

THE WALL STREET JOURNAL.

COLLEGES RUSH TO RAMP UP ONLINE CLASSES

Web-based learning appeals to the 36 million U.S. adults with some college but no degree; universities like the low overhead

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April 30, 2017

Purdue University's [plan to buy for-profit Kaplan University](#) to expand its reach is the latest twist on an old idea: boost enrollment by attracting students online.

For-profit colleges like University of Phoenix and American Public University expanded rapidly in the early 2000s by offering convenient, web-based classes to working adults who couldn't take time off to go back to school. Enrollments then plummeted amid tighter regulations, along with bad publicity from low graduation rates and high student debt loads at some institutions.

Despite some lingering concerns that an online degree lacks some of the benefits of face-to-face instruction, nonprofit and public institutions are racing to fill the void.

The potential to appeal to a broader base of students, without the overhead of dorms and classrooms, has set off a mad dash among big public universities like Arizona State University and the University of Massachusetts, as well as private, nonprofit institutions with more modest roots, like Liberty University and Southern New Hampshire University.

More than six million postsecondary students took at least one class online in 2015, up 11% from 2012, according to federal data.

"People say the sleeping giants are awakening," said Chip Paucek, co-founder and chief executive of [2U Inc.](#), which for the past nine years has worked with elite schools to offer online graduate programs in areas including business and nursing. "No, they're awake."

Online opportunities appeal to cash-strapped public universities with tenuous state funding. They offer access to huge new markets, including the roughly 36 million U.S. adults who have some college experience but no degree.

The state of [Indiana is targeting that population](#) with its "You Can. Go Back." initiative, aiming for 60% of adults to hold postsecondary credentials by 2025. Purdue President Mitch Daniels said the still-unnamed new university resulting from the Kaplan deal will cater to such students.

Colorado State University-Global Campus is pursuing a similar audience. The online-only school was launched nine years ago with 200 students. It now has about 18,000 students, nearly half from Colorado.

Unlike most public universities, CSU-Global doesn't have a line in the state budget. Instead, the governing board of the university system offered a \$12 million loan to cover startup

costs in 2007; the online school paid it back, plus interest, in 2012, according to President Becky Takeda-Tinker.

Dr. Takeda-Tinker said that answering to Colorado State's governing board is worth it, even without financial support. "The brand matters," she said.

The University System of Maryland created its University of Maryland University College for adult students 70 years ago. It ventured online in 1994 and now has more than 85,000 online students, including many who live near a campus but prefer web-based instruction.

UMUC President Javier Miyares said schools that go online do risk cannibalizing their own local markets, but it is better than losing the students to another school entirely.

A handful of small, private schools were early adopters of technology and aggressively marketed their brands to gain a national online footprint.

Southern New Hampshire University has about 3,000 students on a modest campus in Manchester, N.H.—and about 80,000 students online.

Liberty University, a private Christian school in Lynchburg, Va., built its distance-education courses by mailing videotaped lectures to students, according to James Koch, an economist at Old Dominion University, in Norfolk, Va., who has researched the school.

Liberty has about 15,000 students on campus, and another 90,000-plus online. Online enrollment generated nearly \$800 million for Liberty last year, up from \$53 million in 2000, according to Dr. Koch. A representative from Liberty declined to comment.

Simmons College in Boston also is reaping benefits from its online growth. The school is on track to generate nearly \$56 million in revenue from its eight online programs this year, more than it gets from the 30 ground-based graduate programs. Simmons shares that revenue with 2U, which runs six of its online programs.

2U, which went public in 2014, now posts year-over-year revenue growth of more than 30%. It has nearly decade-old partnerships with Georgetown University and the University of North Carolina at Chapel Hill. The company handles the nuts and bolts of online education, such as marketing to prospective students and running the web platform, while schools keep their faculty and maintain control over admissions.

Purdue will contract with Kaplan to handle back-office matters for the new university.

2U is on track to launch 10 more degree programs this year, with partners including Pepperdine University and the University of Dayton, and has another 13 lined up for 2018.

"There's still so much runway," Mr. Paucek said of growth opportunities.

According to its annual report released Friday, 2U estimates that by the time last fall's new class of students graduates, the programs 2U helps run will have generated more than \$1.5 billion in combined tuition and fees for partner schools.

Despite top universities' growing adoption of online formats, skepticism remains.

Yale University announced more than two years ago that it planned to partner with 2U for a web-based master's degree for physician assistants, mostly online but with some in-person

clinical training near students' homes. Students and alumni of the campus-based program balked, expressing concern that the online program would tarnish the school's brand power.

The program's accreditor pressed pause on the proposal, pending a multiyear review.

The sector's gold rush mentality is leading some early entrants, including Liberty, to rethink their strategies.

"The space has become very crowded and very competitive," Dr. Koch said, noting that Liberty recently reported its first decline in online enrollment. "Eventually their plan is to become predominantly residential."