Is There a Business Model for MOOCs?

A growing number of colleges and universities are offering MOOCs, but few have crunched the numbers to determine whether these online courses can succeed as a business proposition. Where return-on-investment conversations are happening, they generally aren't leading to comprehensive analysis. Some institutions, however, are paving the way in their attempts to analyze the potential of MOOCs as a business model.

Syracuse University, which offered a data science MOOC for the second time this fall, says Jeff Stanton, senior associate dean in the School of Information Studies.

The first iteration of that MOOC cost about $28,500, nearly all of which was labor, Stanton says. "We accounted for everybody's salary, right down to the last student helper we had involved. We tried to capture time that occurred in the preparation... I know each person's role and roughly the amount of time [each was] putting into the MOOC."

Other costs were minimal because the university already had the textbook and video recording capabilities in house, and the school used the freeware Blackboard product CourseSites to build the MOOC. Primarily, the venture was approached as a learning experience, Stanton says. "We wanted our instructional support staff to be able to understand what was involved and experience for themselves some of the difficulties. That was an important aspect."

Anyone who successfully completed the MOOC was offered a 20 percent scholarship toward a certificate of advanced study in data science, a 15-credit program that's state approved as an advanced graduate program. "We were trying to achieve some synergy there," Stanton says. "If they completed
ate electronic tickets for patrons and to be able to receive online payments.

"Each department head came up with their own strategy," says Houck. "After a solution was identified, the department head worked with the finance staff to ensure the system would work as expected, and to implement internal controls and devise business procedures."

The University of Alabama: Centralized payment processing

All required charges, and additional student charges incurred during the term, go through the University of Alabama’s Office of Student Receivables. This wasn’t always the case; UA was once much more decentralized, says Carlene Jones, director, receivables and collection. "As a result, the revenue-generating that occurred in various departments was handled however the untrained personnel managed it."

Instructors or departments collected funds from students to cover costs outside normal student billing. Departments established "businesses" selling items without approval, creating the potential for numerous violations and liabilities, as well as entering into ventures not in UA’s best interest overall, says Jones.

UA has close to 300 revenue-generating operations—some very large like athletics; some small, like geology map sales. There are also numerous other revenue sources, such as concerts, theater productions, museum admissions.

"We realized that while nonfinancial departments were usually very good at accomplishing their primary mission, they needed financial expertise help since their actions related to the collection of funds could inadvertently damage UA's name or create a liability," Jones says. "Additionally, without centralization, credit card contracts were costing small departments too much. At the same time we didn’t want to discourage the entrepreneurial spirit that exists on our campus."

UA implemented a series of changes, staged over a long period. These included new policies and procedures specific to revenue-generating operations, credit card operations, and eCommerce ventures.

"This centralized approach has worked well," says Jones. "And at the same time, it has allowed departments to explore and pursue their interest in generating revenue for their departments."

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the MOOC, we felt like they were capable and successful. We had no idea how many people would take us up on it.” The scholarship, worth about $3,750, is given progressively over the individual’s completion of the whole program, he notes.

Ninety people completed the MOOC, of whom eight matriculated into the program this fall. At $1,250 per credit hour, minus the 20 percent discount, Syracuse will reap $15,000 per head—or $120,000 total if all finish the certificate.

“It was definitely worth it,” Stanton says. “I haven’t talked to anyone in the university who was disappointed. People see its potential as a tool for raising awareness.”

In a follow-up survey of students who took the MOOC, more than half the respondents said they had no prior contact with Syracuse. “Hundreds of people potentially interested in graduate study now might consider us as an alternative to other options,” he says. “From that perspective, it’s been very successful. It gives students a chance to try before they buy. They can see the level of the curriculum. They can see whether they’re interested in the topic.”

**B-School at Temple U: Why students complete**

In September, the Fox Business School at Philadelphia-based Temple University launched its first MOOC, a statistics course in its online MBA program. Officials hope prospective students will get a taste of Fox’s online program, which delivers courses in a four-week, compressed format.

For each student who completes the course, Fox is paying about $70 for a Pearson Math Excel product and a complementary product from Instructional Connects that helps with grading assignments, says Darin Kapanjie, managing director of online and digital learning, and academic director for the online MBA and BBA programs. An assistant professor of statistics, Kapanjie isn’t getting paid anything additional for managing the MOOC.

