

NACCAP Leadership Conference

Maximizing Net Revenue: Best Practices in Pricing and Discounting

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SCANNELL & KURZ, INC.

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- In fall 2009, and again in 2010, many institutions saw their discount rates increase without concomitant increases in enrollment.
 - Increased need beyond cost increases
 - Increase in % of class demonstrating need
 - Reduction in state grant programs

- Institutions are struggling to understand how to adjust their aid policies to meet the “new normal.”
 - More generous responses to appeals
 - Abandoning expensive policies
 - Need-blind admission (Reed)
 - No or reduced loan policies (Williams, Dartmouth)
 - Strengthening value and outcomes messages
 - Reducing time to degree
 - Some are even lowering price.

- As you discuss your institution's pricing and discounting strategies in the "new normal," here are 12 best practices to keep in mind.

The New Transparency

- Guaranteed Merit Awards
- Entitlements
- New Net Price Calculator Requirement

Sample Comprehensive Calculator

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Southwestern's Investment in You includes an estimate of the total amount of gift assistance for which, in our estimation, you may be eligible. This amount includes funds from the following resources:

- Merit Scholarships from Southwestern (i.e., Ruter Scholarship, Mood Scholarship, Cody Scholarship)
- Need-Based Grants from Southwestern
- Federal Need-Based Grants (such as the Federal Pell Grant and Federal Supplemental Grant)
- State Grants (such as the Tuition Equalization Grant from the state of Texas)

Please note that this is an estimate and is not an actual financial aid award or guarantee of eligibility. To determine your actual eligibility you must [apply for admission](#) by January 15 of your senior year and submit a [Free Application for Federal Student Aid](#) by March 1 of your senior year.

Other scholarships and grants are available from Southwestern in addition to those indicated above. Visit our [Merit Scholarship Program](#)

CLOSE

Southwestern University Affordability Estimator

Sticker price of college getting you down? Don't worry, 85 percent of our students receive some sort of financial assistance. To get an estimate of how much Southwestern will cost you, just fill out the form below and watch the graph shrink!

The SU Affordability Estimator gives an early approximation of what a new first-year student can expect to pay to attend SU. It is not an application for financial aid. The results are only estimates and not guarantees of the actual amounts you will receive. Follow this [link](#) for more information regarding the estimator

Total Annual Cost of a Southwestern Education: \$38,540**

Class Ranking

Select one of the following exams and enter your score.

ACT Composite

SAT (CR + M) Score:

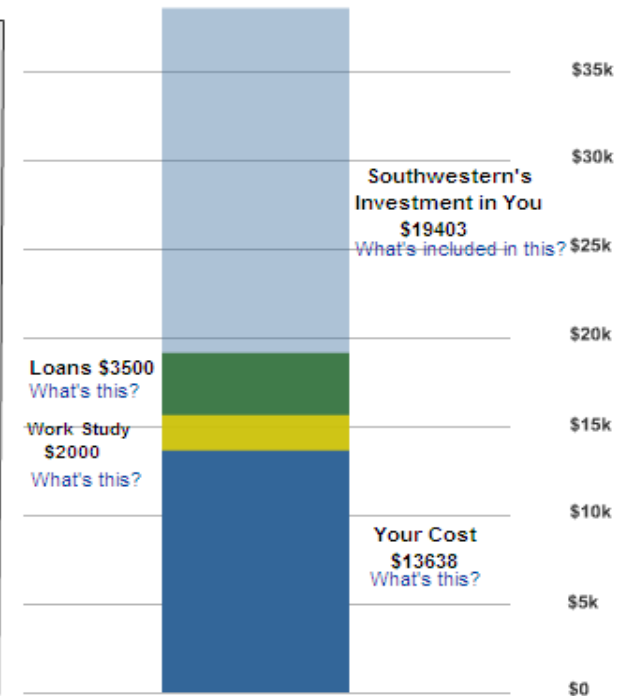
Total Household Income:

Parent Assets
What should I include?

How many people live in your household?

Of the number in the household above, how many will be in college next year? Include yourself.

