LEARNING OUTCOME

After participating...

...you will be able to understand how smarter aid packaging strategies can help you increase net tuition revenue.

ai ACADEMIC IMPRESSIONS 2

OVERVIEW

- Introduction
- Today's Climate
- Principles of Institutional Aid
- Aligning Financial and Admissions Goals
- Developing Data-Driven Pricing and Awarding Strategies
- Conclusion and Next Steps

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INTRODUCTION

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Michael Sapienza

- Enrollment Management Consultant, Scannell & Kurz
- Former Vice President of Enrollment Management, Bryan College
- Over 15 years experience in higher education enrollment management

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TODAY'S CLIMATE

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POLL

Which best describes your institution's recent trends?

A. Discount Rate up and NTR up
B. Discount Rate up and NTR down
C. Discount Rate down and NTR up
D. Discount Rate down and NTR down

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TODAY'S CLIMATE

What is different now?

- Political climate
- Economic climate post-2008
- Increased competition from publics, both 2-year and 4-year

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POLITICAL CLIMATE

- Increased demand for transparency and clarity about costs
- Possible move to prior-prior year needs analysis
- Proposed college rating system ultimately linked to federal aid
- Concern about debt and calls to simplify repayment options

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ECONOMIC CLIMATE

- Families are increasingly price sensitive
  - Sallie Mae's annual survey, "How America Pays for College" found:
    - Parent Contributions now cover 27% of expenses versus 36% in 2010
    - Average family spent $21,179 on college in 2012-13 versus $24,097 in 2009-10
    - 67% of families surveyed said they eliminated schools based on cost.
- More and more families are questioning the "ROI" of a college education, particularly at private institutions, and becoming more "loan averse".

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ECONOMIC CLIMATE

Per The American Freshman—National Norms for Fall 2013, only 57% of the students admitted to their first choice school chose to attend it. Of those who didn't choose their first choice:

- 40% said they couldn't afford their first choice
- 60% said they chose the school they did because they were offered financial aid
- 62% said their choice was influenced by the cost of the school.

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ECONOMIC CLIMATE

Institution Type	Number of Respondents in 2012	2008	2009	2010	2011	2012*
Compr/Doctoral	52	37.1%	36.3%	36.0%	38.8%	40.0%
Research	34	37.4%	38.9%	38.8%	40.9%	41.4%
Small Institutions	297	40.6%	42.8%	43.3%	45.6%	46.2%
Total	383	39.9%	41.6%	42.0%	44.3%	45.0%

*Preliminary Estimate

Source: 2012 NACUBO Tuition Discounting Survey. Average Freshmen Discount Rates

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WHAT DRIVES THE DISCOUNT RATE?

- Market Forces (i.e., the competition)
- Changes in Ability to Pay
  - Trends in family contributions
  - Percentage of students applying for aid
- Changes in Willingness to Pay
  - Yield by need level and grant level
  - Responsiveness to changes in grant
- Changes in Outside Support
- Retention by Need Level and Grant Level
- How Aid is Being Leveraged to Meet Institutional Goals
  - Commitments to diversity, quality, specific constituencies, etc.
  - Importance of net tuition revenue versus other goals

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PRINCIPLES OF INSTITUTIONAL AID

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PRINCIPLES OF INSTITUTIONAL AID

Several options exist for leveraging institutional aid

- How need is defined
- How need impacts admission decisions (e.g., need blind versus need aware)
- Types of institutional gift aid
  - Merit (automatic versus competitive)
  - Need-based
  - Talent-based (music, athletic, etc.)
  - Entitlements (based on geography, affiliations, etc.)
  - Activity related (e.g., grants for depositing by a certain date)
  - Matching funds
  - State mandated tuition waivers (e.g., for children of police killed in action)
  - Appeal/negotiation funds
- Loan forgiveness and insurance options

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PRINCIPLES OF INSTITUTIONAL AID

- Non-need-based aid can be stacked on need-based grants or counted toward need-based packaging policies.
- If need-based federal aid is involved, cannot exceed need.

