

# REINVIGORATING THE MIDDLE CLASS

**Dan Rosensweig**  
CEO of Chegg, Inc

April 17th 2018

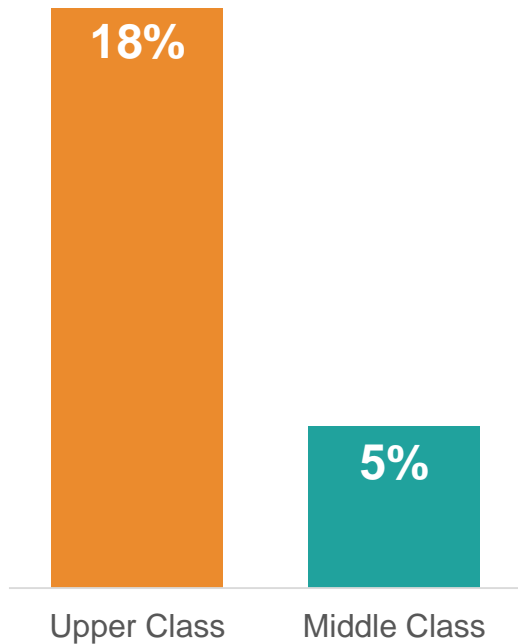
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# Americans feel under attack.

## Income Inequality

Gain in real wages 2000-2017



## Globalization Fears

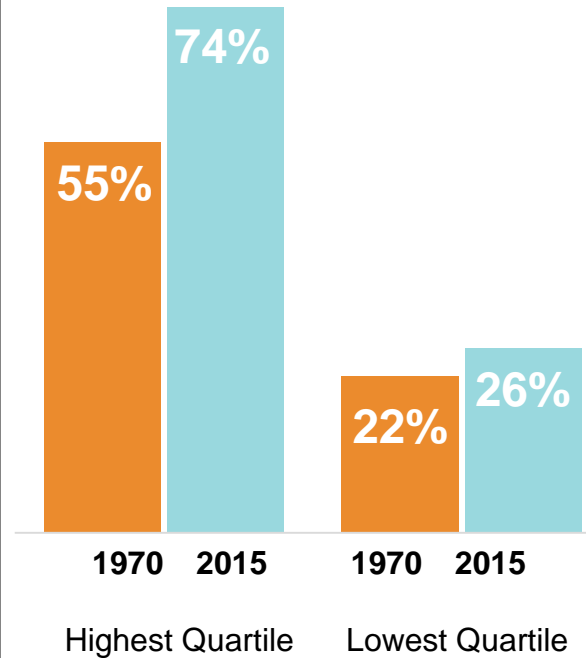
40%

of Americans believe free trade agreements have been a bad thing for the U.S.



## Wealthy Get 3x More Degrees

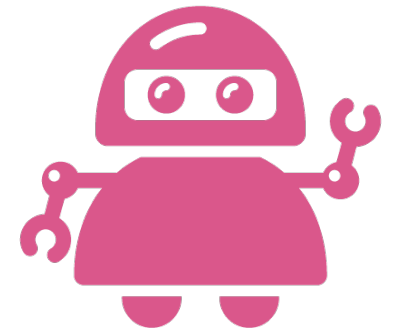
Bachelor attainment rate



## Technological Changes

72%

of Americans worry about a future where robots and computers can do many human jobs



# Chegg is a voice of the student.

**4B**

page views<sup>1</sup>

**10M+**

unique visitors  
per month<sup>1</sup>

**8M+**

registered users

**360%**

increase in Chegg  
digital subscribers  
from 2013-2017



Source: Chegg  
<sup>1</sup> ComScore U.S. Media Metrix Multi-Platform, Audience Duplication Report, September 2017. Universe: Home and work; Data Source: Multiplatform.

# Chegg is uniquely positioned to understand industry trends and student needs.

2015

*We have both*  
**A SKILLS GAP & EXPECTATIONS GAP**

Students said:  
To get a good job

Educators said:  
To create strong critical thinkers

Employers said:  
To hire job-ready grads who are strong critical thinkers

2016



Is the Higher Ed Bubble About to Burst?

