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SPECIAL SECTION: SMALL BUSINESS

The go-to guy on acing college entrance exams

By Mary Ellen Podmolik
 Special to the Tribune
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Seven years ago, Karan Goel was among millions of high school students nationwide sweating their way through college-entrance exams.

That, however, was before Goel received his undergraduate degree from University of Chicago in three years, earned his MBA from the university, won two business plan competitions and co-founded a venture that he hopes will make it easier for teenagers to ace the SAT and ACT.

But on this day, Goel, the low-key chief executive of PrepMe, is sitting in the company's "office," a single desk and dry-erase board squeezed in alongside several others in a business incubator at the University of Chicago.

"Everyone thinks being a CEO is so glamorous," said Goel, 23. "When I travel, I sleep on the floor of a friend's apartment."

Goel's unassuming manner belies the big plans he and partners, Avichal Garg and Joe Jewell have for PrepMe. The trio is taking on the oldest names in college-test preparation -- Kaplan and The Princeton Review -- because they believe they've built a better model for 21st Century college-bound students.

As opposed to traditional courses that are taught in classrooms, possibly with an online component, PrepMe's program is Internet-based and uses adaptive learning technology to customize the program, based on a participant's strengths and weaknesses as they study and take the course's practice tests.

The company's timing couldn't be better. Just last month, the Washington Post ran a front-page story on the ever-intensifying competition among high schoolers to get into the colleges and universities of their choice. The problem: Although the number of students annually graduating from high school is on the increase -- expected to reach 3.3 million graduates within four years -- and the importance of a college education has never been greater, universities are not adding a corresponding number of open slots. That makes the need to ace the entrance tests even more critical.

Goel had the idea for PrepMe while an undergraduate, and he, Garg and Jewell starting planning the company in 2001, surveying 300 students and 100 school guidance counselors to determine how to structure the program and the fees. They launched PrepMe in January 2005. For either the SAT or the ACT, students can take the online course for \$299, or for \$499, get the course plus online tutoring that is available for as many as 22 hours a week. PrepMe pays its 15 tutors, who are students at either the University of Chicago or Stanford University, Garg's alma mater, based on enrollees' progress.

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The company also structured the program to make it attractive to parents. The price tag can be as much as half that of competing programs. Also, parents receive a password to go online and check their child's progress, and students get a phone call if they fall more than two weeks behind in their online lessons. The company guarantees that if students complete the \$499 program, their scores will improve by 150 points or they can receive a refund.

"Teenagers use the Internet for everything," Goel said. "What that means is they are very comfortable using online programs. The idea is you make it customized and compelling.

"Some people are inherently bad at taking tests, but they can improve," added Goel, who scored 1530 of a potential 1600 on his SAT, the lowest score among the three partners.

About 13,000 students now are using PrepMe, including 11,000 high school juniors in Maine to whom the company is providing its services with the help of a private benefactor. Last year, Prepme.com posted revenues of \$250,000. This year, Goel predicted revenues will range from \$750,000 to \$1 million.

In 2005, just as PrepMe was getting started, it won a University of Chicago Graduate business plan competition, receiving \$20,000. It also won \$35,000, by taking first place in the Fortune Small Business Student Showdown.

The kudos netted the three partners seed money and nice write-ups in magazines like Fortune Small Business and Business Week. But marketing has been a challenge, Goel admitted.

"It's difficult to advertise," Goel said. "You're selling something that is for the most stressful point in a 16-year-old's life. I don't think we could do billboards."

So instead, PrepMe is relying on word-of-mouth to attract both individual students and school districts. "It's like a chicken and egg thing," he said. "You need individuals to build word-of-mouth. You need schools to build credibility."

The day before students at Perspectives Charter School in Chicago took the ACT on April 25, Goel was at the school to rally the students who had been using PrepMe since January to prepare for the test. The school had heard about the program from other educators and secured funding for it this year to augment ACT preparation going on in the classroom.

"It's individualized," said college counselor Tony Seiden. "A lot of the programs that are established at schools are one-size-fits-all. This one, the very first thing they take is a diagnostic test."

Seiden said the school will wait to see how its students perform on the tests before they decide whether to buy the program next year.

That, Goel said, is one of the gambles, because bad test scores result in negative company marketing. "It is scary," he said. "We could have the best product out there but if it's not utilized correctly, it doesn't matter."

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