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PRINCIPLES OF INSTITUTIONAL AID

Need-based packaging approaches

- % of need met with gift aid from all sources or met with all aid from all sources
- % of remaining need (after deducting other gifts or other aid) met with need-based grants
- Layered approach
- Can lead with "self help" or with grant
- Can cap institutional aid or use it to meet remaining need
- Use of a "Constant" minus EFC, rather than need
- Fixed amount of institutional gift aid for EFC bands

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PRINCIPLES OF INSTITUTIONAL AID

Can vary percentages or "layers" or "constants" or fixed amounts based on various factors

- Program area of interest
- Ethnicity
- Quality profile
- Timing
- Need level
- Geography
- Housing status
- Combinations of factors

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ALIGNING GOALS IMPACTING NET TUITION REVENUE

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ALIGNING GOALS

- Often admissions goals are driven by meeting numeric goals for class size; percent minority; average SAT; distribution by major; etc.
- Often the financial aid office is focused entirely on staying within budget targets.
- What gets lost in the process? No one is paying attention to net tuition revenue!

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ALIGNING GOALS

- The first step is setting realistic targets
  - For class size
  - For discount rate
  - For retention
  - For NTR

ACADEMIC IMPRESSIONS 21

SAMPLE TREND-BASED BUDGET MODEL

Estimated 2014

	Tuition and fees	$30,535							
	Total Instituitional Grant Aid	# Receiving Grant	Discount Rate	Net Tuition Revenue	Gross Tuition Revenue	Average Grant Award	# in Class	Conversion Rates	% Getting Aid
New FR	$4,920,088	406	0.393	$7,599,221	$12,519,309	$12,121	410		0.99
RET. FR	$1,080,198	94	0.368	$1,858,786	$2,938,984	$11,452	96	0.25	0.98
SO	$4,157,977	363	0.371	$7,040,698	$11,198,675	$11,452	367	0.75	0.99
JR	$3,888,761	359	0.348	$7,286,279	$11,175,041	$10,843	366	0.92	0.98
SR	$2,850,504	294	0.308	$6,406,869	$9,257,373	$9,693	303	0.97	0.97
Totals	$16,897,528	1516	0.359	$30,191,852	$47,089,381	$11,146	1542		
Deflation Factor = 93% for students; 99.1% for Grant Aid									
Annualized	$16,745,451		0.382	$27,047,673	$43,793,124		1,434		

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ALIGNING GOALS

- In addition, tracking common metrics and holding both offices accountable for meeting targets (including NTR targets) can help ensure their efforts are synchronized.

ACADEMIC IMPRESSIONS 23

KEY METRICS TO MONITOR: YEAR END

Freshman Enrollment Results

	Fall 2011	Fall 2012	Fall 2013
Admits	377	428	456
Enroll	136	152	169
Yield	36.1%	35.5%	37.1%
Avg. SAT	916	926	942
Tuition	$28,350	$30,050	$31,260
Total NTR	$1,850,405	$1,855,395	$2,254,380
Total Inst. Grant	$2,005,195	$2,712,205	$3,028,560
Discount Rate	52.0%	59.4%	57.3%
% Applied for Aid	92.6%	90.1%	91.7%
% First Generation	34.6%	42.8%	45.0%
Scholarship Athlete	25.7%	39.5%	49.7%
% Students of Color	70.6%	74.3%	69.2%
% In-State	86.0%	81.6%	87.0%

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KEY METRICS TO MONITOR: YEAR END

	Offered		Enrolled		Yield
Minority Status	**Avg. NTR**	**N**	**Avg. NTR**	**N**	
Yes	$16,130	240	$14,422	82	34.2%
No	$18,500	1050	$16,765	483	46.0%
Residence					
In-State	$16,444	750	$15,615	384	51.2%
Target out-of-state	$12,500	213	$12,421	64	30.0%
Other out-of-state	$14,250	327	$13,243	117	35.8%
ACT Composite					
< 19	$19,600	32	$19,295	22	68.8%
19-21	$18,639	177	$17,755	92	52.0%
22-25	$15,400	450	$15,298	214	47.6%
26-27	$15,350	210	$14,012	89	42.4%
28-29	$15,100	120	$13,490	48	40.0%
30-31	$13,333	170	$11,791	71	41.8%
32+	$10,390	131	$9,037	27	20.6%

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KEY METRICS TO MONITOR: IN PROCESS

- Date-to-Date comparisons of
  - % of admits who have visited campus
  - % of admits who have applied for financial aid
  - % of FAFSA filers listing your institution first
  - The discount rate for incoming freshmen, transfers, and returning students
- Changes in the admit pool profile that could impact yield or discount rate

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QUESTIONS
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DATA-DRIVEN PRICING AND AID STRATEGIES
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POLL

Which of the following best describes your use of data in setting financial aid strategies?

