

Wise Moves in Tough Times: Part III

Strategies to Help You Move Ahead with Confidence

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Presented by

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Promises kept.

About Stamats

Stamats is recognized and respected as the nation's higher education integrated marketing thought leader. Our comprehensive array of innovative services has set the standard for pairing insightful, research-based strategic counsel with compelling creative solutions. We promise our clients the highest level of professional service and attention to detail in the industry because, in the end, we know our success is measured entirely by theirs.

Research, Planning, and Consulting Services

- Image, perception, and brand studies
- Recruiting, marketing, brand, and academic program marketability audits
- Tuition pricing elasticity studies

Creative Services

- Creative concepting
- Web strategies
- Recruiting and advancement publications



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About Scannell & Kurz

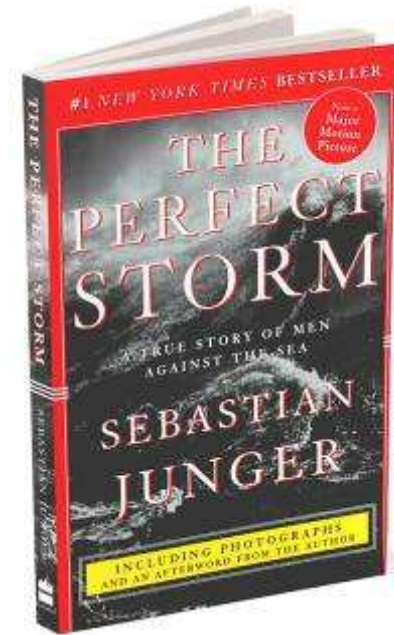
We are a data-driven enrollment management consulting firm providing:

- **Organizational and operational reviews of enrollment-related offices**
- **Development of pricing and financial aid strategies using predictive modeling and simulation tools**
- **Advice and counsel regarding recruitment programs and strategies**
- **Retention analysis and best practice reviews**
- **SKORE: an enrollment management data warehouse and reporting tool**
- **FAST: Financial Aid Strategy Tool**

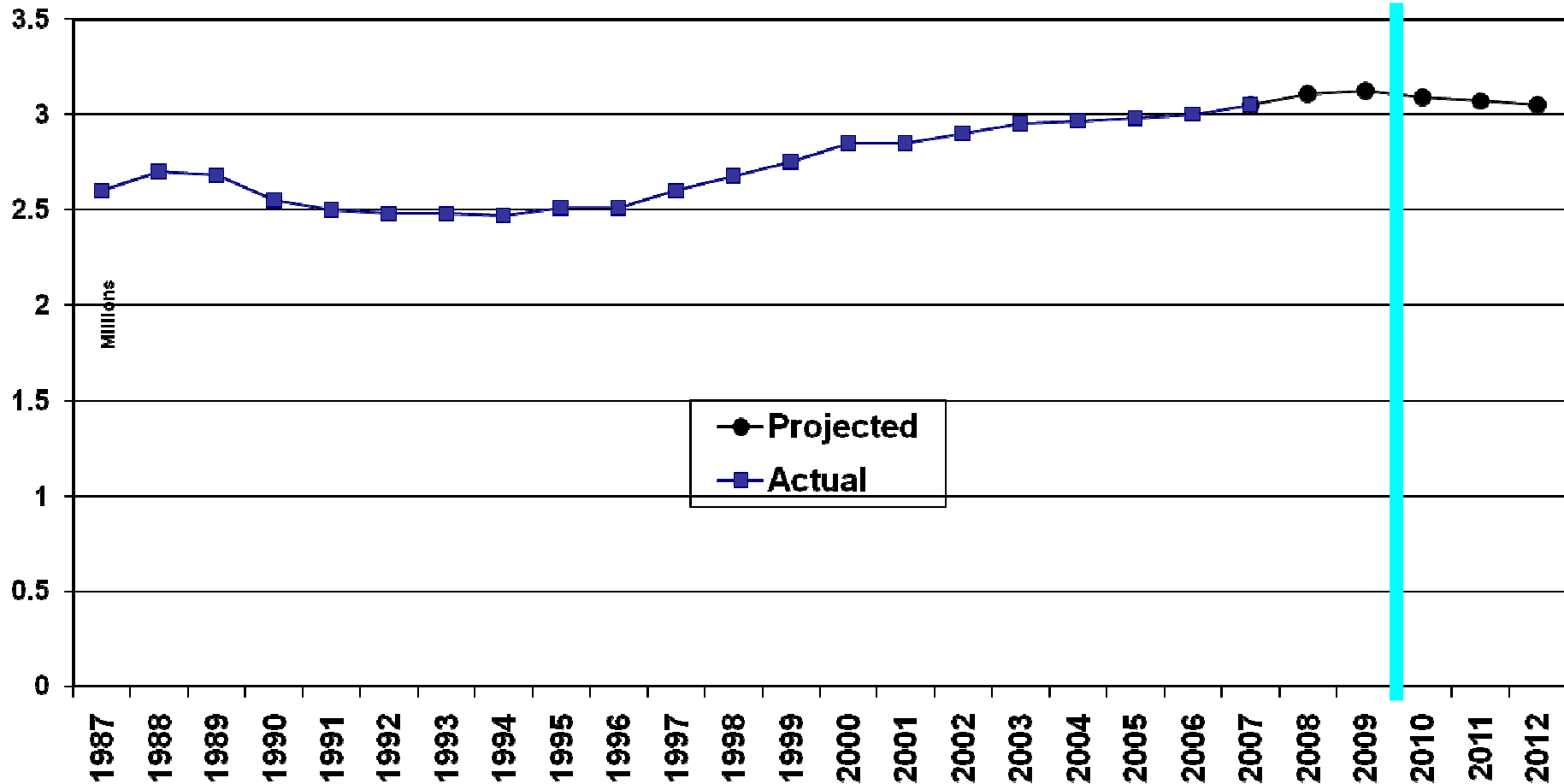
Our mission is to help our clients achieve their enrollment goals ,including increased net tuition revenue, improvements in the quality profile, better retention and graduation rates, and increases in the enrollment of targeted subpopulations.

