



Borrowing Big Learning's Business Models

Leading Learning Podcast
Transcript for Episode 371

Jeff Cobb: [00:00:00] Business models are a key part of the strategy of learning businesses, and thinking through who you charge or might charge, what you charge for, how much you charge, and who you might share costs or profits with is a powerful exercise.

Celisa Steele: [00:00:18] I'm Celisa Steele.

Jeff Cobb: [00:00:19] I'm Jeff Cobb, and this is the Leading Learning Podcast.

Jeff Cobb: [00:00:28] Business models are a key part of the strategy of any business, but, in our experience, learning businesses often don't devote enough thought to business models.

Celisa Steele: [00:00:36] Learning businesses can take a set-it-and-forget-it approach to their business models, but in this episode, number 371, we want to make the argument for revisiting your business model periodically. Looking at what products and services to create, revise, or sunset is a valuable and essential exercise for learning businesses, and we want to add business models to the list of things that would benefit from regular revisiting.

Jeff Cobb: [00:01:05] And, while we think that many learning businesses probably aren't giving business models enough mental space, we will acknowledge that we're seeing and hearing signs that at least some learning businesses are thinking about business models more. For example, we're seeing growing interest in and discussion of subscription models. That'd be one sign of proof that business models are on people's minds. We've talked about things like adding coaching to programs and other types of variations in how you're monetizing the value that you offer to your audiences. There are little signs here and there, but I think a much more focused discussion of business models is still very much in order.

Celisa Steele: [00:01:48] And, as we frequently do when we discuss something like business models, I feel like a definition is a good place to start. At its heart, a business model is simply

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how a business makes money. It is the monetization strategy that goes with whatever products and services a business has to offer.

Jeff Cobb: [00:02:08] That's right. How do you translate that value that you are providing into actual income, into actual dollars in the bank that you're able to pay people with and continue investing in your money? Of course, we talk all the time about reach, revenue, and impact. A business model plays into all of those, but, obviously, it's central to the revenue part of that triad.

Celisa Steele: [00:02:32] And you're unlikely to come up with a completely novel idea for a business model. But I will say I don't think that's bad news. We think there's still room for incremental innovation and maybe some experimentation—this innovation at the edges that we have mentioned before.

Jeff Cobb: [00:02:52] Yes, definitely. There's no need to reinvent the wheel here, in most instances. That means that it can really be worthwhile paying attention to what other businesses are doing and, specifically, what other learning businesses are doing to learn from them. While it's usually not the case that you can just take somebody else's business model lock, stock, and barrel, you can pretty heavily borrow the elements of other business models and make them part of what you're trying to do to monetize.

Celisa Steele: [00:03:26] And so what we would like to do specifically in this episode is take a look at business models and drawing specifically on the examples that we are seeing Big Learning providers offer to the market. Now, what do we mean when we say Big Learning? I'm thinking of companies like Coursera, edX, and Udemy.

Jeff Cobb: [00:03:51] Khan Academy, LinkedIn Learning, The Great Courses, and MasterClass. The fact is learning is big business now, mostly because of what technology has made possible. So many types of organizations have gotten into the learning business, and that's meant a lot of focus on what business models actually work.

Celisa Steele: [00:04:12] And so one reason we think looking at Big Learning providers can be helpful is a two-fold answer to "Why look to them?" One is they're actually likely competitors, whether or not you recognize them as competitors. They might not be direct competitors in terms of subject matter or content, but learners today have a variety of needs, and odds are that they are making use of one or more of these Big Learning providers in addition to whatever they might be doing with you.

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Jeff Cobb: [00:04:46] That's right. There's only so much mind space and time that people have for learning. So, yes, they're going to be looking to a lot of different sources, and these Big Learning companies are going to be one of them. I think you mentioned two reasons. Another one would be that most of these Big Learning businesses are probably going to have quite a bit more pressure on them to get a business model right and to generate that revenue than probably is going to be felt by most of our listeners. Most of our listeners aren't venture capital-funded. They'll have a board of directors possibly sitting there breathing down their necks, but maybe not in quite the same way that these companies have investors and shareholders, in the case of some of these big public companies. A lot of pressure there to get things right, so a lot of rapid iteration in many instances to arrive at a working business model.