A. No data is used to make annual adjustments.
B. Anecdotal information is used to adjust policies.
C. Yield data by subpopulation are used to annually "tweak" strategies.
D. Predictive modeling is used to comprehensively review strategies.

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LEVERAGING AID TO MAXIMIZE NTR

Key Questions to Ask

- How do we compare to our competition?
- How transparent should we be?
- What tradeoff decisions need to be made between goals?
- How can we be sure our funds are targeted ideally?

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KEY QUESTION #1

- How do we compare to our competition?
  - Are our sticker price and prestige positions aligned?
  - Is our discount rate higher or lower?

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SAMPLE COMPETITOR PRICE BENCHMARKING

Institution	Tuition & Fees 2014-15	Discount Rate 2011-12	Fall 2013 Accept Rate	Fall 2013 SAT 25-75%	U.S. News Ranking 2013 (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	$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. (top 40)
College H	$30,000	33.6%	35%	1200-1370	Liberal Arts Bach. (top 20)

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

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SETTING PRICE

- Don't set price based on what is needed to cover expenses and balance the budget.
  - Enrollment goals and financial aid budgets need to be linked.
    - Enrollment and budget decisions need to be linked and "trade-offs" known

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PRESTIGE PROFILE

- If prestige profile position is lower than sticker price, tuition increases need to be held to a minimum.
  - Misalignment can lead to reduced demand because of a weak value proposition or conversely "leaving" money on the table.

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MARKET VALUE

- Price is most often an issue when students and their families don't believe educational debt will be "worth it" in terms of increased earning potential.
  - Know your graduates and market their success.
  - Prove the return on investment early and often.

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KEY QUESTION #2

- How transparent should we be?
  - Net price calculators, although now required, are implemented in very different ways. Need to balance accuracy with complexity.
  - Guaranteed merit awards and entitlements can help build demand but can also lead to stacking and reduced flexibility in responding to differences in price sensitivity.
  - Another possible "downside" to transparency is that it makes it easier for competitors to see how you are awarding.

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KEY QUESTION #3

What tradeoff decisions need to be made between goals?

	N	Avg. NTR
Intended Major: Business Administration	36	$18,400
Intended Major: Nursing	54	$10,700
SAT < 950	62	$20,285
SAT ≥ 1200	54	$7,100
FM EFC: $0	75	$10,200
FM EFC: $25,001+	31	$19,950

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KEY QUESTION #4

- How can we be sure our funds are targeted ideally?
  - NOTE: It is critical to use a data-driven approach to determining whether raising or lowering grant will increase NTR.
    - More (# or $) is not always better
    - Depends on price elasticity (the extent to which yield rates increase when grants are increased)
    - Need to understand the impact on other goals

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COST BENEFIT ANALYSIS AND PREDICTIVE MODELING

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SAMPLE COST BENEFIT ANALYSIS
Price Elastic Example

Tuition = $25,000; SAT = 1200+; Need = $10,000-$12,000

	Case I				Case II			
Grant Offer	Admit	Enroll	Yield	NTR	Admit	Enroll	Yield	NTR
$5,000	100	35	35%	$700,000	220	77	35%	$1,540,000
$3,000	120	24	20%	$528,000	0	0	0	$0
Total	220	59	26%	$1,228,000	220	77	35%	$1,540,000

Projected Gain in NTR from increasing grant = $312,000

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ADVANTAGES OF PREDICTIVE MODELING

- Ability to consider many more variables in the analysis (solves the small numbers problem)
- Detailed simulations of potential policy and strategic changes – "what if" scenarios
- More powerful tradeoff analysis

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GOALS FOR PREDICTIVE MODELING

To analyze in detail:

- The degree to which various factors (geography, need, major, etc.) influence probability of enrolling new freshmen and transfers
- The price sensitivity of admitted students
- The discounted price at which net tuition revenues from incoming students would maximize
- The impact of alternative financial aid strategies on the size and composition of the entering class

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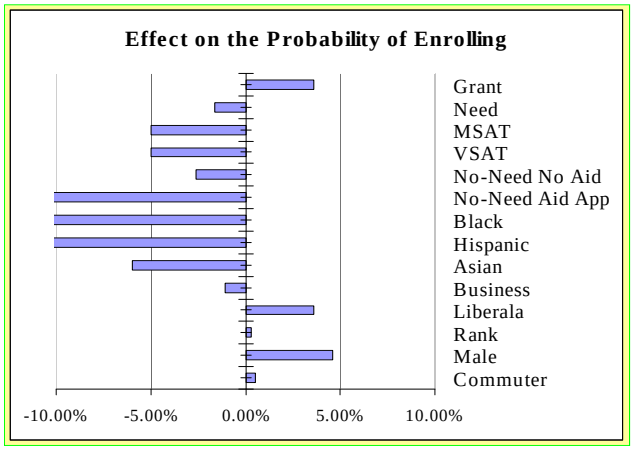
SAMPLE ENROLLMENT PROBABILITY MODEL



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ESTIMATE THE NET TUITION REVENUE MAXIMIZING LEVEL OF GRANT

Sample Fall 2013 Freshman Class
Baseline versus Optimal

	Baseline	Optimal
Enrollment	307	277
NTR	$3,221,690	$3,756,730
Discount Rate	46.0%	30.2%
Avg. ACT	23.0	22.8
% Minority	12%	14%
% Applied for Aid	94%	83%

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DEVELOPING AID STRATEGIES

- Given your current strategies, which populations are getting "too much" funding from an NTR perspective and which are underfunded?
- Are the populations you want to target to meet class composition goals price elastic or inelastic?
- How could you adjust your current strategies to respond to those elasticities?

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DEVELOPING AID STRATEGIES

- Involving leadership from admissions, financial aid, enrollment management, and finance in these deliberations is critical.
- There may be other key stakeholders that need to be involved as well, such as athletics, academic affairs, etc.
- This team should examine the data and discuss alternative strategies to be tested.

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SAMPLE STRATEGY DEVELOPMENT

- Predictive modeling found the admit pool to be predominately price inelastic.
- However, the institution had traditionally served a high-need population and there was concern about abandoning those students.
- Current aid policies included a number of entitlement awards that could be stacked on merit aid. In addition, policies called for a fixed percent of need to be met with grant from all sources.

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SAMPLE STRATEGY DEVELOPMENT

- In response to concerns about serving the traditional first generation/Pell-eligible population, the school first tested increasing need-based aid.
- Because the pool was price inelastic, the school returned to current need-based strategies but some entitlement awards were removed to reduce "stacking".
- In addition to reducing stacking, the percent of need met with grant for lower quality students was reduced.
- Then, the top level merit award was reduced.

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SAMPLE SIMULATION SUMMARY TABLE:
New Student Enrollment
Price Inelastic Population

	Predicted Class (Baseline)	Simulation #1: Increase need-based	Simulation #2: Reduce "stacking"	Simulation #3: Reduce Need-based	Simulation #4: Reduce Merit
Enrollment	572	595	558	524	513
Institutional Grant	$10,247,214	$11,498,219	$9,355,848	$7,637,731	$6,891,056
NTR	$9,144,787	$8,687,059	$9,565,578	$10,139,259	$10,504,500
Discount	52.8%	57.0%	49.4%	43.0%	39.6%
Avg. SAT	1086	1086	1090	1098	1091
Applied for Aid	84.5%	85.1%	83.0%	82.4%	82.0%
% Minority	51.1%	51.8%	50.4%	48.4%	48.4%
% Pell Grant Recipients	35.9%	36.8%	33.1%	30.9%	29.9%
% First Generation	42.0%	42.5%	40.3%	38.5%	38.7%
% In-State	82.3%	82.0%	81.5%	81.1%	81.1%

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SAMPLE STRATEGY DEVELOPMENT

- Predictive modeling found the admit pool to be predominately elastic.
- With the elastic population, the school wanted to weigh the impact of increasing aid to different populations.
- Even in a predominantly elastic population, there are pockets of price inelasticity.

