

### **Understanding the Online Higher Education Market:** *doing your research homework*

Richard Garrett
Online Higher Education Learning Collaborative (OHE-LC)

October 2011

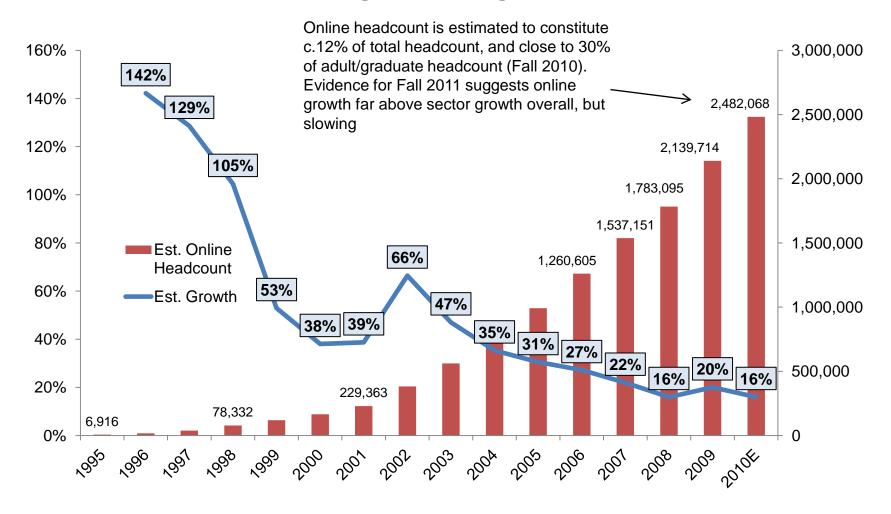


### Agenda

- Why are schools getting into the online market? What are the key characteristics of the market?
- Getting into the online market 2011 onwards- what you need to know
- Doing your market research homework



## Online higher education has achieved greater scale and visibility than any prior form of distance learning in U.S. higher education



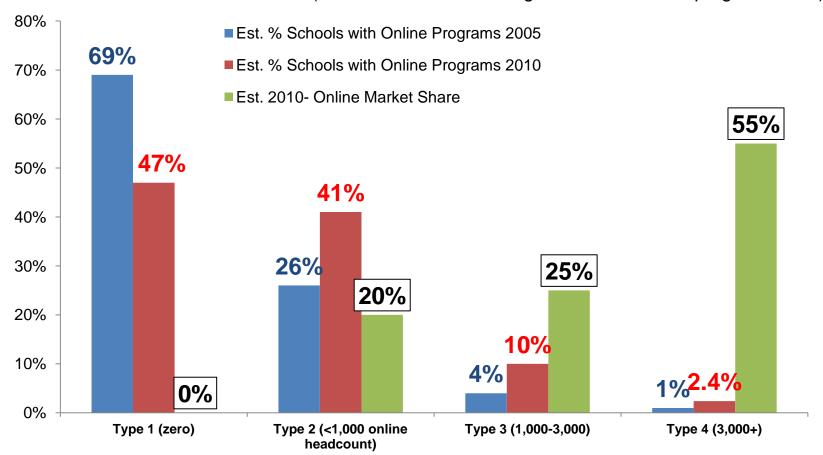
### Understanding U.S. Online Higher Education to Date...c.1995-2011

- Online learning "promise"- (vague) mix of enhanced pedagogy, reduced cost, broader access to resources and to higher education
- <u>Novel capacity</u> in support of desired increase in non-traditional student participation/lifelong learning- extending to controversial claims about disintermediation, economies of scale, disruption of conventional campus
- <u>Dis/Continuity with historical forms of distance learning-</u> cycle of hype, "crash" and gradual application- but online has made unprecedented mainstream progress
  - Steady normalization of <u>online resources</u> and LMS-use in wide variety of courses and schools nationwide- online as enhancement
  - Steady normalization of <u>online courses-</u> online as convenience. Sloan-C estimates c.30% of students at U.S. degree-granting schools have taken 1+ online courses as part of their studies
  - Steady normalization of <u>online degrees and certificates</u> online as alternative (Eduventures estimates 12% of students 80%+ online). Examples of both 100% online and minor campus component. Driven by new breed of for-profit schools offering stripped down scale, seen by policymakers as at turns innovative and problematic. Online programs common but more controversial at many nonprofit schools; often confined to the periphery (e.g. continuing ed)
- Context of ever-stronger online pervasiveness across a wide range of non-education services and products- with often lower adoption/complexity thresholds compared to formal education



