

Tuition Revenue Strategies During the Demographic and Economic Downturn

Phillip Doolittle, University of Redlands

Devorah Lieberman, Wagner College

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The New American Colleges and Universities: Background



- Founded in 1995, the New American Colleges and Universities is a national consortium of twenty-one selective, small to mid-size (2,000-8,500 students) independent colleges and universities dedicated to the purposeful integration of liberal education, professional studies, and civic engagement. To improve the quality and effectiveness of teaching and learning among its members, The New American Colleges and Universities sponsors projects and conferences, administrator and faculty affinity groups, surveys and data benchmarking, as well as a student exchange. The New American Colleges and Universities collectively and individually are often cited as models of the intentional integration of teaching and learning, scholarship, and service.



The New American Colleges and Universities: Members



- Arcadia University
- Belmont University
- Butler University
- Drake University
- Drury University
- Elon University
- Hamline University
- Hampton University
- Ithaca College
- North Central College
- Pacific Lutheran University
- Quinnipiac University
- Samford University
- Simmons College
- The Sage Colleges
- University of Evansville
- University of Redlands
- University of Scranton
- Valparaiso University
- Wagner College
- Westminster College



Introduction

- Fifteen member institutions participated in the 2008-09 financial aid survey.
- Applied Policy Research, Inc. (APR) gathered the data and conducted the data analysis.
- This report presents our findings from the survey for the most recent academic year.

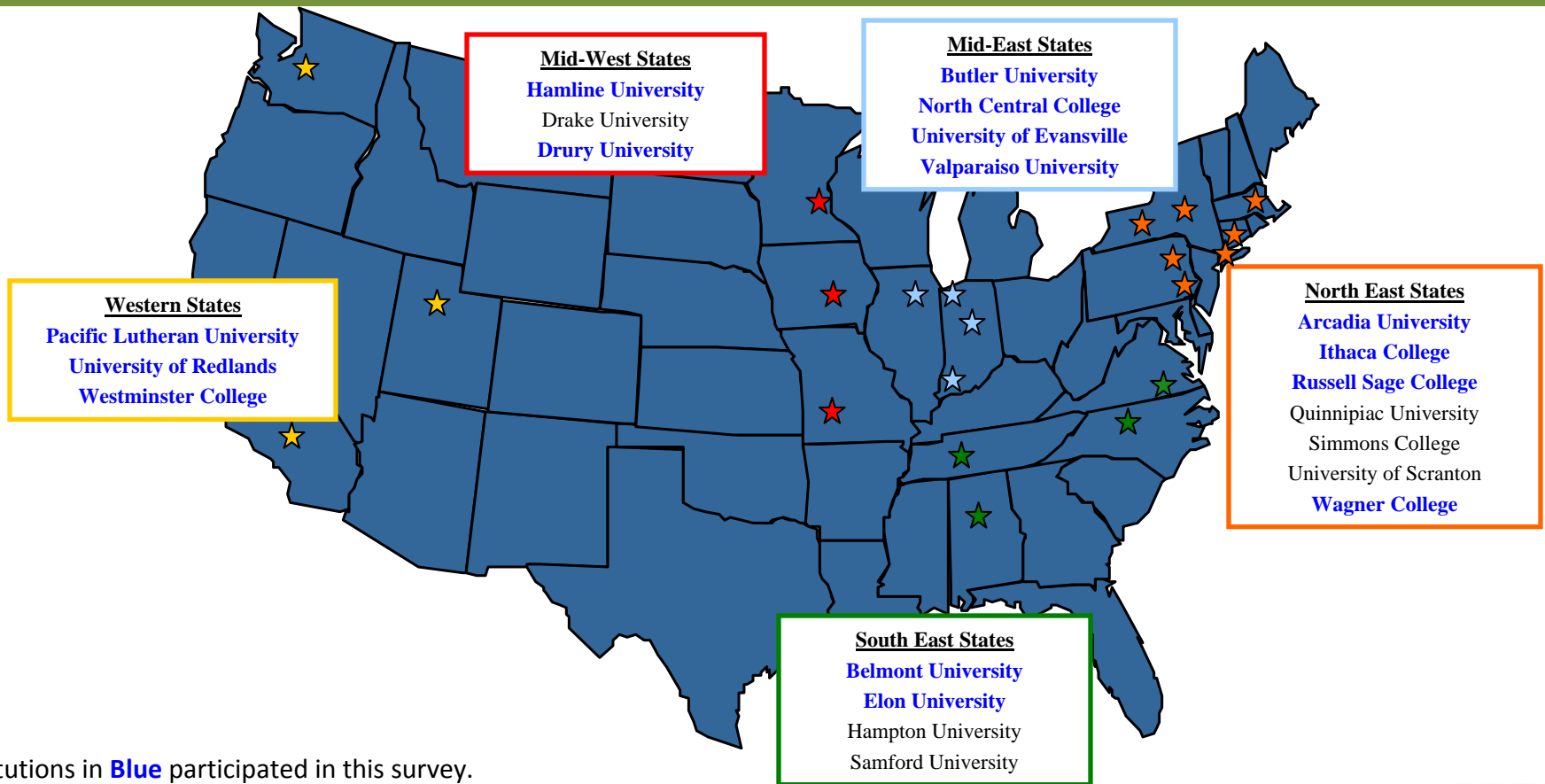


Disclaimer

- APR was given permission by the University of Redlands to highlight the University's findings from this survey. The University of Redlands has used APR's net revenue management services for the past 15 years.



Member Institutions Participating in Net Tuition Revenue Project



*Institutions in **Blue** participated in this survey.



Chart VII: Survey Participants Sorted by Discount Rate

- Chart VII arrays the institutions high to low on freshmen discount rate, forming 3 clusters:
 - The left-most 6 institutions (O through M) have net tuition revenue *below \$15,500* with discount above 46 percent.
 - The central cluster of 6 institutions (I through L) have net tuition revenue *above \$15,500* with discounts in the 37 to 46 percent range.
 - The right-most 3 institutions (N, D & B) represent a low tuition / low discount strategy, discounting below 37 percent with a wide range of net tuition revenue (\$12,232 to \$20,034).



**Chart VII: 2008-09 Per Freshmen Net Tuition Revenue & Discount
Sorted by Discount Rate -- Data Collected February 2009**

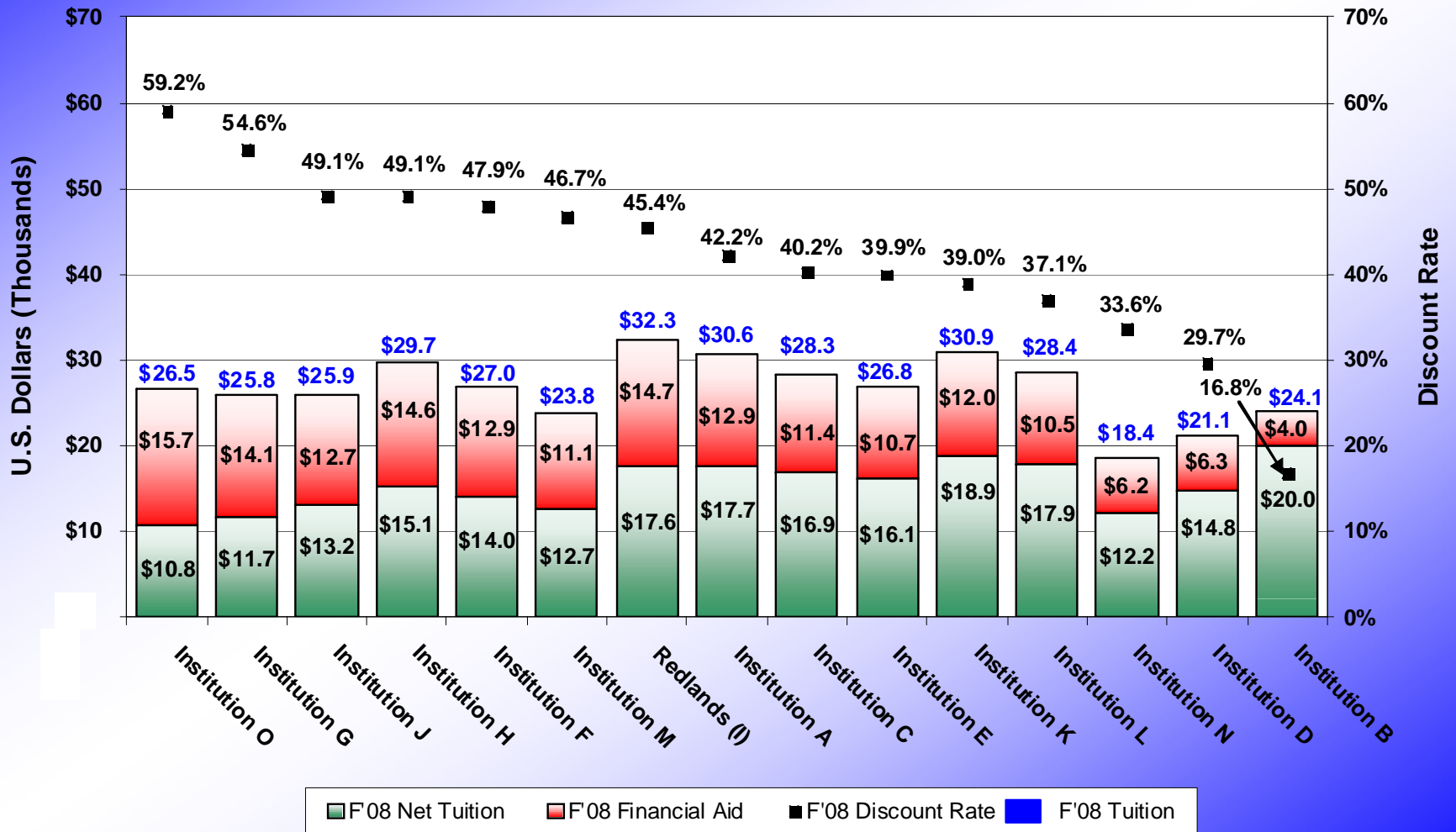
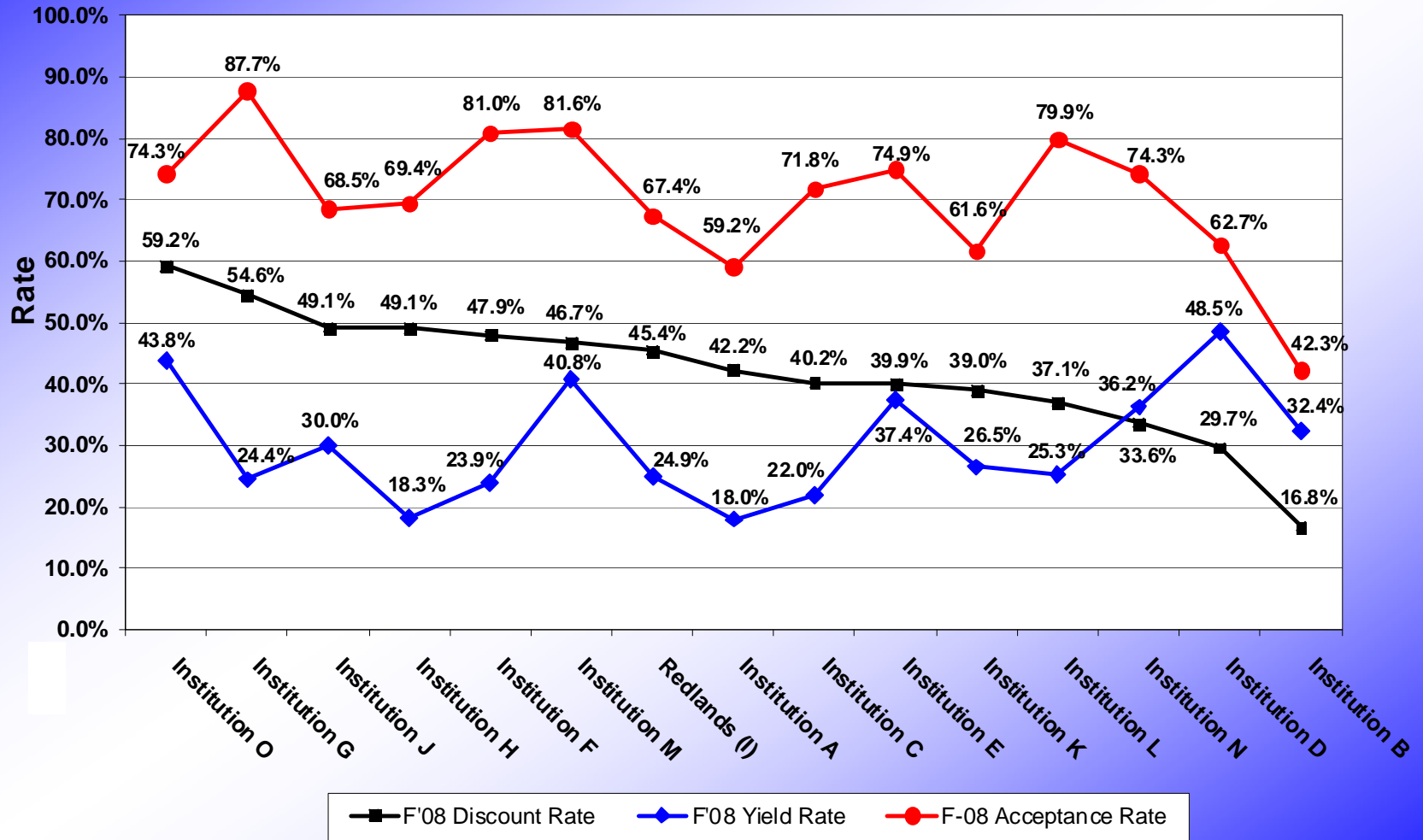


