



# The Business Model of Education

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## What is a Business Model?

A business model is the outline of how a company intends to generate profits; how it plans to make money. It Business models generally identify:

1. The products or services that the business may want to sell, and the prices to sell them at.
2. The target market - to whom a business wants to sell.
3. The delivery channels - how products or services will be delivered to the target market.
4. The costs or expenses of the operating the business.

Successful businesses implement business models that allow those businesses to fulfill client or customer needs at a competitive price and a sustainable cost.

## Key Elements of a Business Model

Business models are not solely about income - there are many pivotal factors that must be taken into consideration when fleshing out your business model, including:

1. *The Value Proposition* - A description of the goods or services that a company offers and the explanation of why that company's products or services are desirable.
2. *Competitive advantage* - A unique feature of products or services that can't easily be copied by competitors.
3. *Cost structure* - A list of the fixed and variable expenses your business requires to function, and how these affect pricing



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## Key Elements of a Business Model (cont'd)

4. *Revenue Structure* - A framework that identifies viable income sources to pursue
5. *Delivery Channels* - How a company will deliver or provide its product or service to its clients/customers.
6. *Key metrics* - The ways a company measures success - these measures should be tracked with diligence and detail.
7. *Resources* - The physical, financial, and intellectual assets of a company.
8. *Problems and solutions* - The target market's main pain points, and how a company intends to meet them.
9. *Revenue streams* - The multiple ways a company can generate income.
10. *Profit margins* - The amount by which a company's revenue exceeds its business costs.

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Now let's take a look at the Education system through the lens of its business model. The advent of the COVID-19 pandemic has disrupted the education sector and has ushered in a reliance on remote education, shifting some of the fundamentals of the Business of Education:

*The Service* - Educational institutions aim to provide learning services and environments under the direction of Teachers. They often aim to develop children holistically, with a strong emphasis on academic development.

*The Target Market* - Now, one would think that the target market would be children, but schools actually target parents - the ones who pay the school fee. Though children are the beneficiary of education, parents are the actual clients/customers



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## The Business Model of Education (cont'd)

*The Delivery Channel* - The *delivery* of this service has traditionally been face-to-face/in person in classrooms of varying sizes, but has recently been forced to pivot to remote education, utilizing online techniques, because of the COVID-19 pandemic.

*The Value Proposition* - The value that educational institutions provide is almost unquantifiable - it stretches across so many aspects of the development of humans and society that it would be impossible to list. Successful individuals, communities, societies and entire civilizations are underpinned by the quality of their educational system. Good educational systems have been proven to reduce poverty, empower equality, increase standards of living and earning potential, and reduce crime and violence.

*The Revenue* - Educational institutions generally generate revenue through "School Fees" or "Tuitions" - a sum of money paid yearly, quarterly, or as specified that is necessary to attend the school. Government subsidies also serve to provide schools with a significant portion of revenue. Lesser contributors include fundraising events and alumni donations (though alumni donations, for some schools, have the potential to become a large revenue contributor).



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## The Business Model of Education (cont'd)

*The Costs* - Schools generally operate with very high fixed costs as they often have to maintain multiple buildings (high equipment, utilities, and ancillary costs) on sizeable plots of land (high maintenance cost) while employing a variety of teachers across subjects/topics of education (high employment costs). The COVID-19 pandemic however has opened the space for disruption in the education sector as it has made remote learning necessary. This enables students and teachers to connect outside of the classroom and school, opening up opportunities for new schools to be formed completely online - eliminating the usual high fixed costs.

## Disruptions to this Business Model During the COVID-19 Pandemic

The main disruption of the Education Business Model during the COVID-19 has been to its *Delivery Channel*. Traditionally delivered through in-person sessions in classrooms, education has now shifted to remote operation through online tools in an effort to mitigate the spread of the COVID-19 virus.

This disruption is the topic of debate across the globe, as parents, teachers, and students attempt to adjust to the new norm. Many have said that remote education has hampered the academic and holistic development of the children of Jamaica, especially those in vulnerable situations. Nevertheless, remote education has created an opportunity for some well-positioned businesses to provide reliable, high-quality educational content.



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## APPENDIX - Types of Business Models

The types of business models vary across industries and nations and are usually customized based on specific needs. Here are some of the most common business models:

1. *The Manufacturer Model* - One of the most traditional business models, the manufacturer model refers to when a manufacturer converts raw materials into a product.
2. *The Retailer Model* - A retailer is the final link in the supply chain. These businesses purchase goods from distributors and then sell them to customers for a price that will both cover expenses and turn a profit. Retailers may specialize in a particular niche, such as kitchenware, or carry a range of products.
3. *The Distribution Model* - A company operating as a distributor is responsible for taking manufactured goods to the market.
4. *The Franchise Model* - A franchise is an established business blueprint that is simply purchased and reproduced by the buyer, the franchisee. The franchiser, or original owner, works with the franchisee to help them with financing, marketing, and other business operations to ensure the business functions as it should. In return, the franchisee pays the franchiser a percentage of the profits. Again, this model is popular with fast food restaurants.
5. *The Subscription Model* - The customer pays a recurring payment on a specified timeframe for access to a service or product - streaming giant Netflix employs this method.



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## APPENDIX - Types of Business Models (cont'd)

6. *The Bundling Model* - Involves the sale of two or more products together as a single unit, often for a lower price than would be charged separately - fast-food companies often employ this with your favorite combo meals.

7. *The Freemium Model* - This has gained popularity with the surge of digital access in the twenty first century. Here, a software company hosts and provides a proprietary tool for their users to freely access, such as an app or tool suite. However, the company withholds or limits the use of certain key features that, over time, their users will likely want to use more regularly. To gain access to those key features, users must pay for a subscription. Spotify and LinkedIn both employ this model.

8. *The Razor Blades Model* - If you look at the price of a razor and then the price of razor blades, you will notice that replacement razor blades cost more than razors themselves. Companies offer a cheaper razor with the understanding that you'll continue to purchase more expensive accessories — in this case, razor blades — in the future. For this reason, this model is referred to as the "razor blades model."

9. *The Reverse Razor Blades Model* - Here, businesses offer customers a high-margin product and then promote the sales of lower-margin products that accompany that initial product.



# RESOURCES



## Sources:

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