Business Model for a MOOC

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Who I am...

• PhD in Computer Science (1990)
• Since 1995 – European project manager
• 1999-2001 Stockholm University, economics of Education, PhD programme
• Currently
  – GIRAF PM Services GmbH (CEO)
  – German Research Centre for Artificial Intelligence
    – In 2009-2013 Business developer at the Centre for e-Learning Technologies (CELTECH)
  – Founder and CSO of ki elements UG
The content

• MOOCs as a business. Industry‘s trends and monetization mechanisms.
• Osterwalder‘s Business model canvas. Make it simple
• Resources needed to develop and deliver a MOOC
• Monetization? A hard question.
Before even starting...

- General transformation of a University mission (from „a temple of knowledge“ to „a knowledge enterprise“)
- Radical changes in financing principles of higher education (e.g. the German case)
- Economic incentives for MOOCs appearance
- Why Universities need business models for MOOCs?
Potential MOOCs

• As a bridging tool: High School → University
  – Remedial courses
  – Education style transformation tool
• For those who missed exams
• For international students with mobility limitations
• As a preparatory course before academic mobility
• For lifelong learning, professional upgrade
MOOCs as a business

- MOOC is a product/service
  - Customer
  - Added value
  - Distribution channels
  - Costs, etc.

- MOOC is a project
  - Goal-oriented undertaking
  - Triple constraints

- MOOC is a business
  - Supply
  - Demand
Customer base in 2016 (+23 million)

- Coursera – 23 million
- edX – 10 million
- XuetangX – 6 million
- FutureLearn – 5.3 million
- Udacity – 4 million

Offering in 2016

- In total 6850 courses from more than 700 Universities
- + 2600 new courses in 2016 alone
- Most popular: Applied sciences and technology, Business
MOOC industry

- First MOOCs from the end of 2011
- Until now major MOOC developers – Universities
- Emergence of MOOC provider platform
- 2011-2016: investments of 400 Meuro, total staff over 1,000 people
MOOC industry: current trends

• *Decline in investments – raise in revenues*
  the big Three (Coursera, edX, Udacity) made more than $100 Millions in revenues in 2016

• Change of focus: from those for learn for fun to those who learn for career (and ready to pay)

• Everything is for a client:
  • „M“ is not for „Massive“ any longer
  • „O“ is not for „Open“, predominantly paid courses
  • Various certification options
  • Offer follows Demand
MOOC industry: current trend

• Instead of virtual classroom – educational Netflix

• Credentials, college credits, degrees

<table>
<thead>
<tr>
<th></th>
<th>Credentials</th>
<th>College Credit</th>
<th>Degrees</th>
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<tbody>
<tr>
<td>Coursera</td>
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<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>EdX</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
</tr>
<tr>
<td>FutureLearn</td>
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<td>✓</td>
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<tr>
<td>Udacity</td>
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<tr>
<td>Kadenze</td>
<td>✓</td>
<td>✓</td>
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</table>

• Growth of regional/institutional providers

• Business-to-business
  • E.g. „Coursera4Business“
Business modeling/planning for MOOCs

• What is the difference between a business model and a business plan?

  Business model describes how the business will make money to become profitable

  Business plan provides time-bound structure how to make it happen

• Why companies need a business plan?
The Business Model Canvas

**Key Partners**
- Who are our Key Partners?
- Which Key Resources are we acquiring from partners?

**Value Propositions**
- What does our Value Proposition do?
- What problems are we solving?
- What benefits do we bring to the customer?

**Customer Relationships**
- What type of relationship do we have with our customers?
- How do we engage with our customers?
- How do we maintain customer relationships?

**Channels**
- Through which channels do our customers access our Value Propositions?
- How do we reach our customers?

**Revenue Streams**
- What are our primary revenue streams?
- What pricing models do we use?
- What are our fixed and variable costs?

