

Introduction to Working with Online Enablement Vendors

Synopsis

This brief outlines the “online enablement” industry and the reasons that some colleges and universities are opting to partner with external vendors to promote online program growth, outlining the potential advantages of working with an enablement vendor, and the potential pitfalls of poorly structured partnerships. For a decision guide on whether partnering with a vendor is right for your institution and specific advice on structuring, maintaining, or even exiting such partnerships, see the EAB complete toolkit: [Evaluating and Implementing Partnerships with Online Program Enablement Vendors](#).

Online Evolution, Not Revolution

Amidst the MOOC “tsunami,” a more fundamental and arguably more lasting shift has been occurring in higher education. Instead of witnessing the immediate disruption (or destruction) of traditional colleges and universities, with students choosing low-cost or free online education providers in droves, higher education leaders are increasingly seeing online and hybrid models as necessary *supplements* to the traditional, face-to-face experience on their campuses.

While few traditional campuses will have to (or want to) offer fully online degree options across every academic area, nearly all will feel pressure to provide more online options at both the graduate and undergraduate levels. Whether it be online curricula for liberal arts students studying abroad, asynchronous options for working adult degree completers, or hybrid master’s programs for working professionals, chances are good that your campus will offer more content in an online or hybrid format over the next few years. The question, then, is not “*Should we go online?*” but rather, “*How do we deliver high-quality content online at a reasonable cost, and in a manner consistent with our mission?*”

Living in Two Worlds—Are You Ready?

Many colleges and universities, unfortunately, have found that the internal infrastructure that has served them well in attracting and teaching on-campus students is simply not sufficient to support the kinds of flexible online and hybrid programs that today’s students are demanding. More and more administrators are realizing that growing online courses and programs require new investments in everything from marketing, to instructional design, to student retention services. While it is possible to overcome each of the common challenges listed below, it is often very difficult to conjure the necessary financial resources, staff expertise, and institutional will to do so.



Most Common Online Infrastructure Gaps

- **Insufficient capital** to seed new programs
- **Inability to accurately forecast demand** for potential new online or hybrid programs
- **Unfamiliarity with the necessary technology** and learning platforms
- **Inability to accelerate course development and program launch** to desired pace
- **Lack of expertise in marketing and recruiting** for online programs
- **Inadequate online student services**, both academic and administrative

A Support Industry Is Born

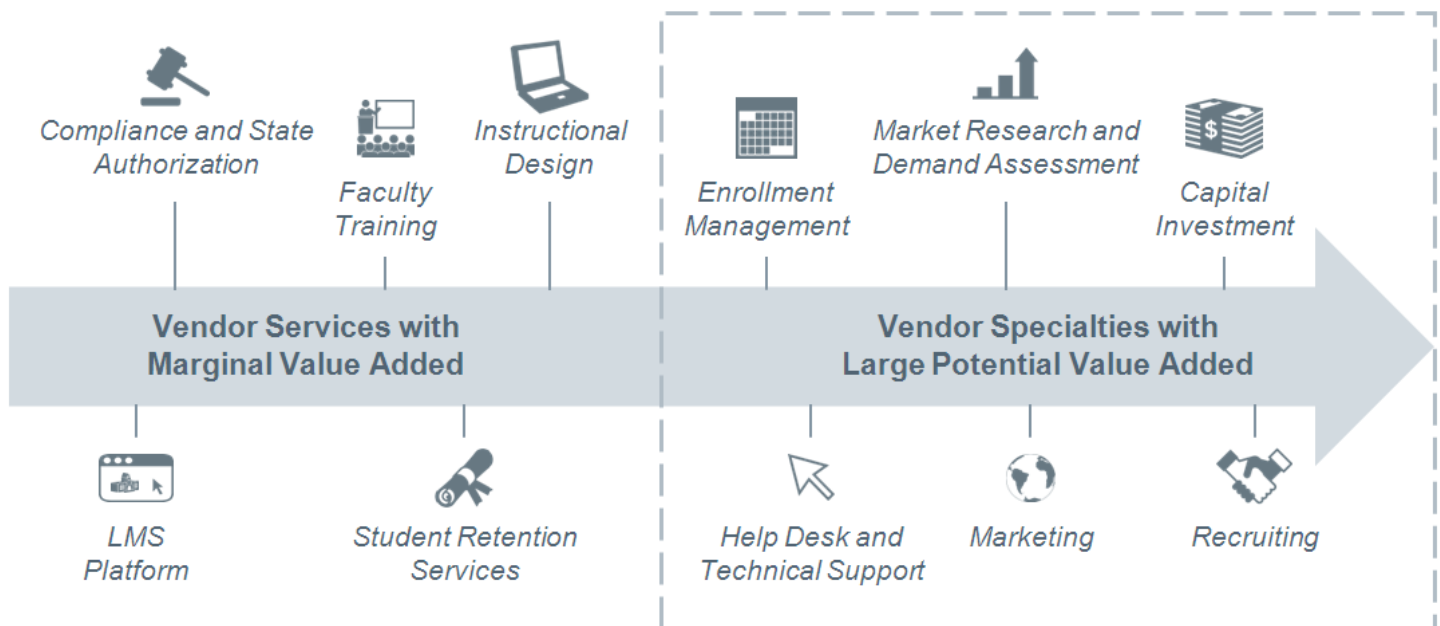
In the past two decades, an array of private sector solutions has emerged to fill this need, as startups and established players alike have sought to enable (and ultimately profit from) the growth of online offerings at traditional non-profit institutions.

