Future Students, Future Revenues
Creating a Principled and Sustainable Enrollment Strategy

Stephen F. Austin State University
March 5, 2014

David Godow
Senior Analyst
Education Advisory Board
The EAB “MOOC Mania” Tour

The Hottest Topic on Campuses Across North America

Source: Education Advisory Board interviews and analysis.
The Bigger Issues Behind “MOOC Mania”
Critical Strategic Concerns for Institutional Leadership

The Current MOOC Debate

Governors
“Can we use MOOCs as low cost alternatives?”

Administrators
“Will we fall behind if we don’t do a MOOC?”

Boards
“Will students abandon us for MOOCs?”

Faculty
“Will MOOCs make us expendable?”

The True Agenda

1. Sustaining Tuition Revenue
   - Declining public funding
   - New student markets
   - Evolving student preferences
   - Challenges to affordability
   - New types of competitors
   - Student success challenges

2. Building an Online Strategy
   - Innovative program designs
   - Improved instructional quality
   - Economies of scale
   - Regulatory risk
   - Faculty development
   - Student support services
A Good Run While It Lasted
Privates Leveraged Price, Publics Expanded Headcount

Growth in FTE Enrollment and Net Tuition Revenue Per FTE, 2002-2010

Privates held enrollment steady while raising prices
Publics more willing to expand classes

Source: National Center for Education Statistics, Delta Cost Project; Education Advisory Board interviews and analysis.
The Flip Side of Enrollment Growth
An Unprecedented Jump in Tuition Dependence

Tuition as a Percentage of Educational Revenues for Public Universities, 1986-2012

Tuition dependence increases after recessions…
…But fails to return to base levels after recovery

Historic increase in 3 years following recent recession


1) Shaded areas indicate recessions
2) "Educational revenues" includes state and local support for higher education (minus support for research, agriculture, and medicine), and net tuition and fees. It does not include federal grants or contracts.
Blood From a Stone
Cost-Savings Measures a One-Time Windfall, Not a Panacea

Prominent Consulting Engagements Achieve Savings... ...But Not a Long-Term Solution

Typical Savings: 2-3%

$3.5B

$66.2M

$97.5M

$82.5M

~$2.5B

~$3.5B

“Cost containment is an important issue, but once you’ve achieved it, you won’t become more efficient every year. At some point there has to be revenue growth.”

Higher Education Analyst
Credit Rating Agency

Projected Savings Operating Budget

Projecting Cost Savings

1) Both university cost savings estimates and operating budgets include sponsored research grants/contracts.
Downgrading the Entire Sector

Moody’s Highlights Threats to Revenue

"For 2013, Moody’s revises its outlook for the entire US higher education sector to negative… The new sector-wide negative outlook reflects mounting pressure on all key university revenue sources… The sector will need to adjust to the prospect of prolonged muted revenue growth."

Pressure and Uncertainty Around All Revenue Sources

- Household income and wealth
- Philanthropic support
- Investment returns
- State appropriations
- Federal research funding
- Medicaid and Medicare
- Pell grants

Elite Schools Not Immune

“Over the past year and a half, the credit ratings of several prestigious liberal arts colleges have been downgraded or assigned a negative outlook by Moody’s Investor Service… These are institutions – Haverford College, Morehouse College, Oberlin College, and Wellesley College – that top students seek out…”

Ry Rivard, Inside Higher Ed
What Got Us Here Won’t Get Us There

Revenue “Tailwinds” Can’t Be Relied On Going Forward

Revenue

State Funding  Federal Funding  Tuition  Philanthropy  Auxiliary Revenue

Enrollment Volume

Net Tuition Revenue

Demographics  Retention  Price  Financial Aid

Decline in high school graduates

At-risk populations growing in share

Family finances under stress

Merit aid competition escalating

Source: Education Advisory Board interviews and analysis.
Mind the Gap

Enrollments Will Continue to Grow, But at a Slower Rate

Total Fall Enrollment, Title IV-eligible Institutions, 1996-2021 (projected)

- Compound annual growth, 1996-2010: 2.8%
- Compound annual growth, 2011-2021: 1.2%
- Enrollment gap in 2021: 3.8M

1) Includes total enrollment (undergraduate and graduate)

Location Matters, Still
But Some Regions Will Face Significant Demographic Headwinds

Net Change in High School Graduates, 2012-2022

Percentage of Freshmen Studying Out of State, 2000-2010

Despite nationwide interest in out-of-state recruitment, total pool of out-of-state students barely increasing

1) Percentage of freshmen studying out-of-state was calculated across nonprofit four-year institutions that reported student residence and migration data to NCES in each listed year.

Source: WICHE, "Knocking at the College Door," Dec 2012; National Center for Education Statistics, IPEDS Data Center, Education Advisory Board interviews and analysis.
Shifting Student Mix

Demographics Will Require Greater Investment in Student Success

Projected Net Growth in High School Graduates by Race, 2011-12 to 2021-22

Distinct Challenges Facing Hispanic Students Remain, Despite Recent Gains

Performance-Based Funding 2.0
State Funding That Remains Will Have More Strings Attached Than Ever

Performance Funding Spreading Across Nation (Again)

Before 2010:
- Pennsylvania
- Indiana
- Tennessee
- Ohio

After 2010:
24 states (and counting) have now approved or are currently planning new funding models

Why This Time May Be Different

PBF 1.0
- Sudden, disruptive rollouts
- Overly simplistic rubrics
- Insignificant funds on the table
- Funds offered as bonus

PBF 2.0
- Gradual, phased roll outs
- Rubrics customized to mission
- Meaningful dollars at stake
- Zero-sum competition for base

Source: Education Advisory Board interviews and analysis.
The Art of Price Discrimination

Even Publics Increasingly Rely on Full-Pay Students

Net Price by Income Level for Public and Private Institutions, 2012 (n=318)


1) “Net price” describes total cost of attendance, including tuition, fees, and room & board. Includes both out-of-pocket family payments and loans.
High-Income Families Cut Back

Falling Family Income Threatens Ability to Pay

Average Amount Paid for College by Income Group, Year-over-Year

Why are the wealthy now paying less?