The Perfect Storm

- A confluence of four gales:
 - Changing demography
 - Rising cost to attend
 - Increased competition for students and donated dollars
 - Duress and panic in the economy among:
 - Students
 - Parents
 - Donors
 - Colleges and universities
 - Creditors
 - Bond holders



Projected Number of High School Graduates



Sources: National Center for Education Statistics

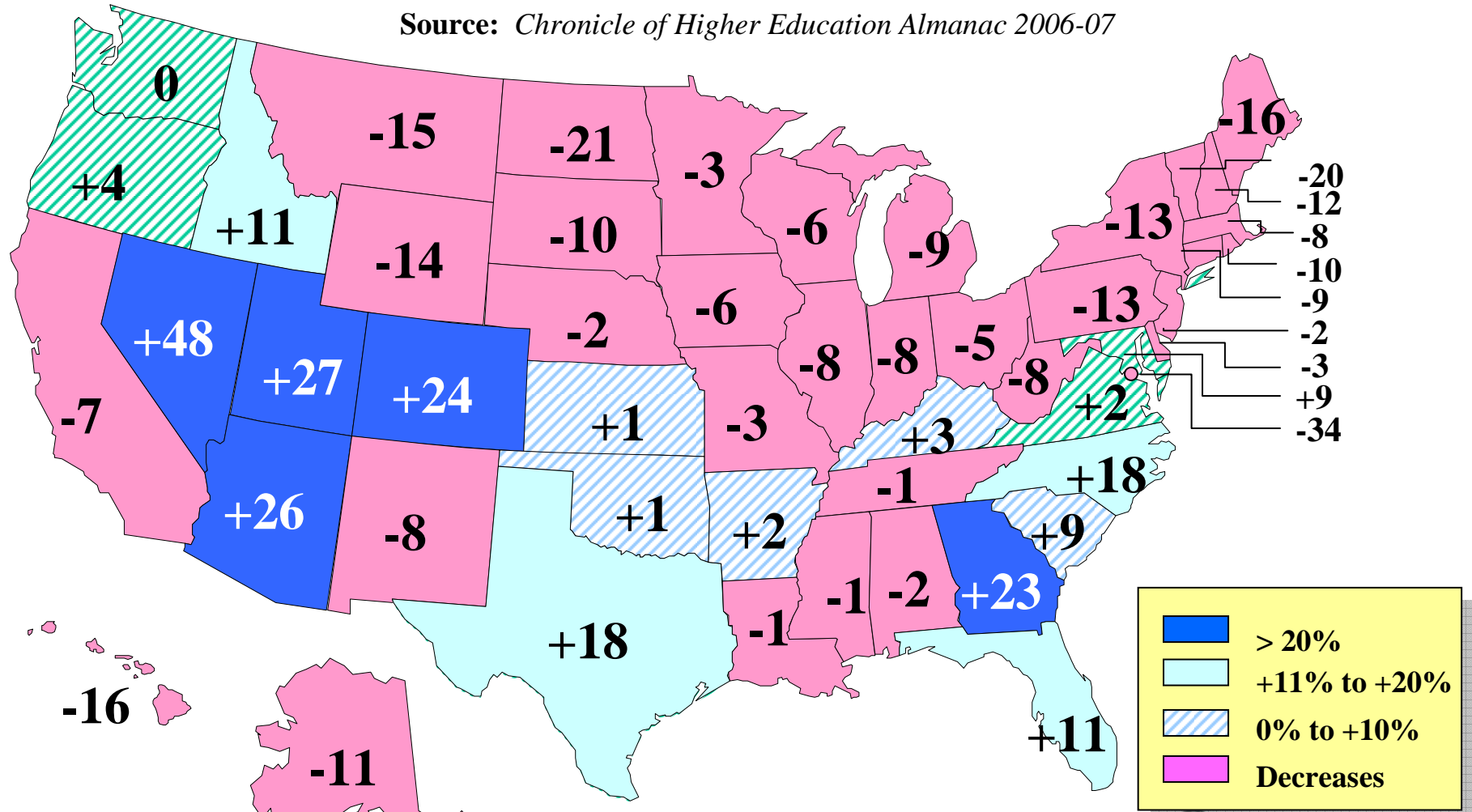
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Projected Change in H.S. Graduates to 2018

Source: *Chronicle of Higher Education Almanac 2006-07*



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Tough Times – Society at Large

- In 2008, the Dow lost 30% of its worth; some \$7 trillion in savings and retirement funds were wiped out
 - The average 529 plan has dropped 35% in value over the last 14 months
- In late February the Dow had dropped 50% from its all time high
- House prices have dropped
 - Tampa – 21% – NY – 7%
 - Illinois – 25% – LA – 25%
 - Las Vegas – 31%
- In 2008, 2 million people lost their jobs; unemployment is now at 8.1%
 - Jobs are being lost at the rate of 600,000 per month
 - 4:1 ratio: people looking for jobs: job openings

