In the following report, Hanover Research explores the rapidly developing world of business models for online higher education. Focusing broadly on both for-profit and non-profit operations, including a close consideration of Massively-Open Online Courses (MOOCs), the report presents several possible monetization models developed for online higher education in recent years.
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EXECUTIVE SUMMARY

In the following report, Hanover Research examines the business models that for-profit, non-profit, and “open-source” higher education institutions are currently implementing for online education, and also considers, where possible, how successfully these models have performed.

KEY FINDINGS

- For non-profit institutions, three broad types of business model appear to exist in for online education:
  - Certain institutions, such as the University of Massachusetts, have successfully developed “in-house” online platforms, with other sections of the institution dedicated to aggressively marketing these programs. At UMass, such a relationship has seen the institution’s online MBA program grow in popularity.
  - Other institutions have formed collaborative partnerships with other universities. For example, the Committee on Institutional Cooperation – a group of around a dozen public American institutions – looks poised to offer courses and programs via a shared platform. Thus, not only is the online platform shared between these institutions, but also the risk relating to the business model.
  - Lastly, some institutions have employed external companies to help create custom offerings. Such third-party partners are often willing to assume initial risks relating to capital investment in online platforms, and bring with them technological expertise. However, they can also demand between 40-70 percent of revenues generated from online programs they help to operate, and issues relating to admission, and other academic policies, may arise as third parties attempt to maximize revenues.

- An example of an apparently successful revenue-sharing model between a non-profit institution and a private company can be seen with the firm 2U. 2U invests significant capital into turning standard degree programs at a number of prestigious non-profit institutions into fully online versions. Institutions charge tuition at normal rates, and the degree granted and course materials are the same as in-person. The primary difference comes from expanded enrollment opportunities, as partners with 2U can offer their degrees worldwide, and potentially attract significantly more students. 2U appears to have achieved this without notable degradation of academic or admission standards. However, in return, 2U keeps an undisclosed percentage of the revenues generated by the academic program.

- There is still not a firm consensus on how “open-source” MOOCs can be effectively monetized, with a number of potential ideas forwarded in recent months. After receiving considerable initial investment funds from venture capital firms, Coursera has begun to experiment with a number of different business plans. These include licensing content offered via Coursera to other universities, and charging individuals for identity verification. Several MOOC providers, including Coursera, have also
begun to enter the sphere of recruitment services, by charging potential employers for access to student data.

- **New entrants into the MOOC market have had a significant impact on the discussion surrounding MOOC business models.** Among the most innovative is MOOC2Degree, which offers students the opportunity to earn actual credit towards a degree at partner institutions. While the business model behind this initiative relies ostensibly on sharing revenue from students drawn into full time status (i.e., transitioning to becoming traditional students on a degree track), it remains unclear how successful this approach will be.

- **The company “Straighterline” has recently unveiled an innovative business model, which includes partnerships with both non-profit and for-profit higher education institutions.** The company offers a subscription-pricing plan, in which students pay $99 per month to access online courses offered via partner institutions, with an additional $49 per course taken. When these courses are completed, their credits can be transferred to over 1,800 participating colleges and universities. In addition, Straighterline has also begun to offer direct access to courses offered by freelance professors, with both the professor and Straighterline taking a cut of the fee charged per course.

- **At least within the United States, the business models of for-profit higher education companies as a whole appear to be largely dependent on online instruction and content delivery.** For example, a majority of students at Strayer University take 100 percent of their courses online, while the University of Phoenix has closed nearly half of its physical campus locations in the last two years.

- **The business plans of for-profit higher education companies heavily rely on larger than average rates of tuition, and government-backed student loans.** In the United States, most for-profit higher education institutions are backed by parent companies that are publicly traded, meaning that they also gain investment via securities trading. For-profit institutions then dedicate a much larger proportion of their revenues to aggressive marketing and recruitment activities.

- **The for-profit higher education sector as a whole has come under increased scrutiny in recent years, which has the seen both the revenues and share prices of parent companies fall.** The findings of a recent US government investigation into for-profit investigation highlighted that a majority of individuals who enroll in for-profit higher education programs did not graduate, and that substantial numbers defaulted on their government-backed student loans.

- **The University of Phoenix has attempted to modify its internet-based marketing strategies in order to increase the graduation rate of its students.** In particular, it claims to have reduced the use of third-party sites as part of its recruitment efforts, which it feels will increase the likelihood of identifying students who are likely to graduate.
SECTION I: ONLINE EDUCATION MODELS

This section provides an overview of the three primary models underlying the provision of online education: for-profit, non-profit, and “open-source.” It also discusses how each has approached the development of business models, and what the experience of online education has been like for each sector.

FOR-PROFIT ONLINE EDUCATION

For-profit institutions of higher education employ, somewhat predictably, a straightforward business model of profit maximization, where the success of a company depends on customer/student satisfaction with the product offered, and considerable marketing and recruitment efforts. Given that both for-profit and non-profit institutions are essentially similar in that they offer postsecondary education, the primary difference between the two are as follows:

While traditional colleges and universities rely heavily on government appropriations and private donations, for-profits must be self-sufficient and respond to market forces to be successful. The market-place naturally forces for-profit institutions to offer an educational product that is valuable to students and to do so at a reasonable price. Traditional institutions, however, are not always subject to this threat of “creative destruction.” The recent growth and success of for-profits at a time when many traditional universities are struggling financially serves as a testament to the viability of the sector.

In the United States, there are a number of for-profit institutions currently providing postsecondary degrees and certificate programs online and in person. Some of the best known for-profit providers include Strayer University, the University of Phoenix, and DeVry University, all of which have a heavy online presence. For example, and as will be seen in Section II, a majority of Strayer University’s students take 100 percent of their courses online; thus, the business model of many for-profit institutions as whole relies heavily on online content provision.

