

# Online Higher Education Market Update 2008

## *Market Size, Forecasts and Differentiation*

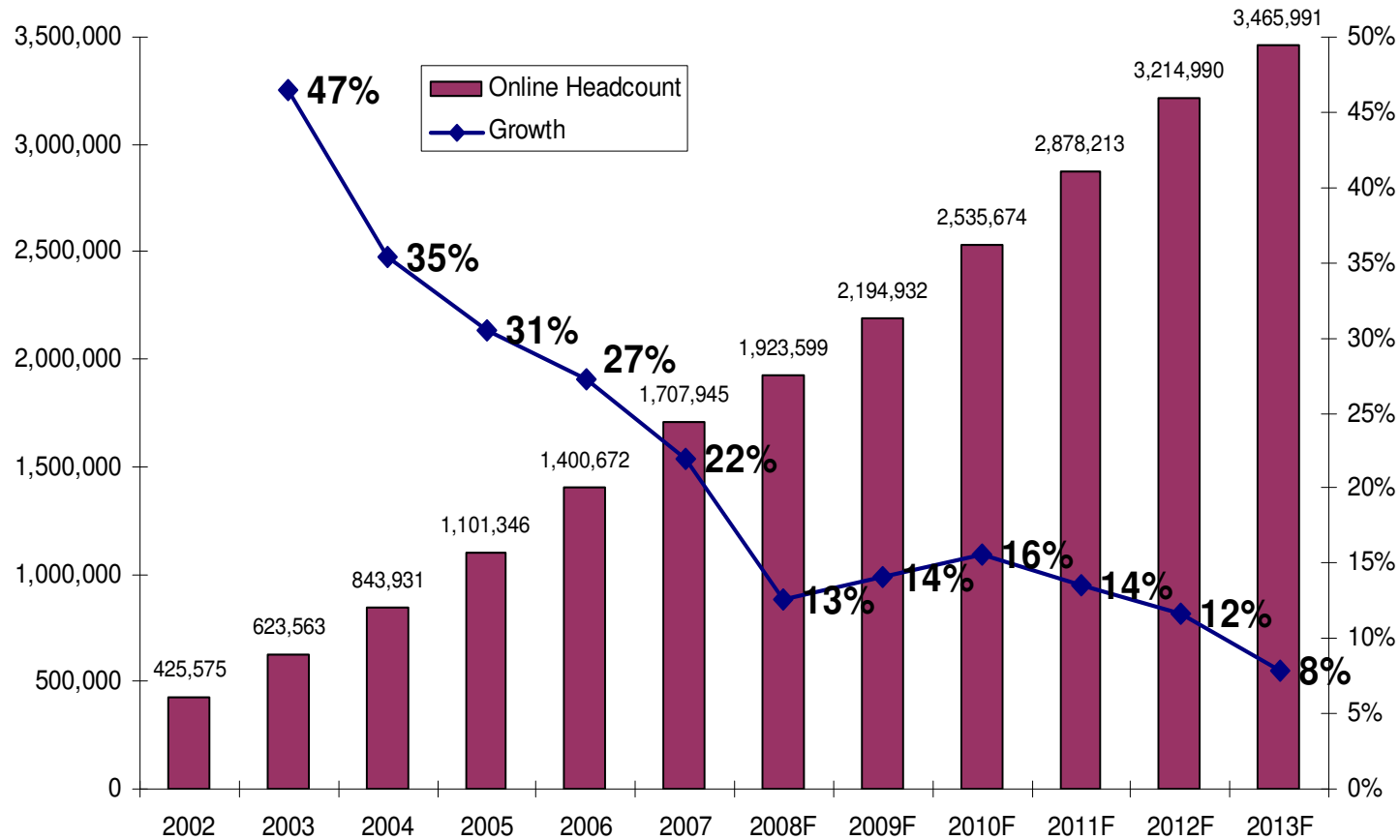
**Online Higher Education Learning Collaborative**  
Eduventures, Inc.

