

STAMATS *Promises kept.*

Presented by
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2012 NAICU Annual Meeting

Separating the Major from the Minor: Making Sense of the Trends That Will Impact Your Marketplace

About Stamats

Stamats is recognized and respected as the nation's higher education integrated marketing thought leader. Our comprehensive array of innovative products and services has set the standard for pairing insightful, research-based strategic counsel with compelling creative solutions.

Our approach is simple: Recognize the unique needs and expectations of each client and draw on more than 50 years of higher education experience for every project we undertake.

At all times, we promise 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 the success of our clients.



Research, Planning, and Consulting

- Brand clarification and development
- Image and perception studies
- Tuition pricing elasticity and brand value studies
- Recruiting and marketing assessments, plans, and counsel

Strategic Creative

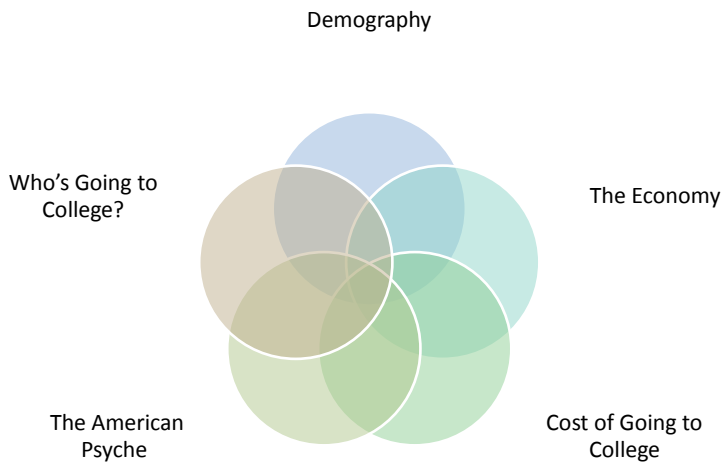
- Institutional, admission, and advancement websites
- Mobile and social media solutions
- Recruiting and advancement campaigns and publications
- Virtual and experiential tours
- Institutional identity
- Advertising campaigns
- TV, video, and radio

Overview

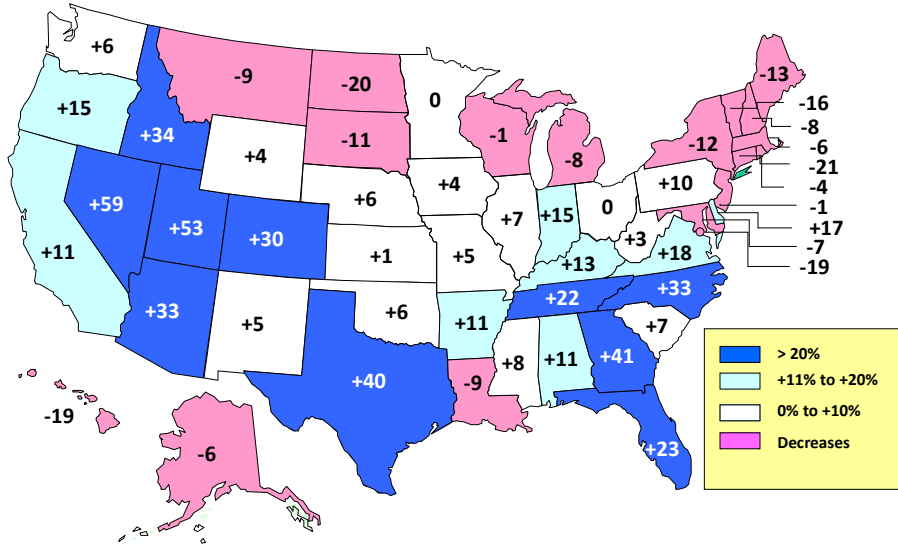
- Five interlocking trends
- Steps to a brighter future