2017

**Rebooting** the American Dream.

2018

**REINVIGORATING**  
THE MIDDLE CLASS

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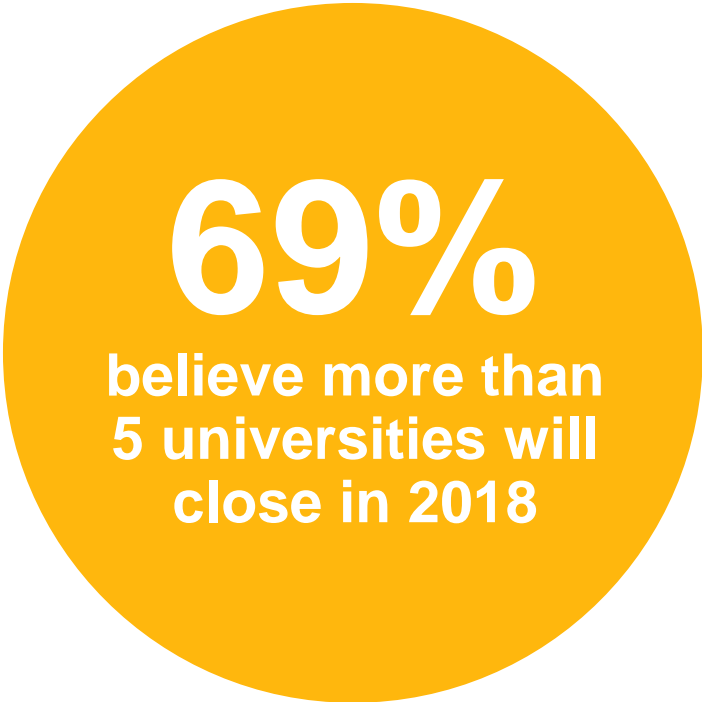
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# Education is a business that has a lifecycle like any other.

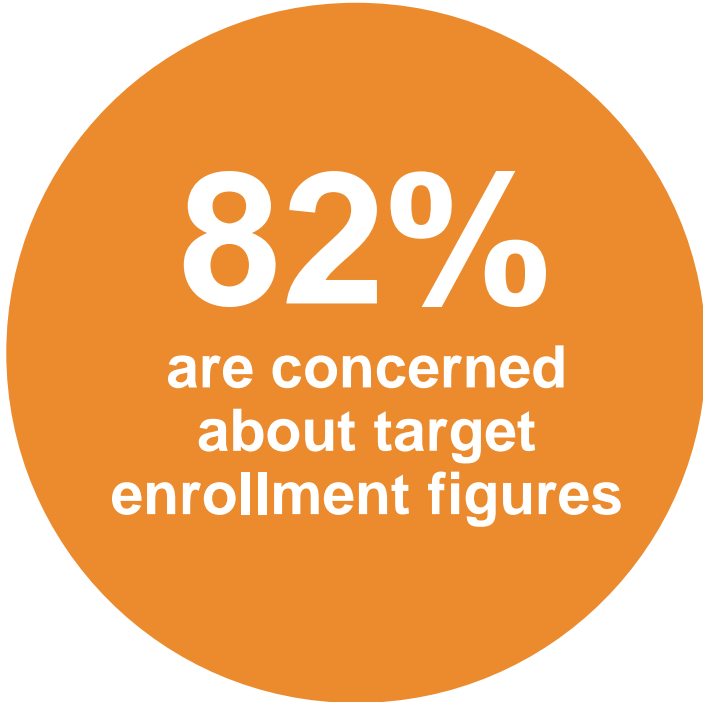
Just ask university presidents.

## FINANCIAL INSTABILITY?

### CLOSING DOORS?



### ENROLLMENT?



# Education has evolved in the past and has to again.

## AGRICULTURAL AGE

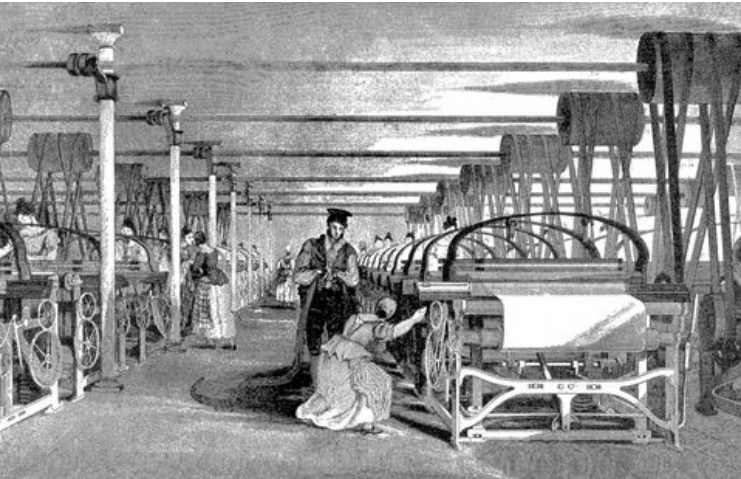
1800s | Local



**Goal:** prepare workers for agriculture and industrial age jobs in rail and steel

## INDUSTRIAL AGE

1900s | Local



**Goal:** prepare workers for auto manufacturing, oil and gas, chemicals, electricity, and more

## DIGITAL AGE

Today | Global



**Goal: ?**

**EVOLVED TO MEET THE GEOGRAPHIC, ECONOMIC, AND DEMOGRAPHIC NEEDS OF THEIR COMMUNITIES**

Images: US Capitol - Land Grant College, Public Domain, <https://commons.wikimedia.org/w/index.php?curid=21977433>  
Illustration of power loom weaving, T. Allom

# Even the government tried to help students.

Higher Education Act (1965) – federal aid drove enrollment but not degrees earned

