Emporium management and marketing  
Frank Quinn, 11/5/97, edited 4/10/98

This memo analyses some of the constraints and opportunities in Emporium management, and explores a corporate framework for it. The basic conclusion is that a non-profit corporation could be formed to operate the Emporium under contract with the University. Topics are Operations; Marketing; Educational Mission; and Next Steps.

A) Operations

The Emporium, including everything from helpers to courseware development, is a complex operation. There is a lot to learn, particularly about staffing, and we must be able to react to mistakes or new insights. We need the freedom and flexibility to experiment with physical layout. After the start-up period is over we will be expected to operate efficiently (in dollars per student credit hour). This may be problematic unless we have full authority to make adjustments. Finally the “back-channel” nature of some of the startup funding has raised concerns about inequity in resource allocation. To reduce political problems and vulnerability to backstage maneuvering we should work toward a more coherent and open funding arrangement.

To illustrate just one of the problems, imagine we wanted to hire a floor manager to manage helpers during busy times, maybe 2pm-8pm Monday-Friday. Imagine we wanted someone with relevant professional experience rather than a reassigned instructor, or a parade of faculty assigned brief periods like school teachers with lunchroom duty. Presently we would have to be allocated a position, use the university employment office and state classification system, state employees displaced from other positions or wanting to change may have to be considered first. It would take a long time. And once a hire was made the person would be a state employee. If we made a mistake, either with the person or with our understanding of the position, it might be hard to do anything about it.

A corporation formed to run the emporium under contract with the University would have the following operational advantages:

1) more autonomy, including less interference from the registrar or other departments about use of the facility.

2) staff would be employees of the management company, not the University. This would greatly streamline hiring, and all staff would clearly report to the management, not somewhere in the university administration. Resources could be quickly reallocated as needs become clearer.

3) Explicit costs specified in the contract would be helpful in demonstrating or defending the cost-effectiveness of the operation.

B) Marketing

Some of the materials being developed might be marketable, and there is already thinking that development and maintenance costs might be offset by sales outside the University. For this to be successful it is necessary to be clear about what the product is and who the customers would be. Then an appropriate structure for marketing would have to be developed.

The real product is not courseware but the whole setup: Emporium, helpers, focus group procedures, etc. We are tempted to think of courseware as electronic textbooks. But
traditional textbooks fit into an elaborate and well-developed established system. Here there is no standard context. To be successful the context itself must be imported along with the software. Note there is already a lot of software available; the supportive context would be the unique part of this offering.

The real customers are not students, but universities. Currently the customers for educational materials (mostly textbooks) are faculty and departments. A fiction is maintained that students are the customers, to justify making them pay, but faculty make the decisions. This fiction is relatively harmless in the context of print textbooks, less harmless with software, and really inappropriate when considering a “product” like the Emporium. A decision to buy into something like this would have to come from very high in the administration.

A sales pitch for the “Emporium plan” might go like this: the prospective client university would send a Dean, Department representatives, and maybe the Provost. They would get a tour, demos, and cost projections for development of such a program. What they would buy would be specifications for the facility; detailed instructions on how to use it (helpers, scheduling, etc.); training sessions for managers and supervisors; sessions for faculty on how to adjust the rest of the program to work with it; training for systems managers and software maintenance; and finally a site license for use of the software and software support. Framing the product in this way has many consequences. For example, the software itself can be freely available on the internet. Individuals might "steal" it, but no university would use it without a license. And to emulate it or re-invent the whole context would be much more expensive than just buying this product.

State restrictions and liability problems prevent direct marketing by the department or university. Therefore such a product would have to be marketed through corporate intermediaries. Established publishers might be the obvious candidates, but they are still in the selling-shrinkwrap-to-students mindset and would not be successful with something on this scale. A corporate incarnation of the Emporium might itself have a marketing branch. But even if marketing were “outsourced” some sort of incorporation would probably be required, because the product involves the whole operation, not just software.

C) Educational Mission.

The analysis above supports formation of a corporation to manage the emporium, develop software, and market the whole package. Here we consider the relation to the educational mission and conclude any such corporation should be a not-for-profit subsidiary of the Educational Foundation, rather than a for-profit spin-off along the lines of VTLS.

1) The mission of the department and the Emporium is the education of Virginia Tech students. A corporate entity offers many advantages, but the first priority must remain education. If a conflict develops between local operations and external sales it must be resolved in favor of local operations, even at the expense of profits.

2) There has been rhetoric in the university about “breaking the paradigm of contact for credit”, but for the most part instructional activity is still measured by contact hours. We have a problem coming up: the largely non-instructional focus group leaders will have huge contact hours, while courseware developers will have little or none. Who do we want to get primary credit for advancing the educational mission? Should we insist courseware developers get a lot of credit, or accept “focus group leader” as a principal faculty role? In the long run the former course will be far better for the department,
university, and the profession. The same arguments suggest that we should nominate a courseware developer for a teaching award. But there is a flip side to this. If we want courseware development to be accepted and supported as an essential faculty activity, we cannot spin it off as a separate for-profit operation. In other words we should want courseware development considered an instructional assignment like teaching a course, rather than as outside consulting.

3) There may be some question if this is fair to courseware developers, since textbooks can be written for profit. The point here is that this activity has very little in common with traditional textbook writing. Textbook development is not counted toward fulfillment of faculty duties, while courseware is. Textbook development is not initiated by the department to address specific needs, courseware is. Finally recall that the real product here is not just the courseware, but the whole environment. The traditional textbook policy (owned by the author) is out of step with the “intellectual property” policies now applied to patents, software, etc., and if we start scaling up to market an “environment” we should expect to play by the new rules, not the old ones.

4) These same issues considered from the point of view of a prospective client have marketing implications. A straight “we sell, you buy” approach would put client departments in the position of outsourcing their core mission, possibly setting themselves up for “downsizing.” A more appropriate and attractive system would provide opportunities for client departments to participate, e.g. in courseware development, an online help pool, support, etc. It might be more wholesome for the mathematical community if we were to think of it as a cooperative with participating departments, rather than a vendor and clients. Again a non-profit setting would help with this.

5) Expanding on the previous point, a consortium approach might also develop new products or services. Discussions with representatives of small or historically black institutions reveals that many of them lack the “qualified undergraduates” and graduate students needed for the help staff. We are developing on-line help systems to support our own off-campus offerings. If we are successful, then on-line help might be part of the package offered to these institutions. But then there will be a staffing problem. A purely commercial approach would be to hire (and fire) graduate students or other helpers as needed. A consortium approach would have capable participating institutions contribute to a pool of on-line helpers. This would also have a social benefit: institutions who cannot recruit fully-qualified help staffs are also likely to have trouble paying much for the service. But if the load were spread around in a consortium it could be considered partially as “community service” and offered cheaply or free.

D) Next Steps

A possibility seems to be emerging, but we need more information to assess feasibility, and a whole lot more before exposing it to the university administration. A next step, presuming the idea survives internal discussion, would be to seek reactions and advice from directors of existing university-related nonprofits, and people with experience with management and software development. One way to do this would be to ask Joe Meredith to suggest an advisory panel or focus group. He does this regularly, and has cultivated heavy-duty contacts for this purpose.