Chapter 54
MOOCs Business Models

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ABSTRACT

MOOCs have grabbed the headlines and rightfully become the focal point of the disruption under way in higher education. The environment in which MOOCs and other forms of online education operate is changing virtually every day. The viral nature of MOOCs has been apparent through the rapid growth of providers, participating (significant) institutions, faculty members involved in providing courses, students enrolled, and other measures. And MOOCs are starting to exhibit the second trend desired by their startup investors: MOOCs don't seem to be going away. More courses are being added, more faculty members and students are becoming involved. While MOOCs have captured the interest of many, the business models and return on investment are still evolving. The aim of this chapter is to present an analysis of various business models being used by various MOOCs providers along with some future monetization strategies for MOOC providers.

INTRODUCTION

MOOCs have- grabbed the headlines and become the focal point of the presently ongoing disruption in higher education. MOOCs and other forms of online education currently operate in a very dynamic environment that changing virtually every day. The viral nature of MOOCs has resulted in the rapid growth of providers, participating institutions, faculty members involved in providing MOOCs, and students enrolled. The second noticeable trend of MOOCs desirable by the investors is that MOOCs don't seem to be going away. More courses are being added, more faculty members and students are becoming involved, and each passing day demonstrates that MOOCs are not a temporary success. Online education may truly disrupt, in unprecedented ways, more-traditional approaches to higher education (Association of Governing Boards, 2013). MOOCs have captured the interest of many. Still the MOOCs business models and return on investment are still evolving (Bernhard, Bittel, Van Der Vlies, Bettoni, & Roth, 2013).

DOI: 10.4018/978-1-5225-9615-8.ch054

Marketing is one key motivation why any university would give away free what it has traditionally charged tuition. The first-movers in MOOC revolution, such as Harvard, Stanford, and Massachusetts Institute of Technology (MIT), are American universities. These universities are attempting to re-brand themselves as global universities, expanding their reach to a very large number of new students in hundreds of countries around the globe. A report on the future of universities in Australia predicts MOOCs and similar trends mean, "the likely outcome of the next 10-15 years is the emergence of a small number of elite, truly global university brands" (Ernst & Young, 2012, p. 10). Marketing is also a key motivation for some institutionally supported MOOC providers such as Open2Study. Open2Study delivers MOOCs with explicit links to degrees offered by Open University Australia members on each course page (Hare, 2013). Social altruism is a second reason. Coursera describes itself as a social entrepreneurship company that "envisions a future where everyone has access to a world-class education that has so far been available to a select few" (About Coursera, n.d.). Coursera, edX and their partner institutions promote stories of MOOC learners in many developing countries (such as India) who are benefiting from a university education, learning which is highly restricted or unavailable in their home countries (Viehland, 2014).

The aim of this chapter is to present an analysis of various business models being used by various MOOCs providers along with some future monetization strategies for MOOC providers.

THE MOOCS BUSINESS MODEL

The Business Models of "FREE"

The word "free" can mean lots of different things. However, all of these are variation of one thing: shifting the cost of a product or service from person to person, between now and the future or into non-monetary markets and back out again. Four business models exists that make things available for free: Direct cross-subsidies, Three-party markets, Freemium, and Non-monetary markets (Anderson, 2009).

In the Direct cross subsidies model, the producer provides the consumer product 1 for free in anticipation that consumer subsequently will purchase product 2. For example, a super market may offer one item below cost in a hope that, while in the store, the customer will be enticed to purchase another item which generates a profit. Companies usually try to subsidize those products customers are highly sensitive about (such as per minute call charges of a mobile phone service) and try to generate profits on other products.

In Three-party markets model, the first product offered for free to consumers is provided by the producer. Advertisers buy advertisements of product 1 from the producer (product 2) in the hope that when consumer getting product 1 see their ads they will be entices to buy their product (product 3). Let's take an example of a free magazine. A shampoo manufacturer can buy advertisements in this magazine. When customers get his magazine, they will see these ads and hopefully will buy the shampoo. The shampoo company (the advertiser) pay the magazine publisher for the advertisements. This is the most common free business model

In Freemium model, a free version (product 1) is made available to anyone who wants it in the hope some users will then choose to upgrade to the paid premium version (product 2) which has more features. The freemium business model is very widely used on the Web. Take example of a software company. The company may develop a software with two versions: basic and advanced. The company may offer basic version of the software, with limited features, for free to the customers. Once customers get the

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