↑ **3X** enrollment<sup>1</sup>

↑ **2X** degrees conferred<sup>1</sup>

### THOSE WHO MAKE IT

### THOSE WHO DON'T

	THOSE WHO MAKE IT	THOSE WHO DON'T
DEBT	<b>\$37K</b> average student debt <sup>2</sup>	<b>\$7K</b> average student debt for college dropouts <sup>3</sup>
EARNINGS	<b>\$3.4M</b> lifetime expected earnings for college graduates <sup>4</sup>	<b>\$1.2M</b> lifetime expected earnings for high school dropouts <sup>4</sup>
JOB	<b>22%</b> of jobs requiring a bachelor degree or more can be automated <sup>5</sup>	<b>55%</b> of jobs not requiring a high school diploma can be automated <sup>5</sup>

Source: <sup>1</sup>NCES, Enrollments 8M (1969-70) to 20M (2015), Degrees conferred 1.3M (1970) to 2.8M (2015), Chegg analysis; <sup>2</sup>Student Loan Hero (2018); <sup>3</sup>NCES (2010-2015) <sup>4</sup>Georgetown University Center on Education and the Workforce (2010); <sup>5</sup>McKinsey Global Institute (2017)

# Most students don't make it through the gauntlet.

**45%** drop out or don't go to college

**37%** don't graduate<sup>1</sup>

16M HS STUDENTS



20M IN COLLEGE



THOSE THAT DO WONDER...

**44%** of graduates are in jobs that don't require a degree

Source: NCES, BLS, Federal Reserve Bank of New York, and Chegg estimates.

<sup>1</sup> National Clearinghouse Research Center (2018); Reflects % of students who don't graduate from a 4-yr institution in 6 years or less.



# The future is not bright for those who opt out.

**RETAIL SALESPERSON**

**CASHIER**

**FAST FOOD WORKER**

**WAITER / WAITRESS**

**JANITOR**

**CONSTRUCTION WORKER**

**LANDSCAPER**

**BARTENDER**

**TRUCK DRIVER**

**DISHWASHER**

**TAXI DRIVER**

**WAREHOUSE WORKER**

# The jobs are just going away.

55% of those jobs will be automated by 2030.

