EAB

Demystifying Alternative Credentials and Providers

Navigating a High-Risk, High-Reward Market
for Professional Learners

Unpacking the Alt. Credential Market Opportunity and Business Model	**Capitalise on Alt. Credential Opportunities**

1

Market Intel on Competition, Learner Demand, and Revenue Potential

2

Best Bet Institutional Opportunities for Alt. Credentials

3

Insights into Mass Credential Platforms and MOOC Programmes

4

Evolutions in Degree Programmes to Bolster Competitiveness

EAB

Market Intel on Competition, Learner Demand, and Revenue Potential

SECTION

1

- Varied Regulatory Frameworks
- A Global, Post-Bacc Learner Market
- Robust Competition from Non-HE Providers

Big Deals, Bold Headlines on Alt. Creds

EdSurge
2U Buys edX for $800M, In Surprise End to Nonprofit MOOC Provider

INSIDE HIGHER ED
At Home, Workers Seek Alternative Credentials

The New York Times
Remember the MOOCs? After Near-Death, They're Booming

Institutions Hoping to Find New Opportunities Outside Degrees

71%

Of adult & grad leaders believe alternative credentials provide a potential pathway to achieve revenue goals

60%

Consider alternative credentials "totally" or "very" aligned with strategic plans

HE Leaders Express Vastly Different Takes on Market Future
Three Archetypes of Institutional Interest

$
Revenue Seeker
"Alternative credentials will be a cash cow"

Disruptor Worrier
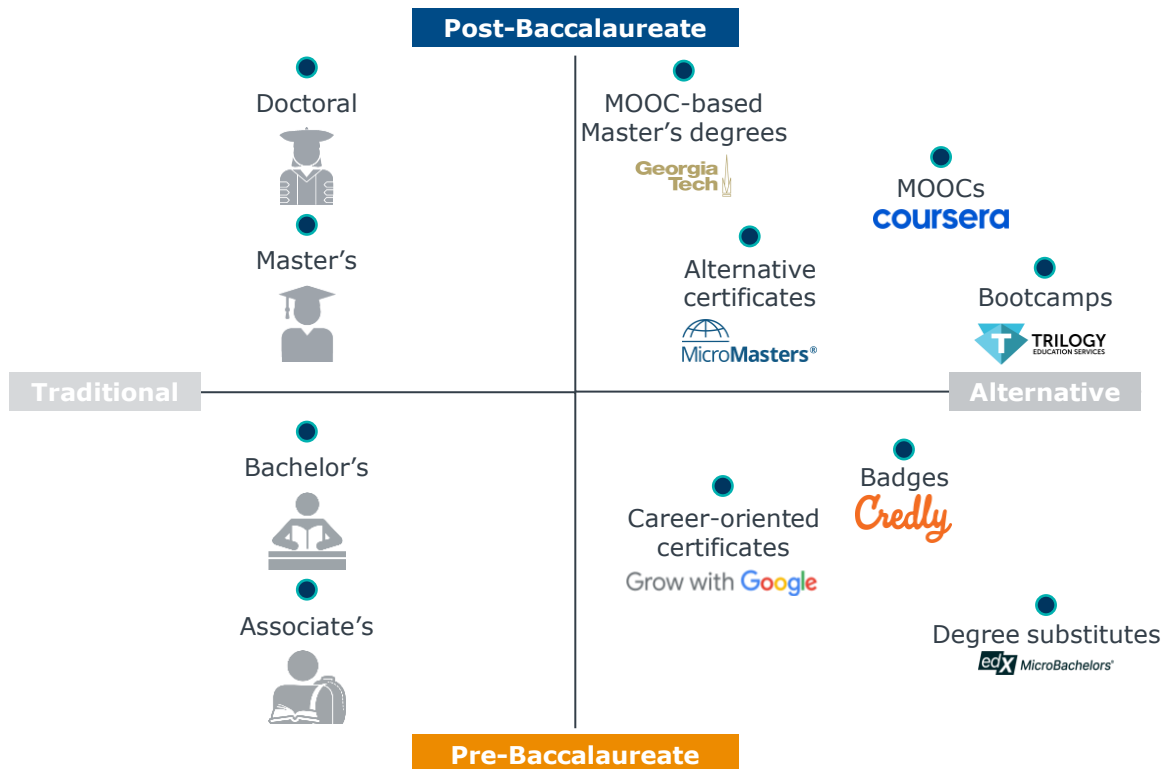"Are we losing market share to Google?"

?
Forever Skeptic
"This is just another industry fad, recall 2012?"

Source: 2U Buys edX for $800M, In Surprise End to Nonprofit MOOC Provider Started by MIT and Harvard, EdSurge; Survey: 7 in 10 College Leaders Say Microcredentials Could Help Enrolment and Revenue, Campus Technology; At Home, Workers Seek Alternative Credentials, Inside Higher Ed; Remember the MOOCs? After Near-Death, They're Booming, New York Times; EAB interviews and analysis.

An Ecosystem-Level View of Credentialing

A Rough Framework Organised By "Alternativeness" and Target Learner

Post-Baccalaureate

Doctoral

Master's

MOOC-based Master's degrees

Georgia Tech

MOOCs

coursera

Alternative certificates

MicroMasters®

Bootcamps

TRILOGY EDUCATION SERVICES

Traditional

Alternative

Bachelor's

Associate's

Career-oriented certificates

Grow with Google

Badges

Credly

Degree substitutes

edX MicroBachelors®

Pre-Baccalaureate

Source: EAB interviews and analysis.

	Advantages	**Disadvantages**

US Universities Massively Invest in Online Master's Degrees

850K annual master's degree conferrals in the US

Traditional Undergraduate Degree

Online Master's

Alternative Credentials
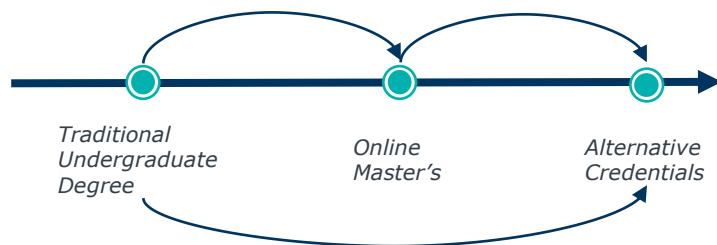
UK and Irish Universities Skip Master's to Focus on Offering Alternative Credentials

Advantages	**Disadvantages**
✔ Master's degrees still offer best long-term ROI and career outcomes	✖ Student demand shifting towards lower-cost, shorter format programmes
✔ Degree pathways present opportunity to build lucrative learner pathways	✖ Universities stuck with high-fixed-cost offer in fast-evolving market
✔ Allows for nimble portfolio planning aligned with student demand	✖ Emerging credentials lack compelling data on student outcomes or ROI
✔ Offer also better aligned with employers willing to sponsor training	✖ Mixed data on revenue outcomes for standalone credential offers

The Great Resignation Amplifying Retention and Training Focus

The Great Resignation creating anxiety among business leaders

- Risk of losing high-performers to competitors
- Qualified replacements difficult to source (or tricky to afford)
- Workers increasingly hold strong negotiating power

45% UK managers reporting more voluntary employee departures in 2021

60% UK managers reporting more difficulty filling vacant roles

Leading to radical new innovations in employee perks and benefits

- Introduction of four-day working week
- Learning platforms or pathways directly aligned with career advancement opportunities
- Flexible work location policies

89% Share of UK organisations offering some flexible work arrangements

£25k Cost to replace and train workers for every vacancy

Source: "UK Firms Fear Great British Resignation After Staff Departures" Bloomberg, 12/20/21. Oxford Economics.

Alternative Market Lingers in the Shadows

Both Regulators and Participants Unable (or Unwilling) to Clarify Market

Little Regulation

- ✖ No universal taxonomy or quality framework (e.g., accreditation)

- ✖ No mandatory reporting or data collection (e.g., NCES[1])

Lack of Transparency

- ✖ Providers reluctant to admit size of success, more likely concealing failure

- ✖ Intellectual property protection cloaks business model

EAB's Exhaustive Source List for Alt. Market Insights

- SEC filings of providers
- Consumer surveys
- Industry surveys
- FOIA[2]

- Public board meetings
- Faculty senates
- Academic publications
- Research interviews

- Conference presentations
- Press releases and public statements

1) National Center for Education Statistics.
2) Freedom of Information Act.