- Discounting
- The recession
- Price transparency

1) Includes out-of-pocket payments, borrowing, and grants and scholarships.

Source: Sallie Mae, “How America Pays for College 2013; Education Advisory Board interviews and analysis.”
How We’re Responding

Delaying the Demographically Inevitable

Running To Stay in Place
Deploying the Entire “EM Playbook”

- Discount more heavily
- Expand recruitment to far-flung states
- Increase applicant pool
- Better articulate the college’s brand

| Nationalized Recruiting |
| Everyone Trying Everything |
| Net Price Transparency |

Ruinous Competition
Weaker Pricing, Escalating Support Costs

- Flight to Quality
- Price Shopping Across Income Levels
- Higher Academic Support Costs
- Unsustainable Discounting

Source: Education Advisory Board interviews and analysis; http://chronicle.com/article/The-Admissions-Playbook-Is-Up/141625/
The Rising Costs of Traditional Students

Enrollment Costs Rising at Both Selective and Non-Selective Institutions

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Open Access</th>
<th>Moderately Selective</th>
<th>Highly Selective</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Completion Challenge</td>
<td></td>
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<tr>
<td>Low cost to recruit,</td>
<td></td>
<td></td>
<td>High cost to recruit,</td>
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<tr>
<td>High cost to retain</td>
<td></td>
<td></td>
<td>Low cost to retain</td>
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<tr>
<td>Up to 40% of instructional</td>
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<tr>
<td>expenses spent on remedial</td>
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<td>education and students who</td>
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<td>never graduate</td>
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<tr>
<td>Exacerbated by demographic</td>
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<td>trends that emphasize</td>
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<tr>
<td>performance gaps</td>
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</tbody>
</table>

Growing costs from both recruitment and retention

The Competition Challenge

High cost to recruit, Low cost to retain

Up to 40% of gross revenue spent on tuition discounting, with growing emphasis on merit aid

Exacerbated by growing competition for static pool of high-income students

Source: Education Advisory Board interviews and analysis.
Pathways to Success
A Model for Recruiting and Graduating Non-Traditional Students

Traditional Undergrads
- High School
- First Year
- Second Year
- Third Year
- Fourth Year
- Graduation

Low Income, High Ability
- Summer Bridge
- ESL Pathway
- Community College
- Community College Transfers
- Adult Degree Completers
- Prior Learning Assessment
- Competency-Based Learning

Advantages of Pathways
- Widen recruiting funnel
- Increase diversity
- Assess readiness
- Improve success rates
- Maintain selectivity
- Generate revenue

Source: Education Advisory Board interviews and analysis.
Seeking Sustainable Frontiers
Diversifying Today to Reach Students of Tomorrow

- Fast-Growing
- High Net Revenue
- Strong Student Success
- Low Competition

Critical Attributes:
- Fast-Growing
- High Net Revenue
- Strong Student Success
- Low Competition

Sustainable Frontiers:
- Low-Income, High-Ability
- International Undergraduates
- Community College Transfers
- Adult Degree Completers
- Professional Master’s

Net Tuition Revenue

Running To Stay in Place
Ruinous Competition

Today  Five Years Hence  A Decade and Beyond

Source: Education Advisory Board interviews and analysis.
Choosing Where to Compete

Five Emerging Student Segments

<table>
<thead>
<tr>
<th>Market Size</th>
<th>Net Revenue Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income, High-Ability</td>
<td>35K → 35K</td>
</tr>
<tr>
<td>English Language Learners</td>
<td>35K → 500K</td>
</tr>
<tr>
<td>Community College Transfers</td>
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<td>Adult Degree Completers</td>
<td>3M → 20M</td>
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</table>

Source: Education Advisory Board interviews and analysis.
Low-Income, High-Ability

Moving in the Wrong Direction
Political Pressure on Publics Rising to Serve Low-Income Students

Flagships Increasing Out-of-State Population at Expense of URMs, Residents?

\[\begin{array}{ccc}
\text{University of Wisconsin-Madison} & \text{Median Family Income} & \text{56\%} \\
\text{University of Minnesota} & \text{12\%} \\
\text{Out-of-State} & \text{32\%}
\end{array}\]

\[\begin{array}{cccc}
\text{Wisconsin} & \text{500 Non-Resident Students} \\
\text{Minnesota} & \text{40 Black Students} \\
\text{Out-of-State} & \text{450 Non-Resident Students} \\
\text{800 Resident Students} & \text{60 Black Students} \\
\text{30 Hispanic Students}
\end{array}\]

“Citing mounting program costs, UVa recently announced it was cutting back on its highly lauded AccessUVa program, which had ensures low-income students’ financial needs would be met with grants and not loans.”

The Blame Game
Pundits, Practitioners Trade Accusations As Prices Rise for the Poor

Institutions Rob From the Poor, Give to the Rich?

“There is compelling evidence to suggest that many schools are… using Pell Grants to supplant institutional aid [for] financially needy students, and then shifting these funds to help recruit wealthier students.”

Stephen Burd
Senior Policy Analyst, New America Foundation

States and Rankings Mania to Blame

“I don’t think everything you see here is intentional as much as it is a response to the ranking race, and declines in state support that are getting institutions to look for other forms of revenue.”

Michael Reilly
Executive Director, AACRAO

A Greater Supply Than Previously Thought

Significant Numbers of Low-Income Students Have High Ability

High-Ability Students by Income Quartile

- 0-$41K: 17%
- $42K-76K: 22%
- $77K-120K: 27%
- $121K+: 34%

35K Number of low-income students who scored in top tenth on SAT/ACT
8% Percentage of the above who apply to schools commensurate with their test scores

Once they apply to a selective college, “there is no statistical difference in their probability of enrolling or in their progress toward a degree.”

Caroline Hoxby and Christopher Avery

1) “High-ability” students are those who scored in the top 10% on the SAT I or ACT.