Tough Times – Higher Education

- According to NACAC, 78% of c/u reported an increase in apps
- Fall 2008 yield dropped; acceptance rates down 5%
 - Expect more incomplete apps
- How many saw their yield increase for fall '09?
- States are cutting funding: ASU, for example, has had more than \$50 million in budget cuts; UC system has cut more than \$100 million
- 39% of colleges said giving is down 10% or less, 17% said it is down 10% or more
- College endowments are down: Dickinson's endowment, for example, has dropped to \$280 million from \$350 million in six months
 - interestingly, schools with large endowments are taking a larger operational hit than schools with smaller endowments
- Creditors are calling in "notes" and many institutions took on too much debt

Tough Times – Public Institutions

- According to *USA Today*, states will cut an estimated \$80 billion from their higher ed budgets (about 18.5%) over the next three years
 - Cutting an estimated 574,000 jobs



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NAICU Study – December 2008

- Among 370 privates:
 - 4.6 percent have frozen tuition
 - 8.4 percent have frozen or cut student aid budgets
 - 49.9 percent have frozen hiring
 - 7.3 percent have cut academic programs
 - 15.6 percent have laid off staff
 - 10.5 percent have laid off faculty

Colleges Most Vulnerable

- Our current challenges are, in many respects, an acceleration of some trends we have seen of late
- Not all colleges and universities will be impacted the same way by these trends. Schools most vulnerable...
 - Rural
 - Private
 - Have a high discount rate (uncertain brand value)
 - Have a cost that is higher than major competitors
 - Have an endowment that is less than three to five times the annual budget
 - Have few unallocated dollars (little ability to invest in a new initiative)
 - Lack of differentiation from major competitors
 - Academic programs are too similar to those of competitors
 - Are profoundly tuition-driven
 - Significant portion of annual budget comes from endowment
 - Have current students that are disproportionately on loan-based aid
 - 75/75
 - Made a significant (and maybe radical) commitment to financial aid (no loans)

We Can Expect – Students and Families

- Greater price sensitivity
- Some students will apply to more and more schools but some students will apply to less to be closer to home
- More students will opt for two- and four-year publics and for-profits
- Students will transfer more often
- Students will seek, and expect, more financial assistance
- Students will be wary of aid packages that are predominantly loan-based
- More students will need to work (more) while attending school
- Students will flock to majors with clear job prospects
- Student will attend school closer to home, even online
- Parents will become even more involved in the college-choice process

An Increase of Tension

When a galloping psychology of entitlement runs head long into a scarcity of opportunity and resources



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Before We Begin...

- We are facing a profound paradigm shift
 - The marketplace is demanding that institutions must be less institution-centric and more marketplace-centric – that would be student/parent centric
- We will not be managed out of this crisis; we must lead
 - Lean management often becomes mean management
- Now, more than ever, this is a time for vision

What We NOW Know

- 2009 is the new base year to draw historical comparisons
- 2009 entering cohort began the college search process unencumbered by the failing economy
 - Families were challenged to make mid-course corrections – some did, some did not
 - The decision process to deposit was slow and delayed in many instances
 - There's very little anecdotal evidence that appeals of financial aid awards increased significantly
 - There is widespread concern that multiple deposits have increased

What We NOW Know

- Institutions with sufficient demand have gone to their waiting lists early and often – even the most prestigious!
- Reportedly many second and third tier private institutions increased aid awards significantly, but it's unclear that any change in awarding was data-driven and strategic. It was in all likelihood fear-driven and knee-jerk.
- Certainly publicly funded institutions saw an increase in demand. Many state funded colleges are capping enrollments. Community colleges are particularly challenged given their mission as open access institutions to meet new demand.
- Some 2009 high school graduates could be “shut out” – no space at public colleges, insufficient funds for private institutions. There may be considerable “late activity” throughout the summer.

What We NOW Know

- Most private institutions chose to exceed financial aid budgeted allocations in order to increase probability of “making the class”.
- Many private colleges have been “slow to react” that the transfer market from community colleges must be a top priority.
- There’s a tendency toward “gimmicks” in a time of stress (e.g., full tuition scholarships for displaced workers, matching in-state public cost of attendance for needy students, freezing tuition, etc.). Higher education needs to act with caution. Across the board, “one size fits all” initiatives likely to be inefficient and perceived as “cheapening” the product.
- There is heightened concern about being able to financially afford their degree program among current students.

What We NOW Know

- Students will tend to work more during the school year. While this is fine for some, many will exceed what is reasonable, putting their academic progress in jeopardy.
- Students will exhibit more “guilt” for utilizing family funds previously committed to younger siblings or retirement.
- Schools on a per credit hour fee schedule rather than standard annual tuition charges will see average credit hours decline. This will particularly impact part-time adult enrollments, both undergraduate and graduate.
- 2009 will likely be a “preview” of consumer behavior and enrollment trends for 2010 and beyond.

What We Need To Do

- Near-term options (NTO)
- Long-term options (LTO)
- Important to distinguish between strategy and tactics



