to move away from its base and into broader educational opportunities. Between 1995 and 1997, ADvTECH acquired institutions across all educational levels with CrawfordSchools™ "Crawford" Schools (PreK-12), Abbotts College (secondary), Varsity College, and Rosebank College (tertiary) making the company a full-spectrum education provider. It also started a resourcing division.

By 2002, ADvTECH had assembled an array of businesses, but the company was underperforming.² The board of directors decided to refocus the business strategy on education as the principal business, anchored by academic quality. It strengthened its governance and management, bringing in new board members and a professional CEO, Frank Thompson, who came from outside education. "One of the most important changes was to prioritize educational outcomes. The belief was that if you had got that element right the business would naturally follow. The objective became to provide excellent value for money," said David Ferreira, a former board member.

The Group embarked on a journey to improve quality. It began with two key brands, Crawford (PreK-12) and Varsity College (Tertiary), and it increased investments in good teachers and professors, managers, educational content, systems, and forged partnerships. To ensure that academic quality would be of the highest standards of teaching and learning, it created an innovative concept — a centralized academic authority for the Group.

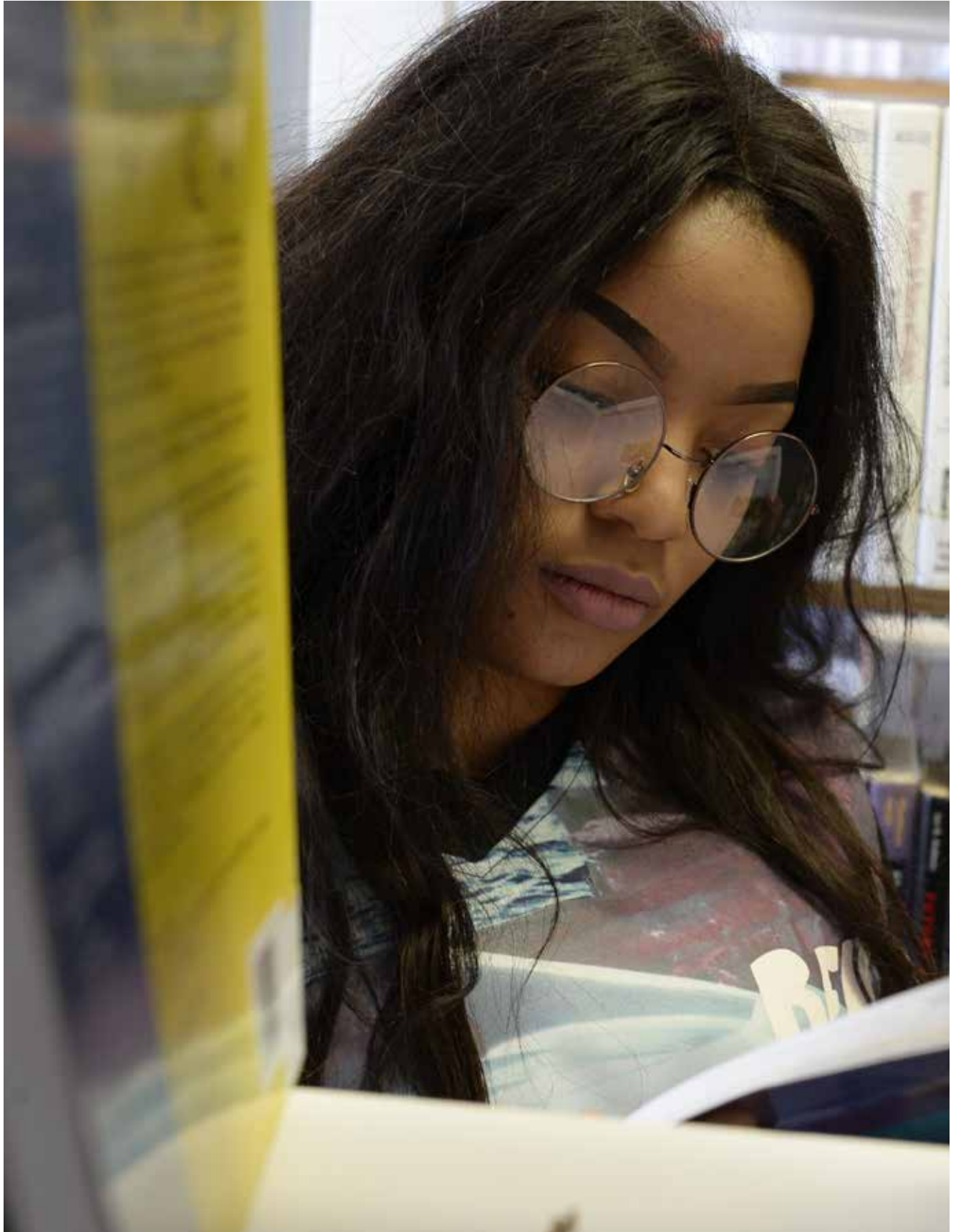
In 2005, ADvTECH founded "The Independent Institute of Education" (The IIE) to provide academic leadership, governance and provide quality assurance. It became the key interlocutor with regulators. Due to changes in the regulatory environment that significantly increased the cost of doing business for the tertiary division, ADvTECH agreed on a structure with the regulator that allowed it to combine all its tertiary institutions under a new institutional umbrella, while maintaining the individual brand identities for marketing purposes.