## Not Getting Through

Breakdowns Suspected at Every Stage of Outreach Process

### Enrollment Strategy

**Where is the Funding for Them?**

“We have the capacity to educate many more students at our campuses. What we **don’t have is the funding to admit more California students.**”

*Brookings / Princeton Report*

### Admissions

**Struggling to Find Them**

“Our low-income outreach program **works closely with community organizations nationwide** but we can’t find more than **40-45 students** to enroll each year.”

*Associate Dean*

*Private Liberal Arts College*

### Support

**Can’t Keep Them Even When They Come**

“It’s easy to get low-income Hispanic kids in but **difficult to get them to stay** for a second or third year. **Homesickness is common;** even kids from in-state will want to visit home every other week.”

*Professor of Education*

*Public Research University*

### Key Barriers

- **Pressure to Recruit High-Margin Students**
- **Low-ROI Nature of Outreach**
- **Lack of Information and Acculturation**
- **Cultural Bias Towards Studying Near Home**
- **Students Likely to Work or Support Family**

### Source

High-Ability Students Not Immune
Low-Income Achievers Struggle Despite Special Attention

Angelica Gonzales
Dropped out after three years
*Accumulated Debt: $60K*

What Else Can We Do?

“Slow to consider Emory, [Angelica] got a late start on the complex [financial aid] process… Though Emory sent weekly e-mails – 17 of them, along to an invitation to a program for minority students – they went to a school account she had not learned to check…

As classes approached … she drove 14 hours to Atlanta hoping to work things out. But by then Emory had distributed all of its aid… The only way to enroll was to borrow from a bank.”

Throwing Money at the Problem
Generous Aid Fails to Significantly Increase Enrollment

Average Net Price and Enrollment of Low-Income Undergraduates At High-Endowment Private Institutions, 2001 and 2008

Average Net Price
2001: $5.3K
2008: -$1.1K
A sharp decrease in net price...

Share of Enrollment from Low-Income Students
2001: 8.8%
2008: 11.5%
...Led only to modest growth in low-income enrollments

1) “Low-income” refers to students in first and second income quintiles. Average net price is inflation-adjusted.

Information Asymmetry
Limited Exposure to Selective College Graduates Inhibits Student Choice

Little Contact with Other High-Ability Students

<table>
<thead>
<tr>
<th>Low-Income Students</th>
<th>High-Income Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>17%</td>
</tr>
<tr>
<td>19.3</td>
<td>2.6</td>
</tr>
<tr>
<td>17%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Percentage of cohort that is high-achieving
Distance in miles to find 20 high-achievers
Percentage whose parents hold bachelor’s degrees

Why Typical Outreach Efforts Fail

Urban-centric
Admissions staff and college access programs primarily serve cities with high concentrations of high-ability students

“Underneath the Lamppost”
Admissions staff tend to reach out to students who apply – and ignore those who don’t

## Scaling Low-Income Outreach

Mailer Experiment Causes Students to Apply to More Selective Colleges

### Experimental Four-Part Mailer Educates Students at Scale

<table>
<thead>
<tr>
<th>“College Counseling in a Box”</th>
<th>Graduation rates of nearest colleges, state flagship, and random selective colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniform Application Fee Waiver</td>
<td>Waiver covers 171 selective colleges and includes instructions</td>
</tr>
<tr>
<td></td>
<td>Personalized Net Price Information</td>
</tr>
<tr>
<td></td>
<td>List and net prices for low-middle income students at nearby selective institutions</td>
</tr>
<tr>
<td></td>
<td>Parental Education</td>
</tr>
<tr>
<td></td>
<td>Counseling and net price info for parents, designed for adults with limited English proficiency</td>
</tr>
</tbody>
</table>

$6 Intervention cost per student

### Application Behavior

- Submitted 19% more applications
- 15-19% more likely to apply to a “peer” institution
- More likely to use an application fee waiver

### Admissions Results

- Admitted to 12% more colleges
- 31% more likely to be admitted to a “peer” institution

### Enrollment Outcomes

- 19% more likely to enroll in a “peer” institution
- Chose institutions with higher graduation and instructional spending rates

Bridging the Cultural Divide
Next Steps to Reaching Low-Income, High-Ability Students

Tailoring Initial Outreach
- Establish recruitment partnership with charter school network
- Organize high school visits by first-gen faculty/administrators
- E-mail or phone outreach from current LIHA students
- Emphasize experience over academics in outreach materials

Building Parental Buy-in
- Dedicated parent/family-run outreach organization
- Separate orientation for parents
- Parental admissions/financial aid liaison
- Parent-tailored recruitment documentation (brochures, landing pages, deadline reminder e-mails)

Mitigating “Summer Melt”
- Summer enrichment/bridge program
- Social media communities for admitted students
- Peer mentor engagement during summer months

Choosing Where to Compete

Five Emerging Student Segments

- **Low-Income, High-Ability**: 2.8K → 35K
- **English Language Learners**: 35K → 500K
- **Community College Transfers**: 3M → 5M
- **Professional Master’s**: 1.3M → ?
- **Adult Degree Completers**: 3M → 20M

Source: Education Advisory Board interviews and analysis.
Sizing the Market for International Students

Rising Numbers, But Relatively Small Share of Total Enrollment

Number and Percentage of International Students in Total Enrollment, 2010

The U.S. has the most international students…

- U.S.: 684K (3%)
- U.K.: 390K (15%)
- Australia: 271K (8%)
- Canada: 96K (21%)

…But they account for a greater share of enrollments in other countries

Total International Students in U.S., 2001-2021

- 2001/02: 548K
- 2011/12: 764K
- 2021/22 (proj.): 1.03M

Even optimistic growth scenario puts the international share of total enrollment at ~4%

1) Our “optimistic” growth scenario assumes U.S. international enrollments maintain their 20-year historical growth rate.

