Future Students, Future Revenues

Creating a Principled and Sustainable Enrollment Strategy
October 21, 2013

Eastern Kentucky University
Richmond, Kentucky
Assumption College Road Map

1. A Business Model Under Threat
2. Understanding the Enrollment Downturn
3. Beyond the Enrollment Playbook
4. Frontiers in Graduate Education
5. The Online Opportunity

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A Business Model Under Threat
The EAB “MOOC Mania” Tour
The Hottest Topic on Campuses Across North America

Source: Education Advisory Board interviews and analysis.
The New New Thing

Dramatic Ramp-Up in Partnerships to Support Online Activity

Source: Company websites and press releases; Education Advisory Board interviews and analysis.
### The Unfulfilled Promise of MOOCs

**Little of What We Hoped or Feared Has Come to Pass**

<table>
<thead>
<tr>
<th><strong>The Promise</strong></th>
<th><strong>The Reality</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free Credits</strong></td>
<td>Students will take free courses from top universities for credit</td>
</tr>
<tr>
<td><strong>Job Placement</strong></td>
<td>Employers will hire people based on performance in MOOCs</td>
</tr>
<tr>
<td><strong>Educational Access</strong></td>
<td>The poor and uneducated around the world will have access to the best instructors</td>
</tr>
<tr>
<td><strong>Free Agent Faculty</strong></td>
<td>Superstar faculty make millions offering courses directly to students</td>
</tr>
<tr>
<td><strong>Elite University Domination</strong></td>
<td>Lower-ranked institutions will disappear as elites scale up free education</td>
</tr>
<tr>
<td><strong>No institution grants credit to students not enrolled and not paying tuition</strong></td>
<td>Outside of computer programming, few students are being placed in jobs</td>
</tr>
<tr>
<td><strong>Vast majority of MOOC students already have baccalaureate degree, reside in wealthy countries</strong></td>
<td>MOOC providers rapidly expanding partnerships with less elite institutions</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
Hitting the Trough of Disillusionment

Another Confirmation of the Technology Hype Cycle

- **Fall 2011**: Stanford faculty launch open courses
- **Spring 2012**: Udacity, Coursera, and edX founded
- **Sept 2012**: Colorado State Global Campus accepts Udacity MOOC for credit
- **Nov 2012**: Gates announces $3M in MOOC grants
- **Jan 2013**: San Jose State partners with Udacity on for-credit MOOC
- **Feb 2013**: ACE recommends 5 MOOCs for credit
- **Feb 2013**: Georgia Tech MOOC is first to be canceled due to technical problems
- **April 2013**: San Jose State philosophy department formally protests edX partnership
- **April 2013**: Amherst faculty reject edX partnership
- **May 2013**: 58 Harvard faculty demand greater administrative oversight over university’s edX program
- **Sept 2012**: Gates announces $3M in MOOC grants

"There is no pedagogical problem in our department that JusticeX solves….We regard such courses as a serious compromise of quality of education, and, ironically for a social justice course, a case of social injustice."

*Philosophy Department, San Jose State University*
The Illusion of Scale

Vast Majority of MOOC Registrants Drop Out By First Assignment

Typical MOOC Enrollment Pattern

Start Date
Half of registrants are no-shows

First Assignment
Casual “lurkers” move on

Self-Motivated Completers

Case in Point

Bioelectricity, Fall 2012
Duke University

<table>
<thead>
<tr>
<th>Event</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered</td>
<td>12,725</td>
<td>100%</td>
</tr>
<tr>
<td>Watched a video</td>
<td>7,761</td>
<td>61.02%</td>
</tr>
<tr>
<td>Took any quiz</td>
<td>3,658</td>
<td>28.72%</td>
</tr>
<tr>
<td>Took Week 1 Quiz</td>
<td>1,267</td>
<td>9.95%</td>
</tr>
<tr>
<td>Took Week 4 Quiz</td>
<td>561</td>
<td>4.41%</td>
</tr>
<tr>
<td>Attempted Final</td>
<td>346</td>
<td>2.72%</td>
</tr>
<tr>
<td>Certificate</td>
<td>313</td>
<td>2.46%</td>
</tr>
</tbody>
</table>

Source: Duke University Report, February 2013
Let’s Not Kid Ourselves

“They’re mostly taken by educational technologists, already-qualified individuals, and Tom Friedman.”

Kevin Bell
Northeastern University
College of Professional Studies

The Indelible Middle Man
Even MOOCs Resorting to Coaching Model to Get Results

A Herculean Task
4,356 Number of forum posts by Penn professor Al Filreis in first MOOC

Never Again
“The time demands, logistics, and politics of developing a MOOC will bury you.”
Karen Head
Assistant Professor, Georgia Tech

The Necessity of Course Assistants
Harvard professor asks alumni to help moderate upcoming MOOC

New startup, “Course Pods,” brings live tutoring to Udacity online courses

Udacity hires dozens of tutors to support new partnerships
Study finds offline help biggest predictor of success in MOOC

Source: Breslow, DeBoer, Ho, Pritchard, Seaton, & Stump, “Studying Learning in the Worldwide Classroom: Research into EdX’s First MOOC,” Research & Practice in Assessment, June 2013
The Taming of the MOOC
What Universities Are Really Doing with MOOCs

MOOC 1.0
“For the good of humanity”

MOOC 2.0
Achieving Institutional Goals

- Brand Enhancement
  - Investing in global publicity

- Flipping the Classroom
  - Improving the quality, cost, and capacity of on campus instruction

- Scaling Up Masters Programs
  - Enabling large-scale, low-cost revenue generating degree programs

- Lead Generation
  - Recruiting students into existing academic programs

Source: Education Advisory Board interviews and analysis.
MOOCs Bring Positive Coverage to an Industry with a PR Challenge

"Lord knows there’s a lot of bad news in the world today to get you down, but there is one big thing happening that leaves me incredibly hopeful about the future, and that is the budding revolution in global online higher education... And nothing has more potential to enable us to reimagine higher education than the massive open online course, or MOOC."

— Thomas L. Friedman
Columnist, The New York Times

"Frankly, we consider our investment in MOOCs as part of our marketing budget."

— Vice President for Online Education
Private Research University

MOOCs as Supplements, Not Alternatives

Most New Initiatives Focused on Residential Undergraduates

Looking for Scientific Proof
- Partnership with Coursera and Ithaka S+R to develop 15-20 courses for use across most system campuses
- Supported by Gates-funded pilot to use MOOCs in flipped classrooms
- Previous study showed that Carnegie Mellon’s adaptive learning platform improved outcomes and reduced costs

Redesigning Courses in Partnership
- Partnership with edX reduces class time by incorporating MIT circuits course into San Jose State University’s flipped classrooms
- One professor refers to MOOC as “talking textbook”

Supporting Community College Students
- Partnership with edX reduces class time for programming course from 3 hours to 90 minutes per week
- Students watch lectures and complete assignments online
- Machine grades homework and exams, professor grades in-class assignments

Goals for MOOCs in the Classroom
1. Improve instructional quality
2. Reduce instructional costs
3. Increase instructional capacity

Source: Press releases and news outlets; Education Advisory Board interviews and analysis.
## The Question Behind the Question

**MOOC Questions Highlight Uncomfortable Issues for Higher Education**

<table>
<thead>
<tr>
<th>Why People Love MOOCs</th>
<th>What’s Wrong with Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open</td>
<td>How can we improve racial and socio-economic diversity?</td>
</tr>
<tr>
<td>Large-Scale</td>
<td>How can we overcome capacity bottlenecks?</td>
</tr>
<tr>
<td>Free to Students</td>
<td>Are we becoming unaffordable to most students?</td>
</tr>
<tr>
<td>Low Cost to Provide</td>
<td>Is it possible to bring down cost per student?</td>
</tr>
<tr>
<td>Global Audience</td>
<td>Are we trapped by regional demographics?</td>
</tr>
<tr>
<td>Elite</td>
<td>How will we ever compete with wealthier, higher ranked universities?</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
The Bigger Issues Behind “MOOC Mania”

Critical Strategic Concerns for Institutional Leadership

The Current MOOC Debate

Governors
“Can we use MOOCs as low cost alternatives?”

Administrators
“Will we fall behind if we don’t do a MOOC?”

Boards
“Will students abandon us for MOOCs?”

Faculty
“Will MOOCs make us expendable?”

The True Agenda

1. Sustaining Tuition Revenue
   - Declining public funding
   - New student markets
   - Evolving student preferences
   - Challenges to affordability
   - New types of competitors
   - Student success challenges

2. Building an Online Strategy
   - Innovative program designs
   - Improved instructional quality
   - Economies of scale
   - Regulatory risk
   - Faculty development
   - Student support services

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Section 2
Understanding the Enrollment Downturn
## Doomsday Scenarios Easily Refuted

### Existential Threats Still Far from Imminent

<table>
<thead>
<tr>
<th>The Concern</th>
<th>The Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading Down</strong></td>
<td>Students will choose community colleges over four-years</td>
</tr>
<tr>
<td></td>
<td>Two-year enrollments have declined since brief uptick during recession</td>
</tr>
<tr>
<td><strong>Bargain Hunters</strong></td>
<td>Private institutions will lose students to cheaper publics</td>
</tr>
<tr>
<td></td>
<td>Privates saw no enrollment decline in 2012 while publics saw slight drop</td>
</tr>
<tr>
<td><strong>Shopping for Credits</strong></td>
<td>Students will earn credits through numerous sources</td>
</tr>
<tr>
<td></td>
<td>No evidence that students are reducing time to degree</td>
</tr>
<tr>
<td><strong>Genius Drop-Outs</strong></td>
<td>Highest-ability will students choose alternate means of credentialing</td>
</tr>
<tr>
<td></td>
<td>Only 20 Thiel Fellows per year and only 33 college drop-out billionaires</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
Impressively Resilient

Non-Profits Outperform For-Profits and Two-Years in the Recession

Annual Percentage Change in Total Enrollment by Sector, 2010-2013

4-Year Publics
Faced moderate declines compared to other sectors

4-Year Privates
Have continued to grow despite high cost

4-Year For-Profits
Plummeting figures after 2010 political controversy

2-Year Publics
Restricted by funding cuts and capacity constraints

Census Bureau analysis attributes 90% of enrollment decline to adult students

Source: National Student Clearinghouse Research Center, Term Enrollment Estimates, Spring 2013; Education Advisory Board interviews and analysis.
Survival and Selectivity

Least Selective Institutions Are Hardest Hit by Post-Recession Downturn

Selective Institutions Still Have Flexibility to Increase Enrollment

Change in First-Time, Full Time Enrollment by Selectivity

1) Selectivity defined by 75 percentile combined math and verbal reasoning SAT scores. Very selective > 1400, Selective > 1200, Somewhat selective > 1000, Not Selective < 1000

Source: Education Advisory Board analysis of IPEDS data
How We Got Here
Privates Leveraged Price, Publics Expanded Headcount

Growth in FTE Enrollment and Net Tuition Revenue Per FTE, 2002-2010

Privates held enrollment steady while raising prices
Publics more willing to expand classes

Source: National Center for Education Statistics, Delta Cost Project Database; Education Advisory Board interviews and analysis.
The Flip Side of Enrollment Growth

An Unprecedented Jump in Tuition Dependence

Tuition as a Percentage of Instructional Revenues for Public Universities, 1986-2012

1) Shaded areas indicate recessions

Historic 11-point increase in 3 years following recent recession

Tuition dependence increases after recessions…

…But fails to return to base levels after recovery

What Got Us Here Won’t Get Us There

Revenue “Tailwinds” Can’t Be Relied On Going Forward

Revenue

State Funding

Federal Funding

Tuition

Philanthropy

Auxiliary Revenue

Enrollment

Net Tuition

Volume

Revenue

Demographics

Retention

List Price

Financial Aid

Decline in high school graduates

At-risk populations growing in share

Family finances under stress

Merit aid competition escalating

Source: Education Advisory Board interviews and analysis.
Mind the Gap

Enrollments Will Continue to Grow, But at a Slower Rate

Projections of Total Fall Undergraduate Enrollment to 2021

Location Matters, Still

But Some Regions Will Face Significant Demographic Headwinds

Net Change in High School Graduates, 2011-12 to 2021-22

<table>
<thead>
<tr>
<th>Region</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>-38K</td>
</tr>
<tr>
<td>Northeast</td>
<td>-25K</td>
</tr>
<tr>
<td>West</td>
<td>-8K</td>
</tr>
<tr>
<td>South</td>
<td>43K</td>
</tr>
</tbody>
</table>

Percentage of Freshmen Studying Out of State, 2000-2010

- 2000: 22.1%
- 2002: 22.3%
- 2004: 22.8%
- 2006: 22.8%
- 2008: 22.9%
- 2010: 23.2%

1) Percentage of freshmen studying out-of-state was calculated across nonprofit four-year institutions that reported student residence and migration data to NCES in each listed year.