Exclude parents and any household member in graduate school.



** Annual cost includes tuition, room & board, fees, books, transportation, and personal expenses.

Watch out for “Stacking”

- One downside of being transparent
- Often largest awards (number and dollars) go to those with a natural connection to the institution
- Timing is important
- Micro-target programs are important

Use Data, Not Anecdotes

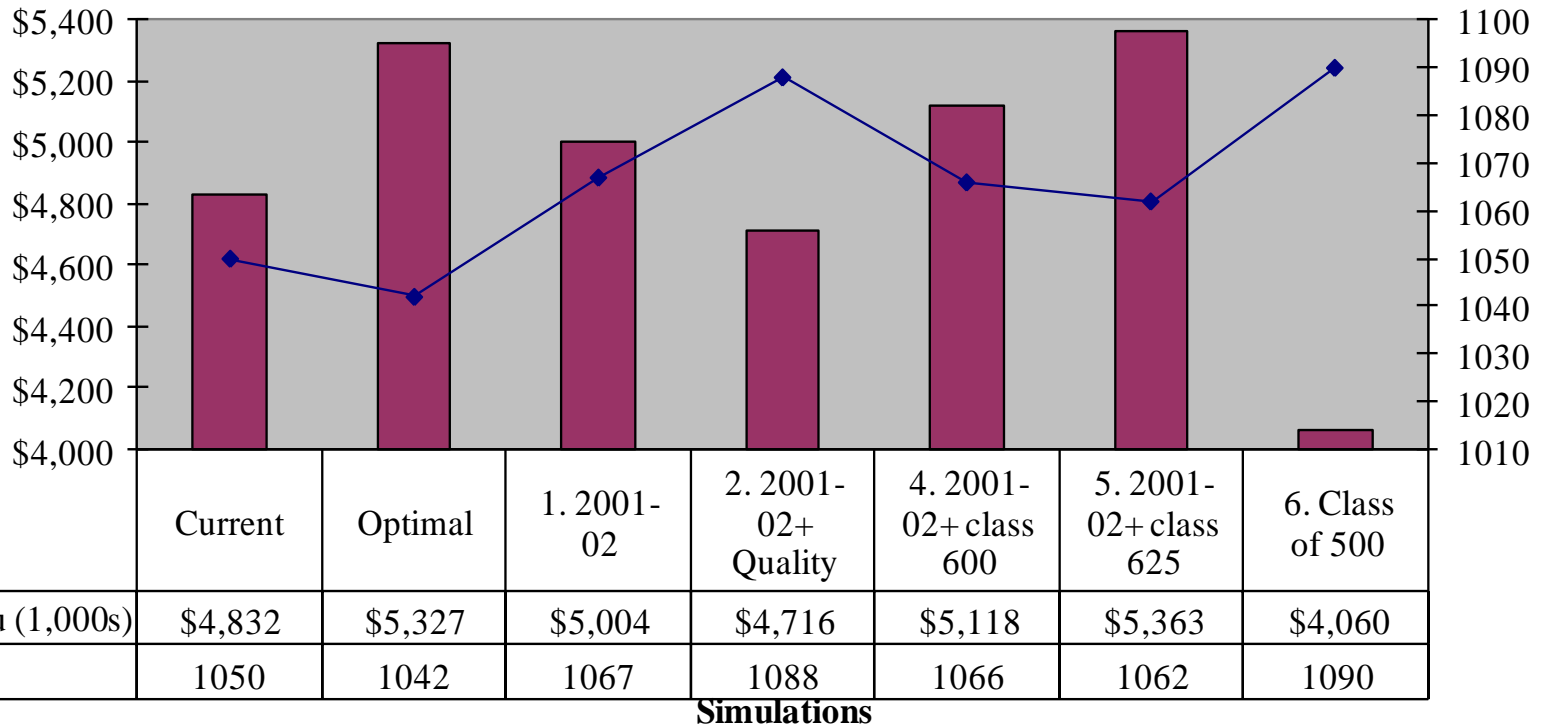
- Keeping an “ear to the ground” plays a role but should not be the foundation of awarding strategies.
- Using analytical approaches to understand student responses to your aid offers is where your strategy needs to begin.
 - Table analysis
 - Predictive modeling
 - Simulation tools

