The developing MOOC market

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Although the business models are not yet clear and income generation is unproven, there is a huge amount of interest in the possibilities of Massive Open Online Courses (MOOCs) to take part of the traditional higher education market, and also, potentially, to create new markets—that is, to attract new "customers" to higher education, or to offer new higher education products to existing customers.

We have seen unbundling of services taking place in other marketplaces over the last two decades, and seen dramatic change in some industries, as traditional providers of products and services have specialized their provision, and outsourced sets of products and services, where they can be provided more effectively and efficiently by others.

To date, higher education has been a fairly closed and restricted market, which has largely escaped this move to unbundle and specialize. This is because accreditation of higher education qualifications has been restricted to specific providers rather than open to a competitive market, by providing most of the requisite facilities and services themselves, rather than through third-parties. With notable exceptions, such as some of the private providers, most universities have provided a bundle of different products or services, ranging from accommodation for students, to leisure facilities, tuition, examinations, and accreditation. Many markets have become increasingly specialist and have provided smaller bundles of services from a single provider, but higher education providers have often moved in the other direction and have increased or enhanced the services that they provide. Particularly in the United States, this approach is used to justify a significant price tag for a whole higher education "experience" with universities that have a similar offer in terms of quality of academic provision and similar rankings in league tables, competing on the basis of "extras" such as climbing walls and fancy swimming pools.

However, as the scalability of Internet technology impacts upon higher education provision, and we see different products—like online- and distance-learning courses, and MOOCs—emerge, the higher education product is also beginning to unbundle in some cases, and there is the potential for a range of service providers to enter the marketplace and provide some of the services to universities. We saw some examples of this in the case studies, where universities are working with third-party providers of examinations under invigilation conditions. In online- and distance-learning, student recruitment may commonly be provided by a specialist, third-party organization.

As we have discussed, MOOCs are an immature and unproven product and their market is unknown and unclear, so it may seem strange that profit-making organizations are keen to enter into the MOOC market as fast as possible. Demographics, with a growing market of young people seeking higher education and whose demand is not currently being met, and the opening up of previously restricted markets, by

allowing some new entrants to grant credit, probably explains the rush to offer higher education products.

Below, we will describe some of the new entrants, and main competitors, entering into the higher education market through the use of Internet technologies.

For-profit online providers of higher education

The obvious competitors to traditional providers of higher education are the online and for-profit higher education providers that have appeared in recent decades, with mixed levels of success. Companies such as the University of Phoenix, Laureate, and Kaplan have become familiar international brands, either providing the full range of higher education services themselves or working through partner organizations, particularly with traditional universities. While the reputation of some of the independent, for-profit universities has been damaged by high dropout rates and sometimes poor quality assurance, providers of unbundled services working in partnership with existing institutions seem to be more successful and growing relatively quickly.

In the United Kingdom, for example, the University of Liverpool has for a number of years worked with the for-profit company, Laureate, to provide "the University of Liverpool Online," which offers 100% distance-learning postgraduate degree courses to many students each year. In this particular example, the University provides accreditation and academic credibility, while Laureate provides a large bundle of different services—marketing and recruitment of students, administrative services, and also provides the technical platform, and supports the creation of quality-assured learning resources and even tuition of students. The University provides accreditation of the academic qualifications, and perhaps most importantly, the internationally recognized brand that helps to attract students, parents and others to consider the University of Liverpool Online to be credible enough for them to invest in for their futures.

There are a number of companies that provide some parts of the student experience lifecycle. Companies such as Academic Partnerships and Embanet Compass will offer a flexible range of different services to their university partner or customer, from market research and recruitment services, to technology services (like hosting content), through to student-facing services, such as support and even student retention, but also providing some aspects of "academic" services, such as course development and even training of academic staff. This level of unbundling begins to seriously blur the boundary between the university experience that is provided by the university itself and that which comes from its expert provider or partner. It is a controversial area, and the issues are not clear cut.

The MOOC freemium model can offer a potential value to providers of higher education services, offering as it does a way to cut through traditional market share and offer possible customers the opportunity to sample their product directly and at no cost. These types of companies are also interested in the freemium.

Publishers

Both educational and mainstream publishers are likely to be interested in MOOCs and their future, both as a threat and as an opportunity. As a threat, because MOOCs seem to go further support the model that quality content is available for free from the Internet. As an opportunity, because by using an educational model that focuses upon content delivery through technology rather than through the use of physical campuses, MOOCs may open up the marketplace for other providers of content to compete with universities. The possible unbundling of the university "products" and its potential to open up provision to a broader range of service providers has been much discussed in recent years, in particular in the report "An Avalanche is Coming" (Rizvi et al., 2013) and Bacow, Bowen, Guthrie, Lack, and Long (2012).