The last five years for many for-profit organizations have been unquestionably difficult. Within America, some of the financial downslide experienced by these institutions has been the result of increased external scrutiny on what is still a relatively young market, combined with recent attempts to more stringently regulate government student loans given to students attending for-profit institutions. These conditions have created uncertainty in the market about the future success of for-profit education, leading to significant downward pressures on the stock values of many institution’s parent companies. In addition, the wider public perception of for-profit higher education has degraded remarkably, to the point where serious accusations have been made about the industry, particularly with relation to

predatory marketing practices, and aggressive recruitment policies. There is a growing belief that many students of limited academic aptitude are accepted to for-profit institutions simply in return for large sums of tuition (often provided via government loans), with institutions knowing that many will never complete their degrees.³

A recent U.S. government investigation into the for-profit higher education sector uncovered a number of findings about the business models of many of the companies operating within it.⁴

- Between 2008 and 2009, over a million students started attending schools owned by the companies examined by the Committee.⁵ By mid-2010, fully half (54 percent) of those students had left school without a degree or certificate. For Associates-degree students, 63 percent left without a degree.
- Most for-profit colleges charge much higher tuition than comparable programs at community colleges, and flagship State public universities. The investigation found associate's degree and certificate programs averaged four times the cost of degree programs at comparable community colleges. Bachelor's degree programs averaged 20 percent more than the cost of analogous programs at flagship public universities despite the credits being largely non-transferrable.
- Because 96 percent of students starting a for-profit college take federal student loans to attend a for-profit college (compared to 13 percent at a community colleges), nearly all students who leave have student loan debt, even when they don't have a degree or diploma or increased earning power.
- Students who attended a for-profit college accounted for 47 percent of all Federal student loan defaults in 2008 and 2009. More than 1 in 5 students enrolling in a for-profit college - 22 percent - default within 3 years of entering repayment on their student loans.
- For-profit colleges spend these taxpayer dollars primarily on non-education related expenses: In fiscal year 2009, the companies examined by the committee spent:
  - $4.2 billion or 22.7 percent of all revenue on marketing, advertising, recruiting, and admissions staffing.
  - $3.6 billion or 19.4 percent of all revenue on pre-tax profit.
  - $3.2 billion or 17.2 percent of all revenue on instruction.
  - In 2009 the CEOs of the publicly traded, for-profit education companies took home, on average, $7.3 million. In contrast, the five highest paid leaders of large

⁵ Around 30 for-profit companies were investigated, including Kaplan Higher Education Corporation, Apollo Group, Inc., DeVry, Inc., and Walden LLC.
public universities averaged compensation of $1 million, while the five highest paid leaders at non-profit colleges and universities averaged $3 million.

- The investigation also documented that many companies recruiting tactics misled prospective students with regard to the cost of the program, the graduation rates of other students, the job placement of other students, and the transferability of the credit.

As can be seen from the above, the business models of for-profit institutions in the United States rely heavily on the relatively easy availability of government-backed student loans in order to sustain their operations. A large amount of incoming revenue is then ploughed into aggressive recruitment efforts to ensure a continued flow of students, with marketing statements of allegedly dubious veracity are often used to entice individuals. Some of the financial downturn currently experienced by these institutions undoubtedly relates to the high dropout rate of students within their programs; however, this dropout rate is undoubtedly at least partially offset by the high levels of tuition for-profit programs charge, which often exceed that seen at state universities and colleges.

In its most recent annual report, The Apollo Group recognized the company’s reliance on government-backed student loans as the main source of its revenues. The company stated that “University of Phoenix represented 91% of [The Apollo Group’s] fiscal year 2012 consolidated net revenue, and University of Phoenix generated 84% of its cash basis revenue for eligible tuition and fees [...] from the receipt of Title IV financial aid program funds.” Student loans are the largest component of Title IV financial aid program. Indeed, in recent years, the University of Phoenix has come perilously close to breaking the so-called “90/10 Rule,” under which higher education institutions become ineligible to participate in Title IV programs if they derive over 90 percent of their cash based revenues from Title IV programs for two consecutive fiscal years. Between 2010 and 2012, the University of Phoenix never received less than 84 percent of its cash basis revenues from Title IV programs.6

The Apollo Group has also expounded upon the importance of internet-based marketing to its operations. They note that many prospective students identify higher education programs via the internet, and thus the Group “advertise on the internet using search engine keywords, banners, and custom advertising placements on targeted sites.” Apollo recently reduced their use of “third-party operated sites and increased our use of branded media channels,” as they believe this will help them “better identify students who are more likely to persist” in their educational programs.7

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7 Ibid., 14-15.
PRIVATE/PUBLIC NON-PROFIT EDUCATION

The recent economic downturn had a significant impact on non-profit higher education, at both private and public institutions alike. In order to compensate for the loss of operating funds either due to budget cuts (in the case of public institutions) or reductions in the size of an endowment (for private institutions), some universities have decided to enter the online education world by extending courses or entire degrees into the online market.

There is undoubtedly demand from students that traditional non-profit institutions change the way they provide education, and by extension the way they do business. But stalwart defenders of current higher education operations have been equally vocal in arguing that there is no need to change. Disruptive innovation such as that presented by online learning, many have argued, offers lower costs and increased revenue, but comes at the price of inferior quality and diminished performance. Critics of moving away from standard practices and expanding both delivery methods and revenue generation models underscore the risk-averse nature of traditional postsecondary institutions, and those currently running them. Given recent financial troubles experienced by for-profit institutions, many in the non-profit world feel validated in their position – and have even argued that the troubles of for-profit educators will prove beneficial for non-profit education.

Of those institutions that have embraced online education offerings, the results in terms of revenue generation are enormously wide-ranging, as the tuition prices vary from institution to institution, and even program to program, with business models sometimes more implicit than explicit. Some institutions have simply developed and deployed their own online courses, following the more or less standardized methods of running universities as a business:

Most higher education institutions take a decentralized and bundled approach, meaning that faculty departments, committees, and/or individual faculty members develop the curriculum – product innovation – and deliver the instruction – customer relationship management – through their own processes... Institutions using more innovative business models are achieving greater economies of scale by increasing the centralization of the product innovation function, including the design, development, assessment, and credentialing components of the value proposition – that is to say, the curriculum development. These institutions also

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9 Ibid.
12 Sheets, et. al., 5-6.
administer fewer programs and minimize the number of pathways through these programs with fewer electives.

