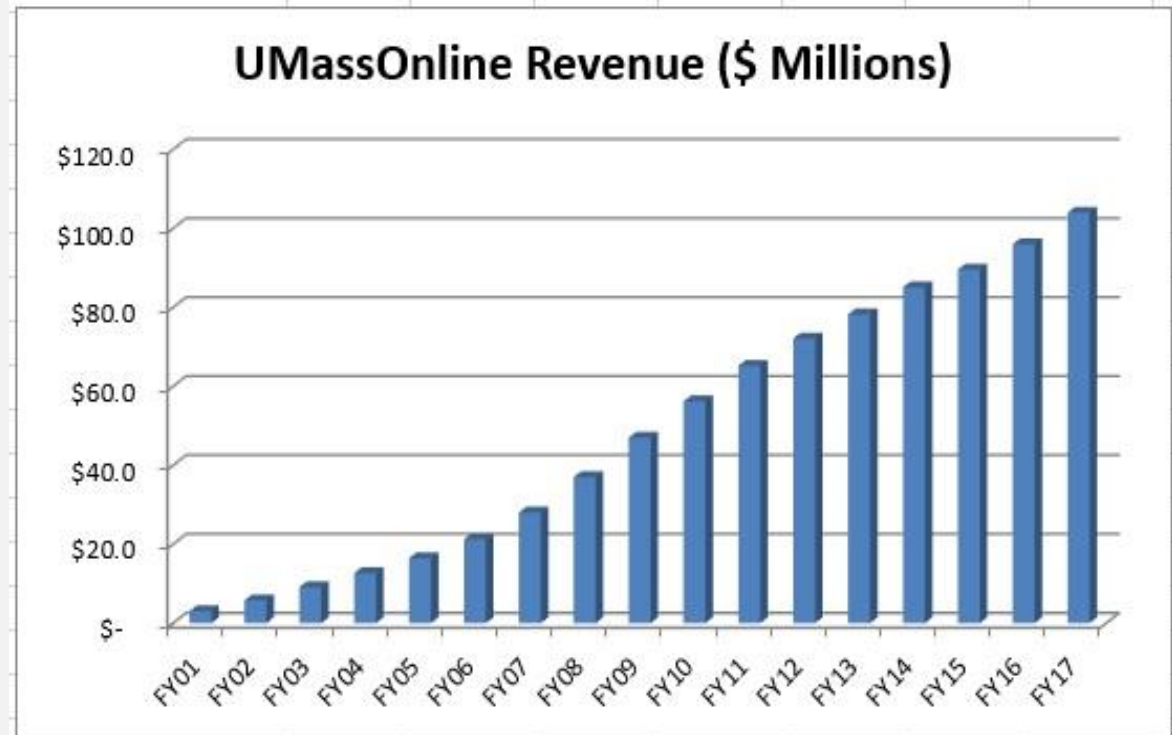


UMassOnline (UMOL) 2001-2018

Dr. Jack M. Wilson
Distinguished Professor of
Higher Education,
Emerging Technologies,
and Innovation



Segmenting the market and finding your target

When UMass Online was being created in 2001, we began to think about who might want to take our online courses. We knew that there were lots of students in higher education. According to the National Center for Higher Education Statistics there are 17,487,475 students enrolled in the 1440 institutions of higher education in the United States. Now THAT is a good sized market.

Of course we did not plan to limit ourselves to the United States, and we knew that there were many people employed who might like to be enrolled, but could not do so in a traditional institution.

In our more realistic moments we also knew that this last group might be a more interested market and that most traditional students might not consider online education as an alternative.

In order to sort this out we began to consider the market in segments (we began to segment the market). There were graduate and undergraduate segments. You could segment the market by age –traditional 18-22 year olds and the older students. You could also consider various domains of expertise: business, engineering, nursing, hospitality management, humanities, criminal justice, and many more.

We eventually settled on a general target market with two pieces. Our target market was employed persons who were 25-45 years old, and needed to finish a degree to reach their professional goals in life. The two pieces were:

- 1. Students who had some college but left before finishing a degree to take a job.
- 2. Students who already finished their bachelors degree, but were in a job situation where they needed a graduate degree, perhaps in another field, to continue to advance in their career.

