

Bob Bramucci

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DISRUPT

...OR BE DISRUPTED

The Coming Storm in Higher Education

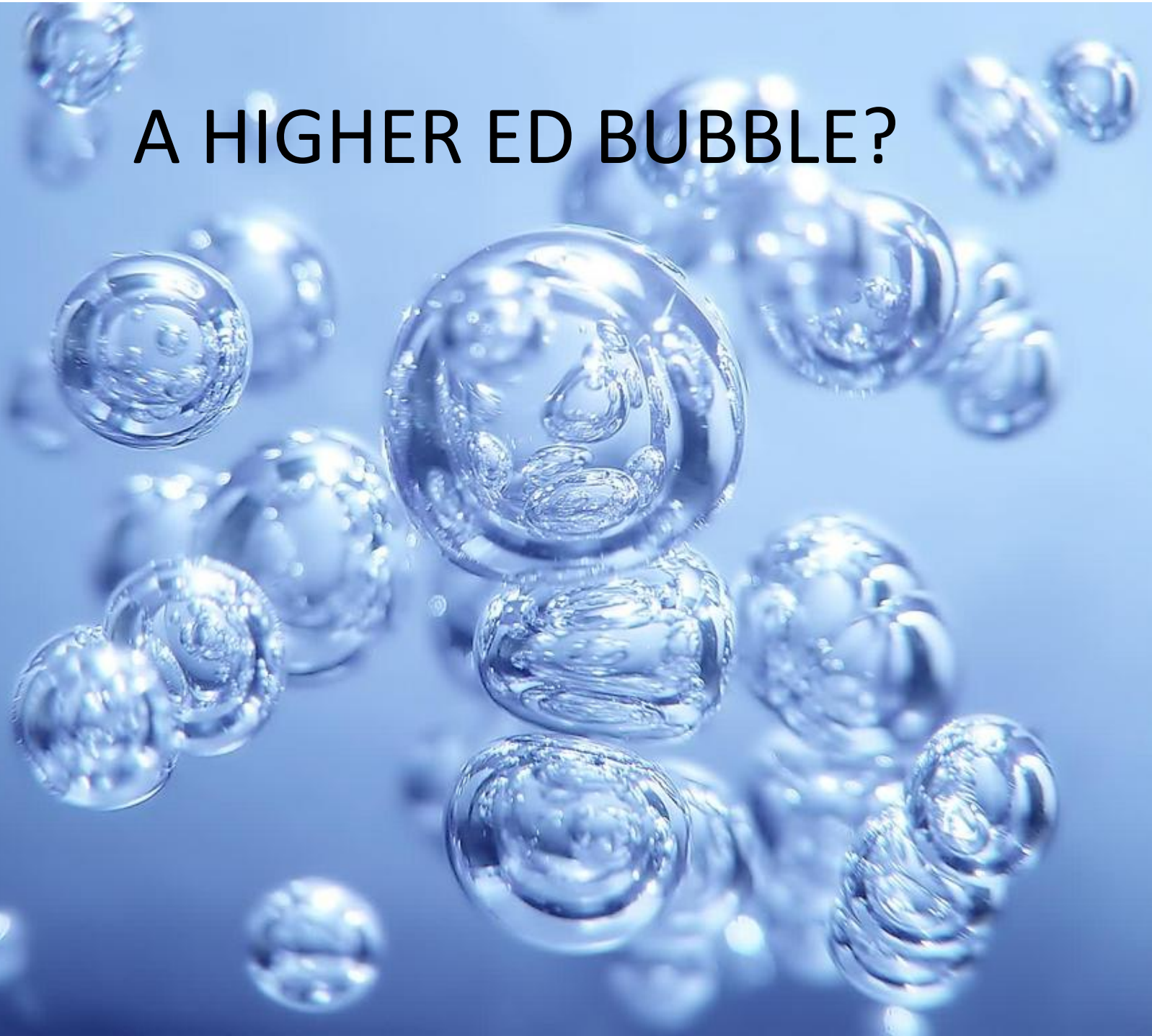
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What Keeps You Awake at Night?



A HIGHER ED BUBBLE?



What's a Bubble?

SYMPTOMS

- Prices rise much faster than inflation.
- Investors act as if value will rise indefinitely.

END

- The supply of money lessens.
- The cost of money rises.



Tooneel van FLORA.

Vertonende :

Grondelijcke Redens-onderfoekingē,

vanden
HANDEL DER FLORISTEN.

Ghespeeld/ op de spreuke van Anthonius de Guevara :
Een voorlichtich eerlijck man, sal altijd meer ghedulden,
dan straffen.

G'samen gesteld; mits/datter dagelijc :

Uyt haat : spruyt smaad.

Noch is hier by-gevoegt de Lijste van eenige *Tulpaen* vercocht aende meest-
biedende tot Alcaer op den 15 Februarij 1637. Item 't Lof-dicht
van *Calliope*, over de Goddinne *FLORA*, &c.