Too Few or Too Many?
For Most, Expanding Capacity a Greater Challenge Than Recruiting

Do we have enough capacity?
- Seats in high-demand programs
- Classrooms and laboratories
- Student residence accommodations

Are we ready to serve them?
- English language support
- Academic advising
- Immigration compliance
- Career services

Is the campus culture ready?
- Faculty sensitivity training
- Intercultural staff
- Student attitudes
- Religious tolerance

Will they adjust to our culture?
- Academic integrity standards
- “Ghettoization” of international students
- Reluctance to seek counseling

Slow Population Ramp-Up is Key – No Easy Way to Mitigate Cultural Issues

“You need to ramp up gradually. We moved faster than the campus was emotionally ready for. When we got to 6-7% international students, people started to push back.”

VP for International Programs
Public Research University

“Even bringing 500 new students has had an impact on the student health center, counseling, and the registrar. It created a ripple effect on campus.”

VP for Enrollment Management
Private Master’s University

Source: Education Advisory Board interviews and analysis.
Looking for Revenue
Doctoral Share Declines as More Students Pay for Bachelor’s and ESL

>90% of Net Growth in Int’l Enrollments Due to China

*International Undergraduate Enrollment by Nationality, 2005-2011*

Growth Driven by Fee-Paying Undergraduates

*Increase in International Enrollment and Growth Rate by Level, 2006-2011*

Source: National Center for Education Statistics, IPEDS Data Center; Institute of International Education, Open Doors 2012; Education Advisory Board interviews and analysis.
The Diversification Imperative

To Minimize Risks, Institutions Must Identify New Markets

Percentage Change in Graduate Applications from China, 2008-2012

A Looming Financial Catastrophe?

“If only half of my Chinese students were able to get visas to study, it would be financially catastrophic for us. And we’re probably less Chinese-dependent than many institutions, which might get two-thirds to 80% of their international students from China.”

Vice President for Enrollment Management, Private Research University


1) Though data is preliminary, previous preliminary reports have aligned closely with final figures.

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Preparing for China’s Baby Bust

Worsening Chinese Demographics Will Create Hunt for New Markets

One Child Policy and Increasing Affluence Have Throttled Birth Rates…

... Undermining Previously Bottomless Source of Int’l Students

Number of 15-to-24 Year-Olds in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of 15-to-24 Year-Olds</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>181M</td>
<td>-21%</td>
</tr>
<tr>
<td>2023</td>
<td>143M</td>
<td></td>
</tr>
</tbody>
</table>

Projected Growth in Outbound Int’l Students, 2011-2020

1. India (70K)
2. Nigeria (30K)
3. Malaysia (21K)
4. Nepal (17K)
5. Pakistan (16K)
...

26. China (3K)

The ESL Opportunity

Traditional Recruitment Efforts Ignore Half the Market

U.S. Study Not Just for Elites Anymore

Students with high ability and financial means but traditionally underserved by U.S. institutions

Expanding to the Other Half of the Bell Curve

Median TOEFL = 80

500k students

500k students

Chinese Students Interested in U.S. Study by Proficiency Level

n = 18,000

- Advanced: 3%
- Truly Superb: 15%
- Subfunctional or Poor: 38%
- Functional: 44%


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Choosing the Right Pathway for You
Pathways Return More Revenue with Greater Institutional Oversight

Considering ESL Pathway ROI and Institutional Investment

Community College Pathway
- Community colleges recruit students, offer ESL and acculturation support
- Students transfer after receiving associate’s

Vendor-Assisted ESL Pathway
- Students take a year of ESL while earning credit toward major
- Partner firm manages recruitment and support in exchange for flat fee plus tuition share
- Best for institutions with capacity constraints or limited brand recognition

In-House ESL Pathway
- In-house recruitment, administration and revenue collection
- Best for institutions with well-developed international support office and well-known academic brand
- Generally leverages existing English language institute
- Promotes cultural unity of pathway students with domestic students

Source: Education Advisory Board interviews and analysis.
Community College Pathway

Building a Bridge to Top Universities

Community College 2+2 Provides ESL, Acculturation for Transfer

Green River Associate’s Program

~750 international students complete one of 20+ transfer associate’s degrees every year

Academic advisors develop individualized transfer plan tailored to student’s top-choice destination schools

Average international student GPA is 3.51, higher than domestic population

Preparing to Transfer

Guaranteed admission agreements available with 20 four-year partner institutions

Green River hosts biennial transfer recruitment events for ~100 universities

90+% of students ultimately transfer to a four-year

Sample Partner Institutions

• UC-Davis
• UC-Irvine
• Illinois Institute of Technology
• Univ. of Oregon
• Univ. of Washington
• Univ. of Victoria (BC)

Source: Education Advisory Board interviews and analysis
Building an Academic Pathway
Pathway Entry Points and Services Scaled to Student Preparedness

**TOEFL Requirement**

- **TOEFL 75+**
  - First Year Undergrad
  - Second Year Undergrad

- **TOEFL 60-75**
  - Pathways
  - Academic English
  - General English

- **No Min TOEFL**
  - General English
  - Academic English

**Surprising Success Statistics**

- Pathways students who matriculate have **GPAs better than or equal to direct entry** international students
- >60% of students successfully **matriculate** to “general population” from most pathway programs

**Making Up For Lost Time**

- Students take specially-designed disciplinary courses in addition to ESL, permitting transfer as 2nd semester freshman or sophomore
- Programs staffed **primarily by adjuncts**

**Leveraging Your Existing ELI**

- Pathways programs often built into existing English language institutes
- Lower levels of English can feed pathways, **though most students still directly recruited**

Source: Education Advisory Board interviews and analysis.
ESL Pathway

The Graduate Opportunity
Pathway Model Easily Applied to Business Education

PLUS Program

MBA applicants with borderline TOEFL scores conditionally admitted

61-78 TOEFL iBT

79+

International Applicant

Semester-long ESL/Acculturation Program

Includes four courses (15 credits) plus one standard business course

80-85% of students successfully complete the pathway

Conditionally admitted students complete at the same rate as direct admits

Direct Admission

Degree Completion

Source: Education Advisory Board interviews and analysis
Widening the Graduate Pipeline
Rigorous Academics Allow Institutions to Reach Underserved Students

Both Academically Rigorous…

Intensive: 15 contact hours per week over 5 courses ensure students don’t lose time to degree.