Credential Philosophies Differ by Geography, Complicating Standardisation

Canada

- Offerings driven by specific industry and firm needs
- Niche response to specific skill shortages
- Do not offer road to bachelor's or master's degree

Europe

- Attempts to parlay nation-level initiatives (FutureLearn, MirandaX) into a multi-national online platform

← Skill-Led, Non-Credit-Bearing Badging   Unified System of Stackable Credits →

Singapore

- Standardised set of skills articulated for all job levels, occupations, and industries
- Microcredentials benefit more than a single employer, but still skill-based

New Zealand

- Standardised process for defining and recognising level and credit value of microcredentials
- Articulation of how microcredentials 'stack' to larger degrees across the sector

Sources: Higher Ed Strategy, The Evolution of Microcredentials and Short Courses; EAB interviews and analysis.

What role should your national government play in regulating micro-credentials or determining portability across institutions?
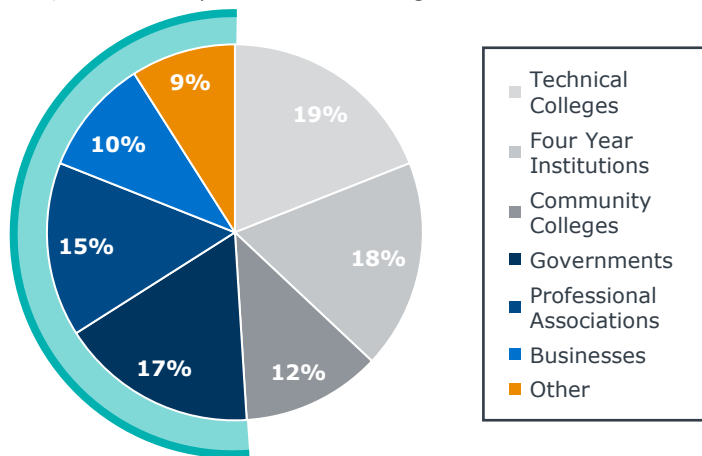
Most of the Market Exists Outside HE's Traditional Realm

Colleges, Universities Just One of Many Providers in the Market

Providers that Issue Nondegree Credentials

n=5,545 25- to 64-year-olds with a nondegree credential

Legend:
- Technical Colleges — 19%
- Four Year Institutions — 18%
- Community Colleges — 12%
- Governments — 17%
- Professional Associations — 15%
- Businesses — 10%
- Other — 9%

~51%

of nondegree credentials issued outside higher ed

Different-in-Kind Competitive Dynamics

- Diverse business models & missions
- Direct employment pathways
- Looser standards, oversight
- Subsidised or ultra low-cost pricing
- Hyper niche job skilling
- Professional certifications

Global, Older, and Growing Fast: Market at a Glance

A Global Marketplace

A supermajority of students on large provider platforms are located outside the US

77%
of Coursera learners are outside N. America

30%
are based in Asia Pacific region

Experienced and Older Learners

The typical alternative credential student is ~10 years older than the traditional Master's student

~80%
of enrolled students have a Bachelor's degree

35%
intend to complete a credential

Small, But Expected to Double in Sise

Alternative credential students estimated at 5-15% of traditional post-baccalaureate domestic enrolment in 2020-2022

$9.9B
estimated market value in 2019

$20B+
expected market value in 2025

Source: Fiona Hollands, Benefits and Costs of MOOC-Based Alternative Credentials: 2018 -2019 Results from End-of-Programme Surveys (2019); Council of Graduate Schools, Non-Traditional Students in Graduate Education Research Report (2020); Richard Garrett, The Deceptive Graduate Enrolment Growth Story 2021), Encoura Coursera Impact Report 2020); NCES; Online Degree and Micro-Credential Market to reach $117B by 2025, HolonIQ; EAB interviews and analysis.

Democratising Education Still Proves Tough

Alternative Credentials Don't Close Equity Gaps as Hoped

Black Students Enroll at Higher Rates, but Fewer Complete

Black students made up 8-10% of enrolments, but only **3-6%** of completions—a rate far lower than traditional Master's completions.

Higher Income = More Likely to Complete

Median income of all enrollees in a MicroMasters is **$23,000**, while the median income of students who finish the programme is **$45,000**. Without financial aid, many learners still priced out—despite "low price."

Unclear ROI Raises Questions About What's Being Sold

Limited reporting and follow up surveys mean largely unknown outcomes. No oversight measures leaves quality assurance to providers.

Table Stakes to Move Dial on Student Equity

✓ Build credentialing into your EDI strategic plan

✓ Increase retention and completion through support services

✓ Create institutional scholarships to make up for lack of government aid

✓ Promote pathways to degree programmes (e.g., credit for prior learning)

Low-Cost Providers Looking More Like HEIs

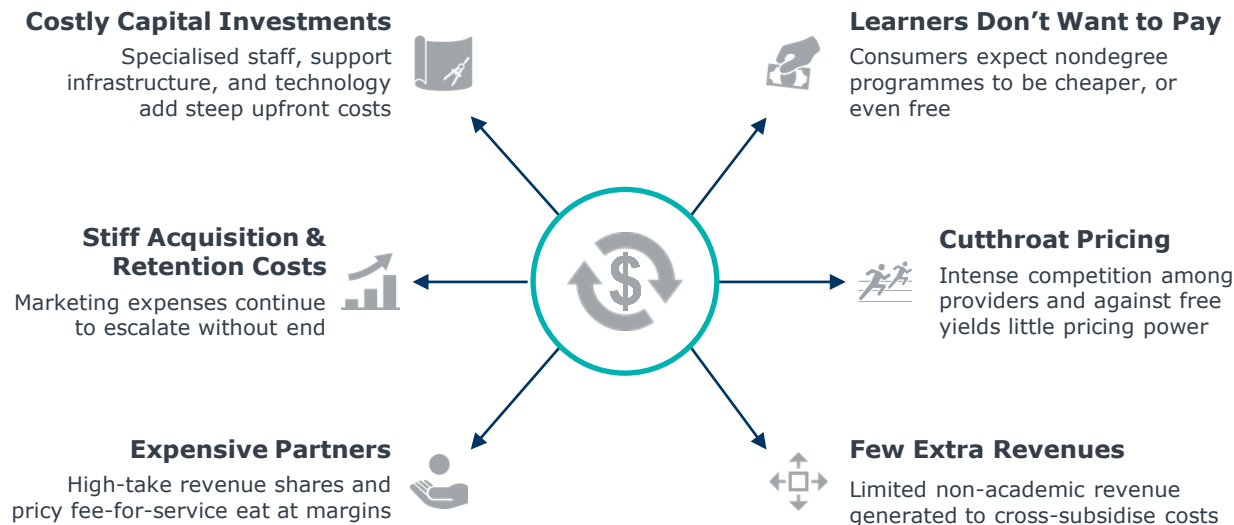| Traditional HEIs	UDACITY	CYBRARY
	Co-develops certificates with big-name employers for specific roles and skills in emerging tech fields	Freemium cybersecurity and IT training, certification prep for learners unable to afford traditional higher ed
	• *$1,500 per Nanodegree*	• *$899 per year*
	• *2-6 months per credential*	• *3-6 months per credential*
	• *8M users*	• *2.6M users*
✔ Career Services	Review resumes, LinkedIn Profiles	Advice customised to specific career paths
✔ Coaching	Technical mentors hold weekly 1-on-1 calls	Industry mentors provide advice, help expand network
✔ Advising	Individual learning plans for each student	✖
✔ Interview Prep	Tips and mock interviews for tech jobs	Develops role-specific interview tips at scale

Source: "Nanodegree Programmes," Udacity, accessed January 10, 2020; "About Cybrary," Cybrary, accessed January 10, 2020; EAB interviews and analysis.