Focusing on the target

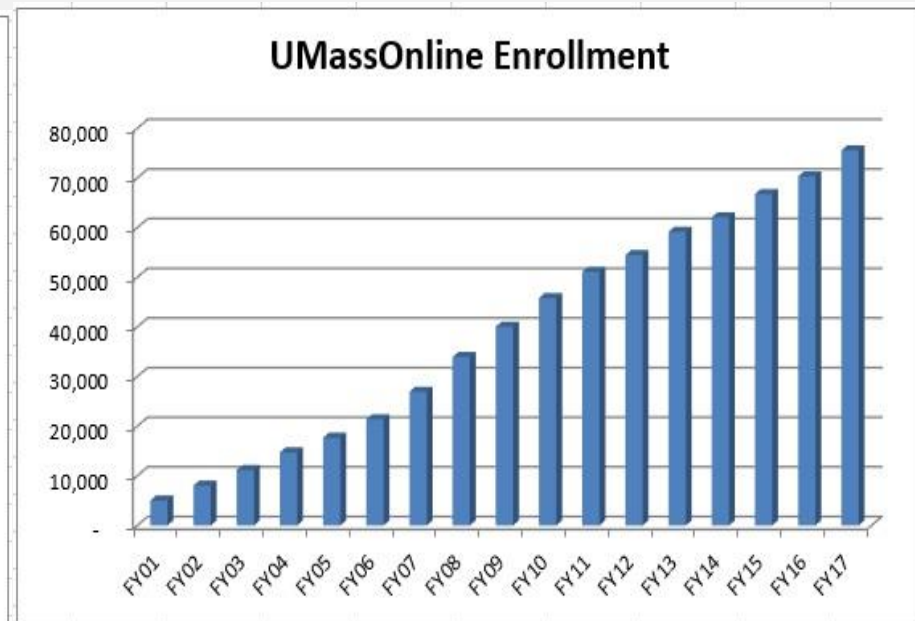
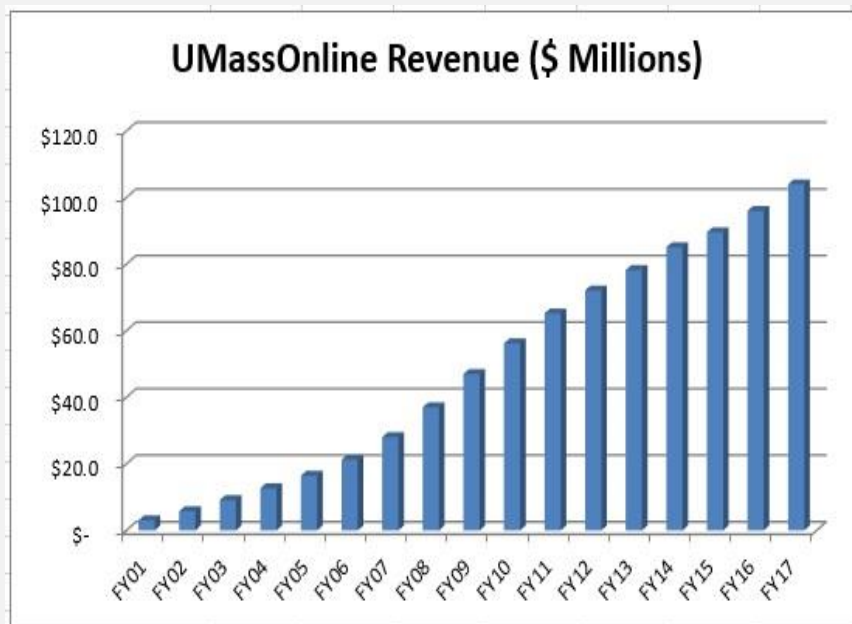
- Once we had settled on this target market with two pieces, we then began to think about the kinds of degrees that might fit, and the kinds of programs and courses we would have to offer to meet this need.
- For those who were interested in completing a Bachelor's degree we identified three initial possibilities:
 - a general BA degree,
 - a general BS in Business degree, and
 - an RN to BS degree program.
- For those who were interested in the graduate programs we also found a few good initial targets:
 - Professional MBA –this could serve needs of those already in business, but could also help engineers or others who were working in areas in which they were expected to take more of a managerial and leadership role.
 - MS in Information Technology –in an era when IT was transforming everybody's job!
 - MS in Hospitality and Tourism.
 - We had many others coming long soon thereafter.

