

Managing the Business Side of Distance and E-Learning

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Agenda

- Recognize business foundations
- Plan for the future with a business strategy
- Justify work with business cases
- Effectively market services
- Wrap-up

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Main Objective

Apply business principles in the administration of distance and e-learning programs.

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Supporting Objectives

- Describe the purpose of a business strategy in the success of a learning group.
- Describe the role of a business case in justifying a learning project.

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More Supporting Objectives

- Describe at least 3 issues to consider when setting tuition rates for learning programs.
- Describe at least 4 ways to effectively market a distance or e-learning program.

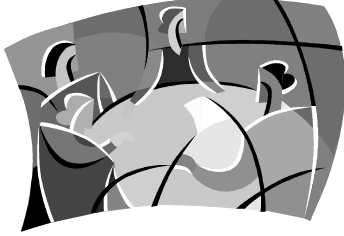
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Setting Expectations

- No magic formulas.
- Rather, effective choices.
- This workshop:
 - Introduces the breadth of choices available
 - Helps hone business instincts

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Exercise One



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What Are Business Issues?

- Ensuring your long-term viability as a unit.
- Usually includes
 - Business models
 - Business strategy
 - Business cases
 - Pricing
 - Marketing
 - Processes for service and support.
 - Supervision of your staff—and your sponsor

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As an Internal Provider

Ensuring durability

- Demand for your services
 - Current
 - Additional
- Receiving funding for current and "stretch" projects
- Building staff
- Managing expenses

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As an External Provider

Ensuring profitability

- Building a steady customer base
- Guaranteeing a cash flow
- Managing expenses
- Fueling growth, either through new customers or broader services

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Markets Differ

Take a moment to consider how these markets differ in (a) type of student, (b) motivation to buy, (c) time frame of use, (d) number of courses taken, and (e) likelihood of completing the program.

- Degree
- Training
- Personal development
- Certification

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Unit 2: Develop a Strategy

- *Exercise Two: Strategic Planning*
- Develop a Framework
- Consider Practical Issues

Exercise Two: Could Strategic Planning Have Helped



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What Is Strategic Planning?

Share your thoughts in the comment area of the screen.

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What Is Strategic Planning?

A process in which an organization anticipates its future(s), identifies its long-term goals, and identifies measures to take to achieve those goals.

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Some Clarifications

- Long-term:
 - Varies among organizations, but usually 1 to 5 years.
 - Contrasts with short-term (varies, but between 6 months and 1 year) and medium-term (varies, but between 6 months and 2 years)
- Measures: as they pertain to projects, processes, and people, and resources (financial, human, logistical technical, and time) to make them happen

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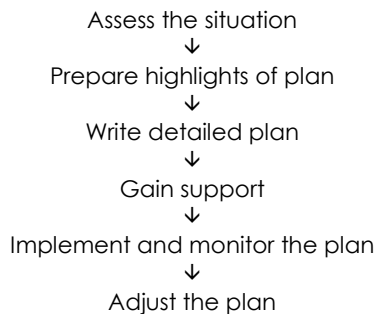
More Thoughts about Strategic Planning

An attempt to:

- Chart a destiny
- Manage change
- Control the uncontrollable
- Plan for the inevitable
- Anticipate the future

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Overview of the Strategic Planning Process



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Strategic Planning: Assessing the Situation

- Determine where the organization "is" and where it might go in the strategic period.
- Involves equal bits of:
 - Forecasting
 - Dreaming
 - Negotiating visions

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Strategic Planning: Preparing the Highlights

- Identifying the key elements of the strategic plan
- Specifically involves:
 - Stating goals
 - Identifying key challenges involved in achieving them
 - Broad measures needed to achieve them
- Usually prepared with key stakeholders present, and an external facilitator

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Strategic Planning: Writing the Detailed Plan

- Breaking down the highlights into a series of do-able projects
- Identifying the priority and timing of these projects
- Identifying the specifics of these projects, such as financial, human, and technical resources, process, key challenges, and a broad workplan
- Do not confuse with a business case

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Strategic Planning: Gaining Support

- Marketing the strategic plan to key constituencies to ensure their support
- In some instances, conducting pilot projects as “proofs of concept”

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Strategic Planning: Implementing and Monitoring

- Implement the strategic plan according to schedule
- According to a schedule identified in the plan, account for progress against the plan

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Strategic Planning: Adjusting the Plan

Respond to changes in circumstances that affect the ability to implement the strategic plan as stated, on schedule, and with the resources identified

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Why Do Organizations Avoid Strategic Planning?

