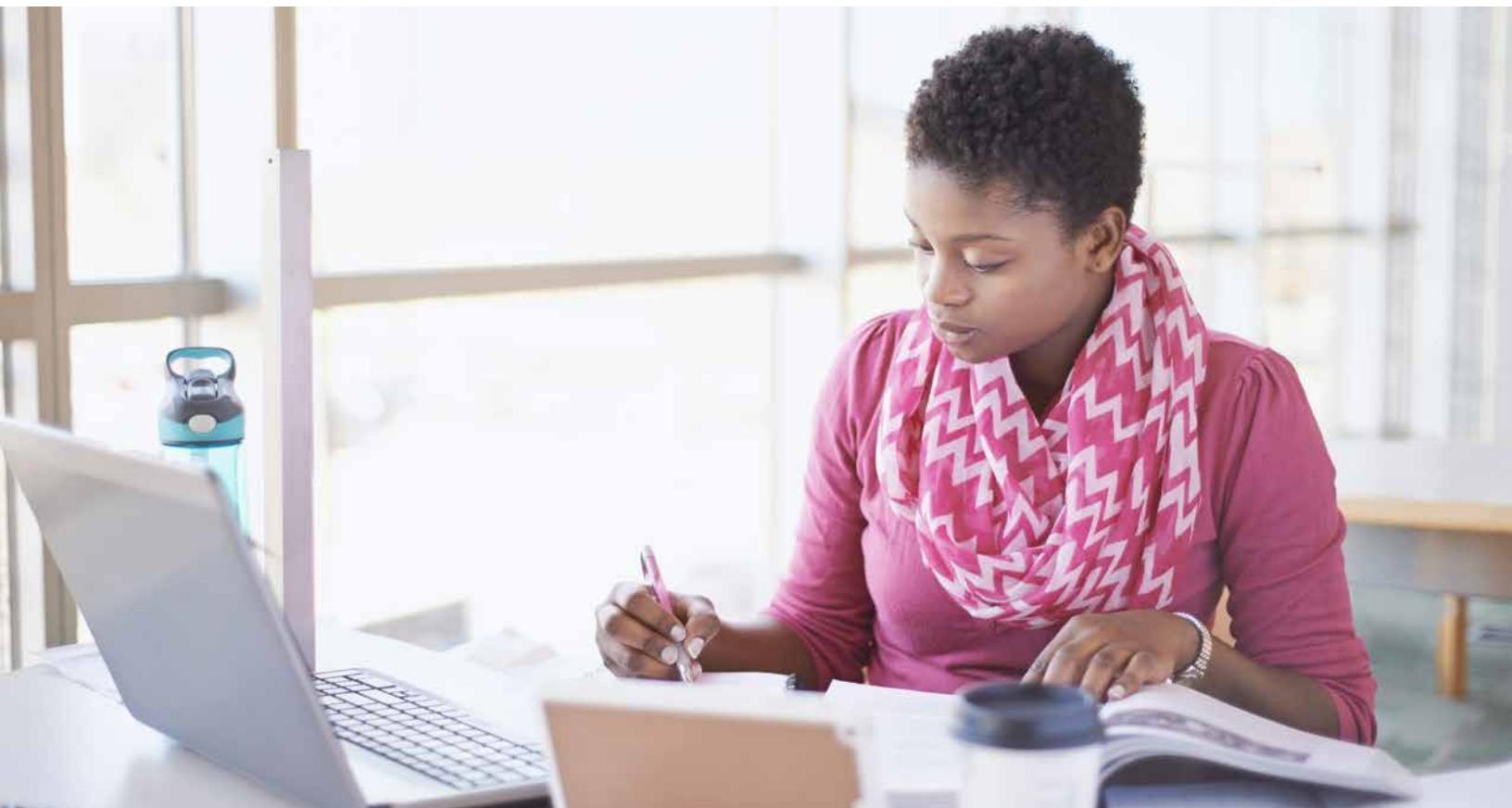


Demand for online education is growing. Are providers ready?