Position in the Market

- UMassOnline also need to find its position in the market.
 - Would we be a “Legal Seafood” or would we be a “McDonalds.”
- We discarded a report from Price Waterhouse Coopers that suggested that we go after the mass market with separate faculty, separate curriculum, and separate degrees. Many other went this direction
 - (Columbia University with Cardean and Fathom, Temple, Phoenix, Kaplan, ITT, etc.)
- We made the decision that we would position ourselves up market to keep our brand identity and core competencies.
- We agreed that UMassOnline would use the same faculty, the same curriculum (approved by the faculty), the same admission standards, and that we would grant the same degrees as on campus.

So how did we do?

- So how did we do at segmenting the market and finding a target market and position in that market? The numbers tell the story:



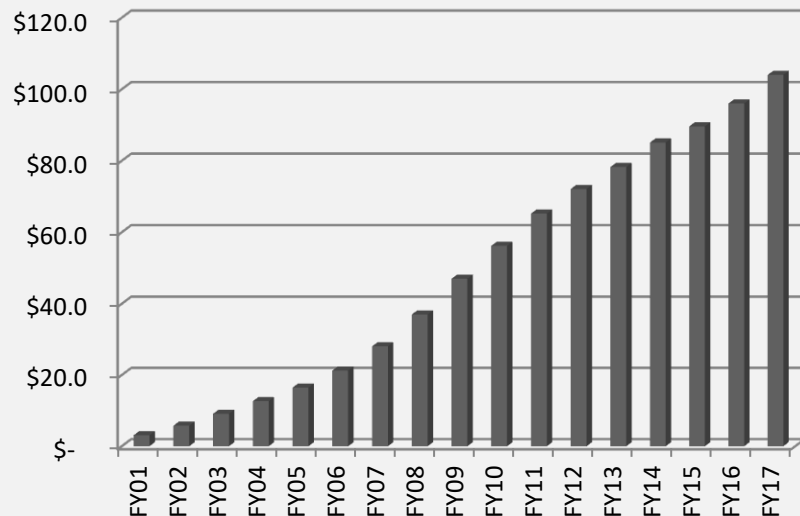
Revenue is generating nearly 60% net margins.

You may also notice that UMOL managed to get through the two great recessions of 2002-2003 and 2008-2009 without even a slight hitch!

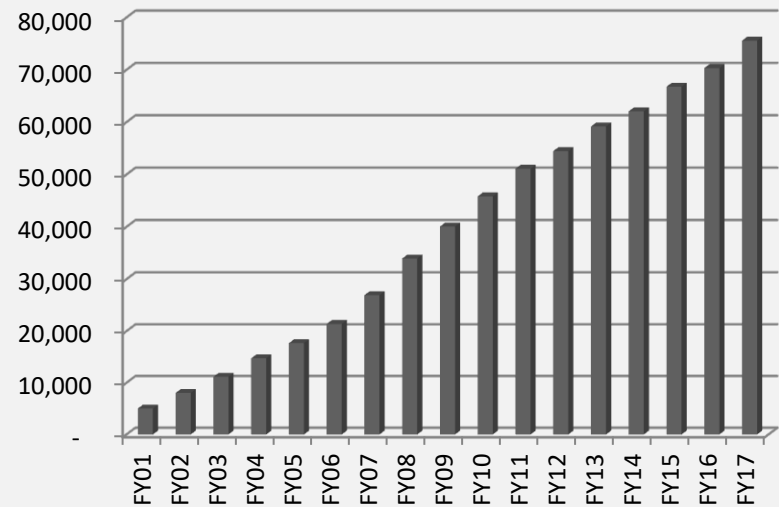
UMassOnline Revenue and Enrollment History

UMassOnline Data																	
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Revenue (\$ Millions)	\$ 3.1	\$ 5.8	\$ 9.1	\$ 12.7	\$ 16.5	\$ 21.2	\$ 28.0	\$ 37.0	\$ 47.0	\$ 56.2	\$ 65.2	\$ 72.1	\$ 78.2	\$ 85.1	\$89.60	\$ 96.0	\$ 104.0
%frm prev		88.0%	58.0%	39.0%	30.0%	29.0%	32.0%	32.0%	27.0%	20.1%	16.0%	10.6%	8.5%	8.7%	5.3%	7.1%	8.3%
Enrollment	5,015	8,024	11,154	14,723	17,667	21,378	26,936	33,939	40,048	45,815	51,097	54,461	59,165	62,066	66,767	70,318	75,565
%frm prev		60.0%	39.0%	32.0%	20.0%	21.0%	26.0%	26.0%	18.0%	14.4%	12.0%	6.6%	8.6%	4.9%	7.6%	5.3%	7.5%

UMassOnline Revenue (\$ Millions)



UMassOnline Enrollment



UMass 2017 Report on Financial Indicators -Definition: Total course enrollments in online courses. Percentage rate of growth in annual course registrations. Academic Year 2015-16 represents Fall 2015, Winter 2016, Spring 2016, and Summer 2016 enrollments. **Data are for fully online (100%).** Source: UMassOnline

Segmenting the Market

You begin with a study of the industry in which the firm intends to compete and determine the different potential target markets (market segments) in that industry.