Colleges Should Not

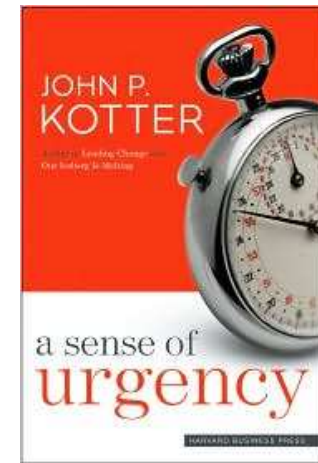
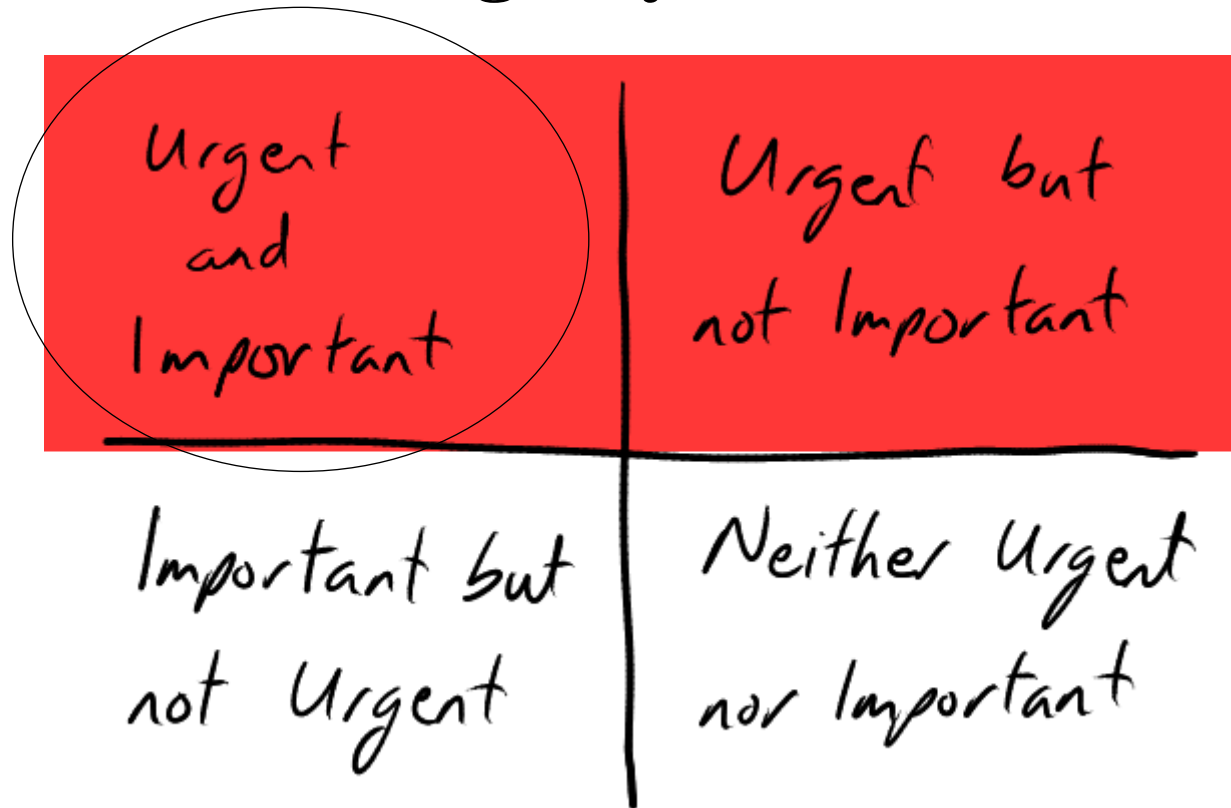
- Panic
- Unduly increase tuition to make up for budget shortfalls
- Undertake pricing or financial aid gimmickry
- Implement new academic programs with the idea that more programs will attract more students
- Expand student search or invest in a new secondary market
- Lower academic quality



NTO: Don't Change Wholesale But Revisit Your Strategic Plan

- Reprioritize initiatives and focus on those that are:
 - Truly student-focused
 - Likely to increase revenue
 - Likely to reduce expenditures in noncritical areas
 - Consider postponing nonessential construction projects
- Focus on those initiatives that will have the most immediate impact on recruiting
- Communicate early wins

The Idea of Urgency (Part 1)



Be aware of the keen difference between being frantic and being urgent

The Idea of Urgency (Part 2)

OR

A crisis is a terrible thing to waste

NTO: Make 2.5 Critical Budget Decisions

- Budget for a smaller class next year, or at least have best case/most likely case and worst case contingencies
- Doing this *a priori* makes you look strategic
 - Doing this *ex post facto* makes you look careless
- Budget for a higher discount rate – ditto with above!
 - Expect financial aid appeals from current students after the first of the year
 - Expect, too, that your financial aid staff will be over burdened
- If you can give a salary increase, either delay that increase until Fall (after the class is in) or give a portion of that increase in the Spring and the balance in the Fall
- Making these decisions now will make you look wise and strategic. Making these decisions later will make you look reactive and unsophisticated.

NTO: If You Must Cut, Cut Strategically

- A fair approach means everyone has the same reduction
- A strategic approach, however, means that signature (core) programs are spared and marginal programs are eliminated
 - Use the recouped dollars to invest in other programs with greater market interest



NTO: Understand the Economic Situation of Your Students *(current and prospective)*

- Next fall ask students and parents how the current economic climate is influencing their college-selection thinking...then listen to what they say
 - Quantify their financial vulnerability
 - Compare notes with internal and external colleagues to keep your finger on the pulse of your prospective and current students
 - Bring that information to your senior leadership team on a regular basis; no one likes fall enrollment surprises
- Assess how new financial aid legislation will impact your students and your institution
 - Reauthorization of the Higher Education Act
 - American Recovery and Reinvestment Act
 - Post 9/11 GI Bill

Understand How Your Families Are Paying for College

- Family contributions
- Federal grants
- State grants
- Need-based loans
- Student work
- Alternative loans
- Payment plans

Which components are changing: More loans....More private loans
(if even available)
Increased work....Multiple jobs on and
off campus

Understand How You May Need to Help

- Transparent aid programs (e.g. guarantees and calculators)
 - Note: calculators will soon be required
- Extended payment plans
 - Most plans now start in August and end in March
- Institutionally subsidized loan programs
- More on campus student employment opportunities
- Increased emergency loan budget
- Financial literacy program

