



Education Revenue: Necessity, Reality, Opportunity

Leading Learning Podcast Transcript for Episode 428

Celisa Steele: [00:00:00] While huge amounts of money are spent on continuing education, professional development, and other forms of lifelong learning, learning businesses often bump up against beliefs that education and learning should be free or low-cost enough to be accessible to all.

Celisa Steele: [00:00:20] I'm Celisa Steele.

Jeff Cobb: [00:00:21] I'm Jeff Cobb, and this is the Leading Learning Podcast.

Celisa Steele: [00:00:29] We believe most learning businesses have three goals at heart: reach, revenue, and impact.

Jeff Cobb: [00:00:35] Reach deals with clearly identifying who you can and should serve and then connecting with as many of those identified learners as you can.

Celisa Steele: [00:00:44] Impact is what makes you relevant and effective by delivering significant and real results for learners, organizations, fields, professions, [and] industries.

Jeff Cobb: [00:00:55] Revenue is the lifeblood that keeps a learning business alive. And it's the revenue piece of this triumvirate that we want to focus on today, in episode 428.

Celisa Steele: [00:01:06] Why pick on revenue out of those three? Why do we want to focus on revenue today?

Jeff Cobb: [00:01:11] Because, interestingly, out of those three, it's the one that can get a little bit of pushback. Or maybe *pushback* isn't quite the right word. I think it can create some discomfort. Very few people are going to disagree that impact and reach are important. Of course you want

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to have an impact. Of course you want to reach the right people. But revenue, you're mixing money and education. It feels a little bit like, "Hmm, I don't know about that."

Celisa Steele: [00:01:39] Maybe part of the reason that we're a little uncomfortable when it comes to education, learning, and money is that in the U.S., K-12, or even pre-K-12, is free. And so it may be that we are conditioned from a very early age to perceive of education as free, and then we come to expect that it should be free and open to all. Now, of course, there are private schools all along that pre-K-12 spectrum, but there is also this free option that exists.

Jeff Cobb: [00:02:12] Of course, we might call it the not-paid-for-directly option because nothing is free. But, nonetheless, if you've got a child, and you want to put them into this system, the system is there because it has been funded for you to participate.

Celisa Steele: [00:02:24] The kindergartner is not having to fork over money out of her own pocket. But, yes, it obviously has to be paid for somehow. But this idea or this association that many of us have between learning and education and low or no cost, that can create some interesting implications for learning businesses and what they can charge for their products and services. There can be a lot of downward price pressure because of this idea of free, and don't we want everyone to have access to education? And, by making it free, we open up how many people can benefit from this.

Jeff Cobb: [00:03:03] And that everyone aspect to the openness and accessibility of K-12 education in particular, that also has implications for what learning businesses provide. There's this impulse that you want the portfolio to cover the full gamut from beginner to expert and all the subjects and topics that might be needed in whatever your particular field or profession is, and you might feel that even more if you have a membership base within that field and profession that's looking to you for education. But then, of course, trying to offer everything and then trying to offer it for free or even at a very low price just isn't a very viable model in most instances.

Celisa Steele: [00:03:43] Which leads us to the necessity of revenue. Even learning businesses that are organized as nonprofits and learning businesses that offer education as a member benefit, even in those contexts learning businesses are going to seek to maximize revenue. Or maybe we should say we believe they should seek to maximize revenue because that means more money is there to be put against delivering on the big-picture mission of that learning business, whether that's helping to raise the bar in a particular field or profession or whether it's

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about empowering each individual to attain their highest level of realization. Whatever it is, by having more revenue, you're able to do more of that work.

Jeff Cobb: [00:04:22] Yes, you want to be paid as well as you reasonably and fairly can for the level of value that you're providing. Of course, we do advocate that learning businesses provide very high value that they are then charging commensurately for. And, of course, the reality is that education is a big driver of revenue, is a big source of revenue, particularly for the types of organizations that we're talking to—we're talking to learning businesses. This is your business. If you look at associations, for example, a big segment of this learning business world that we serve, education is a huge source of nondues revenue for those organizations. Of course, it is one that aligns very much with their missions in serving their members and in serving the fields, professions, industries that they exist to serve.

Celisa Steele: [00:05:11] We also look at continuing education units that are housed at academic institutions—those PCO units (professional and continuing and online units) that don't tend to grant degrees. But those have become really big business, frankly, for academic institutions and one that offers a way for a lot of academic institutions to be making money as they're facing declining enrollments in this enrollment cliff that is being forecast. And so you have again a sense where the learning business is providing a lot of revenue that is helping with the overall organization and its mission.

Jeff Cobb: [00:05:49] Yes, and I think, in this case, revenue is helping these organizations, or perhaps prodding these organizations, to rethink their role or to update how they think about their role and how they think about their strategies. They're not just providing the higher education for that 18- to, say, 25-year-old traditional academic degree student, but they are now much more about who is this post-traditional student that we're serving, and how do we look at lifelong learning as our role as a college or university? There is money to be made there, but there is also a mission there that is, I think, a good and valid role for colleges and universities to be playing in society.