One form of the more innovative approaches mentioned above would be those that attempt to share the burden of online programming by collaborating with other institutions or organizations. These generally involve revenue-sharing models that also share the cost of content creation and teaching, as well as the profits.14 Particularly when offering courses online that act more as “gateway” courses (i.e., entry-level courses), such “multisided, unbundled and facilitated network business models offer promising options for providing low-cost and effective learning and credentialing systems.” This is one market where MOOCs hope to compete – but so too are consortiums of institutions, such as the Committee on Institutional Cooperation, that offer shared courses and provide opportunities for collaboration among both faculties and students.15

Outside of such grassroots consortia, there is also the option of using a revenue-sharing company to manage the development and delivery of online education offerings. This is particularly helpful for non-profit institutions with no experience developing online courses, and can be an easy way to outsource that work while still opening new revenue streams for the college or university. However, it also blurs the lines between non-profit and for-profit higher education endeavors in potentially discomfiting ways, and there can be considerable downsides to using revenue sharing companies.16 Therefore, most universities should consider carefully whether such a model could work for them over the long term. Potential advantages and disadvantages of this model for non-profit institutions are listed in Figure 1.1. These particularly relate to revenue-sharing models established between non-profit institutions and third-party, for-profit companies.

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Figure 1.1: Advantages and Disadvantages of the Revenue-Sharing Model for Non-Profit Institutions

| Advantages                                                                                     | Disadvantages                                                                                           |
|                                                                                            |                                                                                                           |
| ▪ **Low Capital Investment.** Revenue share partners take the primary financial risk in launching online educational solutions for schools. Schools are drawn to their services due to the low capital investment and convenience. |
| ▪ **Broad Resources.** Revenue share companies offer a one-stop shop for universities. Companies with a suite of services in marketing, recruitment, and student services for online learners can be attractive. |
| ▪ **Technological Expertise.** Planning, designing, and launching online higher education programs can be technically intimidating. Revenue share partners bring a host of technological services and know-how to their relationships with schools. |
|                                                                                            | ▪ **Fees and Costs:** The share of revenue some companies demand can range from 40 – 70 percent. For non-profit universities that enter the online space to remain competitive and tap into the benefits of larger markets, those figures may not make good business sense. With competition only expected to grow, long-term commitments for less than 50 percent of the revenue may not be that attractive. |
|                                                                                            | ▪ **Contract Terms:** Revenue-share companies often try to lock schools into contracts that can range anywhere from 3 years to 10 years. In the fast-paced and ever-changing landscape of online education, these periods can be an eternity and work against the goals of a nimble, flexible, and responsive learning solution. |
|                                                                                            | ▪ **Policy Intrusion:** Since they have such a vested interest in revenue, some revenue-share companies may try to influence admissions or other academic policies to ensure the greatest number of students are accepted and active. This pushing of the policy envelope can undermine student success and jeopardize the very reputations that schools are trying to protect and market. |

Source: Enrollment Builders.\(^\text{17}\)

\(^\text{17}\) Taken verbatim from: “The Revenue Share Model in Online Education,” op. cit.
“**Open-Source** Education/Massive Open Online Courses (MOOCs)

“Online higher education 2.0 has arrived,” a journalist for Reuters wrote recently – “it is open source, open enrolment... (and) it has the potential to greatly expand access to higher education and to rapidly improve the knowledge base of global citizens.” Quoting a Moody’s report, the same article outlines why MOOCs have become a hot topic within higher education:

> Massive Open Online Courses enable colleges to experiment and refine electronic delivery methods, evaluate scalability, identify best-suited faculty, gauge the quality of student learning outcomes, and assess demand. MOOCs diverge from traditional online courses, which sought to duplicate the classroom experience, including approximate class size. In addition, the availability of open platforms enables a university to post content without incurring the cost of developing and maintaining the platform... Successful adoption enables educators to expand and diversify their student bodies and increase faculty scheduling flexibility and productivity.

Despite their apparent success over recent months, there remain a variety of concerns relating to the future of massive open online courses. Some commentators, such as Thomas Friedman, see MOOCs as a potentially revolutionary force that have the potential to forever alter the delivery of higher education, others have continued to take a far more critical view of the rise of massive open online courses. On the other hand, critics of MOOCs, like Dominique Boullier, have decried the phenomenon as nothing more than a passing fad.

Whether they are a revolutionary phenomenon or not, at present, only a small number of institutions currently offer a MOOC, or are planning to offer one in the future. There are several reasons for this, not least how to monetize an apparently free product, but there are also other concerns, such as the acceptance and viability of such courses, and discomfort among more traditionally minded administrators. A recent report by the Babson Survey Research Group in the United States found the following:

- Only 2.6 percent of higher education institutions currently have a MOOC, another 9.4 percent report MOOCs are in the planning stages.
- The majority of institutions (55.4%) report they are still undecided about MOOCs, while under one-third (32.7%) say they have no plans for a MOOC.

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19 Ibid.


- Academic leaders remain unconvinced that MOOCs represent a sustainable method for offering online courses, but do believe they provide an important means for institutions to learn about online pedagogy
- Academic leaders are not concerned about MOOC instruction being accepted in the workplace, but do have concerns that credentials for MOOC completion will cause confusion about higher education degrees

There are also some indications that MOOCs may not be the powerhouse game changer that many were expecting or hoping: A year ago, Colorado State University – Global Campus began offering college credit to students who pass a MOOC. Students pay $89, instead of the usual $1,050, for college credit earned via the MOOC.\(^{24}\) However, no students have taken Colorado State University’s course for credit. Notably, the institution only provides students with the option to take one course – in computer science – for credit, which may not fully tap in to the student market. Other education entities have also noticed MOOC students are generally uninterested in earning college credit for courses, as many already hold college degrees.\(^{25}\)

Nevertheless, a variety of new MOOC platforms have emerged over the past six months, largely run by third-party providers. Along with sponsoring colleges and universities, they have taken a variety of steps to increase the number MOOC options available to students. The number of third-party MOOC providers has continued to grow, with a small number of international consortiums and individual institutions implementing MOOC platforms. For instance, in January, the online learning provider Academic Partnerships launched a new MOOC platform called MOOC2Degree, designed to compete with Coursera, edX, and others.\(^{26}\) Boasting partnerships with seven U.S. institutions and university systems, MOOC2Degree employs massive open online courses in a unique way, more explicitly tying them to a university credential.\(^{27}\) MOOC2Degree is profiled at greater length later in this report.

A small number of international third-party MOOC providers have also been established in recent months. The United Kingdom-based third-party platform Futurelearn, launched in early 2013,\(^{28}\) already has 19 partners: 17 UK universities as well as the British Library and the British Council.\(^{29}\) It is further working to attract students from across the globe – even enlisting the British Prime Minister to promote the MOOC provider during a trip to India.\(^{30}\)


\(^{25}\) Ibid.


\(^{28}\) Redden, E. “Multinational MOOCs.”