Shifting Student Mix

Demographics Will Require Greater Investment in Student Success

Projected Net Growth in High School Graduates by Race, 2011-12 to 2021-22

Distinct Challenges Facing Hispanic Students

- First Generation
- Median Family Income
- Complete Degree Within 6 Years

The Art of Price Discrimination

Even Publics Increasingly Rely on Full-Pay Students

Net Price by Income Level for Public and Private Institutions, 2012

Price advantage of publics nonexistent for families making under $75K…

…but wealthy families contribute much more at privates due to high sticker price

1) Data comes from 318 public and private institutions.

More Reliant Than We Knew on the 1%
Declining Wealth of High-Income Households Threatens Tuition Revenue

Share of Average Net Tuition Drawn from Each Income Bracket, 2012

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income (&lt;$30k)</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Mid-Income ($30k&gt;$100k)</td>
<td>39%</td>
<td>29%</td>
</tr>
<tr>
<td>High-Income (&gt;=$100k)</td>
<td>45%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Median Income Falling for High-Income Households

- 1990: $146K
- 2000: $172K
- 2010: $161K

Median Net Worth Falling for High-Income Families

- 1992: $327K
- 2001: $570K
- 2007: $693K
- 2010: $575K

1) For the purpose of household income and net worth calculations, “high-income” refers to households with more than twice the national average income. Median household income is adjusted for household size.

High-Income Families Cut Back

Falling Family Income Threatens Ability to Pay

Average Amount Paid for College by Income Group, Year-over-Year

Why are the wealthy now paying less?
- Discounting
- The recession
- Price transparency

Source: Sallie Mae, “How America Pays for College 2013; Education Advisory Board interviews and analysis.
The Merit Aid Arms Race

The Unintended Consequences of the High Tuition, High Aid Model

Proportion of Students Receiving Need-based or Merit Aid

---

### Public Universities

<table>
<thead>
<tr>
<th></th>
<th>Need-Based</th>
<th>Merit-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>2007-08</td>
<td>16%</td>
<td>18%</td>
</tr>
</tbody>
</table>

### Private Universities

<table>
<thead>
<tr>
<th></th>
<th>Need-Based</th>
<th>Merit-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>43%</td>
<td>24%</td>
</tr>
<tr>
<td>2007-08</td>
<td>42%</td>
<td>44%</td>
</tr>
</tbody>
</table>

- Out-of-state students crowding out minorities
- Out-of-state students have significantly higher incomes
- More publics moving to high tuition, high aid model

---

Revenue Over Mission?

“Rather than compete for students based on educational quality or the extent to which institutions were effectively meeting their stated missions, usually oriented toward public service and equitable opportunity, colleges and universities competed by developing a variety of strategies with prestige and revenue concerns at the forefront.”

Scott Schulz and Jerome Lucido, *Enrollment Management, Inc.*

---

How High Can It Go?

Tuition Discount Rate Continues Its Ascent

Average Discount Rate at Private Institutions

Higher at Small Schools

Average Freshman Discount Rate by Institution Type

- 46.2% Small Institutions
- 41.4% Research Universities
- 40.0% Comprehensive and Doctoral Universities

Source: NACUBO, Tuition Discounting Study (2012); Education Advisory Board interviews and analysis.
Net Tuition Revenue per Full-Time, First-Time Freshman at Private Institutions, 2002-2012, in Constant 2012 Dollars (n = 383)

<table>
<thead>
<tr>
<th>Year</th>
<th>Research</th>
<th>Comprehensive/Doctoral</th>
<th>Small Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$21,035</td>
<td>$16,703</td>
<td>$14,697</td>
</tr>
<tr>
<td>2004</td>
<td>$24,115</td>
<td>$20,102</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$20,102</td>
<td>$15,651</td>
<td></td>
</tr>
</tbody>
</table>

Inflation-Adjusted Annual Growth Rate

- Research: 1.4%
- Comprehensive/Doctoral: 1.9%
- Small Institutions: 0.7%

Net Tuition Barely Keeping Ahead of OpEx

1.8% Average annual increase in operating expenditures among private institutions, 2000-2010

Source: NACUBO, Tuition Discounting Study (2012); Delta Cost Project, “Spending: Where Does the Money Go”
How We’re Responding
Delaying the Demographically Inevitable

Running To Stay in Place
*Deploying the Entire “EM Playbook”*

Ruinous Competition
*Weaker Pricing, Escalating Support Costs*

Net Tuition Revenue

- High-Touch Recruiting
- New Geographies
- Net Tuition Modeling
- Career Outcomes Marketing
- Flight to Quality
- Price Shopping Across Income Levels
- Higher Academic Support Costs
- Unsustainable Discounting

- Nationalized Recruiting
- Everyone Trying Everything
- Net Price Transparency

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Source: Education Advisory Board interviews and analysis.
The Rising Costs of Traditional Students

Enrollment Costs Rising at Both Selective and Non-Selective Institutions

Different Challenges, But Similar Effect on Costs

Type of Institution

Open Access

Moderately Selective

Highly Selective

The Completion Challenge

- Low cost to recruit,
- High cost to retain

- Up to 40% of instructional expenses spent on remedial education and students who never graduate

- Exacerbated by demographic trends that emphasize performance gaps

Growing costs from both recruitment and retention

The Competition Challenge

- High cost to recruit,
- Low cost to retain

- Up to 40% of gross revenue spent on tuition discounting, with growing emphasis on merit aid

- Exacerbated by growing competition for static pool of high-income students

Source: Education Advisory Board interviews and analysis.
Seeking Sustainable Frontiers
Diversifying Today to Reach Students of Tomorrow

Critical Attributes
- Fast-Growing
- High Net Revenue
- Strong Student Success
- Low Competition

Sustainable Frontiers
- Low-Income, High-Ability
- English Language Learners
- Transfers
- Degree Completers
- Professional Master’s

Net Tuition Revenue

Running To Stay in Place

Ruinous Competition

Today  Five Years Hence  A Decade and Beyond

Source: Education Advisory Board interviews and analysis.
Finding High-Growth Adjacencies

Peripheral Markets More Promising Than Core

Core Markets
- International Students
- Working Adults
- Professional Master’s
- Graduate Students
- Under-Represented Populations
- Low-Income, High-Ability
- Community College Transfers
- Traditional Age Under-Graduates
- Adult Degree Completers
- English Language Learners

Source: Education Advisory Board interviews and analysis.
Pathways to Success
A Model for Recruiting and Graduating Non-Traditional Students

Advantages of Pathways
- Widen recruiting funnel
- Increase diversity
- Assess readiness
- Improve success rates
- Maintain selectivity
- Generate revenue

Source: Education Advisory Board interviews and analysis.
Choosing Where to Compete
Four Emerging Student Segments

<table>
<thead>
<tr>
<th>Market Size</th>
<th>Current</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income, High-Ability</td>
<td>2.8K</td>
<td>35K</td>
</tr>
<tr>
<td>English Language Learners</td>
<td>35K</td>
<td>500K</td>
</tr>
<tr>
<td>Community College Transfers</td>
<td>3M</td>
<td>5M</td>
</tr>
<tr>
<td>Adult Degree Completers</td>
<td>3M</td>
<td>20M</td>
</tr>
</tbody>
</table>

Net Revenue Potential
Section 3

Beyond the Enrollment Playbook

Building Pathways for New Student Segments
Choosing Where to Compete

Four Emerging Student Segments

- **Low-Income, High-Ability**
  - Current: 2.8K
  - Potential: 35K

- **English Language Learners**
  - Current: 35K
  - Potential: 500K

- **Community College Transfers**
  - Current: 3M
  - Potential: 5M

- **Adult Degree Completers**
  - Current: 3M
  - Potential: 20M
## What Are We Doing Wrong?

Low-Income Students Underrepresented, Especially at Selective Schools

### Percentage of Undergraduate Pell Students, Distribution by Sector, 2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>Public Research Universities</th>
<th>Private Research Universities</th>
<th>Public Master's Colleges and Universities</th>
<th>Private Master's Colleges and Universities</th>
<th>Public Baccalaureate Colleges</th>
<th>Private Baccalaureate Colleges</th>
<th>For-Profit Baccalaureate Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>75th percentile</td>
<td>39%</td>
<td>32%</td>
<td>28%</td>
<td>28%</td>
<td>36%</td>
<td>34%</td>
<td>27%</td>
</tr>
<tr>
<td>25th percentile</td>
<td>25%</td>
<td>22%</td>
<td>25%</td>
<td>32%</td>
<td>36%</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>Median</td>
<td>35%</td>
<td>32%</td>
<td>34%</td>
<td>39%</td>
<td>40%</td>
<td>44%</td>
<td>52%</td>
</tr>
</tbody>
</table>

### Characteristics of Hard-to-Find Students

- First-Generation
- Low-Income
- Academically Prepared
- Willing to Travel

“Why won’t they apply?”
“Are we offering enough aid?”
“Do these students even exist?”

Not Getting Through

Breakdowns Suspected at Every Stage of Outreach Process

Where is the Funding for Them?

“We have the capacity to educate many more students at our campuses. What we don’t have is the funding to admit more California students.”

Brookings / Princeton Report

Struggling to Find Them

“Our low-income outreach program works closely with community organizations nationwide but we can’t find more than 40-45 students to enroll each year.”

Associate Dean
Private Liberal Arts College

Can’t Keep Them Even When They Come

“It’s easy to get low-income Hispanic kids in but difficult to get them to stay for a second or third year. Homesickness is common; even kids from in-state will want to visit home every other week.”

Professor of Education
Public Research University

Pressure to Recruit High-Margin Students

Low-ROI Nature of Outreach

Lack of Information and Acculturation

Cultural Bias Towards Studying Near Home

Students Likely to Work or Support Family

Key Barriers

A Greater Supply Than Previously Thought

Significant Numbers of Low-Income Students Have High Ability

High-Ability Students by Income Quartile

- **First Quartile**: 17%
  - 35K students scored in the top tenth on SAT/ACT
  - 8% of the above apply to schools commensurate with their test scores

- **Second Quartile**: 22%

- **Third Quartile**: 27%

- **Fourth Quartile**: 34%

"Once they apply to a selective college, “there is no statistical difference in their probability of enrolling or in their progress toward a degree.”

