University Strategies in the Online Learning Marketplace

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Abstract: Universities worldwide are faced with enormous challenges as they decide on how the rapid changes in technology and the widespread availability of the Internet will impact upon their modes of operation. This paper examines the strategic planning implications of cost, risk, quality, and potential outcomes driving universities' investments in online learning. It explores a continuum of valid strategic positions universities can adopt, based on their analysis of these factors.

Universities attracted to Web-based delivery need well-defined policies and strategies in place that will give them the best chance of promoting effective learning, gaining market share, generating profits, and demonstrating leadership in the quality of the online learning experiences they offer. In order to achieve such ends, a university must partner strategically, build its capacity wisely, and manage its online business commercially.

What Options Does A University Have In Defining Its Online Profile?

Every university needs to make a choice among ‘big picture’ strategy alternatives. For example, five possible options are suggested below, ranging from simple Web-assisted learning (effectively opting out of the competition) to one requiring a significant university commitment to Web-based delivery. In Australia, the national government’s Department of Education, Science and Training (DEST) definitions of mode levels A, B, and C indicate the degree of Web-dependence a course displays. They do not and should not be taken to indicate that, for instance, Mode C is necessarily best in all circumstances. Rather, the choice of mode should be seen as reflective of the university’s strategic market focus and pedagogical philosophy.

![Figure 1: Continuum of online profile options](image)

Option 1: Web-supplemented (DEST Mode A)
This option uses Web components to enrich the learning of a student cohort that is primarily campus and classroom based. Web use is recommended by the teacher, but is not strictly required in order for students to achieve unit outcomes. Universities may opt to offer this level of Web enhancement for some or all of its courses as a result of any of the following considerations:

- The course content is primarily hands-on laboratory or technical work.
- Students are unlikely to have good online access.
- The institution has decided to very gradually use the Web as one way to enrich the high-quality face to face learning experience that is already a distinguishing, marketable feature of the university.
- The particular course caters for only a small, local student population, and that population finds it relatively easy to attend regularly scheduled classes.

Online resources provided at this level can range from basic unit information to inclusion of other resources such as access to databases, and other topically relevant Websites, links to the university library and other student services. Given the traditional emphasis on on-campus teaching, it is likely that a university will find the largest number of its online learning resources and units will be at this level. Some institutions also start their online endeavours at this level. Though this is changing as student expectations rise, many courses marketed as ‘online’ have been primarily delivered via traditional print distance education.

**Funding implications:** Costs depend on features that are included and the condition of pre-existing course and unit resources. Average costs would range from a minimum of $500 to $5000 for the development of the materials.\(^1\)

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**Option 2: Flexible Delivery using Web-dependent Units (DEST Mode B)**

At this level, Web use is required, but other learning resources and/or experiences are also essential unit components. The Flexible Delivery option packages a mix of learning resources to support substantially online unit delivery. At this level, units and courses usually need at least moderate redesign to take advantage of Web affordances to create a more learner-centred environment. Hence, instructional designers, multimedia and Web-production personnel are typically involved. If this is the teacher’s first foray at this level, then supportive professional development is also essential.

Universities may opt to offer this level of online engagement for some or all of its courses as a result of any of the following considerations:

- It can enhance quality assurance for offshore programs.
- It aligns with the needs of an older local student population with work and home commitments that make traditional university attendance problematic.
- Students can be expected to have good online access.
- The university’s IT infrastructure can provide reliable, reasonably high-speed access to remote learners, and to at least the library.
- The university has made a strategic commitment to using the Web to create more learner-centred teaching, and has aligned the necessary financial resources and support services.

**Funding implications:** Bates (2000) estimates costs for the development of a Web-based new unit to be around $28,300 Canadian dollars. Any such figure is simply an estimate. Bates gives four ways to estimate: ‘wild guesses’, ‘marginal costs’, ‘careful estimates’ and ‘actual costs.’ Multiplying such a figure by the number of units to estimate the cost of whole courses denies the possibility of economies of scale with template developments and other savings. The figure is also rubbery because the total cost will depend on the nature of the unit itself, and the tasks and resources that need to be produced.