Five Interlocking Trends



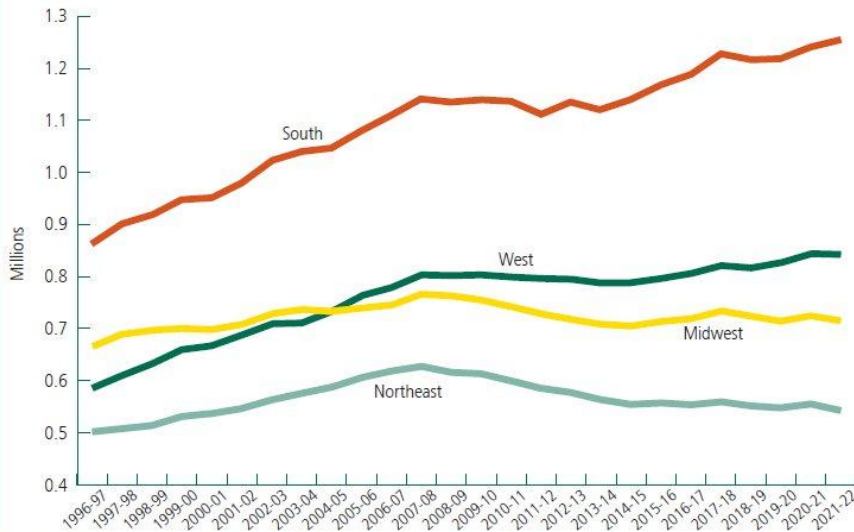
Demography: Change in H.S. Graduates to 2018-19



Source: U.S. Department of Education, National Center for Education Statistics, December 2011



Figure 2.7. Public and Nonpublic High School Graduates by Region 1996-97 to 2004-05 (Estimated), 2005-06 to 2021-22 (Projected)



Note: Nonpublic school graduates are projected beginning with the 2003-04 academic year.



Who's Going to College?

- 65% of H.S. graduates go to college
- 13 million students working on bachelor's degrees
 - 57.4% are women; 30.9% are of color
 - 17.3% of UG 24 or older; 41% go part-time
- 20% have one foreign-born parent; 11% speak don't speak English at home
- 50% begin their education at two-year institutions
- 57% of UG college students are women (increasing)
- 60% attend more than one institution; 35% attend three or more before they graduate
- 48% of freshmen drop/stop out of college at least once
- 40% of UG travel across state lines to earn a degree
- 84% work part-time while attending college; 34% work full-time
- 80% of UG receive financial aid; the percentage of African American students receiving financial aid (92%) was the highest among all groups, while Asian American students (68%) were the least likely to receive financial help

We Can Expect – Students and Families

- Only one in five high school graduates plans to go to college full-time and live in a residence hall
- Students will apply to more and more schools
 - Too many stealth apps, too many incomplete apps
- 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 while attending school
- Students will flock to majors with clear job prospects
- Students will attend school closer to home, even online
- Parents will become even more involved in the college-choice process



Four Growth Markets in Higher Ed

- There are only four growth markets in higher education:
 - Adult students
 - Part-time students
 - International students
 - Commuter students