A centralized academic structure in The IIE is responsible for all the academic functions defined by the Higher Education Act, ranging from curriculum development to the conferring of degrees. Importantly, the individual institutions ceased to grant their own degrees and became brands of The IIE. Dr. Felicity Coughlan, Director of The IIE and the ADvTECH Group Academic Director explains, "The structure preserved brand equity and product differentiation while simultaneously giving the Group economies of scale."

Recognizing that national accreditation of all its qualifications was insufficient from a quality endorsement point of view it sought a secondary, international endorsement of the quality of its academic offerings through the British Accreditation Council (BAC). The BAC is "a globally recognized mark of quality achieved through an objective, detailed audit of processes, policies and systems."³

² By 2002, ADvTECH had acquired the following tertiary institutions. Innovative Management Development College (1995), Rosebank College (1996), Imperial Underwood College (1996), and Varsity College (1996/1997). In 1996, the first three companies were merged into Rosebank College. Vega Design School was organically established in 1999.

³ <http://www.the-bac.org/>, last visited on March 19, 2018.



Rather than growing the business by replicating its flagship brands, ADvTECH decided to reach more students by diversifying its offering and entering new, more affordable, segments.

DIVERSIFICATION: OFFERING NICHE PRODUCTS, CATERING TO DIFFERENT SEGMENTS AND EMPLOYABILITY

Following the significant investments in improving quality, Crawford Schools and Varsity College were performing well and were becoming premium brands. ADvTECH could have easily decided to replicate these institutions on a larger scale but instead the Group decided that it would not have a one-size-fits-all approach. ADvTECH wanted to grow by reaching more students beyond those attending the high-end brands, and the only way to do that was to diversify its offering into new segments. It recognized that parents in South Africa wanted strong academic offerings, but they also looked for other qualities such as modern specializations and small class sizes. They were also willing to accept different levels of campus “frills” and comforts, in exchange for more affordable tuition fees.

ADvTECH began entering different market segments from PreK through tertiary. In 2009, it had six tertiary brands offering various qualifications. College Campus, Rosebank College, and Varsity College all offered programs in the Applied Humanities, Business, IT, and Leisure. The Design School offered design degrees, Vega offered branding and communications degrees, and Forbes Lever Baker Institute for Accountancy and Management offered undergraduate and postgraduate degrees in accounting. These institutions had different profiles and tuition levels that would be attractive to various segments of the population. The Group’s expanded operations also covered a large geographical area in 16 cities and 4 provinces.

There were also numerous challenges early in ADvTECH’s history. Countries were reeling from the global economic crisis and the Group’s operating profits were down seven percent. Growth slowed and the tertiary brands were cannibalizing each other’s business. Rosebank College and College Campus overlapped in programs and first-year enrollment at Rosebank College was contracting due to a lack of affordability. Fee increases were above inflation and were not sustainable.

In December 2012, Roy Douglas joined ADvTECH in a newly created position — the CEO of the Tertiary Division. He went on to become the CEO of ADvTECH Group in November 2015. Mr. Douglas previously worked in senior executive roles in various industries at companies such as Nampak, Unilever and Deloitte, where he had a strong record in general management, strategic planning and sales and marketing. Recognizing that this division had become uncompetitive and that it needed to change its market approach, Roy introduced several initiatives to make the unit more agile.



Parents in South Africa wanted strong academic offerings, but they also looked for other qualities such as modern specializations and small class sizes. They were also willing to accept different levels of campus “frills” and comforts, in exchange for more affordable tuition fees.