Celisa Steele: [00:05:40] One other thing, after defining business model—meaning simply that it's the approach to monetizing what you do—and then talking about what we mean by Big Learning because we're looking to them for examples of business models. The other thing we want to do upfront before really digging in is acknowledge some sources that we have in the back of our minds. This is not the first time that we've talked about Big Learning on the podcast. It's not the first time that we've written about it. I guess this is oral, but we've also written about it.

Jeff Cobb: [00:06:09] That's true. I think we first wrote about Big Learning, I believe, in 2016. It's been quite a while since the original blog post we did, "Learning from Big Learning: 15 Lessons," which we will, of course, link to so you can see what those 15 lessons are. And then we did a podcast episode around this as well. We ourselves have been trying to learn from Big Learning and write about it and talk about it for quite a while now.

Celisa Steele: [00:06:35] Then I also recently saw a blog post by WBT Systems around "7 Business Model Strategies to Steal from For-Profit Online Learning Providers." It brought back to mind a lot of what we have thought about, written and talked about in the past. We thought that it would be great to devote an episode to business models and what we might borrow from Big Learning.

Jeff Cobb: [00:06:59] And just a shout out there to the WBT Systems for their blog content. They do consistently put out valuable content that we would recommend to listeners to tune into and make part of their own ongoing learning resources.

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Celisa Steele: [00:07:12] And so in the show notes for this episode at leadinglearning.com/episode371, you'll find links to our blog post, our previous episode on Big Learning, and also a link to the WBT Systems post, which, of course, will put you on their blog site, and you can look at what else they have to offer.

Jeff Cobb: [00:07:31] So we've offered a simple definition of business models. We like to offer definitions. We also tend to like to break things down into components to talk about, which I think is an appropriate thing to do with business models.

Celisa Steele: [00:07:46] And so what we want to talk about today are what we see as four key facets that are going to be part of any business model. Those are who you charge, what you charge for, how much you charge, and who you share costs or profits with. Those are the four facets that we want to talk about today.

Celisa Steele: [00:08:13] We're grateful to WBT Systems for sponsoring the Leading Learning Podcast. TopClass LMS provides the tools for you to become the preferred provider in your market, delivering value to learners at every stage of their working life. WBT Systems' award-winning learning system enables delivery of impactful continuing education, professional development, and certification programs. The TopClass LMS team supports learning businesses in using integrated learning technology to gain greater understanding of learners' needs and behaviors, to enhance engagement, to aid recruitment and retention, and to create and grow non-dues revenue streams. WBT Systems will work with you to truly understand your preferences, needs, and challenges to ensure that your experience with TopClass LMS is as easy and problem-free as possible. Visit leadinglearning.com/topclass to learn how to generate value and growth for your learning business and to request a demo.

Jeff Cobb: [00:09:14] We'll say you can probably find other facets, and you can get more nuanced about each of these facets that we're going to talk about, but we're going to try to hit on some of the high points in each of them. With that first one, who you charge, we're talking here about your audience. Who are you going out to with this business model to provide value and monetize that value? We're really going to break it into two camps for purposes of discussion today. It's two camps that listeners will be familiar with—we talk about this quite a bit—and that's the business-to-business model, sometimes referred to as institutional selling, depending on where you're coming from, and then the business-to-consumer model. So selling to organizations, selling to businesses, or selling to individuals.

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Celisa Steele: [00:10:01] I think our point here, in its simplest terms, is that if you currently are only B2C or only B2B, it might behoove you to think about also adding the other B2 to your business model. We know a lot of learning businesses that focus on the individual learner and really making that case to her, “Come learn with me. Come take this course.” But there’s a lot of power in also making organizational sales and potentially going out to the employer of that individual learner and saying, “Hey, we can help you solve a training need in your organization, and we can do that for all of your employees, or all of your employees that fall in a particular category.”