RETAIL SALESPERSON

CASHIER

FAST FOOD WORKER

WAITER / WAITRESS

JANITOR

CONSTRUCTION WORKER

LANDSCAPER

BARTENDER

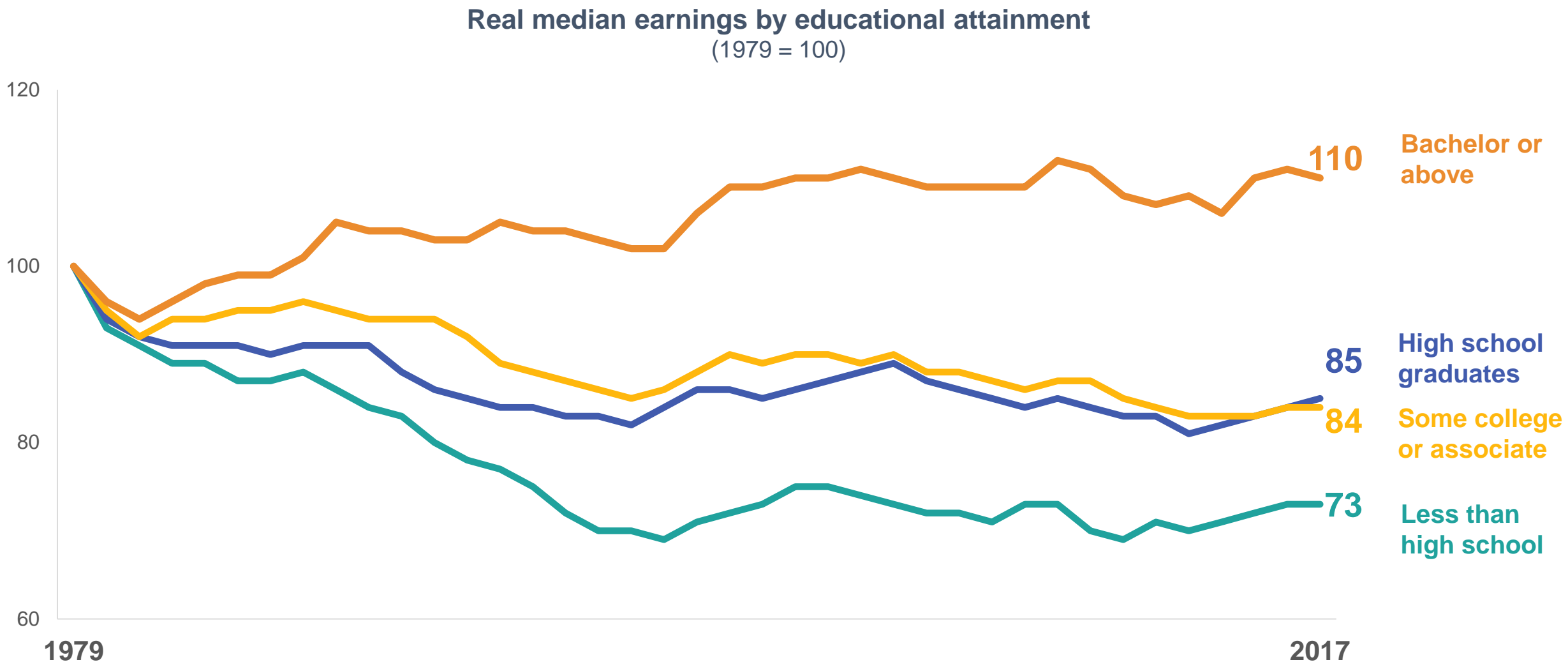
TRUCK DRIVER

DISHWASHER

TAXI DRIVER

WAREHOUSE WORKER

# There's already an economic disparity.



Source: BLS (1979-2017), FRED (1979-2017), Chegg analysis

# Why this is happening...

## TOMORROW'S JOBS

## GROWTH MULTIPLE<sup>1</sup>

Machine Learning

9.8x

Data Scientist

6.5x

Sales Development Rep

5.7x

Customer Success Manager

5.6x

Big Data Developer

5.5x

Full Stack Engineer

5.5x

Director of Data Science

4.9x

Full Stack Developer

4.5x

Brand Partner

4.5x

<sup>1</sup> 2012 -- 2017

Source: LinkedIn (2017), Chegg analysis

IT'S TIME TO ~~REALIGN~~  
TO SERVE THE NEEDS OF  
***THE MODERN STUDENT***

# In order to serve them, we need to know who they are.

And who they are, *ain't* who they used to be.

	1970	Now
Older than 25 years old	28%	40%
Minority enrollment	15%	42%
Female students	42%	56%
Working >30 hours / week	12%	40%
English is not first language <sup>1</sup>	4%	11%
Have children	—	26%

## TODAY'S EDUCATION SYSTEM IS INCOMPATIBLE WITH TODAY'S STUDENTS

Source: NCES (2009, 2015), UCLA Higher Education Research Institute (2015, 2016), Institute for Women's Policy Research (2014); Georgetown Center on Education and the Workforce (2015); Chegg estimates

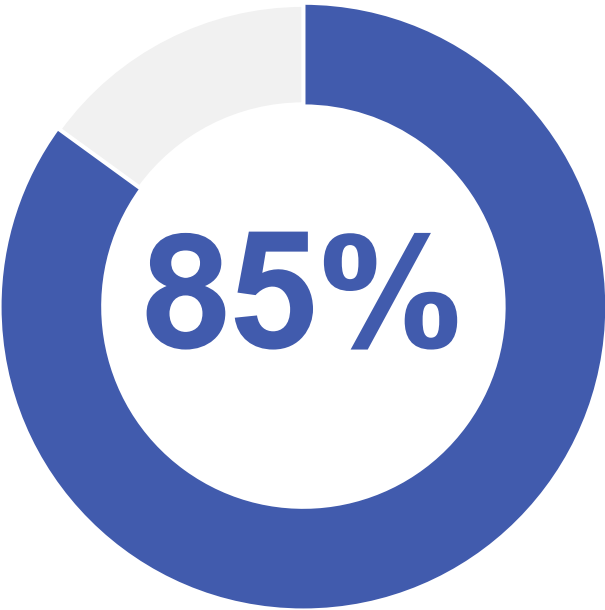
Note: 'Now' refers to 2015 and 2016 data

<sup>1</sup>4% as of 1987, the first year such data was tracked

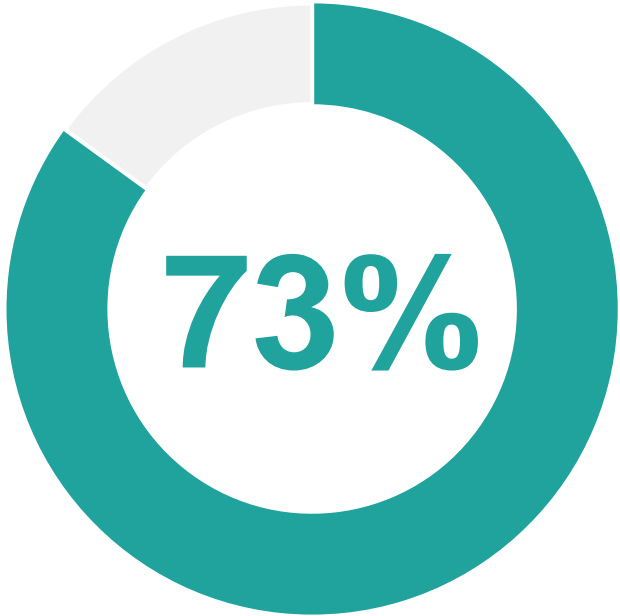
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# The reason they go is to get a better job.