Formidable Barriers to Financial Sustainability

Six Powerful Market-Wide Headwinds to Alt. Credential Profitability

Costly Capital Investments

Specialised staff, support infrastructure, and technology add steep upfront costs

Learners Don't Want to Pay

Consumers expect nondegree programmes to be cheaper, or even free

Stiff Acquisition & Retention Costs

Marketing expenses continue to escalate without end

Cutthroat Pricing

Intense competition among providers and against free yields little pricing power

Expensive Partners

High-take revenue shares and pricy fee-for-service eat at margins

Few Extra Revenues

Limited non-academic revenue generated to cross-subsidise costs

Business Model Realities by the Numbers

-$66.8M

Coursera's net loss in 2020 despite record revenue—largely due to $107M marketing spend

4.6%

Proportion of Coursera's ~90M registered learners that pay

$40M

Amount Harvard and MIT each invested in edX—proved insufficient to meet technology capital needs

Partnerships Span Credential, Bootcamp, and Degree Offerings

THE UNIVERSITY OF EDINBURGH

- *Coursera*: 28 short courses (e.g., Philosophy, Data Science, Chicken Behaviour and Welfare)
- *edX*: 23 courses (e.g., Statistics, Climate Change); certificate in Digital Marketing

University of Glasgow

- *Coursera*: 9 short courses (e.g., Diversity and Inclusion in Education, Biomedical Visualisation)

UNIVERSITY OF BIRMINGHAM

- *2U*: Coding and analytics boot camps

UNIVERSITY OF CAMBRIDGE

- *edX*: 12 MOOCs (e.g., Writing for the Stage, Psychology of Emotions)
- *2U:* 6 short courses (e.g., Supply Chain Management, Sustainable Finance)

UNIVERSITY OF LEEDS

- *Coursera*: 6 short courses (e.g., Digital Governance)

MANCHESTER 1824
The University of Manchester

- *Coursera*: 9 short courses (e.g., Global Health; Molecular Spectography)
- *2U:* Coding boot camp

LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

- *2U*: 9 BSc programmes (e.g., Economics, Finance, International Relations); 20 short courses (e.g., Automation, Data Analysis)

UNIVERSITY OF OXFORD

- *edX*: MOOC on economic development
- *2U:* 17 short courses (e.g., Venture Finance, Future of Real Estate)

Imperial College London

- *Coursera:* Global Master of Public Health; MSc in Machine Learning; 56 short courses (e.g., Android Graphics; Health Systems Development)
- edX: courses in Finance, Data Analysis; certificate in Clean Power

Open Online Courses Engage Non-Traditional Students Pre-Application

What is a MOOC?
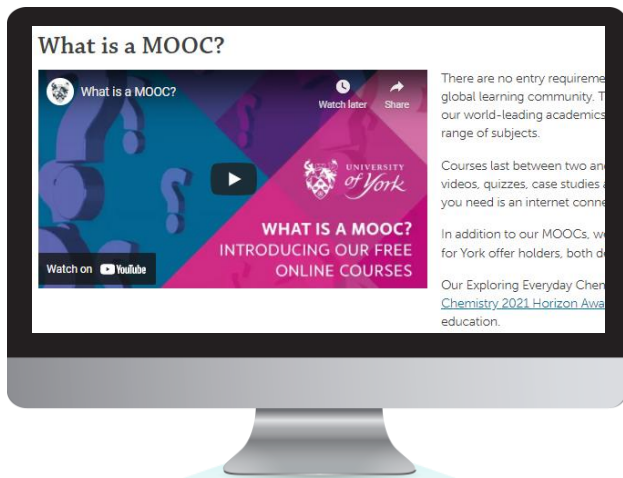
UNIVERSITY of York

University of York's 3-Week MOOCs

✓ MOOCs offer prospective students **a low barrier to access** some of York's most popular courses

✓ Prospective students are assured of **high-quality academics** through intro units

✓ Online modules allow prospective students to be **connected to instructors early**
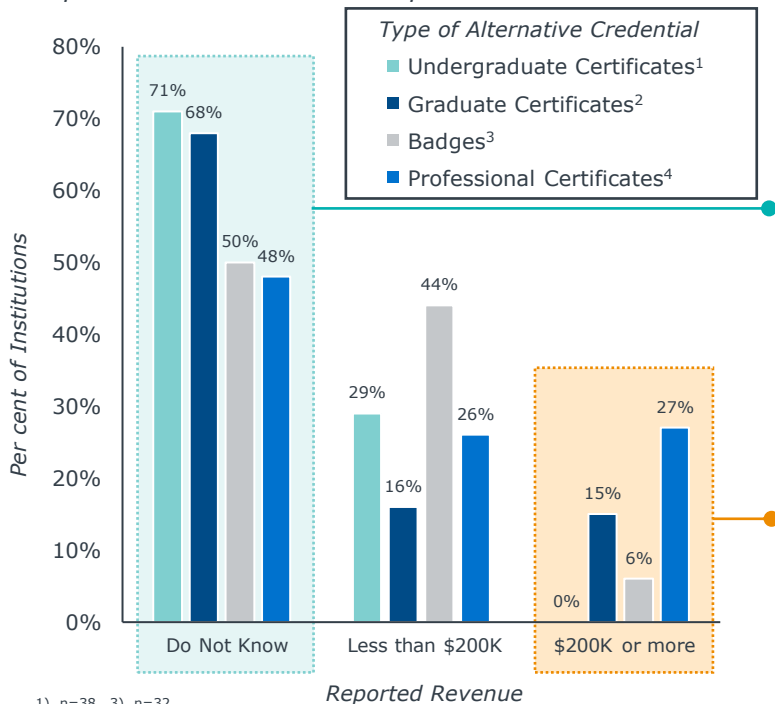
24k
Total learners engaged since January 2017

175+
Countries reached by MOOCs

Few Institutions Post Big Returns—and Most Don't Even Know ROI

Reported Revenue Data from April 2020 UPCEA Member Survey

Type of Alternative Credential
- Undergraduate Certificates[1]
- Graduate Certificates[2]
- Badges[3]
- Professional Certificates[4]

Chart data — *Per cent of Institutions* vs *Reported Revenue*:

Do Not Know: 71%, 68%, 50%, 48%
Less than $200K: 29%, 16%, 44%, 26%
$200K or more: 0%, 15%, 6%, 27%

Distributed Ownership Clouds Revenue Picture

Roughly **50 per cent or more** of all institutions do not know the revenue of their alternative credentials

Professional Certificates Are the Most Lucrative...But Not By Much

Few institutions report **an annual revenue of $200K** or more, highest amounts concentrated among even fewer players

1) n=38   3) n=32
2) n=41   4) n=53

To date, how profitable have your institution's non-degree programmes been?

How heavily do you plan to invest in developing these in the near future?

Key Takeaways

Limited Regulation or Standardisation

Only select governments are evolving HE funding or accountability mechanisms to include credentials

A Truly Global Market

Demand is greatest outside North America, drawing experienced learners, and while fast growing alt. market is relatively small

Not a Standalone EDI Solution

Lower priced and faster alt. programmes still require additional aid and resources to move the dial on student access and equity

Intense Competition from Non-HE Providers

Majority of non-degree credential market is controlled by corporations and non-HE entities

Differentiate on Service, Not Just Content

Universities must differentiate on student services and support, not on increasingly ubiquitous content

Decision to Build or Partner Will Vary

Determining right investment path depends on need for immediate revenue

EAB

Best Bet Institutional Opportunities for Alt. Credentials

SECTION

2

- Business and Tech Programmes Dominate
- Future Opportunities Lie in Intersection of Disciplines
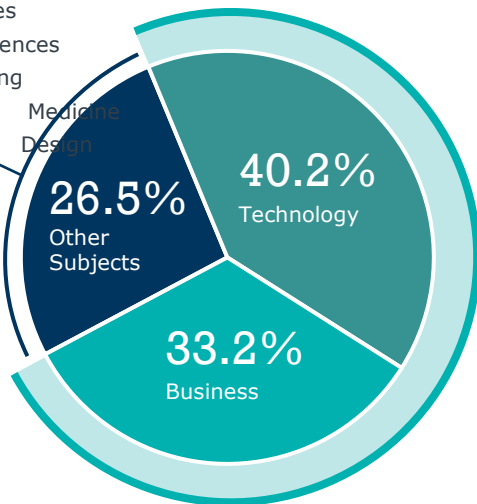- Learner Needs Dictate Structure and Delivery

Business and Tech Programmes Dominate Current Market

Nearly 75% of Alt. Credentials Are in Technology or Business

Microcredential Distribution by Subject[1]

- Humanities
- Social Sciences
- Engineering
- Health & Medicine
- Art & Design
- Science
- Education

40.2% Technology

33.2% Business

26.5% Other Subjects

Why Tech and Business, Instead of Other Subjects?