Chart VIII: Discount, Yield and Acceptance Rates

- Chart VIII plots 3 rates: discount rate (financial aid divided by tuition), yield rate (enrolled students divided by students accepted for admission), and acceptance rate (students accepted for admission divided by prospects who applied for admission).
- We see a significant positive correlation between acceptance rate and discount rate; namely, the higher the acceptance rate (i.e., less selective admission standards), the more likely it is that the university will use heavier discounting.
- Conversely, the lower the acceptance rate (i.e., more selective admission standards) the lower the discount rate.
- Thus, as an institution's strong market position allows greater selectivity, that institution will have greater flexibility with respect to discount rate.



**Chart VIII: 2008-09 Discount, Yield and Acceptance Rates
Sorted by Discount Rate -- Data Collected February 2009**



Observations

- Generally speaking, the survey participants have been relatively aggressive with tuition inflation over the past couple of years.
 - 12 of the 17 surveyed in Fall 2007 posted tuition increases above 6 percent, with 6 above 7 percent.
 - 11 of the 15 surveyed in Fall 2008 posted tuition increases above 6 percent, with 2 above 7 percent.
- Among the institutions surveyed in 2008-09, 8 experienced a drop in freshman enrollment, whereas only 5 of these institutions had noted a headcount drop in the 2007-08 year.



Observations (continued)

- For 2008-09, the average discount rose by almost 2 points, to 42.0%, and only 2 institutions saw a reduction in their discount rate year over year. For the same institutions, the average discount in 2007-08 was 40.1%, and 8 had reduced their discount rate year over year.
- For 2008-09, 6 of the 15 survey respondents showed a decline in aggregate net revenue from freshmen. Only 3 of these institutions had reported net revenue losses the preceding year.



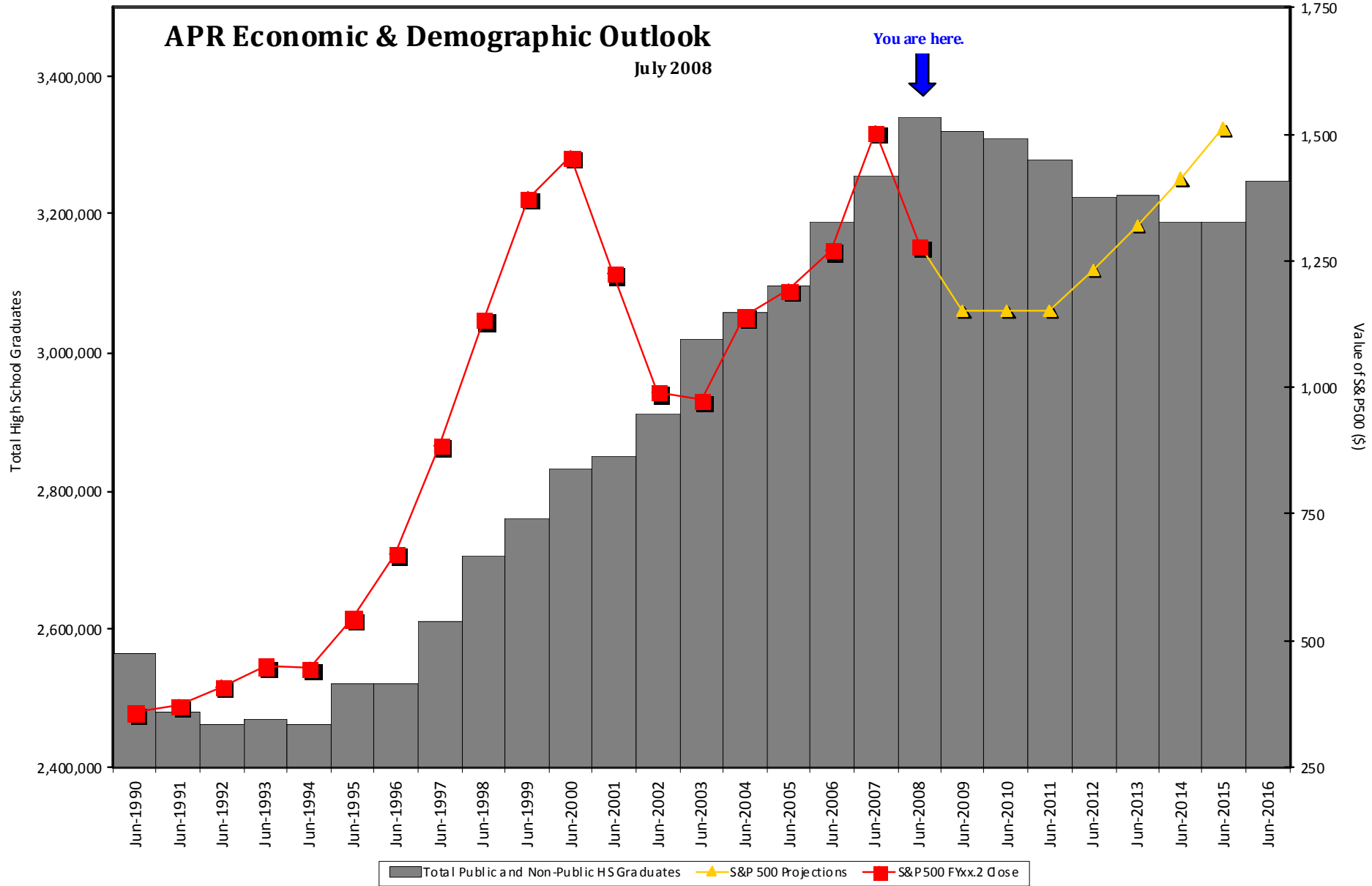
Economic and Demographic Projections

- APR Economic & Demographic Outlook – from July 2008
 - The following chart shows APR's expectations of economic recovery alongside WICHE's demographic trend data. Due to the systemic nature of the current credit crisis we expect that the recovery will be much delayed relative to the situation in 2002-03. We also expect the depth of the market decline to be more shallow than in 2000-02 due to extensive crisis management by governments and central banks. Assuming proper management of the problems in the credit and housing markets, the U.S. markets and economy will likely return to steady growth around 2011.
 - The return to a steadily growing economy will be accompanied by growth in the number of high school graduates around 2014-15. It is at this point that the environment for expanding applicant pools and class sizes will likely return.