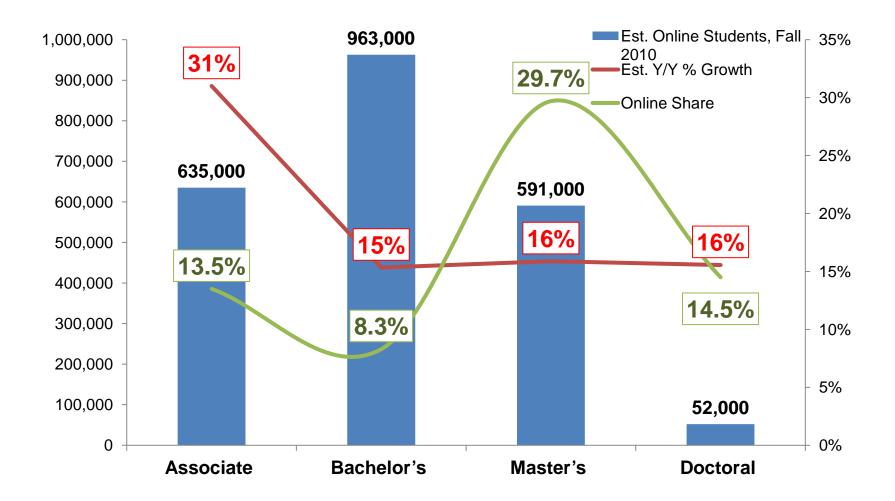
# Majority of schools now offer online programs, but scale still concentrated with small minority

<u>Introduction</u>. U.S. degree-granting schools (c.5,000) may be divided into four "types"- in terms of online headcount (defined as students taking 80%+ of their total program online)





### By credential, online continues to favor student maturity, program brevity. Master's is the sweet spot but risks first market maturation



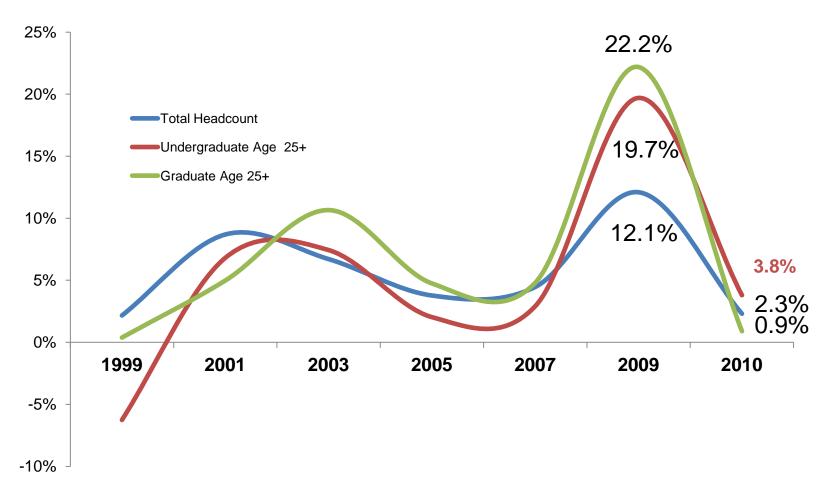


### Agenda

- Why are schools getting into the online market? What are the key characteristics of the market?
- Getting into the online market 2011 onwards- what you need to know
- Doing your market research homework



# In line with countercyclicality, with recession officially over, Fall 2010 saw significant slowdown in y/y adult and overall enrollment