Jeff Cobb: [00:10:49] There are trade-offs to each. That’s why it could be good to be doing both in your particular learning business. But, the B2C model, you may find in that model that it’s easier or just more natural to develop that tight engagement with the individual learner through your marketing and then with what you’re offering. B2B model, scaling your revenue more quickly can be a great advantage there. But, of course, both of those things can be very advantageous to a learning business. So looking at both of them in terms of who you charge and who your audience is that your business model is serving.

Celisa Steele: [00:11:25] If we go back to Big Learning, this is something that they are doing. A lot of those initial MOOC providers—the Courseras, the edX—really did focus on the individual learner initially, but they also have offerings now where they’re really going after corporate clients and saying, “We can help you with your training needs, and here’s how.” So they have specific messaging for the individual learner and different messaging for that institutional sale.

Jeff Cobb: [00:11:56] Yes, definitely. Udemy is another one that’s done that. We’ve talked about Udemy before on the podcast, had Shelley Osbourne, who was with Udemy at the time, here, and they were very focused on that individual learner initially, being that Amazon.com of online courses. But just like Amazon also has a business-oriented account offering, Udemy started, too, to build out an offering to take into the corporate marketplace, and so they are now both B2C and B2B.

Celisa Steele: [00:12:25] That’s a quick look at the first key facet of any business model—who you charge. Now, let’s look at the second key facet, what you charge for. This, in a nutshell, is the products and services that you charge for, you make available at a cost. But what we want to focus on is that there are some levers that you can play with that will help make your business model more or less successful.

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Jeff Cobb: [00:12:52] Of course, this is a place where you can probably find many levers. We're going to focus on some of the ones that we think are most powerful and that need the most attention. One of those is basically the range from a one-off, one-time experience to an ongoing experience and how that can alter your business model.

Celisa Steele: [00:13:15] I know I just called them levers, but we were talking prior to hitting record, and we were thinking a little bit more of the mixing board on a soundboard. Again, we're back to ranges. We're back to spectrums. So, yes, it's a one-off to ongoing, but there are ranges in between there. Clearly in the one-off camp is something like an e-learning course that a learner gets access to for three months. They sign up, they go through that course, and it's done. As we move towards the ongoing, you could have, again, some variation there. A slightly more in-depth relationship. It might be a bundle where it's multiple courses. It could be for a longer period of time, and you could go through that first course experience that will lead into the next one. And so that's more of an ongoing relationship, but it's not as ongoing as, say, an annual subscription might be.

Jeff Cobb: [00:14:12] Right. An annual subscription allows somebody to return again and again to what's in the catalog that you offer. Or maybe this is configured as a learning path that they're pursuing over some period of time. But, in general, providing them with a way to not have that just one-time experience but to continue to engage with you, continue to engage with the content, and engage with the experience, which, of course, we know, because of what we know about learning science, can certainly be better for really achieving true, deep, and effective learning.

Celisa Steele: [00:14:45] We have a blog post contributed by Jack Courson of the American Speech-Language-Hearing Association on the Leading Learning blog. We'll make sure to include that in the show notes. But it's really the story of ASHA's move to a subscription model. And one of the more interesting points that I think Jack makes is this idea that subscription models are more ethical because, once you really buy into this idea that learning is a process and not a one-off event, why would you sell anyone a one-off event when you know it's not likely to be that effective? And so this is a business model that, then, can align philosophically with an organization's mission.

Jeff Cobb: [00:15:30] Yes. And I think it's worth saying—it's not just worth saying, it's critical to say I think—that, when you're in the learning business, your learning model and your business model should be in alignment. You should be looking at how learning aligns with business and everything you're doing, and, certainly, subscriptions, learning pathways—we'll talk about

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some other approaches here in a minute—that do align with more effective, deeper learning and that also offer different business model opportunities in terms of how you’re able to monetize.