get a **better job**

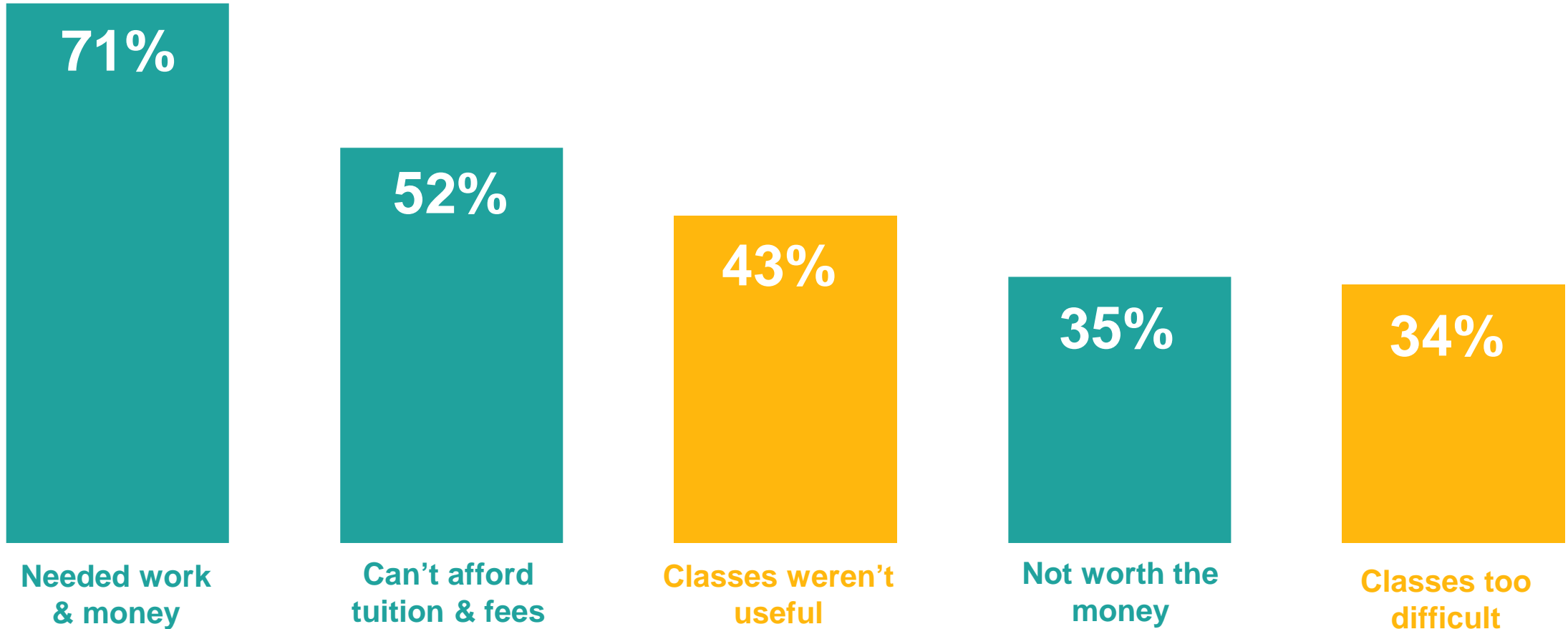


make **more money**

Source: UCLA Higher Education Research Institute (2016)

# The real reasons they opt out are time and money.

If college and work are at the same time, you're forced to choose work.