The Economy

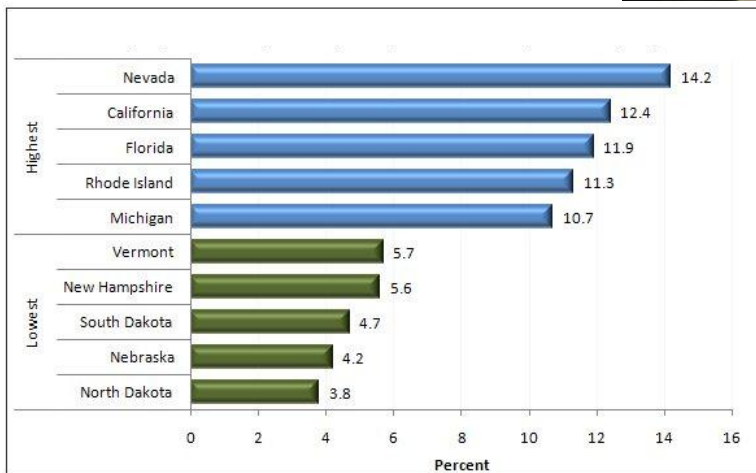


The Numbers

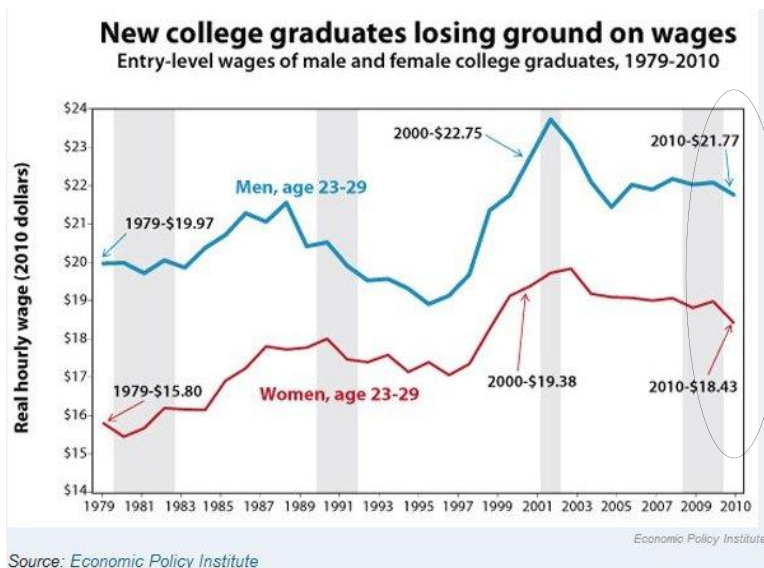
- Total U.S. debt is equal in size to total U.S. economy
 - \$15 trillion in red; projected to surge
- One in five homeowners is under water
- One in 45 homes are in foreclosure
 - There are 3,141 counties in the U.S.; half the foreclosures are in 35 counties
 - Five states (Nevada, California, Arizona, Florida, and Michigan) account for 53% of foreclosures
 - Lenders repossessed 67,624 homes in October 2011
 - 30,000 in California alone
- National unemployment rate = 8.8%



Unemployment



Job Market for College Graduates



The economy is not the cause of many of the problems that are facing higher education.

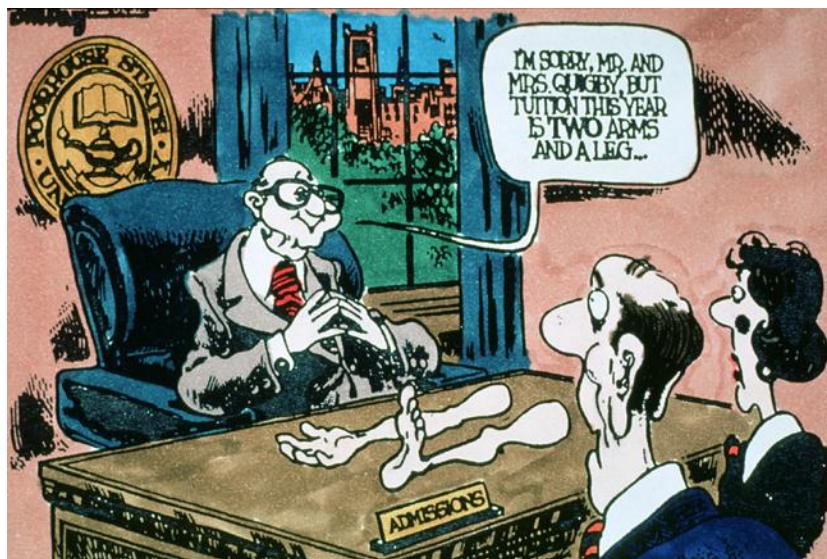
It has merely exacerbated issues and trends that have long been in play.

College Board

- For the fifth consecutive year, the percentage increase in average tuition and fees at public four-year institutions was higher than the percentage increase at private nonprofit institutions
 - 2011 tuition increases:
 - Publics, excluding California: 7.0%
 - California publics: 21% for four-year; 37% for two-year
 - Privates: 2.6%
- The number of colleges and universities that cost more than \$50,000 continues to climb
 - Today, 123 schools belong to the 50K club

Source: [//moneywatch.bnet.com/spending/blog/college-solution/25-most-expensive-colleges-in-the-nation/7019/#ixzz1bzw03sag](http://moneywatch.bnet.com/spending/blog/college-solution/25-most-expensive-colleges-in-the-nation/7019/#ixzz1bzw03sag);
[//moneywatch.bnet.com/spending](http://moneywatch.bnet.com/spending); College Board, Trends in College Pricing, 2011