\(^{29}\) For the complete list, see “About Us: F/L” Futurelearn. http://futurelearn.com/about/

Futurelearn “marks the first significant entry of a foreign player” into a MOOC market that continues to be dominated by American providers and universities.31

For the time being, though, “the MOOC factor” remains a grey area for higher education more broadly, due to the combination of slow adoption, hesitancy among both educators and students, and the fundamental lack of a widely-accepted business model. This may change in the coming years, but, for now, it remains an educational concept defined largely by its potential.

SECTION II: MONETIZING ONLINE HIGHER EDUCATION

This section looks at the various business models that institutions and private, third-party groups have tried to create, in the hopes of making online educational opportunities as profitable and durable as possible. The section will look more specifically, where information is available, at the financial returns seen and the different business models employed at all three levels of higher education provision in the United States and also Australia: for-profit, non-profit, and “open-source” (i.e., MOOCs). For MOOCs, there is little in the way of data to support the use of one specific model over another, as open-source education is still very much a work in progress.

FOR-PROFIT

The for-profit institutions profiled below all rely heavily on online course delivery. All attempt to maximize profit by charging higher tuition rates and aggressively recruiting students, while relying on the widespread availability of government-backed student loans. Essentially, they deal best in volume, and maximize profits by combining high-level (and often high pressure) sales to large numbers of students. Reliance on technology helps reduce overhead costs, and allows schools to put profits back into either teaching or investor dividends.

However, at least in the United States, there have been scandals and other setbacks that are creating problems for the for-profits, as this section shows by profiling the revenue data of several large-scale for-profit institutions operating out of the United States. Many have experienced significant losses over the last year, in part due to these same scandals, in part due to market fears and pressures. Even the Apollo Group – the most widely recognized company in the U.S. for for-profit higher education, and the parent company of the University of Phoenix – has suffered significant losses in the last two years, resulting in the closure of nearly half of its physical campus locations and a financial write-down of hundreds of millions of dollars.\(^3^2\) The closure of these physical campuses likely reflects the further reliance of the company’s business plan on online program delivery.

In all cases reviewed here, the basic business model is the same: aggressive marketing combined with high prices. Tuition at for-profits is market driven in a way that tuition at non-profit institutions is not, and depending on how MOOCs and other more affordable options move forward, the business model for the for-profit sector may need revision to reflect these pressures from cheaper – and more prestigious – competition, and the new market conditions MOOCs may create. It should also be noted that all three companies profiled are publicly traded entities, and can therefore receive public investment via securities trading.

THE APOLLO GROUP

The Apollo Group runs a number of large subsidiaries within the for-profit higher education sector, including The University of Phoenix, Apollo Global, Carnegie Learning, the College for Financial Planning, and the Institute for Professional Development. The group is also one of the only major providers in the for-profit space that fared better over recent years both in terms of its share value and in terms of revenue. While both have declined, the trends are less precipitous than for others operating in the same space. Recent years saw very steep increases in marketing expenses and general administrative costs, but savings in other areas of operation. Net revenues have also fluctuated over the last five years, presented in detail in Figure 2.2. It should be noted that the Apollo Group manages several educational endeavors beyond the University of Phoenix, and that these data in Figure 2.2 reflect the consolidated earnings and expenses for all of them. However, as mentioned above, University of Phoenix represents over 90 percent of the Apollo Group’s net revenues.

Figure 2.1: Share Values, the Apollo Group, 2009-2013 (July)

Source: Google

Figure 2.2: The Apollo Group, Cost and Revenue Report, 2008-2012

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<tbody>
<tr>
<td>Net Revenue</td>
<td>$4,253,337</td>
<td>$4,711,049</td>
<td>$4,906,613</td>
<td>$3,953,566</td>
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<td>Costs and Expenses</td>
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<td>Instructional and Student Advisory</td>
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<td>Admissions Advisory</td>
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<td>415,386</td>
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<td>437,908</td>
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<td>General and Administrative</td>
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<td>301,116</td>
<td>277,887</td>
<td>204,793</td>
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<td>Depreciation and Amortization</td>
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<td>157,686</td>
<td>142,337</td>
<td>108,828</td>
<td>88,349</td>
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<td>Provision for Uncollectible Accounts</td>
<td>146,742</td>
<td>181,297</td>
<td>282,628</td>
<td>151,021</td>
<td>104,201</td>
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<tr>
<td>Restructuring and Other Charges</td>
<td>38,695</td>
<td>22,913</td>
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<tr>
<td>Goodwill and Other Intangibles Impairment</td>
<td>16,788</td>
<td>219,927</td>
<td>184,570</td>
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<tr>
<td><strong>Total Costs and Expenses</strong></td>
<td>$3,577,000</td>
<td>$3,755,191</td>
<td>$3,897,898</td>
<td>$2,887,631</td>
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<td><strong>Operating Income</strong></td>
<td>$676,337</td>
<td>$955,858</td>
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<td>$1,065,935</td>
<td>$767,376</td>
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<td><strong>Interest Income</strong></td>
<td>$1,187</td>
<td>$2,884</td>
<td>$2,920</td>
<td>$12,591</td>
<td>$30,078</td>
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<td><strong>Interest Expense</strong></td>
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<td>$(8,931)</td>
<td>$(11,864)</td>
<td>$(4,448)</td>
<td>$(3,450)</td>
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<td><strong>Other, net</strong></td>
<td>$476</td>
<td>$(1,588)</td>
<td>$(685)</td>
<td>$(7,151)</td>
<td>$6,772</td>
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<tr>
<td><strong>Income from Continuing Operations before Income Taxes</strong></td>
<td>$666,255</td>
<td>$948,223</td>
<td>$999,086</td>
<td>$1,066,927</td>
<td>$800,776</td>
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<td><strong>Provision for Income Taxes</strong></td>
<td>$(283,072)</td>
<td>$(419,136)</td>
<td>$(463,619)</td>
<td>$(456,720)</td>
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<td><strong>Income From Continuing Operations</strong></td>
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<td>$535,467</td>
<td>$610,207</td>
<td>$486,751</td>
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<td><strong>Income (loss) from Discontinued Operations, net of tax</strong></td>
<td>$33,823</td>
<td>$6,709</td>
<td>$(13,886)</td>
<td>$(16,377)</td>
<td>$(10,824)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$417,006</td>
<td>$535,796</td>
<td>$521,581</td>
<td>$593,830</td>
<td>$475,927</td>
</tr>
<tr>
<td><strong>Net Loss Attributable to Non-controlling Interests</strong></td>
<td>$5,672</td>
<td>$36,631</td>
<td>$31,421</td>
<td>$4,489</td>
<td>$598</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Apollo</strong></td>
<td>$422,678</td>
<td>$(572,427)</td>
<td>$553,002</td>
<td>$(598,319)</td>
<td>$476,525</td>
</tr>
</tbody>
</table>

Source: The Apollo Group. NB – figures are in thousands of US dollars.

