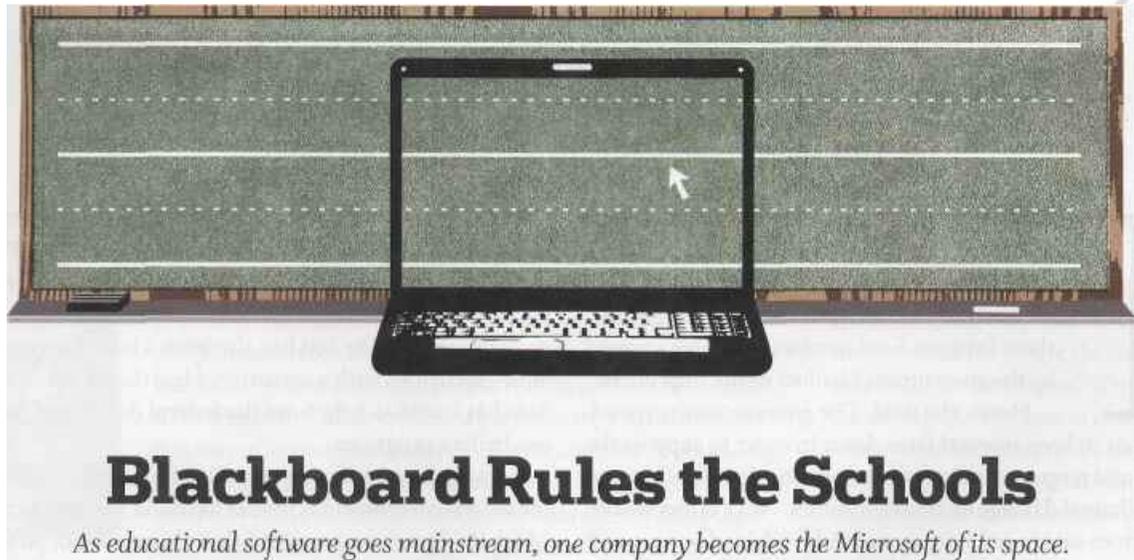


EDUCATION

BY BETH KOWITT



THERE ARE THOSE RARE moments in business when a technology goes from being cutting edge to being an indispensable part of everyday life. Just ask people who bought shares in Microsoft or Research in Motion at a time before terms like "operating system" and "BlackBerry" were part of the vernacular. In the education space, a company called Blackboard is profiting from a similar cultural shift—the one in which the most basic functions of college life, like attending lectures and taking notes, have gone from analog to digital.

Blackboard's main business is a set of tools that allows professors to upload their reading lists and class notes. The software has other applications: It sends alerts when a classroom has changed, it screens students' papers for plagiarism, and it gives electronic quizzes. (So far, its artificial intelligence has yet to schedule a keg party.)

It's not that Blackboard's customers, which include Princeton, Dartmouth, and other leading universities, suddenly decided to go high tech; rather, the schools have been responding to a generation that has text messaging and social networking hard-wired in its brains. "Our students come to school demanding that we have technology in the classroom," says Susan Metros, deputy CIO at the University of Southern California. "They don't want to be just lectured to. They want to be participants."

Since CEO Michael Chasen co-founded the Washington, D.C.-based

company in 1997, Blackboard has gone from being one of more than a dozen startups in its field to becoming the dominant player. With \$312 million in annual revenue, the company now controls around 60% of the college market, according to the Campus Computing Survey. Along the way **Blackboard (BBBB, \$39)** has made a name for itself on Wall Street, producing at least 20% year-over-year revenue growth since its inception. (This growth has been driven in part by six acquisitions.) And like other tech companies that dominate their niches, Blackboard has attracted some unwanted attention from the Department of Justice, which has investigated two of the company's recent acquisitions. (The department cleared them both.)

Blackboard's hegemony may be a boon to its investors (its stock is trading at a 52-week high), but the company has to be careful not to come across as an evil empire to its nonprofit clientele. Blackboard enjoys a roughly 90% renewal rate and gets little pushback against its 4% to 5% increase in price each year. It's costly for schools to develop their own software. And while there are a few open-source alternatives (one called Moodle is in use at Idaho State), there aren't many strong for-profit competitors left standing.

Some analysts speculate that the company's reach makes it a potential takeover target, but right now it needs to work on its image. "Part of the concern we have is if Blackboard gets a reputation too much like Microsoft's," says William Blair analyst Brandon Dobell. "Because of their market share, they risk being viewed as too difficult to deal with."

BLACKBOARD'S COMPETITION

MOODLE
Created by a team in Australia, this free, open-source platform is growing in popularity, with 10% of the market using it today.

DESIRE2LEARN
This private Canadian outfit, which controls 7% of the market, is engaged in a battle with Blackboard over patent issues.