Build vs. Buy Self-Diagnostic for Scaling Online Programs

Evaluating Internal Need for and Compatibility with Vendor Solutions

Many institutions with ambitions to significantly grow their online programs lack the necessary infrastructure for instructional design, marketing, recruiting, student support, and other critical functions. Each of these areas presents an opportunity to utilize the expertise and resources of an outside provider to speed launch, avoid capital expenditures, or improve service quality. However, vendor partnerships are not appropriate for everyone—institutions without a sound framework to rigorously assess whether an outside vendor is necessary or advisable for growing their online programs risk entering a long-term partnership that provides little benefit over what could have been accomplished in-house and costs significantly more. In other words, before rushing to the question of “Which vendor is right for us?”, college and university decision makers should ask themselves, “Is a vendor partnership right for us at all?”

Tool Summary: This diagnostic will help members assess their current capabilities and decide which component(s) of their online infrastructure, if any, could most benefit from a vendor partnership.

To the best of your ability, answer each of the following questions to determine whether, and in what areas, you might consider contracting support from an outside vendor.

How to Interpret Your Answers: Each section concludes with an explanation of how your answers affect the likelihood that a vendor partnership could be beneficial to your campus.

Program Type, Discipline Attributes, and Target Markets

Program Types	Does your institution have an interest in offering or growing an online version of this program type?		If yes, how would you rank your experience offering an online version of this program type?		
Graduate / Master's Degree	O Yes	O No	O Extensive	O Moderate	O Minimal
Graduate / Certificate	O Yes	O No	O Extensive	O Moderate	O Minimal
Traditional Undergraduate	O Yes	O No	O Extensive	O Moderate	O Minimal
Adult Degree Completion	O Yes	O No	O Extensive	O Moderate	O Minimal

Discipline Attributes, Enrollment Potential, and Pricing	How would you characterize the academic discipline in which you wish to grow an online program?			
Scale of the Academic Field	O Niche field (e.g., rare language, unique local focus)	O Subfield within a larger discipline (e.g., Negotiation and Leadership, offered within business or government)	O Major academic discipline inclusive of other subfields (e.g., business, nursing, psychology)	
Estimated Annual New Enrollment Potential	O Less than 10	O 10 to 25	O 25 to 50	O 100 or more
Student Placements Required?	O Yes (e.g., nursing, teaching)		O No	
Program Pricing	O Somewhat lower than typical online degree or certificate (e.g., criminal justice)	O Similar to typical online degree or certificate	O Somewhat higher than typical online degree or certificate (e.g., nursing)	

Target Markets	Does your school or institution have an interest in reaching this market segment?		If yes, how would you rank your institution's current level of experience in offering online options in this area?		
Local	O Yes	O No	O Extensive	O Moderate	O Minimal
Regional	O Yes	O No	O Extensive	O Moderate	O Minimal
National	O Yes	O No	O Extensive	O Moderate	O Minimal
International	O Yes	O No	O Extensive	O Moderate	O Minimal
Corporate Employees (through direct partnerships)	O Yes	O No	O Extensive	O Moderate	O Minimal

Key Takeaways

Program Type and Attributes

Many vendors are unwilling to support certain types of offerings—there is a fairly narrow band of program types that most deem profitable enough to partner on. The vast majority of vendor-supported online programs are online master's degrees—for the most part, vendors will not support undergraduate, graduate certificate, or individual courses, though some of the largest vendors are experimenting with non-master's pilots. From a profitability perspective, it makes sense that these vendors focus on master's programs, which typically have high price points and high completion rates, securing more top-line revenue. On the other hand, a few vendors (such as *Academic Partnerships* and *2U*) do support certain undergraduate or other non-master's degree programs. And within the master's space, degrees that lend themselves to automation and scale (e.g., computer science) are generally more appealing to vendors than ones that require smaller class sizes or physical placements (e.g., education). Finding appropriate local placements for online nursing programs was commonly cited as a barrier to growth, and a cause of vendor reluctance to create a partnership.