Realizing that tuition affordability was an issue, ADvTECH adopted a volume-based strategy aimed at rapidly increasing enrollment. Clearly, the demand remained, but the product was not properly priced for its target market. Tuition fees at Rosebank College were slashed by 30 percent. Tuition is now affordable to a mass market of students and Rosebank College is the fastest growing segment in the Group.





Rosebank College students are often the first or second generation in their families to enter tertiary education.

Realizing that tuition affordability was an issue, ADvTECH adopted a volume-based strategy aimed at rapidly increasing enrollment. Clearly, the demand remained, but the product was not properly priced for its target market. To address this issue, Roy and his team decided to slash tuition fees at Rosebank College by 30 percent.

The strategy also extracted operational efficiencies, streamlined customer service and re-defined each brand's value proposition. It consolidated some areas and expanded the range of programs and qualifications in others, while continuing to improve quality of teaching and learning. Those changes allowed the tertiary division to create a diversified portfolio of educational products. Today, the IIE brands have been consolidated into three major brands: Rosebank College, Varsity College (including the Business School at Varsity College) and Vega, that cater to different segments of the market through its differentiated brands and segmented price points.

Rosebank College is an affordable institution targeting the mass market with mega-campuses in city hubs, close to major transportation links. It is digitally enabled with blended-learning campuses in provincial and regional centers. Rosebank College offers qualifications ranging from Higher Certificates to Bachelors in Commerce, IT and Humanities. It also recently added a School of Education to address the country's current teacher shortage. Its students come from low- to middle- income households and are mostly black South Africans whose families were affected by a legacy of apartheid that ended in 1994. These students are often the first or second generation in their families to enter tertiary education. Rosebank College is a value and volume model. In 2017, it had nearly 15,600 students. 2017 tuition fees ranged between R15,000 (about \$1,130) for the most affordable qualification, a Higher Certificate in Office Administration, and R31,000 (about \$2,330) for the most expensive program, the Bachelor of Information Technology in Business Systems.



Students learn multi-faceted skills by working in groups. This makes them more attractive to employers.

Varsity College is positioned as a premium brand offering multiple academic programs, from Higher Certificates to postgraduate degrees in Management, Law, Psychology and Communication, Finance and Accounting, Education, and Information Technology. It offers well-appointed and equipped campuses. Average tuition fees were R59,400 (about \$4,500) in 2017.

Vega is a niche brand catering to students wanting to pursue careers in design, brand communication and brand management. The IIE qualifications on offer range from Higher Certificates to Masters in brand management and leadership, innovation, strategy, graphic design, as well as game design and development. According to Vega, “It attracts students through its teaching philosophy, which is built on the mantra of wisdomwithmagic. It believes that any compelling creative communication should be driven by strategic intent, and as a consequence, strategic innovation will depend on original thinking.”⁴ In 2017, ADvTECH merged its other creative brand, “The Design School of Southern Africa,” into Vega to gain greater efficiencies and to lead in tertiary design education. In 2017, the average tuition fees were R62,000 (about \$4,700).

Varsity College and Vega target upper- and middle- income students but lower- and middle-income students have also accessed programs through third-party scholarships and financing. The overall student demographic for all three of The IIE brands has been transformed and better reflects national demographics. Currently, only 19 percent of students are white. While class sizes at public universities can be as large as 700 to 800 students per class, overall class sizes at all three brands Rosebank College, Varsity College and Vega are significantly smaller with 80 to 100 students per class in general requirement courses. It can be as small as 20 students at more specialized levels, thereby facilitating greater interaction with faculty and more effective learning.

⁴ <https://www.vegaschool.com/>, last visited on March 19, 2018.

EMPLOYABILITY

Aware that employability was an important differentiator, as part of the repositioning effort, the corporate and institutional leadership backed employability as a key element of a successful business strategy. ADvTECH was the first institution to stress this element in South Africa. The Group recognized that preparing students for employability must begin with a vision and strategy centered around “making students career ready while offering qualifications in line with industry standards and expectations.”

The IIE designed the curriculum to be relevant and aligned it to the modern world of work. Even today, when it is preparing to introduce a new academic program, it begins by conducting in-depth market research and academic benchmarking to assess what areas should be included in each qualification. Then, a formal committee and different faculties provide feedback into the design of each new program. Once the curriculum is finalized, it seeks endorsements from industry associations; for instance, from the Chartered Institute of Business Management. Courses are taught by lecturers that have industry expertise and who bring real world experience into the classroom.