Celisa Steele: [00:16:04] I think, too, that there’s the benefit for a learner to a subscription model where they have that ongoing resource, they are able to revisit and reconnect with ideas and concepts, but it’s also good for the learning business. You have greater predictability around your revenue, and so that is beneficial and can give you, then, insight that might allow you to be like, “Okay, we actually can build this new product line out because we know we’re going to be bringing in X this year based solely on subscriptions.” And so there’s a benefit to the learner, [and] there’s a benefit to the learning business to have more of those ongoing, recurring-type engagements with learners.

Jeff Cobb: [00:16:46] To go back to the Big Learning, that’s why a lot of them are very interested in being able to have these sorts of subscription or membership-type models because that does lead to recurring revenue, and investors and shareholders love recurring revenue when it comes to looking at the valuation of a company.

Celisa Steele: [00:17:03] Another lever that you can play with when you’re thinking about your products and services is supplemental or ancillary offerings. When I say that, I’m thinking about things like a certificate, a microcredential, or digital badge that might go along with completing some portion of an online learning experience.

Jeff Cobb: [00:17:27] This is something we’ve seen in spades with the Big Learning providers. With a lot of them, they started out, and many still are at the point where to take a course—just to participate in the course content—is free. You don’t have to pay anything for that. But, if you want the credential that goes with that course—a certificate, a badge, and that sort of thing—you’re going to have to pay to get that.

Celisa Steele: [00:17:49] And then another place where you could think of an offering as a supplement to a course that you already have is coaching and community. With community, maybe you’re getting access to peers who are going through the content at the same time that you are as a learner. With coaching, maybe you are getting more access to a subject matter expert who can help you think about how to apply what you’re learning or answer your more specific questions about the content. Again, we’re seeing both of those have an uptick and see more prevalence of those in general, but also with Big Learning, where they’re adding in some of these things where you have more access to other people, and that is an additional offering that can help make the course more appealing.

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Jeff Cobb: [00:18:38] We've written and talked about community and coaching on the Leading Learning blog and podcast because they are important to learning, but they do provide these increased value points for your learning offerings. These factor into things like the Value Ramp, which I know we'll get to discussing here in a minute when we talk about how much you're charging for all of this. But these are ways to increase value and to basically attract the people who are going to really value that level of learning experience. So you're kind of differentiating. Some people may not be willing to pay quite as much. You want the more basic offering. Maybe they want the free offering. But then you've got these opportunities to incrementally go up from there with these ancillary and supplemental offerings.

Celisa Steele: [00:19:29] Then another range that we want to talk about is learning offerings that move from casual on one end to high stakes on the other. On the casual end, it might just be I'm curious about a topic, or it might be that I'm curious about a part of a topic. I know, back after MOOCs really took off, there was a debate around the abysmal completion rate for MOOCs. There was this argument: "How good are they for learning if people aren't completing them?" I think that one of the arguments or explanations of that data that makes sense to me is that people weren't in it to complete it. They went in, and they were looking at what interested them, or they needed some small part of that overall massive open online course. Once they got access to that, they were done.

Jeff Cobb: [00:20:23] It's worth saying that we're drawing distinctions between these different levers or dials, however you want to think about mixing these different components. But, of course, there's a lot of overlap between them. They all relate to value in one way or another. For example, somebody who is interested in that more high-stakes experience is probably interested in the credential that is going to signify that experience and is likely to be somebody who's going to be interested in a learning pathway and staying involved with you over time. So you're hitting all three of those dials in terms of what you're charging for in your offering and, probably at that point, have a very high-value offering that's going to be attractive to that specific type of person who's interested in that very high-value offering.