# Eating or reading. This is a terrible choice.



**36%** of college students are food insecure



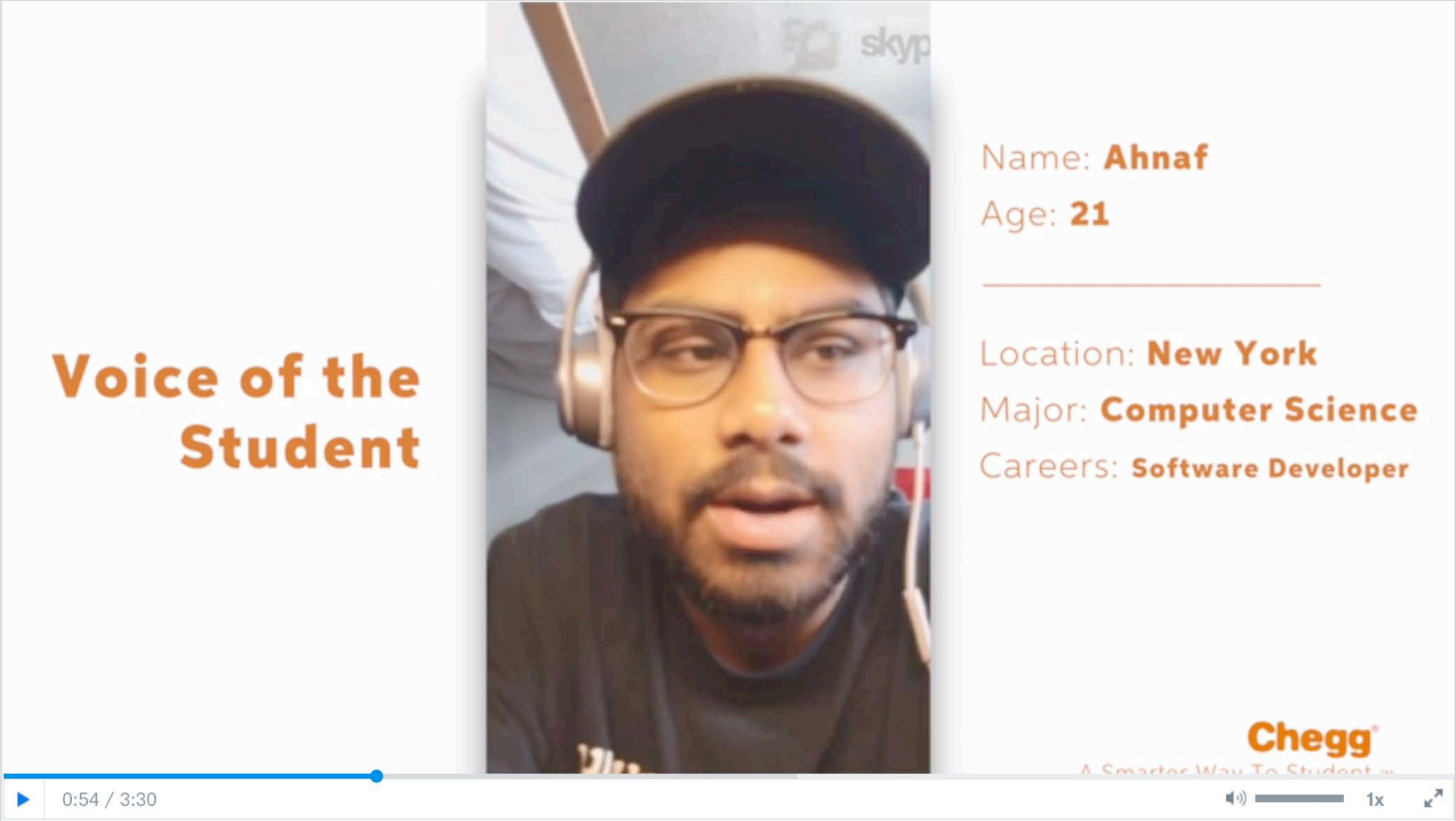
Students are studying, working, looking for jobs, preparing for the future... all while hungry.

Source: Wisconsin Hope Lab (2018)

Image: "Eltman, Frank, AP, : "More food banks serve hungry college students"  
<http://money.cnn.com/2014/11/25/pi/college/college-food-banks/index.html>

# Don't let me tell you – let them.

**Voice of the Student**



Name: **Ahnaf**  
Age: **21**

---

Location: **New York**  
Major: **Computer Science**  
Careers: **Software Developer**

**Chegg**  
A Smarter Way To Student™

THIS IS NOT  
*MISSION IMPOSSIBLE*

WE CAN SERVE  
**3X MORE**  
**STUDENTS**  
IF WE DO OUR  
JOB RIGHT

# Students are telling us what to do.

**55%**

of students use **smartphones** in class, behind only laptops<sup>1</sup>

**60%**

of students believe **digital learning tools** had a positive impact on performance<sup>2</sup>

**47%**

of students used **online tutorials** to help them with school work in 2017<sup>3</sup>

**EMBRACE TECHNOLOGY TO EXPAND LEARNING**

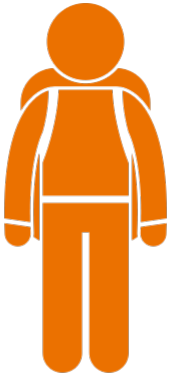
IT'S TIME TO  
**REIMAGINE**

WHO WE SERVE  
WHAT THEY NEED  
WHY THEY COME  
WHERE THEY ENGAGE

**AND PUT STUDENTS FIRST**

# Students, employers, and institutions aren't seeing eye-to-eye.

## What students say they want



85%

college freshmen say that getting a **better job** is a very important factor in getting a degree

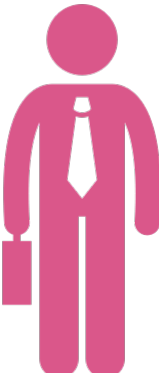
## What universities say they offer



23%

private four year college presidents believe their primary mission is to prepare students for the workforce

## What employers say they're getting



66%

executives are **not satisfied** with the level of skill-attainment of young people entering the workforce

Most can't imagine the future.



Image: "Theodor Hildebrand und Sohn", *In the Year 2000.*

But we must.



# Technology is relentless in the face of early detractors.



“[T]he telephone may really be a device of the **enemies** of the Republic”

*The New York Times, 1876*



“Good enough for our transatlantic friends [...] but **unworthy** of the attention of practical or scientific men”

*British Parliamentary Committee, 1878*



“The virtual keyboard will be about as useful for tapping out emails and text messages as a **rotary phone**”