At this point it is important not to be too ambitious. Recall our discussion of the lack of market focus that doomed Segway to a very disappointing start. Segway did not identify a target market. Instead they addressed a overly broad range potential markets. It is often said that a person with ten priorities has no priorities. Similarly, a new company with ten target markets has no target markets. In general a new organization does not have sufficient resources to target more than one target market in the beginning.

As we saw earlier in discussing the start-up of UMassOnline, markets can be segmented in terms of

- Characteristics of customers served
- Type of product or service developed
- Price range of product or service

Selecting a Target Market

Begin by evaluating the attractiveness of each potential target market.

Different markets may be at different stages and rates of growth as well as sizes.

UMassOnline picked the age range of 25-45 year old students since this was the fastest growing and least well served part of the market. We picked the particular group of employed 25-45 year olds since they had an ability to pay for the experience and they could not easily attend more traditional graduate and undergraduate programs.

Key Marketing issues– Establishing a Brand

- A brand is the set of attributes that people associated with a company.
 - Positive attributes:
 - trustworthy, dependable, or easy to deal with.
 - Negative attributes:
 - cheap, unreliable, or difficult to deal with.
- How to establish brands?
 - Choose a name easy to remember
 - Create a logo symbolizing your business
 - Create a brand personality
 - Communicate to your target market
- And most importantly: ensure that the product and services that you deliver reinforce the positive aspects of your brand.

Brand Identity

- The point of a brand is to quickly, reliably, and accurately convey to the public the key characteristics of your product and/or service.
- Some confuse prestige with brand. Prestige is an aspect of brand, but is not synonymous with brand. For example:
 - If I am traveling on a long trip auto trip in unfamiliar territory with my children or grandchildren, I may seek out McDonalds (or some other national fast food brand) for dinner to ensure that I get reasonable quality food, served in clean surroundings, and with a menu of items that I know the children will like.
 - If I am in Boston with other adults and planning to have dinner, I have never considered McDonald's but often select Legal Seafood.
 - In both cases, the brand is an accurate indication to what the customer expects and both brands are very valuable.
 - Most would say that Legal Seafood is the more prestigious brand, but which is the more valuable brand?
 - McDonalds:
Annual Rev. = ~\$28 Billion. 440,000 employees
 - Legal Seafood:
Annual Revenue = ~\$200 million. 4,000 employees; >



If it isn't fresh, it isn't Legal!®

Branding UMassOnline

- We have seen that the University decided to adopt a marketing position in the upper end of the market.
- UMassOnline declined to lower standards to compete with the other mass market players like the University of Phoenix, Kaplan University, Education Corporation of America, ITT Technical Institutes, and others.
- The University required that UMassOnline adopt
 - The same faculty hired by normal processes
 - the same curriculum (approved by the faculty),
 - the same admission standards,
 - the same degrees as on campus.
- The academic programs were operated by each campus, but the platform, marketing, organization, and approvals of course inclusion were all done collaboratively by the system.

Appendix

Appendix

- The following slides give references to the source of the data used in this case.

- **UMass Press Release: August 17, 2017**

- <http://www.umassonline.net/news/2017-08-17-UMassOnline-achieves-record-high-enrollment-and-revenue>
- **UMassOnline achieves record-high enrollment and revenue**
- ***New milestones met with 75,000 enrollments and \$100 million in revenue in FY17***
- SHREWSBURY, Mass. — The University of Massachusetts set new records for online enrollment and revenue in Fiscal Year 2017, highlighting the university's commitment to access and growth in online education.
- UMassOnline course enrollments reached 75,565 for FY17, up 6.6 percent from the previous year, while revenues surpassed \$100 million for the first time ever, up 9.2 percent from Fiscal Year 2016.

- **Inside Higher Ed August 30, 2017**

- <https://www.insidehighered.com/digital-learning/article/2017/08/30/umass-online-surpasses-100-million-annual-revenue-enrollment>
- **Growing Enrollment, Out of the Limelight**
- Amid a landscape of highly visible public university behemoths like Arizona State and Penn State World Campus, UMass Online hits \$100 million in revenue by putting its campuses first.