Caroline Hoxby and Christopher Avery

1) "High-ability" students are those who scored in the top 10% on the SAT I or ACT.

Is This Economically Rational?

LIHA Students Choose Less Selective Schools Despite Higher Net Price

Net Price for Lowest Income Quartile by Selectivity, 2009

For low-income students, the most competitive schools are the least expensive

Percentage of low-income, high-ability students who enroll in nonselective institutions


1) Selectivity rankings come from Barron’s Profiles of American Colleges.
Throwing Money at the Problem

Generous Aid Fails to Significantly Increase Enrollment

Average Net Price and Enrollment of Low-Income Undergraduates At High-Endowment Private Institutions, 2001 and 2008

A sharp decrease in net price…

…Led only to modest growth in low-income enrollments

Average Net Price

Share of Enrollment from Low-Income Students

$5.3K

-$1.1K

2001

2008

2001

2008

8.8%

11.5%


1) “Low-income” refers to students in first and second income quintiles. Average net price is inflation-adjusted.
Information Asymmetry

Limited Exposure to Selective College Graduates Inhibits Student Choice

Little Contact with Other High-Ability Students

<table>
<thead>
<tr>
<th>Low-Income Students</th>
<th>High-Income Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Percentage of cohort that is high-achieving</td>
</tr>
<tr>
<td>19.3</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>Distance in miles to find 20 high-achievers</td>
</tr>
<tr>
<td>17%</td>
<td>67%</td>
</tr>
<tr>
<td></td>
<td>Percentage whose parents hold bachelor’s degrees</td>
</tr>
</tbody>
</table>

Why Typical Outreach Efforts Fail

Urban-centric

Admissions staff and college access programs primarily serve cities with high concentrations of high-ability students

“Underneath the Lamppost”

Admissions staff tend to reach out to students who apply – and ignore those who don’t

Scaling Low-Income Outreach

Mailer Experiment Causes Students to Apply to More Selective Colleges

Experimental Four-Part Mailer Educates Students at Scale

- "College Counseling in a Box" 
  - Graduation rates of nearest colleges, state flagship, and random selective colleges
- Uniform Application Fee Waiver 
  - Waiver covers 171 selective colleges and includes instructions
- Personalized Net Price Information 
  - List and net prices for low-middle income students at nearby selective institutions
- Parental Education 
  - Counseling and net price info for parents, designed for adults with limited English proficiency

$6 Intervention cost per student

Application Behavior
- Submitted 19% more applications
- 15-19% more likely to apply to a “peer” institution
- More likely to use an application fee waiver

Admissions Results
- Admitted to 12% more colleges
- 31% more likely to be admitted to a “peer” institution

Enrollment Outcomes
- 19% more likely to enroll in a “peer” institution
- Chose institutions with higher graduation and instructional spending rates

Bridging the Cultural Divide

Next Steps to Reaching Low-Income, High-Ability Students

### Tailoring Initial Outreach
- Establish recruitment partnership with charter school network
- Organize high school visits by first-gen faculty/administrators
- E-mail or phone outreach from current LIHA students
- Emphasize experience over academics in outreach materials

### Building Parental Buy-in
- Dedicated parent/family-run outreach organization
- Separate orientation for parents
- Parental admissions/financial aid liaison
- Parent-tailored recruitment documentation (brochures, landing pages, deadline reminder e-mails)

### Mitigating “Summer Melt”
- Summer enrichment/bridge program
- Social media communities for admitted students
- Peer mentor engagement during summer months

Low-Income, High-Ability

Over 32K Not Applying to Selective Schools
Estimated High Ability Students by Income

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>$121K+</td>
<td>70K</td>
</tr>
<tr>
<td>$77K-$120K</td>
<td>56K</td>
</tr>
<tr>
<td>$42K-$76K</td>
<td>45K</td>
</tr>
<tr>
<td>0-$41K</td>
<td>35K</td>
</tr>
</tbody>
</table>

8% apply to highly selective institutions

Not a Path to Racial Diversity
Low-Income, High-Ability Students by Race

<table>
<thead>
<tr>
<th>Race</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>76%</td>
</tr>
<tr>
<td>Asian</td>
<td>15%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>5%</td>
</tr>
<tr>
<td>Black</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Relatively Few at Research Universities
Median Percentage of Pell Recipients by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Profit</td>
<td>66%</td>
</tr>
<tr>
<td>Public BA</td>
<td>44%</td>
</tr>
<tr>
<td>Public MA</td>
<td>39%</td>
</tr>
<tr>
<td>Private BA</td>
<td>40%</td>
</tr>
<tr>
<td>Private MA</td>
<td>36%</td>
</tr>
<tr>
<td>Public Res.</td>
<td>32%</td>
</tr>
<tr>
<td>Private Res.</td>
<td>22%</td>
</tr>
</tbody>
</table>

Pre-Professional Programs Dominate
Share of Completions at Low-Income Serving Institutions

<table>
<thead>
<tr>
<th>Field</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>21%</td>
</tr>
<tr>
<td>Criminal Justice</td>
<td>9%</td>
</tr>
<tr>
<td>Liberal Arts</td>
<td>9%</td>
</tr>
<tr>
<td>Public Admin.</td>
<td>8%</td>
</tr>
<tr>
<td>Education</td>
<td>8%</td>
</tr>
<tr>
<td>Health Prof.</td>
<td>7%</td>
</tr>
<tr>
<td>Psychology</td>
<td>6%</td>
</tr>
<tr>
<td>Recruiting Approaches</td>
<td>Student Support Services</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>1. High-touch outreach from low-income faculty or university administrators</td>
<td>1. Low-income peer mentor outreach beginning during recruitment phase</td>
</tr>
<tr>
<td>2. Customized mailer detailing cost, quality information</td>
<td>2. Summer bridge programs to acculturate students</td>
</tr>
<tr>
<td>3. Early recruitment outreach to middle or high school students</td>
<td>3. “PTA”-style parent support organization to build family buy-in</td>
</tr>
<tr>
<td>4. Recruitment partnership with charter school or nonprofit (e.g., QuestBridge)</td>
<td>4. Pre-enrollment advising to develop an early academic plan</td>
</tr>
<tr>
<td>5. Early college high school partnership to identify college-ready students</td>
<td>5. “Grit” assessment through mandatory student survey</td>
</tr>
</tbody>
</table>

Source: National Center for Education Statistics, IPEDS Data Center, Education Advisory Board interviews and analysis.
Choosing Where to Compete

Four Emerging Student Segments

- **Low-Income, High-Ability**
  - Current: 2.8K
  - Potential: 35K

- **English Language Learners**
  - Current: 35K
  - Potential: 500K

- **Community College Transfers**
  - Current: 3M
  - Potential: 5M

- **Adult Degree Completers**
  - Current: 3M
  - Potential: 20M
Sizing the Market for International Students

Rising Numbers, But Relatively Small Share of Total Enrollment

Number and Percentage of International Students in Total Enrollment, 2009

- The U.S. has the most international students...
- 661K U.S. students (3% of total enrollment)
- 368K U.K. students (15% of total enrollment)
- 258K Australia students (8% of total enrollment)
- 88K Canada students (8% of total enrollment)

- But they account for a greater share of enrollments in other countries

Total International Students in U.S., 2001-2021

- Even optimistic growth scenario puts the international share of total enrollment at 4.1%
- 982K total international students in 2021/22 (proj.)
- 548K in 2001/02
- 764K in 2011/12

Room for Growth

Significant Variation in International Enrollment in Every Segment

Percentage of Bachelor's Completed by International Students, Distribution by Sector, 2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>25th percentile</th>
<th>Median</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Research</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Private Research</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Public Master's</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Private Master's</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Public Bacc.</td>
<td>0%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Private Bacc.</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>For-Profit</td>
<td>0%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Most for-profits enroll no international undergraduates

Institutions Leading Each Sector in International Undergraduate Students Added, 2008-2011

1) The seven identified institutions each had the greatest percentage point growth within their segments in percentage of bachelor's completed by nonresident aliens from 2001 to 2011.
Too Few or Too Many?

For Most, Expanding Capacity a Greater Challenge Than Recruiting

Do we have enough capacity?
- Seats in high-demand programs
- Classrooms and laboratories
- Student residence accommodations

Are we ready to serve them?
- English language support
- Academic advising
- Immigration compliance
- Career services

Is the campus culture ready?
- Faculty sensitivity training
- Intercultural staff
- Student attitudes
- Religious tolerance

Will they adjust to our culture?
- Academic integrity standards
- “Ghettoization” of international students
- Reluctance to seek counseling

“"You need to ramp up gradually. We moved faster than the campus was emotionally ready for. When we got to 6-7% international students, people started to push back.”

VP for International Programs
Public Research University

“Even bringing 500 new students has had an impact on the student health center, counseling, and the registrar. It created a ripple effect on campus.”

VP for Enrollment Management
Private Master’s University

Source: Education Advisory Board interviews and analysis.
Looking for Revenue

Doctoral Share Declines as More Students Pay for Bachelor’s and ESL

Growth Dominated By Chinese Students

International Undergraduate Enrollment by Nationality

Growth Driven by Fee-Paying Undergraduates

Increase in International Enrollment and Growth Rate by Level, 2006-2011

Source: National Center for Education Statistics, IPEDS Data Center; Institute of International Education, Open Doors 2012; Education Advisory Board interviews and analysis.
A Narrow Focus

STEM and Business Remain Top Programs Among Bachelor’s Degrees

Bachelor’s Degrees Awarded to International Students, Select Programs, 2011

- Business: 19K
- Economics, IR, PoliSci: 7K
- Engineering: 5K
- Visual Arts: 3K
- Biology: 3K
- Health Professions: 2K
- Computer Science: 2K
- Communications: 2K
- Psychology: 2K

55% of international bachelor’s degree completions generated by business, social sciences, and engineering.

Source: National Center for Education Statistics, IPEDS Data Center, Institute of International Education, Open Doors 2012; Education Advisory Board interviews and analysis.
The Diversification Imperative

To Minimize Risks, Institutions Must Identify New Markets

Percentage Change in Graduate Applications from China, 2009-2012

A Looming Financial Catastrophe?

“If only half of my Chinese students were able to get visas to study, it would be financially catastrophic for us. And we're probably less Chinese-dependent than many institutions, which might get two-thirds to 80% of their international students from China.”

Vice President for Enrollment Management, Private Research University


1) Though data is preliminary, previous preliminary reports have aligned closely with final figures.

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Preparing for China’s Baby Bust
Worsening Chinese Demographics Will Create Hunt for New Markets

One Child Policy and Increasing Affluence Have Throttled Birth Rates...