Disciplinary Focus: Case study methods and presentation skills woven into ESL courses to build both English and business competencies.

Support-Heavy: Four full-time instructors and four adjuncts provide one-on-one attention to ~50 students per term. Instructors receive extensive training in cross-cultural communication, common support issues.

… And Financially Viable

$500K
Annual cost of ESL/acculturation program

$400-500K
Annual PLUS net tuition

$5.1 million
Net tuition per cohort from conditional admit grad students who otherwise would not have been admitted

Source: Education Advisory Board interviews and analysis
Choosing Where to Compete

Five Emerging Student Segments

- **Low-Income, High-Ability**
  - Current: 2.8K
  - Potential: 35K

- **English Language Learners**
  - Current: 35K
  - Potential: 500K

- **Community College Transfers**
  - Current: 3M
  - Potential: 5M

- **Professional Master’s**
  - Current: 1.3M
  - Potential: ?

- **Adult Degree Completers**
  - Current: 3M
  - Potential: 20M

*Source: Education Advisory Board interviews and analysis.*
Right Under Our Noses
The Sizable Community College Transfer Market

3M Entering Pipeline Annually…
Community College Students by Goal

... But Millions More Would Like To

60-80%

First-time community college students who expect to transfer and earn a B.A. – only about 1/3 currently do so


1) NCES data adjusted based on interview with community college presidents
As Good As Your Freshmen
Transfers Match “Natives” Performance and Financial Status

Transfer Students Share Financial Characteristics with 4-Year “Natives”

Income Distribution of Prospective Transfers vs. Direct Admits, 2003-2004 Cohort

... And Are Highly Likely to Succeed

National 6-Year Graduation Rates by Transfer Status, 2006 Entering Cohort

- Nearly ¾ of Transfers are Middle or Upper Income
- 2-Year Students Who Intend to Transfer
- Native 4-Year Students
- Transferred w/o Associate's
- Started at 4-Year Institution
- Transferred w/ Associate's

Source: National Student Clearinghouse Research Center, “Transfer Outcomes,” and “Completing College: A National View of Student Attainment Rates”; National Center for Education Statistics, Beginning Postsecondary Survey; Education Advisory Board interviews and analysis.
Captive Market No More
Traditionally Place-Bound Transfers Now Face Host of New Options

The Empire Strikes Back

- **3+1 transfer partnerships** between two community colleges and online giant announced in December 2012
- Phoenix plans to expand to **100 employer-advised transfer partnerships with community colleges** by end of 2013 to buttress sagging enrollments

Online Non-Profits Join the Fray

- 10,000-student Coastline Community College piloting Gates-funded pathway to UMassOnline and Penn State World Campus online bachelor’s in spring 2013
- Partnership hopes to serve 10,000 students
- Total degree would cost ~$25K

No Choice But to Work With For-Profits

“If our public universities won’t create the options, and our non-profit private institutions won’t, then we have to seek alternatives, and the University of Phoenix is one of those that we’re trying.”

Bob Templin
President, Northern Virginia Community College

Standing On Their Own Two Feet
Two-Years Increasingly Able to Offer Their Own Bachelor’s Degrees

A Legislator’s Dream?

• First state to permit community college bachelor’s degrees in 2001 in an effort to drive low-cost completions
• 13K community college students now pursue bachelor’s degrees, up from 2.4K in 2005.

“The there is no guarantee that graduates of four-year universities are going to stay in Florida, but that’s not the case with community colleges. They tend to be tied to the area… We are growing our own.”

Pamela Menke
Vice Provost for Education, Miami Dade College

The March of the Community College Bachelor’s

2001

- Bachelor’s Degrees Issued by Two-Years: 92
- Two-Years With Bachelor’s Programs: 8
- States Where Two-Years May Issue Bachelor’s: 11

2011

- Bachelor’s Degrees Issued by Two-Years: 6,112
- Two-Years With Bachelor’s Programs: 192
- States Where Two-Years May Issue Bachelor’s: 21 (+1)

Michigan’s community colleges begin offering 4 bachelor’s programs in 2013 despite university opposition

Source: National Center for Education Statistics, IPEDS Degree Completions database; Jennifer Gonzalez, “Go to Community College, Earn a Bachelor’s Degree: Florida Likes That Combination,” June 12, 2011.
Building a Sustainable Pathway for Transfers

Investing in Flexibility, Relationships, and Support Services

- Honors Program Recruitment
- Non-Linear Advising Guides
- Advising Presence on 2yr Campus

Building a Long-Term Pipeline
- Automated Reverse Transfer
- Automated Articulation Center
- Curriculum Alignment Forum

Recruitment at Scale
- Transfer Admissions Consortium
- Digital Transfer Pathways
- Transfer “Express Lanes”

Low-Cost Quick Wins
- Resource Investment
- Attractiveness to Students
- Recruitment at Scale
- Building a Long-Term Pipeline
- Low-Cost Quick Wins
Credit Evaluation Bottleneck at Both Ends

Slow and Unpredictable Process Hinders Students, Frustrates Faculty

Prospective Transfer

Students meet with advisors to review credit transfer…

… but don’t know which credits will transfer until they enroll

Transcript Credit Evaluation

Departments evaluate transcripts for transfer credit…

… through labor-intensive, inconsistent process

Academic Department

Online Articulation Center

Bridging the Gap with an Automated Articulation System

✓ Offer self-service, pre-application articulation information

✓ Limit faculty and staff time investment in articulation

Source: Education Advisory Board interviews and analysis.
Automating Articulation
Building a Frictionless Transfer Mechanism

Self-Evaluate Credits
- Receive pre-application guidance on transferable courses

Pre-Enrollment Credit Report
- After application (but before enrollment), students receive Degree Progress Report

