FindArticles / Reference / University Business / May, 2002

UB University Business

SOLUTIONS FOR HIGHER EDUCATION MANAGEMENT

Courseware costs soar: blackboard and WebCT rethink pricing models; competition seizes opportunity to price-cut - In the News

by Jean Marie Angelo

Administrators across the country let out a collective groan recently when they learned that courseware providers Blackboard (www.blackboard.com) and WebCT (www.webct.com) were changing their pricing models. Both companies will now base prices on the volume of users, or full-time equivalents (FTEs). Prior to the change, a school could license the server-based software for as little as several thousand dollars, depending on the number of servers involved, and regardless of student body size.

This type of toss-leader pricing model benefited large institutions with thousands of students logging on to course Web sites. But now those same schools will pay much higher prices. Stephen Landry, CIO at Seton Hall University (NJ), estimates his costs for Blackboard's Bb learning software will bump up 20 percent. He currently pays $75,000 to serve 6,000 full time enrollees. Paying $90,000 for the same privilege can't be too comfortable a proposition in the midst of nationwide campus belt-tightening.

The University of South Dakota system--a WebCT customer--may end up paying a whopping $275,000 to serve 25,000 students in its state system-up from $60,000, says Warren Wilson, director of Regent Information Systems.

"When these course tools were new, the companies were essentially giving them away," observes Sean Robert Gallagher, an analyst with Boston-based Eduventures. Like so many Web-based companies and dot-corn darlings, Blackboard and WebCT expected online advertising targeted to the youth market to provide revenue, notes Gallagher.

Well, we all know what happened to that business model. Blackboard and WebCT now must rely on clients to pay full freight for services. The shift in pricing structure means that some schools will absorb price increases, says Gallagher.

The WebCT hike is based on several developments: a higher price for Campus Edition, its standard software to date; and a new product called Vista. Priced "in the six figures," Vista costs far more than the $15,000 to $35,000 a school might pay for Campus Edition, says Karen Gage,

VP of Marketing, but Vista's hefty price, she insists, reflects its power. According to Gage, Vista is an academic enterprise solution that can serve an entire state system from a single server; what's more, it has more functionality than Web course applications, she notes. Though this may certainly be the case, it remains to be seen whether customers will understand and shell out eight to 15 times what they're currently paying.

Meanwhile, there are those calling for calm and reason, and, surprisingly, SHU's Landry is among them. Costs for most IT software rise by 10 to 15 percent each year, he explains, so an increase of 20 percent for Blackboard products may not be so dramatic after all. Blackboard's Chairman Matthew Pittinsky knows that customers are upset, yet he describes the price shift as an effort to bring pricing for courseware products in line with the company's pricing model for card transaction products (purchased from American Express in late 2000). Pricing of these products was already based on FTE numbers, not basic licenses per campus.

Of course, for every price hiker there's a cost cutter. Seizing the opening presented by its competitors, CO-based eCollege (www.ecollege.com) hopes to attract attention with a special deal: Schools that commit to using eCollege's distance learning software wile get a free package for on-campus classes. The catch? The school must have at least 600 distance ed students, and will pay $100 per student enrolled in a distance class. "We are trying to get faculty familiar with the program so they will be willing to use it online," says Oakleigh Thorne, CEO. So far, 10 schools have signed on for the new deal. --Jean Marie Angelo