Growing competition in online education suggests providers may need to take bold action. Five strategic moves could help them compete and grow while meeting the needs of learners.

by Nadine Diaz-Infante, Michael Lazar, Samvitha Ram, and Austin Ray



Interest and participation in online learning continues to grow: 2020 saw record enrollment,¹ and universities have launched new online programs to meet this increased demand.² From doctoral students to lifelong learners, people are increasingly accessing online tools to learn and acquire new skills. Though the increase in demand is undeniable, creating compelling offerings that appeal to prospective students is an ongoing challenge for many providers.

Many players are vying for a piece of the online education market, from local and national universities to emerging online education giants and newer nondegree providers. The magnitude of these market shifts and the increasing competition they herald suggest that online education providers may be compelled to go beyond incremental improvements and initiate big, bold moves to survive, grow, and thrive.

Major market forces

Four core market forces are reshaping the online education space, including increased competition, consolidation by a handful of big players, an influx of investments, and rising standards for quality (Exhibit 1).

As demand for online education has grown, the market has become increasingly competitive, with providers vying for attention from a broad set of prospective students.

From 2011 to 2021, the number of learners reached by massive open online courses (MOOCs) increased from 300,000 to 220 million.³ Between 2012 and 2019, the number of hybrid and distance-only students⁴ at traditional universities increased by 36

percent, while the circumstances of the COVID-19 pandemic in 2020 rapidly accelerated that growth by an additional 92 percent.⁵

Against this backdrop of growing student interest, the market for online education has consolidated around a handful of dominant online-degree players. A recent analysis of Integrated Postsecondary Education Data System (IPEDS) total enrollment data showed that while the overall market for degree programs decreased approximately 3 percent from 2019 to 2020, four of the largest open-access online education providers—Southern New Hampshire University (SNHU), Liberty University, Western Governors University (WGU), and Grand Canyon University (GCU)—grew their total enrollment by 11 percent on average.⁶

But online degree-granting universities have newer, digital-native entrants nipping at their heels and targeting the same student segments. Numerous digital-education start-ups are disrupting the space, driven by a rise in venture capital funding. US venture funding for education technology (edtech) grew from \$1 billion to \$8 billion between 2017 and 2021.⁷ In 2021, the public appetite for these investments was evident in the successful IPOs of multiple edtech companies, including that of Coursera (valuation of more than \$4 billion).⁸ Edtech investment could be poised for more growth as online offerings surge and as institutions continue to shift toward blended learning grounded in cutting-edge digital technologies.

The forces propelling demand have been accompanied by rising standards for online education quality. For example, new offerings are blurring the lines between degree and nondegree learning, creating a new category of educational

¹ Data are from the Integrated Postsecondary Education Data System (IPEDS), National Center for Education Statistics, US Department of Education, accessed March 2022.

² For examples, see Sydney Lake, "Alabama State University to launch online MBA program," *Fortune*, May 16, 2022; Jenna Tarleton, "Colorado State University Global launches new online Master of Business Administration," *GlobeNewswire*, June 1, 2022; and 2U, "edX and University of Maryland launch new online product management master's degree," *Cision: PR Newswire*, May 17, 2022.

³ Dhawal Shah, "A decade of MOOCs: A review of stats and trends for large-scale online courses in 2021," *EdSurge*, December 28, 2021.

⁴ As a proxy for online learners.

⁵ IPEDS, distance education status as of fall 2020, accessed March 2022.

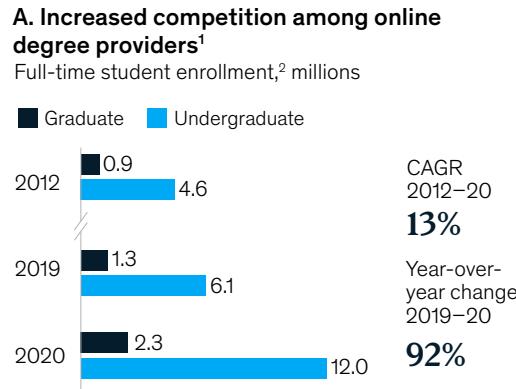
⁶ *Ibid.*

⁷ "Global edtech venture capital report - Full year 2021," *Holon IQ*, January 3, 2022.

