

Is there a sustainable business model for TU Delft Extension School?

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Abstract

In 2014, Delft University of Technology started with the Extension School for Open and Online Education to move into the world of online education. Early on, we realized that producing MOOCs alone, did not contribute to a sustainable business model for a university. This is why we broadened our scope and considered our open education activities as part of our funnel towards paying (online) students. In this paper, we explore the different sources of revenue and the non-financial benefits of the Extension School.

Keywords

Business model, online education, moocs, sublicensing, open education

1 Introduction

TU Delft is the oldest technical university in Netherlands. The university offers 16 Bachelor programmes and more than 30 Master programmes on campus in the fields of Science, Engineering and Design (TU Delft, 2015).

Since 2007, Delft University of Technology has been involved with Open Education. We started with publishing the course materials of our campus courses on our OpenCourseWare website. In 2010, we started with iTunesU and in 2012 we joined the MOOC movement with joining the EdX Consortium.

In 2014, this led to the start of the TU Delft Extension School for Open and Online Education. As a traditional brick-and-mortar university, we are moving into the world of online education.

2 Business Model

Early on we recognized that, if you only consider MOOCs as online education, there is no sustainable business model for a university. This is why we broadened our scope and considered our open education activities as part of our funnel towards paying (online) students.

The first two years of the Extension School have been dedicated to exploring different sources of revenue. This exploration should lead to the right mix of sources that brings a financially sustainable future for the Extension School. The Extension School doesn't have to make profit, but should be able to break-even.

3 Sources of Revenue

There are different sources of revenue, which we are exploring as part of the activities of the Extension School. It is important to mention that for all sources we

have support from our Executive Board and our faculty. Important criterion for us that we have to stay close to our open strategy.

3.1 MOOCs

TU Delft Extension School has produced 25 MOOCs. All them are offered on the EdX website. In total, these MOOCs have attracted 670.000 enrolments globally. On average a TU Delft MOOC attracts 17.500 learners, while the most popular courses attract more than 50,000 learners.

Approximately 2% of our learners choose to pay for an ID-verified certificate; the revenue of which is split between EdX and the university. Research has shown that learners who pay for this certificate are much more likely to pass the course (approximately 50%, with the highest pass rates above 70%).

However, the interest for ID-verified certificates varies per course subject. Learners signing up for business & management, data analysis & statistics and law are much more prepared to pay for a certificate than learners that sign up for courses on language, history and humanities (EdX, 2015). On the EdX platform, we also see difference per country. Dutch and Italian learners are among the highest with regards to preparedness for paid services (EdX, 2015).

The popular MOOCs can break-even with the revenue of certificates in less than 5 runs. But this is only for a small selection of courses, the 'blockbusters'.

This is a typical freemium model: attract large numbers of learners to a free product by offering an 'amazing value proposition', then up-sell product add-ons or value-added services.

3.2 Sublicensing

In the early stages of the programme, we decided to only sublicense the course materials of our MOOCs. If an organisation is interested in the complete course, including the assessment and the teacher effort, they have to license the course (Ouwehand, 2015).

This summer, Solar Energy course ran as the first of our courses on the EdRaak platform with 20.000 learners in the Arabic Region. After a careful selection, the TU Delft professor for this course selected a former PhD student as ‘surrogate’ professor. Not only did the surrogate professor manage the forum discussions, he also added extra content, such as weekly summaries and cases about local issues with solar energy. Sublicensing can be based on a one-time fee or based on the number of enrolled learners.

3.3 Online Courses

The online courses (Bachelor and Master level) that TU Delft offers are highly specialized courses that will not attract a massive amount of students. These courses can be classified as high value, low volume and high price ‘products’. We design the course for 10 to 50 students, so the lecturers can give individual feedback and support to all students. These courses have a duration of 8 to 15 weeks similar to on-campus courses, and the students receive a certificate based on the European Credit Transfer System. The price of online courses is based on the non-EU tuition fee of our campus students. A typical course costs 600 to 1.000 euros.

