

## Revenue chase sends colleges to Web

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Christopher Hopey

On nights after a full day's work and on the weekends, Christine Shea shuts the door to her home office in South Hampton, tunes out possible distractions and goes to class.

For Shea that means reading assigned texts, listening to lectures and chatting with fellow students online. At 48, Shea has long been a member of the working world, but has always wanted to get her bachelor's degree. So in the fall of 2007 she enrolled in the University of Massachusetts Online program seeking a degree in business leadership. She hopes to finish next year.

"I'd like, by the time I'm 50, to have that darn degree," she said.

Her path is an increasingly common one.

Institutions with 15,000 or more students saw the number of students taking at least one course online grow by 24.1 percent between 2002-2006 to nearly 1.4 million students, according to a study by the Sloan Consortium and Babson College. For colleges with enrollments of 1,500 or fewer during that same period, it grew by 21.1 percent to 217,445 students.

For colleges worried about declining investments and enrollments, students like Shea could represent a valuable consumer. More schools will likely develop online education offerings — a profitable segment for many area colleges — in the coming years to generate new revenue streams, experts in the industry said.

"I really think you're going to see some new entries" in online education degree programs, said Peris Rickes, president of Boston-based higher education consulting firm Rickes Associates Inc. "The campuses are going to be looking at ways to broaden their revenue base."

University of Massachusetts, which has pushed heavily into the online market since 2001, has seen steady growth in its Internet segment. Total enrollment grew by 26 percent in 2008 to 33,900 students from 25,855 students the year before. Revenue for the program grew by 32 percent to \$37 million compared with \$28 million the year before. The segment has a net operating margin of 60 percent and hasn't grown by less than 20 percent a year since it was founded, said Jack Wilson, president of UMass.

“If you didn’t have an online program, I couldn’t imagine why you wouldn’t pursue one now,” said Thomas McGovern, president of Boston-based Fisher College, which is ranked No. 12 in the Online Education Database’s accredited online degree programs.

McGovern said one of the draws of offering online programs is that you can avoid a number of heavy overhead expenses. This past year Fisher College saw \$1.3 million in revenue from its online program and netted about \$300,000 after expenses, he said.

The global market for online education is worth about \$10 billion, said John G. Flores, executive director of the United States Distance Learning Association.

The high costs of room and board, compared with much cheaper price tag of taking courses through a laptop, could cause demand to spike further in the coming years. The desire for new revenue will likely draw colleges to online programs, particularly as enhanced technology make it easier to reach students everywhere.

Many experts warn jumping into the market isn’t easy. When online learning first took off in the late ’90s, several colleges ended up losing money as demand was outpaced by the number of suppliers. The same phenomenon could occur if colleges don’t identify new niches, James Samels, president of the Higher Education Alliance in Framingham, said.

“A lot of people are going to lose their shirts by trying to compete head to head,” he said. “It’s one thing if you have a unique program offering, but it’s another thing if you are just going to offer another MBA.”

The most popular online programs are in areas like MBAs, psychology, nursing and early childhood education, says industry tracker eLearners.com.

Finding new areas can be difficult, especially as online students typically don’t fit the average on-campus age profile, Rickes said.

Many colleges underestimate the actual costs of starting online programs, said Christopher Hopey, vice president and dean for the college of professional studies at Northeastern University. Northeastern enrolls between 12,000 and 13,000 students online per year and generates about a \$20 million in revenue, he said.

“But take away the physical plant (costs) and the cost structures tend to be higher,” said Hopey, adding about 60 to 70 employees are involved in the online programs. “The smaller colleges that are just looking to make additional (revenue) resources are going to really struggle,” he said.

There’s also a major competitor with huge market pull: The University of Phoenix. “There’s a big gorilla in the room,” said Rickes.

But Wilson said high-profile institutions like UMass face more competition from the likes of the University of Maryland and Pennsylvania State University as it grows its online presence. He

said the University of Phoenix “is a competitor in the sense that McDonald’s is a competitor to Legal Seafoods.”