MasterClass Business Model

Idea In Short

MasterClass sells access to prerecorded video courses taught by well-known experts, from Serena Williams on tennis to Gordon Ramsay on cooking. Founded in 2015 by David Rogier and Aaron Rasmussen, the company built its business around a single idea: people learn faster from people who have already mastered the craft. Rather than offering thousands of courses from unknown instructors, MasterClass keeps its catalog narrow and its production values high, charging an annual subscription instead of per-course fees. That model produced rapid growth through the late 2010s and a $2.75 billion valuation in 2021, but it has also forced the company to confront a harder question: how many people are willing to pay $180 a year for inspiration rather than a credential. This article traces the company's history, its revenue model and the pressures now testing it.

Learning from people who already did it

MasterClass was founded in 2015 by David Rogier and Aaron Rasmussen, who wanted to give ordinary people the kind of access to expertise usually reserved for apprentices or insiders. Rogier has said the idea traced back to advice from his grandmother: the fastest way to learn a skill is to learn it from someone who has already mastered it. The company launched with three courses, Dustin Hoffman on acting, Serena Williams on tennis and James Patterson on writing, and expanded from there into cooking, music, filmmaking and dozens of other subjects.

The founders bet that production quality and instructor credibility would matter more than course breadth. Where competitors like Udemy hosted thousands of courses from anonymous instructors, MasterClass built a smaller catalog around names people already trusted. Early growth relied heavily on word of mouth and the instructors' own audiences, since a course taught by Gordon Ramsay carries built-in credibility that a generic cooking class does not.1

Funding rounds and a pandemic-era surge

MasterClass raised $56.4 million by 2017 from investors including IVP and New Enterprise Associates, then followed with an $80 million Series D in 2018 that roughly doubled the prior year's sales. That same year, the company introduced its now-familiar all-access annual subscription, replacing a model where individual courses cost as much as $90 each. The shift to $180-a-year unlimited access lowered the barrier for casual subscribers while increasing the incentive to browse across categories.

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The COVID-19 pandemic accelerated demand for at-home learning, and MasterClass responded with free classes for students and a live-events product called MasterClass Live, which hosted virtual cooking demonstrations and writing workshops. By 2021, the company had raised a $225 million Series F led by Fidelity Investments at a $2.75 billion valuation, more than triple its valuation from a year earlier.2

Growth slows and layoffs follow

The subscriber surge that defined 2020 and 2021 did not hold. As pandemic-era demand for at-home entertainment cooled and venture funding tightened in 2022, MasterClass laid off about 120 employees, roughly 20% of its workforce, in an effort to reach self-sustainability faster. Further rounds of cuts followed into 2023, reflecting the gap between the company's growth-stage valuation and the harder economics of retaining subscribers who signed up during a pandemic lockdown and later let their plans lapse.3

A catalog built on scarcity, not scale

MasterClass's core wager is that a small number of irreplaceable instructors beats a large catalog of interchangeable ones. Courses run 10 to 30 minutes per lesson, are filmed with cinematic production values, and pair video instruction with downloadable workbooks and community discussion features. The company has never positioned itself as comprehensive

education; instead, it sells inspiration, technique and access to people learners would otherwise never hear from directly.

This scarcity model creates both the company's appeal and its ceiling. Because instructors like Martin Scorsese or Serena Williams do not need MasterClass for income or exposure, the company must continually persuade new names to participate, which slows content production compared with open platforms that let anyone upload a course. It also means MasterClass competes less on quantity of content and more on the strength of its brand relationships.

Diversifying beyond individual subscribers

The company has pushed further into enterprise sales, offering MasterClass at Work as a corporate learning and development tool that employers can license for teams. This mirrors a broader trend among consumer subscription businesses: individual sign-ups are harder to sustain long-term than institutional contracts, which come with renewal cycles and less price sensitivity. MasterClass has also leaned on partnerships, including an optimized app experience for Apple TV, and an affiliate program that pays bloggers and influencers a commission for referred subscriptions.4

Expanding beyond arts and sports

MasterClass's early catalog leaned heavily on cooking, acting and sports, but the company widened its subject range considerably from 2019 onward, adding courses in politics, economics and even video game design. Nobel laureate economist Paul Krugman joined to teach economics and society, while political strategists Karl Rove and David Axelrod taught campaign strategy, and journalist Bob Woodward covered investigative reporting. That expansion reflected a bet that the subscription model works best when it gives existing subscribers new reasons to keep paying rather than relying solely on new sign-ups drawn in by a single famous instructor.