Celisa Steele: [00:06:31] You already touched on it, but, if a learning business is freestanding and it's not embedded in that academic institution, it's not embedded in an association, well, in that case, revenue is absolutely 100-percent necessary because, without that revenue, that learning business doesn't have other sources to keep it going and making it viable and sustainable over time.

Celisa Steele: [00:06:56] At Tagoras, we partner with professional and trade associations, continuing education units, training firms, and other learning businesses to help them to understand market realities and potential, to connect better with existing customers and find new ones, and to make smart investment decisions around product development and portfolio management. Drawing on our expertise in lifelong learning, market assessment, and strategy formulation, we can help you achieve greater reach, revenue, and impact. Learn more at tagoras.com/more.

Jeff Cobb: [00:07:33] Let's talk about the ways in which revenue flows and produces results—all of this getting and spending that's going on in the education market. How can we break this down a little bit?

Celisa Steele: [00:07:46] For one, we know that employers are spending a lot on training and continuing education and professional development. There's one statistic that the global corporate training market was valued at about US\$383 billion in 2023 and is projected to reach US\$485 billion by 2028. Really huge numbers. You have these employers that have these employees; they want them to be able to perform well, to perform better; so they're investing a lot of money in making that happen.

Jeff Cobb: [00:08:23] Individual learners are spending for themselves as well—another one of those sets of stats that's floating around out there. The U.S. continuing education market is estimated to be worth \$93.3 billion by 2028. A lot of Bs we're throwing around—billions. These are big markets, and all of that spending is not necessarily individuals, but a lot of it is. We've seen the rise of these services like, say, a Udemy, and Udemy is split between...they serve corporate buyers, but they also serve a huge number of individual buyers who are going out to buy that one course they need on that one topic. Or MasterClass. Or any number of these different providers that are out there. And individuals are pulling out that credit card and investing in these lifelong learning experiences.

Celisa Steele: [00:09:15] You have the individual learners. You have the employers. You also have a lot of money being spent on workforce development; a lot of that's coming through governmental agencies or quasi-governmental agencies that are trying to say, okay, the economy, we need to think about the economy. And a big way to help the economy is to make sure that we have a workforce that can fill the jobs that are needed to fuel that and have that all running along. So a lot of money is being put in there. One stat we can cite there is that, since January of 2021, the Department of Commerce in the U.S. has dedicated more than \$1.6 billion that goes into things around workforce investment, including education as a big part of that.

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Jeff Cobb: [00:09:59] All of this speaks to that demand side of the equation in classic economics. There is a demand out there for education. There are people; there are organizations; there are governments that are willing to spend this money, that want to spend this money, to invest in education and training for a whole range of different needs and purposes. But they are prepared. If you are in the learning business and need to generate revenue, you've got sources of revenue. But those sources do have expectations.

Celisa Steele: [00:10:30] That's right. In the simplest terms, we can say that they're expecting a return on investment. It's going to cost that learner time, and it's going to usually cost someone some dollars for that training, whether it's the employer paying or that learner paying out of her own pocket, but there's going to be some money spent. And so the learner and the employer have expectations. They have the belief that spending the time and money on this is going to create some kind of result. That's really important to think about. That gets us back to impact. We talked about reach, revenue, and impact at the beginning. But part of it is that, if people are going to put that revenue out there, it needs to come with some impact around it. Expectations are on the rise, given the proliferation of free or very low-cost resources that are out there. Especially if you're trying to charge, which we believe most learning businesses are and should be, and especially if you're trying to charge at any kind of premium level, you're going to need to make sure that you are delivering value. And you mentioned value earlier, Jeff.

Jeff Cobb: [00:11:33] Yes, and we've seen this shift a lot during our careers. We've been doing this for decades now. As you just said, Celisa, there's a lot more competition, a lot more options out there than there used to be. A lot of that's because of what technology has made possible, both in moving things online but also in gaining greater visibility into what's available, even offline, and being able to set up events and run events. Everything that you could traditionally do from an educational standpoint, you can do more and faster now than used to be the case. Of course, we've seen learning evolve. Things are more trackable than they used to be. They're more measurable. We know better what to track and what to measure.

Jeff Cobb: [00:12:10] In this employment market and just life in general these days, the need for learning and the need for knowing that your time is being invested wisely and you are getting that return has gone up significantly. And it is valued by people. We see this in our own surveying when we ask people about, when they decide to invest in paying for an educational opportunity, what are the things, what are the value factors that they're weighing? One of the top three always is "Is this demonstrated to actually improve knowledge or skills? Is there some

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evidence that this is going to do something for me?" And then we know that employers are increasingly concerned about retention and that employees care about this stuff.