Celisa Steele: [00:21:18] So we've talked about the first two facets, who you charge and what you charge for. The third facet we want to talk about is how much you charge. It's a little hard to talk about what you charge for, which we just talked about, without also beginning to get into how much you charge because they're very tightly aligned. We've talked a lot before about our belief that value and price are interlinked. If you want to be able to charge more, you need

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to provide more value, and that has to be value in the eyes of the purchaser. It can't just be that you think it's more valuable; it has to be something that they truly value.

Jeff Cobb: [00:21:56] We've already been alluding to this as we were talking about what you're charging for because, like you said, you can't fully separate them. They're just so intertwined. We talk about things like the Value Ramp and the Product Value Profile, and those are really all about how you're adding more value, whether it's through those ancillary offerings, whether it's through something that's higher-stakes, maybe higher-touch, or through something that's extended over time. All of those are adjusting value. And, as you said, value and price have a correspondence. So the price is going up with those, and they're giving you options in terms of your business model, how you're able to generate what level of revenue from which audiences with which versions of what you're offering.

Celisa Steele: [00:22:46] We've talked and written a lot about pricing. I will just make a note here to say that on the Leading Learning site, you can find a lot more specific information about pricing. We have a search on almost all pages of the Leading Learning site, and you can just type in "pricing" and take a look at some of those resources that we have if you're more specifically interested in some of the mechanics about how to price. But part of what we just wanted to focus on today gets to this idea of, when you're thinking about a business model, again, you have a range to deal with here, and the range of prices is going to ideally relate to something like the Value Ramp, where you're really trying to think about how does all that we offer tell a logical story and allow people to easily come in? You want free or low-cost offerings, but, then, how do you increase value with other products and, hopefully, move people up that Value Ramp so that you're providing more value and they're paying you more for that value?

Jeff Cobb: [00:23:50] Yes, definitely. We should mention here too—I don't know the extent to which it's truly a part of the business model or not, it would be an interesting question—but we talk a lot about brand, and the stronger your brand is the more you're able to charge at any point along the Value Ramp that we talk about and the more quickly you're able to charge it. It's certainly true that, when we go back to Big Learning, most of the Big Learning companies, they've invested in their brands. They've established brands out there. They are known quantities at this point. And it does help to give them new options in terms of what they're able to do with their business models. If you're well known as a B2C brand, for example, it's going to increase your possibilities of then going to the B2B market, and vice versa. Just that simple example of brand, but keeping brand in mind as you're thinking about your business model and how your business model will help you build brand, how your business model might be dependent upon brand and to what extent, I think is truly important.

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Celisa Steele: [00:24:54] I don't think it's 100-percent true, but most of those Big Learning providers make some level of content available for free. And so, yes, they have strong brands, but they are also really leveraging something like the Value Ramp, where you can come in, you can sample it, you can hopefully see how high quality and effective it is, and then be willing to pony up some dollars for a little bit more elaborate or a little bit more detailed experience with that provider. Although we're talking about business models, and business models are about monetization, it's important to remember that free often plays a strategic role in how you price things.

Jeff Cobb: [00:25:38] And it's funny—a business model, in a way, is almost a process, just like we talk about learning being a process, because you're going to engage with any given learner or prospective learner at any given point in time, but, of course, you want to build that relationship over time. Even if it's for your one-off offerings, you want them to go through multiple one-off offerings, but, hopefully, you're going to pull them in even deeper than that and become the source that they ask for. They're asking for you by name because they trust what you're delivering to them. Of course, that goes back to brand. If people are asking for your learning experiences by name, then you're in a very strong position with what you'll be able to do with your business model.

Celisa Steele: [00:26:20] And one reason that they might ask for you by name is if you have very distinctive content, if it really is unique, and it's not something that they can get from someone else. That's going to make you that much more appealing. If you're offering the same type content that others are, well, then you become more of a commodity, and it becomes much harder to charge very much for what you're offering.

