



## A startup that puts teenagers to the test

By Rebecca Knight

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Karan Goel took to entrepreneurship early in life. The founder and chief executive of PrepMe.com, an online test preparation service that targets students bound for US colleges, is only 23 years old but has already had several brushes with the world of commerce.

He began his first business when he was 10, buying packets of chewing gum from a wholesaler and selling them at a mark-up to his fellow fifth-graders. The school principal - unenthusiastic at the prospect of hordes of gum-smacking students - reminded him that chewing gum was against school policy and asked him to shut down.

A few years later, aged 13, Mr Goel joined the dotcom boom and started a website for teenagers, complete with chat rooms and film reviews. In high school, too, he struck a deal with a local pizzeria to sell a pizza slice and a drink to fellow students for \$1.50 - undercutting the school's cafeteria. This enterprise was also halted by the principal.

His fourth attempt is proving more enduring. In 2004, Mr Goel teamed up with business partners Joe Jewell, author of *Up Your Score: The Underground Guide to the SAT* and Avichal Garg, a Stanford University graduate, to found PrepMe, which aims to help students applying to US universities prepare for the standard test for admission. Such programmes are sought out by eager parents hoping to give their child an edge in the increasingly cut-throat world of university admissions.

Today, PrepMe has more than 1,000 customers on five continents and offices in Chicago and Mountain View, CA. And at the end of the month it will launch a new "Precocious Program" geared towards bright 12- and 13-year-olds.

Mr Goel says he got the idea for PrepMe as he was graduating from high school and about to begin his undergraduate studies at the University of Chicago. "I realised that the test prep out there [for the SAT] wasn't engaging," he says, adding that most SAT courses take place at the least convenient time for teenagers: weekend mornings.

Mr Goel and his partners spent three years creating a curriculum and supplemental materials, and ran focus groups with local Chicago students to find out what would help them get ready for the SAT. The test - which formerly stood for "scholastic aptitude test" but is now simply a brand name - is comprised of three sections: mathematics, reading and writing.

After graduating from college, Mr Goel enrolled in the University of Chicago's Graduate School of Business, where he and his partners took part in a business plan contest. Entering the competition forced the team to conduct more market research and hone their business model. "We believed in the idea and we wanted feedback, but we were going to do the idea whether or not we won," he says.

The judges shared their confidence, awarding them the top prize: \$20,000 of seed money and free office space for a year at the business school. They launched the company in 2004 and today PrepMe is cash flow positive and on track to turn over \$250,000 in sales this year.

PrepMe takes a more individualised approach than its biggest rivals, Kaplan and Princeton Review, in the \$700m test preparation market. Prospective test-takers can beef up on the subject areas they find most difficult. The company first requires students to take a diagnostic exam to identify their weaknesses. Its software then analyses the results and tailors the 20 to 60 hours' worth of preparatory materials to focus on those trouble spots through repetitive drills.

"It's a customised programme that continually readapts week by week based on where the student is improving or stalling," says Sammy Shreibati, the company's lead software engineer. As part of the course, PrepMe also offers a coaching service via e-mail and instant messaging. Its tutors, who are all either graduates or students of the University of Chicago or Stanford, had near-perfect scores on their SAT.

"The tutors give students guidance and motivation," says Mr Goel. "They also help kids maintain perspective. The SAT is just one part of your college application - albeit an important one."

PrepMe programmes - which cost between \$499 and \$799 - are less expensive than those of competitors. Anecdotal evidence suggests PrepMe students tend to increase their score by 200 points, against a perfect score of

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2400, says Mr Goel.

PrepMe's entry into the \$6bn online education market is well-timed. The competition to be admitted to top-tier schools is getting tougher and parents are going to greater and greater lengths to gain the added academic advantage for their kids. In addition, there are simply many more students taking the SAT than ever before. In 2006, 1.5m students took the SAT, a 50 per cent increase from 30 years ago.

While this growth should benefit the company, PrepMe is also looking to attract younger students with the launch of its Precocious Program. The new programme is geared at helping 12 and 13-year-olds get accepted to the sought-after summer schools held by Duke University, Johns Hopkins, Northwestern and The University of Denver courses, for which a high SAT score is a prerequisite.

"It's not something we expected to do," says Mr Goel. "It was part of the process of getting very close to the parents. They would say: 'My 11th grader is in your programme, but can you help my 8th grader?' " When you're a start-up you're constantly evolving, figuring out a way to better serve your customer."

Mr Goel says that many parents of gifted children consider the Precocious Program as a way to reduce stress on their child. "They think: 'If I can start my child early, it's one less thing I have to worry about in the college applications process,'" he says, adding that the business relies on the virtuous circle of satisfied customers. "The key to our business is positive word of mouth and referrals."

Chitra Pudhucode, of Jacksonville, Florida, is one such customer. She enrolled her 12-year-old daughter, Roshini, in a pilot Precocious Programme in August.

"I wasn't looking to put her in an SAT class, but I'm happy that I did," says Ms Pudhucode. "Anything I tell Roshini is not enough. It's: 'what does Mom know?'"

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