APR Economic & Demographic Outlook

July 2008



Total Public and Non-Public HS Graduates
 S&P 500 Projections
 S&P 500 FYxx.2 Close

Case Studies

- University of Redlands – Redlands, California
 - Phillip Doolittle
 - Executive Vice President and Chief Operations Officer

- Wagner College – Staten Island, New York
 - Devorah Lieberman
 - Provost and Vice President for Academic Affairs

- North Central College – Naperville, Illinois
 - Hal Wilde
 - President



University of Redlands

- The University of Redlands offers both the intimacy of a liberal arts college and a range of academic offerings found at many larger universities. Since its founding nearly a century ago, the university has demonstrated its commitment to academic rigor, personal development, and interdisciplinary studies. More than 2,400 undergraduates and graduate students are enrolled in the College of Arts and Sciences. Another 2,000 are pursuing degrees in the School of Business and the School of Education. Noted for its stunning setting in the mountains of southern California, the University is also known for its research and graduate program in geographic information systems offered in collaboration with the Environmental Systems Research Institute (ESRI), one of the world's leading GIS companies. *Stuart Dorsey*, President; 1200 East Colton Ave., Redlands, CA 92373 – www.redlands.edu



Redlands at a Glance

- Los Angeles Area; Redlands, California
- Carnegie Classification: Masters Colleges and Universities I
- 2009-10 Tuition & Fees: \$33,894
- Target Undergraduate Enrollment: approx 2,400
- Percent of Undergrads Receiving Aid: 68 percent

Source: *U.S. News & World Report. America's Best Colleges. 2009 Edition.*



Redlands – Key Findings (2003 – 2008)

- Leveling of demand in recent years (3,395 applications in F'05 to 3,346 applications in F'08).
- Maintained selective standards from 2005-06 through 2008-09 (mid-to-upper 60's acceptance rate).
- Stayed aggressive with sticker pricing through 2007-08, with average yearly increases of about 6 percent.
- After a planned increase in the average freshman tuition discount in 2004-05, maintained a roughly 45 percent discount for the next four academic years.

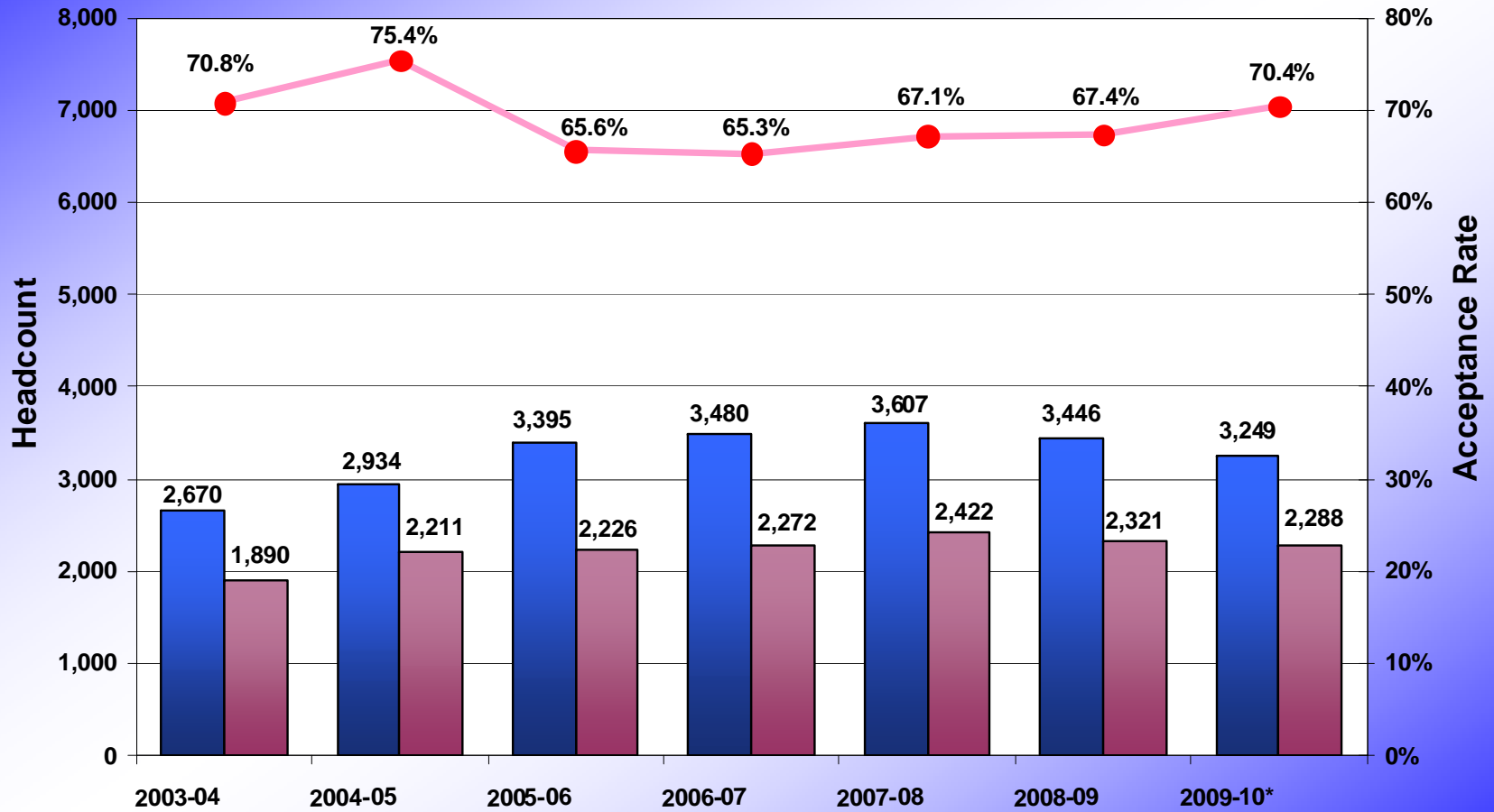


Redlands – Key Findings (2003 – 2008)

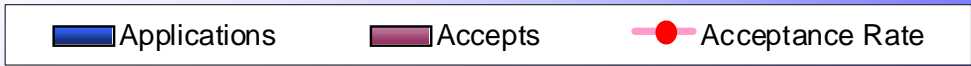
- Steady growth in aggregate net tuition revenue through 2007-08 (from \$7.6 million in 2003-04 to \$10.1 million in 2007-08).
- Landed within +/- 5 students of 610 new entering freshmen goal from 2004-05 through the 2007-08 academic year.
- In Fall 2008, experienced a 5 percent drop in new entering freshmen enrollment, coming in 30 students below 2007-08.



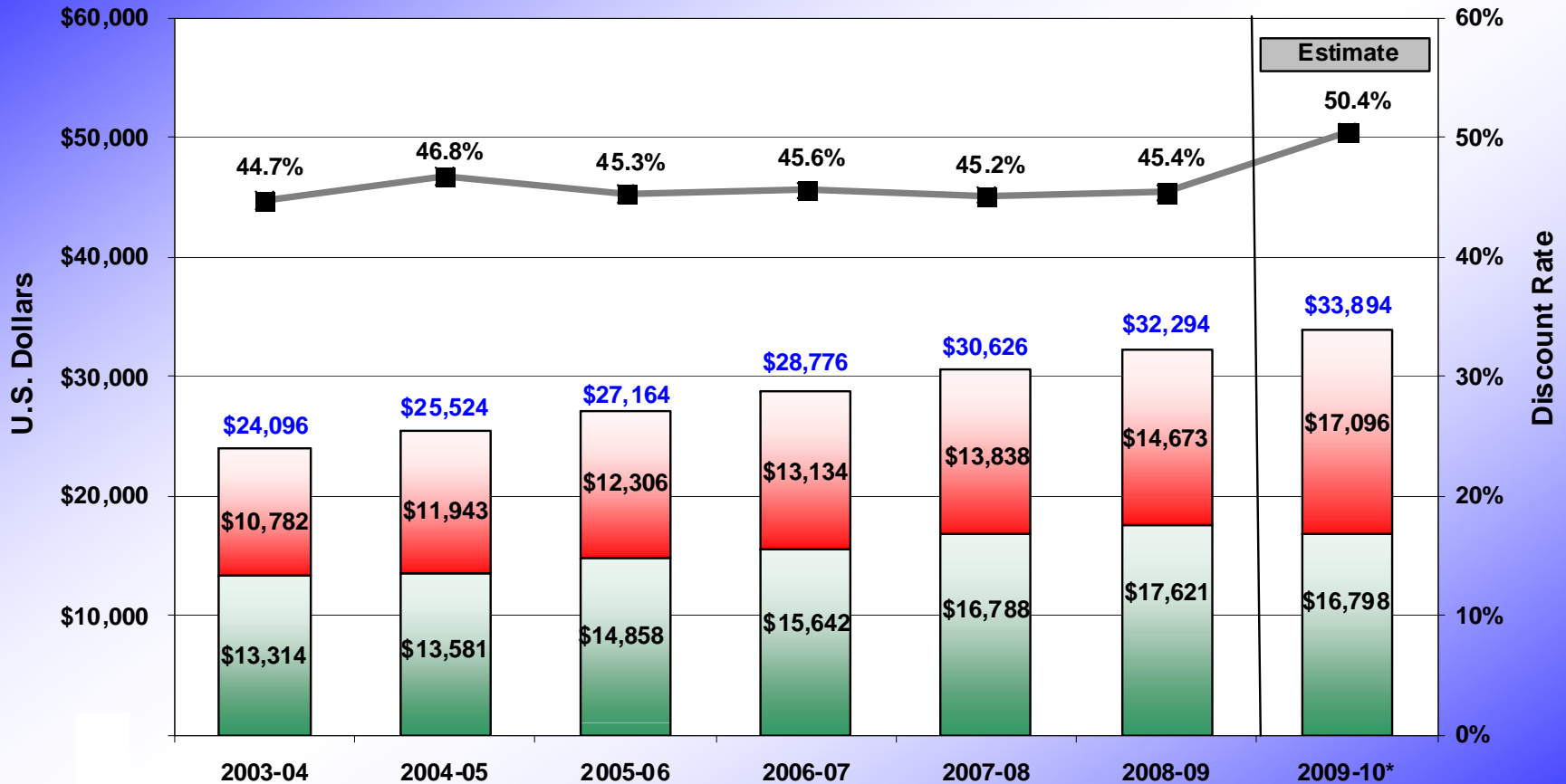
Applications, Accepts & Acceptance Rate - New Entering Freshmen University of Redlands, 2003 - 2009 (Based on Admissions Data)



*2009-10 is a pre-Census estimate based on mid-June data.