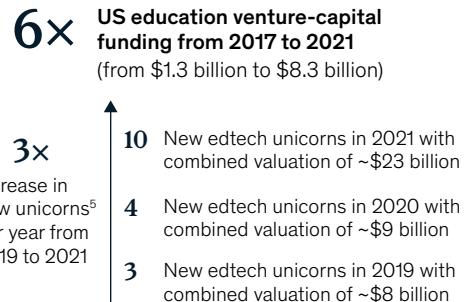
⁸ Marina Temkin, "Edtech backers rewarded as IPO pipeline heats up," *PitchBook*, November 1, 2021.

Exhibit 1

Core market forces are shaping the online education space.



C. Influx of investment into education space



B. Consolidation of online degree market

-3%
Average decline in total enrollment for universities³

11%
Average increase in total enrollment for largest online universities⁴

D. Rising standards for online education quality and experience

"[T]he landscape of student expectations is changing in favor of more remote learning, and against some old assumptions about college life. Though students remain concerned about the cost of college during the financially stressful pandemic era, as well as the quality of their lives once they graduate, survey respondents believe that colleges can prepare them for a high-tech future, offer more courses online, and **deliver high-quality remote course options.**"

—Deciphering a new generation of learners, Chronicle of Higher Education, 2021

¹ Data do not disaggregate impact from COVID-19 (ie, temporary shift to hybrid or distance learning).

² Includes fully distance and hybrid students.

³ Excludes largest online universities.

⁴ Includes Southern New Hampshire University, Liberty University, Western Governors University, and Grand Canyon University.

⁵ Privately held start-up valued at \$1 billion or more.

Source: Deciphering a new generation of learners: High-school and college students' expectations of their educational experience during and after Covid-19, Chronicle of Higher Education, 2021; HolonIQ; Integrated Postsecondary Education Data System (IPEDS), distance education status as of fall 2020; PitchBook

competitors. Google's Grow with Google program, in partnership with Coursera,⁹ offers courses in high-demand areas such as user experience design and data analytics and has made significant gains in enrollment. These programs give prospective learners cost-effective, expeditious options beyond a degree program. Traditional digital-education providers that are primarily degree-focused may want to consider including such offerings in their strategies to compete and grow in the online education space.

Greater demand and rising quality standards also suggest that students are growing savvier about the returns of their educational investments. For some prospective students, especially those moving into high-paying fields such as IT, the opportunity to learn high-demand skills is more important than a program or institution's brand. Nearly half of respondents to our learner segmentation survey said they would only consider paying for education programs that have an expected positive return on career outcomes, while 21 percent indicated they

⁹ The Keyword, "Opportunity for everyone," blog entry by Sundar Pichai, Google, October 12, 2017.

would consider attending a school to get a degree only if the school was “top ranked.”¹⁰

Five strategic moves that could unlock opportunities

Amid these market forces are potential growth opportunities for online education providers, but successfully unlocking these opportunities may require providers to make bold moves in adapting and pivoting strategies.

Employers in fields from healthcare to cybersecurity are struggling to find qualified workers,¹¹ and online education can help adults of all ages quickly gain the skills needed to fill these positions and improve their career trajectories. At the same time, workers are reevaluating their career opportunities and looking to enter better-paying fields.

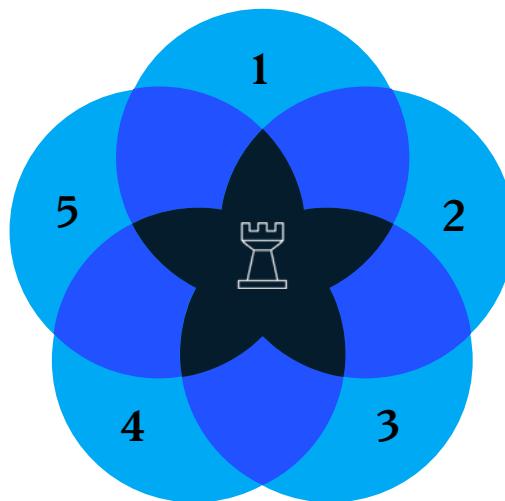
To meet these needs, capture the attention of prospective students, and distinguish themselves from competitors, online education providers could consider five strategic moves (Exhibit 2): integrate skill building and degree attainment to meet student and labor market needs, transform career planning and coaching services, revolutionize employer relationships, deliver a distinctive learning experience, and build a bold and distinctive brand.