Across the tertiary division, ADvTECH aims to simultaneously promote technical skills and soft skills through the credit-bearing “Work Integrated Learning” (WIL) modules that are customized to each qualification. WIL brings theoretical learning to life through its practical application. Similar to the brand challenges that Saarah Saint underwent at Vega, the courses employ tools such as experiential learning, case studies, and real-world simulations that are presented and can be evaluated by companies participating in the program. In addition, WIL promotes positive attitudes and behaviors such as responsible citizenship and professional ethics—values that are sought by employers.



“I used to be a very shy person and would be very challenged if I had to stand in front of a crowd, but through the “Work Integrated Learning” modules I have developed good public speaking and presentation skills and have learned about little things like body language. The program gave me confidence and I use those skills frequently in my current job.”

Portia Mekgoe, scholarship student at Varsity College



ADvTECH's employability strategy is grounded in a curriculum that is relevant and aligned to the modern world of work.

The IIE also developed the curriculum for the “Work Readiness Program,” which is used across all the brands and qualifications. It is a series of short workshops that exposes students to practical topics such as goal setting, refining career objectives and securing the job. Since ADvTECH students hail from broad socio-economic groups and grow up with different role models and a range of experiences, the content is segmented and addresses different levels of social sophistication. Many Rosebank College students are the first generation to get higher education qualifications and are taught about employer expectations in the workplace and how to carry themselves professionally.

All three brands have different approaches for their Careers Center. Vega does not have a formal program like Rosebank College or Varsity College. Students are required to complete a four-week, on-the-job placement through an internship, which they secure through their own efforts. Assistance is available if needed but to prepare them for the world of work, they research and secure the internships on their own.

Vega graduates are in high demand in the industry and 42 percent of graduates that found employment did so before they graduated. Of that group, 10 percent did so through their internship. Meanwhile, 86 percent of students found work in their field of study. The top corporate recruiters are Discovery Limited, Ogilvy & Mather South Africa, and M&C Saatchi Abel and the average tuition payback period is less than 2 years. “As the Managing Director of a prominent agency put it recently, ‘Not only do Vega students know what to do, but they know how to think about what to do.’ It is for this reason that Vega graduates make the transition from college to career so seamlessly.”⁵

⁵ www.vegaschool.com/alumni-members, last visited on March 19, 2018.

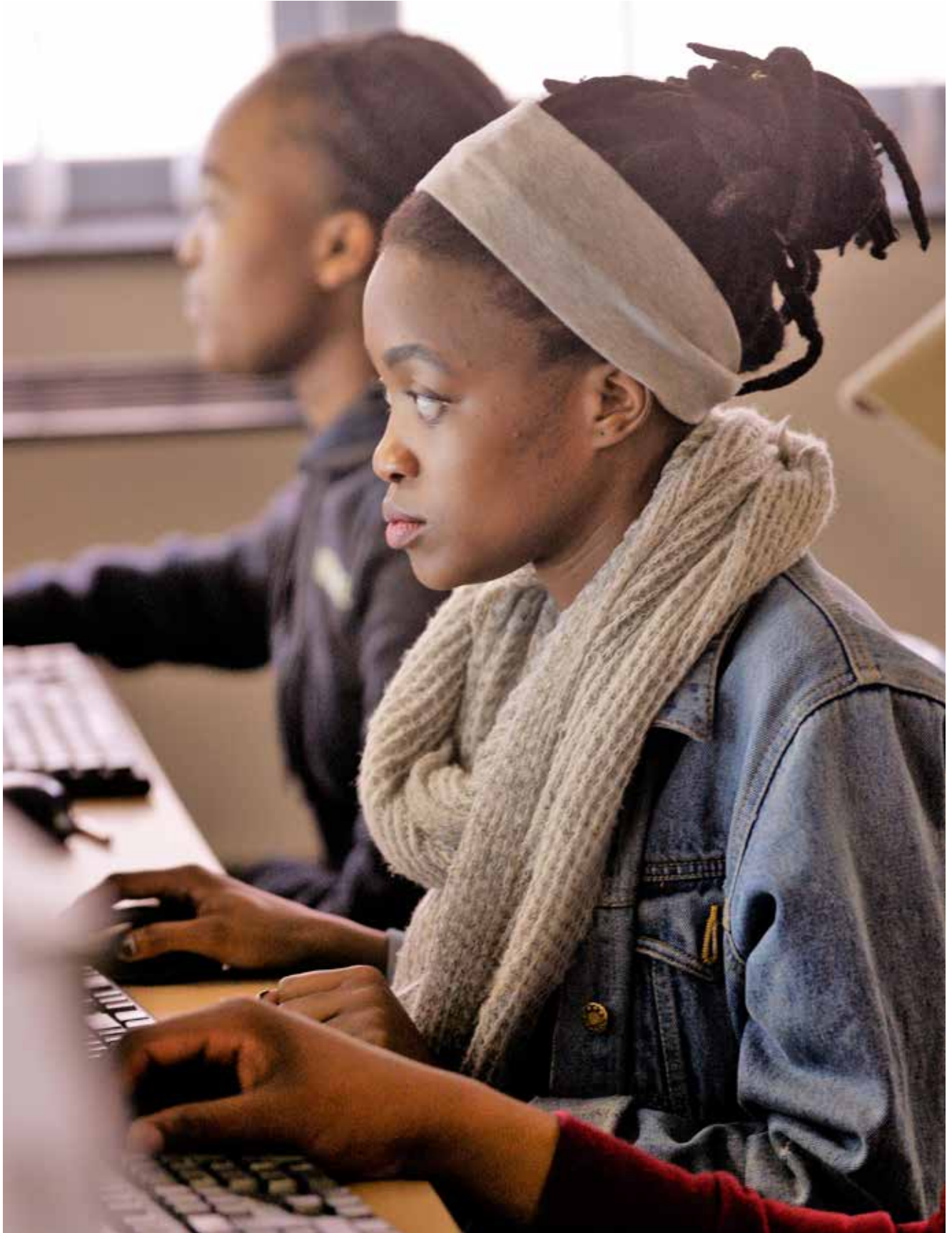
Varsity College and Rosebank College both have on-site career centers across its campuses. They have worked hard to manage supply and demand. They invest considerable time in business development, researching, identifying and connecting with prospective companies that may be suitable matches. Rosebank College has a large database and has established partnerships with over 1,000 companies.