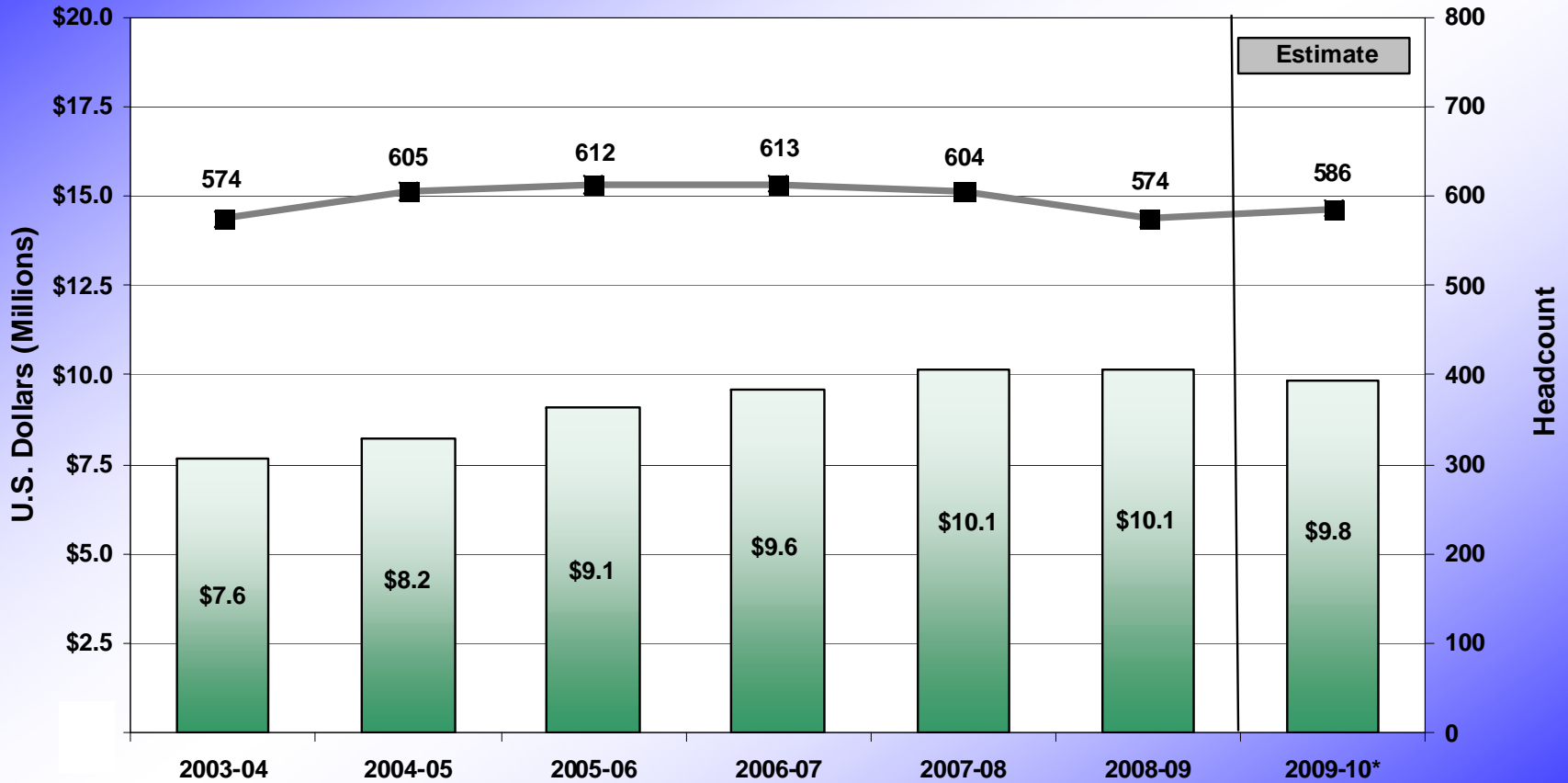
Per Student Tuition Revenue & Discount - New Entering Freshmen University of Redlands, 2003 - 2009



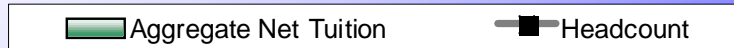
*2009-10 is a pre-Census estimate based on mid-June data.



Aggregate Net Tuition Revenue (annualized) - New Entering Freshmen University of Redlands, 2003 - 2009



*2009-10 is a pre-Census estimate based on mid-June data.



Phil's Comments

Phil Doolittle

Executive Vice President and Chief Operations Officer
University of Redlands

- Reflections on 2003 – 2008
- How we planned for 2009
- Current status of the entering class of 2009



Wagner College

- Wagner College is a competitive, four-year private college founded in 1883 enrolling 1,929 undergraduates and 300 graduate students from 39 different states and 13 countries. Wagner College has developed a curriculum that unites deep learning and practical application. The Wagner Plan incorporates the College's longstanding commitment to the liberal arts, experiential learning and interdisciplinary education with its geographical location and enduring bond with New York City. Located atop Grymes Hill in New York City's Borough of Staten Island, the 105 acre campus overlooks the Atlantic Ocean, New York Harbor and Manhattan. *Richard Guarasci*, President; One Campus Road, Staten Island, New York 10301 – www.wagner.edu



Wagner at a Glance

- New York City Area; Staten Island, New York
- Carnegie Classification: Masters Colleges and Universities I
- 2009-10 Tuition & Fees: \$32,580
- Target Undergraduate Enrollment: approx 1,900
- Percent of Undergrads Receiving Aid: 57 percent

Source: *U.S. News & World Report. America's Best Colleges. 2009 Edition.*



Wagner – Key Findings (2003 – 2008)

- In 2005-06, freshman applications surged 13.6 percent ahead of preceding year as the accepted applicant pool surpassed the 1,700 level (nearly a 6 point drop in acceptance rate).
- Worked to maintain acceptance rate at or about 60 percent for subsequent years, as applications stabilized above the 2,800 level.
- Became aggressive with sticker pricing, boosting tuition and fees by 6.1 percent in 2005-06, then by 7.7 percent in each of the following two academic years.
- Put downward pressure on freshman tuition discount rate, lowering the average discount to 35.9 percent in 2005-06, then to 33.3 percent in 2006-07.

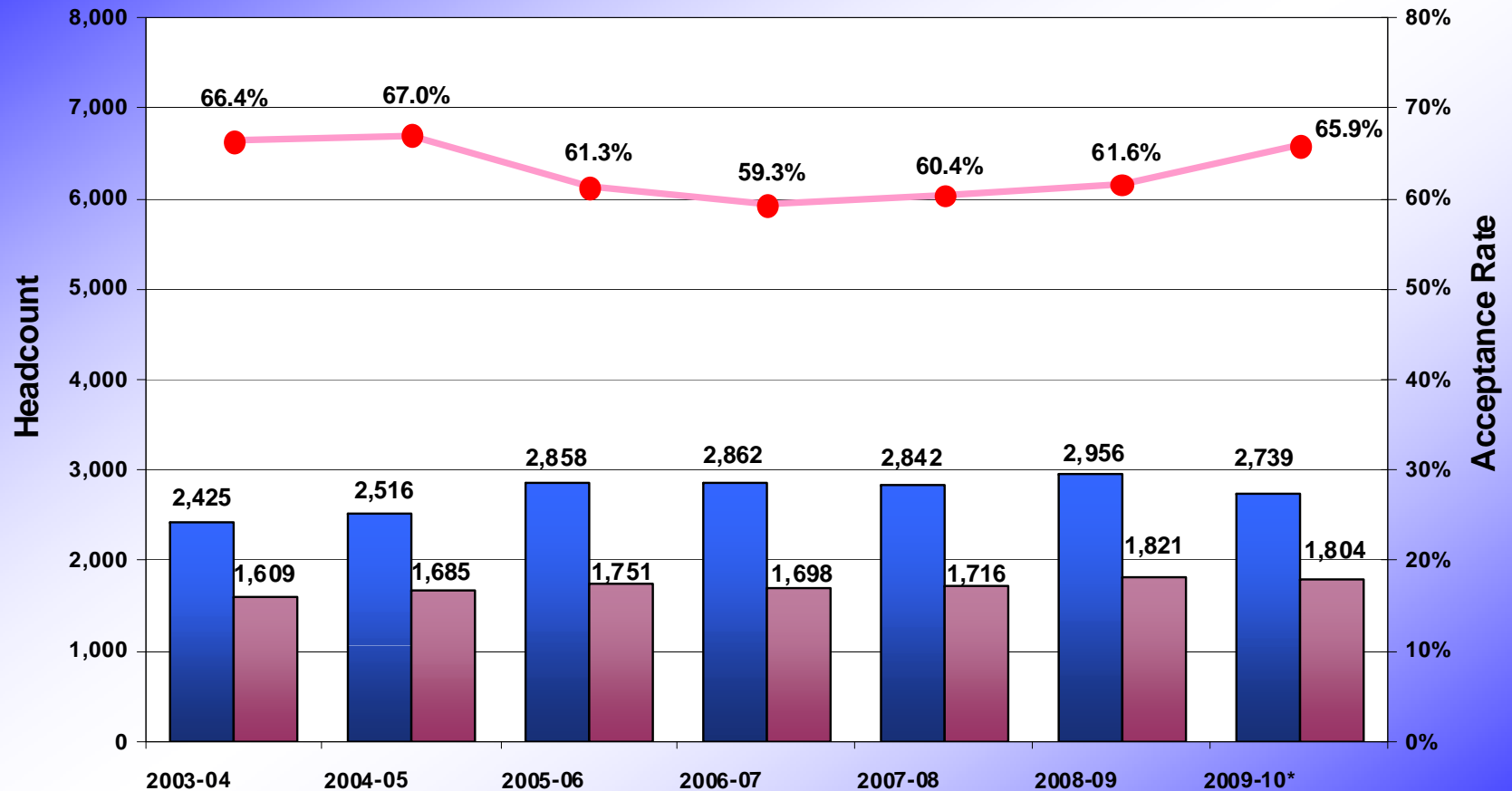


Wagner – Key Findings (2003 – 2008)

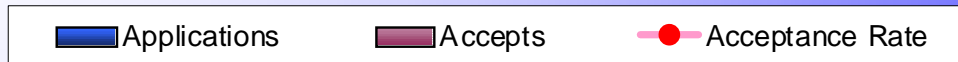
- Not able to continue declining slope of the discount rate beyond 2006-07.
- The strongest prospect pool and aggressive pricing resulted in a record size class of 579 new entering freshmen and an increase in aggregate net tuition revenue of about two million dollars in 2005-06.
- Achieved strong enrollment and net revenue results for two additional years (2006-07 and 2007-08 academic years).
- In Fall 2008, experienced an 8 percent drop in new entering freshmen enrollment (44 below 2007-08) as the discount rose nearly 4 points.



