Addressing the myths and realities of going online

As a CFO in higher education, you make strategic decisions intended to position your institution for maximum success with minimum cost and risk. Understanding the realities of going online will help you ask the right questions to most effectively impact your bottom line.

Myth: *We'll grow revenue more and scale more successfully if our institution runs online programs internally instead of partnering with an Online Program Management (OPM) provider. We've developed most of the skills we'll need, or we can hire vendors to supplement the rest.*

Reality: Institutions should consider upside opportunity, coordination, and downside risk.

Upside opportunities — In 2017, leading independent researcher Eduventures reported that "On average, schools partnering with traditional, end-to-end OPMs have outperformed their peers in increasing enrollment." There are many reasons for Eduventures' finding. We believe three are especially important.

First, success requires integrating widely diverse skill sets, ranging from specialized market research to digital marketing, recruitment, course development, and student support to improve retention. Relatively few institutions possess all these capabilities in-house; the few that do tend to be among the largest and most nationally prominent.

Coordination — Second, the functions associated with a successful online program must collaborate in sophisticated ways. When institutions seek to complement internal resources with point solutions from multiple vendors, they often encounter coordination problems and finger pointing that compromises their results. For instance, marketers may blame recruiters for failing to convert leads, as recruiters blame marketers for providing prospective students who could never realistically enroll. An experienced OPM company provides and coordinates all these key functions on the institution's behalf.

Third, institutions that can manage one online program internally often find it difficult to scale internal resources as their online presence grows — and programs often must grow to capture economies of scale. It's one thing to build and manage five programs, another to operate 100.

Downside risk — Today, launching a meaningful online presence usually requires seven-figure start-up capital and large ongoing investments. Institutions that partner with an OPM company can offload much of that risk, because these companies makes sizable upfront investments for a share of downstream tuition. If a program doesn't meet its enrollment targets, the partner loses its investment. Conversely, if the institution itself advances millions of dollars, it bears the loss alone.

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Myth: *OPM providers are taking way too much of our tuition.*

Reality: The reality is, this is a risk-reward strategy and a joint-venture where both Pearson and the university share in the results. When it comes to launching new online programs, we typically invest more than an institution, with most upfront, and we have ongoing expenses. What we've created is an opportunity for an institution to reduce its risk. If an institution is willing to take on more risk, we can certainly work with them to reduce our percentage. So inherent in revenue are our costs; and while we're making a profit, it's inline with the net income an institution makes on a percentage basis.

Myth: *Once we have a program up and running, we won't have to invest much in it.*

Reality: It's true that course development costs may decline, though the actual reduction will depend on how often content must be revised, and how often courses must be upgraded for changing technologies and student expectations.

However, marketing, advertising, and recruitment represent a far higher cost in most online programs, and this never trails off. Prospective students must continually be found, and as online programs have become more competitive, institutions have encountered a continuing rise in the cost of reaching and acquiring prospective students.

Myth: *Online programs quickly become profitable and will rapidly generate new income for other initiatives.*

Reality: Online programs usually cost more than institutions expect. Even healthy programs may not break even for three years, and some take five years.

Going online takes a strategic approach, and decisions should be based on solid research and achievable projections. OPM providers work with institutions to agree on these financial and enrollment projections, and are held accountable to these goals. If an institution chooses to take the same strategic approach and fully fund their own programs, it will be critical to success to manage those programs in an environment of accountability.

Myth: *An OPM provider is a typical vendor relationship.*

Reality: Some may be. But the best OPM partners are profoundly involved at the strategic level, providing market research, identifying opportunities, and helping to develop realistic long-term plans for achieving the institution's goals. They work far more closely with academic units and faculty than many institutions expect. Their skills and investments drive value even beyond the online program, at times positively impacting change management at the entire institution.

Let's talk about it

Today's increasingly competitive landscape requires a strategic approach to successfully reach more of the right students where they are. Partnering with Pearson can help you accelerate strategic change while reducing the risks associated with growing your online presence. Our online program management services and community can help your students thrive as you build the brand and reputation you're striving for.

For more information, visit **pearson.com/opm**

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