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**Option 3: Secondary Player**

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\(^1\) Unless otherwise stated, all dollar values are given in Australian dollars. With the exchange rate typical in mid-2002, the Australian dollar is worth a little more than half a US dollar.
A Secondary Player profile would involve offering Mode B or Mode C (fully online) units and courses. The critical feature here is the use of external providers (e.g., Open Learning Australia or OLA) for course management and marketing, in return for a percentage of enrolment income.

Universities may choose this approach for some or all of their online courses. For example, Curtin University of Technology offers most of its online courses through OLA, but also administers some directly. The decision to go to the market through a large broker or distributor can be influenced by factors such as:

- A determination that at least some programs can reach larger markets.
- The costs of reaching that wider audience are shared through a consortium approach.
- An opportunity to join with a larger provider that offers the IT infrastructure and support, and perhaps administrative support as well, that would be too costly for the individual university.
- A desire to enhance the university’s name recognition through association with more widely known consortium members.

**Funding implications:** Funding implications will depend on the nature of the relationship, for example, whether the outside provider pays the university for unit development, or whether the university underwrites and contributes units. Administration, infrastructure and maintenance costs would need to be covered. However, the cost of joining a consortium can be significant.

**Option 4: Primary Player**

A primary player provides a fully e-commerce-enabled, e-learning Web Portal for all student-university interactions; may host secondary players’ courses in non-competing areas; and markets through direct channels (e.g., Website, direct mail, advertising) as well as indirect channels (e.g., brokers, links to consortia and other accrediting universities).

Universities can reasonably consider this option when, for example:

- Their IT infrastructure and administrative systems are all integrated, online, robust on a 24x7 basis, and secure, allowing for all student transactions and services, as well as units, to be delivered entirely via the Web.
- They have identified programs with strong actual or potential online learning markets. These markets offer enough income to cover not only course development, delivery, and upgrading but also marketing and at least a portion of significant ongoing IT infrastructure and administrative system improvements.
- They have developed and debugged the online courses for these markets.
- They have strong name recognition in their selected market segments, and have experienced success in marketing their online courses.
- They have developed and implemented policies and practices that assure quality staffing, quick response times from teaching and support staff, and reasonable workload formulas for delivering online courses that will meet the quality standards of their face-to-face programs.
- They have made the financial commitment to continued updating and enhancement of all of the above.

**Funding implications:** Infrastructure and development costs for the portal would be needed, together with management and maintenance costs. It is important to remember that the rapid pace of IT evolution, coupled with increasingly intense competition for online learners means any primary players will need to commit very significant funding on a long-term basis.

**Option 5: Pacesetter**

*Pacesetters* may be traditional universities or commercial entities. *Pacesetters* contribute to the advancement of online learning, pushing the boundaries and defining the rules of the game. In addition to being a primary player, *Pacesetters* make major contributions such as:

- development of software for student-centred online teaching and learning
• development of new benchmark virtual university environments
• models for online interactive support of online students
• evaluation of virtual university outcomes
• business models for an online virtual university
• models and templates for effective online course development
• adaptation or development of effective administrative systems
• integration of on-campus and online flexible delivery
• models for the management of staffing and workload issues
• partnerships with other providers
• commercialisation of intellectual property

Funding implications: Pacesetter status results from a strategic commitment to deliberately pursue this position on the playing field. It requires significant prompt and ongoing realignment of resources, as well as resource enhancement through major grants, partnerships, and commercial arrangements.

Conclusion: Strategic Planning Recommendations

A university may target different levels of Web involvement for different markets or different curricular areas. A key criterion for targeting resources should be identification of the university’s strong and strategic course offerings, as well as those of emerging strengths and strategic significance. However, the university as a whole must also choose appropriate targets to provide the underlying marketing, and technology and staffing arrangements required by the academic programs.

Online teaching and learning does not offer universities a ‘sure bet’ opportunity for increasing enrolments, reducing costs, or enhancing their reputations. The online learning market is highly competitive, yet the parameters of success in that market are not yet clearly defined. A prudent business-like approach to the possibilities, challenges, and risks e-learning presents would encompass market research including identification and analysis of potential partners and competition, analysis of expertise and resources within the university, strategic direction and priority-setting, an evaluation of the university’s technical and staff readiness, plus careful cost-benefit and risk analysis.

Reference