1. Meet student and labor market needs

Educational institutions have traditionally focused on learning and knowledge building first and careers second. But students, especially prospective online learners, are focused on the ROI of their degree—specifically, what jobs their degree will prepare them for.¹² Moreover, labor market needs are rapidly changing. As a primary pool of talent, institutions could align themselves with these

Exhibit 2

Online education institutions can capture opportunity through five strategic moves.



1 Integrate skill building and degree attainment to **meet student and labor market needs**

2 Transform **career planning and coaching services**

3 Revolutionize **employer relationships**

4 Deliver a **distinctive learning experience**

5 Build a **bold and differentiated brand**

¹⁰ McKinsey Learner Segmentation Survey (n = 3,709).

¹¹ WorkCare Blog, “Employers struggle to find qualified workers,” August 3, 2021; Matt Ferguson, “Employers struggle to find skilled workers,” CNN, 2008; David Ramel, “Great Resignation’ depletes already hard-to-find cybersecurity talent,” Converge360, March 24, 2022; Dave Muoio, “Staffing shortages force long-term care facilities to limit admissions, hire agency workers,” Fierce Healthcare, September 22, 2021.

¹² McKinsey analysis.

shifts by rethinking program development and degree attainment to better prepare their students for a dynamic work environment. Institutions have three actions to consider:

Align programs with the needs of the market. At many institutions, including nontraditional online institutions, programs are developed through an outdated and often drawn-out process that is frequently divorced from the needs of employers and industries. This process not only leads to a mismatch in graduates' skills but also rarely allows for the rapid development of new programs to meet current needs.

Institutions could stay ahead of the curve by adopting an iterative 'learn and design' program creation process that includes understanding current trends across industries, identifying shifts in technical and nontechnical skills, and revamping current programs or designing new ones to best prepare students.

For example, a university in Mexico found that new programs drove 34 percent of all new enrollment between 2016 and 2019. This institution focused on new-program development by identifying changes in job market trends and in-demand occupations, evaluating whether competitors were offering relevant programs to meet these workforce shifts,

and making rapid decisions about which new programs to offer based on these factors. The creation of new programs was then centralized through an agile content development team (rather than spread across different "schools") to ensure efficiency and speed to launch, enabling new programs to be built in less than three months.¹³

Integrate degree and nondegree offerings. The education sector has traditionally treated degree programs and nondegree certification programs as wholly separate. Each is valuable, and each has its shortcomings. More recently, a broader set of education programs have been gaining acceptance among adult learners, with certificate providers increasingly being considered equivalent to more traditional institutions of higher education.¹⁴ This suggests that institutions could most effectively serve the student population by removing barriers between degree and nondegree programs and by offering an integrated package that incorporates credit-bearing credentials and certificates into the broader journey of earning a degree.

Universities don't necessarily need to reinvent the wheel to build such integrated programs. To develop an end-to-end solution for students, traditional institutions could partner with established non-degree players such as Udacity or Grow with Google. Conversely, nondegree providers could seek to

Institutions could stay ahead of the curve by adopting an iterative 'learn and design' program creation process.

¹³ McKinsey analysis.

¹⁴ McKinsey Learner Segmentation Survey (n = 3,709).

partner with full-degree programs so that their students could earn credit for their work and move toward a degree if they chose to.

City University of New York (CUNY), for example, partnered with the New York Jobs CEO Council to launch the EverUp Micro-Credential Program, which offers 100-hour online intensives alongside traditional degree programs. Shaped by input from the largest employers in New York City, these credentials aim to better prepare students for jobs or internships by helping them master specific job-related skills.¹⁵

Offer multiple models for degree attainment. Respondents to the McKinsey learner survey identified a lack of hands-on experience as a top concern with online learning, with 30 percent saying it was their biggest frustration. Many learners in online-only degree programs are adults or traditional-age students from nontraditional backgrounds who cannot wait until the end of a

degree program to apply their practical technical skills in paid or part-time roles. By offering stackable credentials with clear “on-ramps” and “off-ramps” that allow concurrent or sequenced work experience opportunities, programs could meet students’ unique needs and support their overall skill-building trajectory while keeping them engaged and driving completion rates.