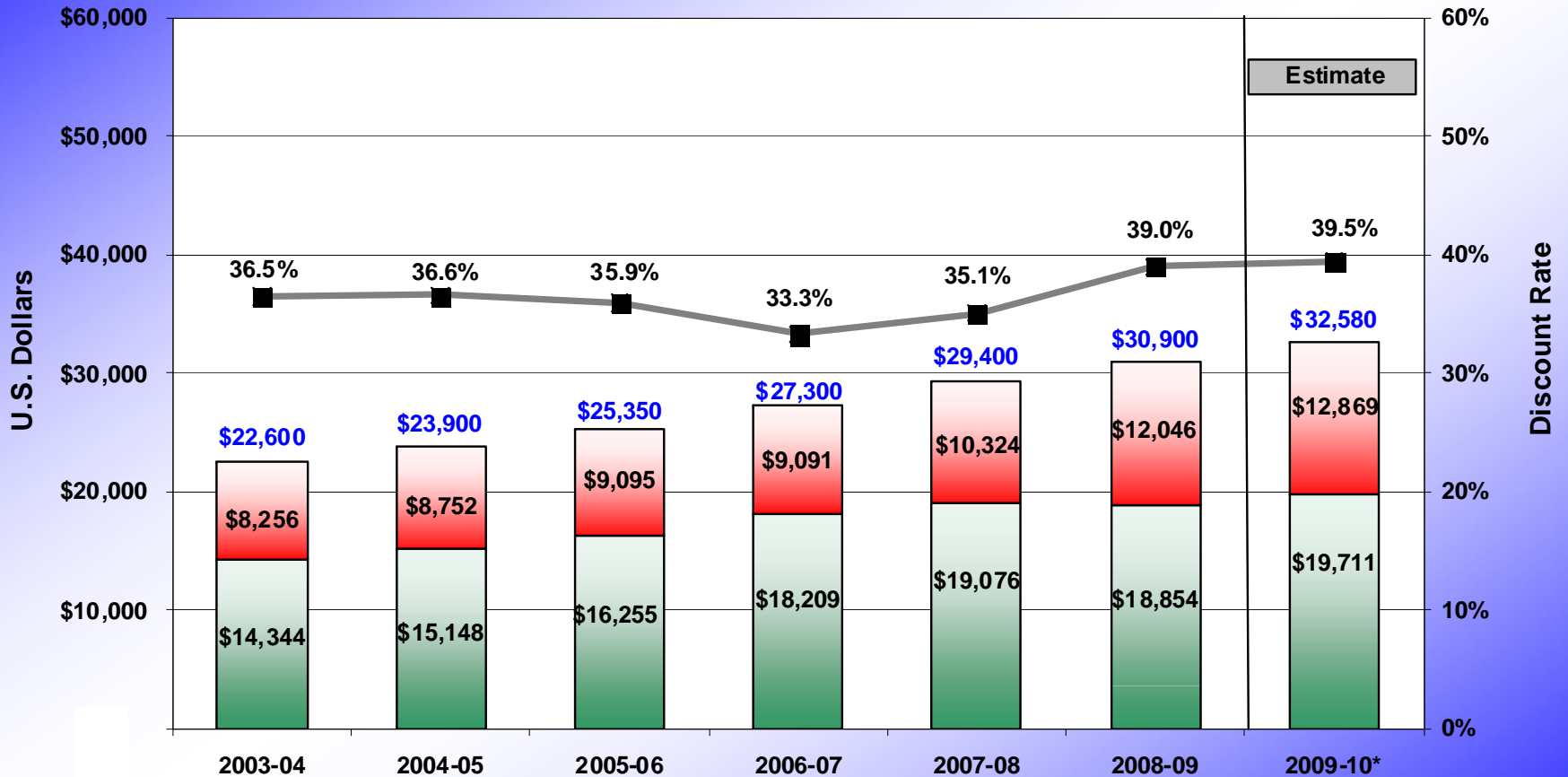
Applications, Accepts & Acceptance Rate - New Entering Freshmen Wagner College, 2003 - 2009 (Based on Admissions Data)



**2009-10 reported ratios are pre-Census estimates based on mid-June data.*



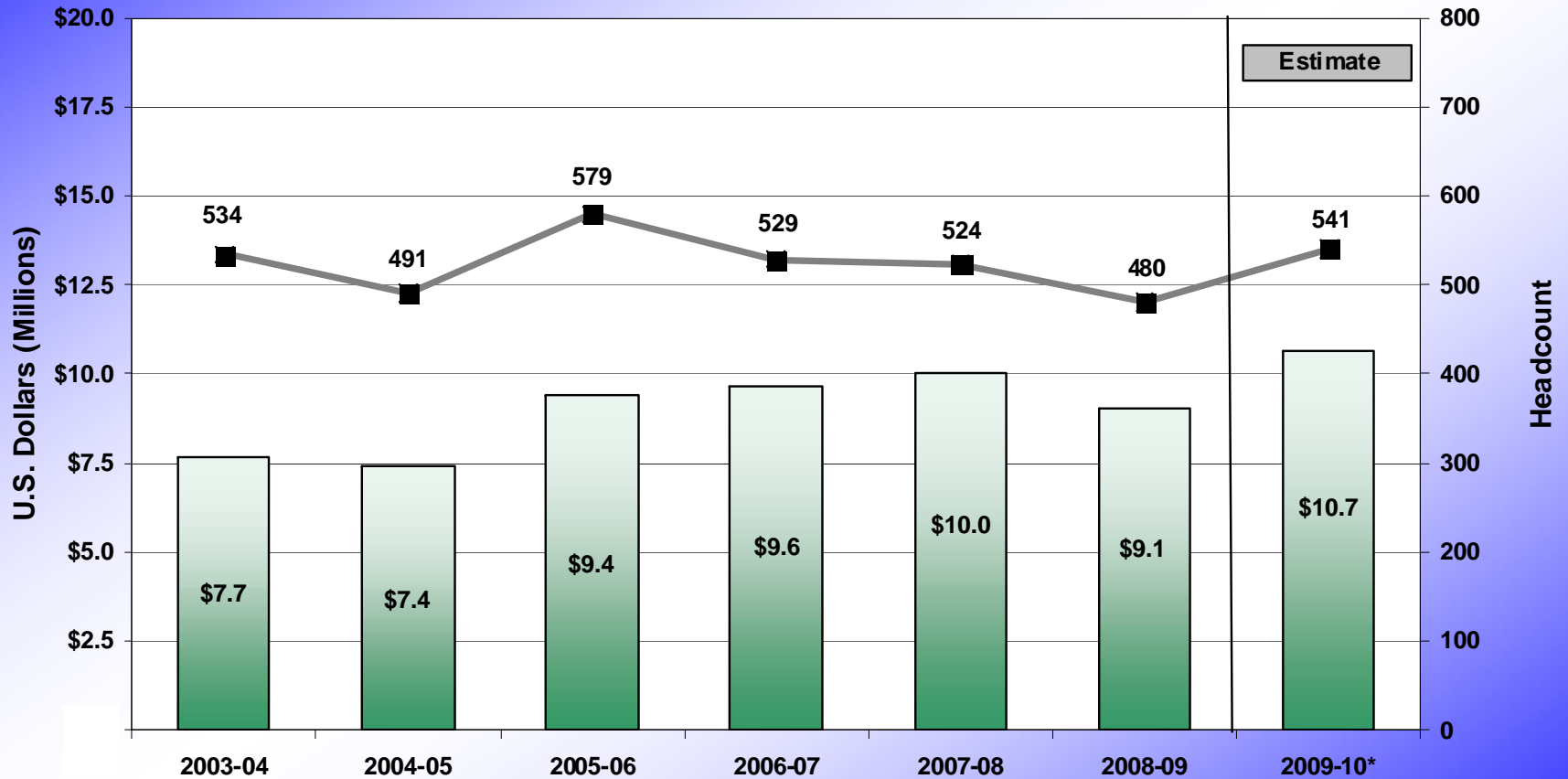
Per Student Tuition Revenue & Discount - New Entering Freshmen Wagner College, 2003 - 2009



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Aggregate Net Tuition Revenue (annualized) - New Entering Freshmen Wagner College, 2003 - 2009



*2009-10 reported ratios are pre-Census estimates based on mid-June data.