Instant Credit Assessment
- Credit for 120,000 courses from 2,500+ institutions can be assessed instantly

Coming Soon
- Pre-application reports to expand transparency

Systematize New Credit Evaluation
- Apply departmental standards when clear equivalents exist
- Escalate ambiguous cases to departmental representatives

Build the Database
- Load approved courses from new or strategic partners (5-10 schools per year)
  - $14K per year subscription to College Source course catalog database
- No start-up costs; “database” is an Excel spreadsheet that interfaces with PeopleSoft

Source: Education Advisory Board interviews and analysis
From the Student’s Perspective

Wraparound Advising Keeps Students on Track

Traditional Transfer Pipeline

Student unsure about 4yr course requirements, financial aid

Student must take initiative to see an advisor and ensure she is on track to transfer

Student fails to complete paperwork, delaying admission or limiting credit transfer

High School 1st Year at CC 2nd Year at CC Transfer

UCF enrollment staff lead financial aid workshops during 2yr orientation, sign students up to advising mailing list

UCF advisors begin sharing advising caseload after 30 credits; students receive consistent communication through CRM

Shared transcripts and test scores between institutions limits student responsibility; advisors provide consistent reminders

UCF advisors take over full-time at 45 credits to ensure students are prepared for transfer

Choosing Where to Compete

Five Emerging Student Segments

- **Low-Income, High-Ability**
  - Current: 2.8K
  - Potential: 35K

- **English Language Learners**
  - Current: 35K
  - Potential: 500K

- **Community College Transfers**
  - Current: 3M
  - Potential: 5M

- **Professional Master’s**
  - Current: 1.3M
  - Potential: ?

- **Adult Degree Completers**
  - Current: 3M
  - Potential: 20M

Source: Education Advisory Board interviews and analysis.
The Professional Master’s Opportunity

Master’s to Drive Greater Share of Enrollment Growth over Next Decade

Master’s as Share of Total Degree Completions, 2011

Projected Growth by Award Level, 2011-2021

Bachelor’s: 1.7M (66%), Master’s: 720K (28%), Doctoral: 160K (6%)

# Driven by Both Supply and Demand

## Why Master’s Degrees Are Increasingly Popular

### Ready Supply from Universities
- Generates enrollment revenue as core markets stagnate
- Protects selectivity and brand of core programs, including bachelor’s
- Not subject to caps on undergraduate tuition
- Makes use of lower cost, more flexible instructors

### Growing Demand from Students, Employers
- Delivers specialized skills for increasingly technical roles
- Provides practical experience that eases entry into workforce
- Allows midcareer professionals to keep pace with upskilling
- Offers shorter, less costly alternatives to traditional graduate degrees

Source: Education Advisory Board interviews and analysis.
Not Just the Big Hitters
Large Fields Still Popular, But Smaller Fields Growing Faster

Growth in Graduate Degrees Conferred by Discipline, 2006-2011

1) Disciplines are defined by 2-digit Classification of Instructional Program (CIP) codes. Data includes master’s and doctoral degrees.

Source: National Center for Education Statistics, IPEDS Data Center; Education Advisory Board interviews and analysis.
A Stubbornly Regional Market

Local Brand Shapes Geography of Online Audience

“More and more, when we work with less well-known institutions that are better known in their own regions, the direction is relatively clear: why not attract local populations, rather than national? …These individuals know them, local employers know them, and they have greater credibility.”

Carol Aslanian,
Senior Vice President, Education Dynamics

Yesterday’s Opportunities?
Core Professional Programs Face Threats to Demand Or Capacity

Graduate Degree Completions by Discipline, 2011

- Declining M.Ed. demand due to policy upheaval and new competitors
- Declining MBA demand due to market saturation and wavering value
- Rising applications, but limited capacity due to clinical sites and faculty
- Declining J.D. demand due to weak job market and high student debt

Source: National Center for Education Statistics, IPEDS Data Center; Education Advisory Board interviews and analysis.

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Solving the Supply and Demand Challenges

Designing Programs to Expand Markets and Use Existing Capacity

**Softening of Traditional Demand**
- Economic recession
- Shifting industry structures
- Regulatory changes

Identify “nontraditional” professional students subject to a different set of market and industry trends

**Roadblocks to Expanding Supply**
- High fixed costs (faculty, facilities)
- Accreditation standards
- Rankings anxiety

Develop “side” programs that draw on existing resources without detracting from rankings or accreditation

Design new programs that deliver existing courses in ways that appeal to new student markets

Source: Education Advisory Board interviews and analysis.
The Specialized Master’s Degree
Upstarts Growing Faster than Traditional MBA or J.D.

Enrollments Reported to AACSB By Degree Type, 2007-2011

- **MBA**
  - 2007: 141K
  - 2011: 156K
  - Growth: 11%

- **Specialized Master’s**
  - 2007: 37K
  - 2011: 64K
  - Growth: 73%

Law Degrees Completed By Award Level, 2001-2011

- **Doctoral Degrees (J.D.)**
  - 2001: 39K
  - 2011: 46K
  - Growth: 18%

- **Master’s Degrees (LL.M., M.S.)**
  - 2001: 3.8K
  - 2011: 7K
  - Growth: 82%

## Not Just “Working Professionals”

Designing Programs to Serve Distinct Market Segments

<table>
<thead>
<tr>
<th>Entry into new field</th>
<th>Professional Goals</th>
<th>Advancement in current field</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Career Starters</strong></td>
<td>Recent graduates seeking professional degree before entering workforce</td>
<td><strong>Career Climbers</strong></td>
</tr>
<tr>
<td>In related discipline</td>
<td>▪ Accelerated format</td>
<td>▪ Flexible delivery</td>
</tr>
<tr>
<td></td>
<td>▪ Stackable credentials</td>
<td>▪ Stackable credentials</td>
</tr>
<tr>
<td></td>
<td>▪ Practical experience</td>
<td>▪ Professional development</td>
</tr>
<tr>
<td><strong>Career Changers</strong></td>
<td>Mid-career adults seeking graduate degrees to move into new fields</td>
<td><strong>Career Crossers</strong></td>
</tr>
<tr>
<td>In unrelated discipline</td>
<td>▪ Accelerated format</td>
<td>▪ Flexible delivery</td>
</tr>
<tr>
<td></td>
<td>▪ Interdisciplinary pathways</td>
<td>▪ Interdisciplinary pathways</td>
</tr>
<tr>
<td></td>
<td>▪ Practical experience</td>
<td>▪ Professional development</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
For Career Starters
Speed Entry into Workforce, Lead into Advanced Degree