Market Skews Towards Employers Who Pay

In 2020, **six** of the top 10 hard skills on LinkedIn were in tech (e.g., blockchain); **three** were in business (e.g., business analysis)

Tech and Biz Optimised for Fast Online Alt. Credentials

Other subjects not so much—they require hands-on-learning (e.g., healthcare clinicals), which adds costs and limits online scalability

Fewer Regulatory and Certification Barriers

Tech and business credentials don't have to navigate licensure, accreditation, and certification to the degree other fields do (e.g., law)

1) Data from Class Central July 2021.

Source: Class Central, Massive List of MOOC-based Microcredentials; LinkedIn, The Top Skills Companies Need Most in 2020—And How to Learn Them; EAB interviews and analysis.

Discussion Question

Beyond business and technology programmes, what do you consider the next opportunity for alternative credential offerings?

High Intensity

Machine Learning and AI ○

Functional Programmeming in Scala ○

Systems Thinking in Public Health ○

Supply Chain Management ○

Edutainment

Applied Skills

Best Market Opportunity for HEIs
- High value unlocked from credential and instruction
- Connects foundational competencies to hard skills
- Cross-disciplinary emerging topics and trends

Low Intensity

Source: EAB interviews and analysis.

	Upskilling in Place	Seeking Promotion	Facing Replacement	Returning to Workforce	Preparing for a Switch	Pursuing a Passion
Audience						
Customer Journey			*"My career doesn't exist anymore."*	*"I haven't worked in a long time."*	*"I want a better job."*	*"I'm looking for a career with meaning."*
			Inform about job options.	Explain how to refresh skills.	Articulate pathways to better jobs.	Introduce meaningful alternatives.
	"I need new skills to keep up with job expectations."	*"I need to build new skills for my next step."*	*"I need retraining."*	*"I need to develop updated skills."*	*"I need to prepare for a career switch."*	
Value Added by Education	Value is typically from skills learned quickly (not credential's authority).	Skills often outweigh credential, except in industries with prescribed career ladders.	New skills offer greatest benefit, but may require credential to change industry.	Credential communicates readiness for today's job, and updated skills ensure performance.	Credential signals preparation, but fields (e.g., tech) may seek primarily skill growth.	Skills learned for new role matter most, if entry level degree requirements are met.
Goal	Keep up	Advance	Secure a new job			

Require intervention to recognise educational need.

Source: EAB interviews and analysis.

Harvard University's CORe Certificate Meets the Needs of Three Distinct Audiences:

College Students and Recent Grads

- Students can earn undergraduate academic credit in select start groups
- CORe can help recent graduates quickly learn skills and stand out in interviews

Students About to Start MBA Programmes

- Three foundational modules in analytics, economics, and accounting to provide a general background in business

Mid-Career Workers Seeking PD

- Monthly start dates
- Students can choose to enter 12- or 17-week programme depending on personal and professional commitments

Design to Student Audiences Unaddressed by Master's Degree

Blockchain Business Applications Targets Decision-Makers with Low Expertise Upskilling at University of California-Los Angeles Extension

Content

- Teaches "foundation to gaining a competitive advantage in the Blockchain space"
  - Audience can have low expertise with subject

- Incorporates guest speakers to offer real-life business applications
  - Audience focused on immediate skill value

Blockchain Business Applications

MGMT X 497.41

This course lays the foundation to gaining competitive advantage in the Blockchain space by providing an understanding of the competitive implications and business opportunities of Blockchain technology.

READ MORE ABOUT THIS COURSE

View Course Options

CURRENTLY OFFERED	COST	UNITS
Remote Instruction	Starting at $765.00	4.0
	DURATION	
	As few as 10 weeks	

Structure

- Single module, applies to general business studies certificates
  - **Credential in blockchain unimportant to audience** (description notes students leave with a "comprehensive understanding")

- 10 weeks from 7-10pm
  - Audience needs convenient (i.e., after work) schedule more than fast time to completion
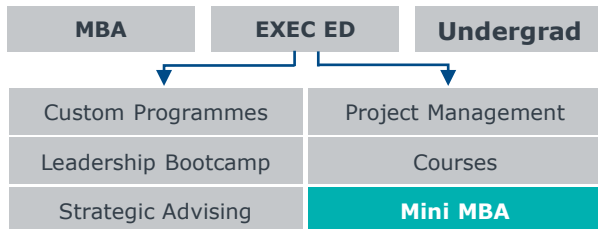- Also offered online

Source: programme webpage.

MBA Basics in a Fraction of the Time

Condensed Format Offers Critical Skills to New Audiences

High-Need Skills for Underserved Markets

UNIVERSITY OF RICHMOND

The Mini MBA®
University of Richmond
Robins School of Business
$3,850; 14 Weeks

MBA	EXEC ED	Undergrad

Custom Programmes	Project Management
Leadership Bootcamp	Courses
Strategic Advising	**Mini MBA**

Launched in 2002

Targets students with little interest in MBA

Taught by full-time MBA staff

Courses Condensed for Maximum Impact

Week 1 — **Orientation**

Marketing

Strategic Human Resources

Project Management

Accounting

Finance

Negotiation Strategy

Week 2-13

Four-hour modules of 12 core MBA courses

Week 14 — **Case Presentations**

Key Takeaways

Focus on Interdisciplinarity

HE opportunities likely to lie at the intersection of disciplines where competitors lack breadth of knowledge

Design for Specific Adult Learner Segments

Even within the same discipline, the learner's desired outcome impacts ideal format, delivery, and price point

Never Lose Sight of the 'Job to be Done'

Credentials can teach hard skills, develop cutting edge competency, or simply provide the management-level "need to know"

Embed Assessment in Offerings Developing Hard Skills

Move beyond "proof of completion" as the primary outcome for credential offerings

Scale by Serving Your Own Alumni First

In low-margin programmes, recruiting high-affinity groups can limit recruitment spend

Consider Credential Evolutions of Existing PGT Programmes

Leverage disciplinary strength to offer shorter, less expensive credentials aligned with your existing brand

EAB

Insights into Mass Credential Platforms and MOOC Programmes

SECTION

3

- Pathway Programmes Build from MOOC to Credential to Degree
- Platform Dynamics to Cut Out HE Providers?

MOOCs Started Off As An Expensive Experiment for Many Institutions...

2012: Start of the Hype

"Year of the MOOC"

– *New York Times*

2017: The MOOC Menu Emerges

Products available at any price point, from free courses to several thousand-dollar degrees

2020: The Second Year of the MOOC

1 in 3 learners registered on a MOOC platform joined in 2020

...But Those Who Played Early Now Positioned to Win

Early Adopters Gain First Mover Advantage

Six of the top 10 universities by MOOC performance in 2019 partnered entered the market before 2014[1]

Credentials Start To Make Money

Early players start to see revenue gain from MOOCs with **500+ MOOC-based credentials** available by 2017

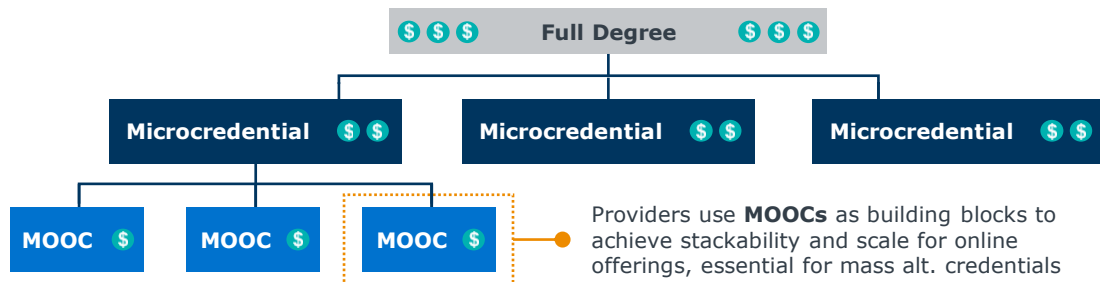**Critical Mass of Learners Reaches New Peak**

The **180 million learners** currently registered on MOOC platforms forces HE to consider how they will serve this learner demand

1) Based on MoocLab's World University Rankings 2019.