Desired Market

As institutions move from traditional regional and undergraduate markets into offering new types of programs to students who are farther afield, many find an increasing benefit to partnering with a vendor. Traditional marketing methods (e.g., mailings, high school recruitment, local advertisements) are less effective in reaching potential online students, who are often savvy online shoppers and want quick access to information on the web. In general, the farther the potential student from the home campus, the less likely a traditional marketing apparatus can effectively reach them.

Online enablement vendors are particularly experienced in the kinds of mass-market, regional, and national marketing campaigns that can help significantly grow online enrollments by bringing in students from alternative regions. On the other hand, our research has found that enablement vendors are less critical when it comes to reaching local markets, offering little value beyond what an institution could achieve in-house. Somewhat surprisingly, we found that very few vendors had any significant international recruitment expertise. Finally, schools looking to reach corporate employees through direct partnerships with companies found little value in using an enabler, as corporate partners can provide recruits directly (eliminating the need for a large marketing operation), and are sometimes willing to provide upfront capital to create the program.

Summary: Program Type, Discipline Attributes, and Target Markets

Factors Correlated with Significant Vendor Interest	Factors Correlated with Minimal Vendor Interest
High program price point and margins	Low program price point and margins
High enrollment	Low enrollment with limited growth potential
Master’s degree programs	Undergraduate, certificate, and individual courses
Large national market	Niche or purely local market

Factors Correlated with Beneficial Partnerships	Factors Correlated with Unsatisfactory Partnerships
Low campus experience in offering programs and reaching online students in target areas	High campus experience in reaching target students with online programs

Institutional Capabilities

To avoid ignoring key areas of need or overinvesting in already sufficient capabilities, institutions should identify the *specific* areas in which their current infrastructure is not adequate to support the growth of online programs. To answer the questions in this section of the diagnostic, members may wish to consult various campus leaders including the CFO, CIO, Director of Academic Technology, and Director of Marketing.

Institutional Capabilities			
Existing instructional design staff and IT infrastructure			
Does your institution have a central staff of instructional designers trained in online course design?	O Yes		O No
Is your institution willing and financially able to create or expand a central staff of in-house instructional designers to meet future online course design workload?[1]	O Yes		O No
Do the academic units looking to launch or expand online programs have instructional designers already on staff?	O Yes		O No
Do your institution's servers have capacity to host a significantly greater number of online courses and users or can you access significantly greater capacity through your cloud-based LMS provider without incurring major additional cost?	O Yes		O No
Market research capability			
Does your institution currently have staff fully or partly dedicated to market sizing and competitive analysis for potential new programs (online or face-to-face)?	O Yes		O No
If yes, how would you rank your ability to expand this capability to serve a growing online portfolio?	O Fairly Low Cost / Minimal Changes	O Moderate Cost / Some Organizational Adjustment	O High Cost / Difficult Implementation
If no, how would you rank your ability to build this capability in-house?	O Fairly Low Cost / Minimal Changes	O Moderate Cost / Some Organizational Adjustment	O High Cost / Difficult Implementation

[1] While costs vary by region, starting instructional designer salaries in higher education typically fall between $45,000 and $65,000, with the most experienced designers (10 or more years of experience) exceeding $80,000 or even $90,000. Source: eLearning Guild Salary Calculator, Indeed.com, Glassdoor.com.

Does your institution currently utilize advanced labor market analytics to determine employer demand for graduates of particular programs?	O Yes		O No	
If yes, how would you rank your ability to expand this capability to serve a growing online portfolio?	O Fairly Low Cost / Minimal Changes	O Moderate Cost / Some Organizational Adjustment		O High Cost / Difficult Implementation
If no, how would you rank your ability to build this capability in-house?	O Fairly Low Cost / Minimal Changes	O Moderate Cost / Some Organizational Adjustment		O High Cost / Difficult Implementation
Marketing and recruiting capability[2]				
Do you have marketing staff with experience promoting hybrid or fully online programs?	O Yes		O No	
If yes, how would you rank your ability to expand this capability to serve a growing online portfolio?	O Fairly Low Cost / Minimal Changes	O Moderate Cost / Some Organizational Adjustment		O High Cost / Difficult Implementation
If no, how would you rank your ability to build this capability in-house?	O Fairly Low Cost / Minimal Changes	O Moderate Cost / Some Organizational Adjustment		O High Cost / Difficult Implementation
Does your institution currently have the following capabilities in-house, supporting either face-to-face programs or online programs?[3]	*Website design?*	O Yes		O No
	Search Engine Optimization (SEO)?[4]	O Yes		O No