- Not seen as necessary
- Only seen as necessary for the enterprise, not individual units within it (or not "support" units)
- Things change too rapidly
- Too much time

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Preparing the Plan: Format

- Overall direction
- Summary of individual projects in the strategy

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More about the Plan

- Detailed description of individual projects in implementing the strategy
 - Description
 - Value to organization
 - Indicate time frame
 - Indicate support needed
 - Human
 - Technology
 - General financial (not a business case)
- Accountability (evaluation) (separate project)

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Some Specific Projects to Include

- Developing or enhancing the technology and facilities infrastructure
- Marketing (will require resources, including time)
- Supporting learning
- Evaluating individual programs
- Assessing the strategy

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Marketing Change

Preach to the choir
↓
Convert the likely
↓
Convert the less likely
↓
Deal with the obstinate

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Unit 3: Prepare Business Cases for All Major Endeavors

- Master Accounting 101
- *Exercise Three: Do You Believe these Numbers?*
- Develop a Business Case
- *Exercise Four: Build a Business Case*



Master Accounting 101

Revenues – expenses = Net

Products that ultimately do not contribute to the “net” are terminated

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What Is a Business Case?



An economic justification for investing in a proposed product or service. Like a prospectus for a financial product.

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Purpose of a Business Case

- Outline potential benefits
- Anticipate the projected return
- Develop buy-in for the program before investments made

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Parts of a Business Case

- Part I: state the background for the project
 - State the *business objective* for the project
 - State the rationale for the project
 - List constraints and criteria affecting it

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Part of A Business Case (continued)

- Part II: Consider Alternatives
 - Provide component costs for each alternative
 - Provide realistic projections of returns
 - Consider other relevant criteria

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Parts of A Business Case (continued)

- Part III: recommend an alternative that is likely to provide the best return
- Part IV: Project the return

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Typical Alternatives

- Classroom training
- Workbook training
- Online learning
- Performance support
- Combination
- No training

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Issues to Consider for Each Alternative

- How the investment should benefit the sponsor
- How the solution would look
 - Learning product
 - Software (CMS, LMS, LCMS)
- Advantages and disadvantages
- Time to performance
 - Courses: Length of course, number of people, total time to train everyone
 - Technology: implementation, piloting, roll-out

Alternatives for Software

Compare:

- Several brands (state how you chose them)
- Not using this software

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Specific Expenses to Anticipate for Software

- Purchase and lease costs
- Planning costs
- Training costs
- Implementation and customization costs
- Maintenance costs
- Upgrade costs
- End-user support costs
- Fudge factor

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More about Expenses

- Consider all expenses
 - Fully estimate labor costs
 - Consider costs of permissions (license fees), video rentals, video production, maintenance, and marketing,
 - Unmanaged changes
- Realistically project revenues
 - Sales
 - Success rates with containing expenses

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Avoid Overlooking Expenses

- Underestimating labor costs on development, especially graphics
- Overlooking costs of permissions (license fees), video production, maintenance, and marketing
- Unmanaged changes

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Some Realistic Numbers: Expenses

- Total hours of development/ finished hour of instruction: 200-450 (asynchronous), 40-80 (synchronous)
- Labor (contract rates):
 - Instructional designer: \$50-\$125/hour
 - Graphic designer: \$35-\$110/hour
 - Writer/editor: \$35-\$85/hour
 - Programmer: \$50-\$125/hour

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Some More Realistic Numbers: Expenses

- Photography: \$1500-\$3500/day plus rights
- Videography: \$2,000 - \$50,000/finished minute
- Marketing: 10-20% of total expense
- Support: 4-10 hours week
- Evaluation (complete): 5-10 percent of the total budget

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Issue: “Enroning” of E-Learning Expenses

- Technology infrastructure comes from another budget (such as existing ITV network)
- Burying administration costs
- Assuming that trial subscribers will renew

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Anticipating Returns for Courses

- Anticipate for each viable alternative
- Three ways:
 - Directly or indirectly generate revenue
 - Contain expenses
 - Comply with regulations

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Watch Out for Optimistic Projections of Revenue

High estimates of enrollments (out of line with comparable enrollments in classroom)

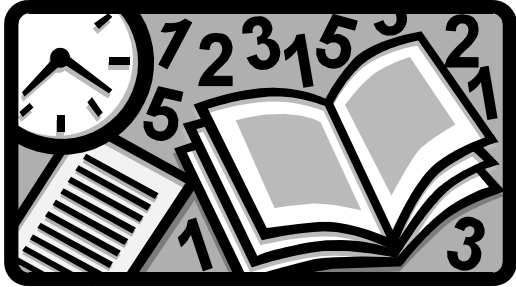
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Some Realistic Numbers: Public Courses

- Enrollments: .25 to 2.5% of the target audience (for courses that are not required)
- Academic tuition: 50-100 percent of classroom equivalent
- Industry tuition (synchronous): \$49-\$79/short webinar/location up to 100% of classroom equivalent
- Industry tuition (asynchronous): varies

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Exercise Three: Preparing a Business Case



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Unit 3: Pricing

Quick-erise

In a pricing study, a marketing research firm asked professionals how much they would be willing to pay for a 3-day classroom course on a technical subject in each of the following formats. What do you think people said? And what do you think the actual price is?