Cost of Going to College



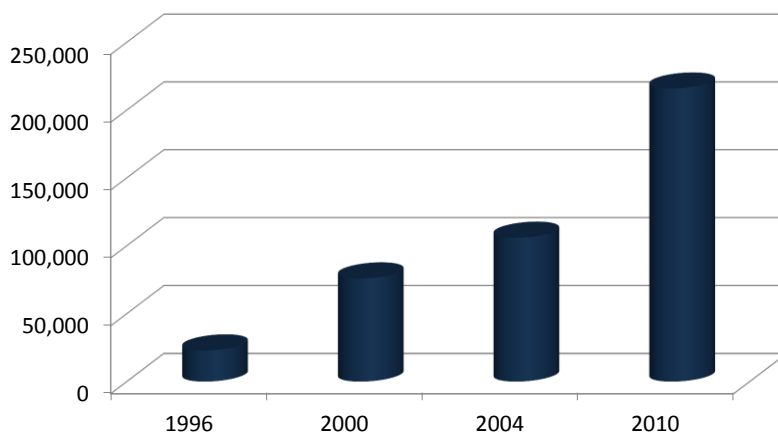
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Students and parents are both the victims and the perpetrators of the cost escalation – Larry Large

Number of Borrowers with at Least \$40,000 in Student Debt (2010 dollars)



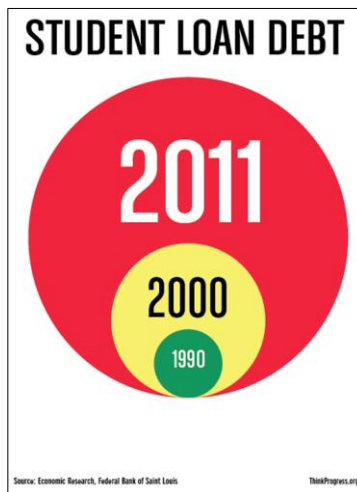
Source: Project on Student Debt

Financial Aid and State Funding

- Federal gift and grant aid:
 - Full-time UG – publics \$5,760
 - Full-time UG – privates \$15,530
- State appropriations per full-time equivalent (FTE) student declined by 9% in constant dollars in 2008–09, by another 6% in 2009–10, and by 4% in 2010–11
- State funding per FTE student for higher education institutions was 23% lower in inflation-adjusted dollars in 2010–11 than it had been a decade earlier

Student Debt

- Average debt load for BA: \$25,700
- Average debt load for professional: \$119,000
- **67% of students are graduating with student loan debts**
 - 62% of public university students finish with debt
 - 72% of private nonprofit school students finish with debt
 - 96% of private for-profit students finish with debt
- Student loan default is rising in all categories



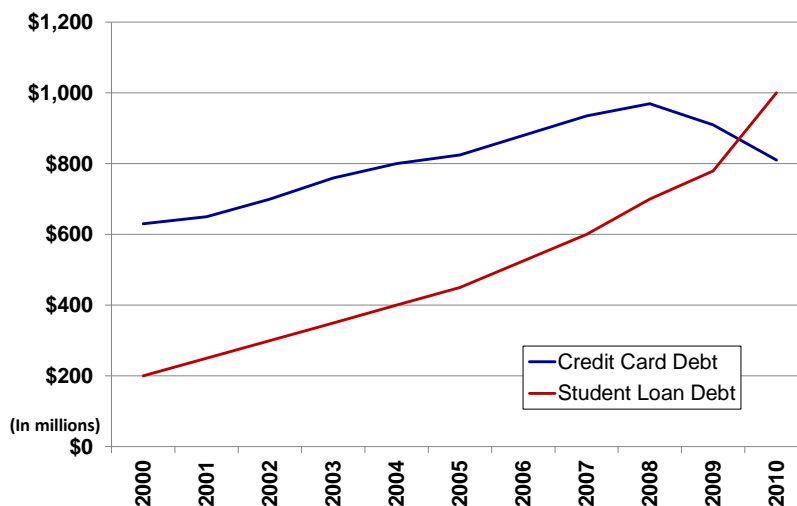
Source: Project on Student Debt

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Total Outstanding Debt – U.S. Adults



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Private College Tuition Discount Rates