ACADEMIC IMPRESSIONS 50

SAMPLE SIMULATION SUMMARY TABLE:
New Student Enrollment
Price Elastic Population

	Baseline	Simulation #1: Increase need-based	Simulation #2: Increase merit	Simulation #3: Increase both	Simulation #4: Cut some high level merit awards	Simulation #5: Some entitlements to need awards
Enrollment	573	628	626	665	660	661
Institutional Grant	$6,698,791	$8,040,978	$7,843,185	$8,883,228	$8,521,327	$8,696,544
NTR	$8,994,596	$9,149,452	$9,313,405	$9,344,489	$9,543,944	$9,414,376
Discount	42.7%	46.8%	45.7%	48.7%	47.2%	48.0%
Avg. ACT	25.6	25.4	25.4	25.5	25.4	25.5
Avg.GPA	3.54	3.53	3.54	3.54	3.53	3.54
Applied for Aid	91.8%	92.5%	91.2%	91.7%	91.7%	91.7%

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SAMPLE STRATEGY DEVELOPMENT

- Having seen the results of these alternative approaches, the team was able to make choices about what approach to take, understanding what the impact would be on class size and composition.

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OTHER FINANCIAL AID BEST PRACTICES

- Send timely awards
- Reduce paperwork for students and staff
- Train admissions staff on affordability messages and explaining the basics of a financial aid letter
- Ensure good handoffs to financial aid
  - Who should get the call?
  - Take a message or put call through?
  - When can families expect to hear back?

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OTHER FINANCIAL AID BEST PRACTICES

- Have a plan for handling appeals
  - Different types of appeals may be handled differently:
    - "PJ"
    - "Matching"
    - "Can't afford"
  - Decide when you will make appeals decisions
  - Track the appeal requests and offers in order to evaluate the impact

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SAMPLE APPEALS ANALYSIS

		Approved	Denied	Total
Fall 2014	# of Appeals	108	62	170
	# Enrolled	67	43	110
	Yield	62.0%	69.4%	64.7%
Fall 2013	# of Appeals	117	64	181
	# Enrolled	76	43	119
	Yield	65.0%	67.2%	65.7%
Fall 2012	# of Appeals	102	63	165
	# Enrolled	68	42	110
	Yield	66.7%	66.7%	66.7%

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OTHER FINANCIAL AID BEST PRACTICES

- Pay attention to renewal policies
  - GPA requirements for merit renewal
  - Impact of unmet need on retention
  - Role of campus employment
  - Limit institutional aid to the time required to complete degree (i.e., 8 semester for a 4-year program)

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QUESTIONS
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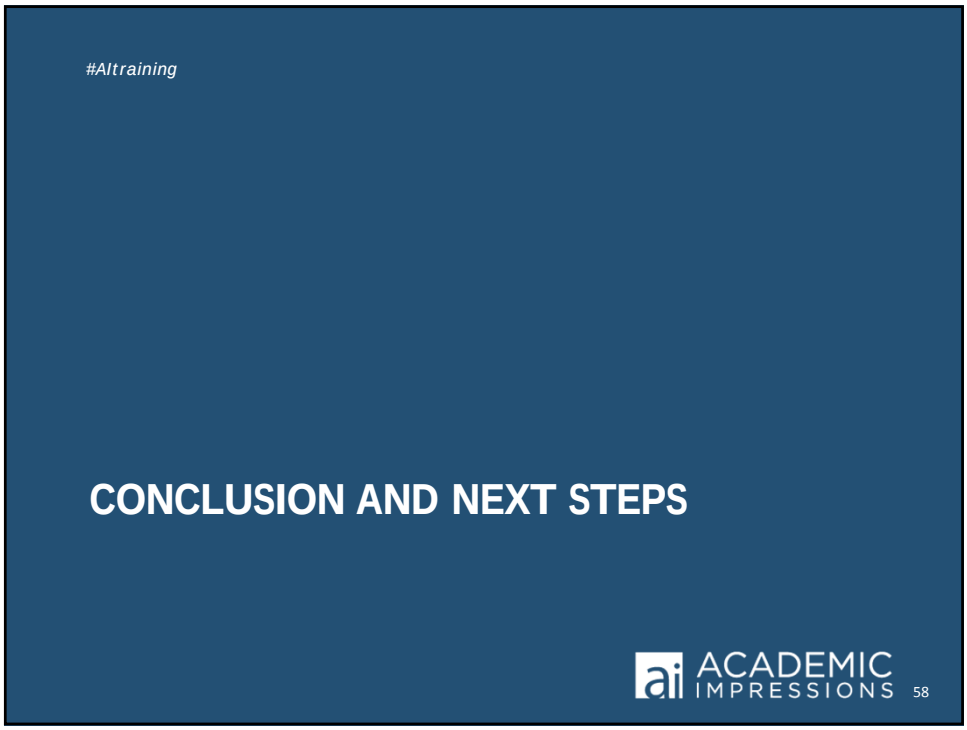
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CONCLUSION AND NEXT STEPS
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CONCLUSION