... Undermining Previously Bottomless Source of Int’l Students

Projected Growth in Outbound Int’l Students, 2011-2020

1. India (70K)
2. Nigeria (30K)
3. Malaysia (21K)
4. Nepal (17K)
5. Pakistan (16K)
...
26. China (3K)


English Language Learners

Number of 15-to-24 Year-Olds in China

-21%

2013 181M
2023 143M

Source: The Economist, “Peak Toil,” January 26, 2013; British Council, "The shape of things to come: higher education global trends and emerging opportunities to 2020"
Moving Beyond the Checklist

Traditional Recruitment Tactics Worthwhile But Ignore Half the Market

U.S. Study Not Just for Elites Anymore

Chinese Students Interested in U.S. Study by Proficiency Level

- Advanced: 3%
- Truly Superb: 3%
- Functional: 15%
- Subfunctional: 38%
- Poor: 18%

$n = 18,000$

Students with high ability and financial means but traditionally underserved by U.S. institutions

Expanding to the Other Half of the Bell Curve

- 500k students
- 500k students
- Median TOEFL = 80

Expanding Your International Portfolio

A Taxonomy of International Students

<table>
<thead>
<tr>
<th>TOEFL Requirement</th>
<th>Beginning/Intermediate ESL Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50</td>
<td>- Follows academic English with difficulty</td>
</tr>
<tr>
<td></td>
<td>- Traditionally served by campus English Language Institute</td>
</tr>
<tr>
<td>50-74</td>
<td>ESL Pathway Student</td>
</tr>
<tr>
<td></td>
<td>- Requires 1-4 terms of ESL and acculturation support before joining degree program</td>
</tr>
<tr>
<td></td>
<td>- Similar countries of origin, class background, and educational ambitions</td>
</tr>
<tr>
<td></td>
<td>- High level of academic preparation</td>
</tr>
<tr>
<td>75+</td>
<td>Direct Admit</td>
</tr>
<tr>
<td></td>
<td>- Superior academic and ESL preparation</td>
</tr>
<tr>
<td></td>
<td>- Target of most standard recruitment efforts</td>
</tr>
</tbody>
</table>

Source: ETS, “Test and Score Data Summary for TOEFL iBT Tests and TOEFL PBT Tests, January-December 2011 Test Data. Education Advisory Board interviews and analysis.”
Maximizing Revenue Requires Large Investment
Pathways Return More Revenue with Greater Institutional Oversight

Considering ESL Pathway ROI and Institutional Investment

- **In-House ESL Pathway**
  - In-house recruitment, administration and revenue collection
  - Best for institutions with well-developed international support office and well-known academic brand
  - Generally leverages existing English language institute
  - Promotes cultural unity of pathway students with domestic students

- **Vendor-Assisted ESL Pathway**
  - Students take a year of ESL while earning credit toward major
  - Partner firm manages recruitment and support in exchange for flat fee plus tuition share
  - Best for institutions with capacity constraints or limited brand recognition

- **Community College Pathway**
  - Community colleges recruit students, offer ESL and acculturation support
  - Students transfer after receiving associate’s
The Students Next Door

Two-Years a Surprisingly Robust Destination for International Students

Community College Pathway

Percentage of international students attending a two-year institution

- ~65K students across 250 colleges

Legend

- 1-100
- 101-500
- 500-1,000
- 1,000+
- N/A

Source: IIE, Open Doors 2012
Community College Pathway

Building a Bridge to Top Universities
Community College 2+2 Provides ESL, Acculturation for Transfer

Green River Associate’s Program

- ~750 international students complete one of 20+ transfer associate’s degrees every year
- Academic advisors develop individualized transfer plan tailored to student’s top-choice destination schools
- Average international student GPA is 3.51, higher than domestic population

Preparing to Transfer

- Guaranteed admission agreements available with 20 four-year partner institutions
- Green River hosts biennial transfer recruitment events for ~100 universities
- 90+% of students ultimately transfer to a four-year

Sample Partner Institutions
- UC-Davis
- UC-Irvine
- Illinois Institute of Technology
- Univ. of Oregon
- Univ. of Washington
- Univ. of Victoria (BC)

Source: Education Advisory Board interviews and analysis
Opening the Pipeline

Four Ways to Become an International Transfer Destination

**Identify Two-Years Nationwide**
- International transfers more mobile than domestic transfers
- International students may also lack sentimental bond to their two-year’s state

**Small Merit Scholarships**
- Difficult to attract truly full-pay students without elite research brand
- Even a nominal ($1-2K) merit award differentiates your institutions

**Transfer Admissions Guarantee**
- Earns early attention as student plans his degree and elevates your brand
- Reduces articulation and paperwork overhead during transfer

**Conditional Admissions**
- Authorize two-year partners to conditionally admit to your institution
- Both increases the two-year’s brand value and attracts students to your institution even before they begin class

Source: Education Advisory Board interviews and analysis.
Building an Academic Pathway

Pathway Entry Points and Services Scaled to Student Preparedness

**TOEFL Requirement**

- **TOEFL 75+**
  - First Year Undergrad
  - Second Year Undergrad

- **TOEFL 60-75**
  - Pathways
    - Academic English
    - General English

- **No Min TOEFL**
  - Pathways
    - Academic English
    - General English

**Surprising Success Statistics**
- Pathways students who matriculate have **GPAs better than or equal to direct entry international students**
- >80% of students successfully **matriculate** to “general population”

**Making Up For Lost Time**
- Students take *specially-designed disciplinary courses in addition to ESL, permitting transfer* as 2nd semester freshman or sophomore
- Programs staffed *primarily by adjuncts*

**Leveraging Your Existing ELI**
- Pathways programs often built into existing English language institutes
- Lower levels of English can feed pathways, though most students still directly recruited

Source: Education Advisory Board interviews and analysis.
## Speed Bumps or Roadblocks?

### Key Considerations in Developing Pathways

<table>
<thead>
<tr>
<th>Political Uncertainty</th>
<th>Quality/Brand Concerns</th>
<th>Faculty Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Homeland Security concerned institutions are &quot;gaming system,&quot; issuing I-20s to students who don't meet ESL requirements</td>
<td>- Saudi mission banned students from attending Southern Utah Univ. pathway program due to quality concerns</td>
<td>- Home faculty participation in disciplinary courses key to maintaining quality</td>
</tr>
<tr>
<td>- Students must meet admission requirements to receive an I-20 – do pathways qualify?</td>
<td>- Students complained that plagiarism was tolerated and that the program was &quot;oversaturated&quot; with Saudi students</td>
<td>- If colleges are responsible for providing faculty, need a mechanism to incent decanal participation, organize hiring.</td>
</tr>
<tr>
<td>- New regulations anticipated in summer 2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Draft regulations suggest conditional admissions will be curtailed while pathways programs will remain permissible</td>
<td>- Avoid <em>pathing students</em> into undergrad programs without an ESL course or test requirement</td>
<td>- Offer a revenue share for decanal participation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Appoint an academic coordinator to develop enrollment projections, hire correct number of adjuncts</td>
</tr>
</tbody>
</table>
Reinvesting in Academic Support

Pathways Revenues Fund Campus-Wide Internationalization Efforts

High-Touch Pathways Instructional Model
- Taught by regular faculty with special training
- Typical section size 15-18
- Reading and recitation sections

Intensive Student Support
- Intercultural student services
- International living learning center
- Counseling services
- Diversity services

Faculty Development
- Global learning communities for faculty
- Faculty internationalization grants
- Provost fund for new initiatives

Source: Education Advisory Board interviews and analysis.
International Undergraduates

Growth Driven by Fee-Paying Undergraduates
Increase in International Enrollment by Level, 2006-2011

Growth Dominated By Chinese Students
International Undergraduate Enrollment by Nationality

Still a Small Share of Enrollment Across Sectors
Median Undergraduate International Percentages by Sector

Program Preferences Surprisingly Diverse
Share of Completions Among International Undergraduates
### Recruiting Approaches

1. Summer ESL remediation for direct admits
2. Transfer partnerships with internationalized community colleges
3. Conditional admission program without academic pathways
4. ESL pathway partnership with an “enablement” firm
5. In-house, for-credit ESL pathway with wraparound support

### Student Support Services

1. Cross-cultural communications training for instructors, support staff
2. Peer mentor-led cohorts to better integrate pathways students
3. Dedicated tutors and teaching assistants for pathways students
4. Full-time academic advisor and counselor for populations > 100
5. Pathways living learning community with dedicated housing and staff

### Barriers to Growth

1. Faculty concerns over student quality
2. Overreliance on Chinese recruitment
3. Insufficient cultural support for faculty and staff
4. Political pressure to curtail international enrollment
5. Lack of capacity in popular programs

Choosing Where to Compete
Four Emerging Student Segments

- Low-Income, High-Ability
  - Current Market Size: 2.8K
  - Potential Market Size: 35K

- English Language Learners
  - Current Market Size: 35K
  - Potential Market Size: 500K

- Community College Transfers
  - Current Market Size: 3M
  - Potential Market Size: 5M

- Adult Degree Completers
  - Current Market Size: 3M
  - Potential Market Size: 20M
Right Under Our Noses
The Sizable Community College Transfer Market

3M Entering Pipeline Annually…
Community College Students by Goal

- Total Enrollment: 13M
- For Credit: 8M
- Seeking Associate Degree: 5M
- Transfer to Four Year: 3M

… But Millions More Would Like To
60-80%
First-time community college students who expect to transfer and earn a B.A.

1) NCES data adjusted based on interview with community college presidents
As Good As Your Freshmen

Transfers Match “Natives” Performance and Financial Status

Transfer Students Share Financial Characteristics with 4-Year” Natives”

Income Distribution of Prospective Transfers vs. Direct Admits, 2003-2004 Cohort

... And Are Highly Likely to Succeed

National 6-Year Graduation Rates by Transfer Status, 2006 Entering Cohort

- Nearly ¾ of Transfers are Middle or Upper Income
- 2-Year Students Who Intend to Transfer
- Native 4-Year Students

- 27%
- 52%
- 21%

- 20%
- 51%
- 29%

- Bottom Quartile
- Middle Quartiles
- Top Quartile

- Transferred w/o Associate's
- Started at 4-Year Institution
- Transferred w/ Associate's

Source: National Student Clearinghouse Research Center, “Transfer Outcomes,” and “Completing College: A National View of Student Attainment Rates”; National Center for Education Statistics, Beginning Postsecondary Survey; Education Advisory Board interviews and analysis.
Captive Market No More
Traditionally Place-Bound Transfers Now Face Host of New Options

The Empire Strikes Back

• **3+1 transfer partnerships** between two community colleges and online giant announced in December 2012
• Phoenix plans to expand to **100 employer-advised transfer partnerships with community colleges** by end of 2013 to buttress sagging enrollments

Online Non-Profits Join the Fray

• 10,000-student Coastline Community College piloting Gates-funded pathway to UMassOnline and Penn State World Campus online bachelor’s in spring 2013
• Partnership hopes to serve 10,000 students
• Total degree would cost ~$25K

No Choice But to Work With For-Profits

“If our public universities won’t create the options, and our non-profit private institutions won’t, then we have to seek alternatives, and the University of Phoenix is one of those that we’re trying.”

Bob Templin
President, Northern Virginia Community College

## Filling in the Gaps

Is Recruiting a Transfer More Profitable Than Retaining a Freshman?

<table>
<thead>
<tr>
<th></th>
<th>“Native” Freshmen</th>
<th>Community College Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Aid</strong></td>
<td>Financial aid bidding war</td>
<td>Significantly less aid than freshmen</td>
</tr>
<tr>
<td><strong>Support Services</strong></td>
<td>Expensive interventions (e.g., FYE, counseling)</td>
<td>Moderate cost of transfer advising/articulation</td>
</tr>
<tr>
<td><strong>Capacity Constraints</strong></td>
<td>Expensive to add capacity to lower division (labs, adjuncts)</td>
<td>Excess capacity in upper division due to attrition</td>
</tr>
<tr>
<td><strong>Student Success</strong></td>
<td>Comparable student success, engagement, and likelihood to contribute philanthropically</td>
<td></td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
Community College Transfers

Building a Sustainable Pathway for Transfers

Investing in Flexibility, Relationships, and Support Services

Source: Education Advisory Board interviews and analysis.