Source: The New York Times, The Year of the MOOC; Cision PR Newswire, First Ever World University Rankings Based On MOOC Performance Unveiled; Class Central, By The Numbers: MOOCS in 2017; Class Central, By The Numbers: MOOCS in 2020; EAB interviews and analysis.

MOOCs Increasingly Form the Foundation of Alt. Credentials

```
$ $ $    Full Degree    $ $ $

Microcredential  $ $    Microcredential  $ $    Microcredential  $ $

MOOC  $    MOOC  $    MOOC  $
```

Providers use **MOOCs** as building blocks to achieve stackability and scale for online offerings, essential for mass alt. credentials

Examples of MOOC Powered Alt. Credentials

ASU / coursera

AI and Machine Learning MasterTrack Certificate

- 3 MOOCs
- Costs $4,500
- B or better in every course allows learners to apply 9 credits towards the Master of CS[1] degree

BOSTON UNIVERSITY / edX

Digital Transformation Leadership MicroMaster

- 5 MOOCs
- Costs $1,795.50
- The MicroMaster counts towards 25% of BU's MS in Digital Technology if learners are accepted into the degree

University of Glasgow / Future Learn

Practical Project Management Microcred

- 1 MOOC
- Costs $39/month
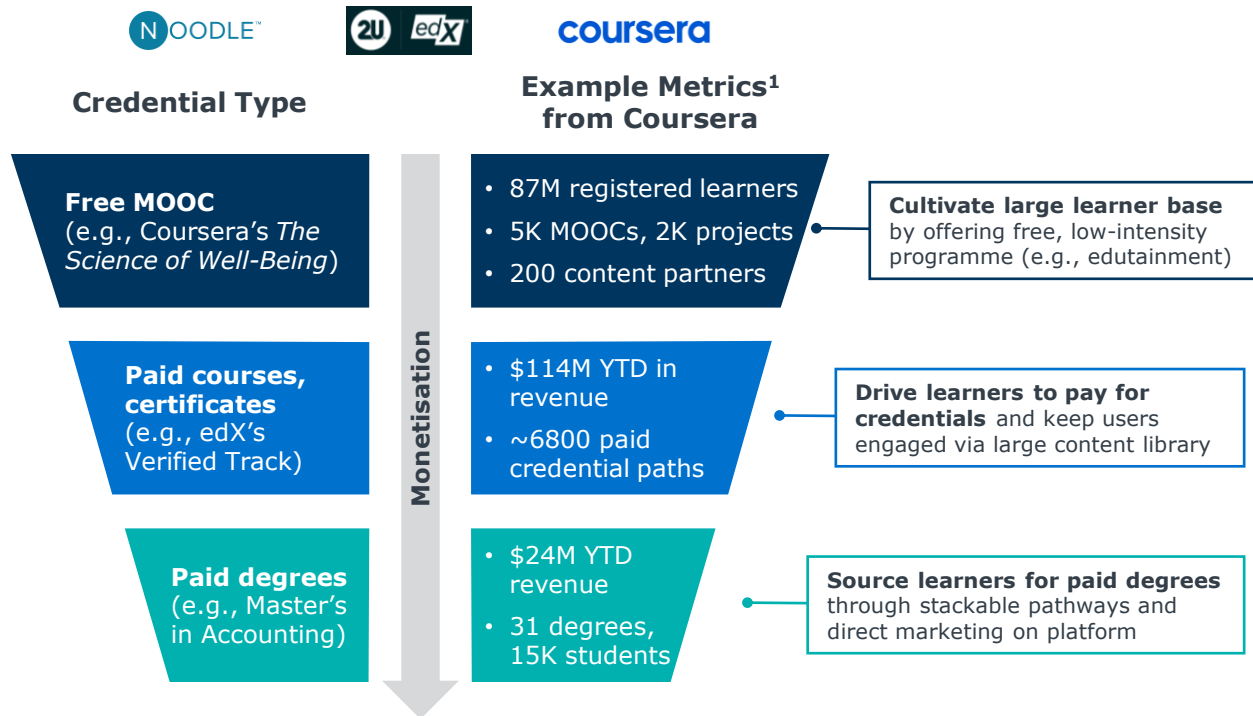- Learners can earn 10 post graduate level academic credits

---

1) Master of Computer Science

Business Model in a Nutshell, Key Strategy Mechanics

N OODLE™   **2U edX**   **coursera**

Credential Type

Example Metrics[1] from Coursera

Monetisation

Free MOOC
(e.g., Coursera's *The Science of Well-Being*)

- 87M registered learners
- 5K MOOCs, 2K projects
- 200 content partners

Cultivate large learner base by offering free, low-intensity programme (e.g., edutainment)

Paid courses, certificates
(e.g., edX's Verified Track)

- $114M YTD in revenue
- ~6800 paid credential paths

Drive learners to pay for credentials and keep users engaged via large content library

Paid degrees
(e.g., Master's in Accounting)

- $24M YTD revenue
- 31 degrees, 15K students

Source learners for paid degrees through stackable pathways and direct marketing on platform

Platforms Tell Investors They Are Reshaping How Learners Access Market

A Dystopian Vision of Platforms' Industry Impact

Network effects drive learners to platforms

Faster + cheaper credentials erode degree value

Learner uptake extends to undergraduate space

More OPMs build platforms

Platforms curate elite brands, exclude institutions

More companies offer credentials, platforms encourage new entrants

Platforms demand higher revenue takes, gatekeep market
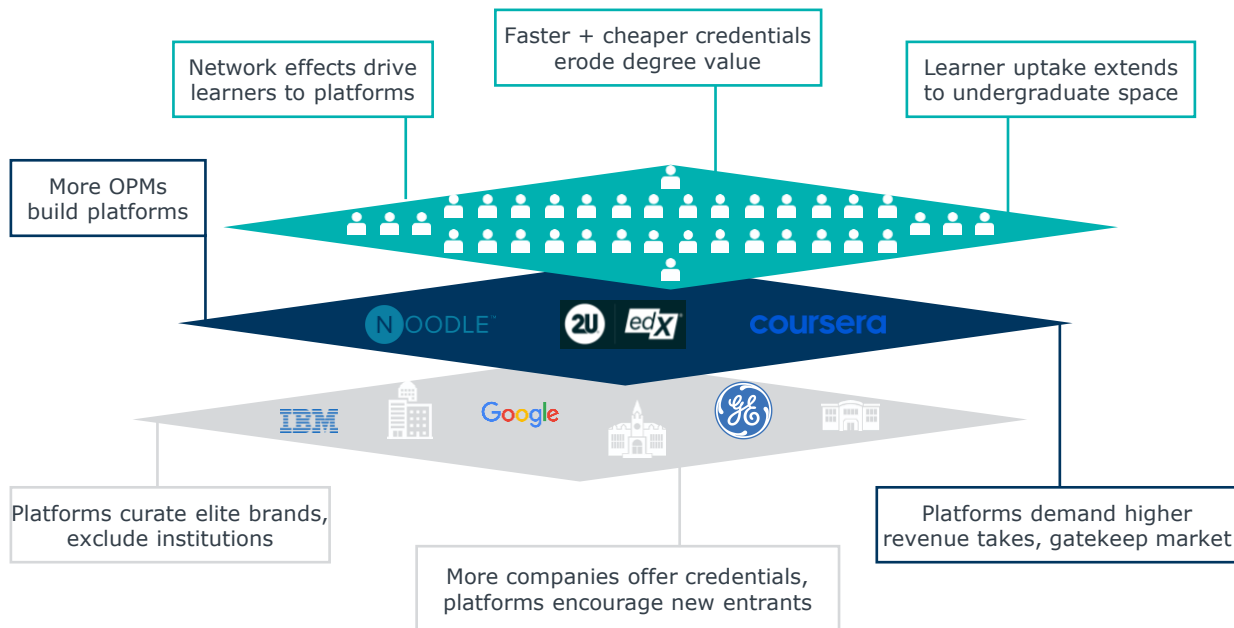
Platforms Create a Marketplace, Forcing a New Head-to-Head Competition

What Prospects See When They Visit Coursera's Business Certificates Page

FACEBOOK

$0
Social Media Marketing Certificate

UCI

$777
Project Management Certificate

Tufts

$3,000
Data Analytics for Managers MasterTrack

MACQUARIE University

$5,500
Global Leadership & HR Management MasterTrack

salesforce

$0
Sales Operations Certificate

HEC PARIS

$4,000
Innovation Management & Entrepreneurship MasterTrack

Brand Parity
Head-to-head placement against alt. providers

Global Competition
International players and name recognition

Price Asymmetry
Wide range of prices with little clarity on value

Limited Control
Institutions have finite space to differentiate

Algorithm Optimised
Credentials shown to learners curated

Is the scale of these learning platforms worth the sacrifice of marketing ownership and oversight?