**Customer Segments**
- For whom are we creating value?
- How do we identify our target customers?

**Key Activities**
- What are our key activities?
- Which key activities are most costly?

**Key Resources**
- What are our key resources?
- Which resources are most expensive?

**Key Partners**
- Who are our key partners?
- Which key activities do partners perform?

**Cost Structure**
- What are our most important costs?
- Which costs are fixed?
- Which costs are variable?

**Cost Structure**
- What are the most important costs in our business model?
- Which costs are fixed?
- Which costs are variable?

**Channels**
- Through which channels do our customers access our Value Propositions?
- How do we reach our customers?

**Revenue Streams**
- What are our primary revenue streams?
- What pricing models do we use?
- What are our fixed and variable costs?

**Customer Segments**
- For whom are we creating value?
- How do we identify our target customers?
Let’s try with our MOOC!

- MOOC to address the educational needs of rural health workers
- Basic knowledge and skills
- Specific customer needs, limitations and expectations („business pain“, motivators, demotivators)

Value proposition
  - Why will people sign in? Why will they prefer a MOOC over other options? What does make your offer special?
Costs of MOOC

• Example:
  – Science course
  – 6 week-long
  – 3 time delivery with 20% modification
  – Data provided: UPMC (France)
  – French standards applied
  – The results are consistent with the American situation
### Costs of MOOC development. Teaching staff

<table>
<thead>
<tr>
<th>Task</th>
<th>Hours</th>
<th>Course 1</th>
<th>Course 2</th>
<th>Course 3</th>
<th>Total</th>
<th>Comments</th>
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<td><strong>Total time</strong></td>
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<td></td>
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<tr>
<td>Animation MOOC</td>
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<td>48</td>
<td>48</td>
<td></td>
<td></td>
<td>When open</td>
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<td><strong>Total MOOC</strong></td>
<td>312</td>
<td>105</td>
<td>105</td>
<td>520</td>
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### Pedagogical support

<table>
<thead>
<tr>
<th>Task</th>
<th>Course 1</th>
<th>Course 2</th>
<th>Course 3</th>
<th>Total</th>
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<tbody>
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<td>12</td>
<td>225</td>
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<td><strong>Total</strong></td>
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<tr>
<td><strong>Total for the MOOC</strong></td>
<td>160</td>
<td>32</td>
<td>32</td>
<td>225</td>
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## Pedagogical support

<table>
<thead>
<tr>
<th>Task</th>
<th>Course 1</th>
<th>Course 2</th>
<th>Course 3</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video recording</td>
<td>32</td>
<td>6</td>
<td>6</td>
<td>Can be reduced to the expense of quality</td>
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<tr>
<td>Video editing</td>
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<td>50</td>
<td>50</td>
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<tr>
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<tr>
<td>Participation in</td>
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<td><strong>Total for the MOOC</strong></td>
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Costs summary

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<tbody>
<tr>
<td>Teachers</td>
<td>15,000</td>
<td>5,200</td>
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<tr>
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<tr>
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<tr>
<td>Total</td>
<td>31,000</td>
<td>8,400</td>
<td>8,400</td>
<td>48,000</td>
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</tbody>
</table>

- May vary significantly depending on subject, desired quality, experience, country, etc. (from 50% to 150%)
- Indirect costs + other direct costs + depreciation of equipment can easily double the sum.
- The costs of needed equipment from several thousands easily to 30,000-50,000 euro)
- Costs of distribution
Comparing delivery costs

• MOOC against classical delivery and blended mode
  – Classic: 1 hour lecturing in a theater a week, 1 meeting in smaller groups (50 learners)
  – Blended: 1 teacher for 50 learners, bi-weekly meetings

![Costs of delivery graph](image-url)
Revenue sources

• Traditional University MOOC delivered via a MOOC provider
  • A learner pays (certificates, materials, etc.)
    edX: in March 2014 MIT Big Data course: $495 X 3,500 participants = 1.7 Meuro for a single session
  • In-kind support of the University
  • Accompanying advertisement???
  • Different situation in the USA, Europe, worldwide

• Corporate MOOCs and MOOCs supported by third parties
Thank you for your attention!

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