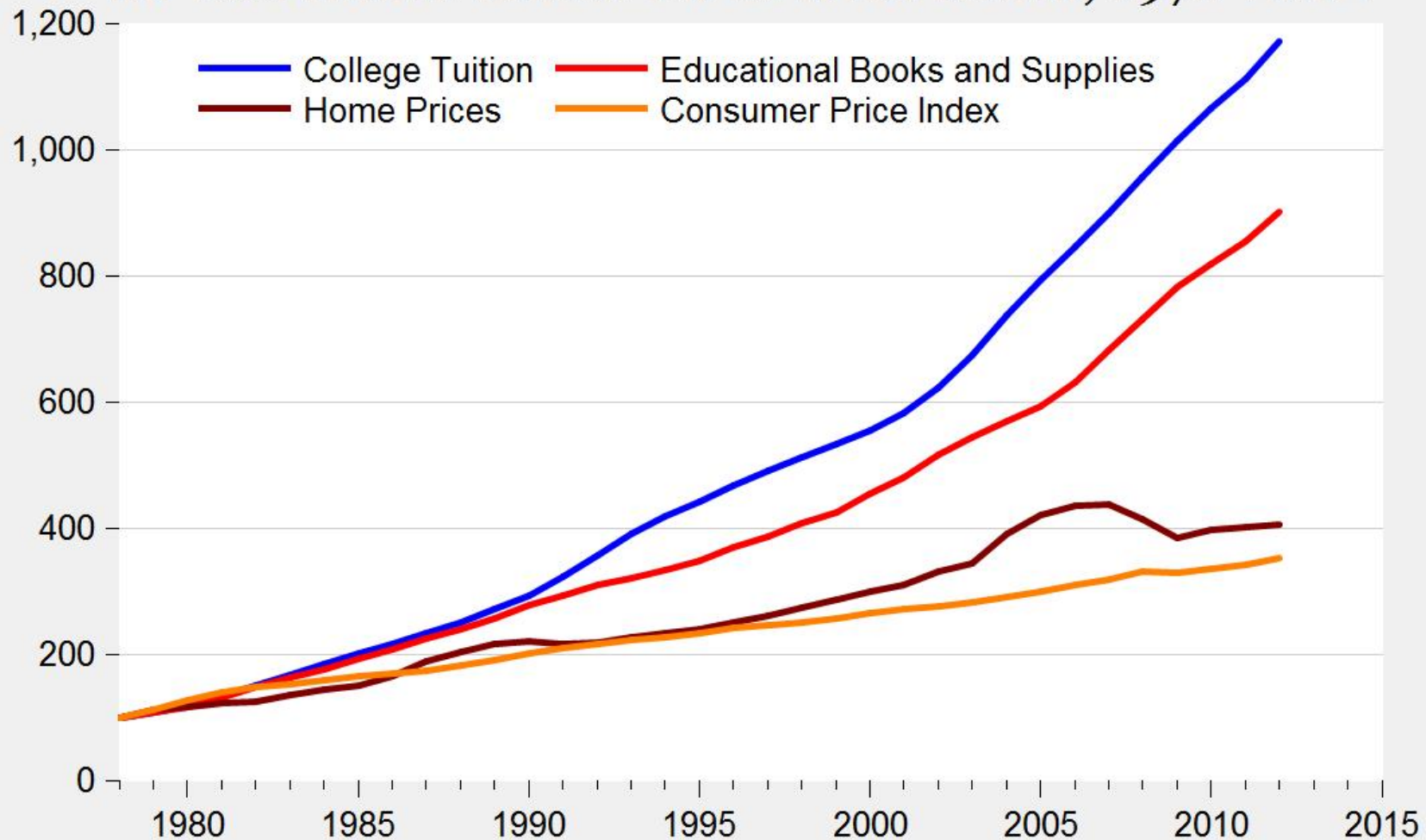


AMSTERDAM,

Ghedrukt by Iooft Broerfz. Boeck-drucker inde Graefe-stract/
inde Druckerpe / Anno 1637.



CPI: College Tuition vs. CPI: Educational Books/Supplies vs. U.S. Home Prices vs. CPI: All Items, 1978-2012





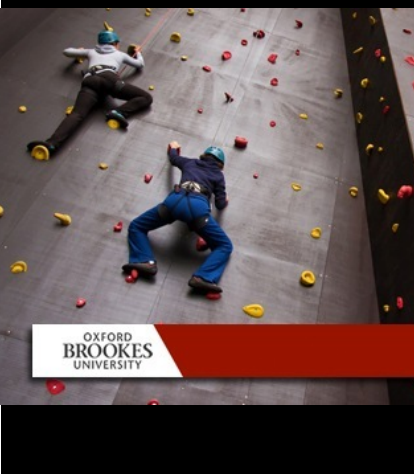
I owe, I owe (It's off to school we go)

- U.S. Student loan debt has surpassed one TRILLION dollars.
- This exceeds credit card debt.
- The average student debt in 2011 was \$23,300.

Rutgers University's \$55 million Rockoff Dorm features a Coldstone Creamery, a 7/11 and a state-of-the-art gym; residents also enjoy grocery delivery, room cleaning and laundry services.