Through Varsity College's "Graduate Employment Workshop" and Rosebank College's "Graduate Empowerment Program," they offer students career coaching sessions that expose them to the soft skills employers are looking for. They offer guidance on CV writing, as well as workshops for creating an authentic personal brand, dressing professionally and having a positive attitude. They also teach students how to work with others in the workplace. Through mock interviews, students learn how to highlight their skills and abilities to prospective employers and exude confidence. Between 2013 and 2017, Rosebank College placed about 8,700 graduates. Their top employers include: Barloworld Logistics, Investec Bank, Vodacom Group, Sasfin, and Internet Solutions. The average tuition payback period for both brands is about 2 years.

To ensure that companies are satisfied with their new hires, and to confirm that graduates are performing well and progressing in their careers, Rosebank College surveys employers and tracks graduates for a period of two years. If an issue should arise, the institution contacts those graduates and takes them through a coaching session. If companies are happy with the placements, they become repeat clients, hiring 20 to 30 graduates at a time. Rosebank College is developing a new alumni program to continue to engage with graduates and to expand its network for placements.



Rosebank College's "Graduate Empowerment Program" prepares students to confidently find jobs with top employers like Sasfin, a large financial services firm listed on the Johannesburg Stock Exchange.



Through distance learning, ADvTECH can offer quality education at affordable prices.

REACHING LOWER-INCOME STUDENTS AND EXPANDING GEOGRAPHICALLY

ADvTECH is strategically driven to broaden its market. Recognizing that the economics of education are changing, that the apex of the pyramid is small, and that the only way to continue to grow is to penetrate new socio-economic segments, ADvTECH concluded that distance learning offered interesting opportunities. In 2014, Rosebank College pioneered this new modality and began offering two qualifications, a Higher Certificate and a Bachelor's degree at R23,000 (about \$1,700). It also introduced "Connected Campus," which is a blended learning offering taught in smaller facilities located in secondary cities. In 2016, Varsity College followed with a Bachelor of Commerce degree and matched the tuition price with its part time programs.

ADvTECH's distance programs leverage teaching resources and content that has already been created by The IIE. The Group is constantly experimenting with pedagogy to maximize student enjoyment and engagement. It offers forums and other collaboration tools for students to feel connected notwithstanding the distance. Currently, about 4 percent of enrollment at these brands comes from the distance modality, leaving significant room for growth. Although it has not yet achieved scale, these experiences allowed ADvTECH to successfully test the concept.