Growth in the online “enablement” industry has been rapid, with the sector now serving a few hundred higher education clients and taking in annual revenues of about \$400 million. Two large-scale acquisitions in the past year (*Deltak* by John Wiley & Sons, and *Embanet Compass* by Pearson) highlight the high hopes for the enablement industry amongst education companies and investors.

Understanding the Enabler’s Service Portfolio

Some of these vendors provide full “turnkey” service—an all-or-nothing suite of supports including everything from instructional design and market research to recruiting and student retention services. In return for providing startup capital and guaranteed service levels, these vendors typically receive a share of gross tuition revenues through contracts lasting three, five, or even ten years. Other vendors provide specialty services within a specific niche, such as online branding or student support, and often operate on a fee-for-service model.

Online Enabler Service Portfolio: Typical Services













Vendor Differentiation

In 40+ interviews with institutions and enablement clients, we noticed clear patterns of vendor strengths and weaknesses. While there are notable variations in service quality between vendors, it is arguably more important to distinguish particular services that almost all enablement vendors deliver quite well from others, which many struggled to deliver at a level of quality beyond what a typical institution can provide internally. Vendors typically add the most value in services that lend themselves to scale and require unique expertise in an online environment, such as demand analysis, marketing, recruiting, and enrollment management.

See below for a list of the largest full-service enablement vendors, including their market focus and unique capabilities. There are many more niche service providers that qualify as online enablers, though they may only provide one or a few of the services listed above, and tend to focus on regional, not national, markets.

The Major Full-Service Vendors: Service Differentiators and Market Focus

Online Enabler		Unique Characteristics
	2U	Exclusive disciplinary partnerships with highly selective partners; able to achieve very high enrollment in target programs
	Academic Partnerships	Focused on public universities in the southern U.S.
	Apollidon	Focused on marketing and recruiting services
	Bisk	Specialty in marketing business programs
	Blackboard	Fairly new entrant to online program enablement; differentiating on service flexibility and contract length
	Colloquy360 (Kaplan)	Sophisticated marketing and recruiting; experience facilitating university-corporate partnerships
	Deltak (Wiley)	Numerous faith-based partner institutions
	Educators Serving Educators	Seeks to build in-house capacity and build eventual self-sufficiency
	Embanet Compass (Pearson)	Focused on mass-market programs with top-200 partner institutions
	Learning House	Focused on small, teaching-oriented schools; willing to support individual courses and small programs

Vendor Partnerships Not for Every Institution

It's no secret that enablement vendors are motivated by increasing enrollments and, ultimately, maximizing tuition revenue. This means that nearly all vendors are highly selective in the online offerings they are willing to support. Most vendors, particularly those with a revenue-split model, are unwilling to support individual online courses, online certificate programs, or (at least for now) undergraduate programs. Instead, these providers are overwhelmingly focused on online graduate degree programs—particularly high-growth, mass-market professional master's degrees like nursing, business, computer science, and criminal justice. Moreover, some vendors focus exclusively on selective institutions, high-enrollment institutions, or particular regional markets.