- With the increasing national focus on the cost of higher education and the changing demographics, it has never been more important for institutions to use data to target their aid and to convey a strong value proposition – focused on affordability and return on investment – while understanding the enrollment trade-offs with pricing.
- Two key institutional players whose partnership is critical are: The Chief Financial Officer and Chief Enrollment Officer.

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NEXT STEPS

- Assess your data situation.
  - Have you kept the aid offers for enrolled and non-enrolled students so that cost benefit analysis and predictive modeling is possible?
  - Have you merged admissions and financial aid data?
  - Do you have the necessary reports to track key metrics?

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NEXT STEPS

- Identify and educate your team.
  - Determine who needs to be part of the conversation about aid policies
  - Determine if external consulting support is necessary
  - Share information about current policies with the team
- Begin to gather benchmarking data to better understand your competitive environment.

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QUESTIONS

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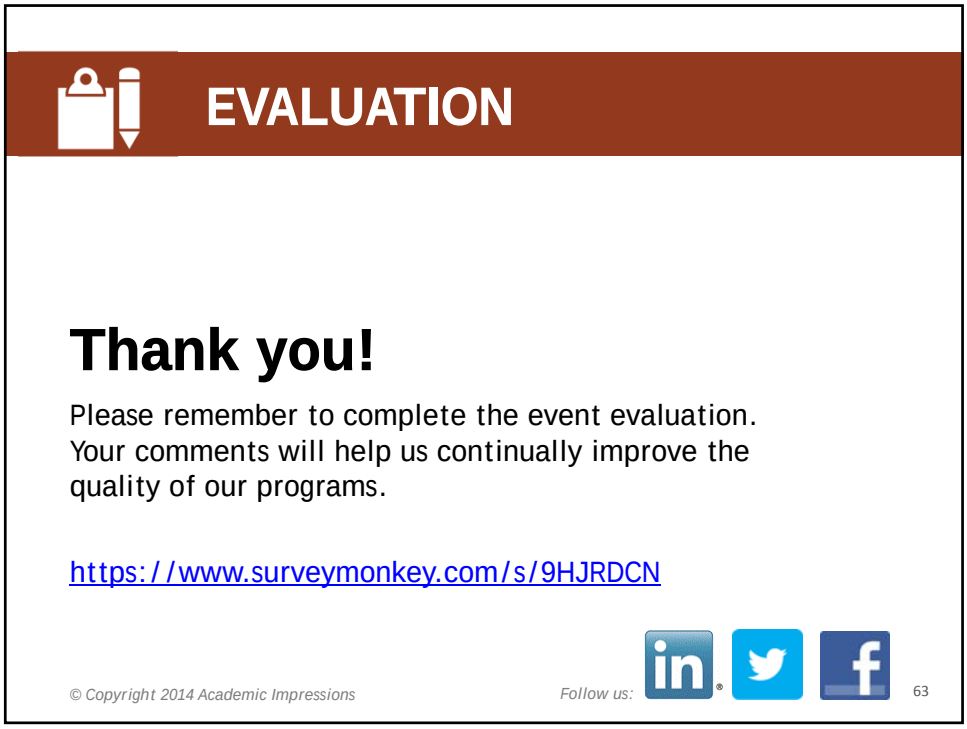
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