



TIAA-CREF institute

Transformational Change in Student Access through Strategic Pricing Initiatives

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FINANCIAL SERVICES

FOR THE BROTHERHOOD

The Question:

Must equity and efficiency be mutually exclusive?



In the past, financial aid policies and goals were primarily influenced by:

- Institutional mission
- Philanthropic support

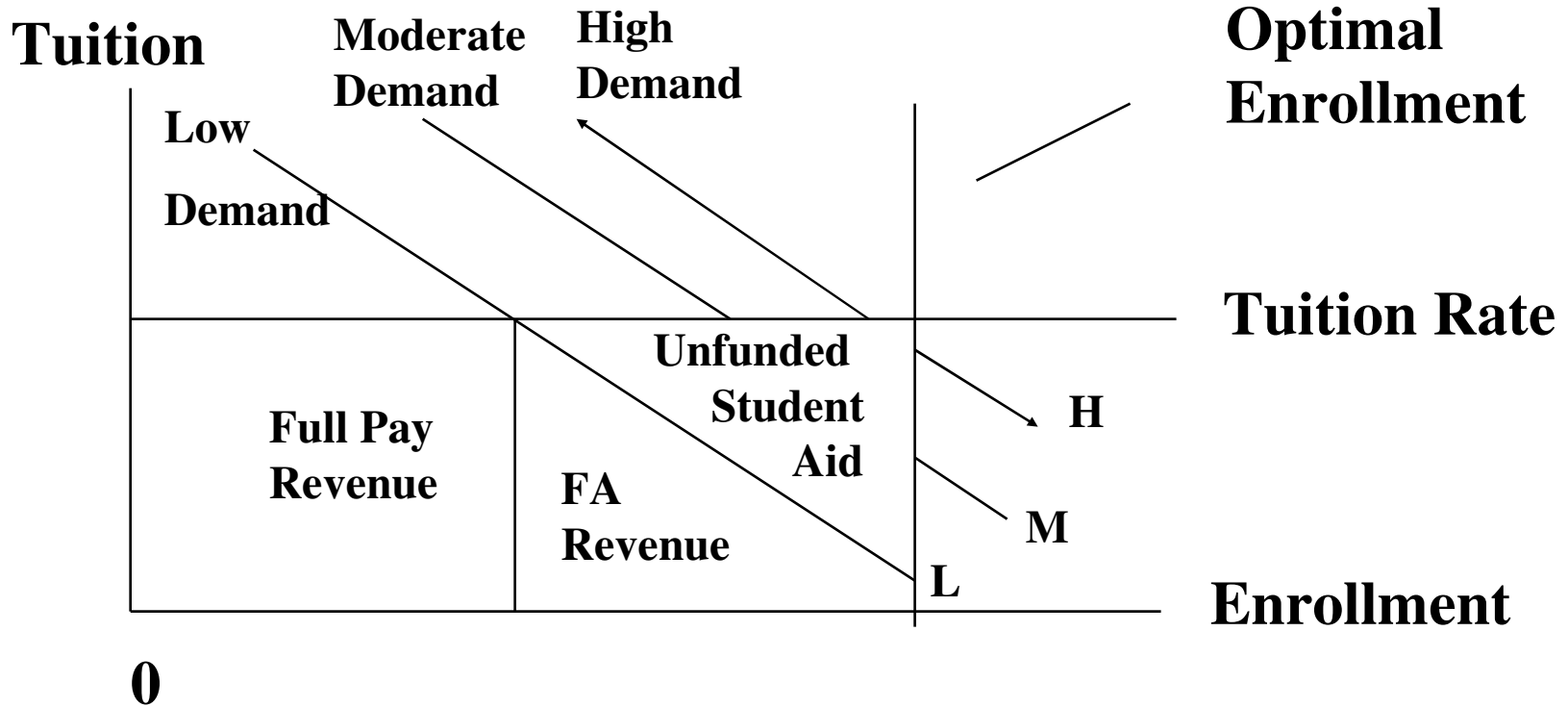


Now, market forces are the most significant influencers:

- Competition
- Trends in inquiries, applications, and retention -- your demand curve
- The demographic and economic environment



Enrollment Demand and Net Tuition Revenue*



*From "Liberal Arts Colleges: Thriving, Surviving or Endangered?", David W. Breneman, The Brookings Institution



Universal Enrollment Truths (cont'd)

Student Quality	High	HQLN=Avg. NTR	HQHN=Low NTR
	Low	LQLN=High NTR	LQHN=Avg. NTR
		Low	High
		Need	

PROBLEM: Most institutions struggle to have a balanced student distribution to reach financial equilibrium.



The Debate:

- Will the efficient use of financial aid based on the price sensitivity of an institution's admitted applicant pool reduce access for low income students?

OR

- Can targeting aid to higher income students to increase their probability of enrollment generate additional net tuition revenue to fund an institution's equity agenda?



The Debate (cont'd):

But institutions, in the name of financial aid leveraging, often rely on:

- **Matching the competition**
- **Anecdotal evidence**
- **Intuition**

Rather than a data-driven analysis. Thus they are neither efficient nor equitable.



Case Study

Understanding Price Sensitivity



Problem: The “As Is”

- **This institution ranks at the bottom of the 1st Tier in its region.**
- **It has a minimal endowment.**
- **The student body is socio-economically diverse with 94% qualifying for need-based aid.**



Problem: The “As Is” (cont’d)

- **In 2005 the College “hit the wall”. Applications and new student enrollments declined.**
- **Net tuition revenue from the freshman class was flat in spite of an 8% increase in tuition.**
- **The class missed its budgeted goal by 46 new freshmen creating a half a million dollar deficit.**



Historical Aid Practices

- **In an effort to build enrollments, a patchwork quilt of guaranteed merit, affiliation, and partnership awards were created to complement longstanding need-based awards.**



The Solution

- **Based on economic analysis, the general direction of the new strategies was to:**
 - **Eliminate all affiliation scholarships and discounts but continue current partnership and sibling discounts. These funds would be counted toward the percentage of need met with grant schedule rather than stacked on top of need-based aid.**



The Solution (cont'd)

- **An aggressive merit program was launched. It guaranteed exact dollar amounts at certain quality levels based on the applicant pool. The top quality group, for example, was ≥ 1050 SAT and ≥ 3.3 GPA.**
- **Students would continue to be eligible for either merit or partnership funds, but not both.**



Results

- **New freshman enrollment in '06 exceeded the budget target at a discount rate of 31% versus 36% in '05.**
- **New transfer enrollment exceeded the budget target at a discount rate of 12% versus 23% in '05.**
- **Additional net tuition revenue generated by new students in fall '06 vs. fall '05 was more than \$1 million without factoring in the tuition increase and \$1.4 million including the 6.5% tuition increase.**
- **Pell students represented 33% of the new freshman class versus 25% in '05.**



Conclusion

- **Many colleges and universities, public/state-supported, as well as independent, try to juggle mission-critical institution priorities with their need to serve the public good.**
- **Most of these institutions are resource constrained and not well-endowed.**
- **Using financial aid strategically (be it merit, need, performance, etc.) to meet mission and serve students is not only ethically OK, it's an absolute requirement of good stewardship.**