To help provide clues related to ROI, Temple plans to do follow-up surveys with everyone who enrolls. For those who don’t complete the course, “I want to know why,” Kapanjie says. For the others, he wants to find out if they’re hoping to apply for the MBA program, if they’re MBA graduates looking to sharpen their skills, or if there’s some other purpose. “Hopefully they have a good experience and good, positive things to say about Temple University and the Fox School of Business,” he says.

ROI includes “brand awareness,” he adds. “Your best marketing is word-of-mouth.” Someone taking the MOOC might tell a friend to look at Temple.

**Cuyahoga Community College: Indirect investment returns**

Cuyahoga Community College in Ohio offers a MOOC on developmental math, which is still available online but is no longer being monitored. As a two-year school, Cuyahoga looks at ROI a bit differently,

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**Putting cost calculations in perspective**

Online education providers say university and college clients considering developing MOOCs as a long-term strategy need to think about the economics of scale gained and how long courses can last before the content gets out of date.

“That happens for a course on the latest techniques in artificial intelligence more often than a course in ancient Greek heroes,” says Rebecca Whitehead, product manager of academics at Campus Management. A school could develop a singular course, invest $50,000 or $100,000 for an online deliverable, and then deliver it to 30,000 or 40,000 students for two or three years.

The right MOOC business model will vary by institution, she says. A few of Campus Management’s clients have experimented with MOOCs, primarily junior colleges and private institutions, and their investment has been moderate, she says—as opposed to the $400,000 investment that MIT has reportedly made. Still, the schools Campus Management is aware of have invested “upward of $100,000, primarily in relief time for faculty,” she says. “It hasn’t been in technology.”

Costs for clients of SAS have varied widely, says Emily Baranello, senior director of the education practice. The initial infrastructure investment can be pricey, although it varies by factors such as bandwidth. “Is it going to be a positive experience for students if they try to get on and don’t have the connectivity? If this crashes the first time they offer one, the reputation of the MOOC and the reputation of the university are at stake,” she says.

If a school is planning on having 10,000 students take a MOOC, administrators should ensure the “pipe” is big enough and that there is enough infrastructure to support the students, Baranello says. In addition, as students quickly sign in, the school must have enough servers and IT staff to support the large number of students and their help desk requests.

The main focus in terms of ROI seems to be students enrolling in paid courses afterward, but schools are also concerned about completion rates, Baranello says. “At the end of the day, do universities want to take $6,000 from a student who makes it through two classes, and that’s it?” she says. “We want to make sure we get the right types of students in the right programs. Universities are being very cognizant of that.”

Jenzabar hasn’t had any clients setting up full-blown MOOCs. Some, however, have gone live with what Rick Tomlinson, head of academic solutions, calls “mini-MOOCs” that serve as introductory courses and are used as a recruiting tool to engage students.

In calculating costs, Tomlinson says schools should add up professors’ time and/or remuneration, subscription costs for the MOOC platform, marketing and advertising, and any additional staff time.

Hard-dollar ROI isn’t easy to calculate at this point, says Sam Burgio, vice president and general manager at Jenzabar. “From a ‘soft’ point of view, it’s about general advertising and exposure.” He suggests asking: Does it help with our alumni? Does it bring interest from a donor? Do the promotions bring more exposure for our brand? “So much effort right now is still going into pushing the value and accessibility versus really evaluating the costs and the success rate,” Burgio says.

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says Sasha Thackaberry, district director for eLearning Technology.

The benefits range from the granular, such as students finishing development ed more quickly and successfully, to more societal, she says. “What is the loss to us, as a region, every subsequent year it takes a student to graduate?” she says. “What does it cost us as an institution when students are not successful—if they don’t get into college-level courses, if they’re not able to progress toward a degree. What are we, as a region, missing from that student not getting a better job?”

Cuyahoga received a $50,000 Bill & Melinda Gates Foundation grant that paid most costs of the MOOC’s launch, although there were in-kind costs related to faculty and staff time, Thackaberry says. “We’re not sold on this model,” she says. “Is it effective? Is it something we can collaborate with our faculty on? What do our students say about it? There are a lot of unknowns.”