NTO: Revisit Your Campus Visit Program

- This summer put every aspect of the experience a visitor to campus has “under the microscope” including:
 - the tour
 - group information sessions
 - individual interviews
 - open houses
 - yield events
 - preview days for sophomore and juniors
 - group visits
 - yes, and even new student orientation
- Unlike before, there’s less certainty that a high percentage of visitors will enroll

NTO: Revisit Your Campus Visit Program

- The visit will become a key opportunity to sell:
 - the campus
 - the community
 - the programs
 - the opportunities
- Don't waste it!
- Each visit should strive for a WOW experience

NTO: It's All About Relationship Marketing

- Need to identify primary, secondary, and tertiary markets based on historical application patterns. Each market deserves to have its own relationship marketing plan.
- Swarm the primary market
- Develop the secondary market
- Communicate electronically with the tertiary market

NTO: Transfers a Top Recruitment Priority

5 critical steps to building demand from transfer students

1. Need a transfer champion
2. Need a strategic marketing, communication, and recruitment plan targeted at community college students
3. Need to develop relationships with community college counselors and faculty – some formalized with articulation agreements and 2+2 programs
4. Need a transfer-friendly campus starting with a timely, appropriate, and competitive credit evaluation and financial aid award
5. Need to be able to document the “success” of community college transfers when enrolled at your school and after graduation

Treat community colleges as strategic partners, not competitors

NTO: Be “High Touch” in Your Funnel

- Work hard to address students’ concerns and issues
- Position yourself as a resource and a partner
 - Conduct public service presentations at feeder schools
- Train admissions staff to talk about affordability, as well as value
- **Don’t forget to reach out to current students as well**
 - Especially those behind in making payments and those who do not pre-register for spring or fall 2009
 - These outreach efforts will need to involve not just financial aid and student accounts staff, but advising staff, residence hall staff, faculty, etc.

NTO: Remember Who Defines Relevance

- It isn't you
- Your audiences decide what is important, believable, and distinctive
- Too many colleges have too many messages that are far too institution-centric
 - Must become much more audience-centric
 - As one student said: “Don't tell me about you; tell me about me!”
 - This wasn't a request



engaging

NTO: Execute Your “Sure Things”

- Focus on recruiting and marketing activities that you know work
- Do not invest in new initiatives that will pull resources away from proven strategies
- Cut out poorly executed ideas, and apply those resources to your tried-and-true
 - Be marketing agnostic
- Insist on mROI

NTO: Identify And Differentiate Yourself From Your Top Four or Five Competitors

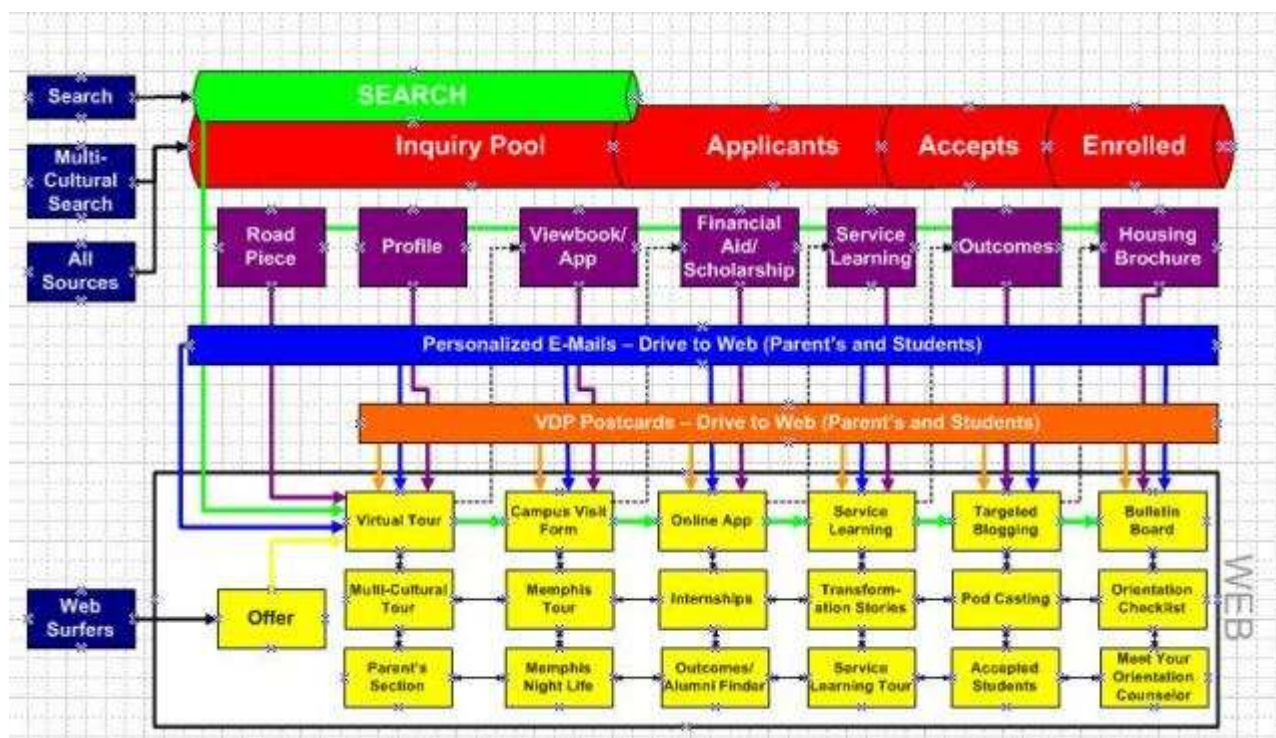
- Gather competitive intelligence
 - Sticker price
 - Discount rate
 - Prestige profile
 - Merit and need-based guarantees
 - Core messages
- Develop and execute differentiation strategies
 - You must be different from your competitors in ways that target audiences (students and donors) value
- Understanding your competitor set gives your recruiters and marketers the opportunity to more effectively position you against those competitors when given the chance to do so