Aggregate Net Tuition
 Headcount

Devorah's Comments

Devorah Lieberman

Provost and Vice President for Academic Affairs

Wagner College

- Reflections on 2003 – 2008
- How we planned for 2009
- Current status of the entering class of 2009



North Central College

- A highly selective, comprehensive liberal arts college affiliated with the United Methodist Church, sits on a beautiful 59-acre campus in the suburban Naperville National Historic District, a train ride away from Chicago. With an enrollment of 2,600 students, North Central is committed to academic excellence, a climate that emphasizes leadership, ethics, values and service, a curriculum that balances job-related knowledge with a liberal arts foundation and a caring environment with small classes. North Central fulfills its mission by recognizing the individual needs of students at different stages of life and from different ethnic, economic and religious backgrounds. *Hal Wilde*, President; 30 North Brainard Street, Naperville, IL 60540 – www.northcentralcollege.edu



North Central at a Glance

- Chicago Area; Naperville, Illinois
- Carnegie Classification: Masters Colleges and Universities I
- 2009-10 Tuition & Fees: \$26,856
- Target Undergraduate Enrollment: approx 2,000
- Percent of Undergrads Receiving Aid: 66 percent

Source: *U.S. News & World Report. America's Best Colleges. 2009 Edition.*



North Central – Key Findings (2003 - 2008)

- Steady applicant growth in each of the reported years (from 1,650 applicants in 2003-04 to 2,574 applications in 2008-09).
- From 2005-06 through 2008-09, maintained selective standards, at or slightly above a 68.5 percent acceptance rate.
- Stayed aggressive with tuition and fee increases through 2008-09 (6 percent average increase over the 5-year period).
- Reduced the average freshman discount rate from 50.7 percent in 2003-4 to 45.7% in 2005-6. After a rising discount in 2006-07, held the discount just below 50 percent through 2008-09.

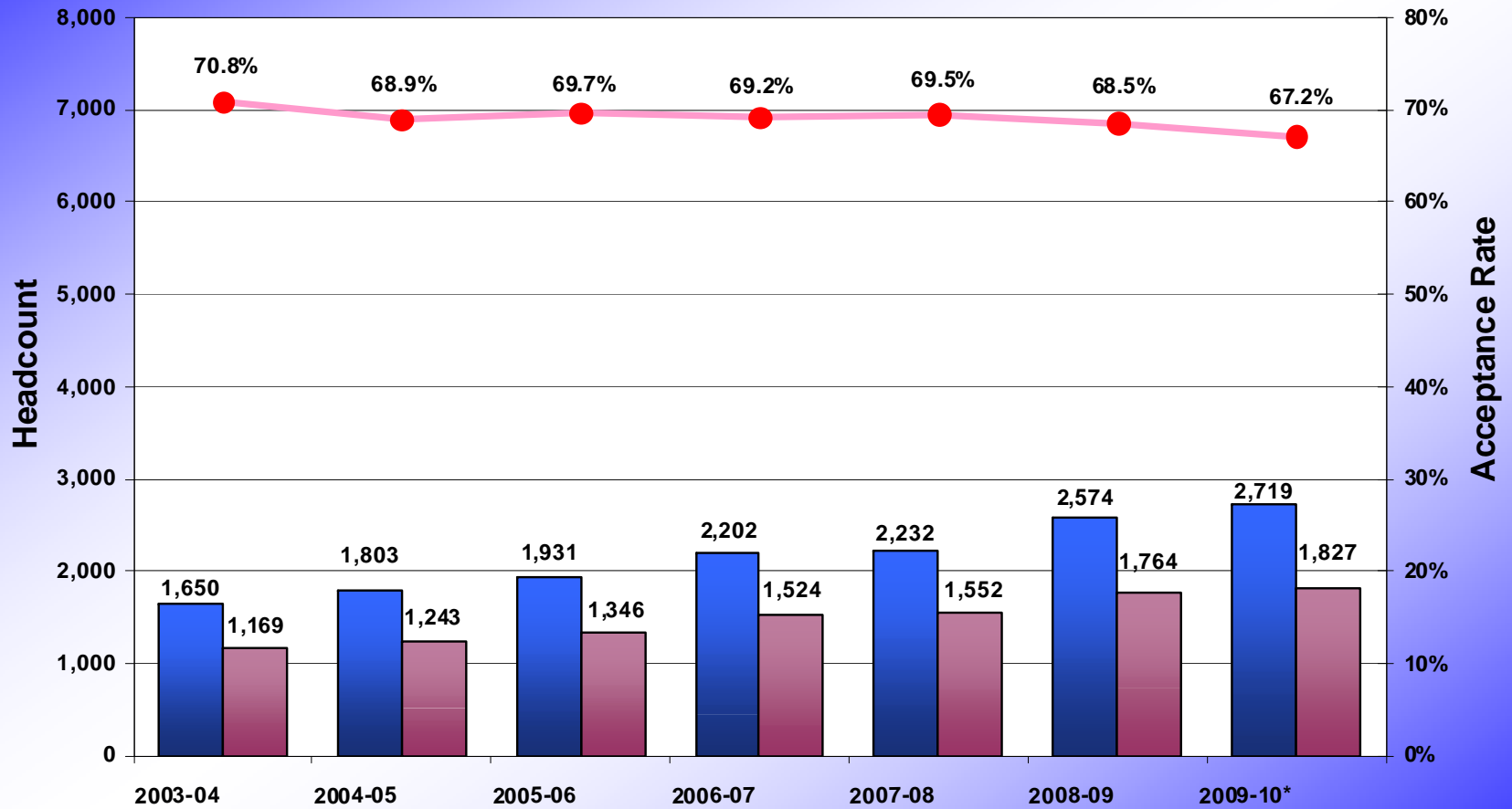


North Central – Key Findings (2003 - 2008)

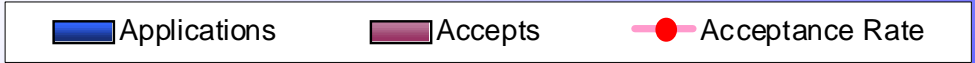
- With the exception of a drop in 2007-08, steady growth in aggregate net tuition revenue through 2008-09 (from \$4.0 million in 2004-05 to \$7.0 million in 2008-09).
- Steady growth in new entering freshmen enrollment from 2004-05 through 2006-07 (379 in 2004-05 to 470 in 2006-07).
- After planning for a smaller freshman class in 2007-08, achieved a record sized class of 529 new entering freshmen in 2008-09.



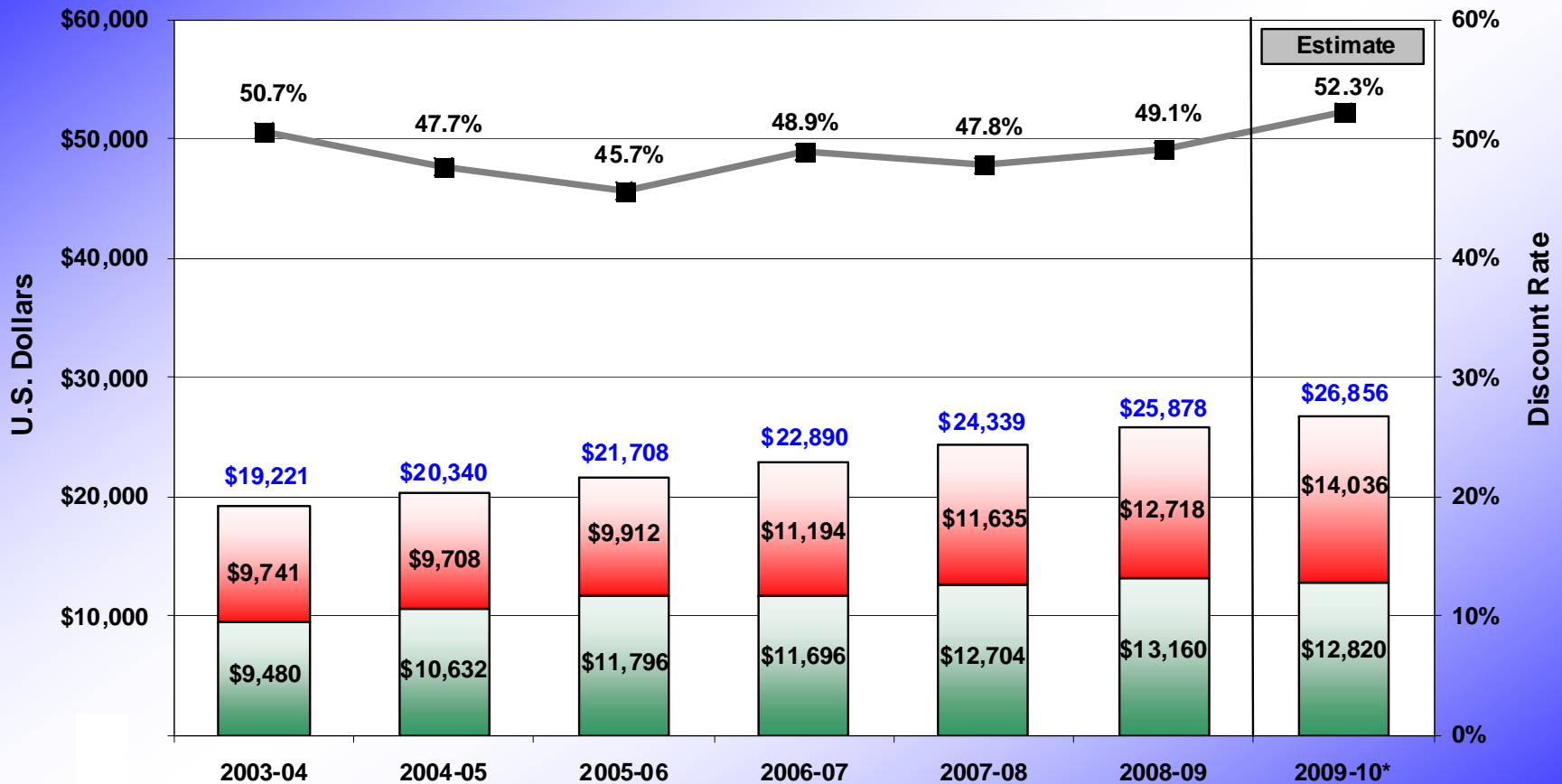
Applications, Accepts & Acceptance Rate - New Entering Freshmen North Central College, 2003 - 2009 (Based on Admissions Data)



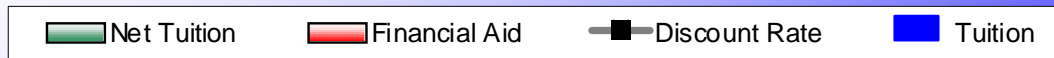
*2009-10 is a pre-Census estimate based on mid-June data.