Question (continued)

Format	Price that Consumers Are Willing to Pay	Current Market Rate
Classroom course		
Video		
CD		
Internet-based course		

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Question (continued)

Format	Price that Consumers Are Willing to Pay	Current Market Rate
Classroom course	\$US 1400	\$US 1485
Video	750	750
CD	75	500-1000
Internet-based course	Free	Free-\$1485

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False Assumptions about Pricing

- Learners perceive courses as identical, even when given a choice of media
- Every student in every organization will take every course every year

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Pricing Models for Public Learning Programs

- Models:
 - Cost-based model
 - Multiplier model
 - Value-based model
- Sources:
 - Publishing
 - Academia
 - Training

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Cost-Based Model

- Dominant model
- Calculate:
Costs+desired margin = Price

Number of units

- Example:

$$\frac{\$425,000 + (.2 * \$425,000)}{2000 \text{ students}} = \frac{510,000}{2000} = \$255/\text{unit}$$

2000/students

2000

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Multiplier Model

- Another dominant model
- Calculate:
Unit price* number of units = Price
- Used in classroom, publishing
- Example:
295/day*2 days=\$590

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Value-Based Model

- Desired model
- Based on “what the market will bear”
- Per course
- Subscription
- Volume discounts
- Works best with consulting, unique content expertise

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Common Applications of the Value Model

- New product training: \$495/day or a value-added service
- Subscription: 1 course for \$25 or access to the entire library for \$79
- Volume discounts: accept 200 subscriptions, receive a 10% discount

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How to Choose the Right Model

- Combination of perception, profit
- Might mix models

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Pricing Services Externally

Contracting

(development and implementation)

- Labor
 - Fixed price (preferred), hourly
- Tight market

Consulting (analysis and evaluation)

- Labor
- Per day
- Per service (fixed price)

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Unit 4: Marketing

How long does it take to sell:

- Services
 - (a) 1 month (b) 3 months
 - (c) 6 months (d) 1 year
- Classroom- or conference event
 - (a) 4-6 weeks (b) 6-8 weeks
 - (c) 10-12 weeks (d) 14-16 weeks

Marketing: A Purposeful Activity

Requires:

- Advance planning
- Constant monitoring

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Learning Doesn't Sell Itself

- Collateral and ongoing efforts
- Specialized promotions

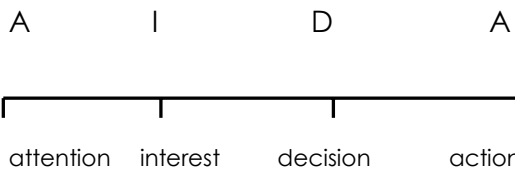
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The 4 Ps of Marketing

- P roduct
- P rice
- P lace
- P romotion

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The Marketing Process



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Exercise Four: Quick Sales



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5 Marketing Communications Tools

- Collateral
- Sales promotion
- Press and publicity
- Business shows
- Telemarketing

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Marketing Collateral

- Basics needed to market materials
- Content: curriculum and course descriptions, enrollment instructions, value-added content (like curriculum planners and self-assessments)
- Forms:
 - Course descriptions
 - Catalogs
 - Curriculum roadmaps

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More about Collateral

- Needed before a course is launched
- Available for day of announcement
- Update regularly

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Where to Publish Collateral

- Online (as your website)
- Catalogs (should be duplicate of online content)
- Send e-mail message with notice of updated catalog

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Promotions

- Short-term announcements intended to generate quick enrollments and use of services
- May take one or more of the following forms:
 - Pricing action (sale, premium)
 - Flyers and advertisements
 - E-mail messages
 - Newsletters and web-zines

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More about Promotions

- Send when:
 - After a course announcement
 - When enrollment or usage wanes
- Only prepare after completing collateral (or maintaining it)

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Measurement

- Of marketing materials
 - Publish codes on collateral and promotional materials
 - Track codes at inquiry, enrollment, or purchase
- Of “lists”

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Also Measure Enrollments

- Compare actual demographics with anticipated ones
- Compare actual enrollment levels with anticipated ones
- Determine phase in product life cycle by acceleration or deceleration in enrollments
- Adjust marketing strategy as course moves through the life cycle

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Other Marketing Suggestions

- Check out the competition
- Conduct sales calls for proposed projects
- Conduct “orientation” for new clients and learners
- Shamelessly promote your successes through press releases and your website

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The Three Ps of Shameless Promotion

- Publish (articles)
- Press (releases)
- Participate in the community

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Business Shows

To exhibit or not to exhibit?



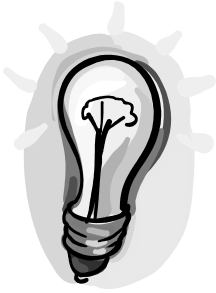
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More Suggestions

- Publish an annual report, with:
 - Gee whiz statistics
 - Business results
 - Services offered
 - How your organization supports the organization

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Take-Aways



Name at least 2 practical tips, techniques and ideas that you will apply in your work.

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Learn More about It

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And

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