**Strayer Education, Inc.**

Strayer is another of the most popular for-profit higher education providers, with over 100 campuses in twenty-five states. In continuous operation for 120 years, it has graduated more than 65,000 individuals from its programs. However, much like the University of Phoenix, Strayer University suffered significant financial setbacks last year (2012), and revenues declined by 10 percent over 2011, while income from operations was down nearly 40 percent over the same time frame:

- Revenues for the year ended December 31, 2012 decreased 10% to $562.0 million, compared to $627.4 million for the same period in 2011, principally due to lower enrolment.
- Income from operations was $113.6 million compared to $179.1 million for the same period in 2011, a decrease of 37%. Operating income margin was 20.2% compared to 28.6% in 2011.
- Net income was $65.9 million compared to $106.0 million in 2011, a decrease of 38%. Diluted earnings per share were $5.76 compared to $8.88 in 2011, a decrease of 35%. Diluted weighted average shares outstanding decreased 4% to 11,440,000 from 11,943,000 in 2011.

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35 “Campus Locations.” Strayer University. http://www.strayer.edu/campus-locations
36 “History.” Strayer University. http://www.strayer.edu/about/history
A recent income statement from Strayer Education shows that between 2011 and 2012, overall revenues fell by nearly $65.5 million, while expenses rose by roughly $8.1 million. Paradoxically, this has not affected enrolment growth: total new campus enrolment went up by 42 percent between winter (Dec/Jan) 2012 and winter 2013, which includes a 42 percent increase in online students and a 43 percent increase in classroom students. It is notable that Strayer enrolled more online students than classroom students during the last year. Indeed, just over 30,000 of the institution’s 50,000 currently enrolled students are taking 100 percent of their courses online, showing how dependent Strayer’s entire business model is on online content and participants.\(^{37}\)

A more detailed look at the company balance sheet is in Figure 2.4:

### Figure 2.4: Strayer Education, Inc., Consolidated Statements of Income, 2011-2012

<table>
<thead>
<tr>
<th></th>
<th>FOR THE THREE MONTHS ENDED DEC. 31</th>
<th>FOR THE YEAR ENDED DEC. 31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$155,824</td>
<td>$141,933</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Costs and Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction and Educational Support</td>
<td>72,483</td>
<td>77,685</td>
</tr>
<tr>
<td>Marketing</td>
<td>18,659</td>
<td>18,171</td>
</tr>
<tr>
<td>Admissions Advisory</td>
<td>6,357</td>
<td>6,641</td>
</tr>
<tr>
<td>General and Administration</td>
<td>12,956</td>
<td>10,711</td>
</tr>
<tr>
<td>Income from Operations</td>
<td>45,369</td>
<td>28,725</td>
</tr>
<tr>
<td>Investment Income</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>1,213</td>
<td>1,244</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>44,157</td>
<td>27,482</td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>17,486</td>
<td>10,855</td>
</tr>
<tr>
<td>Net Income</td>
<td>26,671</td>
<td>16,627</td>
</tr>
</tbody>
</table>

Source: Strayer Education\(^{38}\) NB – Figures in thousands of US dollars.

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\(^{38}\) Ibid.
**DEVRY, INC.**

The most up-to-date Securities and Exchange Commission (SEC) filing available from DeVry, Inc. shows that despite a boost in net income between 2010 and 2011, 2012 saw a significant decline from 2011. Overall, consolidated revenue for 2012 was down by 4.2 percent. Part of this was due to expenses from necessary restructuring, acquisitions, and increases in educational services costs, but losses were mitigated somewhat by workforce reductions and tuition increases across the board for all programs/institutions. Total consolidated operating income for the 2012 fiscal year “decreased $289.9 million, or 58.7% as compared to the prior year,” across all of DeVry’s operating segments (Business, Technology and Management; Medical and Healthcare, and International, K-12 and Professional Education). The impact of these declines on net income appears in greater detail in Figure 2.6, while Figure 2.5 shows the impact of these changes and fluctuations in its profitability on share prices.

![Figure 2.5: Share Values, DeVry Inc., 2009-2013 (July)](source: Google)

![Figure 2.6: Income Report, DeVry, Inc., 2010-2012 (in thousands)]

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$279,909</td>
<td>$330,403</td>
<td>$141,565</td>
</tr>
<tr>
<td>Impairment Charges (net of tax)</td>
<td>---</td>
<td>---</td>
<td>74,184</td>
</tr>
<tr>
<td>Restructuring Expenses</td>
<td>---</td>
<td>---</td>
<td>4,334</td>
</tr>
<tr>
<td>Gain on Sale of Assets (net of tax)</td>
<td>---</td>
<td>---</td>
<td>(-2,216)</td>
</tr>
<tr>
<td>Net Income Excluding the Impairment Charges, Restructuring Charges, and Gain on Sale of Assets (net of tax)</td>
<td>$279,909</td>
<td>$330,403</td>
<td>$217,867</td>
</tr>
</tbody>
</table>

Source: DeVry, Inc. **NB** – figures in thousands of US dollars.

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39 “DeVry Inc. – Form 10-K (Annual Report), Filed 08/28/12 for the Period Ending 06/30/12.” DeVry, Inc. 50-56.  
http://devry.q4cdn.com/9006d1f6-179f-4554-b522-bc301137049b.pdf?noexit=true. Starting in Summer 2011, undergraduate tuition was raised to $597 per credit hour for students enrolling in 1 to 11 credit hours. Tuition is $360 per credit hour for each credit hour in excess of 11 credit hours.  
40 Ibid., 57.  
41 Ibid., 50.
STRaighterline

Straighterline is a relatively new way of providing online content, having first launched in 2009. The company is unaccredited, but collaborates with a variety of colleges and universities in order to offer low-cost access to online courses run by those institutions. It has been included in the for-profit section of this report as a majority of its educational partners are for-profit institutions, including Argosy University, the University of Phoenix, Strayer. However, it is notable that some of its partners are traditional non-profit bodies, such as the Northern Virginia Community College, and University of Maryland University College.