*TechCrunch, 2007*

# Chegg has lived this and survived to tell the story.

2013



80%+ textbook revenue  
Flat growth  
No profit  
Huge need for cash

2018

## Chegg<sup>®</sup>

A Smarter Way to Student<sup>™</sup>

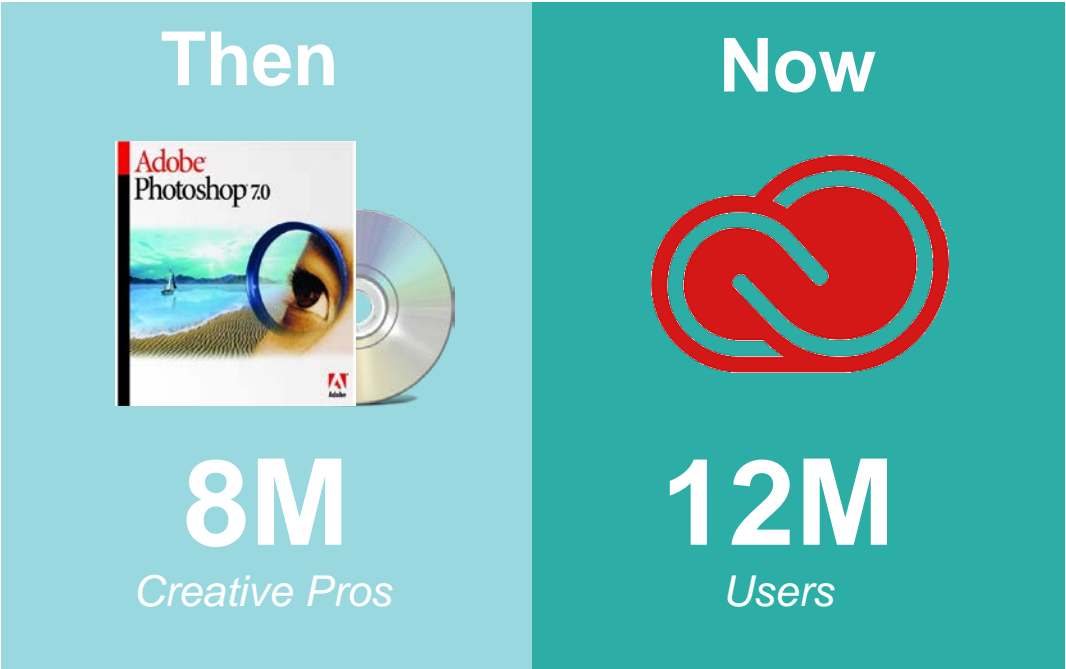
440M content views in 2017  
69%+ from 2016

20M questions and answers  
+6M in 2017<sup>1</sup>

9PM EST is when students  
use Chegg the most

# We have good role models.

## REINVENTION



## DISRUPTION

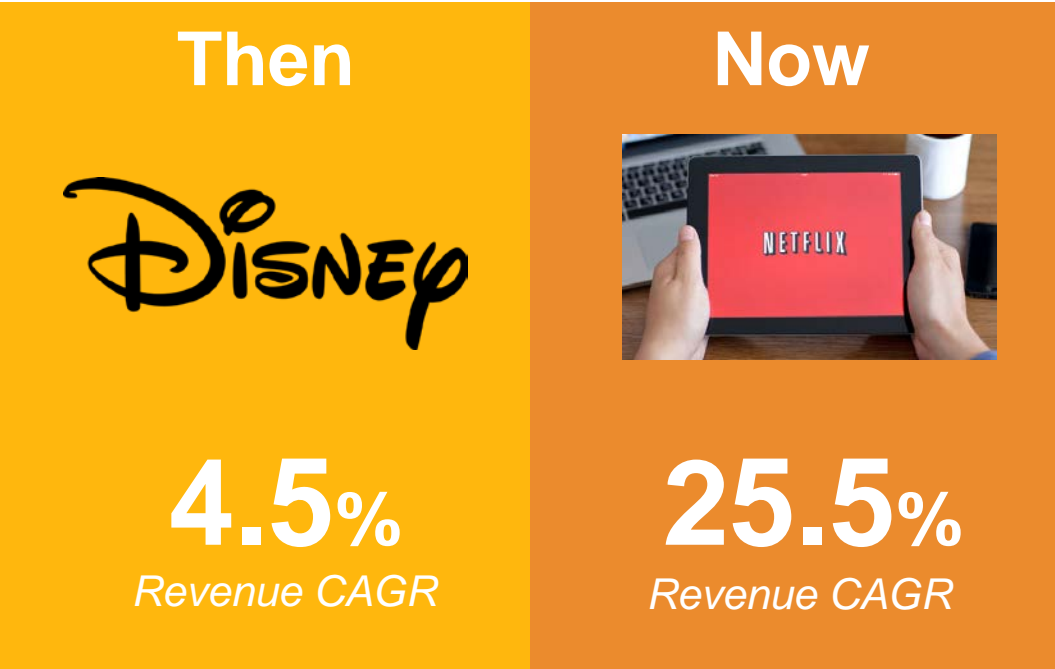


Image: "Adobe Photoshop 7.0" Amazon.com  
Source: Adobe (2013), Fortune (2017), Netflix and Disney regulatory filings (2007-2017)

# If you don't embrace - you lose the race.

If the demand is there someone else will meet it.