If you partner with a platform (EdX, Coursera, etc) what has been your experience?

Key Takeaways

MOOCs Can Be Profitable!

Successful monetisation built on pathways from module to credential to degree

Platforms Provide Scale, But At What Cost?

HE institutions struggle to differentiate on platforms, and may increasingly struggle against corporate alternatives

MOOC Scale Potentially Solves Recruitment Challenge

Cost to advertise credential/degree offers overcome by sheer scale of interested and engaged platform learners

EAB

Evolutions in Degree Programmes to Bolster Competitiveness

- Profiles of At-Scale Online Degrees

SECTION

4

Blurring the Lines Between Alternative and Traditional Offerings

"The biggest disruption is **not the coexistence** of alternative and traditional credentials; it's the **hybridisation**."

Executive Director of Online Learning
Large Research University

The MOOC-Based Degree (MBD) in Brief:

Definition: Degree programme that fuses alternative education foundations like MOOC module instruction to lower student costs and increase accessibility. Pioneered by Georgia Tech in 2014 (MS in Computer Science).

Price Point

$7-23K

Cost of most edX, Coursera, and FutureLearn Master's

Programmes

- IT
- Engineering
- Education
- Computer Science
- Marketing

Institutions

- Arizona State University
- University of Texas
- Purdue University
- London School of Economics

MBDs Solve for Acute Business Model and Consumer Pressures

1 Low price point, "try before you buy" (via MOOCs) draws prior non-consumers

2 Student-centric policies attract learners (e.g., experience-based admissions)

3 Multiple non-degree revenue sources from stackable credentials (e.g., specialisations)
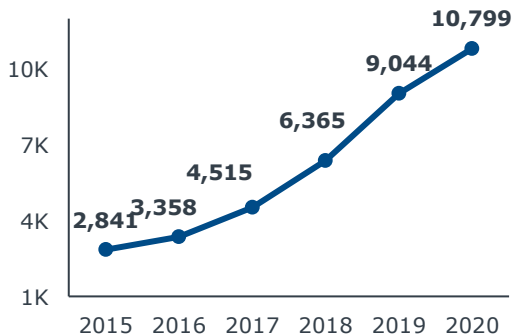
First Big Experiment in Low-Cost Master's Sees Rapid Growth

Online Master's in Computer Science Enrollments, 2015-2020

- 2,841 (2015)
- 3,358 (2016)
- 4,515 (2017)
- 6,365 (2018)
- 9,044 (2019)
- 10,799 (2020)

$7,000
Total cost to complete

3 yrs.
Typical time to complete[1]

Not Cannibalizing Traditional Market

20%
Share of rejected Georgia Tech **Online Master's in Computer Science** applicants who ultimately enroll in any master's program

73%
Share of rejected **traditional** MS in Computer Science applicants who ultimately enroll in any master's program
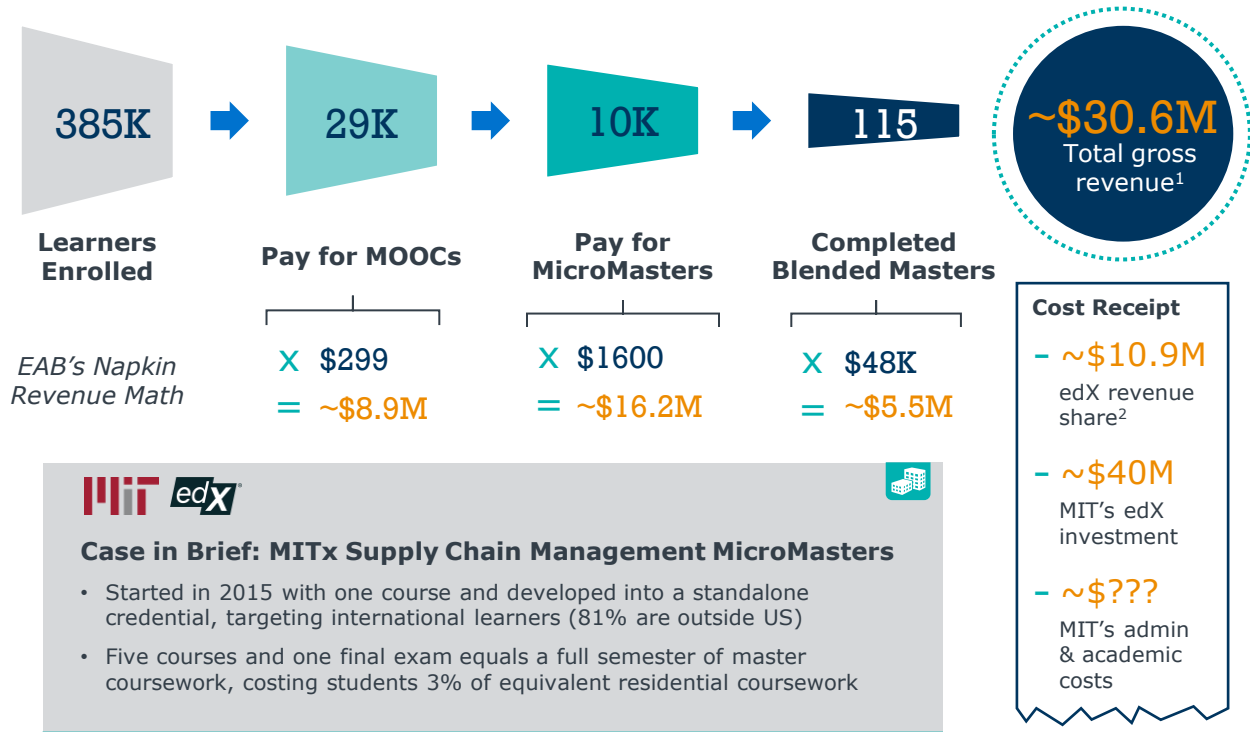
2%
Share of applicants who apply to **both** the online and traditional master's at Georgia Tech

1) Maximum time to complete is six years.

Source: Goodman, Joshua et al., "Can Online Delivery Increase Access to Education," HKS Faculty Research Working Paper Series RWP16-035, October 2016; Georgia Tech OMSCS: 'The Numbers' (link);The Wayback Machine, Georgia Tech OMSCS: 'The Numbers' (link); EAB interviews and analysis.

How Much Revenue Did the MITx Supply Chain MicroMasters Bring in?

385K	→	29K	→	10K	→	115	→	~$30.6M Total gross revenue[1]

Learners Enrolled **Pay for MOOCs** **Pay for MicroMasters** **Completed Blended Masters**

EAB's Napkin Revenue Math

X $299 = ~$8.9M

X $1600 = ~$16.2M

X $48K = ~$5.5M

Cost Receipt

– ~$10.9M
edX revenue share[2]

– ~$40M
MIT's edX investment

– ~$???
MIT's admin & academic costs

Case in Brief: MITx Supply Chain Management MicroMasters

- Started in 2015 with one course and developed into a standalone credential, targeting international learners (81% are outside US)
- Five courses and one final exam equals a full semester of master coursework, costing students 3% of equivalent residential coursework

1) Estimated lifetime revenue before revenue shares, assuming fixed pricing through 2020.
2) Assuming 50-50 noncredit and 60-40 credit revenue share on nondegree credentials.