[2] As a point of reference, the average continuing/online education unit employs 5.89 full-time and 2.12 part-time staff members devoted to marketing, with the following variation by revenue:

	Annual revenue		
	$5 million or less	*$5.1 to 15 million*	*More than $15 million*
Full-time staff	4.40	3.33	11.04
Part-time staff	1.69	2.07	2.62

Source: Fong, Jim. "The University Professional and Continuing Educational Association (UPCEA) Management Survey: 2011 Marketing Survey Findings." University Professional & Continuing Education Association, 2011.

[3] The average continuing/online education unit spends between 5 and 7 percent of gross revenue on marketing, while smaller units (with less than $5 million in gross revenue) spend between 11 and 14 percent.

Source: Fong, Jim. "The University Professional and Continuing Educational Association (UPCEA) Management Survey: 2011 Marketing Survey Findings." University Professional & Continuing Education Association, 2011.

[4] Search engine optimization (SEO) is an internet marketing strategy designed to enhance a webpage's visibility in search results (in this case, your institution's homepage for its online program[s]). Successful SEO requires an expertise in the specific terms your target students are using in their online searches, the search algorithms of the most used search engines, and HTML coding to optimize your webpage accordingly.

		Online / banner ads?[5]	O Yes	O No
		E-mail-based marketing?	O Yes	O No
		Marketing campaign analytics?[6]	O Yes	O No
		Customer relationship management platform or other infrastructure to manage information on leads and stop-outs?[7]	O Yes	O No
Student supports				
	Does your institution currently provide any of the following?	Student community portal?	O Yes	O No
		Online tutoring platform?	O Yes	O No
		Online coaching / mentoring?	O Yes	O No
		LMS-based retention risk monitoring?[8]	O Yes	O No
		Proactive stop-out outreach?[9]	O Yes	O No
		24/7 online tech support with chat?	O Yes	O No
Available capital				

[5] Online and banner ads are advertisements purchased from a search engine or website, paid for either on a per-click or flat-rate basis. These become particularly expensive at the national level, especially when competing against for-profits offering similar programs.

[6] Marketing campaign analytics are the set of any metrics that tie a prospective student action (such as event attendance, follow-up information request, email open or clickthrough) with a specific marketing campaign (email blast, online banner ad purchase).

[7] In the context of higher education recruiting, Customer Relationship Management is a system (typically a software platform) that organizes prospective and current student information in order to optimize recruiters' outreach strategy. It can be used for both new prospects as well as "stop-outs" (formerly enrolled students who might enroll again). Example third-party providers are Ellucian, Intelliworks, and Jenzebar.

[8] Some LMS's can calculate an individual student's risk of failing a course or dropping out of a major based on past grades and current course performance (including not just grades, but other activities like login frequency and on-time submissions). While many institutions collect the underlying student performance data, few have taken the next step toward active risk scoring and strategic advisor intervention.

[9] Students may drop out or suspend their studies for a number of reasons, not all of them academic-related. The most advanced institutions focus not only on recruiting entirely new students, but also bringing back those "stop out" students most likely to return. This strategy is often enabled by a CRM that can track when a stopped out student has indicated he or she would like to be contacted again regarding re-enrollment.

	Do the academic units looking to launch or expand online programs have sufficient capital to launch new online programs without central support?	O Yes	O No
	Does your institution have centrally available capital or "seed funding" to finance new programs?	O Yes	O No

Key Takeaways

Instructional Design and IT Infrastructure

The presence of an instructional design team already experienced with online course design on your campus can be a major advantage when looking to significantly scale online offerings. Numerous contacts shared with us the difficulty of building an instructional design staff from scratch, particularly at rural campuses where it is harder to recruit individuals with the needed skill sets. For those campuses without any established instructional design staff, partnering with an online enablement vendor can potentially save years of staff-building and significant financial expenditure.