Jeff Cobb: [00:26:45] Yes, definitely. It makes me think again of a company like Udemy. I don't know how distinctive their content is, but they are distinctive because they have so much content. They cover everything. They really can be that one-stop shop, providing everything that a business needs or an individual needs in terms of training. Most learning businesses are not going to be in a position to do that. So you've really got to look at what's truly distinctive in your catalog that you can offer.

Celisa Steele: [00:27:13] It might be a case where you point your learners to other options and don't worry about building content in a particular area. If it's not where you have true distinctive content or a distinctive point of view to add, it might be better off to point learners elsewhere for that piece of it and really focus on what you can deliver that is unique.

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Jeff Cobb: [00:27:34] Definitely. So we've talked about who you are going after with your business model, who you're going to charge, what you're charging for, and how much you are charging. Now, we want to talk about a fourth aspect, which may not jump out at people as an obvious area of business model but really is often fundamental, and that's who you share your costs or profits with.

Celisa Steele: [00:28:01] The short answer to this would be partners. That's who you might share costs or profits with. Partnership is an area where we think there's a lot of potential for learning businesses if you can really think through this. Potential partners might be the employers who your learners work for, and this gets back to the B2B sales that we are talking about, but you may be able to partner with those corporate employers and work with them on developing the content. It could be around content development. It could be around content delivery. It could be around pre-selling to them so that you actually have the funds to develop. We've also talked some about academic partnerships with learning businesses. That's another area where it could make sense to partner.

Jeff Cobb: [00:28:52] Certainly, with other learning businesses that are non-competitive with you—or the co-opetition, I guess, is the term that usually gets used there. Even, at this point, your own subject matter experts. In some cases, it's going to be less about are they going to volunteer for you or get paid by you to do this, but how do you actually go into business with them in a meaningful way? But the core behind this is that often, when organizations are thinking about their business model, they're just thinking about their own organization and what they can do as a learning business out there. But just a little bit of a pivot to think "What if we actually partnered with this other business, with this other organization, with the employers that we're serving, or with the subject matter experts we're working with that could open up some significant new possibilities with our business models?"

Celisa Steele: [00:29:49] And so, then, it can get into licensing arrangements, revenue sharing, or, already mentioned, pre-selling. You begin to get into much more mechanical aspects of how the money flows in those situations. But, at the core, it's about partnership and who it might make sense to work with.

Jeff Cobb: [00:30:05] I think that may need to be the topic for a future podcast to really talk about partnerships and how to consider what you're looking for in partners. Are they going to open up new audiences for you? Are they going to give you access to content that you wouldn't

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have otherwise or to opportunities for extending your content, maybe providing some of those ancillary...if I'm saying that correctly—

Celisa Steele: [00:30:31] I say ancillary.

Jeff Cobb: [00:30:31] —ancillary—to provide some of those extra opportunities that can go with your learning experiences? But there are a number of ways in which partners can provide value within the business models that you could potentially be pursuing.

Jeff Cobb: [00:30:56] Business models are a key part of the strategy of learning businesses, and thinking through who you charge or might charge, what you charge for, how much you charge, and who you might share costs or profits with is a powerful exercise.

Celisa Steele: [00:31:11] At leadinglearning.com/episode371, you'll find show notes, a full transcript, and other resources, including options for subscribing to the podcast, if you're not already subscribed.

Jeff Cobb: [00:31:21] We'd be grateful if you would take a minute to rate us on Apple Podcasts or wherever you listen, especially if you enjoy the show. Celisa and I personally appreciate reviews and ratings, and they help the podcast show up when people search for content on leading a learning business.

Celisa Steele: [00:31:36] And please spread the word about Leading Learning. You can do that in a one-on-one note or conversation with a colleague, or you can do it through social media. In the show notes at leadinglearning.com/episode371, you'll find links to connect with us on Twitter, LinkedIn, and Facebook.

Jeff Cobb: [00:31:53] Thanks again, and see you next time on the Leading Learning Podcast.

[music for this episode by DanoSongs, www.danosongs.com]

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