NTO: Communicate Well and Often

- Internal and external constituencies
 - Let them know what is happening and what you are doing in response to what is happening
 - This is definitely a time to overcommunicate
 - Balance positive and negative messages; it's easy to get depressed right now
 - Stress that you see yourselves as partners with your families in making your institution affordable

NTO: Undertake Communication Mapping

- A communication map will heighten effectiveness and identify waste
 - Better manage the relationship between print and digital



NTO: Now Is the Time for Research and Assessment

- Nonmatriculant study
 - Why do some accepted students not enroll?
- Academic program marketability audit
 - Which of your programs are of most interest to the marketplace?
- Tuition pricing elasticity study
- Recruiting audit
- Strategic financial aid review
- Retention analysis

Academic Program Marketability Audit

- Using a modified Boston Consulting Group matrix, and based on marketplace interest, we can identify which of your programs have the greatest opportunity for growth
 - Assess internal quality, capacity, and cost variables
 - Assess student interest
 - Assess competitor offerings
 - Assess job and employment trends
- Rank all existing majors on near-term marketplace viability:

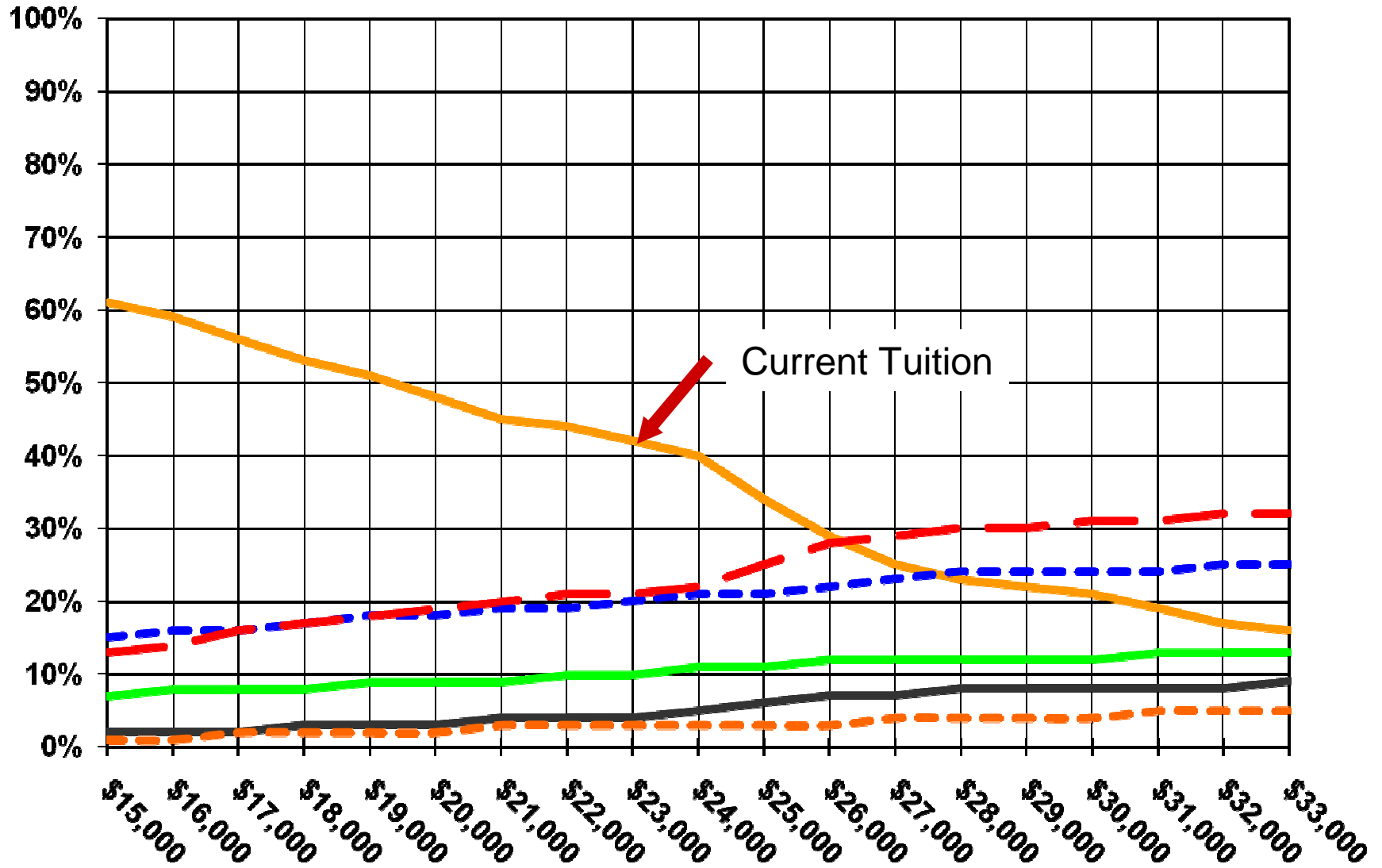
Low viability = 1 2 3 4 5 = High viability