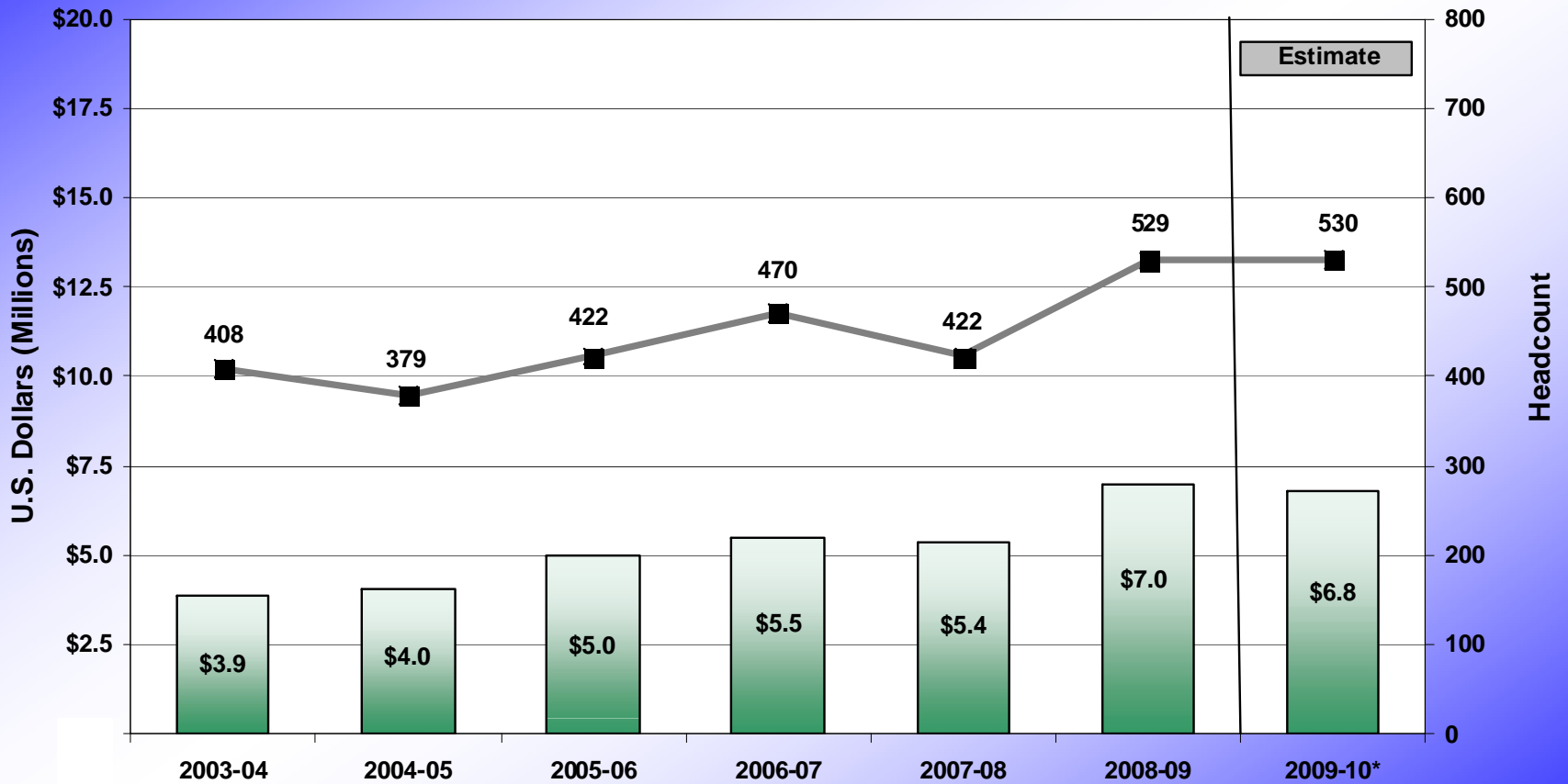
Per Student Tuition Revenue & Discount - New Entering Freshmen North Central College, 2003 - 2009



*2009-10 is a pre-Census estimate based on mid-June data.



Aggregate Net Tuition Revenue (annualized) - New Entering Freshmen North Central College, 2003 - 2009



*2009-10 is a pre-Census estimate based on mid-June data.

Aggregate Net Tuition
 Headcount

Hal's Comments

Hal Wilde

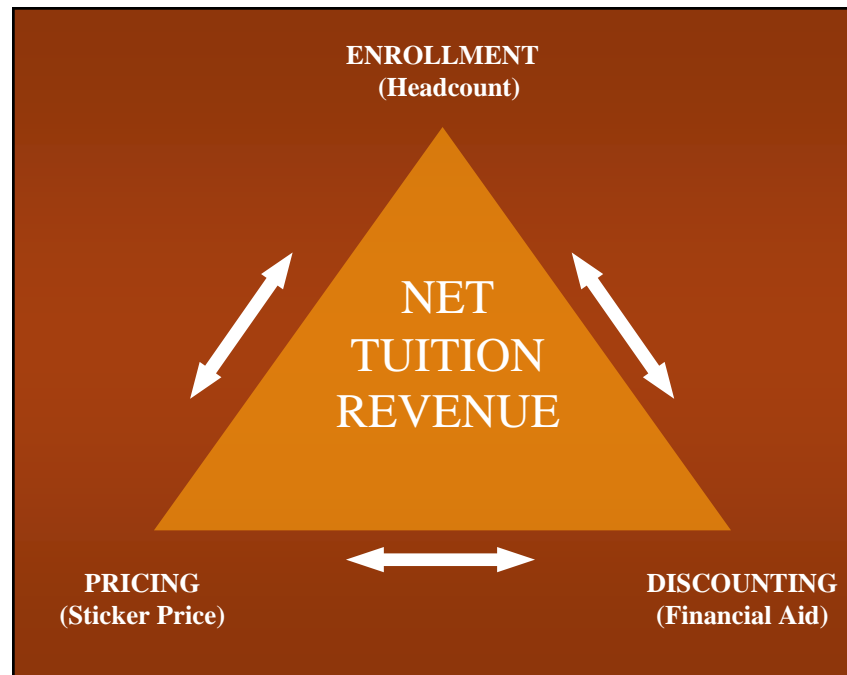
President

North Central College

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Integrated Net Revenue Management

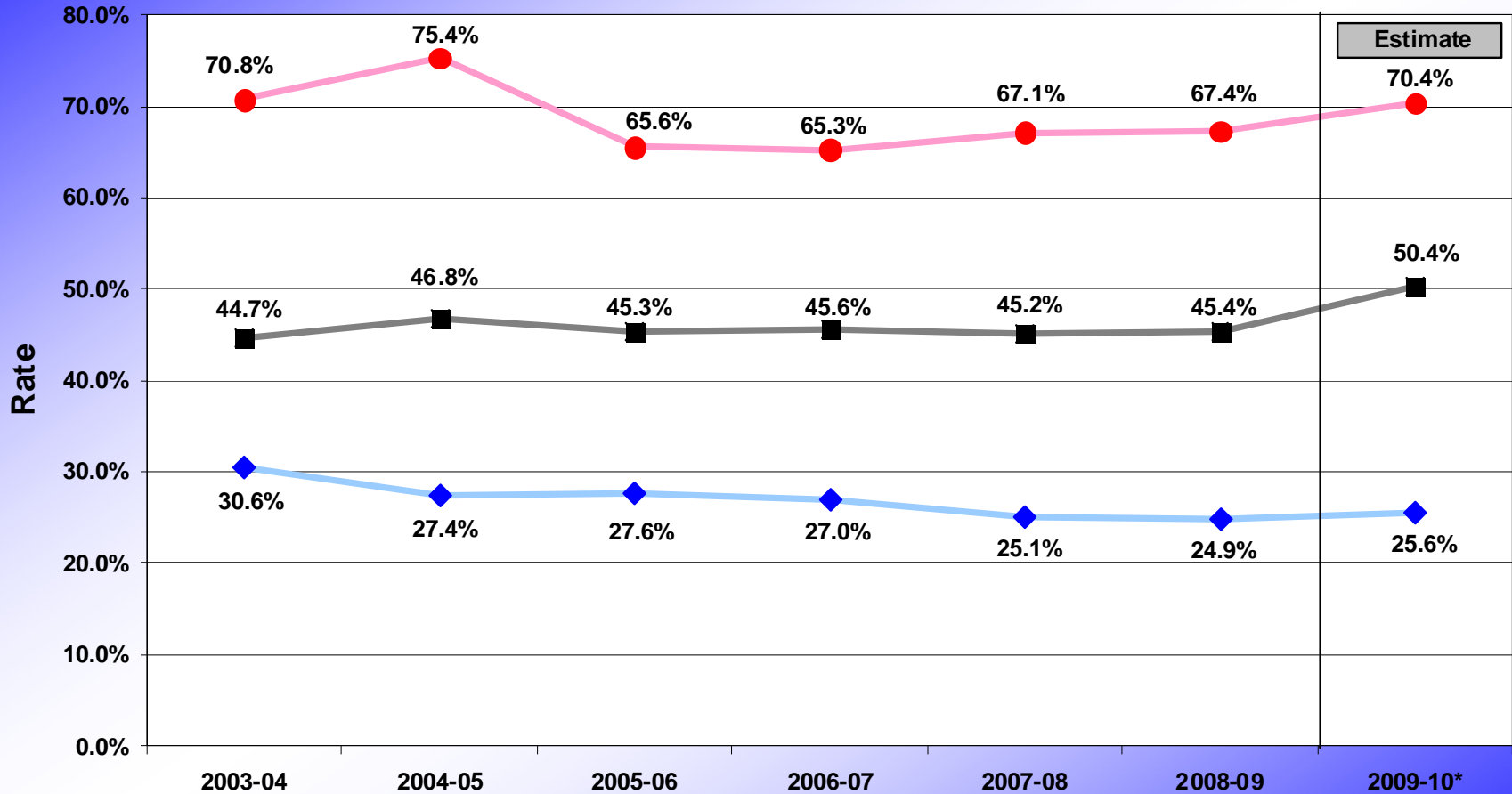


Bill's Review – University of Redlands

- Responding to strong demand, as evidenced in rising applications, Redlands lowered acceptance rates in the mid-decade (2005-2007) and locked in a goal of a 45 percent discount rate.
- Yields weakened as the University held to the selectivity and discounting standards established in Fall 2005 for three years.
- Sticker price pushed higher as application numbers leveled off.
- Yield reached a recent year low in Fall 2008, as headcount slumped.
- Yield and headcount are recovering as the acceptance rate and discount rate pushed higher in the current cycle.