3.4 Professional Education

With the start of online courses, we noticed that professionals have different needs. A survey conducted among our learners provided three clear insights (Topolovec, 2015):

- They work an above-average number of hours per week
- They want to apply the knowledge directly to their work
- Most of them already have a Bachelor or Master degree

Based on these insights, we have created Professional Education courses that are shorter (4-5 weeks), take less time per week (4 hours on average), and are more applicable to the students’ work.

The professionals also receive a certificate that is not based on ECTS, but on Continuing Education Units (CEUs). These CEUs are common in professional education course in the US and many other countries around the world.

These career development courses attract between 200 and 500 students each, and the prices, which are based on the target audience, range from 250 to 500 euros. This provides enough revenue to be profitable after just one run. This, and the fact that ProfEds offer more flexibility for teaching staff and better connection with the audience, made us decide to focus more on these ProfEds and less on online Msc and Bsc courses.

3.5 Corporate Collaboration

Many companies are interested in cooperating with a top university, such as ours, but most collaborations are research-focused. Part of our program is to start collaborations in the field of open and online education.

Anka Mulder (2015a) list 4 types of cooperation that we are currently working on:

- Using MOOCs as part of a blended course for the company
- Co-developing a MOOC
- Creating extra weeks specifically for that company
- Using the knowledge of companies to enhance and enrich our courses

The revenue from these activities can pay for their development and leads to extra paid enrolments in these courses.

3.6 Grants

A single grant doesn't provide sustainable income, but a portfolio of externally funded projects can certainly take care of some part of the financing. TU Delft has received grants from different national, European and international organisations.

The difficulty with grants is that it also means extra work, such as meetings, administrative tasks and dissemination activities. This extra work has to be balanced with core activities of your programme.

3.7 Enrolments for campus programmes

Our MOOCs provide the university with a new podium to market our regular Bachelor and Master programmes. For the enrolment for 2015-2016 academic year, more than 400 applicants could be matched to our MOOC enrolments. From those applicants 115 started in September with one of our 2-year master programmes. The three MOOCs with the highest transfer rate are *Data Analysis to the MAX()*, *Delft Design Approach* and *Solar Energy*. Students from these MOOCs were admitted to almost all master programmes. For some, there was a clear path between MOOC and MSc programme; for example, from the *Solar Energy* MOOC to the *Sustainable Energy Technology Msc*, and from the MOOCs on *Aeronautical Engineering* to *Aerospace Engineering Msc* programmes.

Attracting top international students is an important objective for the university. Though we cannot say there is a causal connection, the correlation is nevertheless promising.

4 Non-financial Benefits

There are also benefits that don't generate money, but can be of strategic value for the university.

4.1 Reputation and Exposure

Improvements in our reputation and global exposure are a good example of this. In the last two years we have seen more international enrolments in our master programmes from countries where we do not have any marketing campaigns.

4.2 Campus Education

More and more people are writing that the biggest change of online education is happening in our on-campus education (Kim, 2015; Dellarocas, 2015; Covitz, 2015).

At TU Delft, we see the same thing happening. The focus of a traditional research university is not specifically on education. This is changing! More and more attention is directed toward education as a spin-off of our online activities. Our Executive Board declared this academic year as the “Year of Education” (Mulder, 2015b), and started different projects that benefit from this development.

For the future of the university, this may be even more important than the financial revenue of the Extension School.

4.3 Reuse on campus

All of our MOOCs are used in a blended way on campus in different setups. This has led to a quality impulse of our campus education. For example, in the course of Arno Smets (2014) the pass rate went up from 71% to 89%, average grade went up from 6,5 to 7,1 (on a scale of 1 to 10) and 69% of students preferred the flipped classroom approach. Similar results are visible along all campus courses that use our MOOC content. Lecturers also start to use more OER of others.

5 Conclusion

Although we are in the early phases of exploring possible sources of revenue, we already see that there is revenue being generated. The challenge is to find the right balance between focus on revenue generation and our mission on educating the world. However, the non-financial benefits alone provide a strong reason to continue these online activities. It seems that the Extension School is here to stay.

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