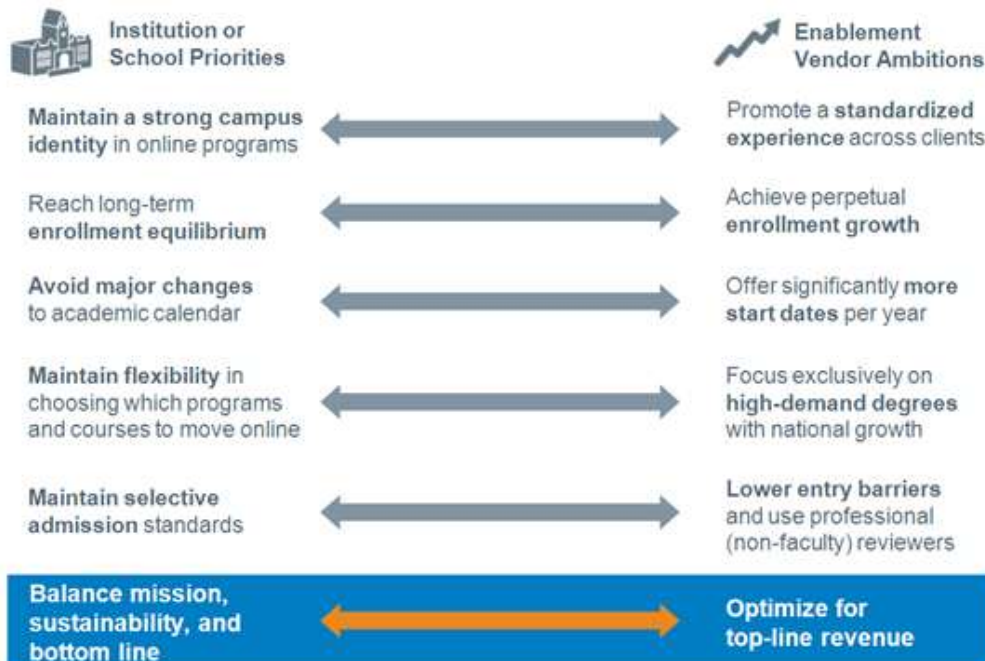
Vendors Attracted to High-Enrollment, High-Margin Programs



Is Outsourcing Viable for Your Institution?

Even if an enablement vendor is interested in taking your program(s) online, a partnership could still be a poor decision for your campus. For some institutions, their error was not choosing the *wrong* vendor—it was the decision to use an outside vendor at all. A variety of internal factors can turn a vendor partnership into a major source of conflict with faculty, deans, the registrar, admissions, and other units on campus. See below for an outline of the top internal causes of strife in vendor partnerships—all rooted in the divergence between the vendors' profit motivation and the institutions' need to balance revenue and mission considerations.

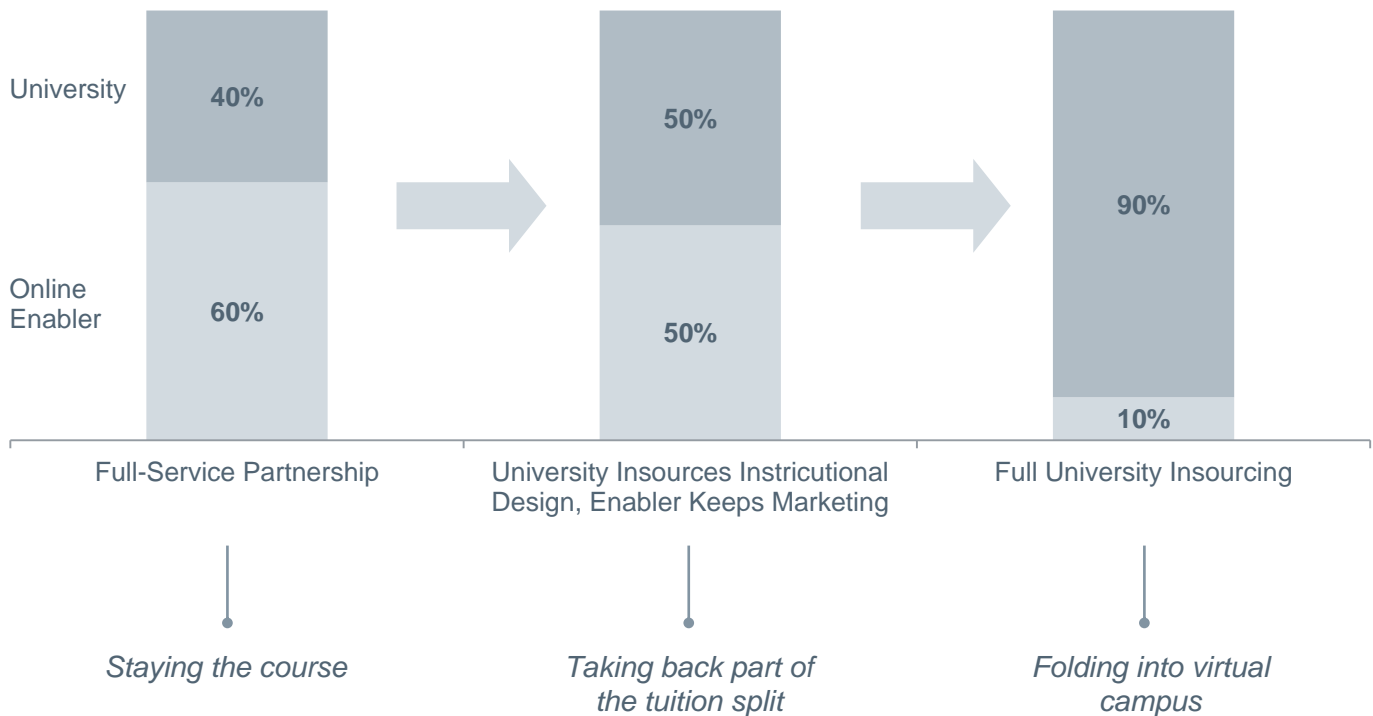
An Uneasy Alliance—Is It Right for You?



