

Massive, open, online ... and niche

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The massive open online courses – especially Coursera, edX and Udacity – have grabbed student attention with their free online subjects. From no enrolments in early 2011 to heading towards 2 million between them by late 2012 makes the MOOCs exceptionally successful education start-ups.

University administrators around the world are wondering about their on-campus business models.

But so far MOOCs are targeting niche higher education markets. Of the three broad categories of outcomes students hope to get from higher education – learning new things, getting qualifications and having social or life experiences – MOOCs are strong only in the first.

To help students learn new things, MOOCs take advantage of big economies of scale in delivering course content online. After initial course material development and installation of online infrastructure, each additional student does not cost a lot more. Adding computing power and bandwidth is a lot cheaper, and a lot quicker, than building new campus facilities.

MOOC course content in itself does not, however, explain their success. Marketing rather than intellectual, technological or pedagogical innovations helped MOOCs achieve scale. Until 2011, online education was provided by newer, less prestigious higher education institutions. Since then, some of the world's most prestigious universities have lent their reputations to online education through the MOOCs: Harvard, Stanford, Princeton and others. Their involvement also helped trigger millions of dollars worth of free media publicity.

The other MOOC marketing innovation was price. Online course content can be cheap, and the MOOCs made it free. That business model is unlikely to survive unless they find other paid services to bundle with the course. But low cost for course content alone is likely to be an enduring feature of MOOCs.

MOOCs cut costs by not offering much academic support for student learning. Yet support is a valuable service that students want to buy. Very high non-completion rates at MOOCs partly reflect curious people just having a look. But it is also what happens when there is no academic advice or support.

MOOCs are likely to add academic advice and support as a way of making money. "Loss leader" free content will bring in student customers who will pay for support. But MOOCs do not have major competitive advantages over existing higher education providers in this area. The value of elite university brands does not come from their reputation for learning support. They recruit from the top 1 per cent of academic achievers, who need less support than other students. Other universities could also offer free course content, with a plausible claim that their learning support is as good or better than at the MOOC universities.

The MOOCs offer assessment of student work, but not in a way that gives them a competitive advantage over other higher education providers. The difficulties in verifying identities online mean test results cannot easily be authenticated. The MOOCs are planning to use physical examination centres to overcome the identification problem. But this limits what assessment can be done at low cost, favouring once-a-subject exams over assignments or projects. High-stakes exams went out of fashion long ago, and it would be surprising if student demand brought them back.

Most current higher education students are seeking a formal credential but the MOOCs are not in the qualifications market. They do not (at least yet) offer the sequences of subjects that make up a course

major. Nor do MOOCs have the power to award degrees. The MOOCs that are consortiums of universities would think very carefully before seeking that power. There is the risk that they end up undermining their own markets.

MOOCs are obviously not offering a campus experience. This means they cannot compete for students wanting the human contact of campus life. Cheaper, better online education may persuade some of the three-quarters of students who study on-campus to study by mobile, iPad and PC instead. But especially for young students, online is likely to complement rather than replace on-campus education.

MOOCs are significant for raising the profile and standing of online education, and for showing how parts of higher education can be delivered at low cost. But they have not yet found a way to be more than the biggest players in the least lucrative part of the higher education market.

Until they do, "full service" universities will continue to compete with each other more than with MOOCs.

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