**December 2008**

## Eduventures Study Provides Market Size and Forecast Data and Highlights Growth Factors

- Online headcount forecast to reach almost 3.5 million by 2013 (c.18% of all students)
  - Based on fall entry in degree-granting, Title IV schools only
  - Online is defined as 80%+ of formal instruction online
- Current economic downturn may initially slow growth in short-term; online will then become strongly counter-cyclical
- Post-2013, more significant traditional student or international participation may be key to further expansion
- A maturing market is forecast to drive a more nuanced and diversified approach to positioning and differentiation

## Online Market Continues to Grow Steadily and Represents ~10.6% of All Students Today and a Projected 18% in 2013



Assumes major recession from Q4 2008 through 2009- where cyclicality (weakness in some non-military tuition assistance, corporate training, consumer confidence) may offset conventional counter-cyclicality

## A Number of Variables and Assumptions Impact Forecasts

- Nature of Downturn
  - Perception, severity, impact
  
- Adults
  - Post-2013 growth may be inhibited by upper limits of online share of adult market
  
- Traditional Students
  - Possibility that traditional age student participation online at program level will be post-2013 growth vehicle
  
- International
  - Role that online may play for cross-border higher education
  
- Fall v. 12 month headcount
  - Norm of Fall reporting in U.S. higher education may undercount online market size

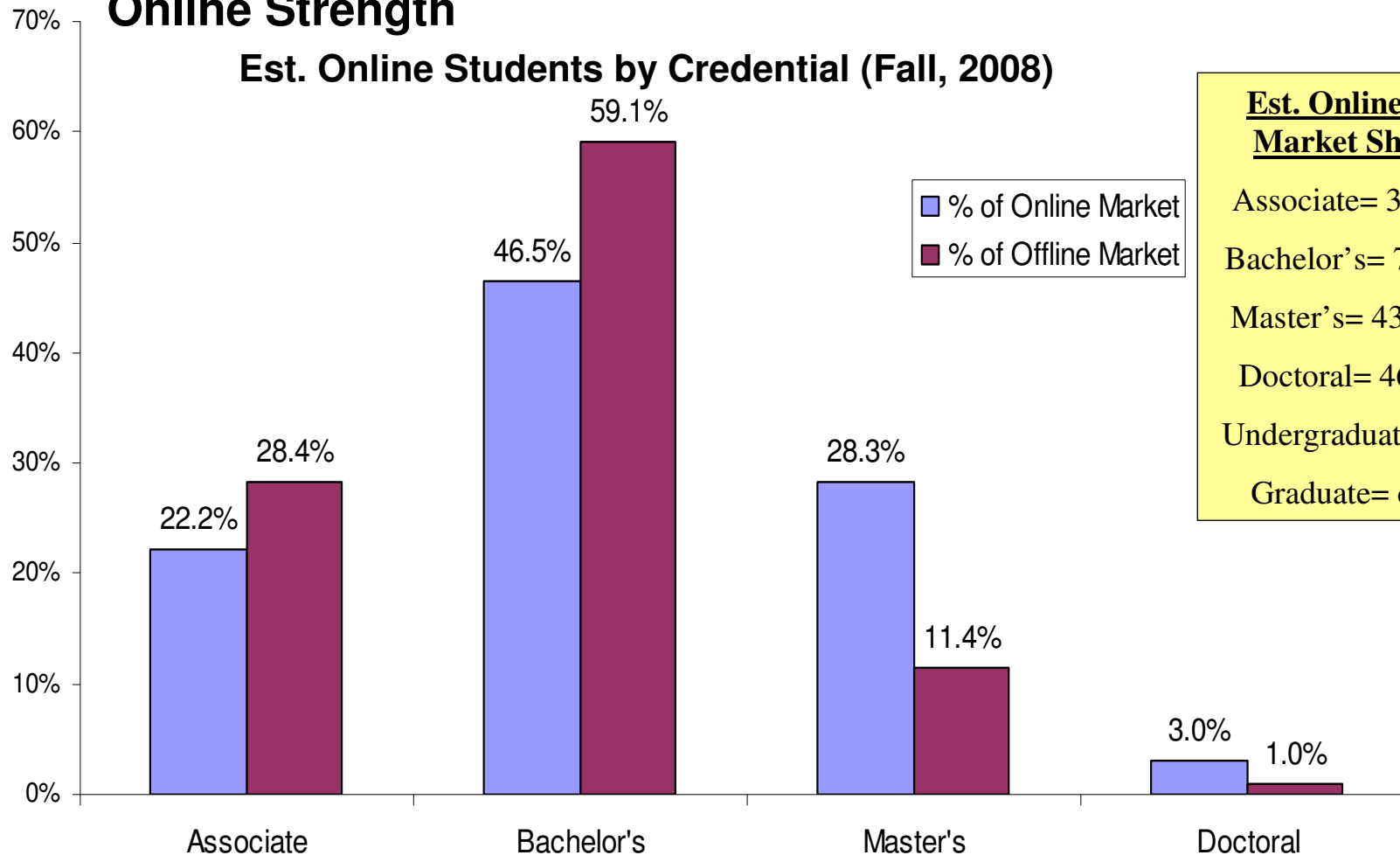
## For Profit Schools Retain Disproportionate Share of Online Market