The Good News: Service Unbundling, Pressure on Revenue Splits In Your Favor

As the online enablement market has matured, and the initial round of contracts from the late 1990s and early 2000s has come up for renewal, we are witnessing increased pressure on full turnkey providers to offer their services in a more flexible à la carte model, reducing their cut of revenue splits as clients opt for smaller packages of select services. In particular, we observed a noticeable shift toward pulling instructional design responsibilities into the institution, while continuing to rely on vendors for marketing and recruiting support—traditionally perceived as the vendors’ greatest areas of strength. Most (but not all) vendors have accepted this shift, and are increasingly willing to allow client schools to pick and choose which services to partner on.

Second-Wave Partnerships Change Service Mix, Retain More Revenue



The vendor sales pitch of ten years ago—“we’re the only show in town”—has lost much of its appeal. Many more vendors have entered the space and institutions now have at least a few years of online course experience under their belts, reducing uncertainty about the competencies required to support online offerings. This, combined with service unbundling, has created pressure on vendors to offer more favorable revenue splits. While 70/30 or 60/40 splits in favor of the vendor were common from 2000 to 2005, our research is showing an increasing prevalence of 50/50 splits or better.

Struggling to Find a Strategic Approach to Structuring Partnerships

Given the size and duration of typical service contracts, many colleges and universities fail critically evaluate contracts and business plans. In our conversations with vendor clients, we encountered stories of deans locked into unfavorable contracts for years, clauses that severely penalized client schools for premature exit, an absence of service guarantees, and enrollment goals unfulfilled after clearly subpar marketing campaigns by the vendor. Many, if not all of these outcomes could have been avoided through a more coordinated approach to vendor assessment (including through a formal RFP process) and a rigorous evaluation of contract terms and language.



Top Mistakes in Structuring Vendor Partnerships

- **Long-term budgeting ramifications ignored** in face of short-term revenue potential
- **Contracts signed without proper vetting** by legal or finance leaders or a formal RFP process
- **Insufficient planning for scaling in-house services** not included in the contract as online programs grow
- **No clear point person** for overseeing day-to-day vendor progress and adherence to institutional goals and culture
- **Revenue splits locked in** over time even as enrollments grow or service utilization shifts
- **No mechanism to force service-level fixes** in vendor contract
- **Lack of plausible, pre-arranged exit strategy** in event of dissatisfaction

Beyond the details of structuring a contract, however, is a larger issue: working with an online enablement vendor involves a complex and potentially long-term partnership, making this much more than a one-time procurement decision. To maximize the academic and financial benefit of a potential partnership, it is critical for campus leaders to treat “build vs. buy” decisions as strategic priorities demanding cabinet-level involvement.

EAB Toolkit on Build vs. Buy Decision Making and Vendor Management

The following toolkit, assembled after a year of research and 40+ interviews with leaders in online education, aims to guide members through the critical questions for every campus considering online enablement partnerships, leveraging the experience of institutions that have gone before them in working with online enablers—both to imitate their successes and avoid their missteps. Whether your campus is looking to launch its first fully online program, you have been approached by an online enablement vendor, or you are evaluating whether to renew an existing contract, we have designed this toolkit to help maximize the effectiveness of your online strategy meetings and task force reports toward the ultimate question, “Does a vendor partnership make sense for our institution?”