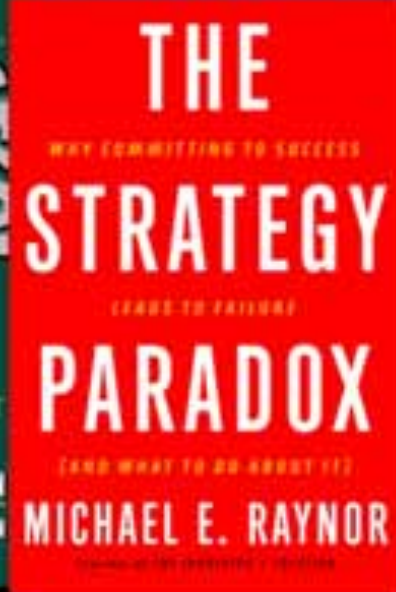
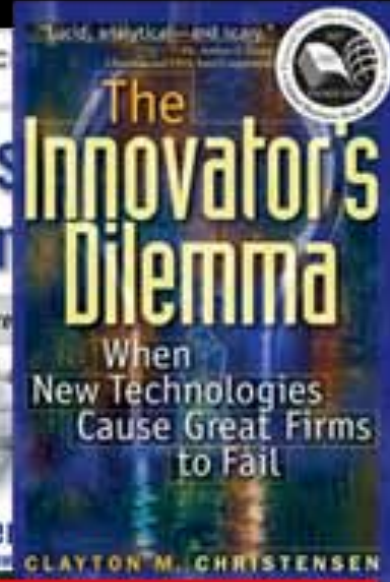
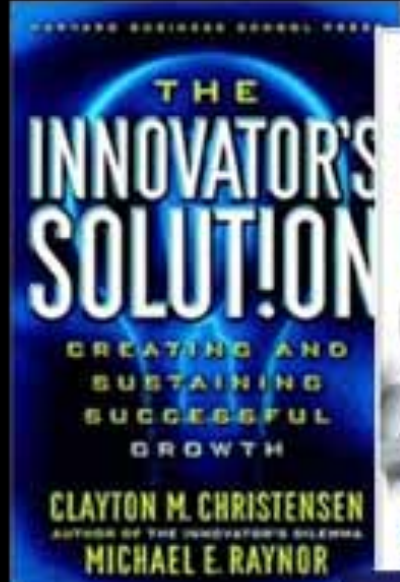


Stanford Climbing Wall

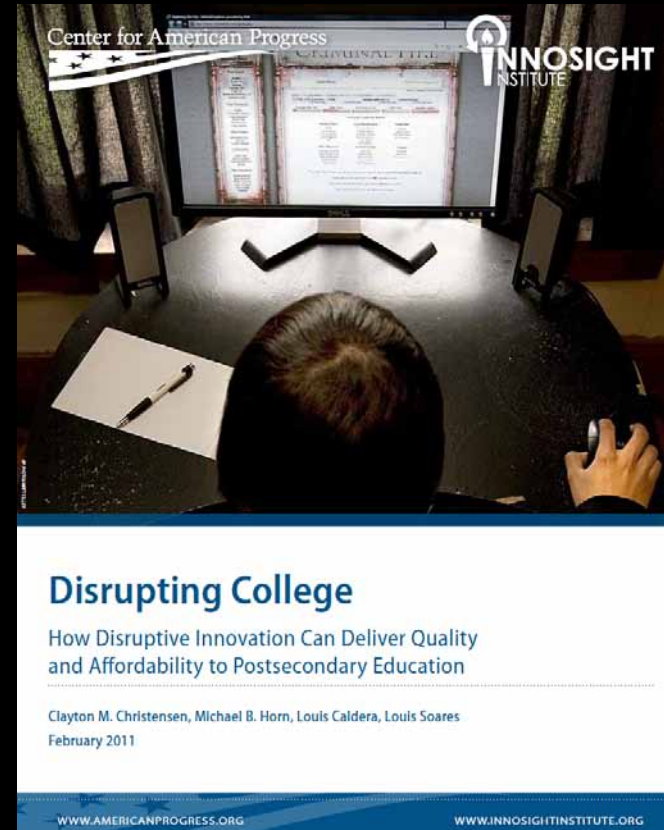
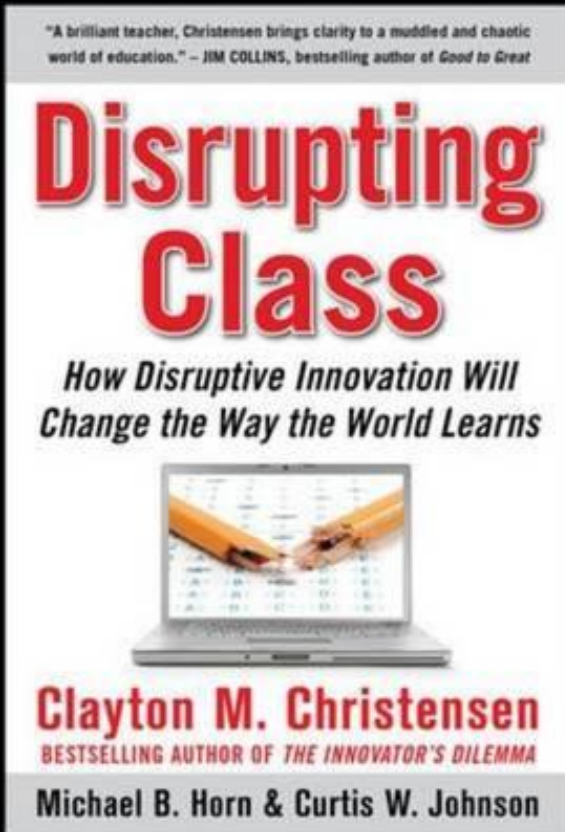


