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Going digital – A big challenge for universities

Alejandro Caballero 30 November 2019

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Around the world traditional, campus-based universities are facing headwinds as they try to expand student enrolment. The challenge is especially acute in more advanced developing countries where the college-age population is shrinking for the first time due to decreasing birth rates. In addition, the rise of the gig economy and the decline of lifelong professions are leading some young people to wonder if the classic four-year campus college degree is still worth it.

Meanwhile, the appetite for digitally delivered higher education continues to grow.

Brazil saw a 16% yearly decrease in enrolment in face-to-face higher education from 2014 to 2016, according to Hoper Business Consultancy – a decline driven by reduced government subsidies for students, demographic shifts and a sluggish economy. By contrast, enrolment in online education and blended online or in-person education grew by 13% annually from 2012 to 2016, while 37% of new university students in Brazil opted for distance learning.

Faced with these trends, universities are coming to the realisation that they must create more quality online and blended programmes to survive in a more complex environment.

Globally, the higher education market is worth US\$2.2 trillion, according to education intelligence analysts **HolonIQ**. While traditional face-to-face institutions still capture the lion's share – with the online market valued at US\$30 billion – online and blended segments are forecast to grow faster than face-to-face education in the future.

Indeed, expanding enrolment in distance learning is becoming a do-or-die in higher education.

We see this already in Colombia, where many traditional universities are struggling to grow or even maintain historical student intake levels. In less advanced countries like Ghana and Kenya, where youth populations are still growing and higher education institutions might benefit from a demographic dividend, there is a great opportunity to expand the pool of distance learning students to increase coverage levels.

In all markets, there is enormous potential to tap into the pool of working adults, who are increasingly interested in upskilling and lifelong learning. Online education's big selling point to this demographic is the increased flexibility it provides.

Online programme managers

Many higher education institutions, however, need external support to tap into this potential.

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This usually comes in the form of online programme managers – for-profit companies that develop, deliver and market online educational content. These companies offer highly valued expertise in areas like instructional design, technology platform selection and integration, student retention and digital marketing.

This global market was estimated at US\$2.8 billion in 2018 by HolonIQ and comprises some 50 companies, of which eight have captured about half of the market.

Originally mostly United States-based, many are looking for ways to break into faster-growing markets like Mexico, home to some 3,000 private higher education institutions. In such fragmented markets, the arrival of these players can drive consolidation, especially in the non-profit segment.

As the online segment grows, business models are evolving. Historically, most have opted for a revenue-sharing model where the university they contract with required them to make a portion of the upfront capital investment in return for which they got a share of revenues.

More recently, many are choosing a fee-for-service model, where the university pays per element provided – content, delivery, technology, marketing etc. Examples of the unbundled approach are educational publishers Pearson in the United Kingdom and Wiley in the United States, who both broke into the online programme management sector in 2012 by acquiring, respectively, Embanet and Deltak.

Sharing expertise

Looking ahead, we will likely see more universities tap into newly acquired in-house expertise to provide such services.

They could even market their expertise externally. For example, Utel and Aliat, universities in Mexico with a strong online education presence, have begun to offer online management services to other universities by leveraging their online success. In the case of Utel, it is even expanding to other Latin American countries.

The International Finance Corporation, the division of the World Bank that fosters private sector growth in emerging markets, has a US\$650 million education investment portfolio. Our clients at the International Finance Corporation are a mix of traditional universities like the 400-year-old Javeriana University in Colombia and online players like the US-based but globally operating Coursera, founded in 2011, which also offers online programme management services.

In deciding where to invest, we are guided by an overarching mission of expanding access to affordable, high quality, employment-oriented education. When it comes to distance education, where ensuring consistent quality poses unique challenges, providing students with strong support structures is key to success.

In future, we expect to see different kinds of new players entering this space. For example, recruitment and human resources companies have an obvious entry point given their expertise in student employability and strong links with employers. Global tech giants may dive in too, tapping their digital know-how.

Expect to see a radically transformed landscape a decade from now.

Many universities will have forged strategic partnerships to grow their online presence. There will be a proliferation of online programme managers in various forms, including successful online universities that have expanded their business into this segment.

In short, lots of growth and disruption, probably some consolidation and, most importantly, great opportunities for higher education institutions willing to chase them. If we can keep the focus on increasing the quantity *and* quality of higher education, the future will be bright.

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