The business operates via a subscription-pricing plan, where students pay $99 per month for access to courses, and there is an additional charge of $49 for each course taken. When students successfully complete a course, “their credits transfer automatically on enrolment to (the) partner colleges or through ACE (American Council on Education) Credit to over 1,800 participating colleges and universities.” The model does not allow for degree granting through any of the partner institutions, as it is rather designed around providing access to beginner-level (i.e., first-year) courses, which allows students to begin a degree program for a lower amount of money than traditional degree programs charge in the first year.

One additional service provided by Straighterline is its new platform, Professor Direct. Through this service, StraighterLine, hosts online courses that link individual professors directly to students, at affordable tuition rates. Instructors determine the price of the course, and how much time they will devote to office hours, tutorials, and responding to e-mails. Courses come in several different time configurations, ranging from 8 weeks, to 15 weeks, or at a pace decided by the instructor. These professors do not need to lead with any specific institutional affiliation, and can essentially act as freelance instructors. The minimum expected qualification for becoming a Straighterline professor is a Master’s degree.

Instructors must price a course higher than the base price of $49, and will pocket the difference. For example, if an instructor offers a course for $89, he or she will profit $40 for each student that signs up to take the course. Institutions have not fully embraced this approach, although approximately 20 partner institutions automatically grant transfer credit to students that take college-level courses.

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NON-PROFIT

The following sub-section presents a brief selection of non-profit institutions that have introduced online degrees or programs, or merely innovative online delivery systems that have affected the way the way the institution operates in certain respects.

UNIVERSITY OF MASSACHUSETTS-AMHERST

The online MBA program at the University of Massachusetts at Amherst generates enough revenue to cover “about 40 percent of the [business] school’s $25-million annual budget,” despite accounting for only around a quarter of the school’s enrolment. While the online MBA program costs more per credit hour than the face-to-face program, high student demand still exists for the quality education of a name brand education combined with a flexible schedule. Online courses, without any limitation on space, can include more students. Institutions can also generate more profit by hiring cheaper part-time faculty, save money on learning-management systems, or provide less support services for distance learners. However, at UMass’s Isenberg School of Management, online courses are a similar size as those offered on campus and a single faculty teaches online and on campus courses.

The Isenberg School keeps “60 percent of revenue generated by the program.” The MBA program takes into account the costs it must pay to other parts of UMass. For example, Isenberg pays ten percent of the online MBA revenue to UMass online, which provides the learning-management systems and markets online courses. The Amherst campus must also receive an unspecified payment for overhead charge and payment to the provost’s office. As such, the UMass’s program might be considered a revenue-sharing model within an institution. By having bodies within the university dedicated to launching and marketing online programs, UMass was able to achieve significant growth for its online MBA program, which has grown by 20 percent since 2009.46

COMMITTEE ON INSTITUTIONAL COOPERATION

The Committee on Institutional Cooperation, a consortium of 13 research universities, mostly from the “Big Ten Conference” (USA),47 recently proposed working together to create a common “framework” for their online offerings, rather than relying solely on third-party education technology vendors. Some of the institutions in the consortium currently offer their own MOOCs through Coursera. But recent discussions indicate that provosts are “considering whether their group should build its own online infrastructure,” as they “would prefer to retain, where possible, ownership over the intellectual property and distribution channels” of any online higher educational content.48 While this platform does not appear to have been developed yet, such discussions indicate that some non-profit universities may

47 Members include the University of Chicago, University of Maryland, University of Michigan, Pennsylvania State University, and Rutgers University.
prefer to create collaborative platforms for their online content, with, ostensibly, a shared-risk business model, rather than work with third-party providers.

The Committee’s collaborative online course platform would allow the institutions to have more control over their academic mission, especially as regards teaching, rather than having it developed by for-profit companies. Institutions would have greater control over online offerings, ensuring the courses “would be endorsed or utilized by our existing students, faculty, or community members.” Presumably, this would also allow institutions to keep a larger share of any revenues generated, owing to the absence of a third-party provider.

**Open Universities Australia**

Open Universities Australia (OUA) has provided distance education to place-bound students since 1993 via print, radio, television, and the internet. A company originally owned by Monash University, OUA’s seven current shareholder partners invested in the company include: Curtin University; Griffith University; Macquarie University; Monash University; RMIT University; Swinburne University of Technology; and the University of South Australia. The shareholder partners strive to provide accessible education to all aspiring students. In mid-March, OUA created Open2Study, an all-Australian MOOC Platform.

While the advent of free higher education classes online could threaten the success of OUA’s monetary-based model, OUA’s previous success seems to continue.

Since 2007, OUA has seen a 154% increase in student enrolment, to 62,685 students in 2012. Profit grew from A$18.5 million in 2011 to A$20.4 million in 2012. Net operating activities, which include customer payments, totaled A$39.8 million in 2012, a 35.6 percent increase from 2011. Upon becoming a company in 2004, OUA paid A$1.25 million to each educational provider for access to degrees and awards OUA granted between 1993 and 2005. In 2005, the company provided its shareholding members with the first return on their investments. OUA aims for a continuing return on investments to its shareholders, although it does not specify the amount.

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49 Ibid.
54 Ibid., 28
OUA hosts online classes from 20 academic providers across Australia, including technology and vocational institutions.\(^5^8\) Students can complete nationally recognized diplomas, undergraduate degrees, and postgraduate degrees entirely online through the OUA platform.\(^5^9\) Six institutions currently offer the Commonwealth Supported Places (CSP) Program, which creates a pathway for OUA students to transition into a full course of study with a specific institution.\(^6^0\) Financial aid is available to OUA students.\(^6^1\) OUA students are eligible for Australian and Commonwealth Government student loans and allowances.\(^6^2\) Shareholder institutions offer merit-based scholarships to students studying for one of the institution’s degrees.\(^6^3\)

Retention issues discussed in 2004 Annual Report include lowered achievement, and a lack of communication between students and continuing motivation.\(^6^4\) In order to combat these issues, OUA created preparatory programs to ensure student success in further studies, advising, and online tutorials.\(^6^5\) OUA has continued the preparatory programs and tutorials and enhanced their advising services. Student advisor services also support current OUA students.\(^6^6\)