Market Cap: **\$254B**



Market Cap: **\$699B**



WARNER MUSIC GROUP

Equity Value: **\$1B**



Market Cap: **\$27B**

# Winners have things in common.

**Relevant Brands**

**Own Their Customer**

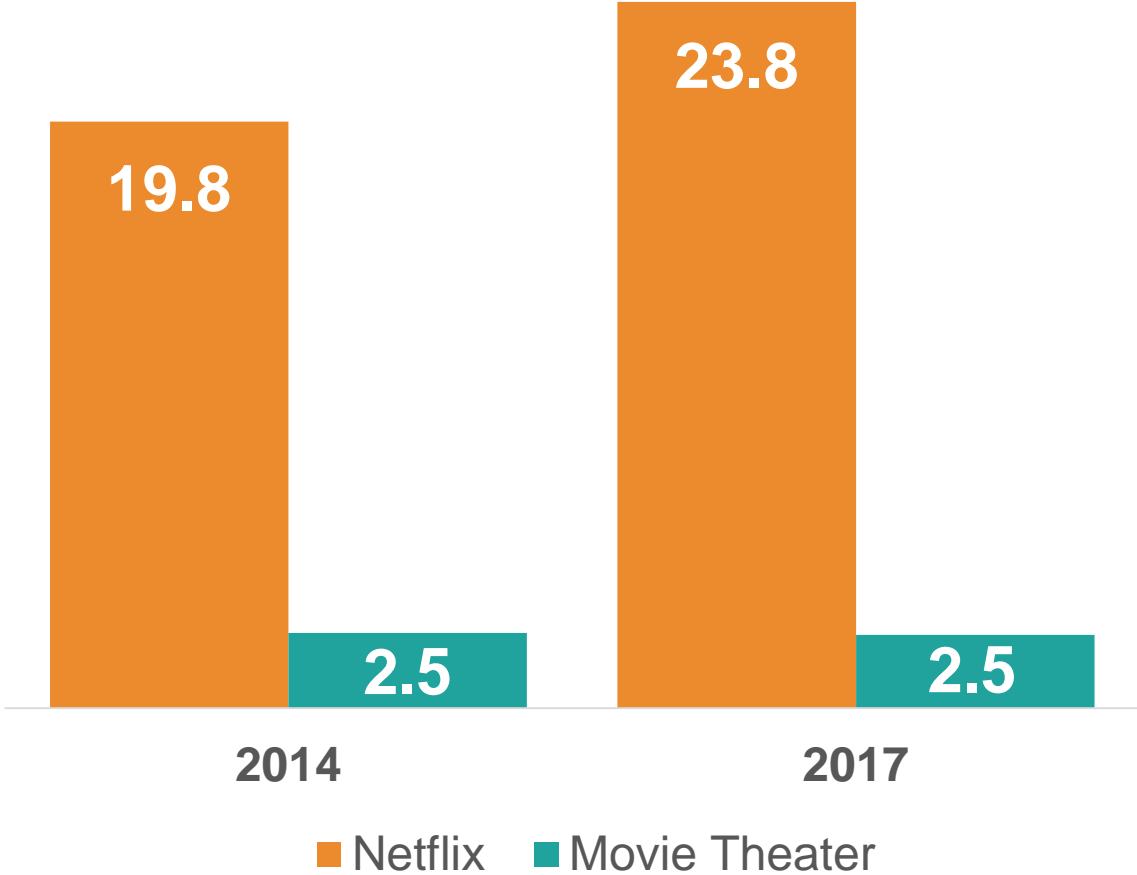
**Own Their Data**

**Own Their Distribution Channel**

**Own Their Proprietary Content**

# Netflix vs. Movie Theaters.

Hours of Content Watched (in billions)<sup>1,2</sup>



**MORE CONTENT**  
**MORE CONVENIENT**  
**MORE AVAILABLE**  
**MORE AFFORDABLE**  
**MORE DIVERSE**

**HAS CREATED MORE CONSUMERS  
AND MORE CONTENT CREATORS**

Source: Netflix regulatory filings and press releases (2014, 2017), Box Office Mojo (2018)

<sup>1</sup> Assumes U.S. Netflix members stream as much content as Netflix global average and average movie length of 2 hours; <sup>2</sup> U.S. only

# Graduate programs were early adopters.

Why did graduate programs move online?

Students are older

Students have other commitments

Students want to remain employed

Prepare students to get a job

Physical constraints of classroom and time

**GRADUATE PROGRAMS WERE FORCED TO EVOLVE TO ATTRACT STUDENTS**

# It's time for undergraduate programs to catch up.

## PROBLEM

Limited classes

Fixed times

Fixed locations

Limited number of educators and tutors when students need them

Limited curriculum

Costly and takes a long time

## SOLUTION

Unlimited content online

On-demand

On every device

Expand number of educators and tutors and make them available 24/7

Ability to have unlimited curriculum

Reduce cost and accelerate time from learning to earning



IT'S NOT TOO LATE TO  
**REINVIGORATE**  
THE MIDDLE CLASS

AND WE CAN DO IT  
**T****GETHER**