- 2011 42.9% (projected)
- 2010 41.8%
- 2009 39.1% in the previous academic year



Source: *The Chronicle of HE; University Business*

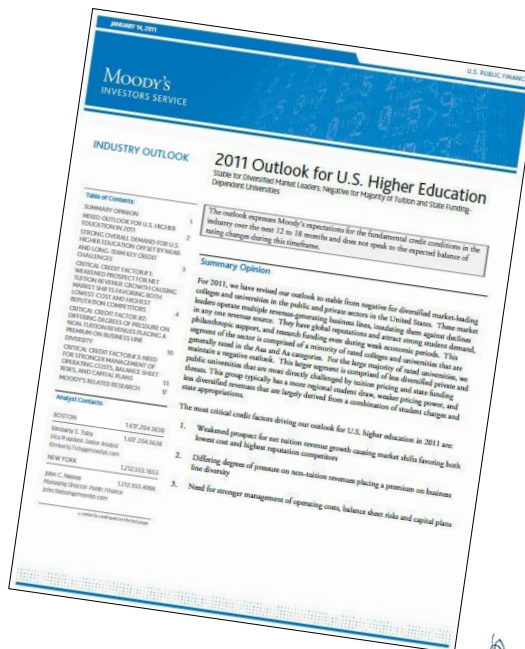
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The Net Result

- Downgrading of the overall marketability by Moody of most colleges and universities in America



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Market Position: What's YOUR Story?

Positive Indicators

- » Strengthened selectivity, improved matriculation
- » Enrollment growth across programs
- » Growth of net tuition revenue and net tuition per student
- » Better student retention
- » Increased percentage of students from outside the local region or out of state

Negative Indicators

- » Weakening of selectivity and/or matriculation
- » Declining enrollment
- » Stagnant or declining net tuition revenue or net tuition per student
- » Rapid growth of tuition discount
- » Unrealistic assessment of peers and competition

Moody's
INVESTORS SERVICE

Top 10 Factors Driving U.S. Higher Education Upgrades & Downgrades, October 17, 2011 10

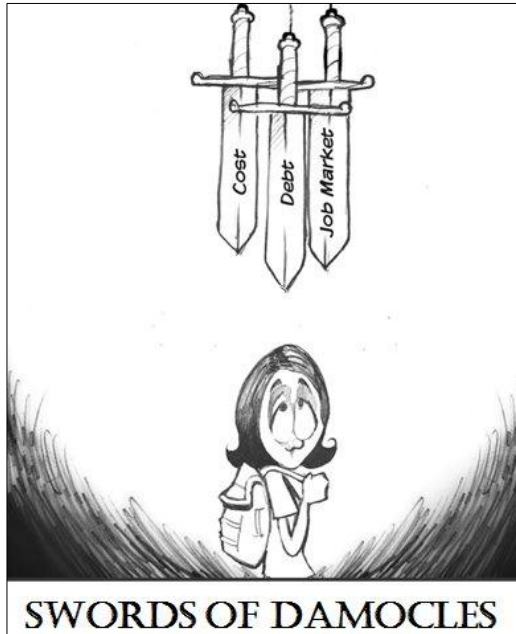
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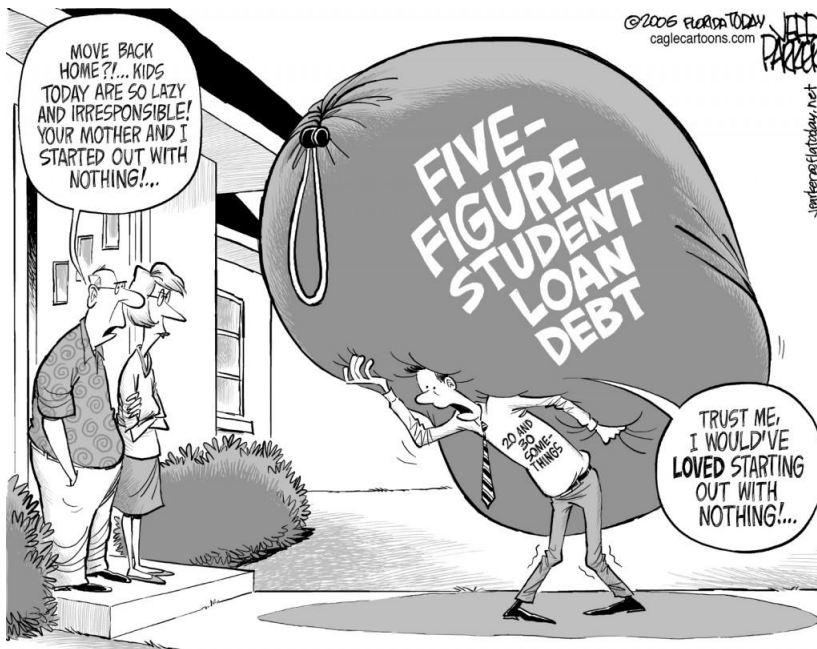