OUA directly teaches four preparatory units to prepare new students for classes at the higher education level and successful study in the online environment. These classes are integral in retaining students at OUA, as the company’s research shows that “success in a first unit of study is the most significant predictor of future enrolment and success in further units.”\(^6^7\)

To improve retention, OUA offers its students SMARTHINKING, an online tutoring system where students can access a variety of tutoring tools 24 hours a day, seven days a week. Student’s ability to communicate with tutors creates a community in the online learning environment and gives students increased confidence in their coursework. Tools include the Online Writing Lab, where students can receive feedback on their written class assignments, a system where students can submit questions to tutors, and a system to participate in a discussion with tutors using a synchronous or asynchronous method.\(^6^8\)


\(^6^8\) Ibid.
SMARTHINKING offers four hours of free tutoring support, which OUA does not specify is the allotted time per class or in total.\(^69\) Current data show that students who use SMARTHINKING “tutorial support are less likely to withdraw from a unit and actually receive better grades than those who don’t use the services.”\(^70\) The attrition rate, measured by the number of withdrawals from units after a study period has started, among users of SMARTHINKING is much lower than those not using the tutoring system.\(^71\)

### 2U

2U (formerly 2tor) works in a similar manner to the aforementioned Straighterline in that it also offers universities a chance to collaborate by using the 2U software to develop online programs from standard classroom courses. Accordingly, it can also be considered a revenue-sharing model, as outlined in Section I of this report. However, all of 2U’s partners are non-profit institutions.

The goal of 2U is to “transform on-campus programs into state-of-the-art web-based programs” via “state-of-the-art technology platforms” that deliver the same classroom experience through a combination of “synchronous and asynchronous” experiences.\(^72\) 2U “provides the support infrastructure and the logistical components of partners’ online programs,” which includes comprehensive support services for students throughout their time in a given program.\(^73\) 2U takes the Straighterline model further by making the experience global, and by making a significant investment in each partner’s program at the outset of the collaboration. For each partner institution, 2U invests $10 million setting up the online program, and supplying “global marketing capabilities.”\(^74\)

2U currently has collaborated with roughly ten different programs, and some of the universities are among the most prestigious in the United States, including Georgetown University, the University of Southern California (USC), and the University of California at Berkeley. The success of the 2U model can be seen via the experiences of USC’s offering its Master of Arts in Teaching program in collaboration with the company.\(^75\)

Before teaming up with [2U], USC’s on-campus master-of-arts-in-teaching program enrolled 81 students. The [2U]-built online program has enrolled more than 2,500 online students so far, and those courses are taught by two dozen full-time

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\(^73\) Ibid.

\(^74\) Ibid.

instructors and a large group of adjuncts. Each class section includes live meetings—even the ones where instructors and students live in distant time zones.

Extrapolated out, the revenue this generated for USC was impressive: the university can offer its degree anywhere in the world, and at rates of enrolment in the thousands, it has been speculated that the partnership with 2U earned USC $6 million in additional revenue in the first year alone. While it is unclear what percentage of that revenue goes to 2U, the potential is undoubtedly enormous for both sides.

Students appear to have reacted favorably to programs offered via 2U. The company’s platform allows existing programs to be offered via an online format without, it would seem, a significant degradation of content or educational quality. As one student put it, “there wasn’t a compromise. All the libraries were online. I had access to all the same content. I was taking classes with all the professors who are teaching on campus.” Owing to the apparent quality of the 2U platform, students seem willing to pay identical levels of tuition for online programs, as they would for a fully on-campus experience.

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77 “$97,500 for an Online Degree? 2U is Worth It, Say Students.” Forbes. http://www.forbes.com/sites/techonomy/2012/11/05/97500-for-an-online-degree-2u-is-worth-it-say-students/
**MOOCs**

In recent months, the largest MOOC initiatives, such as Coursera, Udacity, and edX, have tentatively begun to outline their business plans. Many of these efforts remain experimental, and none of these providers appears to have definitively shown how to monetize a MOOC. The business models currently in development present a variety of different options: fees for certificate testing and validation which prove student completion of a course, content licensing, career referral and recruiting services, and university—provider partnerships.

**Coursera**

One of the largest and highest-profile MOOC operations, Coursera was started by Stanford professors Andrew Ng and Daphne Koller, and has been championed by many universities across the world. Much of its initial financing has come via relatively large financial investments by venture capital firms. For example, in July 2013, it was announced that Coursera had received $43 million in venture capital.78 This amount came on top of previous large-scale investments by Silicon Valley venture capital firms in 2012.79

While Coursera is by far one of the dominant players in the MOOC world with over four million registered students, it has only relatively recently begun to experiment with ways by which it will monetize its product. For instance, since early January 2013, Coursera has pursued a “fee-based pathway with identity verification for students who want to earn a more meaningful certificate of completion” from one of their courses; this is currently referred to as the “Signature Track.” Fees will range from $30 to $100, and Coursera will split revenue from this fee-based path with partner universities. Universities are expected to keep “6-15 percent of revenue from courses taught by their professors, as well as 20 percent of profits.”80

Coursera has also investigated content licensing.81 For instance, they recently developed a relationship with Antioch University in which “Antioch will pay Coursera an undisclosed amount for permission to use several courses, including ones from Duke University and the University of Pennsylvania.” These courses would function as entry-level, for-credit courses at Antioch. This licensing agreement appears to have a similar fee structure as the student validation and certificate services discussed above, and the universities and professors whose courses are licensed will receive a portion of revenues.82

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81 Ibid.
EdX

EdX, a non-profit MOOC provider affiliated with Harvard University and MIT, positions itself slightly differently than its for-profit MOOC counterparts. But while it considers itself “the more contemplative, academically oriented player in the field,” it is still facing the pressure to become self-sufficient – which means it too must generate revenue. In May 2012, Harvard and MIT pledged to invest around $60 million into the edX platform, and, despite their considerable endowments, it would not appear that they would be prepared to run the platform as a loss-making operation over a considerable period of time.

Recent plans emerging out of edX suggest that its business model will be to offer one of two types of partnership models to affiliated member institutions. The first partnership is the “university self-service model,” which “allows a participating university to use edX’s platform as a free learning-management system for a course on the condition that part of any revenue generated by the course flow to edX.” Under this model, any individual faculty member may develop his or her own course, which eventually is edX branded, and edX will collect the first $50,000 in revenue generated. Any amount subsequently generated is shared between edX and the partner institution at a rate of 50% split down the middle.