Laying the Groundwork

**Focus: Increased Flexibility**
- Non-Linear Advising Guides
- Transfer Admissions Consortium
- Financial Aid Consortium

Establishing Feeder Status

**Focus: Relationship Building**
- Automated Reverse Transfer
- Relationship-Centered Recruitment
- Curriculum Alignment Forum

Offering a Seamless Experience

**Focus: Wraparound Support**
- Transfer “Express Lanes”
- Online Articulation Center
- Digital Transfer Pathways

Resource Investment

Atractiveness to Students
Not Just for Publics
Small GA Privates Cooperate to Grab Share from Regional Publics

Small Private Colleges Disadvantaged in Transfer Market
- No Universal Transfer Articulation
- Lack of Brand Awareness Compared to Regional Publics
- Institutional Resistance to Transfer Market

Consortium of 25 private colleges
Serves >100K two-year students

Consortium-wide Articulation Agreement (19 GICA Institutions Participating)

- 50 courses articulated
- Admissions guarantee for TCSG transfers with A.A. and 2.5+ GPA
- At 4 GICA Schools: Gen ed requirements dropped for transfers with A.A.s
- Agreement signed February 2013, first transfer statistics to be released summer 2013

$1.6M
Net tuition potential\(^1\) per GICA institution if an additional 1% of TCSG students transfer

---

\(^1\) Per transfer cohort (assumes 2 years of enrollment at GICA institution). Assumes 52 new transfer students per GICA institution, $30K list price and 50% discount rate.

Source: Paul Fain, “Private colleges in Ga. Open doors to students from technical colleges,” Inside Higher Ed, April 2, 2013; Education Advisory Board interviews and analysis.
Credit Evaluation Bottleneck at Both Ends
Slow and Unpredictable Process Hinders Students, Frustrates Faculty

Prospective Transfer

Students meet with advisors to review credit transfer…
… but don’t know which credits will transfer until they enroll

Transcript Credit Evaluation

Departments evaluate transcripts for transfer credit…
… through labor-intensive, inconsistent process

Academic Department

Bridging the Gap with an Automated Articulation System

- Offer self-service, pre-application articulation information
- Limit faculty and staff time investment in articulation

Source: Education Advisory Board interviews and analysis.
Automating Articulation
Building a Frictionless Transfer Mechanism

Self-Evaluate Credits
- Receive pre-application guidance on transferable courses

Pre-Enrollment Credit Report
- After application (but before enrollment), students receive Degree Progress Report

Instant Credit Assessment
- Credit for 120,000 courses from 2,500+ institutions can be assessed instantly

Coming Soon
- Pre-application reports to expand transparency

Systematize New Credit Evaluation
- Apply departmental standards when clear equivalents exist
- Escalate ambiguous cases to departmental representatives

Build the Database
- Load approved courses from new or strategic partners (5-10 schools per year)
  - $14K per year subscription to College Source course catalog database
- No start-up costs; “database” is an Excel spreadsheet that interfaces with PeopleSoft

Source: Education Advisory Board interviews and analysis
Community College Transfers

3M Entering Pipeline Annually
Community College Students by Goal

<table>
<thead>
<tr>
<th>Total Enrollment</th>
<th>For Credit</th>
<th>Seeking Degree</th>
<th>Transfer to 4yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>13M</td>
<td>8M</td>
<td>5M</td>
<td>3M</td>
</tr>
</tbody>
</table>

Public Master’s Leading the Pack
Median Transfer-In Rates by Sector

<table>
<thead>
<tr>
<th>For Profit</th>
<th>Public MA</th>
<th>Private MA</th>
<th>Public Res</th>
<th>Public BA</th>
<th>Private BA</th>
<th>Private Res</th>
</tr>
</thead>
<tbody>
<tr>
<td>51%</td>
<td>35%</td>
<td>32%</td>
<td>30%</td>
<td>26%</td>
<td>19%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Faring at Least as Well as “Natives”
6-Year Graduation Rate by Source of Entry, 4yr Institutions

| Transfer w/ AA | 71% |
| Native First Year | 61% |
| Transfer w/o AA | 55% |

Program Preferences Match General Population’s
Share of Completions at Transfer-Friendly Institutions

<table>
<thead>
<tr>
<th>Business</th>
<th>22%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Professions</td>
<td>8%</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>8%</td>
</tr>
<tr>
<td>Psychology</td>
<td>6%</td>
</tr>
<tr>
<td>Communications</td>
<td>5%</td>
</tr>
<tr>
<td>Arts</td>
<td>5%</td>
</tr>
<tr>
<td>Recruiting Approaches</td>
<td>Student Support Services</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Supplement rigid articulation agreements with flexible advising guides</td>
<td>Establish an advising presence on two-year campus</td>
</tr>
<tr>
<td>Subscribe to a two-year honors program lead generation service</td>
<td>“Reverse articulate” associate’s degrees to provide students an interim credential</td>
</tr>
<tr>
<td>Create dual enrollment partnerships with extensive shared services</td>
<td>Establish a shared SIS with large feeders to reduce paperwork latency</td>
</tr>
<tr>
<td>Automate articulation so students can better evaluate credit transfer potential</td>
<td>Integrate early advising with admissions guarantee, creating “express lanes”</td>
</tr>
<tr>
<td>Path AA/AS graduates into fully online bachelor’s programs</td>
<td>Organize a curriculum alignment forum with feeder institutions to limit repeated courses</td>
</tr>
</tbody>
</table>

Source: IPEDS; American Association of Community Colleges, “Reclaiming the American Dream: Community Colleges and the Nation’s Future,” 2012; Education Advisory Board interviews and analysis
Choosing Where to Compete

Four Emerging Student Segments

- Low-Income, High-Ability
  - Current: 2.8K
  - Potential: 35K

- English Language Learners
  - Current: 35K
  - Potential: 500K

- Community College Transfers
  - Current: 3M
  - Potential: 5M

- Adult Degree Completers
  - Current: 3M
  - Potential: 20M
Joe College Goes Gray
Adult Undergrads to Grow Over Twice as Fast as Younger Students

Adult Undergrad Students at Four-Year Institutions

0.9% Projected annual growth, 2011-2021

5.9M 7.6M
Undergrads Aged 18-24

2.2% Projected annual growth, 2011-2021

2.9M 3.6M
Undergrads Aged 25+

Source: National Center for Education Statistics, Projections of Education Statistics to 2021 and Digest of Education Statistics 2012; Education Advisory Board interviews and analysis.
A Second Chance for a College Degree

54M Adults Have Completed Some College, But No Bachelor’s Degree

The Degree Completion Opportunity

U.S. Population by Education Level

High School or Less: 87.4M
Some College, No Degree: 34.2M
Associate’s Degree: 19.7M
Bachelor's Degree: 40.6M
Graduate Degree: 22.8M

54 million adults have some college or an associate’s degree

Yesterday’s Dropouts, Tomorrow’s Clientele

1.8 million undergraduates start at 4-year institutions every year

450,000 will have dropped out or transferred to a 2-yr within six years, becoming potential degree completers

Say they want to go back to school – only 3% do so

Serving Degree Completers at Scale
The Rise of the Online Degree Completion Programs

Online Undergraduate Enrollment at Selected Institutions, 2010-2011

- Liberty Univ. (29K)
- Park Univ. (17K)
- Western Gows. (17K)
- Excelsior (15K)
- Thomas Edison (15K)
- UMUC (7K)
- SNHU (5K)
- Troy Univ. (4K)
- Regis Univ. (2K)
- Tiffin Univ. (2K)

Liberty University Online Plans to expand to 100,000 students within two years
SNHU plans to grow to 350K online students by 2018

The Best Hope for Meeting Completion Goals

Foundations and Governors Pin Hopes on Degree Completers

Lumina Leads the Completion Charge

States Add Their Own 2025 Pledges

- **Colorado** plans to double the number of degrees produced in its state system

- **Arkansas** pledges to double the total number of degree holders in the state

- **Tennessee** plans to increase its degree-holder rate to the national average

Percentage of Americans with “high-quality degrees or other credentials”

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>38%</td>
</tr>
<tr>
<td>2025</td>
<td>60%</td>
</tr>
</tbody>
</table>

Non-Traditional Students are Non-Negotiable

“While the specifics and timeframes of these goals may differ, one thing is true across the board: none of them will be met by only improving the ‘traditional’ education pipeline. States and institutions will also have to increase the number of adults who earn a postsecondary degree.”

*Patrick Lane, Demaré K. Michelau, and Iris Palmer*

*WICHE/HCM Strategists*

Source: WICHE, “Going the Distance in Adult Degree Completion: Lessons from the Non-Traditional No More Project,” June 2012; Education Advisory Board interviews and analysis.
# Adult Learners 101

Reach Out to Middle-Class Working Women to Drive Adult Enrollment

## White Women in Their 30s Dominate the Adult Landscape

### Demographic Characteristics of Adult Learners

- **Age:** Mid-late 30s
- **Gender:** Female (~70%)
- **Race:** White (~90%)
- **Previous Education:** At least two years of college
- **Income:** $40-60K
- **Enrollment Intensity:** Part-time

## Degree Interests Overwhelmingly Professional

### Undergraduate Completions at Primarily Adult-Serving Institutions, 2011

<table>
<thead>
<tr>
<th>Field</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>44%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>12%</td>
</tr>
<tr>
<td>Health Professions</td>
<td>11%</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>7%</td>
</tr>
<tr>
<td>Interdisciplinary</td>
<td>6%</td>
</tr>
<tr>
<td>Liberal Arts</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Carol Aslanian and Natalie Green Giles, “Hindsight, Insight, Foresight: Understanding Adult Learning Trends to Predict Future Opportunities,” Education Dynamics; National Center for Education Statistics, IPEDS Degree Completion Database
Reporting for Duty

Military and Veteran Student Population Growing Steadily

Undergraduate Veterans Dominate the Military Market

Military Enrollment by Level and Service Status

Enormous Growth Rates Since 2009…

137% Veterans
125% Active Duty
224% Dependents

... With Even Greater Growth Potential

5% Of enlisted personnel hold a bachelor’s degree or higher

Credit Where Credit Is Due
Prior Learning Assessment Critical for Adult Student Success

Percentage of Degree Completion Students by Previous Credits Earned

Graduation Rate for Adult Students by Prior Learning Status and GPA

How Much Will You Need to Change?