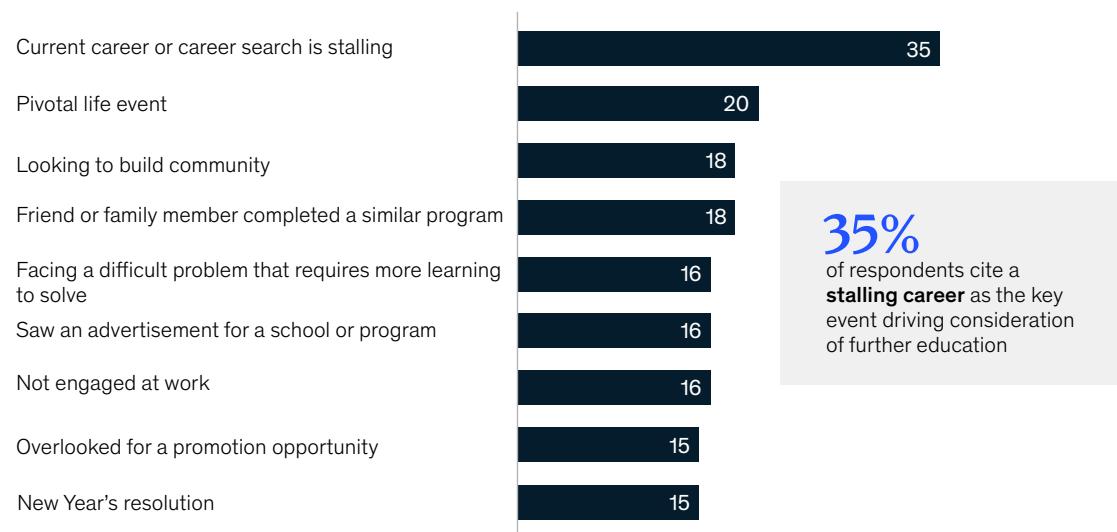
2. Transform career planning and coaching services

According to McKinsey’s learner survey, 35 percent of respondents said their top motivation for considering additional education was a stalled career or a stalled career search (Exhibit 3). To provide learners with stronger and better-aligned career outcomes and increase job placement potential in high-paying positions, online institutions could proactively and consistently engage with students to set specific goals, work toward those goals, and adjust programming as needed.

Exhibit 3

Career setbacks are key events that trigger individuals to consider additional education.

Reasons for pursuing additional education,¹ % of respondents (n = 3,709)



¹ Q: Are there any specific events that triggered you to consider pursuing additional education?
Source: McKinsey Learner Segmentation Survey (n = 3,709)

¹⁵ “Launch your career with EverUp Micro-Credentials!,” CUNY, accessed March 2022.

Historically, students have started their career journeys by choosing a major in the first year or two of a degree program and trying to find a job in a related field sometime before graduation. This model assumes that learners are well informed about which programs or courses to pursue and does little to actually support learners throughout their journeys. Merely providing an educational experience with little connection to a learner's postgraduation context is likely not enough to help students achieve career goals, especially in digital environments where networking, information sessions, and other forms of exposure to careers may lack in quality and quantity. A Strada survey revealed that more than a third of adults would change their field of study if they could do it all over again, with lower levels of regret among higher earners.¹⁶

Provide up-front opportunities to explore interests. Before selecting a major, students could take a survey or assessment that captures their passions, skills, and experiences and points them toward multiple majors and related career options that align with their profile. Some institutions, such as Dickinson College and Boston College, have begun to integrate strength and interest exploration into summer orientation sessions to encourage students to think about majors and careers before they even start classes.¹⁷ Equipped with data and information about students' passions and interests, institutions could help students create personalized studies and skill-building plans early in the program. Unlike degree maps that direct students to follow a predetermined path, personalized plans could break down the process of acquiring a degree and show students how they could accumulate skills over time.