Dr. Clayton Christensen
Harvard Business School





Main Sources

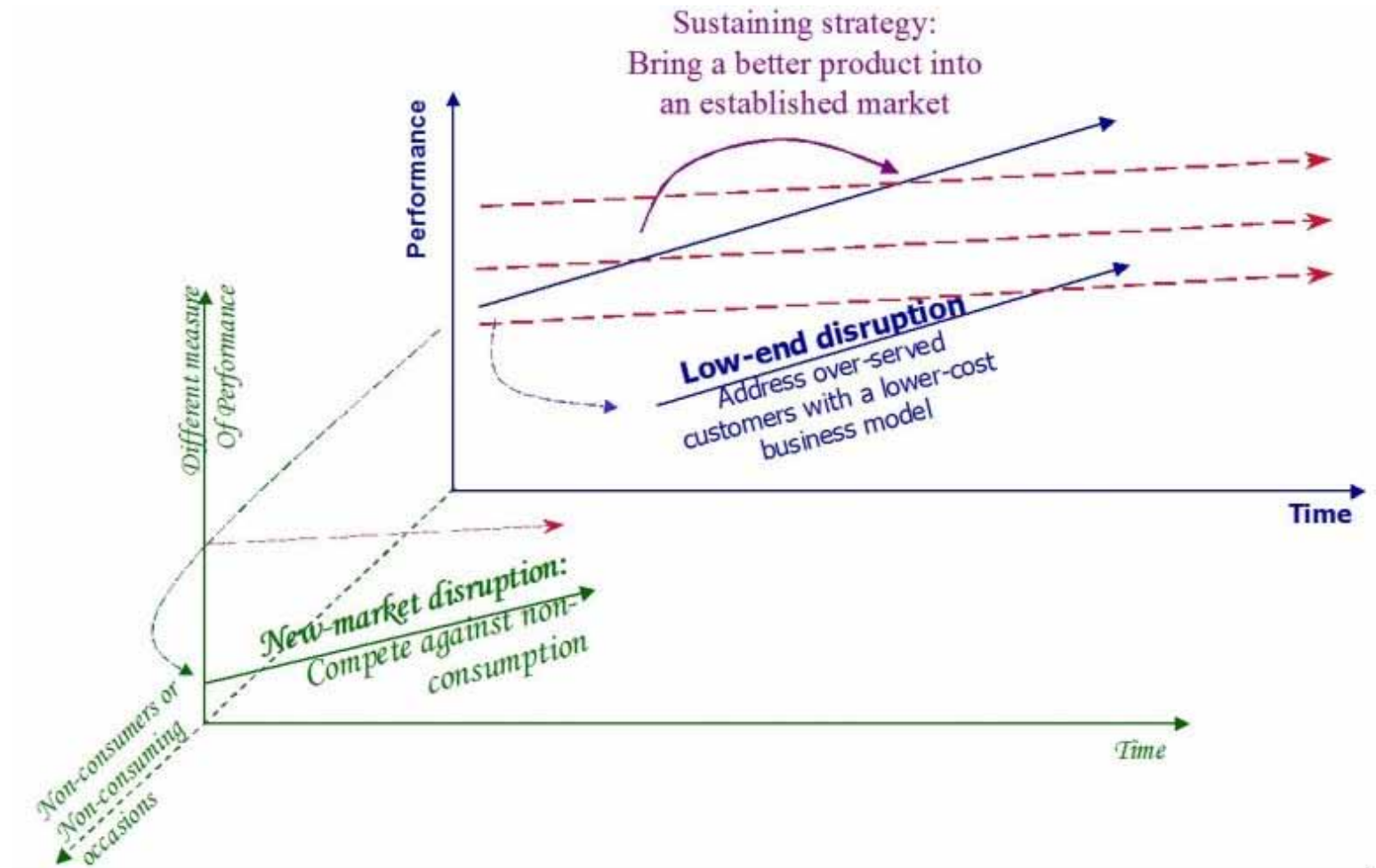


What's "Disruptive Innovation"?

"The process by which a sector that has previously served only a limited few because its products were complicated, expensive, and inaccessible, is transformed into one whose products and services are simple, affordable and convenient and serves many no matter their wealth or expertise."

- Clayton Christensen

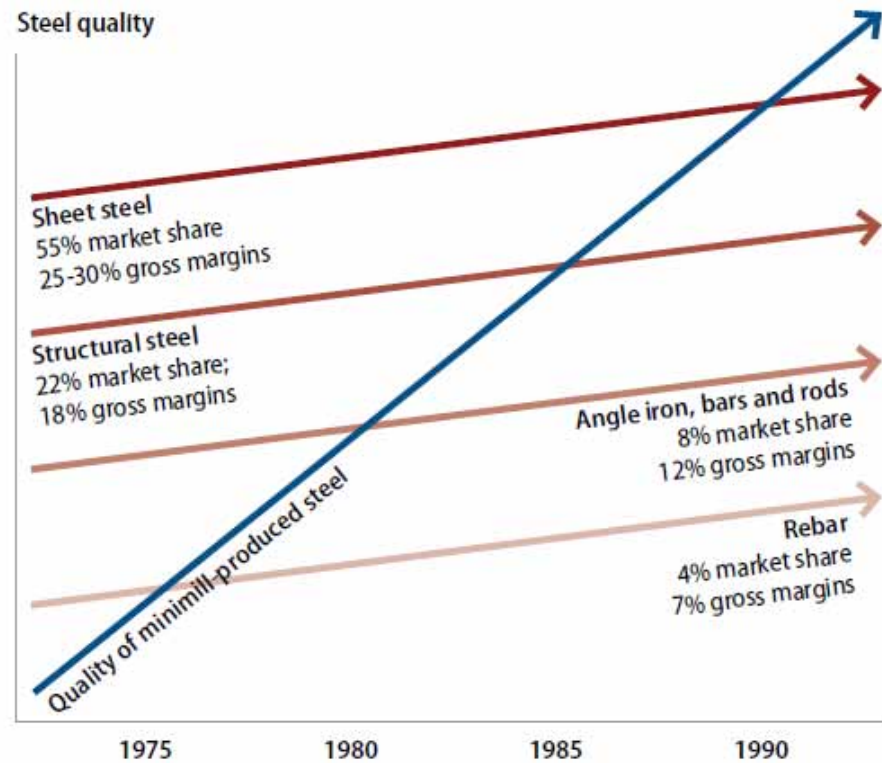
Types of Disruptions



Steel Yourself



FIGURE 3
The disruptive attack of the steel minimills





Is Disruption a Bad Thing?