Adult Students Need Broader Range of Flexible Options

Affordability
- Low price
- Shorter courses
- Experience with military or corporate tuition assistance

Convenience
- More evening hours
- Flexible schedules
- Credit for prior courses
- Childcare
- Online

Career Outcomes
- Programs linked to available jobs
- Career placement services
- Internships and practicums

Though 50% of adult students prefer hybrid instruction – only 30% want fully online

Source: Education Dynamics, “Converting Credits to Degrees,” Aslanian Seminars; Education Advisory Board interviews and analysis.
Adult Degree Completers

Growth to Outpace 18-24 Year Olds

Growth in 4yr Undergraduate Enrollment by Age, 2011-2021

- Aged 18-24: 7.6M (9%) and 8.3M (24%)
- Aged 25+: 2.9M and 3.6M

For-Profits Still Dominate Adult Market

Median Percentage of Adult Undergraduates By Sector

- For Profit: 70%
- Public BA: 24%
- Public MA: 21%
- Private MA: 20%
- Public Res: 13%
- Private BA: 8%
- Private Res: 7%

Market Undersaturated Despite Anticipated Growth

Programs Still Failing to Meet Audience’s Needs

- 54M U.S. adults with some college but no bachelor’s degree
- 50% Proportion who would return to school if it were more convenient
- 3% Proportion of students with some college who return to school

Degree Interests Overwhelmingly Professional

Undergraduate Completions at Adult-Friendly Institutions

- Business: 44%
- Public Administration: 12%
- Health Professions: 11%
- Homeland Security: 7%
- Interdisciplinary: 6%
- Liberal Arts: 4%
<table>
<thead>
<tr>
<th>Recruiting Approaches</th>
<th>Student Support Services</th>
<th>Barriers to Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mine your list of non-completers for initial marketing outreach</td>
<td>1. Ensure articulation agreements exist with top feeder colleges and universities</td>
<td>1. Fears of low student or program quality</td>
</tr>
<tr>
<td>2. Centralize market research to lessen dependence on departmental initiative</td>
<td>2. Lengthen support service evening hours to accommodate working adults</td>
<td>2. Cannibalization of traditional undergraduates</td>
</tr>
<tr>
<td>3. Multiple (or anytime) start dates</td>
<td>3. Offer payment plans and align payment schedule with employer tuition assistance</td>
<td>3. Lack of hybrid/online courses</td>
</tr>
<tr>
<td>4. Expand prior learning credit opportunities (e.g., challenge exams or portfolios)</td>
<td>4. Expand distance student access to campus amenities (e.g., library, tutoring center)</td>
<td>4. Restrictions on prior learning</td>
</tr>
<tr>
<td>5. Establish satellite learning sites or branch campuses with hybrid learning capabilities</td>
<td>5. Establish an adult- or military-specific student support coordinator</td>
<td>5. Increased competition from primarily online schools</td>
</tr>
</tbody>
</table>

Seeking Sustainable Frontiers
Diversifying Today to Reach Students of Tomorrow

Sustainable Frontiers
- Low-Income, High-Ability
- English Language Learners
- Community College Transfers
- Professional Master’s
- Adult Degree Completers

Critical Requirements
- New Program Designs
- New Student Support Services
- New Marketing Approaches
- New Online Infrastructure

Net Tuition Revenue

Running To Stay in Place

Ruinous Competition

Today
Five Years Hence
A Decade and Beyond

Source: Education Advisory Board interviews and analysis.
Section 4

Frontiers in Graduate Education

Expanding the Market for Professional Programs
The Professional Master’s Opportunity

Master’s to Drive Greater Share of Enrollment Growth over Next Decade

Master’s as Share of Total Degree Completions, 2011

- Bachelor’s: 1.7M (66%)
- Master’s: 720K (28%)
- Doctoral: 160K (6%)

Share of Growth in Total Completions by Level, 2001-2011 vs. 2011-2021

- Bachelor’s: 66%
- Master’s: 28%

Of Growing Importance Across Sectors

But Privates Placing Greater Emphasis Overall

Master’s as Share of Total Degree Completions by Sector, 2001 vs. 2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>2001 Share</th>
<th>2011 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Research</td>
<td>38.0%</td>
<td>40.5%</td>
</tr>
<tr>
<td>Private Master's</td>
<td>31.1%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Public Research</td>
<td>22.5%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Public Master's</td>
<td>19.8%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Private Bacc.</td>
<td>4.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Public Bacc.</td>
<td>1.2%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Even baccalaureate colleges have entered master’s market

Institutions Leading Each Sector in Number of Master’s Added, 2001-2011

<table>
<thead>
<tr>
<th>Institution</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern University</td>
<td>2,287 5,088</td>
<td>762 3,210</td>
</tr>
<tr>
<td>Liberty University</td>
<td>272 5,487</td>
<td>2,179 4,213</td>
</tr>
<tr>
<td>ASU</td>
<td>112 245</td>
<td>49 127</td>
</tr>
<tr>
<td>UMUC</td>
<td>2,179 4,213</td>
<td>2,287 5,088</td>
</tr>
<tr>
<td>Middlebury</td>
<td>1,12 245</td>
<td>762 3,210</td>
</tr>
<tr>
<td>CSC</td>
<td>49 127</td>
<td>272 5,487</td>
</tr>
</tbody>
</table>

1) Calculations of share include bachelor’s, master’s, doctoral, and associate’s degrees.
Correlation Between Master’s Growth and Net Tuition Revenue

1) Graph includes all 4-year not-for-profit institutions that conferred at least 100 master's degrees in 2005.

Source: National Center for Education Statistics, IPEDS Data Center; Education Advisory Board interviews and analysis.
A Market-Driven Success Story

Subspecialty Master’s Fuels Remarkable Revenue Growth

Northeastern University
College of Professional Studies

Select Master’s Program Introductions, 2004-2010
- Applied Nutrition
- Criminal Justice Leadership
- Global Studies and International Affairs
- Nonprofit Management
- Respiratory Care Leadership
- Informatics
- Regulatory Affairs for Drugs, Biologics, and Medical Devices
- Technical Communication
- Geographic Information Technology

2003 Revenues: $22M
First Graduate Degree Offered in 2004
2010 Revenues: $72.5M

$72.5M
80% retained by College
20% to general fund

Source: Institutional website, Education Advisory Board interviews and analysis.
From Liberal Arts to Professional Innovation

Managing Two Cultures to Expand Tuition Revenue

Student Headcount by College

<table>
<thead>
<tr>
<th>College</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regis College</td>
<td>1,623</td>
</tr>
<tr>
<td>College for Health Professions</td>
<td>2,772</td>
</tr>
<tr>
<td>College of Professional Studies</td>
<td>10,055</td>
</tr>
</tbody>
</table>

Share of Tuition Revenue Generated by College

- Professional Studies: 49%
- Health Professions: 30%
- Liberal Arts: 21%

Source: Education Advisory Board interviews and analysis.
## Defining the Professional Masters

### A Contrast To Traditional Master’s Programs

<table>
<thead>
<tr>
<th>Traditional Master’s</th>
<th>Professional Master’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time, residential</td>
<td>Part-time, low residence</td>
</tr>
<tr>
<td>Thesis</td>
<td>Project or work experience</td>
</tr>
<tr>
<td>Path to PhD</td>
<td>Path to employment</td>
</tr>
<tr>
<td>Designed around faculty research interests</td>
<td>Designed around employer hiring interests</td>
</tr>
<tr>
<td>Taught exclusively by tenure stream faculty</td>
<td>Taught by tenure stream faculty and adjuncts</td>
</tr>
<tr>
<td>Housed within single department</td>
<td>Cross-disciplinary/ multiple departments</td>
</tr>
<tr>
<td>Financial aid available</td>
<td>Typically self-pay</td>
</tr>
<tr>
<td>Younger, less experienced students</td>
<td>Often older students with work experience</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
### Driven by Both Supply and Demand

**Why Master’s Degrees Are Increasingly Popular**

#### Ready Supply from Universities
- Generates enrollment revenue as core markets stagnate
- Not subject to caps on undergraduate tuition
- Protects selectivity and brand of core programs, including bachelor’s
- Makes use of lower cost, more flexible instructors

#### Growing Demand from Students, Employers
- Delivers specialized skills for increasingly technical roles
- Provides practical experience that eases entry into workforce
- Allows midcareer professionals to keep pace with upskilling
- Offers shorter, less costly alternatives to traditional graduate degrees

Source: Education Advisory Board interviews and analysis.
Keeping Up with Upskilling
Advanced Credentials Catching On, Even in Less Expected Industries

Percentage of Jobs Projected to Require a Master’s Degree or Higher

- **2008:** 9.4%
- **2018:** 10.7%

Total number of jobs requiring master’s degree or higher:

- **2008:** 13.7M
- **2018:** 17.2M

Jobs Projected to Require a Master’s Degree or Higher in Select Industries

- **Business Services:**
  - **2008:** 18% 3.5M
  - **2018:** 21% 4.8M

- **Public Sector:**
  - **2008:** 11% 2.4M
  - **2018:** 13% 2.8M

- **Retail:**
  - **2008:** 3% 660K
  - **2018:** 5% 1.1M

Source: Georgetown University Center on Education and the Workforce, “Help Wanted:,” June 2010; Education Advisory Board interviews and analysis.
Not Just the Big Hitters
Large Fields Still Popular, But Smaller Fields Growing Faster

Growth in Graduate Degrees Conferred by Discipline, 2006-2011

1) Disciplines are defined by 2-digit Classification of Instructional Program (CIP) codes. Data includes master's and doctoral degrees.

Source: National Center for Education Statistics, IPEDS Data Center; Education Advisory Board interviews and analysis.
A Master’s Market Online
Graduate and Professional Programs First to Shift Modalities

Fully Online Students by Degree Level, 2011

- **Associate**
  - Online Students: 635,000
  - Online Share of Enrollment: 13.5%

- **Bachelor's**
  - Online Students: 963,000
  - Online Share of Enrollment: 8.3%

- **Master's**
  - Online Students: 591,000
  - Online Share of Enrollment: 29.7%

- **Doctoral**
  - Online Students: 52,000
  - Online Share of Enrollment: 14.5%

*Almost 1/3 of master’s enrollments online*

Source: National Center for Education Statistics, SEC filings, institutional data, Sloan-C, and Eduventures analysis; Education Advisory Board interviews and analysis.
The For-Profit Focus
A Disproportionate Master’s Emphasis Among the Market-Driven

Degree Completions by Level and Institutional Control, 2011

Share of For-Profit Master’s Completions by Field, 2011

Source: National Center for Education Statistics, IPEDS Data Center, Education Advisory Board interviews and analysis.
The Sleeping Giants Awake
Nonprofit Institutions Reclaiming Online Share from For-Profits

Online Market Share by Control, 2009-2011

Nonprofits take 6 points of share from for-profits in one year

Private Nonprofit

- 2009: 12%
- 2010: 12%
- 2011: 14%

Public

- 2009: 46%
- 2010: 45%
- 2011: 49%

For-Profit

- 2009: 42%
- 2010: 43%
- 2011: 37%

A Stubbornly Regional Market

Local Brand Shapes Geography of Online Audience

80%
Percentage of online students living within 100 miles of campus or learning center

“More and more, when we work with less well-known institutions that are better known in their own regions, the direction is relatively clear: why not attract local populations, rather than national? …These individuals know them, local employers know them, and they have greater credibility.”

Carol Aslanian, Senior Vice President, Education Dynamics

A Highly Fragmented Market

Even the Largest Provider Has a Relatively Small Share

420K Total enrollment in degree programs, 2010-2011

19K Number of master’s degrees conferred in 2011

112 Number of campuses across United States

$650M Apollo Group, Inc. marketing expenses, FY 2010-2011

University of Phoenix’s Share of Master’s Market by Discipline, 2011

- Criminal Justice: 10.3%
- Psychology: 6.0%
- Business: 5.0%
- Human Sciences: 3.7%
- Health Care: 3.0%
- All Master's Degrees: 2.6%
- Education: 2.5%
- Computer/IT: 0.9%

Number of master's degrees conferred in 2011: 19K

Total enrollment in degree programs, 2010-2011: 420K

Apollo Group, Inc. marketing expenses, FY 2010-2011: $650M

Number of campuses across United States: 112

Yesterday’s Big Hitters

Core Professional Programs Face Threats to Demand Or Capacity

Graduate Program Completions at Nonprofit Institutions, 2011

- Declining M.Ed. demand due to policy upheaval and rise of alternative providers
- Declining MBA demand due to market saturation and wavering value
- Rising applications, but limited capacity due to clinical sites and faculty
- Declining J.D. demand due to weak job market and high student debt

Source: National Center for Education Statistics, IPEDS Data Center; Education Advisory Board interviews and analysis.
Education: A Degree Under Scrutiny

Policy Changes and Sluggish Hiring Reduce Demand for M.Ed.