The American Psyche



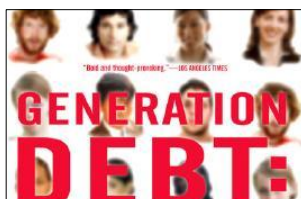


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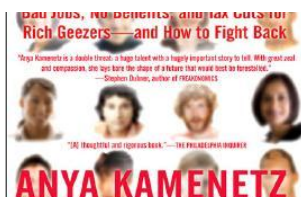


The American Dream

- Portion of college students who believe college is part of American dream:
 - 2010: 45%
 - 2011: 38%



Galloping Psychology of Entitlement



Consumerification of Higher Education

- Students “demand” what they were promised when recruited
- Grade inflation – “At this price, I expect all As”
- Higher education’s *ediface* complex



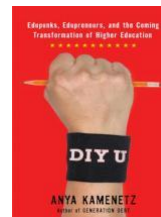
The Failure of Technology

- By almost any measure, technology has failed to dramatically enhance the academic experience or dramatically reduce the cost of instruction
 - This is much less true at for-profit institutions
- On too many campuses, technology is defined as “wireless”
- And, on too many campuses, it has become yet another cost center
- There are some exceptions:
 - BYU-Idaho
 - ACU’s mobile learning initiative
 - The emerging interest in digital books
 - But watch how digital books will impact bookstore revenue



Disintermediation

- Some paradigm-rattling questions:
 - What happens when some of the world’s best schools offer their educational content for nothing?
 - What happens when this content is available online?
 - Einzstein.com; iTunes U
 - What happens when the end user (we can call them students) simply cannot afford the mark-up that the intermediaries charge (we can call this tuition)?
 - What happens when employers...and graduate schools...start placing more value on what students know and less value on where they learned it?
 - Finally, what happens when Google offers accreditation for the mastery of online content?
 - The idea of “badges” – remember the scouts?



The Federal Government

- Increasing interest in:
 - Your graduation rates
 - Cost
 - Endowment
 - Student debt

- This level of federal involvement will be highly distracting and destructive
 - Keep your eyes wide open





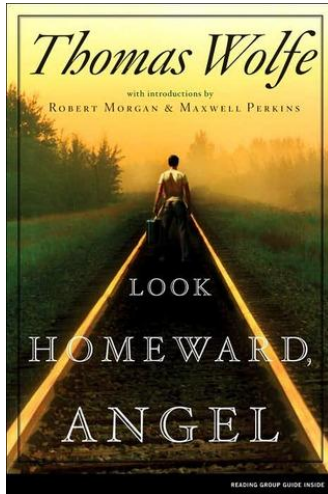
Traditional Higher Ed Has Opened the Door for Lower Cost and More Innovative Education Providers

Steps to a Brighter Future



“What’s that boy?! A paradigm shift?!”

Accept It, This Is the New Normal



“A prevailing view among college leaders is to batten down the hatches and cut costs on multiple fronts for the short term, assuming a return to the “old” normal. **But there is ample evidence the old normal may never return.** Thus cost-cutting is an incomplete solution. We must recognize the ground is shifting in fundamental ways for higher education. We must reframe our approach to managing colleges and universities in the face of the new normal.” – Leonard Schlesinger, Babson

The New Normal

- A time of scarcity
 - The model is broken
 - We can't afford what we have become
- A time of conflicting priorities
- A time of tough, tough decisions
- But also a time of *great* opportunity:
 - Higher education has never been more ripe for true change
 - Nor more receptive
- Remember, a crisis is a terrible thing to waste



**Third Rails and Holy Grails
Almost All the Important Issues Are Both**



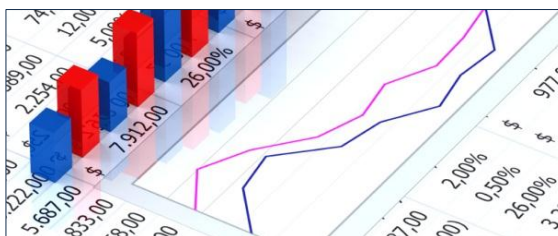
(c) 2008 www.clublessinboston.com

A Time of Great Courage and Confidence

No Mission Without Margin

The Need for Numerical Fluency

- Most colleges will need to significantly enhance their ability to determine:
 - The true costs of different activities
 - Sources and amounts of revenue
 - Cost ratios
- The need for financial modeling, not just mere accounting
- Dashboard and datasets
- The vice president of “finding out how much things really cost around here”



