



Update on the future of the UK eUniversity - finished as an independent organisation, but did it have to be this way?

On 22 April 2004, the Board of the Higher Education Funding Council for England pronounced on the future of the ill-fated UK eUniversities Worldwide (UKeU), the UK's national commercial online university. It was announced in February that the venture had failed to meet recruit targets and by implication was judged unviable in its current guise. It is now clear that the company is unlikely to survive as an independent entity. Recruitment and marketing have ceased and negotiations are underway to transfer activities and assets to the UK higher education sector. In the wake of the February announcement, much press coverage has accused the venture of wasting public funds and pursuing an unrealistic business model. Four years on from February 2000 when the idea of a national e-university was first put forward with much fanfare by the British government, to what extent was UKeU fundamentally misconceived or simply saddled with impossible expectations?

In another rather cryptic press release out today, HEFCE report on progress on activity and asset transfer. The much vaunted UKeU platform (still not completed- scheduled completion date June), developed by Sun Microsystems and others, is to be "transferred" (sold?) if ongoing discussions with "organisations in the public and private sectors" come to fruition. Aside from perhaps the brand and some key staff, it is thought unlikely that any other aspect of UKeU will transfer with the platform. Of the original £62 million of public funds originally allocated to UKeU, £7 million was set aside for so-called public good initiatives. These include the eChina programme (developing UK university programmes through UKeU initially to deliver teacher training provision in China- and part of a wider Sino-UK Collaborative Programme in Higher Education) and a national research centre specialising in e-learning. It is understood that these activities will continue (the research centre is only now getting off the ground), but without UKeU branding. eChina will be transferred to a single (unnamed) UK higher education institution. Every effort is being made to accommodate students currently enrolled on UKeU programmes, with the majority simply moving over to the infrastructure of the originating university. Over 20 UK universities and other organisations are currently listed on the UKeU website offering around 40 programmes, but most with a first intake date of mid-to-late 2004. Overall, Observatory discussions with HEFCE staff suggest that it is reasonable to conclude that UKeU is for all intents and purposes finished as an independent entity and brand. Aside from business wind-down expenses, no more HEFCE funds will go to the venture (about £35 million of a total of £55 million of public funds earmarked for the company has already been spent).

So what went wrong? The first problem was timing. UKeU was announced in February 2000, just a few weeks before the dotcom crash. During the Internet boom, the potential for new technology to transform many aspects of society, including higher education, in the short-term, was dramatically overstated. Concern that if the UK did not 'do something' its international student market would be overrun by aggressive online universities from the United States and elsewhere was based on fear rather than fact. The second problem was focus. The dotcom boom presented online delivery as an alternative to the conventional campus rather than (as has more often turned out to be the case) a supplement. UKeU's business model was centred on wholly online provision with very little evidence of a secure market. Wholly online higher education has taken off in the United States- with US analyst firm Eduventures estimating around 350,000 enrolments in 2003- but elsewhere take-up appears to have been much more limited. This is partly because online delivery outside the US has generally yet to attain sufficient status, scale and sophistication. This led to a third problem: branding. There was arguably 'channel interference' between the mainstream 'UK Education' brand (emphasising tradition, place and quality), and marketing by UKeU that attempted to marry the 'best of UK

higher education' with online 'convenience'. This might be characterised as trying to market UK higher education without being able to utilise three of the strongest elements of the brand. This is not to say that online delivery is low quality, but rather that its novelty, and some critical comment in the media, have led many to question its potential. Leading US providers such as University of Phoenix Online were arguably better placed because of a strong alignment between the convenience branding of the parent body (University of Phoenix itself) and the convenience branding of online learning. Of course, many UK universities might be characterised as convenience institutions, but this is not a strong part of the image of UK higher education abroad.

A fourth problem was platform investment. Early on the company took the decision that existing commercial and other platforms were inadequate, and that competitive advantage lay in developing a 'world class' platform in-house. On one level this was sensible. If the UKeU could run on a widely acknowledged superior platform this would go some way to reducing the aforementioned channel conflict- i.e. there would be a better alignment of the traditional UK higher education brand and 'high quality' online provision. The UKeU platform may indeed be among the best in the world, but this is very difficult to demonstrate to potential students. Recent years have witnessed significant platform convergence, with vendors focusing as much on third party interoperability and support services as core functionality. Only so much can be done to improve core functions such as online discussions, authoring and customisation. Given that the UKeU platform remains incomplete, it is difficult to assess its full significance, but it is unlikely that it will be significantly and qualitatively different from the latest version of commercial/ open source rivals. In retrospect, the company might have saved significant sums by using an existing platform, allowing programmes to be up and running more quickly, and leaving more funds for marketing. This would also have permitted the venture to grow more slowly. Platform innovation might better have come later once any drawbacks of third party systems had been demonstrated in practice, and healthy recruitment had prompted private investment.

This leads to the fifth problem- impatience. The HEFCE press release on April 22 states that one reason for UKeU restructuring was that "student recruitment had not met planned targets in the first year". This serves as a reminder that in terms of recruitment, the company has only been operational for a single year. In other circumstances, the 900 students recruited by November 2003 (the only figures ever released) to the handful of programmes then available would have been judged quite respectable. That said, the underlying difficulty was that the venture took three years before it was even able to recruit, and had not attracted any cash support from the private sector. Again timing was the problem. Many of the firms trying to carve out a place in higher education during the dotcom boom- the very firms UKeU imagined would invest- quickly retreated to their core business once the bubble burst. If announced just one year earlier, things might have been very different- at least in the short-term. There is little doubt that wholly online delivery (and the various in-country support models UKeU was beginning to experiment with) will emerge as a sizeable market in Europe, Asia and elsewhere, and branding can work at both the high and low ends of the market, and much in-between. There is no reason to think that the convenience of online provision will only appeal in North America. Prestigious UK universities such as Liverpool appear to have combined 'traditional' UK reputation and online convenience to good effect- and through Sylvan have now attracted the all important private investment (see the Observatory's [8 April 2004](#) article for more information). Moreover, the notion of a single UK 'quality' brand still has potential, allowing students to cut through multifarious random providers to a trusted institution. Massive upfront investment, lack of private sector cash, low enrolments, channel conflict and incomplete/ untested platform meant that by 2004 UKeU was doomed. But taking short-term funding out of the equation, and the venture would likely have covered its costs in another five years or so and become a major online brand- only much more slowly and at much higher cost than first envisaged.

Along with NYU Online, Scottish Knowledge and Fathom, UKeU is now a fourth major online university product of the dotcom boom to fall over. Others such as Universitas 21 Global and Global University Alliance stumble on, but with no evidence of particular success. Meanwhile, universities across the world are gradually moving online- both on and off-campus- to varying extents, building slowly and learning all the time. This may be the end for UKeU, but for online higher education it is only the beginning.