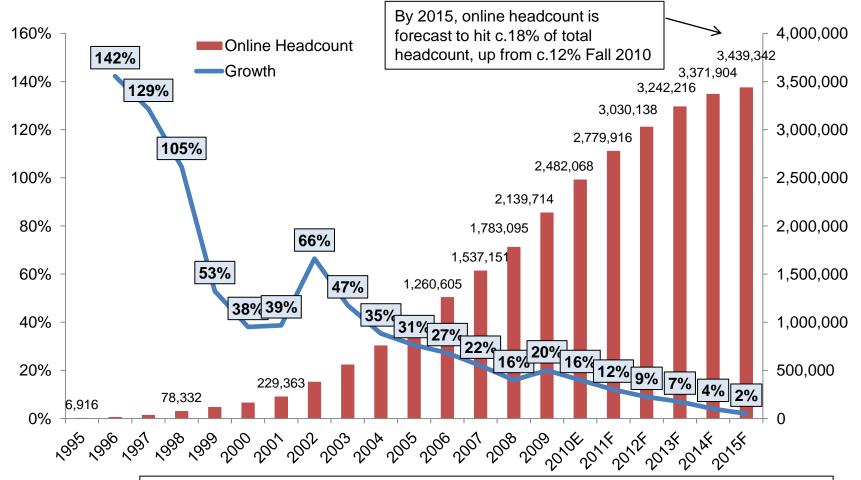


Source: IPEDS and Eduventures analysis

### Contemporary Frictions in U.S. Online Higher Education

- Online program enrollment largely confined to "adult students"- suggesting medium-term growth limits
- Online value proposition dominated by convenience- with broader "experience" under-developed
- Negative relationship between extent of online delivery and lower level/weaker student populations
- Institutional funding challenges, and demographic turn, risks over-supply of online programming
- Pedagogic dividend from online muted/vague- in terms of productivity, student achievement, cost to schools/students, employability/career advancement
- Online yet to seriously challenge conventional academic division of labor and local production/delivery. OpenCourseWare to date largely about extra-higher education impact
- Online progress lacks official data- enrollment, outcomes
- Federal/state/accreditor policy steadily enabled online but currently seeks to curb perceived excesses ("Program Integrity" rules)
- Online market largely consumer and domestic; not challenged degree
- Highest status schools have, typically, remained on sidelines, but now changing

Without experiential or market breakthrough, rapid growth in adult participation, adult-centric online, for-profit rethink, scale and strengthening economy will see online headcount plateau by 2015



Online significance in the adult market- Eduventures estimates that in Fall 2010, online headcount represented c.27% of total adult (aged 25+) headcount at degree-granting schools; and is forecast to hit 39% by 2015

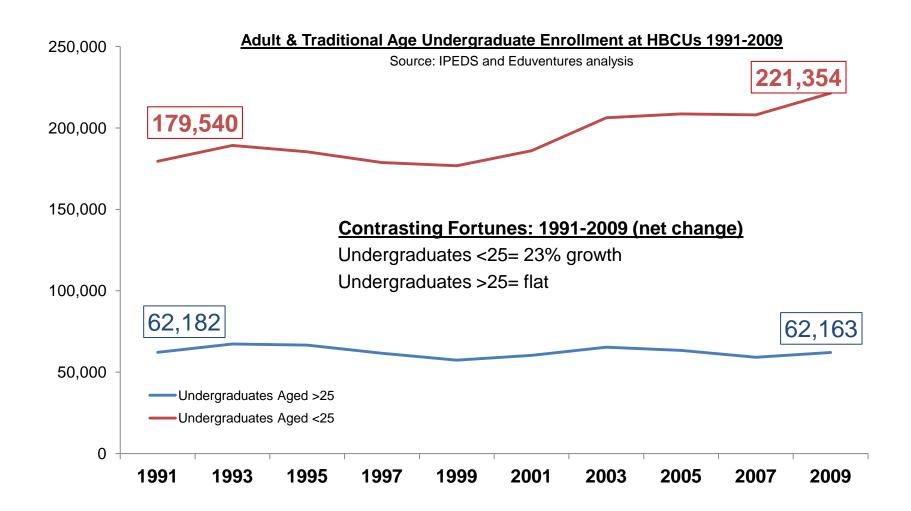


### **Agenda**

- Why are schools getting into the online market? What are the key characteristics of the market?
- Getting into the online market 2011 onwards- what you need to know
- Doing your market research homework