Celisa Steele: [00:12:51] LinkedIn does a workplace learning report. One from 2023 talked about the connection between employee retention and access to learning. That report from LinkedIn said that 93 percent of organizations are worried about employee retention. This is a real concern for the vast majority of organizations. And the number one way that organizations are working to improve retention is by providing learning opportunities.

Jeff Cobb: [00:13:19] Yes, I don't think that's something we're going to see change anytime soon. It's probably going to get more and more intense over time. We have this significant demand out there for learning—individuals, organizations, societies willing to invest in it. There is this expectation of return on it. Those two things alone, I think, are positive drivers for revenue. But I think one of the keep-people-up-at-night sides of revenue that will often spur organizations to figure out how do we generate more and how do we keep more is the underlying cost structures of delivering effective learning. And, if you're going to generate revenue, if you're going to generate positive net revenue, you have to have an eye on those underlying costs. That's another element of the ways in which revenue flows here.

Celisa Steele: [00:14:07] That's right. You need revenue, but then you need to further understand, okay, out of that revenue, what here is actually net positive? What is actually profit versus what is going to cover the costs that went into creating and maintaining and running these learning programs? In our experience, a lot of learning businesses don't have really great insight into those underlying costs. It can get pretty tricky when you get into things like employee time against a particular offering in your portfolio. And so a lot of learning businesses don't know quite how to allocate salaries against things in their portfolio. It can be a challenge to get to those accurate projections, to get to that accurate financial modeling, even on the portfolio level. But, by the time you begin trying to break it down into individual products or even product lines, then that begins to get a little bit murky for a lot of learning businesses.

Jeff Cobb: [00:15:05] This varies by the type of learning business that you are. Your average commercial training firm might be much more attuned to this than, say, an education department, or even be a quasi-education department, in, say, a small association where you're part of a whole mix of other stuff and getting that level of clarity. But, increasingly, going back to some of the things we were saying about the expectation of return, the demand that's out there, the competitive environment, if you're going to be serious about revenue, you also have to be serious about this cost side and serious about accounting and finance, basically, and being

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able to roll up your sleeves and create projections and understand how the revenue is playing out within your learning business so that you do have visibility into “Is what we’re doing sustainable? Is this product line really worth continuing? If we’re going to introduce a new product line, what can we reasonably expect from that in terms of both gross and net revenue?” Your average education professional may not think of themselves as that financially attuned person, but, increasingly, if you’re in the learning business, and you need to generate revenue, and you need to be able to sustain that business, you’re going to have to be able to either do those things yourself or make sure you’ve got good people to do them.

Celisa Steele: [00:16:22] It’s another facet of return on investment. We were talking about the return on investment from the learner point of view, the employer point of view. What you’re getting at there, Jeff, is the return on investment from the learning business standpoint. Is this product line—whatever aspect of our portfolio—is that providing a return on our investment? And is it, to your point, sustainable and viable long term?

Jeff Cobb: [00:16:45] Definitely.

Jeff Cobb: [00:16:56] We’ve been talking about the ins and outs of revenue, being clear that the revenue is out there. There is the demand for what learning businesses offer. For me, the bottom line is that strong, positive net revenue is freedom. We deal with so many organizations that are feeling constrained. They’re feeling stressed. They’re reliant on a board of directors or some other part of the organization to give them enough budget to do what they need to do. They don’t feel like they can hire the staff they want. They don’t feel like they can invest in the way they want. When you have strong positive net revenue, those kinds of problems disappear. You’re in a position to invest appropriately in your learning business, and, by extension, you’re able to serve your learners in the way that probably every learning business wants to be able to serve their learners.

Celisa Steele: [00:17:55] We started out talking about revenue as a necessity, that learning businesses need it to survive. We talked about revenue as a reality, that education is being spent on, that there are lots of investment, lots of dollars being put against education. And then, Jeff, you just got to the opportunity. The opportunity is there that, if you can figure out the right approach to revenue and make sure that you’re getting the reach, the impact, and the revenue, then it’s opportunity. It gives you that freedom, as you were saying, to be able to do what you need to do to deliver on your mission as a learning business.

Celisa Steele: [00:18:39] While huge amounts of money are spent on continuing education, professional development, and other forms of lifelong learning, learning businesses often bump up against beliefs that education and learning should be free or low-cost enough to be accessible to all. That creates an interesting tension that we believe is better explored than ignored.

Jeff Cobb: [00:19:00] At leadinglearning.com/episode428, you'll find show notes, a transcript, and options for subscribing to the podcast. And if you haven't yet, please, please subscribe.

Celisa Steele: [00:19:11] 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. Jeff and I personally appreciate reviews and ratings, and they help the podcast show up when others search for content on leading a learning business.

Jeff Cobb: [00:19:24] And please spread the word about Leading Learning. You can do that in a one-on-one conversation or e-mail to a colleague, and you can do it through social media. In the show notes at leadinglearning.com/episode428, you'll find links to connect with us on LinkedIn, X, and Facebook.

Celisa Steele: [00:19:40] Thanks again, and see you next time on the Leading Learning Podcast.

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