Recognizing that the economics of education are changing, that the apex of the pyramid is small, and that the only way to continue to grow is to penetrate new socio-economic segments, ADvTECH concluded that distance learning offered interesting opportunities.



Distance learning allows ADvTECH to reach a different segment of students, because it can lower the price point and maintain high levels of quality, facilitating greater access. Having successfully dabbled with distance learning through its existing brands, it was ready for more. It went on to acquire 51 percent of two distance learning institutions. In 2016, Oxbridge Academy gave ADvTECH entry into the TVET and FET space, bringing 20,000 students to the Group, and in January 2017, the acquisition of the University of Africa (UoA) in Zambia was the Tertiary Division's first step toward expanding into the rest of Africa. UoA provided ADvTECH with an attractive brand name to enter new markets across the continent. It has begun the process of reserving the trade name, "University of Africa" in several countries where it plans to expand.



IIE's deep expertise in securing accreditations in South Africa is expected to facilitate entry into new markets.

UoA is an established brand that has been operating for 10 years and has about 1,300 enrolled students. It currently offers qualifications ranging from certificates to post-graduate studies in Commerce, Development, Teacher Education, Engineering, Bio Science, Law, and Humanities. It targets prospective students that have historically lacked access to tertiary education either because tuition prices in bricks and mortar institutions were unaffordable, or because they live in remote, rural areas and institutions cannot effectively service "the last mile" without technology.

Since the regulations recently changed, UoA is currently in the process of having 32 programs accredited by the Zambian education authorities. It accepts students on a rolling basis, rather than on annual admission cycles, allowing students to start when they are ready. Tuition prices are the same for all programs and cost about \$1,100 per year, payable in small installments to increase affordability.

The UoA brand will provide a springboard to enter other African markets through distance education. While it has not yet studied all African countries, and there are important differences between markets, it has found that some regulatory frameworks appear to follow a familiar pattern with some predictability. The IIE's deep expertise in securing accreditations in South Africa is expected to facilitate entry into new markets. Given its strengths in administration and governance of an academic institution, The IIE is currently providing support with building the academic support team, policy development and quality systems. Academic exchanges and joint offerings are being considered. In addition, it is developing marketing and enrollment capabilities. It is incrementally implementing ADvTECH systems, which will enable scaling up in Zambia and beyond.

As it rolls out new courses and academic programs in places where those subjects are not available, it will create new markets. For the first time, the UoA is reaching a large market of rural teachers and other students in Zambia who never before had access to tertiary education.

The University of Africa brand will provide a springboard to enter other African markets through distance education.





Partnerships are attractive to reduce the risks of entering new markets in the rest of Africa.

KEY ASPECTS OF ADVTECH'S SUCCESSFUL BUSINESS MODEL

GROWTH

In contrast to the Group's early days when there was little appetite for risk-sharing through joint ventures, ADvTECH's current leadership has concluded that partnerships are attractive to reduce the risks of entering new markets. The Group is mindful of the numerous cultural sensitivities across the continent and is aware that proven strategies will have varying levels of effectiveness in different environments.

When investing in new players, ADvTECH prefers to establish partnerships with the owners. This will allow it to understand "the lay of the land," the expectations, the market requirements, the nuances and subtleties, and then explore how ADvTECH can add value without imposing a rigid model. This approach allows the Group to minimize the risk of its investments in new markets. Risks would be significantly higher in a greenfield investment. In the long term, ADvTECH will take full ownership. Further, as the Group continues to develop its back office through shared services and its investments in technology, it will be able to reap the benefits of operating larger, multi-country platforms.

ADvTECH is very selective with its partnership and acquisition targets. It looks for companies that have a commitment to academic excellence. It aims to partner with institutions that are a good strategic fit and offer a high-quality product in a market segment that is likely to grow. ADvTECH also assesses the prospective partner's employability track record and support structures. It evaluates where graduates are being employed and what is the reputation with employers as well as what is the caliber of students from that institution and whether they are highly sought after. If these collective criteria are positive then it assesses the partner's profitability but if the company does not meet ADvTECH's criteria for academic excellence and integrity, it would not be pursued. Didier Oesch, the Chief Financial Director, explains, "If the quality is lacking, there is no strategic fit and there is no point in doing it, even if the financial return would be great."

Acquired companies gain access to financial resources to achieve growth, scale up and upgrade physical resources such as adding another campus, improving property management, and expanding access to The IIE's academic resources, which are available to all the brands and at all the levels, including the school's division. Smaller operators find the access to research and insights into teaching and learning best practices useful. ADvTECH is implementing a single IT system for the students that can be adapted for both schools and tertiary. This is an investment that will be spread out across the business.