**Wesleyan: Content above costs**

Even at universities that haven’t gotten detailed in their analyses of MOOCs’ ROI, the topic is on officials’ minds. Wesleyan University in Connecticut has offered six courses as MOOCs. The three running this fall cost an average of $5,000 in stipends to faculty members, wages for teaching assistants, and equipment that would not otherwise have been purchased, says Sheryl Culotta, director of graduate continuing studies.

“Wesleyan has really followed the model of focusing on the quality of the content more than the quality of the production values,” she says. “We’ve invested less than other people might have. We’ve heard people throw out numbers that are significantly higher than what we’ve spent.”

Students taking the courses, through Coursera, have reported to Wesleyan that they appreciate professors sitting in their offices and recording lectures with their own webcam, Culotta says. “They know the personality of the professor more than in some of the slickly produced courses,” she says.

The school has not attempted to measure the hard-dollar ROI aside from a “small amount of revenue” from Coursera.

Culotta says expanding the school’s offerings to people outside of campus furthers its social mission and helps to market the school. So far, 427,000 people have taken Wesleyan’s MOOCs, and approximately two-thirds of them have been from outside the U.S. “We’re looking at it in the bigger picture,” she says. “If we wanted to market Wesleyan University internationally for $25,000, what would we get? Nothing.”

She acknowledges that most international MOOC takers aren’t 16-year-olds looking to enroll in Wesleyan. “It’s getting the word out and enhancing the reputation of Wesleyan, which is a good thing for us,” she says.

**Georgia Tech’s MOOC 2.0?**

It won’t quite be describable as a MOOC at first. But that’s one direction that Georgia Tech’s College of Computing can imagine going with its soon-to-be-rolled-out online master’s program, which will start as a pilot in January.

The program has received national attention in part because of a $2 million investment from AT&T—and because Georgia Tech is charging only $6,600 in tuition, compared to $45,000 that traditional master’s students from out-of-state would pay.

Dean Zvi Kallri expects to start with 100 to 200 students per class, and then gradually grow the program. Beyond that, it could become “unbounded,” he says. Master’s students would remain the primary audience, but students who wish to take a small number of courses to receive a certificate could also be included. Still, others could audit the course.

Those not officially enrolled in the program would not receive the full service that paying students would. “We describe what we [would] do as MOOC 2.0—MOOC plus human infrastructure,” he says, referring to teaching assistants who help students. “We have the human infrastructure to help retain them. If somebody bumps into a wall, we help them overcome it.”

The event costs of the program are at most a guesswork,” Kallri says, although he believes $300,000 to $400,000 would be realistic. In addition to scaling up teaching assistants to accommodate the numbers of students, he says professors should be paid for their extra efforts. He offers professors $20,000 to prepare a course, $10,000 to teach it, and $2,500 in a royalty-like fee each time the same course materials are used in future online courses.

“Everybody is watching,” he adds. “Not everybody wants us to succeed. Some people see us as a threat.”

Senior Associate Dean Charles Isbell believes the ROI will be solid because courses can be reused from one semester to the next. “The incremental costs of adding students are relatively small. Plus, the college can simply make sure tuition is high enough, even at a reduced rate from the on-campus program, to cover those costs. And the cost doesn’t scale up for everything. For example, 200 students probably won’t ask many more unique questions than the first 100,” he says. “They all have the same questions.”

Georgia Tech can’t currently accept as many computer science students on campus as it would like because it simply doesn’t have the physical space, Isbell says. With 1,300 applications per year, only about 10 percent are accepted, while at least half of applicants could qualify. “With this kind of program, we can accept all of them,” he says. “Furthermore, there’s a whole set of people who don’t apply.”

Isbell describes that group as full-time employees who would like to pursue a master’s degree as a credential. “But you can’t because you’re married, you have two kids and a mortgage, and two car payments,” he says. “Plus, you can’t move from California to Atlanta for 18 months.” What students do can take a single course at a time, while working, at an affordable price, he adds.

Ed Finkel is an Evanston, Ill.-based freelance writer.

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