While our research found few examples of current IT infrastructure limiting online growth, it is important to verify with the CIO, instructional technology head, or other staff whether the current LMS and servers are ready for the scale of online growth your institution or program has in mind.

Market Research

The traditional approval process for new face-to-face programs only occasionally includes a rigorous market analysis. New programs are chosen based on faculty interest, the perception of a "hot" new field, or anecdotal evidence of local or regional interest from students or employers. With the higher cost of internally building and recruiting for a new online program, however, it becomes critical to ensure that enrollment projections are accurate and that expected tuition revenues will be collected as planned. Our research has found that some advanced institutions with an existing market research staff found little additional benefit to using the student market analysis of a vendor partner, typically using it only as a check against their own data.

Marketing and Recruiting

Marketing and recruiting are considered by most to be the strongest suit of many enablement vendors. For those campuses unfamiliar with advertising and recruiting for fully online master's or certificate programs, vendors can provide a ready, highly efficient, and experienced staff that could take years to replicate in-house. Another major advantage of using an external vendor's staff is the ability to rapidly staff up (or down) depending on enrollment needs—something difficult to do within some campus's hiring policies. A vendors' expertise or financial wherewithal in technical areas like Search Engine Optimization or building lead portals can be prohibitively difficult to replicate without existing expertise.

Student Supports

Our research found little evidence that vendors could provide a student retention experience that was significantly better or came at a significantly reduced cost from what institutions could accomplish on their own. One effective strategy is to use a vendor's LMS analytics capacity to enable in-house advisors or mentors to target at-risk online students for outreach. However, for those campuses not willing, or financially able, to build a staff of dedicated online advisors before seeing significant enrollments, using a partner's retention supports has been an effective strategy.

Available Capital

Lack of available capital is the factor that can most limit an institution from growing online programs at the pace it wants. All of the aspects mentioned above depend on the ability to deploy financial resources not only in the right amounts, but to the right places to enable growth. See the section below on *Revenue Need* and *Growth Expectations* for a fuller explanation of the revenue and cost implications of partnering with a vendor.

Summary: Institutional Capabilities

Factors Correlated with Beneficial Partnerships	Factors Correlated with Unsatisfactory Partnerships
Low available capital	Plentiful and flexible startup capital
Decentralized, inexperienced, or nonexistent instructional design staff and supports	Instructional design team experienced in developing online courses for multiple academic units
Market research / demand analysis not a typical or important part of program approval; few staff or little expertise in market sizing	Have a centralized “shared service” staff experienced in market demand analysis (sizing and pricing)
Marketing and recruiting staff primarily or exclusively experienced with traditional outreach methods to local, regional, and other established catchments for on-campus degree offerings; insufficient funds to build in-house capacity to support online program growth	Existing marketing staff dedicated to promoting distance offerings; sufficient funds and institutional will to scale staff as programs grow

Revenue Need and Growth Expectations

Program Goals				
Revenue Need				
Is your institution or the relevant academic unit(s) or both willing to risk multiyear losses on new online programs before tuition revenues match instructional and operational expenses?	O Yes	O No		
If yes, what is the longest that your institution and/or the relevant academic unit(s) would be willing to sustain negative cash flow for new online programs?	O One term	O One year	O Two years	O Three years or more
How important is it to avoid incurring significant new fixed costs related to online education (servers, LMS, design and recording facilities)?	O Very important	O Somewhat important	O Not at all important	
Growth Expectations				
By how much do you or the relevant academic units hope to expand online enrollments over existing face-to-face enrollments in the next five years?	O 1 to 10 percent	O 11 to 50 percent	O 51 to 100 percent	O Over 100 percent
How many programs does your institution plan to move or grow online in the next five years?	O 1 to 5	O 6 to 10	O Over 10	
How willing are faculty to increase online section sizes over face-to-face standards?	O Unwilling	O Somewhat willing	O Very willing	