# Over past 20 years, like many nonprofit schools, most HBCU's lost ground or stood still on adult undergraduate enrollment



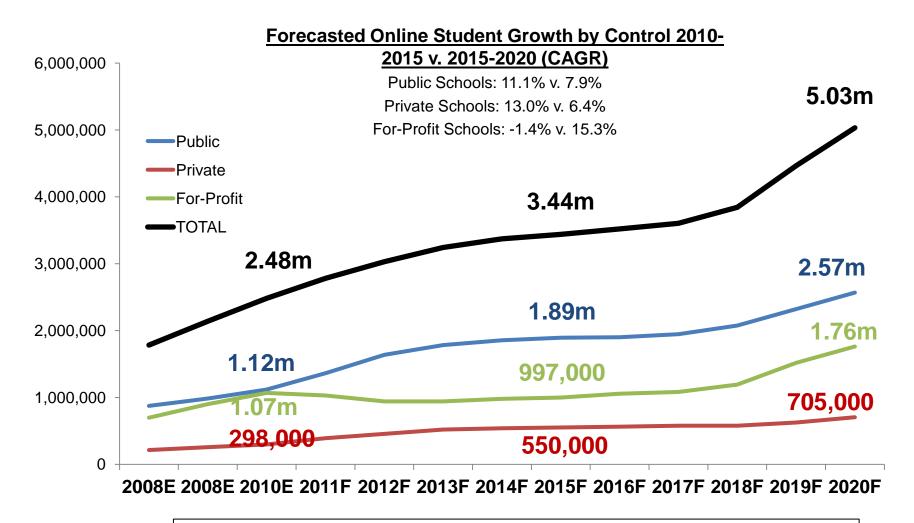
## In 2011, smartest way to enter online market is to respond creatively to market tensions/absences. This means doing your homework!

- <u>Demand</u>- what evidence do you have that your proposed online program is in demand? Related occupational growth- short-term or long-term? Professional mandate or competing credentials/job training/experience? Amenability to online delivery? Primary or secondary evidence?
- <u>Supply</u>- which other schools already offer this program? If few, why so few?
   What are the strengths and weaknesses of the competition?
- Scope
   is your market fundamentally local, regional, national or international? Is your market characterized by particular demographics (e.g. age, ethnicity)? Is your program mass market or niche? B2C or B2B?
- <u>Regulation</u>- what internal/external hurdles must your program overcome to be launched? Any regional/specialized accreditation issues? Any state regulation or professional licensure issues?
- <u>Differentiation</u>- other than "being online" and in a popular/niche field, how will your program avoid commoditization? Platform functionality? Pedagogy? Faculty? Hybrid element? Employer links?

<u>Evidence-Based Decision-Making</u>: successful online schools develop a standard process for vetting new program ideas, and for evaluating existing programs. Some turn to third parties, such as Eduventures to undertake this work, benefiting from a dispassionate, multi-school perspective. The key principle is online market entry and development driven by evidence-based decision-making



# Multiple negatives dampen medium term online growth, particularly for proprietary schools; long-term dynamics more positive



<u>Online Share</u>: On this scenario, online headcount moves from 12% (2010) to 22% (2020) of total headcount at U.S. degree-granting, Title IV eligible schools

#### **Thank You**

#### **Please contact:**

#### **Richard Garrett**

Managing Director

Continuing & Professional Education Learning Collaborative

Online Higher Education Learning Collaborative

Eduventures, Inc.
101 Federal Street, 12<sup>th</sup> Floor
Boston, MA 02110
617-532-6081
rgarrett@eduventures.com

eduventures.com