Offer integrative exposure to career pathways. It is important for learners to know whether the careers that are aligned to a prospective major are a solid

fit. Institutions could expand and prioritize student access to immersive career experiences, including project-based learning, research opportunities, shadowing, and career-aligned mentoring.¹⁸

Wake Forest University has garnered attention for its revitalized approach to career services. The institution emphasizes career exploration and customized exposure to careers early in the student journey by using profiles on Handshake (a job search and matching platform) to connect students with organizations and companies based on their interests and qualifications.¹⁹

Other institutions help students build digital portfolios of work that they can show to potential employers during interviews. This allows firms to see precisely what skills students are learning and how those skills relate to specific job roles through, for example, an employer-facing dashboard that links courses, student activities, and work experiences to specific skills and industries.²⁰

Adjust and iterate on studies and career plans. As a student progresses through the educational journey, institutions could perform check-ins, advise, and reevaluate personalized course plans more frequently. For example, the University of Colorado Boulder's Program in Exploratory Studies provides personalized attention to help undergraduate students discover their interests, realign on a major and potential career paths, and adjust course plans accordingly. When the program launched in 2019, about 40 percent of Boulder students were switching majors after realizing a new one might be a better fit. The new advising approach gives students the ability to shift plans with ease.²¹ Some other institutions also offer the ability to flex major requirements or stack credentials when pivoting to another field.

¹⁶ *On second thought: US adults reflect on their education decisions*, Strada Education Network, June 2017.

¹⁷ Jon Marcus, "Some colleges ease up on pushing undergrads into picking majors right away," *The Hechinger Report*, July 23, 2021.

¹⁸ "Student outcomes beyond completion: National findings from the 2021 Strada Alumni Survey," Strada Education Network, October 27, 2021.

¹⁹ Andy Chan and Christine Cruzvergara, *Outcomes and metrics that matter: Embedding career services at higher education's core*, Handshake, September 2021.

²⁰ "Career e-portfolios to help land a job," San José State University, accessed May 2022.

²¹ "Some colleges," July 23, 2021.

3. Revolutionize employer relationships

Online education providers are uniquely positioned to develop close B2B partnerships with organizations looking to upskill their employee bases and attract new talent. The ability of these providers to rapidly adjust their curricula, combined with their history of serving adult students looking to advance their careers, suggests that such partnerships could be a strong driver of growth.

A recent study by Udacity found that roughly 60 percent of employers said talent gaps are having a major or moderate impact on their business, while a majority of younger people across all regions believe their employers should invest in their future by giving them skill training.²² However, few educational institutions have made B2B a meaningful source of enrollment growth. Traditional B2B strategies often fail to sufficiently address the talent transformation needs of corporate partners. With employers facing unprecedented talent challenges and prospective students looking for career linkages, the moment may be ripe for rethinking how digital educators pursue B2B partnerships. While the nature of B2B strategies may vary across institutions, we have identified a few emerging, innovative approaches that could help institutions build strong B2B partnerships.

Focus on career-specific skills that can quickly address employer pain points. Many online institutions offer a broad range of certificate and training programs and seek to show the general value of their education to a potential partner instead of focusing on the skills needed for a specific industry or job function. By researching certain industries or roles, online education providers could identify very specific and practical skills that may meet the most acute talent development pain points. A skills-based approach often requires institutions to develop new content, bundle it, and sequence it in new ways while incorporating project-based learning. Scarce resources can make it difficult for universities to modularize all content simultaneously. Focusing on specific industries and professions can help them get started.

Develop comprehensive enterprise plans for upgrading and adding talent. Online education providers could differentiate their B2B offerings by thinking of themselves as talent development partners or as part of a “corporate academy.” By partnering with learning and development (L&D) teams to offer value-added services such as enterprise-wide assessments for talent transformation, these institutions could increase the value of educational partnerships and help

With employers facing unprecedented talent challenges and prospective students looking for career linkages, the moment may be ripe for rethinking how digital educators pursue B2B partnerships.