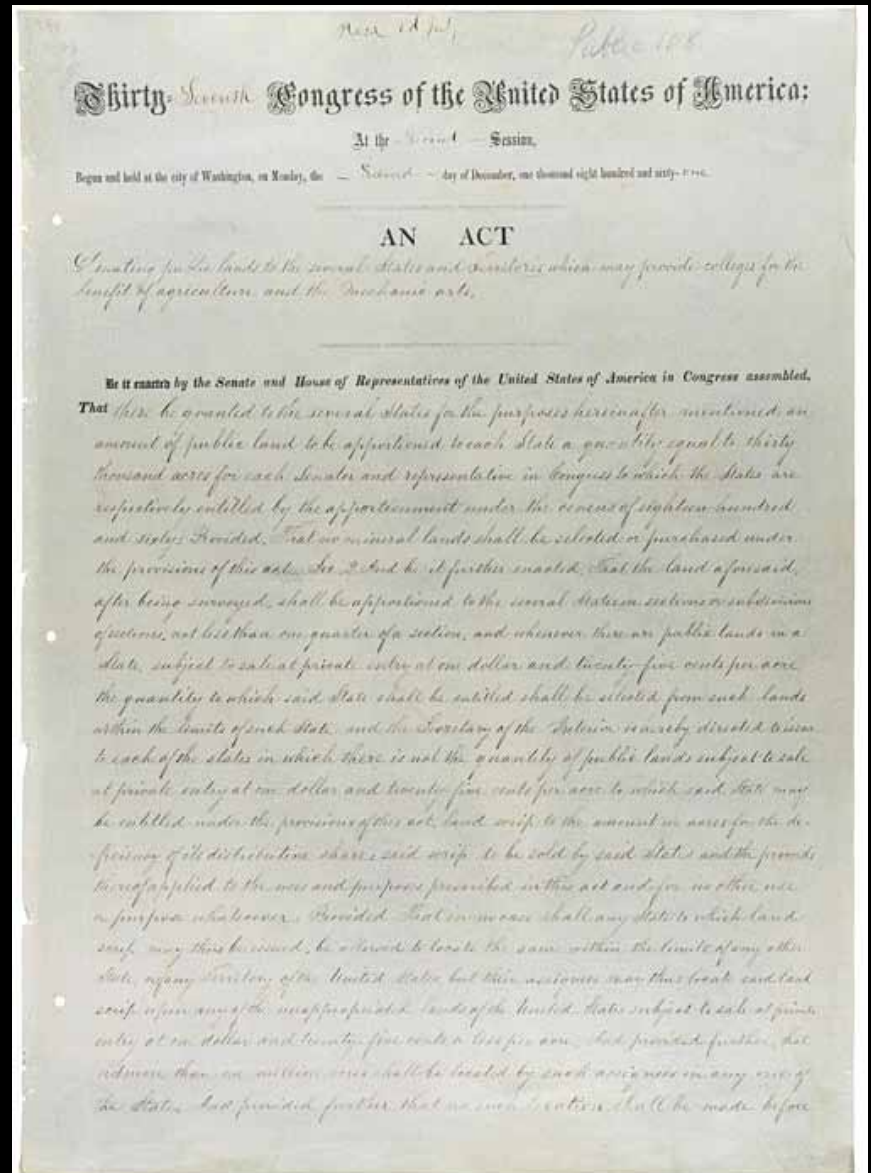


- If you're in the industry being disrupted, yes!
- "Yet disruption is an unambiguously good thing...It is a primary driver of economic growth and a key force that mitigates inflation. It is the process by which expensive, complicated products and services become simple and affordable."