- **UMass Annual Financial Report -2017**

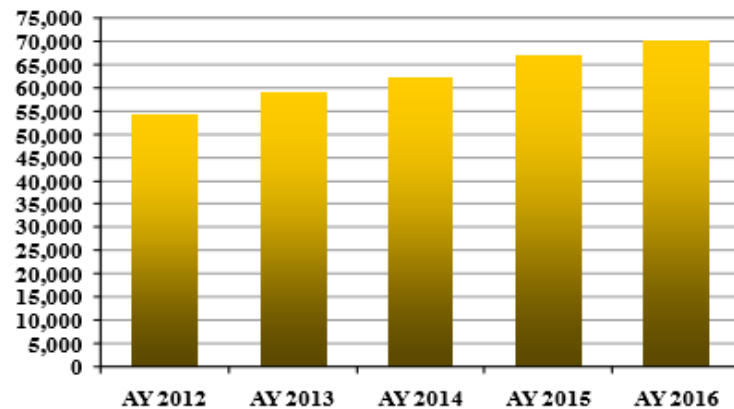
- https://www.umassp.edu/sites/umassp.edu/files/publications/2017_Annual_Financial_Report_0.pdf
- The online learning consortium of the University, UMassOnline, has also shown significant growth in enrollments, course offerings and revenue generation benefiting the campuses and raising the profile of the University throughout this important sector of the higher education market. UMassOnline provides marketing and technology support for UMass' online offerings that enable students, professionals, and lifelong learners to take courses anywhere, anytime. With over 160 undergraduate and graduate degree, certificate and professional development programs and more than 1,500 courses available from University faculty, UMassOnline is one of the largest accredited online programs available. For fiscal year 2017, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue in excess of \$104 million and supported 75,565 course enrollments, an increase of 9.2% for revenue and an increase of 6.6% for course enrollments as compared to fiscal year 2016.

UMass 2017 Annual Indicator Report

- UMassOnline expands programs to provide educational access. UMassOnline reaches diverse and geographically dispersed learners. In AY 2015-16, course registrations for UMassOnline were at 70,318, representing a 5% increase over AY 2015-16

- <https://www.umassp.edu/sites/umassp.edu/files/publications/2017%20Annual%20Indicators%20Report%2007212017%20F.pdf>
- FY2016

UMassOnline currently delivers 157 programs to diverse and geographically dispersed learners. Course registrations in UMassOnline continue to grow at a steady rate. Last year showed an 5% increase in online course registrations (AY 2015-16).



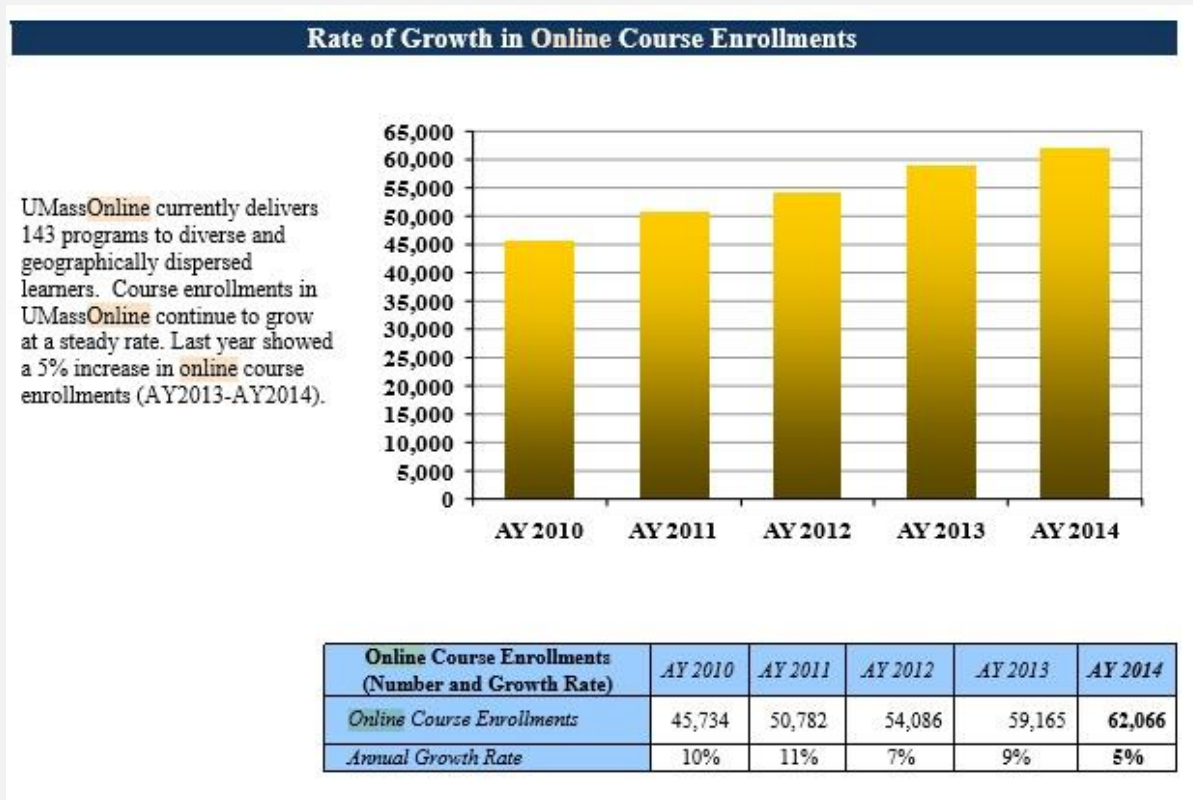
Online Course Registrations (Number and Growth Rate)	AY 2012	AY 2013	AY 2014	AY 2015	AY 2016
Online Course Registrations	54,086	59,165	62,066	66,736	70,318
Annual Growth Rate	7%	9%	5%	8%	5%