- For-profit strengths remain- speed to market, execution, marketing spend/technique, customer service, online fit with mission
- Pressure on for-profit share- steady normalization of online at publics with local/national brands, and often much lower prices points

Forecast, Fall 2013	Higher Education Market Share	Online Market Share (+/-2008)	Online Headcount (+/- 2008)
<b>For-Profit</b>	7%	30% (-2%)	1,040,000 (+c.400,000)
<b>Private Non-Profit</b>	19%	12% (-2%)	416,000 (+c.140,000)
<b>Public</b>	74%	58% (+5%)	2,010,000 (+c.1,000,000)
<b>TOTAL</b>	100%	100%	3,465,991 (+c.1,500,000)

# Undergraduate Is a Relative Weakness While Graduate Level Is an Online Strength

Est. Online Students by Credential (Fall, 2008)



**Est. Online Headcount & Market Share, Fall 2008**

Associate= 339,000 (c.7.9%)  
 Bachelor's= 708,000 (c.7.9%)  
 Master's= 431,000 (c.21.3%)  
 Doctoral= 46,000 (c.24.1%)  
 Undergraduate= c.7.9% online  
 Graduate= c.21.5% online

Undergraduate programs emphasize completion programs at bachelor's level with relatively few online programs at community colleges and less academically experienced demographic

## Online Program Growth Is Driven By a Number of Components

Component	Impact
<b>The fact of online delivery-convenience, flexibility</b>	Basic contrast with conventional campus-based delivery
<b>Focus on the adult learner</b>	Basic contrast with an institutional mind-set focused on the traditional age student
<b>Mass market programming/audience</b>	Programming concentrated in high-demand areas; may embody a particular level (e.g. graduate) or disciplinary focus
<b>Niche programming/audience</b>	Programming has no or few competitors; audience is non-standard; meets addressable need
<b>Brand- local/regional</b>	Established reputation by geography; tough for competition to match
<b>Brand- national/international</b>	National/international reputation/presence counters local brand loyalty; broadens applicant pool
<b>Marketing spend</b>	Outspend the competition to gain visibility
<b>Marketing technique</b>	Use of innovative/efficient marketing, including partnerships with feeder organizations, to increase visibility, control costs and improve conversion
<b>Back office functionality</b>	Enhance understanding/efficiency of the value chain; increase customer/staff satisfaction; improve margins

## These Components Will Continue to Be Critical, But Not Sufficient for Differentiation

- Student decision-making becomes more demanding and rational
- Schools will become more self-aware of the nature/value of current approaches/assets, and will do more to position this to the market
- More nuanced aspects of online offerings will become much more developed and visible, and necessitate a more complex explanation for online growth

<p><b>1. Common Positioning Undifferentiated</b></p> <p>Faculty Financial Aid Pedagogy/Student Experience Pricing Scheduling/Acceleration Status/Experience/Size</p>	<p><b>2. Uncommon Positioning Undifferentiated</b></p> <p>Alumni Awards and Rankings Credit Transfer News Section/Blogs Partnerships Platforms Student Body/Diversity</p>
<p><b>3. Common Positioning Differentiated</b></p> <p>Programming Student Support</p>	<p><b>4. Uncommon Positioning Differentiated</b></p> <p>Outcomes Programmatic Accreditation Values</p>

Source: Competing in Online Higher Education 2008, Parts 1-3  
(OHE-LC, 2008)



# Learn More About How the Eduventures Online Higher Education Learning Collaborative Can Help You Position For Growth

Eduventures Online Higher Education Research Tracks include:

- **Marketing and Recruitment**
- **Operations**
- **Programs and Markets**
- **Teaching, Learning, and Outcomes**

For more information about our research and consulting services, please contact Lauren Berry: [lberry@eduventures.com](mailto:lberry@eduventures.com) or visit our Web site: [www.eduventures.com](http://www.eduventures.com)