M.S. in Management/MBA
Recent graduates jumpstart career with one-year master’s, then return with work experience for MBA

Accelerated Format
- 10 courses from MBA program
- Tuition incentive covers cost of 4 courses for young alumni who complete in 2 semesters

Stackable Credentials
- 9 courses count toward MBA
- Returning students can earn MBA after only 7 more courses, including capstone

Practical Experience
- No experience required for MS
- Students must earn 2+ years of work experience before returning for MBA

Alternative Approach
Reduce time to master’s with 4+1/3+2 option

Alternative Approach
Build stackable certificates out of master’s curricula

Alternative Approach
Offer 3-semester MS to allow for summer internship

Source: Education Advisory Board interviews and analysis.
For Career Crossers
Customize Format and Curriculum for Target Audience’s Industry

**Physician Executive MBA**
*Distinct professional needs of niche audience shape delivery of general business competencies*

**Flexible Delivery**
- One-year, blended format reduces excess commitment
- Saturday classes recorded in case of emergency absences
- 4 one-week residencies fit into typical PTO & CME allowance

**Interdisciplinary Pathways**
- Curriculum teaches business principles through health care applications and case studies
- No prior business coursework assumed

**Professional Development**
- Credential-conscious health care industry values MBA over non-degree programs
- Annual symposia connect 450 physician alumni for continuing education and networking

**Alternative Approach**
Offer 100% online route to expand geographic bounds

**Alternative Approach**
Provide introductory courses to “level” diverse backgrounds

**Alternative Approach**
Diversify audience to facilitate interprofessional learning

Source: Education Advisory Board interviews and analysis.
Don’t Start from Scratch

New Programs Commonly Draw on Existing Faculty and Courses

Models for Crosslisting Content

100% Existing Courses
*LL.M. in American Law*

- New students fully integrated into existing classes

Substantial Cross-Listing
*Master of Finance*

- Program combines existing courses with newly created ones

New Content, Shared Personnel
*Advanced Doctorate in OT*

- Existing faculty develop new set of courses at advanced level

Source: Education Advisory Board interviews and analysis.
## Capturing the Career Aspirant

### Accelerated Bachelor’s/Master’s Degrees Challenging But Promising

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3+1</strong></td>
<td>Master of Teaching</td>
</tr>
<tr>
<td>Captures high-achieving undergraduates for a year or more of graduate study</td>
<td></td>
</tr>
<tr>
<td>Can path in students from other institutions through 3+X articulation agreements</td>
<td></td>
</tr>
<tr>
<td>Reduces cost (and opportunity cost) of education in price-sensitive environment</td>
<td></td>
</tr>
<tr>
<td>Aligns with growing popularity of AP credits and advanced standing for undergraduates</td>
<td></td>
</tr>
</tbody>
</table>

| **3+2** | Master of Phys. Asst. Studies |
| Hampered by logistics of coordinating credit and tuition across academic units and levels |
| Discouraged by accreditors and state license boards in closely regulated fields |

| **3+3** | Juris Doctor |
| Inadequately promoted to potential market of undergraduates who might have interest |
| Lacks appeal to many students who still want a traditional four-year undergraduate experience |

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Source: Institutional websites; Education Advisory Board interviews and analysis.

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A Market-Driven Approach to Program Design
Creating Niche Programs Micro-Targeted to Specific Roles

Core Professional Programs
- Larger enrollment
- Slower growth
- Targeted to large professions and roles within relatively stable industries
- Less focus on specialized skills

Marketing focused on institutional brand and reputation

Specialized Professional Programs
- Smaller enrollment
- Faster growth
- Targeted to new industries, new roles within rapidly changing industries
- More focus on specialized skills

Micro-targeting students based on roles, skill clusters, industries

Source: Education Advisory Board interviews and analysis.
# New Program Types Require New Capabilities

A Contrast To Traditional Master’s Programs

<table>
<thead>
<tr>
<th>Professional Masters Students</th>
<th>New Program Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Fast-Changing Industries</td>
<td>Faster Program Approval</td>
</tr>
<tr>
<td>Strongly Focused on ROI</td>
<td>Rigorous Market Research</td>
</tr>
<tr>
<td>Long Out of College</td>
<td>More Flexible Admissions Requirements</td>
</tr>
<tr>
<td>Evaluating Multiple Programs</td>
<td>Student-Centric Program Design</td>
</tr>
<tr>
<td>Shopping Online</td>
<td>Online Marketing and Recruiting</td>
</tr>
<tr>
<td>Working Full-Time</td>
<td>Flexible Delivery Modes</td>
</tr>
<tr>
<td>Expect 24/7 Support</td>
<td>Working Adult Support Services</td>
</tr>
<tr>
<td>Looking to Rise within Their Org</td>
<td>Leadership Development</td>
</tr>
<tr>
<td>See Masters as Route to a Specific Job</td>
<td>Career Placement</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
Choosing Where to Compete

Five Emerging Student Segments

- **Low-Income, High-Ability**
  - Current: 2.8K
  - Potential: 35K

- **English Language Learners**
  - Current: 35K
  - Potential: 500K

- **Community College Transfers**
  - Current: 3M
  - Potential: 5M

- **Professional Master’s**
  - Current: 1.3M
  - Potential: ?