Source: MIT, 2020 Supply Chain Management MicroMasters Report; EAB interviews and analysis.

iMBA

ILLINOIS
Gies College of Business

Catalyst
- Market analysis identified rising demand for online MBA
- Launched in 2016

Target Market
- Working professionals, those without access to traditional programmes

Learner Costs
- $302 per credit hour, $22.5K for degree

Implementation
- Hosted on Coursera
- Accredited by AACSB[1]
- Closed residential MBA in 2019

Outcomes

16x Enrolment growth from 2016 (263) to 2021 (4,388)

20% Of students are from outside the U.S., 25% from Illinois

95% Student retention rate across all terms

$2M Non-credit revenue in FY18

$7M Projected FY18 revenue across university portfolio of MOOC courses and degrees

---

1) Association to Advance Collegiate Schools of Business.

MS in Electrical Engineering

Catalyst
- Successful MOOC pilot of 30,000 users from 185+ countries
- Launched in 2019

Target Market
- International and out-of-state domestic students

Learner Costs
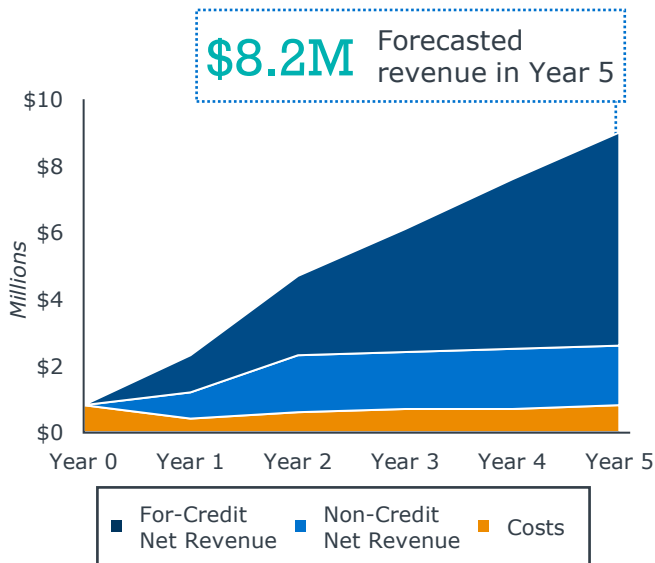- $667 per credit hour, $20K for degree

Implementation
- $800K+ startup costs
- Hosted on Coursera
- Accredited as correspondence education by HLC, not Title IV eligible

Outcomes

University of Colorado Boulder

Initial Projected Programme Revenue & Costs[1]

$8.2M Forecasted revenue in Year 5

Chart axis: Millions — $0, $2, $4, $6, $8, $10
X-axis: Year 0, Year 1, Year 2, Year 3, Year 4, Year 5

Legend:
- For-Credit Net Revenue
- Non-Credit Net Revenue
- Costs

300+ Students enrolled as of May 2020

1) Based on internal CU Boulder Regent Presentation.

Source: CU-Boulder, New Online Master's Degree Gives CU Boulder Electrical Engineering Students Flexibility, Innovation Leashed: How a MOOC-Based Master's Degree Brings Invention Home to the Institution, Master of Science - Electrical Engineering; IHE, The Evolution of a Scaled Degree Programme; CU Boulder Regents Presentation; The Report by Class Central, Highlights from Coursera Partners Conference 2020 EAB interviews and analysis.

Strategic Imperatives for MBD Launches

Prepare to Take Risks

University of Illinois was willing to cannibalise its premiere residential MBA programmes to make a big bet on iDegrees

Find—and Serve—Your Niche

CU Boulder identified electrical engineering as a programme terrain that few institutions had effectively done online and at scale

Platforms Aren't Disappearing, So Leverage Them

UT Austin partnered with edX to deliver three MBD programmes to grow learner base, scale learner experience, and obtain data to improve programmes

Don't Overestimate Accreditation as a Barrier

Georgia Tech integrated scheduled interaction (e.g., live instruction) into programmes to achieve full accreditation

What is your reaction to the MOOC-based degree? Is it a replicable model? What are the competitive limits to growth?

What would need to change at your institution to make them a success?

Key Takeaways

MOOC Powered Credentials

MOOCs increasingly serve as essential building blocks of alt. credentials

Mass Education Platforms

Credential platforms and marketplaces are disputing the alt. credential go-to-market strategy, creating new intermediaries

Emerging Market Access Pathways

Institutions can engage in the secondary market (e.g., lead sourcing) without having to create their own programmes

Degree Value Proposition Holds

Master's degrees remain insulated to an extent from direct competition with alt. credentials

Fusing Alt. Practices Into Degrees

Numerous pathways exist to evolve the degree using alt. market innovations such as stackable certificate programmes

Ultra-Low-Cost MOOC Degrees

More disruptive market force is advent of MOOC-based degrees and hybridisation of traditional with alternative
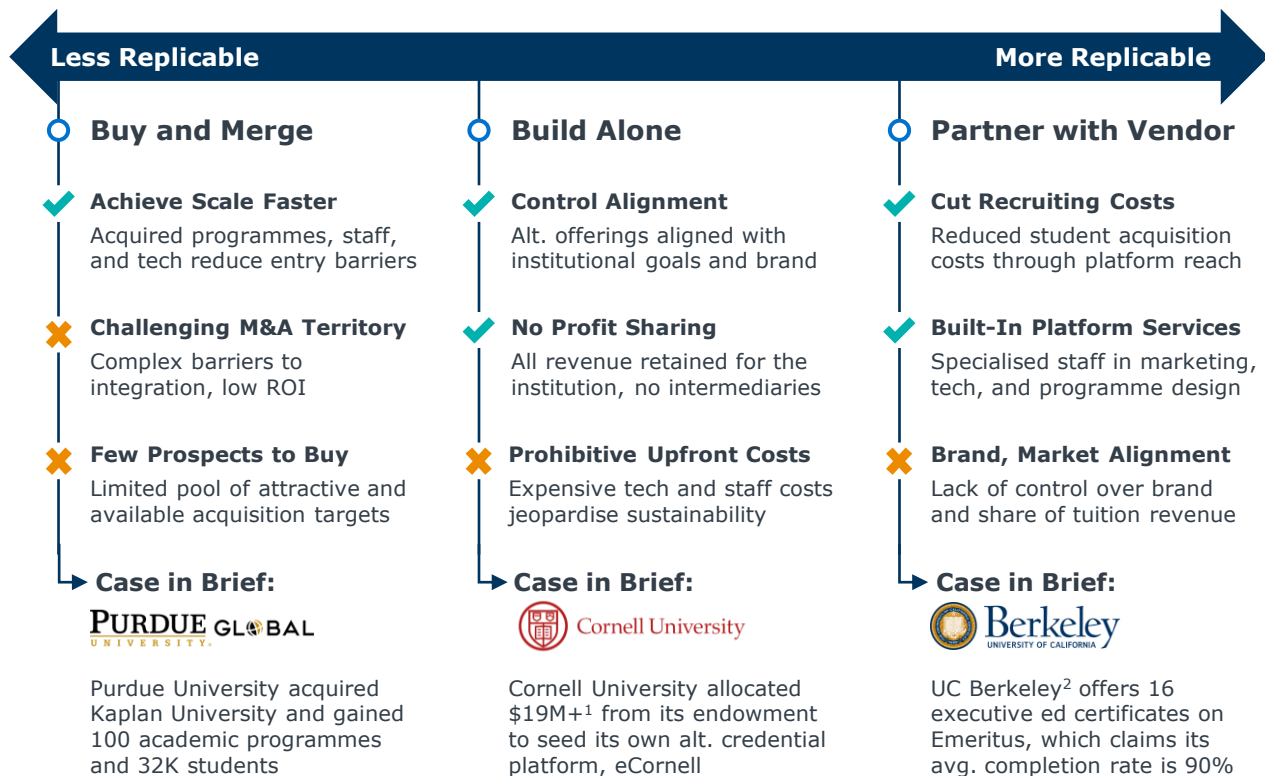
Coda: Aligning Your Internal Organisation and Partnering with Industry

Credential Success Driven By Internal Alignment and Recognition of Employers

Less Replicable ⟶ **More Replicable**

Buy and Merge

✓ **Achieve Scale Faster**
Acquired programmes, staff, and tech reduce entry barriers

✗ **Challenging M&A Territory**
Complex barriers to integration, low ROI

✗ **Few Prospects to Buy**
Limited pool of attractive and available acquisition targets

➤ **Case in Brief:**

PURDUE GL⬤BAL
UNIVERSITY.