The second partnership model, titled the “edX-supported model” takes the model seen under the first partnership option further, with edX providing consulting and design services to partner institutions. Under this model, edX, “charges a base rate of $250,000 for each new course, plus $50,000 for each time a course is offered for an additional term” – a significant upfront investment for most partners. However, the potential revenues can be large, as the revenue sharing increases to 70 percent for the partner under this version – thus, any course would have to prove popular for partners to see a return on investment, and additional revenue.

Either way a university chooses, the plan still does not address the basic problem facing edX, and all MOOCs: “how the MOOCs will make money in the first place – and, in edX’s case, whether courses that do make money will make enough that universities will see a cut.” As edX itself has said publicly, “we don’t quite know what the key source of revenue will be.”

86 Ibid.
87 Ibid.
88 Ibid.
89 Ibid.
90 Ibid.
**Udacity**

Created by Google Fellow Sebastian Thrun, Udacity began as an entirely free, open-source venture, but quickly became a for-profit organization in a similar vein as Coursera. Over the last year or so, Udacity has experimented with a variety of different models for making money, including paying professors directly for running classes. Instructors receive a flat rate of $5,000 to $10,000 per course, relying mostly on freelancers rather than a group of dedicated institutional partnerships.\(^91\) Other providers have presented similar offers to freelance professors, such as Straighterline (featured in this report) and Udemy. In both of those cases, professors design their own course and name their own price, and the company takes either a fixed sum out of the course price (Straighterline) or a fixed percentage of the price (Udemy).\(^92\)

In addition, though, Udacity recently announced a dedicated partnership with the Georgia Institute of Technology (Georgia Tech) to offer an online Master’s degree in computer science. Under this partnership, the “course materials will be entirely free, that there will be a tuition charge if you want to have the actual credit-bearing Master’s degree certification, and non-credit certificates will be offered at ‘a much reduced price point.’”\(^93\) Additional details are sparse, but this does represent a potentially attractive model for other MOOCs to attempt.

In a potentially controversial move, Udacity and others (e.g., Coursera) have also announced that they will pursue revenue generation through a service that charges potential and current employers for access to student data.\(^94\) These MOOC providers will, with permission from students, sell data on successful students to companies that sign up for their service. Thrun describes the service in more positive terms, saying, “We’re more like a headhunter [...] We go through our database and find people that seem to be good matches for the openings from these companies.” The hope is that it will provide students with the chance to gain higher visibility among potential employers, regardless of whether they come from a privileged academic background. The example cited to underscore how this can benefit students is for those that perform well in an Udacity course, and employers are able to see those students.\(^95\)

In the case of one computer-science course offered through Udacity, the online students took the same quizzes and tests as a group of students enrolled at Stanford University at the same time. The top 411 students all came from the thousands of students who took the course online, with the strongest-performing

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\(^92\) Ibid.


\(^95\) Ibid.
Stanford student ranking 412th in the final standings, said Mr. Thrun. (That Stanford student earned a 98-percent score in the course.)

Finally, Udacity has also recently collaborated with Pearson to construct a content licensing model, charging students $89 to take these exams – slightly lower than what edX is likely to charge. This plan represents strong potential revenue streams, although at price points as low as $89-$100 per exam, that potential remains relatively limited for now.96

**OPEN2STUDY**

Australian MOOC competitor Open2Study partners with Australian universities, vocational/technical institutions, and industrial entities to offer free, open, online courses.97 Universities include: Curtin University; Griffith University; International College of Management; Macquarie Graduate School of Management; Macquarie University; and RMIT University. The number of courses offered by participating institutions vary by institution, and Open2Study reports the number of students taking courses at each participating institution. Detailed information is difficult to acquire, but some information is available from Griffith University and Monash University. For instance:

- Open2Study reports 1,038 students are taking the two Griffith University subjects currently on offer.98
- Griffith University, a shareholder in OUA, holds less than 20 percent of the company; it does not specify the monetary value of this holding.99
- Griffith had more than 5,000 full-time-equivalent students enrolled in its OUA offerings in 2012.100
- Griffith recently developed an online strategy to help the University deliver its own online courses in addition to its OUAs courses. This strategy intends to respond to the shift in higher education to an online platform that the institution anticipates in the near future.101
- In 2005, the stated value of the Open Universities Australia company held by Monash University was $100,000. The value was $200,000 in 2004.102

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100 Ibid., 14.
101 Ibid.
MOOC2Degree

The MOOC2Degree initiative is very unique, in that it sidesteps entirely another problem facing MOOCs: the question of credit for taking a course. Most MOOCs offer the content free of price, but award no credit towards a degree upon completion – except in cases where some are attempting to monetize MOOCs by charging for credentialing. The business plan underlying MOOC2Degree is to take “existing programs that are offered online (but not as MOOCs) and are fully accredited through their host institutions, and make[...] the first course [within these programs] into a MOOC -- open to all and free, but awarding credit to those who complete successfully.” This is potentially a good way to encourage individuals interested in higher education to enroll in courses, who may need an initial push to begin their studies. In addition, and while depending on the course in question, this model could attract students that already have advanced degrees, and are interested in further education.

The parent company behind MOOC2Degree is called Academic Partnerships, and they assist the partner institutions with converting the courses to MOOCs. Institutions have free access to the Canvas Network – a content delivery platform – to develop and deliver their courses. The idea is to make money for both sides as follows:

The MOOC2Degree model encourages increased enrolment in degree programs, which will subsequently increase tuition revenue for the university. Each of our universities will approach this according to their own objectives and strategies. In the MOOC2Degree model, the free course applies to an existing course in an online degree program.

Under this plan, increased revenue comes from essentially funneling students that take a MOOC2Degree course into an institution’s full time ranks of students. Academic Partnerships receives a portion of that increased revenue, but the exact amount is unknown.

For now, the MOOC2Degree service is only available for non-profit, public universities. But Academic Partnerships expects that other universities – including for-profit institutions – will develop their own versions of the model. Currently, there are five institutions and one university system participating in the MOOC2Degree initiative: Cleveland State University, Lamar University, the University of Arkansas System, the University of Cincinnati, the University of Texas at Arlington College of Nursing, and the University of West Florida.

104 Ibid.
105 “About Us.” MOOC2Degree. http://www.mooc2degree.com/about.php#academic
107 Ibid.
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