- **Adult Degree Completers**
  - Current: 3M
  - Potential: 20M

Net Revenue Potential

Market Size

*Current → Potential*

Source: Education Advisory Board interviews and analysis.
Joe College Goes Gray
Adult Undergrads to Grow Over Twice as Fast as Younger Students

Adult Undergrad Students at Four-Year Institutions

- **Undergrads Aged 18-24**
  - 2011: 5.9M
  - 2021 (proj.): 7.6M
  - Projected annual growth, 2011-2021: 0.9%

- **Undergrads Aged 25+**
  - 2011: 2.9M
  - 2021 (proj.): 3.6M
  - Projected annual growth, 2011-2021: 2.2%

Source: National Center for Education Statistics, Projections of Education Statistics to 2021 and Digest of Education Statistics 2012; Education Advisory Board interviews and analysis.
A Second Chance for a College Degree

54M Adults Have Completed Some College, But No Bachelor’s Degree

The Degree Completion Opportunity

U.S. Population by Education Level

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School or Less</td>
<td>87.4M</td>
</tr>
<tr>
<td>Some College, No Degree</td>
<td>34.2M</td>
</tr>
<tr>
<td>Associate's Degree</td>
<td>19.7M</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>40.6M</td>
</tr>
<tr>
<td>Graduate Degree</td>
<td>22.8M</td>
</tr>
</tbody>
</table>

54 million adults have some college or an associate’s degree — 50% Say they want to go back to school — only 3% do so

Yesterday’s Dropouts, Tomorrow’s Clientele

1.8 million

… undergraduates start at 4-year institutions every year

450,000

… will have dropped out or transferred to a 2-yr within six years, becoming potential degree completers

The Best Hope for Meeting Completion Goals
Foundations and Governors Pin Hopes on Degree Completers

Lumina Leads the Completion Charge

Percentage of Americans with “high-quality degrees or other credentials”

38% → 60%
2010 → 2025

States Add Their Own 2025 Pledges

- **Colorado** plans to double the number of degrees produced in its state system
- **Arkansas** pledges to double the total number of degree holders in the state
- **Tennessee** “Drive to 55” would increase proportion of citizens with higher education by >20 points by 2025

Non-Traditional Students are Non-Negotiable

“While the specifics and timeframes of these goals may differ, one thing is true across the board: none of them will be met by only improving the ‘traditional’ education pipeline. States and institutions will also have to increase the number of adults who earn a postsecondary degree.”

*Patrick Lane, Demaré K. Michelau, and Iris Palmer*
*WICHE/HCM Strategists*

Source: WICHE, “Going the Distance in Adult Degree Completion: Lessons from the Non-Traditional No More Project,” June 2012; Education Advisory Board interviews and analysis.
Adult Learners 101
Reach Out to Middle-Class Working Women to Drive Adult Enrollment

White Women in Their 30s Dominate the Adult Landscape

Demographic Characteristics of Adult Learners

- **Age:** Mid-late 30s
- **Gender:** Female (~70%)
- **Race:** White (~90%)
- **Previous Education:** At least two years of college
- **Income:** $40-60K/yr
- **Enrollment Intensity:** Part-time

Degree Interests Overwhelmingly Professional

Undergraduate Completions at Primarily Adult-Serving Institutions, 2011

- **Business:** 44%
- **Public Administration:** 12%
- **Health Professions:** 11%
- **Homeland Security:** 7%
- **Interdisciplinary:** 6%
- **Liberal Arts:** 4%

Younger, less experienced students increasingly prevalent in degree completion sections since recession?

Source: Carol Aslanian and Natalie Green Giles, “Hindsight, Insight, Foresight: Understanding Adult Learning Trends to Predict Future Opportunities,” Education Dynamics; National Center for Education Statistics, IPEDS Degree Completion Database
Reporting for Duty

Military and Veteran Student Population Growing Steadily

Undergraduate Veterans Dominate the Military Market

Military Enrollment by Level and Service Status

<table>
<thead>
<tr>
<th>Level</th>
<th>Undergraduates</th>
<th>Graduates</th>
<th>Potential Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>76K</td>
<td>9K</td>
<td>137%</td>
</tr>
<tr>
<td>Active Duty</td>
<td>139K</td>
<td>29K</td>
<td>125%</td>
</tr>
<tr>
<td>Veterans</td>
<td>657K</td>
<td>107K</td>
<td>224%</td>
</tr>
<tr>
<td>Total</td>
<td>1.1M</td>
<td>2.1M</td>
<td>24M</td>
</tr>
</tbody>
</table>

Enormous Growth Rates Since 2009…

- **137%** Veterans
- **125%** Active Duty
- **224%** Dependents

... With Even Greater Growth Potential

5% Of enlisted personnel hold a bachelor’s degree or higher


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Credit Where Credit Is Due

Prior Learning Assessment Critical for Adult Student Success

Percentage of Degree Completion Students by Previous Credits Earned

Graduation Rate for Adult Students by Prior Learning Status and GPA

How Much Will You Need to Change?
Adult Students Need Broader Range of Flexible Options

**Affordability**
- Low price
- Shorter courses
- Experience with military or corporate tuition assistance

**Convenience**
- More evening hours
- Flexible schedules
- Credit for prior courses
- Childcare
- Online

**Career Outcomes**
- Programs linked to available jobs
- Career placement services
- Internships and practicums

Though 50% of adult students prefer hybrid instruction – only 30% want fully online

Source: Education Dynamics, "Converting Credits to Degrees," Aslanian Seminars; Education Advisory Board interviews and analysis.
Seeking Sustainable Frontiers
Diversifying Today to Reach Students of Tomorrow

Net Tuition Revenue

Running To Stay in Place

Today

Five Years Hence

A Decade and Beyond

Ruinous Competition

Sustainable Frontiers
- Low-Income, High-Ability
- International Undergraduates
- Community Transfers
- Adult Degree Completers
- Professional Master’s

Critical Requirements
- New Program Designs
- New Student Support Services
- New Marketing Approaches
- New Online Infrastructure

Source: Education Advisory Board interviews and analysis.