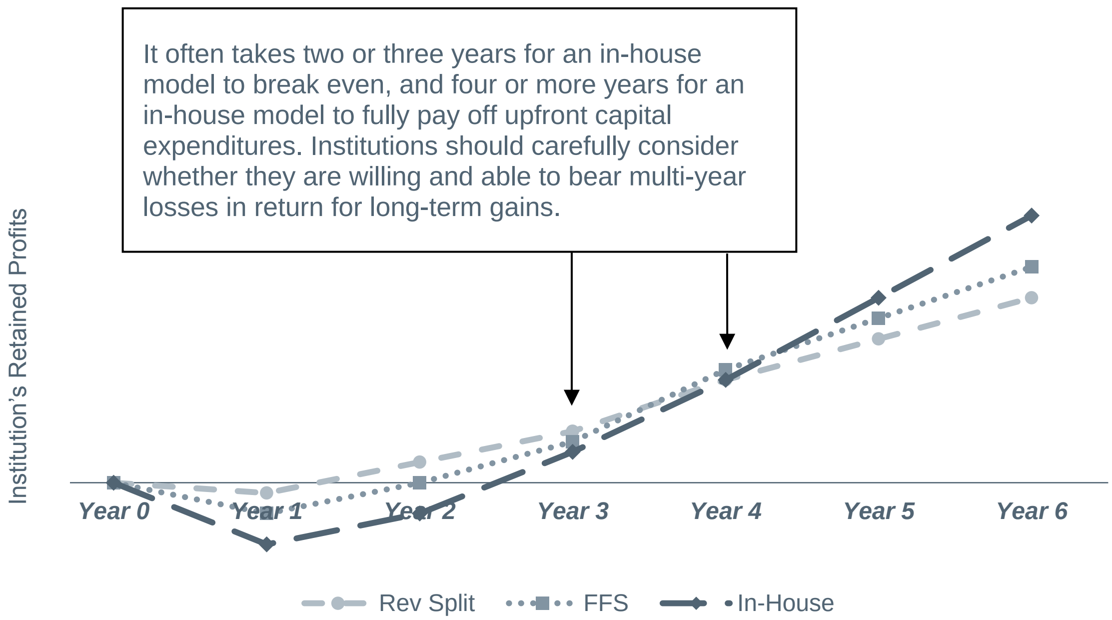
Key Takeaways

Revenue Need

The decision whether or not to use an outside vendor, whether full “turnkey” or piecemeal, can significantly affect your cost structure and both short- and long-term profit potential. Institutions seeking to minimize financial risk may find full turnkey, long-term vendor contracts a good fit, while institutions with aggressive long-term revenue ambitions may be more comfortable bearing initial cost outlays in return for retaining profits down the road.

Short- and Long-Term Profit Implications of Three Models:

Revenue Split, Fee-for-Service, and In-House[10]



Growth Expectations

Another critical factor in determining the need for outside support is the desired level of enrollment that the academic unit is willing to accommodate. Vendor partnerships can be quite helpful in dramatically scaling a small number of unrelated programs, for which building in-house supports would be inefficient. On the other hand, institutions that have successfully scaled a larger number of programs at once tended to find that in-house supports could be delivered fairly efficiently. Additionally, deans and department chairs often have limited growth ambitions that tend to clash with vendors’ more aggressive targets.

[10] This model is illustrative, and could vary significantly for your institution depending on the exact fees or revenue split, as well as your internal cost structure.

Summary: Revenue Need and Growth Expectations

Factors Correlated with Beneficial Partnerships	Factors Correlated with Unsatisfactory Partnerships
Immediate need for positive cash flow	Willingness to bear short-term losses in return for retaining long-term profits
Faculty and dean willingness to embrace rapid growth and the potential effects on start dates, section sizes, and admissions policies and standards	Faculty and deans desire to keep online offerings “at the margins,” only incrementally increasing enrollments and maintaining a traditional academic calendar