In the near future, an acquired company will be able to accelerate integration through shared services. ADvTECH is in the early stages of establishing Group shared services that will centralize the back office for finance,



"If the quality is lacking, there is no strategic fit and there is no point in doing it, [an acquisition] even if the financial return would be great."

Didier Oesch,
Chief Financial
Director



ADvTECH ensures it delivers quality value for money and relevance.

administration, human resources, procurement, and facilities management for the whole Group. In the next three-to-five years, it expects to achieve about R100 million (about \$7.5 million) of savings because of the efficiencies it can gain through this approach.

REVENUES

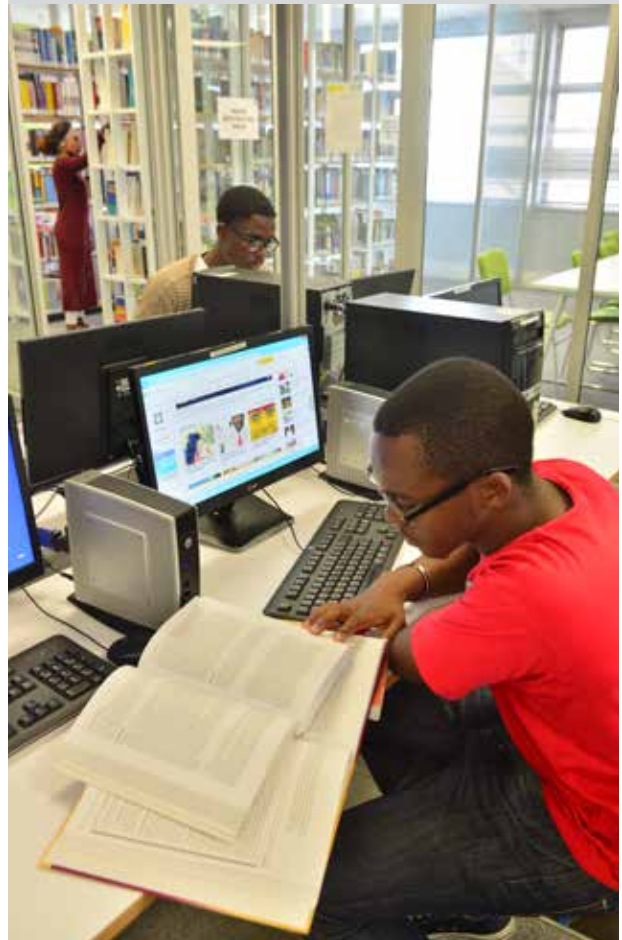
Reflecting a strong growth trend, in 2017 ADvTECH had revenues of R4.1 billion (\$307 million) with an EBITDA margin of 24.2 percent. The tertiary division is the fastest growing segment in the Group, contributing 39 percent to Group revenue. Rosebank College is the fastest growing brand, proving that even with a lower fee, its model is sustainable. Tertiary revenue was R1,589 million (\$119 million) and was up 26 percent over 2016. Looking at the rest of Africa, in 2017, 11 percent of overall revenue was generated on the continent but it expects to increase that to 30 percent by 2020. The Group is retaining cash to reinvest into new capacity and improvements.

FINANCIAL SUSTAINABILITY

At the heart of long-term financial sustainability is the Group's reputation. Roy Douglas explains, "If we lose our reputation for delivering quality education, we lose the ability to remain financially sustainable." ADvTECH ensures it delivers quality, value for money and relevance. The Group understands the market, what consumers are looking for and stays on top of trends to predict future demands.

Each ADvTECH brand is run as an independent business that must be sustainable on its own. Each brand is positioned toward a specific market segment and must have a sufficiently compelling program to draw in a large enough pool of students to develop a sustainable business. Each brand, through its management team, is responsible for its profitability. The brands do not cross-subsidize one another; however, the model is broadly diversified by brand, product, qualifications, and income segment, providing risk mitigation through a portfolio approach.

Rosebank College is the fastest growing brand, proving that even with a lower fee, an affordable model is sustainable.





“Working with IFC allowed us to invest in new quality education provision that meets the growing needs of Africa’s youthful population while also reducing the risks inherent in expanding into new countries.” Roy Douglas.