²² *Talent transformation global impact report*, Udacity and Ipsos, January 2022.

ensure that it results in meaningful ROI for B2B partners. Once a business is enrolled, online education providers could develop personalized plans for each employee and create enterprise-specific reporting platforms that track and display the collective progress of the company's talent pool. Moreover, providers could offer select student support services that are tailored for a given partner. In addition to developing existing talent, online education providers could innovate go-to-market approaches for attracting new talent to fields with significant labor shortages. For example, they could develop degree and training programs in partnership with employers who promise tuition assistance and jobs for students who complete the program. Talent attraction and development are more important than ever; by solving these problems, an online education provider could become integral to the core business instead of simply a benefit for employees.

Measure impact and ROI. Deeper partnerships that meet the specific needs of employers could drive real business value by filling talent gaps. However, very few, if any, online education providers have measured that impact or demonstrated the full ROI of upskilling employees. This suggests there is a unique opportunity for a nimble, forward-thinking provider to structure partnerships in which ROI is front and center. Measuring the impact of programs that build digital skills could also help unlock more B2B partnerships and greater enrollment growth.

4. Deliver a distinctive learning experience

The COVID-19 pandemic has further influenced consumer behavior and expectations across industries,²³ including education. Approximately 20 percent of respondents to our survey of US learners said their biggest frustration with online learning was “engaging in real-time conversations through a virtual medium.” About 18 percent of respondents said their top frustration with online learning was “getting the technology to work.”

To meet evolved student expectations, online institutions may want to upgrade their overall digital experience across core content delivery, build supporting tools and infrastructure, and apply best practices in customer experience. In our recent article on improving online higher education,²⁴ we share the findings of our survey on academic research as well as the practices of more than 30 institutions, including both regulated degree-granting universities and nonregulated lifelong-education providers.

To deliver an outstanding learning experience and better outcomes for students, institutions could focus their efforts on three overarching principles (Exhibit 4):

Seamless journeys. Exceptional delivery includes a user-centered learning platform that is easy to navigate and highly interactive. Elements could include movie trailer-like course previews presented by top instructors, real-time progress dashboards across programs and courses, and integrated, timely alerts that let students know when they are not investing enough time on a topic and offer suggestions for study resources.

An engaging teaching approach. While top-notch faculty and teachers, interactive lessons, and high-quality content are all critical, exceptional delivery also includes supporting a variety of learning settings to adapt to different learning needs. Enabling students to choose a learning format they prefer is one example. Real-time collaboration via group work, breakout rooms for discussion classes, Q&As with professors, and free, embedded access to external resources—such as professional-association standards and newspaper articles—could also help strengthen learning.

A caring network. Strong networks offering both academic and nonacademic support could help institutions accelerate learning and foster

²³ For more, see “US consumer sentiment and behaviors during the coronavirus crisis,” McKinsey, December 14, 2021.

²⁴ Felipe Child, Marcus Frank, Mariana Lef, and Jimmy Sarakatsannis, “Setting a new bar for online higher education,” McKinsey, October 18, 2021.

Exhibit 4

Leading online higher-education institutions focus on eight key dimensions of the learning experience across three overarching principles.

Components of mapping

Seamless journey



Clear education road map

"My online program provides a road map to achieve my life goals and helps me structure my day-to-day to achieve steady progress."



Seamless connections

"I have one-click access to classes and learning resources in the virtual learning platform through my laptop or my phone."

Engaging teaching approach



Range of learning formats

"My program offers a menu of engaging courses with both self-guided and real-time classes, as well as lots of interaction with instructors and peers."



Adaptive learning

"I access a personalized platform that helps me practice exercises and exams and gives immediate feedback without having to wait for the course teacher."



Real-world skills application

"My online program helps me get hands-on practice using exciting virtual tools to solve real-world problems."

Caring network



Timely support

"I am not alone in my learning journey and have adequate 24/7 support for academic and nonacademic issues."