NTO: Conduct a Tuition Pricing Elasticity Study

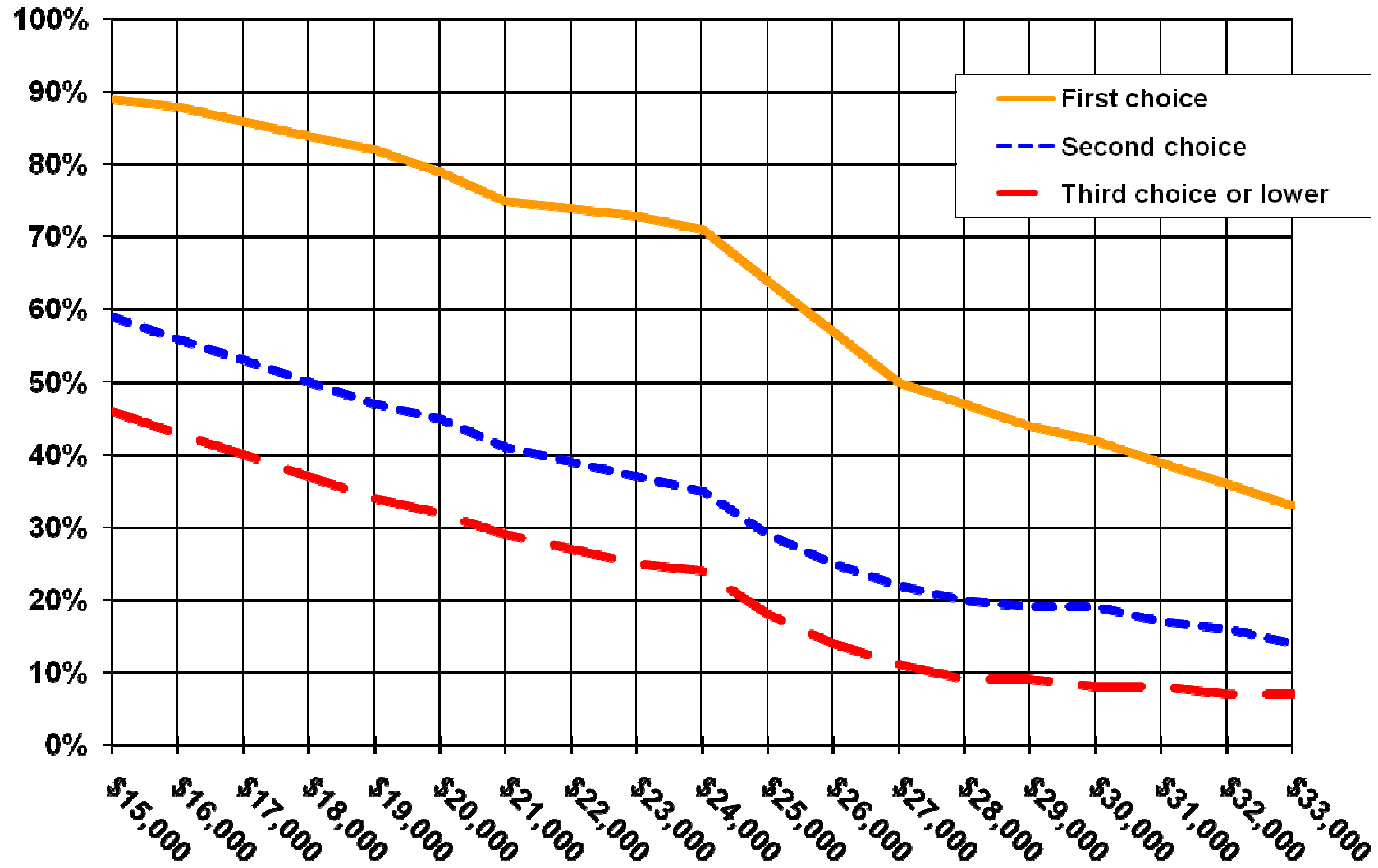
- Pricing elasticity studies identify your brand value in the marketplace and highlight the relationship between tuition increases and share
 - They can also isolate the drivers (attributes) that most significantly impact the perception of value



Sample: Elastic



Price Sensitivity by Position in Choice Set



NTO: Undertake a Recruiting Audit

- Solid, critically constructive audits always improve effectiveness
 - Focus on principles rather than personalities
- There is no better time for professional, objective help in these critical areas

A Solid Recruiting Audit Will Review...

- Pre-recruiting image-building strategies
- Competitors' websites and guidebook data to identify potential recruiting and marketing advantages to explore and disadvantages to overcome
- Prospecting strategies
- Primary and secondary recruiting geographies
- Recruiting staff, territory management, computer usage, and budget
- Source codes and conversion rates of the chief funnel contacts
- Financial aid and scholarship communication
- Timing, content, sequencing, and quality of your primary funnel contacts, including print and electronic communications, publications (search, view, catalog, departmentals), correspondence, Web, telemarketing, campus visit programs, and advertising
- Assess use of volunteers
- End-funnel yield strategies