THE ROLE OF IFC

Over the course of many years, Frank Thompson, the former ADvTECH CEO had attended IFC's Global Education Conferences and he became inspired by how technology could be leveraged to play an important role in the Group's international expansion. Discussions about investment opportunities had been explored, but the timing was not ripe. It was not until November 2014, when Frank met with key IFC staff, German Vergara, Ken Osei and Eric Soubeiga at a restaurant in Cape Town that relationship was reignited.

In parallel, IFC had been in the initial investment stages with another company, MaraVest, a lower to mid-fee range PreK-12 school that was interested in expanding its educational footprint into the rest of Africa. By the time ADvTECH acquired MaraVest, ADvTECH had already taken the first step of expanding into Africa with the acquisition of the Garabone International School in Botswana. Both IFC and ADvTECH shared a mutual goal of expanding education and developing market opportunities in the African continent and, at last, the timing was ripe to pursue a deal. In 2016, IFC invested R510 million (about \$22 million) to support expansion into new African markets.

ADvTECH was interested in doing business with IFC because while ADvTECH is the dominant player and knew the South African market very well, the Group realized that it could strategically leverage IFC's resources. Roy Douglas explains, "It was just common sense to leverage IFC's on-the-ground presence, its global perspective and expertise, and its industry contacts in each of the markets that we were considering. IFC and ADvTECH made joint trips to explore opportunities in new markets in West and East Africa. When we went to markets, doors were opened much faster than we could ever do on our own. IFC's ability to introduce us to critical people and key network opportunities was very impressive for us." He added, "Working with IFC allows us to invest in new quality education provision that meets the growing needs of Africa's youthful population while also reducing the risks inherent in expanding into new countries."

The socio-economic context of the continent, characterized by a large percentage of the population under age 25, and strong economic growth in several African countries, made an investment with ADvTECH attractive to IFC. The project fits well with IFC's strategy in the education sector which revolves around (i) financing highly scalable education service providers who have a specific focus on skills and employability, and (ii) supporting models that help expand access, improve quality, and reduce costs. Further, the Group's plans are an excellent example of South-South collaboration.

Since the investment, ADvTECH has partially acquired the University of Africa for distance learning in Zambia. It launched a Pan-African PhD Program and it reinforced a partnership with the Open University in the United Kingdom to develop distance learning in Africa.

EMPLOYABILITY PILOT

IFC developed an employability self-assessment tool to help higher education institutions improve their performance on student and graduate employability. It was successfully piloted with Rosebank College in June 2017.

The study revealed that Rosebank College is a great example for others to follow, with a strong alignment of employability to the institutional strategy, a strong link with industry that has mechanisms to incorporate industry input, and an excellent overall process-driven approach informed by evidence, for instance to track student employability.

One of the IFC recommendations was to leverage the alumni network for jobs and scholarships.



ADvTECH recognized there was pent-up demand for quality education and responded with a broad array of qualifications that are aligned with the future needs of the economy.

CONCLUSION

Twenty-three years ago, ADvTECH began a journey of expanding access to education in South Africa. It recognized the significant levels of pent-up demand for quality education and responded with a broad array of qualifications that are aligned with the future needs of the economy. While it could have replicated one successful flagship school across the nation, it chose a strategy that was more complex, offering a wider range of educational opportunities to a broader range of students, with different capacities to pay.

Anchored by The IIE, it's qualifications have been rigorously developed and vetted by industry to ensure that students will obtain the best, relevant, academic instruction possible. By combining theory and practice, thousands of students like Saarah and Portia have developed multi-faceted skills that have prepared them for 21st century jobs, making them attractive to employers.

As it enters the next era with the expansion into the rest of Africa, it is recognizing many similarities between South Africa and other counties in the continent. Both have a very young demographic and a growing middle class that thirsts to improve their lives through quality education and ADvTECH has a solid platform from which to quench that thirst.

STAY CONNECTED

WEB: www.ifc.org/education

LINKEDIN: www.linkedin.com/company/ifc-education

TWITTER: [#ifceducation](https://twitter.com/ifceducation)

For more information about IFC's investments in education please contact:

Elena Sterlin
Global Manager, Health and Education
Email: Esterlin@ifc.org
Washington, D.C., USA
www.ifc.org/education
www.ifc.org/health

Salah-Eddine Kandri
Global Lead, Education
E-mail: skandri@ifc.org
Washington, D.C., USA
www.ifc.org/Education



Creating Markets, Creating Opportunities

2121 Pennsylvania Ave. NW
Washington, DC 20433
Tel. 1-202-473-1000