Sample Table Analysis

Guided by data, driven by service

Need	1 =		2		3		4 =		Total
Level	High Quality						Low Quality		
No app	0/22	0.0%	10/95	11.0%	71/314	23.0%	132/315	42.0%	213/746
No-need	0/13	0.0%	13/78	17.0%	38/177	21.0%	51/169	30.0%	102/437
1-8k	2/9	22.0%	0/15	0.0%	6/45	13.0%	13/27	48.0%	21/96
8k-16k	0/8	0.0%	9/42	21.0%	32/92	35.0%	35/74	47.0%	76/216
16k-20k	2/4	50.0%	6/21	28.0%	22/55	40.0%	24/44	55.0%	54/124
>20k	2/7	29.0%	17/39	44.0%	45/97	46.0%	76/139	55.0%	140/282
Total	6/63	9.5%	55/290	19.0%	214/780	27.4%	331/768	43.1%	606/1901

Simulation Summary Understanding Tradeoffs



Focus team on Net Tuition Revenue (NTR),
not just class size or the aid budget

- Keeps admissions and financial aid on the same page
- More (# or \$) is not always better
 - Depends on price elasticity
 - Depends on capacity
- Helps with realistic budget planning

Train admissions staff on affordability, value, and Return on Investment (ROI) messages

- Being able to demonstrate, with proof, the value and outcomes of an investment in a degree from your institution has never been more important.
- Admissions staff should also be able to make the case for affordability early in the process and explain the basics of the award letter after it is sent.

Ensure good handoffs between admissions and financial aid

- Set clear expectations for when the handoff should occur
- Know the protocols
 - Who should get the call?
 - Take a message or put the call through?
 - When can the family expect to hear?

Have a plan for handling appeals or changes in state support

- Types of appeals:
 - “PJ”
 - “Matching”
 - “Can’t afford”
 - “Lost outside support ”
- Importance of tracking reports
- Timing of decision

Ensure Financial Aid and Student Accounts staffs are comfortable with conversations

- Tighter credit
- Parent loan vs. unsubsidized Stafford vs. private loans
- Impact of new regulations regarding preferred lender lists