Purdue University acquired Kaplan University and gained 100 academic programmes and 32K students

Build Alone

✓ **Control Alignment**
Alt. offerings aligned with institutional goals and brand

✓ **No Profit Sharing**
All revenue retained for the institution, no intermediaries

✗ **Prohibitive Upfront Costs**
Expensive tech and staff costs jeopardise sustainability

➤ **Case in Brief:**

Cornell University

Cornell University allocated $19M+[1] from its endowment to seed its own alt. credential platform, eCornell

Partner with Vendor

✓ **Cut Recruiting Costs**
Reduced student acquisition costs through platform reach

✓ **Built-In Platform Services**
Specialised staff in marketing, tech, and programme design

✗ **Brand, Market Alignment**
Lack of control over brand and share of tuition revenue

➤ **Case in Brief:**

Berkeley
UNIVERSITY OF CALIFORNIA

UC Berkeley[2] offers 16 executive ed certificates on Emeritus, which claims its avg. completion rate is 90%

1) Dollars adjusted for inflation since 2000.
2) University of California, Berkeley.

Shared-Services Division

- Single point of support for all units developing online or adult-serving programmes
- Charges units for services rendered
- Relies on academic staff to drive programme launch process
- Best at reducing infrastructure duplication
- Unable to launch market-driven programmes without staff buy-in

Independent Faculty or College

- Able to quickly launch programmes that align with market demand
- Maintains flexibility in programme pricing
- Reliance on adjunct staff both an opportunity and a hurdle
- Best at moving with agility
- Impacted by lack of incentives for interdisciplinary collabouration

Academic Staff-Driven

Market-Driven

Distributed

Centralised

Spending All of Our Time Chasing Enrolment & Revenue...

1 *Inundated in New Proposals*
- "I get nearly 50 requests for market research every term, it's more than three projects on the docket every week."

2 *Steered by Executive Brainstorming*
- "The president calls me in once a week with two new ideas he's read about in the news, but no ideas of his own on how to make them work. That's my job."

> "I almost worry we are too successful. Now there's less pressure everywhere else in the university to innovate."
>
> **COE Dean**
> Private Research University

While Internal Competition for Resources Threatens Outcomes

Centralising marketing leads to long decline in COE revenue

- New provost centralises marketing under new enrolment management function
- COE revenue declines over 20% over five years
- **Unit performance triggers org review, exploration of closure**

Decentralisation of NPD fund impedes enrolment growth

- Under pressure, provost distributes funds to Deans to use as they see fit
- Most Deans sit on funds, NPD and enrolment growth slows
- **Estimated revenue lost by the institution: $3 million**

Source: EAB interviews and analysis.

Revenue Success Can't Be Sustained Without Internal Partnership

A COE School Displays Strong Revenue Growth

Boasts Hard-to-Match Revenue Success and Growth

$70M+

Gross annual revenue in 2017

50%+

5-year growth rate, top among peers

Maintains Robust Capabilities to Support Innovative Programming

- Market Research
- B2B Partnership Management
- Online Enablement
- Marketing

But Future Growth Hinges on Partnership with Core

Growth Initiatives   *Challenges*

Growing Online Programmes Requires Scaling Back External Vendors

Recognising limits of local demand, seek programme opportunities nationally

Academic deans choose to launch own online programmes with external vendor support

Scaling Employer Partnerships Requires University Buy-In

Use short-format programming to meet training and upskilling needs of major corporations

Campus departments reluctant to share employer leads, even internally

Re-Positioning Grad Programmes Requires Academic Staff Buy-In

Robust F2F grad portfolio maintains untapped potential for enrolment growth

Academic staff unwilling to engage with independent college without "academic rigor"

UC Berkeley's
New Academic Ventures
(NAV-B)

A Provost's Desire to Spread Market Discipline

- Founded in 2017 by Provost Carol Christ

"Our mission is to build and oversee an independent and separately funded unit --- leveraging key strengths of the existing Extension and BRCOE models --- to objectively identify, review and report on all units' academic revenue generation plans"

By Mirroring Some of the Key Extension School Capabilities

- Market research clearinghouse
- Conduct financial modeling
- Identify and cultivate employer relationships
- Vet all new programmes
- Identify quick revenue opportunities
- Assist colleges with revenue-growth strategies

1) Source: EAB interviews and analysis.

A Strategic Growth Plan for Every College

Snapshot of an Engagement

Year 1 | **Year 2 and beyond**

Identifying Short-Term Wins

- Optimising courses for student demand
- Reconsidering admissions requirements for graduate programmes
- Opening credit-bearing courses to international students

100% Proportion of academic colleges that met new revenue generation targets after Year 1

Building a Medium-Term Plan for Sustainable Growth

- New programme launches likely to have biggest impact on new revenue generation, but likely to take 2-3 years to bear fruit
- NAV-B assists in building strategic enrolment plan, provides financial modeling support
- NAV-B provides market research, coordinates support from external vendors when required
- NAV-B provides ongoing online enablement services
- Centralised project management function supports programme launch efforts

Platforms Serve as Bridge Between Large Employers and Universities

GUILD   **InStride**™

- Give partner employers access to partner institutions' programme portfolios
- Provide online learning platform, enrolment marketing, billing, reporting, and academic coaching

Many employers pay employee tuition

Many institutions provide content

Benefit Platforms Meet Companies' Short- and Long-Term Needs

Exclusive Network Model Created for the Largest Employers

☑ Short-term credentials for upskilling fills **immediate business needs**, underpins demand for alt. credentials

☑ Shifts employer-sponsored education market **away from ad-hoc, low usage, decentralised, 1:1 model**

☑ Degree programmes serve as **a talent recruitment, retention** strategy

☑ Large corporate education market **gatekept by benefits brokers**

FedEx Express Partnership Delivers Results

University of Memphis Launches LiFE Programme

▶ THE CHALLENGE   ▶ THE Programme   ▶ EARLY RESULTS

FedEx Express Seeks a Solution to High Turnover and Recruiting Costs

- FedEx Express's Memphis hub employs an unskilled workforce with limited economic opportunities
- FedEx Express experiences high turnover, compounding the high cost of recruiting new workers
- University of Memphis sees the opportunity to serve a new segment and make an impact on educational attainment in the local community

University of Memphis Global's Learning Inspired by FedEx (LiFE)

- Launched in August 2018
- Employees can earn a low- to zero-cost undergraduate degree
- The fully online programme accommodates shift workers' schedules
- LiFE also features a Prep Academy for students who need remedial coursework or skills training

Mutually Beneficial Partnership Leads to Enrolments, Retention

+3,000
Nearly 3,000 students are enrolled in some stage of the LiFE programme

-50%
Staff turnover at FedEx Express's Memphis hub cut in half in 9 months. New benefit helps to recruit new employees

LiFE programme expanding to serve eligible staff at other FedEx Express hubs across country, including Newark, Indianapolis, and Los Angeles

Source: EAB interviews and analysis.

Common Failure Paths Illustrate Difficulty of Right-Fit Partnerships

Overly Reactive Approach to Sales

- Staff waste time responding to every inquiry
- Resources not directed towards strongest opportunities or best-fit partners

Dream Partners Out of Reach

- High profile employer prospects unaware of capabilities
- Unable to leverage existing institutional relationships for greater impact

Narrow View of Partnerships

- COE units overly focused on custom training as means of engagement
- Units lack university buy-in for deeper engagement

Reacting Leaves Little Margin for Error

"We had the opportunity to partner with a large petroleum corporation on a training contract. We flew across the globe and bent over backwards to meet their needs, and **by the end we had lost $200,000.**"

COE Dean, Public Research University

Complex Employer Purchasing Flips Traditional B2B Sales Processes