**HAS HIGHER ED BEEN
DISRUPTED BEFORE?**



Morrill Act





For-Profit Universities



Online Classes



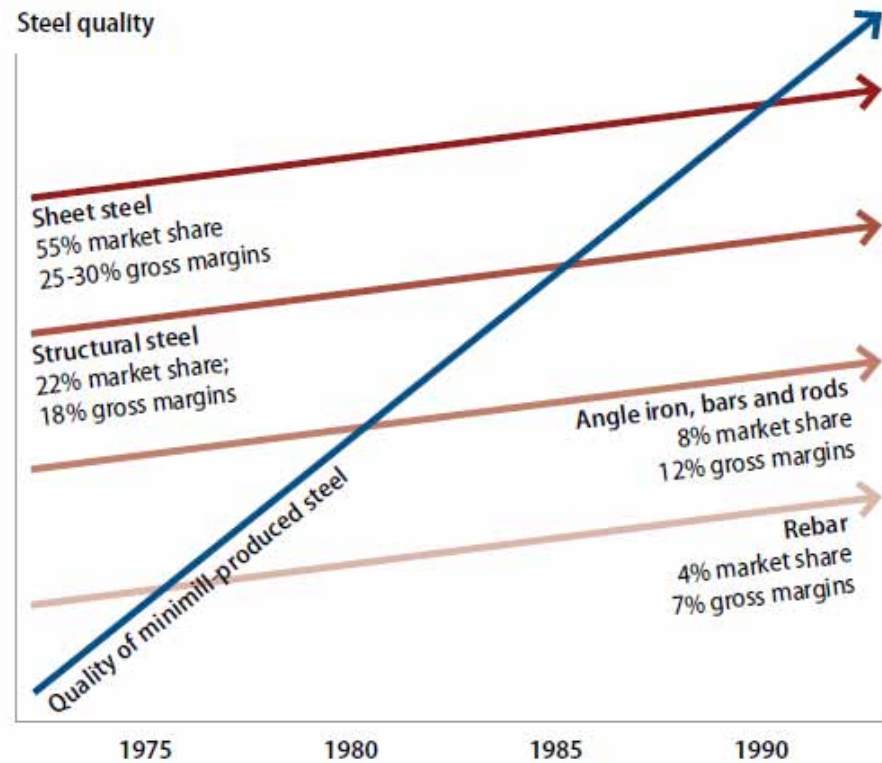
Online as Technology Driver



Steel Yourself



FIGURE 3
The disruptive attack of the steel minimills





WORLD
WARCRAFT
WRATH of the LICH KING

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WHY, THEY COULDN'T HIT AN ELEPHANT AT THIS DISTANCE



John Sedgwick

Black Swans



Founded in 1918, Ritz grew into the largest **photography chain** in the United States with more than **1300** stores across the country.



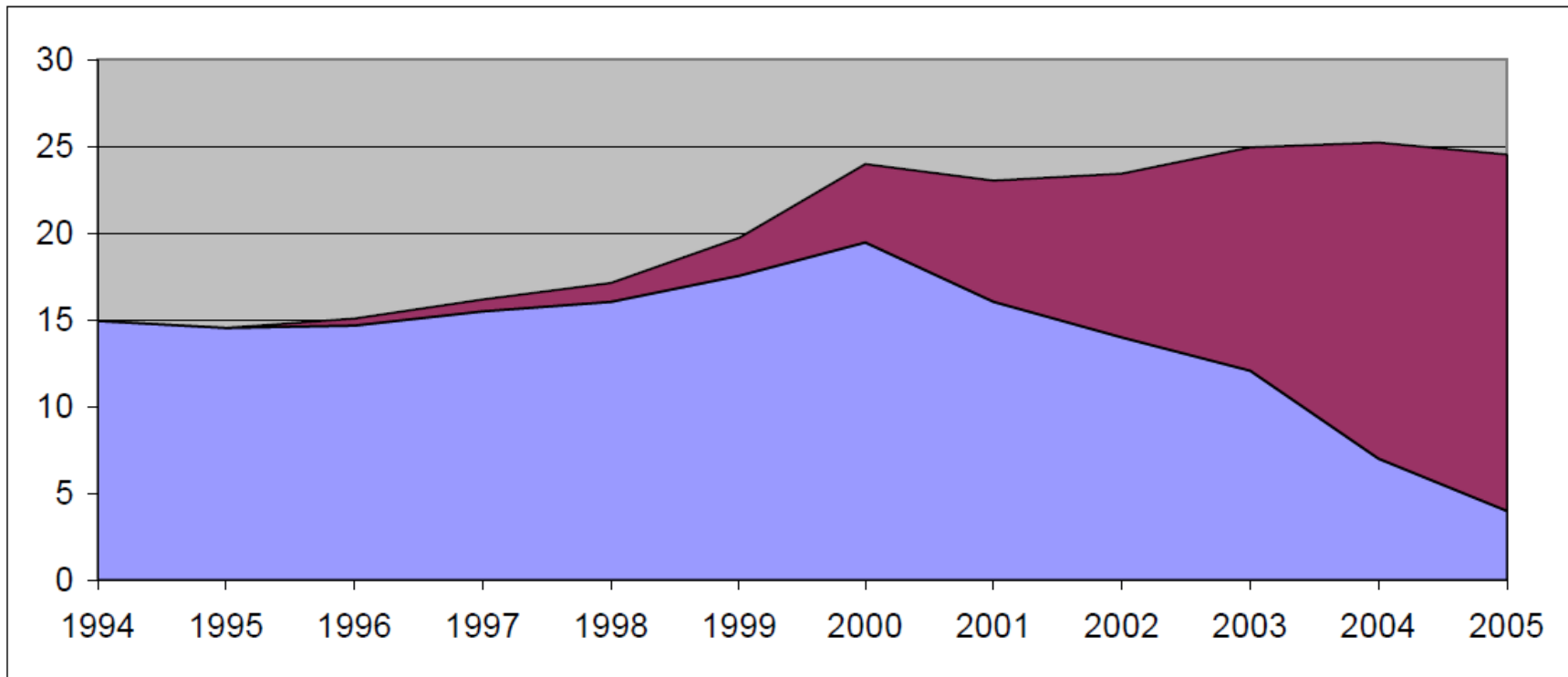
Source for Ritz Slides: Christian Sandström



Much of their profit came from service.



Camera Sales: Film vs. Digital



Big Box



These stores can sell the **large volumes** that are required to make a profit, they have a **lower overhead count**, don't make money on **film** and are masters of **supply chain management**.