Broadening the subject range also diversified MasterClass's dependence on any one entertainment category, reducing the risk that a single instructor's declining relevance or availability would hurt retention. It came with tradeoffs, though: subjects like economics or campaign strategy do not carry the same mass entertainment appeal as a cooking or acting class, and the company had to judge how much niche content its subscriber base would

actually watch relative to its production cost.5

Key Partners

MasterClass depends on its roster of instructors as its most valuable partnership category, since the entire brand rests on names like Ramsay, Williams and Scorsese agreeing to participate. Technology partners support the platform's video streaming and app infrastructure across web, mobile and connected-TV devices. Payment processors handle subscription billing and international transactions, while marketing and promotion partners, including affiliate networks, help drive new sign-ups. Apple has worked directly with MasterClass to optimize its app for Apple TV 4K HDR playback.

Key Activities

Content production sits at the center of MasterClass's operations, requiring film crews, editors and set designers to produce each instructor's course to a cinematic standard. Marketing and advertising activities drive subscriber acquisition and retention through digital campaigns and instructor-led promotion. Customer support and business development round out the company's core activities, the latter focused on recruiting new instructors and expanding into enterprise and international markets.

Key Resources

The MasterClass brand itself functions as a key resource, since trust in production quality and instructor caliber is what differentiates the company from lower-cost competitors. Its human resources include production staff, engineers and the instructors themselves, whose personal reputations are licensed rather than owned outright. Video production equipment and a proprietary technology infrastructure for streaming and content delivery complete the company's resource base.

Value Propositions

For learners, MasterClass offers direct access to techniques and insights from instructors who rarely teach publicly elsewhere, delivered through polished video lessons available on demand. For instructors, the platform provides production support, a built-in audience and tools for engaging students through live sessions and community features, without requiring

them to build their own streaming infrastructure. For advertisers, MasterClass offers access to a self-selected audience of engaged, education-minded consumers who are receptive to messaging tied to self-improvement.

Customer Relationships

MasterClass maintains customer relationships primarily through digital channels rather than personal account management, reflecting its consumer subscription structure. Customer support handles billing and technical issues, while email newsletters and social media keep subscribers engaged with new course releases. A community forum feature lets learners discuss lessons and share progress, adding a layer of peer interaction to what is otherwise a solitary viewing experience.

Channels

The company's website serves as the primary channel for both marketing and course delivery, supported by native apps for iOS and Android devices. A presence on connected-TV platforms, including an Apple TV-optimized experience, extends viewing to living-room screens. YouTube and other social platforms serve as discovery channels where trailers and instructor clips attract new subscribers.

Customer Segments

Lifelong learners who value quality content over comprehensiveness make up a core segment, often subscribing for personal enrichment rather than career advancement. Professionals looking to sharpen specific skills, from public speaking to negotiation, form another segment drawn to the practical techniques certain instructors teach. Creative enthusiasts interested in writing, photography, music production and filmmaking round out the customer base, often subscribing to access a specific instructor before exploring the rest of the catalog.

Cost Structure

Content production represents one of MasterClass's largest costs, given the cinematic quality standard the company maintains across every course. Platform development and technology infrastructure costs support streaming across devices, while marketing and

advertising spend drives subscriber acquisition in a competitive digital landscape. Staffing costs, licensing fees paid to instructors and general infrastructure expenses round out the cost base.

Revenue Streams

Subscriptions generate the bulk of MasterClass's revenue, sold as an annual all-access plan that replaced the earlier per-course pricing model. Partnership revenue comes from arrangements like the Apple TV integration, which extends the platform's reach without requiring MasterClass to build new hardware. Affiliate marketing contributes a smaller but steady stream, paying commissions to bloggers and influencers who drive referred subscriptions.

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Summary

MasterClass proved that a well-produced video course featuring a famous name could support a subscription business, at least while venture capital was cheap and growth mattered more than profit. The company's real test came after 2022, when rising interest rates and cooling subscriber growth forced three rounds of layoffs and a shift toward corporate licensing and profitability. Whether MasterClass can sustain itself on subscriptions alone, without a credential or certification to justify the price to employers, remains an open question. Competitors keep circling from both ends of the market: cheaper platforms like Skillshare undercut it on price, while universities and Coursera offer credentials it does not. What MasterClass still has is a catalog no one else can replicate, built on relationships with people like Ramsay, Williams and Scorsese who are unlikely to teach anywhere else. That asset is durable, even if the subscription math around it keeps shifting.