Discount, Yield and Acceptance Rates - New Entering Freshmen University of Redlands, 2003 - 2009



*2009-10 reported ratios are pre-Census estimates based on mid-June data.

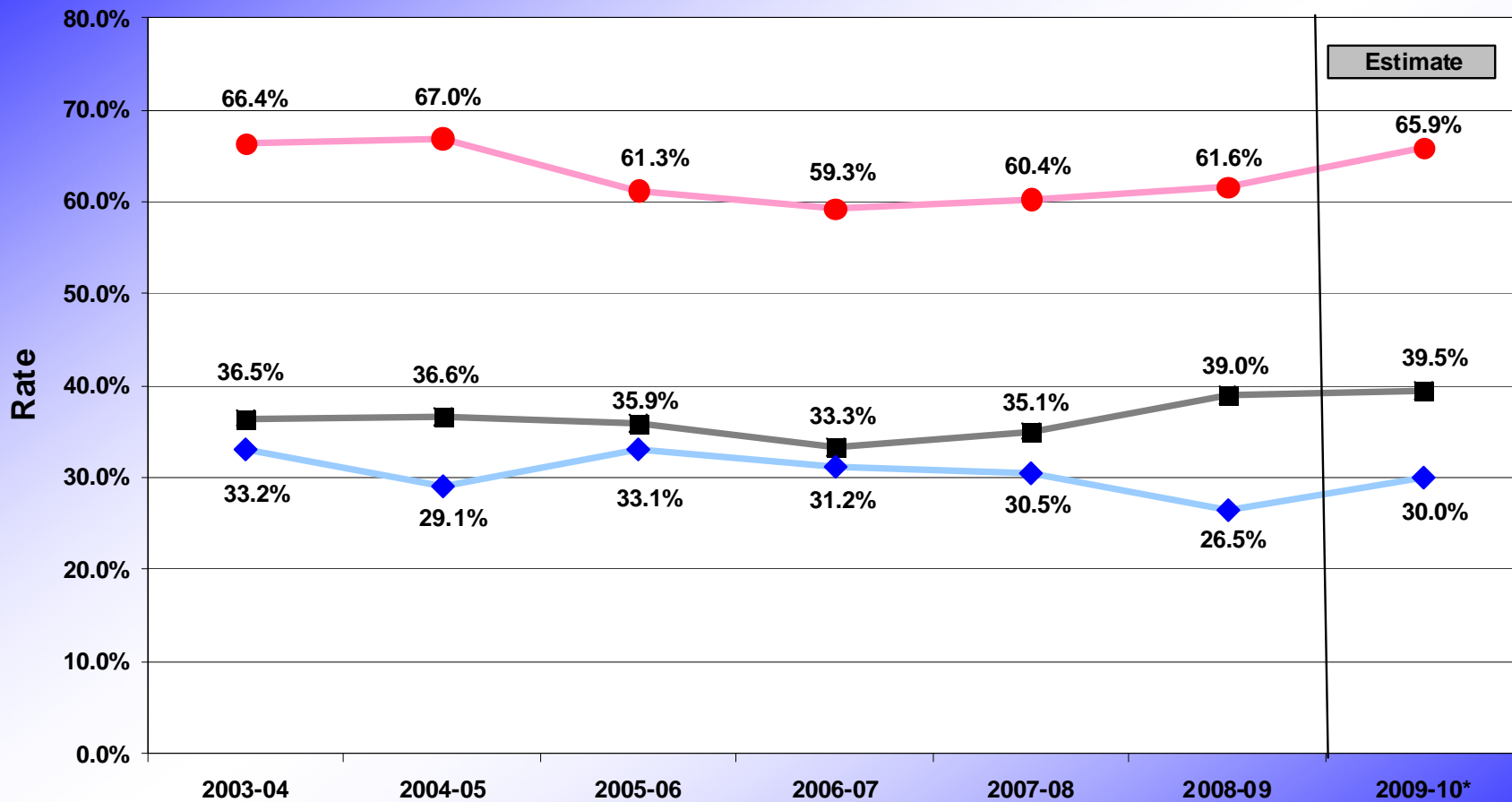


Bill's Review – Wagner College

- Acceptance and discount rates plummeted through Fall 2005 and Fall 2006 as strong demand, evidenced in rising applications, prevailed.
- The College held to the same selectivity and discounting standards through Fall 2007 despite a declining yield rate.
- Acceptance and discount rates rose in Fall 2008, as an end-game strategy attempted to offset the effect of diminished applications and a deteriorating economy; yields plunged.
- The 2009-10 strategy moved to higher acceptances and discount rates by design, restoring yield and headcount going into Fall 2009.



Discount, Yield and Acceptance Rates - New Entering Freshmen Wagner College, 2003 - 2009



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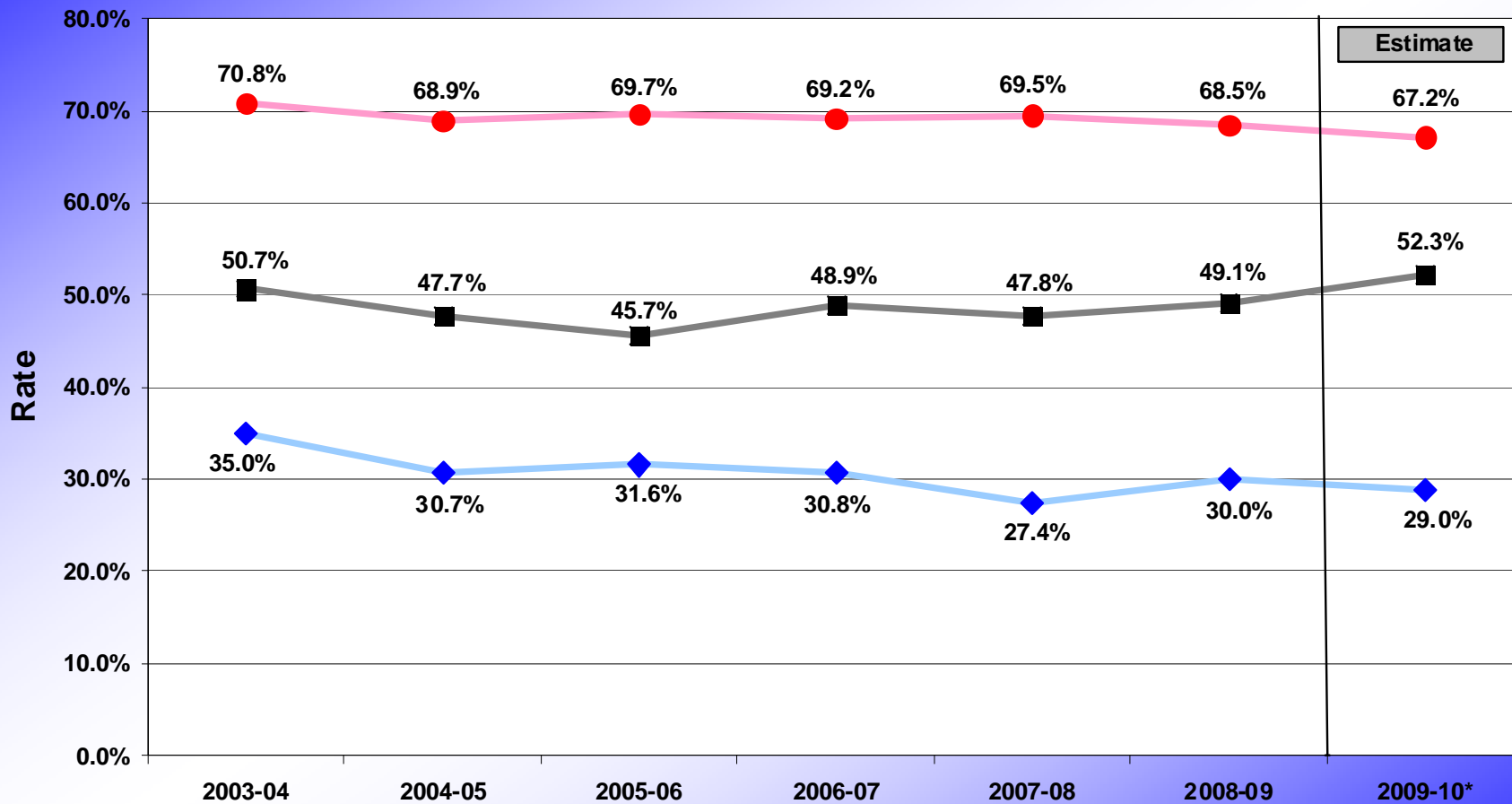


Bill's Review – North Central College

- Steadily rising application numbers in response to new marketing and recruitment efforts have allowed for the acceptance rate to decline slowly over the most recent four years.
- The College attempted to stabilize the discount rate in the high 40s as price rose aggressively.
- Despite the strong demand, discounting has risen the past two years as greater selectivity increased the proportion of students who qualified for the best scholarships.
- Yield and matriculant numbers have been robust – varying mostly in response to changing proportion of commuters.



Discount, Yield and Acceptance Rates - New Entering Freshmen North Central College, 2003 - 2009



*2009-10 reported ratios are pre-Census estimates based on mid-June data.



General Conclusions

- The Fall 2009 preliminary results demonstrate that the revenue strategies of the past (i.e., high inflation and constrained discounting) cannot be sustained into the future.
- In an economic and demographic downturn, higher ed institutions cannot afford to lose headcount.
- Net Revenue strategies moving forward must now be focused on maintaining market share.
- There is no pricing power without excess demand.



General Conclusions

- In times of weak demand admissions and financial aid offices must work together to examine the interaction between selectivity and discounting.
- It will become necessary to loosen admission standards while applying heavier levels of discounting moving forward.
- The actions taken in 2009 to adjust for the economic and demographic shifts will pay dividends in 2010-11 when the enrollment and tuition revenue challenges will be even more daunting.