As we have discussed, unbundling offers the potential to break up of the traditional university product into a number of different possible services or offers. Organizations like publishers have experience of owning, or acquiring rights to, huge amounts of academic content, and repackaging it to create new products. As the university product is increasingly delivered in a virtual form, it becomes much easier for a content owner to provide parts of the experience. In addition, organizations such as Pearson offer other steps in the educational life cycle, such as certified testing services for examinations, and a network of bricks-and-mortar testing centers. Hardly surprising that Pearson has already teamed up with various university MOOC providers to partner in pilot projects that involve following informal participation in MOOCs online with formal testing at accredited test centers (Pearson, 2013).

So we see that the unbundling of higher education offers opportunities for organizations like publishers who have traditionally provided some pieces of the traditional university offer, to refocus or even expand their offer. And this is not just about understanding how to acquire, manage, and disseminate academic content; publishers are also able to use their expertise in managing and analyzing huge amounts of digital data, offering "added value" services of data analysis or analytics. It is no coincidence, for example, that Houghton Mifflin Harcourt recently bought an "educational solutions" company, Chapters, which provides learning portfolios and accreditation services, and announced a partnership with Knewton, one of the leading adaptive learning companies—in total, providing many of the components that will potentially provide a personalized and adaptive learning experience.

Software and systems service providers

As discussed above, many industries have seen a breaking down of their traditional products into smaller services, with a number of different companies specializing in providing parts of the product life cycle or pipeline. This approach means that new

entrants are able to offer specific and tailored services to higher education, and also to cross the traditional boundaries to provide some of the services that the bricks-and-mortar university would traditionally have to provide for itself.

Over the last 20 years, we have seen the growth of companies, such as Blackboard (the most popular Learning Management System in higher education), providing products that universities use to manage digital educational content and interaction with learners. As content management has increasingly moved into a cloud-based model with content (and increasingly applications) stored and managed on specialist systems that are remote from the content creator, software providers are also able to provide parts of the IT-enabled higher education system.

We have seen the "move to the cloud" has impacted upon the provision of local university IT services, such as email and storage. In this scenario, the systems are sold to the University as a service, rather than the University buying, hosting, and maintaining its own, local implementation of software. The university may increasingly buy specialist services, such as plagiarism detection, from a range of different providers, rather than buying one set of IT systems from a single provider.

As discussed in the previous chapter, the use of IT systems to underpin parts of the education system also brings with it the potential to store, manage, and analyze educational data of all kinds, in ways that have never before been possible. There are new opportunities for specialist companies such as Knewton to build upon their product and provide services that have not been possible before, such as predictive testing of academic ability, and truly personalized, individualized educational systems—and many are well aware of the potential benefits that this may bring to their market share—see the views expressed by the CEO of Knewton, Jose Ferreira (2014).

Implications for universities in the future

So we can see that the higher education market has the potential to become much more volatile and to include a much wider range of possible service providers, and possible partners, than was previously the case. As the virtual delivery of some of the services of the university becomes widespread, the university product will in some cases begin to "unbundle." So what does this mean for current universities?

On one hand, there are positive possibilities inherent in a model where the university can choose to buy the "best of breed" service or product from a third party. Where providers specialize in the creation of particular parts of the university product, there is potential to offer a better service to students, potentially with greater personalization, and more choice. It may be possible to offer degrees at a lower cost if the university is able to buy in services in a more flexible way, buying what they need and when they need it, rather than having to build and own everything for themselves. However, this is the promise and not yet the reality for many parts of the university life cycle; buying in services may lead to less choice and poorer quality of service to the student. Experience to date with providers of some online, cloud-based services is not wholly positive. There are also issues with sensitive data, such as personal information, being stored and managed by external companies.

There is no doubt, though, that the greatest amount of innovation is likely to take place in companies that are trying to create new, competitive higher education products. Universities are advised to monitor change closely and to make purchasing—and partnership—decisions based upon the current and planned expertise of their current and possible future providers.

What is also clear is that the unbundling of the university product, at the same time as demographic changes and changes to accreditation, means that the higher education market is opening up to new entrants. Universities are advised to closely monitor changes in the higher education marketplace and to seek out the right partnerships and opportunities that will help them to achieve their strategy, making the best use of expertise from new and specialist providers as appropriate. They may need to seek out new sources of expertise and develop new skillsets in their staff, to make the most of the opportunities that will arise over the next 10 years. MOOCs provide one, lower risk way to experimenting with new partnerships and models of delivery.

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