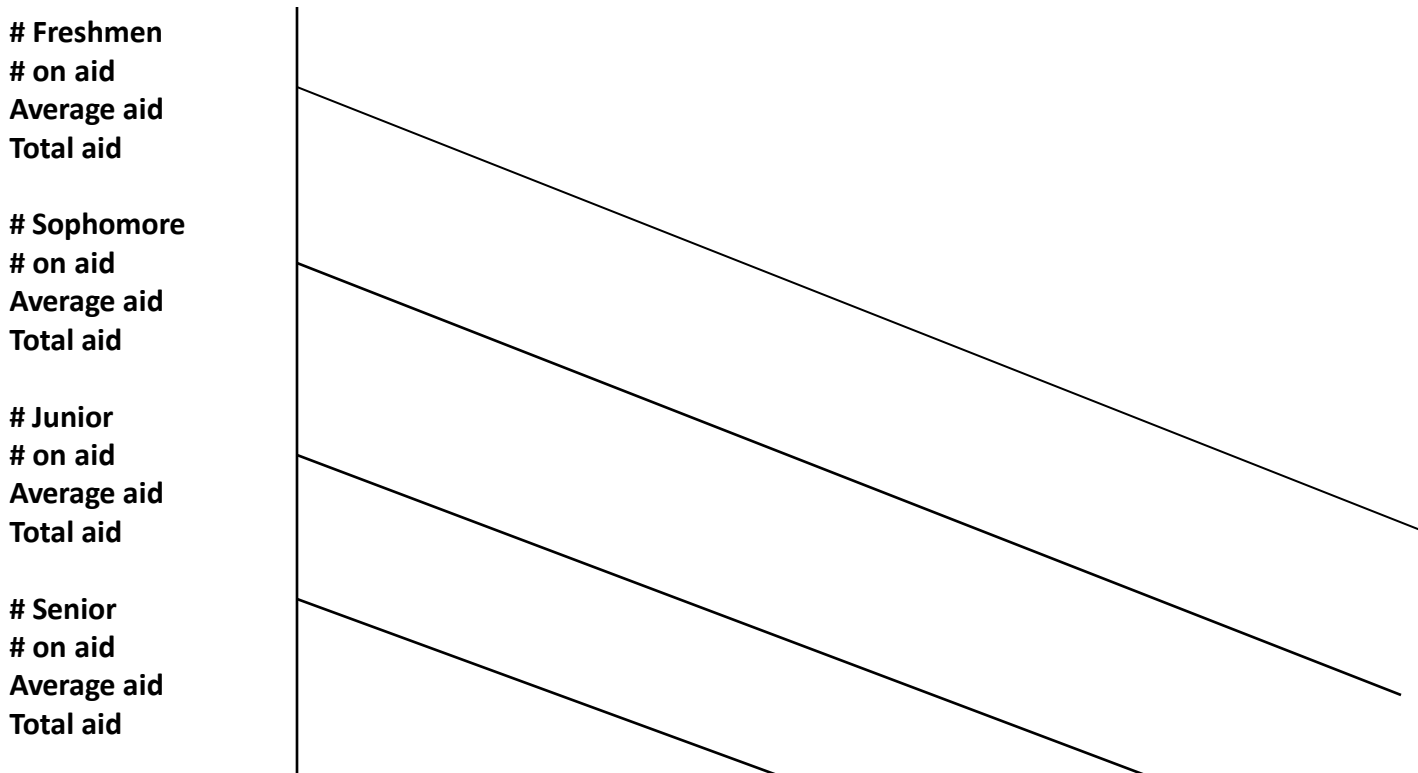
Pay attention to renewal policies

- GPA requirements for merit renewal
- Impact of unmet need on retention
- Role of campus employment
- Responding to appeals from returning students
 - Financial aid and student accounts need to work hand in hand.

Best Practice #10:

Build a trend-based financial aid budget model

Past → Present → Future



Assumptions: EFC, % on aid, % retained, change in average award, etc.

Know what your competition is doing

- Identifying your competition
 - SAT/ACT overlap
 - ASQ results
 - National Student Clearinghouse
- Benchmark on sticker price, discount rate, merit strategy, and prestige indicators—current and trends
- Use the CCCU financial aid survey and institutional websites to learn more (the other downside of transparency)

Sample Benchmarking

Guided by data, driven by service

College/University	Tuition & Fees 2010-11	Discount Rate 2008-09	Fall 2009 Accept Rate	Fall 2009 SAT 25-75%	U.S. News Ranking 2010 (America's Best Colleges)
College A	\$18,095	35.0%	69%	1020-1200	Liberal Arts Bach. 3rd tier
College B	\$22,790	50.4%	79%	1060-1250	Liberal Arts Bach. 2nd tier
College C	\$24,945	29.5%	35%	1104-1284	Liberal Arts Bach. 2nd tier
College D	\$25,740	N/A	80%	970-1210	Comp. Bach. North (5)
Sample College	\$27,400	39.3%	89%	1010-1220	Liberal Arts Bach. 3rd tier
University E	\$28,190	54.6%	61%	1040-1240	Liberal Arts Bach. 2nd tier
College F	\$28,900	28.7%	61%	1100-1290	Liberal Arts Bach. 2nd tier
College G	\$28,928	25.6%	69%	1130-1320	Liberal Arts Bach. (38)
College H	\$30,000	33.6%	35%	1200-1370	Liberal Arts Bach. (18)

Sources: College/University websites, IPEDS, and *USNews & World Report*.

Ensure financial aid office procedures support enrollment goals

- Provide estimated packages prior to verification for new students
- Eliminate institutional aid applications
- Provide aid offers to incoming students ASAP
- Provide online self-service functions
- Don't verify 100% of returning students

Questions?

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