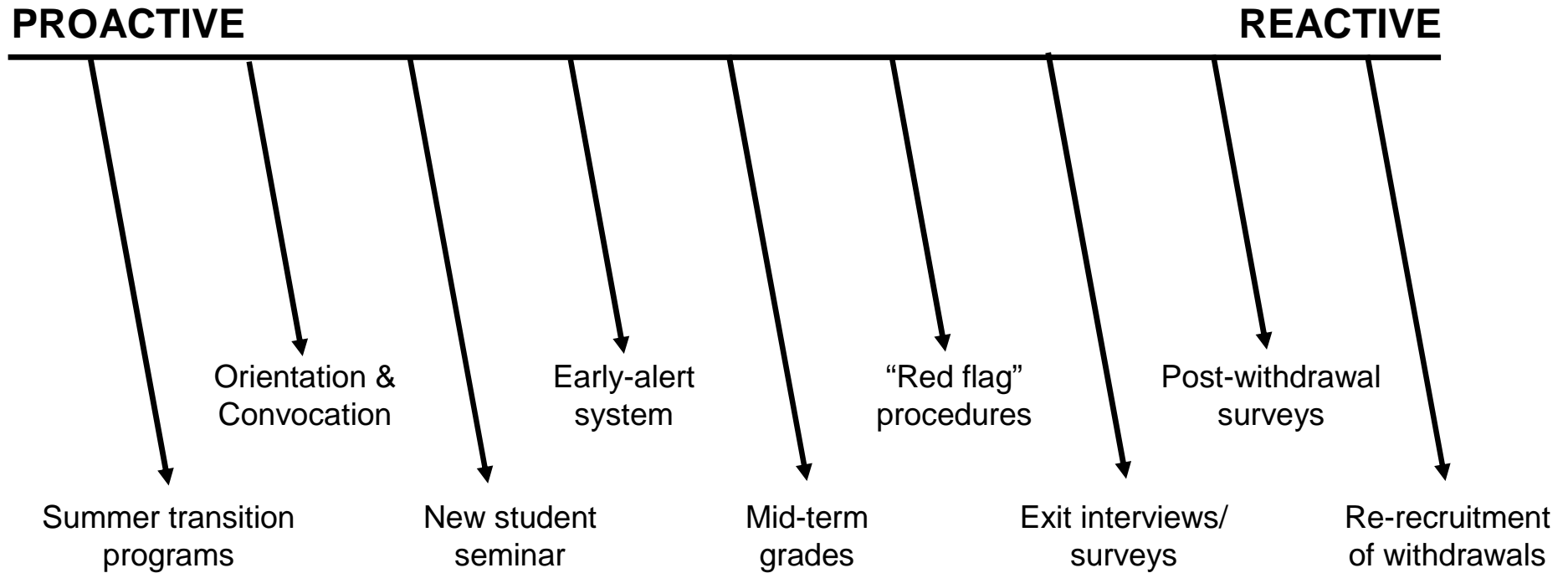
NTO: Conduct a Strategic Financial Aid Review

- It's never been more important to understand your admitted pool's price sensitivity because it probably changed this year. Based on your 2009 results you need:
 - To better understand the influence of need, grant, and other factors on enrollment decisions—**and how the economy has affected the influence of financial factors.**
 - To assess the impact of alternative awarding strategies on enrollment behavior
 - To explore the possible trade-offs between aid expenditures, quality, and other enrollment goals (e.g., socioeconomic and ethnic diversity)
 - To develop fall 2010 packaging strategies based on this new analysis

NTO: Conduct Retention Analysis

- Predictive modeling can also be used to understand the factors influencing persistence
- Typical variables that predict likelihood of re-enrollment include:
 - Academic quality measures (GPA, SAT, rank, first-term GPA)
 - Applying for aid
 - Working on campus
 - Entering with an expected major (rather than undecided)
 - Level of unmet need (need minus grant aid)
 - Ethnicity
 - Distance from home

Early Warning Systems: Retention-Intervention Timeline



Source: Dr. Joseph Cuseo, Associate Professor of Psychology, Marymount College, Palos Verdes, CA

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For At-Risk Students...



- Implement targeted intervention strategies
 - Supplemental instruction in high-failure-rate courses
 - Early warning systems
 - On-campus employment opportunities
 - Peer-to-peer mentoring
 - Outreach efforts to students with undecided major
- **This year it will be particularly important to be responsive to changes in financial circumstances**

NTO: Market Tall Pole Programs

- Tall poles are programs which:
 - Offer substantial quality
 - Are undersubscribed by prospective students (you have capacity)
 - Are high margin
 - Lead to higher-paying jobs
 - Are of high interest in the marketplace
 - Students
 - Employers
 - Donors
 - Media
 - Have an effective champion in place
 - Offer co-branding opportunities
 - Do not have a significant competitor
 - Have a high barrier to entry



NTO: Hire Well and Train Deeply

- Now is the time to hire the best recruiting, marketing, and fundraising staff you can
 - Be a talent magnet
- Avoid hiring freezes or going with entry-level talent in these three revenue-generating areas
 - Yes, there will be political push-back
- Anticipate that your best people will be targeted by head hunters
 - What is your talent-retention strategy?



NTO: Expand Existing International Strategies

- The battered dollar means that a U.S. education has never been more affordable for international students
- Keyword: “existing”



Longer-term Options (LTO)

- Beyond 2010

LTO: Build a Brand...

- ...on a solid point of differentiation
- Who are your top five competitors, and how are you different in ways that your prospective students value?
 - If you don't know, how can you expect them to know?
 - The more you sound like your competitors, the more students will differentiate you on another variable—like cost
 - Your point of differentiation must clearly answer the question: what makes you worth it?
- What can you be, and say, that is important, believable, distinctive, and emotionally engaging?
- Extend your brand ahead of search

LTO: Shorten Time to Degree

- Too many schools are slipping to five- and six-year Bas
 - Cores that are too complex
 - Poor advising
 - Poor sequencing of classes
- As another option, consider the three-year BA (the EU model)
 - Hartwick
 - Seattle University
 - Judson
 - Manchester

LTO: Find a Blue Ocean

Red Ocean Strategy

- **Compete in existing market space**
- **Beat the competition**
- **Exploit existing demand**

Blue Ocean Strategy

- **Create uncontested market space**
- **Make the competition irrelevant**
- **Create and capture new demand**

- One blue ocean will compensate for a lot of red oceans

Blue Oceans

- Cornell's One-Course-At-A-Time
- Berea's teaching and service
- Culver-Stockton's 15+3
- What is your blue ocean?



- The idea of lovemarks



Final Questions and Comments

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