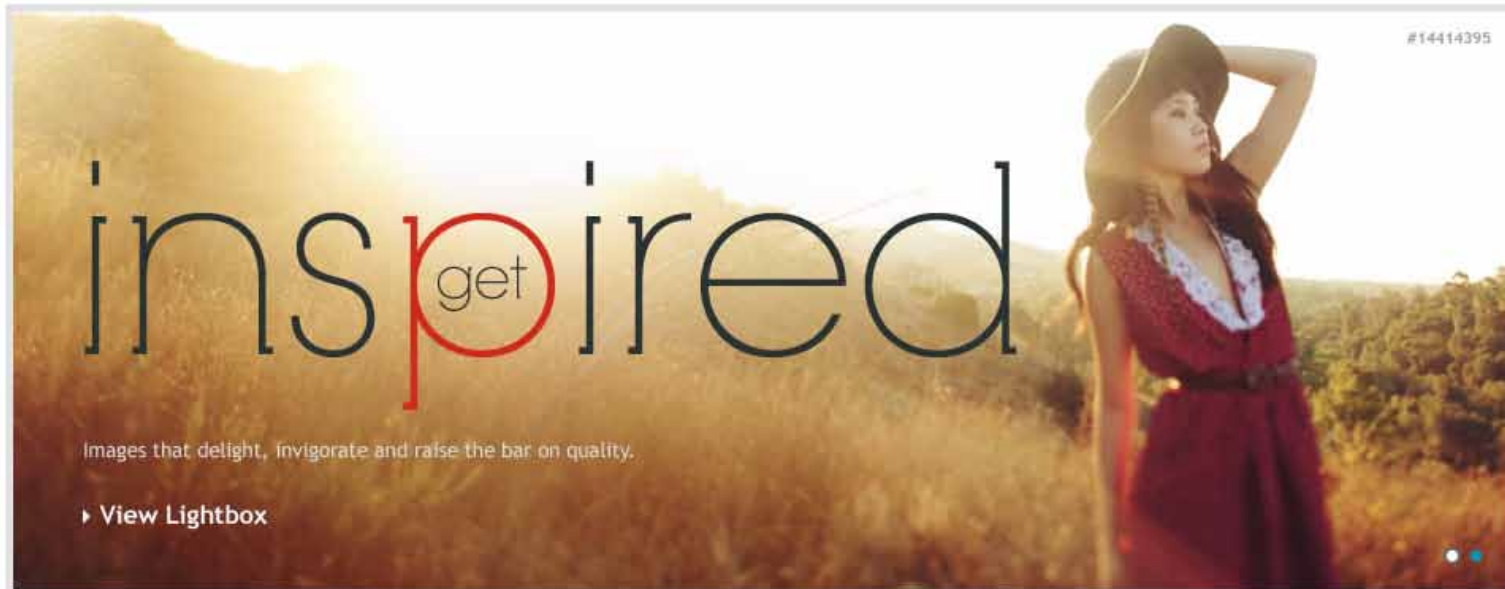




In February 2009, **Ritz Cameras** filed for chapter 11 bankruptcy.

Crowdsourcing





10/21/10 — (rogermexico) The Stockys: Nominations begin November 1

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FIRST THEY
IGNORE YOU,
THEN THEY
RIDICULE YOU,
THEN THEY
FIGHT YOU,
THEN YOU WIN



Getty Images Buys iStockPhoto.com For \$50 Million

Feb 9, 2006

-Daryl Lang

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Updated 6:15 p.m.

Getty Images announced today that it has acquired iStockPhoto.com for \$50 million, making it the first major stock agency to offer a low-cost "micropayment" service.

iStock is the best-known of the micropayment sites, which sell royalty-free images for as little as \$1 to clients on a budget, such as small office and home office users.

The deal unites the marketing muscle of Getty, the world's largest stock imagery company, with iStock's loyal community of designers and photographers. iStock has boasted in the past that its web site draws more traffic than Getty's.

Getty says it plans to operate iStock separately, rather than fold it into the Getty brand.

iStockPhoto

Getty: iStockphoto Sales Could Total \$262M In 2012

March 28, 2008

-Daryl Lang

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Getty Images projects that its iStockphoto division will more than double in size by 2012, reaching \$262 million in annual sales.

At the same time, traditional royalty-free and rights-managed stock licensing is expected to shrink by a quarter, down from more than half of Getty's revenues to just 29 percent in 2012.

Getty made these projections public in a raft of documents filed Thursday as part of its agreement to be sold to a private equity firm. Getty Images management has trumpeted the growth of iStockphoto before, but has never provided specific financial data until now.

iStockphoto, the low-priced stock imagery site that sells royalty-free image licenses for a few dollars each, has already shown tremendous growth. It earned \$22 million in 2006 and \$72 million in 2007, according to figures in a document dated February 7.

THE SEED HAS SPROUTED



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The first MITx course, 6.002x (Circuits and Electronics), was launched in an experimental prototype form. Watch this space for further upcoming courses, which will become available in Fall 2012.



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Press & links: [6.002x Press Release](#), [6.002x FAQ](#), [MITx overview](#), [Boston Globe](#), [New York Times](#), [MIT Press Release](#), [MITx FAQ](#), [OpenCourseWare](#)

ANNOUNCEMENT



On May 2, it was announced that Harvard University will join MIT as a partner in edX. MITx, which offers online versions of MIT courses, will be a core offering of edX, as will Harvardx, a set of course offerings from Harvard.