Risk Factors for the Master’s in Education

Average Annual Percentage Change in First-Time Master’s Enrollment

- Reduction in salary bumps for teachers with advanced degrees
- Limited hiring due to school budget cuts and slowing retirements
- K-12 policy upheaval reducing appeal of classroom teaching
- Growing competition from online and alternative degree providers

Source: Council of Graduate Schools, “Graduate Enrollment and Degrees: 2001 to 2011,” Sept 2012; News outlet websites; Education Advisory Board interviews and analysis.

Duncan: Rewarding Teachers for Master’s Degrees is a Waste of Money

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Business: A Diluted Degree

MBA Applications Slip As Market Saturates and Recession Drags On

Risk Factors for the MBA

A Smart Investor Would Skip the MBA

- Countercyclical enrollment boost fading as recession wears on
- Dilution of value proposition as degree loses exclusivity
- Saturation of regional markets with branch campuses and online degrees
- Reduction in tuition assistance from corporate employers

Two-Year, Full-Time MBA Programs Reporting Decline in Application Volume

Source: Graduate Management Admissions Council, "2012 Application Trends Survey," Sept 2012; Education Advisory Board interviews and analysis.
Is the Cash Cow Dead?

“I think I could write an article called ‘The Cash Cow is Dead.’ The whole story all across America was that MBA programs were extremely lucrative. They allowed us in the '70s, '80s, and '90s to fund a good part of the rise of the whole institution...That's not true anymore. They're not able to meet the level of contribution to the university that they have historically made.”

Provost, Private Research University
Law: A Degree in Crisis

Applications and Job Prospects Plummeting Together

Risk Factors for the J.D.

- Reduced hiring needs as reliance on technology and outsourcing grows
- Weak client demand for expensive services during recession
- Growing student debt, exacerbated by weak employment outcomes
- Widespread media scrutiny of the law school “bubble”

Applications and Matriculations to J.D. Programs, 2003-2013

Total Applicants and Total First-Year Enrollment

Potential convergence of applications and open seats

Total applicants for 2013 was projected from the current number of submitted applications as of Apr 5, 2013 (52,066) and the percentage of total applications received by that date in 2012 (91 percent).

Source: American Bar Association, “Enrollment and Degrees Awarded”; Law School Admissions Council, “Three-Year ABA Volume Comparison”; news outlet websites; Education Advisory Board interviews and analysis.
The Sophie’s Choice of Admissions

“We will face a real crisis if we have to choose between filling all the seats and lowering application requirements, or keeping our application requirements the same but ending up with fewer students and less revenue. That will be Sophie's Choice for us.”

Provost, Private Research University
Health Care: In Unprecedented Demand

Demographic Trends Require Rapid Workforce Expansion

Projected Growth for Select Occupations, 2010-2020

- Physical Therapists: 39.0%
- Audiologists: 36.8%
- Occupational Therapists: 33.5%
- Physician Assistants: 29.5%
- Speech-Language Pathologists: 23.4%

Average across all occupations: 14.3%
Average across healthcare practitioners and technical occupations: 25.9%

Source: Bureau of Labor Statistics, "Employment Projections"; Education Advisory Board interviews and analysis; Georgetown University Center on Education and the Workforce, "Health Care," June 2012; Education Advisory Board interviews and analysis.
The Capacity Question

Clinical Degrees Challenged to Accommodate Rapid Demand Growth

Average Number of Applications and Enrollments in Doctor of Physical Therapy Programs, 2003-2007

Rising popularity of centralized applications system contributes to growth

Common Capacity Constraints

- Clinical Placements
- Faculty Availability
- Physical Space & Equipment

Source: Commission on Accreditation in Physical Therapy Education, "2011-2012 Fact Sheet," June 2012; Education Advisory Board interviews and analysis.
Solving the Supply and Demand Challenges

Designing Programs to Expand Markets and Use Existing Capacity

**Softening of Traditional Demand**
- Economic recession
- Shifting industry structures
- Regulatory changes

**Roadblocks to Expanding Supply**
- High fixed costs (faculty, facilities)
- Accreditation standards
- Rankings anxiety

Identify “nontraditional” professional students subject to a different set of market and industry trends

Develop “side” programs that draw on existing resources without detracting from rankings or accreditation

Design new programs that deliver existing courses in ways that appeal to new student markets

Source: Education Advisory Board interviews and analysis.
Not Yet Reaching the Whole Market

Traditional Program Design Limits Audience for Professional Programs

Common Enrollment Constraints

**Geography**

“I can’t travel or move to this program.”

**Schedule**

“I can’t fit this program into my full-time work schedule.”

**Age or Work Experience**

“I’m too young (or too old) and have too little (or too much) work experience for this program.”

**Academic Preparation**

“I have the aptitude for this program— but not the standard qualifications.”

Source: Education Advisory Board interviews and analysis.
What Workers Want
Common Attributes of Effectively Designed Programs

**Flexible Delivery**
Accommodates adults with competing professional and personal commitments
May expand audience to include new geographic and demographic markets

**Accelerated Format**
Reduces opportunity cost for those taking time off work for degree
May also reduce price, depending on credit and tuition structures

**Stackable Credentials**
Allows students to pick out modular, often specialized, parts of degrees
Encourages students to later apply credits toward advanced credentials

**Interdisciplinary Pathways**
Tailors content and pedagogy to students formally trained in another discipline
Provides common knowledge base to students with varied backgrounds

**Practical Experience**
Fulfills growing employer demand for new hires with work experience
Enhances employment outcomes by producing better prepared graduates

**Professional Development**
Encourages application of program content in current work setting
Allows for networking, mentorship, and other career advancement benefits

Source: Education Advisory Board interviews and analysis.
### Not Just “Working Professionals”
Designing Programs to Serve Distinct Market Segments

#### Professional Goals

<table>
<thead>
<tr>
<th>Entry into new field</th>
<th>Advancement in current field</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Career Starters</strong></td>
<td><strong>Career Climbers</strong></td>
</tr>
<tr>
<td>Recent graduates seeking professional degree before entering workforce</td>
<td>Mid-career professionals seeking graduate degrees for promotion or raise</td>
</tr>
<tr>
<td>- Accelerated format</td>
<td>- Flexible delivery</td>
</tr>
<tr>
<td>- Stackable credentials</td>
<td>- Stackable credentials</td>
</tr>
<tr>
<td>- Practical experience</td>
<td>- Professional development</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Career Changers</strong></th>
<th><strong>Career Crossers</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-career adults seeking graduate degrees to move into new fields</td>
<td>Mid-career professionals seeking cross-training to advance in current fields</td>
</tr>
<tr>
<td>- Accelerated format</td>
<td>- Flexible delivery</td>
</tr>
<tr>
<td>- Interdisciplinary pathways</td>
<td>- Interdisciplinary pathways</td>
</tr>
<tr>
<td>- Practical experience</td>
<td>- Professional development</td>
</tr>
</tbody>
</table>

Source: Education Advisory Board interviews and analysis.
The Specialized Master’s Degree

Upstarts Growing Faster than Traditional MBA or J.D.

Enrollments Reported to AACSB By Degree Type, 2008-2012

- MBA: 141K in 2007, 156K in 2011 (11% increase)
- Specialized Master’s: 37K in 2007, 64K in 2011 (73% increase)

Law Degrees Completed By Award Level, 2001-2011

- Doctoral Degrees (J.D.): 39K in 2001, 46K in 2011 (82% increase)
- Master’s Degrees (LL.M., M.S.): 3.8K in 2001, 7K in 2011 (82% increase)


1) Academic years are referred to by the calendar year in which they end (i.e., “2008” refers to 2007-08).
## Capturing the Career Aspirant

### Accelerated Bachelor’s/Master’s Degrees Challenging But Promising

<table>
<thead>
<tr>
<th>3+1</th>
<th>3+2</th>
<th>3+3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Master of Teaching</strong></td>
<td><strong>Master of Phys. Asst. Studies</strong></td>
<td><strong>Juris Doctor</strong></td>
</tr>
<tr>
<td><img src="image1.png" alt="University of Virginia" /></td>
<td><img src="image2.png" alt="Duquesne University" /></td>
<td><img src="image3.png" alt="Western New England University" /></td>
</tr>
</tbody>
</table>

### 3+1
- Captures high-achieving undergraduates for a year or more of graduate study
- Can path in students from other institutions through 3+X articulation agreements
- Reduces cost (and opportunity cost) of education in price-sensitive environment
- Aligns with growing popularity of AP credits and advanced standing for undergraduates

### 3+2
- Hampered by logistics of coordinating credit and tuition across academic units and levels
- Discouraged by accreditors and state license boards in closely regulated fields
- Inadequately promoted to potential market of undergraduates who might have interest

### 3+3
- Lacks appeal to many students who still want a traditional four-year undergraduate experience

---

Source: Institutional websites; Education Advisory Board interviews and analysis.
Don’t Start from Scratch

New Program Opportunities Draw on Existing Resources

Models for New Program Development

100% Existing Courses
LL.M. in American Law

Substantial Cross-Listing
Master of Finance

New Content, Shared Personnel
Advanced Doctorate in OT

100% Existing Courses
LL.M. in American Law

New students fully integrated into existing classes

Sample Master of Finance Curriculum

Dedicated Courses
- Financial Economics
- Financial Modeling
- Econometrics

Cross-listed with MBA
- Accounting
- Corporate Valuation
- Derivatives
- Electives

Source: Education Advisory Board interviews and analysis.
A Market-Driven Approach to Program Design

Creating Niche Programs Micro-Targeted to Specific Roles

Core Professional Programs

- Larger enrollment
- Slower growth
- Targeted to large professions and roles within relatively stable industries
- Less focus on specialized skills

Specialized Professional Programs

- Smaller enrollment
- Faster growth
- Targeted to new industries, new roles within rapidly changing industries
- More focus on specialized skills

Marketing focused on institutional brand and reputation

Micro-targeting students based on roles, skill clusters, industries

Source: Education Advisory Board interviews and analysis.
Microtargeting Your Market

What Questions Should We Ask When Designing Programs?

Industries and Employers
- In what fields should this program prepare graduates to work? Who might hire them?
- What employers might seek contract training?

Occupations and Roles
- To what types of positions should we target our program?
- What level of education and specialized training do these positions require?

Required Skill Sets
- What specialized skills should our program teach to match employer needs?
- What general skills (e.g., leadership) do roles in this field typically require?

Geographic Markets
- What metropolitan areas demonstrate the strongest demand for this program?
- What industries or employers are driving demand within the hottest markets?
Section 5

The Online Opportunity
Leveraging Technology to Address Institutional Priorities
The Bigger Questions Behind “MOOC Mania”

Critical Strategic Concerns for Institutional Leadership

The Current MOOC Debate

Governors
“Can we use MOOCs as low cost alternatives?”