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Expand Your Income Streams

- | | |
|--|---|
| <ul style="list-style-type: none"> • Tuition revenue <ul style="list-style-type: none"> – Transfer students • Fee revenue • State appropriations (waning) for publics • Endowment performance (rolling averages) • Fundraising <ul style="list-style-type: none"> – Annual funds – Non-campaign donations – Capital campaigns – Planned giving (deferred giving) | <ul style="list-style-type: none"> • Student retention <ul style="list-style-type: none"> – Arrest the slide in retention • Sponsored research • Earmarks, including stimulus dollars • Grant writing • Auxiliary services |
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Colleges Must Return to Their Core Function

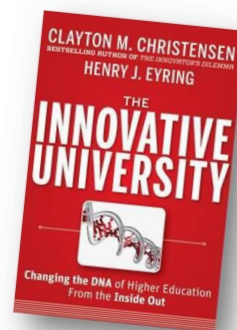
- The academic experience must be paramount
 - In an era of competing resources, there must be less emphasis on cocurricular and extracurricular offerings
 - Focus on that small handful of programs that:
 - You do extraordinarily well
 - That truly differentiate you from your competitors
- Avoid:
 - Mission creep
 - Carnegie climb
 - Bloated cores that more often serve faculty than students
 - Pursuing unnecessary accreditations that actually produce academic “sameness” rather than innovation

Look At Your Cost Per Graduate

- One key indicator is how much it costs for you to “graduate” a student
 - Can you afford that cost?
- If not, two options, what can you do to reduce that cost?
 - Increase the number of graduates
 - Reduce the cost of:
 - Instruction
 - Facilities
 - Extra- and cocurriculars
- Frills, fewer frills, and no frills colleges

More Innovation, Less Imitation

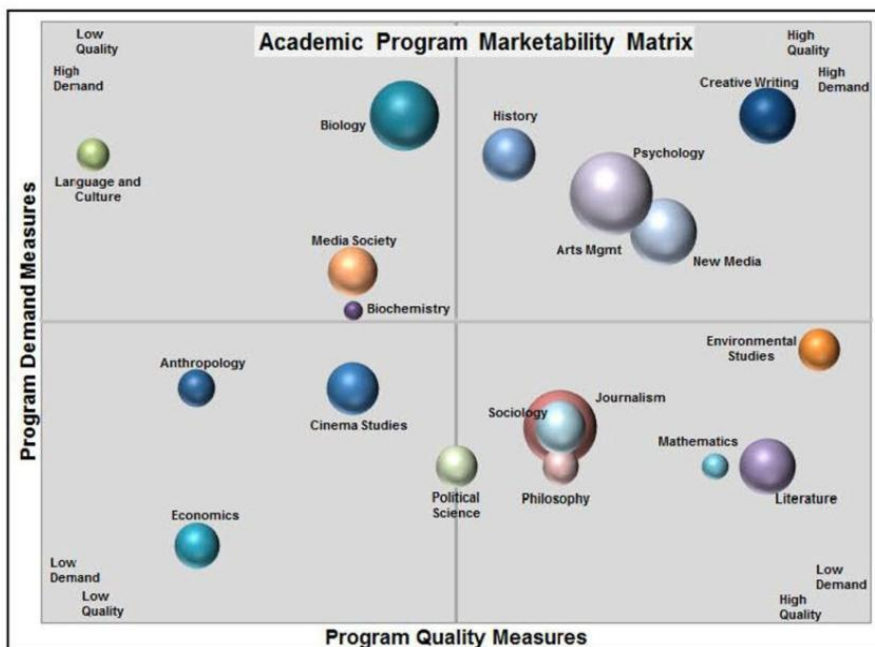
- Simultaneously seek best practices within higher ed for your top five cost and revenue centers
 - Are they performing as well as they can?
 - Consider:
 - Going to three equal trimesters each year to more fully utilize facilities
 - Enhance use of technology in the classroom to truly reduce cost of instruction
 - Blended brick and click
- Then seek disruptive innovation from outside higher education that will likely cause a paradigm shift in each of the five cost and revenue centers
 - Remember, innovation almost always occurs at the edge