UMass 2016 Annual Financial Report and Fact Sheet

- For fiscal year 2016, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue in excess of \$96 million and supported 70,864 course enrollments, an increase of 7.2% for revenue and an increase of 6.1% for course enrollments as compared to fiscal year 2015.
 - https://www.umassp.edu/sites/umassp.edu/files/content/publications/controller/2016_Annual_Financial_Report.pdf
- UMassOnline is the University of Massachusetts' nationally acclaimed online education consortium that features more than 1,500 online courses and 157 online certificate and degree programs from the five UMass campuses. Since its founding in 2001, UMassOnline continues to grow, with 70,000 course enrollments in FY16 across the five campuses.
 - <https://www.umassp.edu/sites/umassp.edu/files/content/publications/institutional-research/facts-2016-2017.pdf>

UMass 2015 Annual Indicators Report

- UMassOnline expands programs to provide educational access. UMass Online reaches diverse and geographically dispersed learners. In AY 2013-14, course enrollments for UMass Online were at 62,066, a 5% increase over AY 2013-14.
 - <https://www.umassp.edu/sites/umassp.edu/files/publications/2015%20Annual%20Indicators%20Report%20F.pdf>



FY2015 –UMass Budget Office Disclosure Report

- In addition, the University has a system-wide online education consortium called UMassOnline, which in academic year 2014-2015 offered approximately 1,500 online and blended courses and had 66,767 course enrollments.
- UMassOnline
 - In February 2001, the University launched UMassOnline, the University's system-wide online education consortium. Headquartered at the President's Office Collaborative Services Facility in Shrewsbury, Massachusetts, UMassOnline enables the University to provide greater access to its educational programs and to increase revenues that can be used to support the campuses. In **fiscal year 2015**, UMassOnline and the Continuing Education units at the five campuses collaboratively generated **tuition revenue of \$89.6 million** and supported over **66,767 course enrollments**.
 - UMassOnline's mission is to provide access to a University of Massachusetts education to students who are unable to attend one of the campuses, serving community needs for education in the critical areas of economic development, health and welfare and education, and raising revenues for support of students, faculty, teaching, outreach and research. To this end, UMassOnline supports the campuses in developing, growing and marketing online programs by funding the development of new online programs, providing faculty support, development and training, providing technology support and by creating and maintaining a robust platform for online learning, assessing new teaching and learning technologies, and deploying marketing programs that will position the University as a high-quality national leader in online higher education, as well as increase online course and program enrollments in the Massachusetts, New England, national and international markets.
 - In academic year 2014-2015, the University offered over 147 online degrees, certificates and continuing medical education programs, as well as 1,500 online and blended courses.
 - <https://www.umassp.edu/sites/umassp.edu/files/content/resources/budget-office/bond-issues/6-30-15%20University%20Disclosure.pdf>