Strong community

"I feel part of an academic community and I'm able to make friends online."

the well-being of students. This could include easily accessible, 24/7 troubleshooting support via a live service desk for urgent learning and teaching problems. Other initiatives to consider are program-specific opportunities to enhance student life online, such as personalized meet and greets, special academic invitations, and thematic social clubs, as well as using the right technologies to allow for just-in-time community or adviser support where needed.

5. Build a bold and differentiated brand

In today's highly competitive market, building a distinctive brand is more important than ever. Our independent analysis of the fastest-growing online universities revealed that their success was due,

at least in part, to investing marketing dollars in raising broad-based awareness of their educational offerings. By sustaining these efforts over time, they were able to increase awareness and inbound interest, which ultimately helped drive enrollment. Through our work and our research, we've identified three marketing and branding benchmarks providers may want to consider:

A compelling brand message. By initiating the four moves listed above, online education providers could lay the foundation for a distinctive brand message that cuts through the "sea of sameness" that typifies most online education advertising. Simply emphasizing affordability and flexibility may not be enough. Successful brands are not afraid to be bold

Our research shows that the most successful institutions invest at least half of their marketing dollars in broad-reach media that drives organic traffic.

and elicit both emotional and rational responses from consumers. Shaping a brand message that speaks to people's dreams for the future, and shows how an institution is innovating to deliver on that promise, could help the institution stand out and motivate prospective students to learn more about it. There are many ways for an institution to differentiate its brand, including focusing on a particular student segment (such as veterans), focusing on a particular field of study (such as healthcare or nursing), or focusing on a distinctive student experience (such as through a differentiated online platform or student support network).

A balanced marketing media mix that delivers sustainable student acquisition costs. Many online education providers developed their marketing strategies during a time of ever-growing demand and limited competition. Those strategies tended to emphasize "bottom of the funnel" tactics such as affiliate marketing and paid-search marketing that aimed to convert prospective students who were close to making a decision. Given the marked increase in competition and growing per-click costs, this strategy may not prove sustainable. Our research shows that the most successful institutions invest at least half of their marketing dollars in broad-reach media that drives organic traffic. While investing more in brand marketing does require patience, it could establish a brand that generates sustainable student acquisition costs over time while helping increase conversion rates across all channels and throughout the enrollment process. The use of digital channels such as video,

social media, and audio could allow institutions to reach a broad but still relevant audience. These tactics may also allow institutions to track the impact of these broader marketing efforts by looking at organic traffic and search data.

Use of authentic voices to build credibility.

Institutions may benefit from creating opportunities for current and former students to communicate the value of their programs to the broader public. Successful students take great pride in their accomplishments and are often happy to share their experiences. Moreover, they can deliver authentic and credible messages. As more and more prospective students turn to TikTok, Instagram, and YouTube to research schools, promoting user-generated content could go a long way toward driving interest and enrollment growth.

Institutions may also want to ensure that their branding is sustained throughout the admissions process. Instead of using a rigid, sometimes overly persistent model that focuses on outbound phone calls and cookie-cutter information, institutions can instead adopt a flexible engagement model that provides personalized information and respects the audience's time.

Admissions teams could also diversify how they interact with prospective students and work seamlessly across SMS, email, phone, and videoconferencing to provide information and answer questions. In this new model, admissions officers become more than a single point of

contact, instead connecting students to online information and to people in other parts of the organization, such as alumni or faculty, who could help them make informed decisions.

This new approach to branding and admissions might sound like common sense, but many organizations have optimized their old models over decades. Thoroughly changing a branding strategy often requires a fundamental restructuring of the way institutions work, the skills they employ, and how they measure success.

While making progress in these five strategic areas could yield growth, doing all five in unison is likely to produce the greatest impact.

To compete and grow, digital-learning providers may benefit from moving fast and cross-functionally and making rapid decisions based on data. Executing these five big moves will likely require the investment and involvement of the full organization. McKinsey analysis suggests that for most institutions, this path will represent a full transformation of current operations; lessons discussed in other education insights may be helpful in that effort. This path also requires a willingness to look beyond education for ideas and expertise and to find new technologies from across the digital economy. Blazing the path to a new frontier of online education is daunting, but those that do it could grow their impact while supporting students.

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