If you don't believe in reincarnation, come back as an academic program and enjoy eternal life.
 – Robert Dickeson

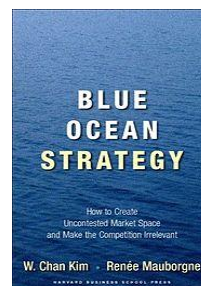
Assess the Marketability of Your Academic Programs

- Fine-tune your academic offerings:
 - To increase share and tuition revenue
 - To identify which programs to build/expand/add
 - Quality indicators:
 - Graduation rates by major
 - Student satisfaction within major
 - Job placement by major within six months
 - Graduate school placement by major within six months
 - Demand indicators:
 - Prospective student interest in major
 - Enrollment by major
 - Job and employment trends
 - Percentage of top-five competitors that offer this major



The Idea of Compelling

- We are way beyond distinctive and unique
- Rather, it is a matter of being **compelling** among your competitor set in ways that students, donors, and faculty and staff value
 - Blue oceans and BHAGs
- Your future will depend, largely, on whether or not you are successful in this undertaking
 - One-course-at-a-time
 - Three-year BAs
 - Work/study



Discover Your Donors' Animating Passions

- Don't tell donors how their gift will help you achieve your campaign goals
- Rather, show donors how your campaign will help them achieve an animating passion they have
- In many respects, it is less about you and all about them
- When you find their hearts, you will find their checkbooks



As Leader

Leadership and Governance

- This is an extraordinary time to be a well-led college
 - The issues, the opportunities, and the questions have never been more compelling
- At the same time, it is a terrible time to be a poorly led college
 - Cannot gain agreement on the issues
 - Cannot discern a course of action
 - Do not have the political will for the tough decisions
 - Too much focus on the financials

**Followers and leaders
both orbit around the
organization's vision;
followers do not orbit
around the leader!**

It's About Leadership, Not Management

- Leaders:
 - Find ways to reward the people that are indispensable
 - Cut unproductive areas to preserve and resource areas that are more productive
 - Stress outcomes, not output
 - Decide
 - Build the team
- Managers:
 - Duck the tough questions
 - Continually ask people to do more with less
 - Implement across-the-board cuts
 - Focus on the budget, not the vision

Build the Senior Team

- The key strength of today's leader: Team builder
- One of the greatest predictors of institutional success is whether or not the senior team is truly a team
- Key areas:
 - Their cohesiveness around the vision
 - Their cohesiveness around the decisions the team makes
 - The signals they send to their middle managers
 - Their level of cooperation and integration



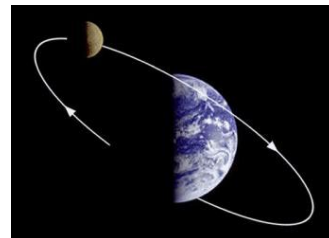
Is everyone on your team truly rowing together?

The Need for Exceptional Followers

- Exceptional leaders cultivate exceptional followers
- How leaders undermine the exceptional followers on their senior team:
 - Have no sense of vision
 - Refuse to listen
 - Cannot make the tough decision
 - Betray trust
 - Pit one team member against another
 - Burn them out

The Importance of Vision

- More than ever, your vision must be:
 - Galvanizing
 - Differentiating
 - Compelling
- According to Burt Nanus, a vision is a “realistic, credible, and attractive future” shared by members of an organization
- Your vision must have such gravity that it attracts a talented senior team, faculty and staff, students, and donors
- Again, the idea of compelling
 - It is not about “more”
 - And it is not about “better”



“Our challenge today is radical reformation. Change at the margins will not do. The choice to me, it seems, is this: Reinvention or extinction.”
– Gordon Gee, The Ohio State University

The Schools That Will Thrive

- Schools with:
 - Deep, deep pockets
 - A compelling vision and brand
- Schools with:
 - Diversified revenue streams
 - Ability to serve multiple kinds of students via a variety of delivery models
 - Brick and click



Resources

- I have prepared a list of 30+ books, articles, and links for college administrators who are interested in looking at:
 - The core issues facing higher education
 - Some innovative practices that colleges and universities are implementing in response to the challenges and opportunities that are ahead
- If you would like a copy of the “bibliography” *Innovator’s Bookshelf*, please let me know
- If inclined, follow me on Twitter at: @Sevier_Stamats