[Read more details here](#)

SPRING 2012 COURSE OFFERING



Circuits and Electronics

6.002x

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- Andres Vega



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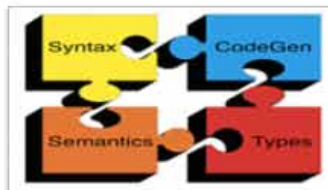


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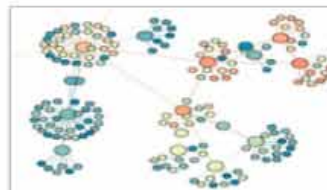
COURSES (195)



Functional Programming Principles in Scala
 École Polytechnique Fédérale de Lausanne
 Started 3 days ago (7 weeks long)



Compilers
 Stanford University
 Starts in 10 days (11 weeks long)



Social Network Analysis
 University of Michigan
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Writing in the Sciences
 Stanford University
 Starts in 3 days (8 weeks long)

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CATEGORIES (18)

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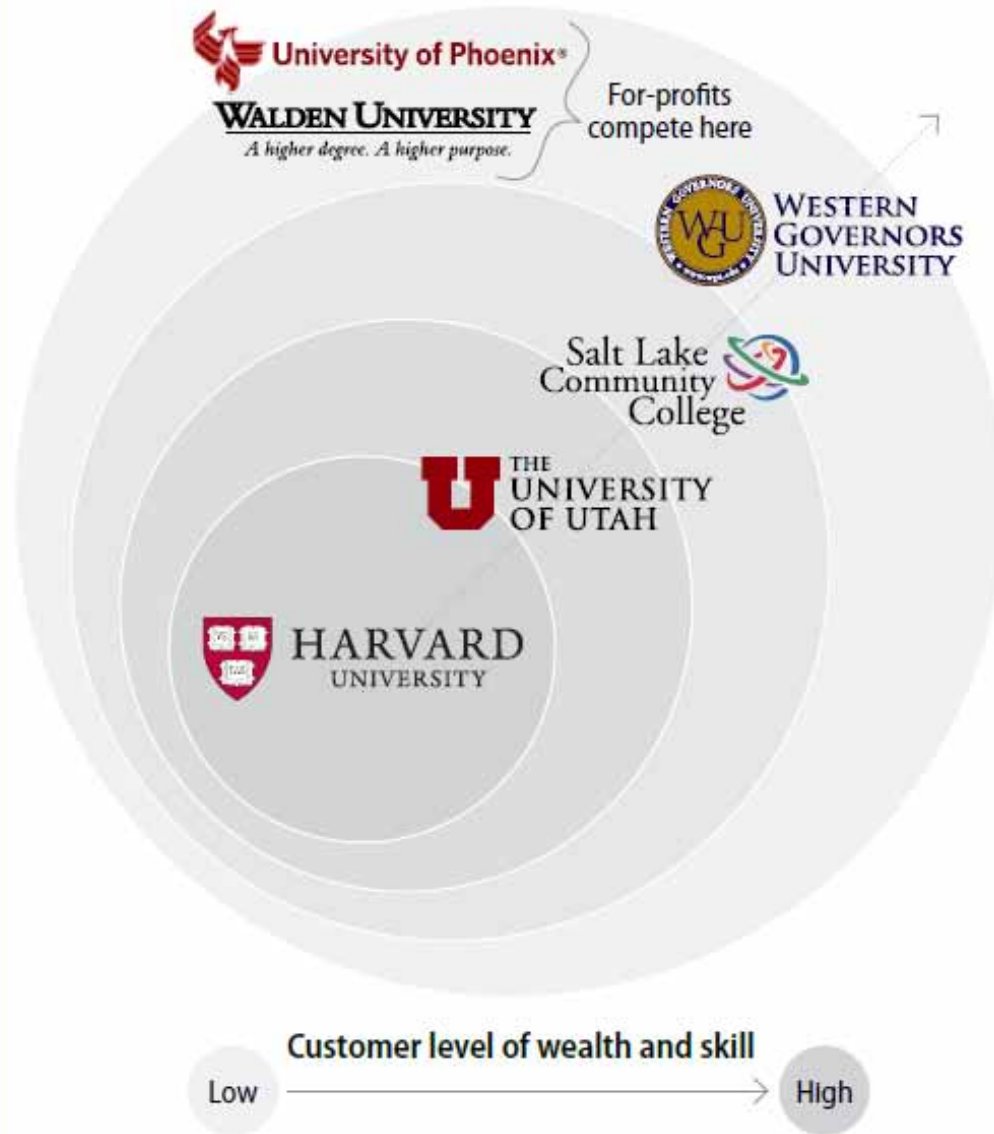
No Threat?



...in many ways, the institutions of higher learning need to disrupt themselves, or be disrupted, for the industry to survive.”


FIGURE 4

Potentially disruptive forces in higher education



Disruptive Innovation & Education

What the theory of disruptive innovation suggests is that the business model of many traditional colleges and universities is broken. Their collapse is so fundamental that it cannot be stanchied by improving the financial performance of endowment investments, tapping wealthy alumni donors more effectively, or collecting more tax dollars from the public. There needs to be a new model. The only question is whether traditional universities will undertake this replacement themselves, or whether community colleges, for-profit universities, and other entrant organizations aggressively using online learning will do it instead—and ultimately grow to replace many of today's traditional institutions.



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...OR BE DISRUPTED

The Coming Storm in Higher Education