Administrators
“Will we fall behind if we don’t do a MOOC?”

Boards
“Will students abandon us for MOOCs?”

Faculty
“Will MOOCs make us expendable?”

The True Agenda

1. Sustaining Tuition Revenue
   - Declining public funding
   - New student markets
   - Evolving student preferences
   - Challenges to affordability
   - New types of competitors
   - Student success challenges

2. Building an Online Strategy
   - Innovative program designs
   - Improved instructional quality
   - Economies of scale
   - Regulatory risk
   - Faculty development
   - Student support services

Source: EAB interviews and analysis
Road Map for Discussion

1. Reframing the Debate
2. Curing the Cost Disease
3. Learning from Early Adopters
4. Anticipating Barriers to Growth
A Familiar Story

Information and Media Industries Transformed by Technology

Last Year – The Disruption Debate

Traditional Model Unbundles

Resist or Evolve?

Consumers
• Lured by convenience of no-frills web services

Competitors
• Free from incumbents’ high fixed costs and inertia

Value Chain
• Unbundles as cost to compete rises

Digital Marketplace Matures

Digitization of Distribution

Source: EAB interviews and analysis
Why Aren’t You Doing More Online?

External Pressure to Show Progress

**Headlines**
- “Board Removes President”
- “The MOOC Tsunami”
- “A Mountain of Student Debt”

**Politics**
- CA Legislature considers outside providers
- FL legislature calls for “virtual university”

**Business**
- Online enablement vendors expand
- Industries exploring online credentialing pathways

**Peers**
- Coursera, edX, and Udacity expand ranks
- Some earning significant revenue through online graduate programs

**Competitors**
- Governors embracing Western Governors U
- Investors backing new providers

**Philanthropy**
- Bill Gates backs adaptive learning platforms
- Foundations funding digital badges

Source: EAB interviews and analysis
Looking for a Sustainable Path Forward
Fundamental Business Model Concerns Continue to Percolate

Student Preferences
- Continued growth of online and blended learning in K12 curricula
- Rapid adoption of mobile devices (“BYOD”)
- Prevalence of web communities and gaming
- Demand on campus: “Online sections always fill first”

Competitive Pressures
- Traditional residential pipeline thinning out
- Biggest enrollment opportunities rely on flexible delivery
- Embrace of online learning at both ends of price and selectivity spectrum complicates value proposition

Financial Strain
- Want to grow but can’t afford more buildings
- Online *could* enable instructional savings and economies of scale
- Revenue from new markets could subsidize expensive programs and research expansion

Source: EAB interviews and analysis
In All Shapes and Sizes

Mature Online Offerings Exist Among Every Institutional Type

**Elite Research University**
- 17k undergraduates
- 20k graduate students
- $600M in annual research expenditures
- 60+ online graduate programs
- $110M in annual revenue from online graduate programs

**Regional Public University**
- 51k undergraduates
- 9k graduate students
- $120M in annual research expenditures
- 15 online bachelor's programs
- 24 online graduate programs
- 34% of credit hours are online

**Small Private University**
- 3k undergraduates on campus
- Liberal arts mission
- Evangelical affiliation
- 7,400 online students; mix of adult degree completers and professional master's students
- 41% online growth from 2009-2012; campus enrollment flat

**Community College**
- 67k students
- Began converting curriculum online in 1996
- 41k online students
- 600+ online courses
- 48 start dates per year

Source: EAB interviews and analysis
Suddenly at the Top of the Agenda

Online Learning Moving From the Periphery to the Core

Is Online Education Critical to Your Long-Term Strategy?

Survey of Chief Academic Officers

<table>
<thead>
<tr>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>69%</td>
<td>38%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Meet the Newest Member of Your Cabinet

Sanjay Sarma
Director of Digital Learning
MIT

John Mitchell
VP for Online Learning
Stanford University

Deborah Gearhart
Vice Provost for eLearning
Ohio University

Paul Berman
VP for Online Learning
George Washington University

Sree Sreenivasan
Chief Digital Officer
Columbia University

Jennifer Chesney
AVP of Digital Strategy
University of Alberta

Get Me a Task Force, Stat!

Willing to Innovate if Nothing Changes

Many Online Learning Task Forces Sidestep Budget Implications

Faculty Senate Task Force on Online Education

**Costs are Not Our Problem**

“We do not deny that broader adoption of online learning has financial ramifications, but we decided early in this process that we would not address these financial issues directly.”

**No Change to Our Model**

“Quality expectations, hiring criteria, academic control, and program approval processes must be equivalent to those for traditional campus offerings.”

**No Revenue Allowed**

“The financial case for greater investment in online learning is dubious. Thus, any policies should be based on quality of teaching and learning activities, rather than financial benefits.”

---

**Asking All the Wrong Questions**

*Should we offer a MOOC?*

*Are my peers doing anything online?*

*Is online as good as face-to-face?*

*What are the latest classroom technologies?*

---

**Large-Scale Initiatives Activating Faculty “Immune Response”**

Potential to squander political capital at critical moment

New projects become unsustainable amenities

---

Source: Review of 60+ Online Education Planning Documents
## From “Whether” to “How” We Will Go Online

Rising Above Misconceptions and Semantic Debates

<table>
<thead>
<tr>
<th>Modality Debate Misses Important Distinctions</th>
<th>Key Lessons in Starting a Productive Conversation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online is not a market</td>
<td>Different populations require different programmatic strategies</td>
</tr>
<tr>
<td>Online is neither more nor less effective</td>
<td>Wrap-around services and design standards critical to student success</td>
</tr>
<tr>
<td>Online is neither more nor less profitable</td>
<td>Costs and revenues driven primarily by instructional model and class size</td>
</tr>
<tr>
<td>Online will not replace your campus</td>
<td>Instruction and services will be delivered in multiple modalities</td>
</tr>
<tr>
<td>Online is not a strategy</td>
<td>Institutional priorities and goals should drive decisions about technology</td>
</tr>
</tbody>
</table>

Source: EAB interviews and analysis
Road Map for Discussion

1. Reframing the Debate
2. Curing the Cost Disease
3. Learning from Early Adopters
4. Anticipating Barriers to Growth
Breaking the Iron Triangle

Proponents Argue Online Learning Avoids Traditional Trade-Offs

States Pushing for Change

Florida Flagship to Take “Lead Institution” Role in Fully Online Initiative

Decentralized Development

**Benefits:** Avoids political tension, allows institutions to specialize and differentiate

**Drawbacks:** Limits economies of scale and progress toward state goals

New Online University

**Benefits:** Allows rapid growth and scale within dedicated online structure

**Drawbacks:** Difficult to build new brand and reputation from scratch

System-Wide Collaboration

**Benefits:** Allows institutions to differentiate, while building coordinated web “storefront”

**Drawbacks:** Potential for weak governance and limited campus participation

Lead Institution

**Goal:** Several fully-online baccalaureate programs by January 2014

**Challenges:** Mission and selectivity conflict for R1 University, must cost < 75% of in-state tuition, and potential conflicts within already robust online programs among campuses

Source: EAB interviews and analysis
Serving the Multi-Modal Student
Flexible Formats Critical to Growth and Access

“Multi-Modality” at the University of Central Florida
Head Count by Location, Fall 2010

Main Campus Students (47,926)
- 60%
Regional Campus Students (5,251)
- 3%
Web Students (17,172)
- 18%
Secondary Campus Students (2,472)
- 1%

Growth in Student Credit Hours 2010-2011

Classroom 4%
Online 32%

“Classifying a student as ‘main campus’ or ‘extended campus’ or ‘distance’ becomes meaningless in an environment where students take whatever courses they need in whatever location or modality best suits their requirements at the time.”

Thomas Cavanagh
AVP of Distributed Learning
University of Central Florida

Relevance to Core Becoming Clearer

Technology Will Enhance, Not Replace, Undergraduate Experience

Path to Graduation Eased by Online and Blended Coursework

- Online remedial math course prior to Fall start
- Self-paced online “catch up” course after dropping pre-med chemistry
- Online summer course to complete missing pre-requisite
- Hybrid gen ed course with online lectures and discussion boards
- Two online courses to stay on track while studying abroad

Even Yale

“Yale College students in New Haven, subject to the approval of their DUSs and their residential college deans, may take one (but not more than one) online course for credit during their fall and spring academic semesters.”

**Toward a Blended Future**

**Multi-Modal Delivery Both More Popular and More Effective**

**Bullish on Hybrid**

*Anecdotal Evidence Backs Statistics on Role of Region*

- Even online students want to come to campus and be part of **our community**
- Students value our **connections with local employers** and industry
- **Known regional brands** hold signal value for nontraditional students leery of slick for-profit marketing pitches
- A blended approach helps mitigate the **common persistence gap** we see in fully online programs

**Within Your Reach**

“About 80% of online students live within 100 miles of a campus or service center of the institution they attend, and the large majority live within 50 miles. Geographic proximity is a major advantage in attracting online students.”

*“Online College Students 2012”*  
*Aslanian Market Research*

“Instruction combining online and face-to-face elements had a larger advantage relative to purely face-to-face instruction than did purely online instruction.”

*US Department of Education*  
*Evaluation of Evidence-Based Practices in Online Learning, 2010*
It’s the Model that Matters
Staffing and Section Sizes Most Critical to Instructional Economics

Thirteen Years of Study, Radically Different Cost Savings

Why the Variation?
- Not the discipline
- Not the type of institution
- Not original cost
- Not faculty salary

Technology Enables Scale, But Staff and Size Drive Savings
- No difference in outcomes between redesigns using part-time faculty and larger section sizes

Source: National Center for Academic Transformation Newsletter, April 2013
## Unpacking the Economics

A Tale of Two Redesigns in Introductory Psychology

### Before...

<table>
<thead>
<tr>
<th>Section Size: 50 → 150</th>
<th>Section Size: 150 → 300</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Sections: 18 → 6</td>
<td># of Sections: 18 → 9</td>
</tr>
</tbody>
</table>

### Outcome

<table>
<thead>
<tr>
<th>18 sections of 50 students</th>
<th>18 sections of 150 students</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 taught by full-time faculty @ $7,006</td>
<td>13 taught by full-time faculty @ $13,055</td>
</tr>
<tr>
<td>9 taught by adjunct faculty @ $1,941</td>
<td>5 taught by adjunct faculty @ $2,700</td>
</tr>
</tbody>
</table>

### Cost

<table>
<thead>
<tr>
<th>Class Meetings</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 sections taught by full-time faculty</td>
<td>7 sections taught by full-time faculty</td>
</tr>
<tr>
<td>4 sections taught by adjunct faculty</td>
<td>2 sections taught by adjunct faculty</td>
</tr>
<tr>
<td>12 student learning assistants</td>
<td>6 grad students, 3 adjuncts, and 9 learning assistants added for support</td>
</tr>
</tbody>
</table>

- $31 per student  
  **66% savings**

- $66 per student  
  **9% savings**

Source: National Center for Academic Transformation Newsletter, April 2013
Radically Different Approaches to Success

“Inverted” Delivery Model Emerging Challenge to Tradition

Typical University Program

- Faculty Design Course, Lecture, Mentor, and Assess Students
- Physical Interaction 3-4 Hours per Week in Class
- Rigid Course Structure
- Coaching Possible from Graduate Assistants, Tutoring Center
- Midterm and Final Exams Hand-Graded by Faculty, TAs
- Option to Test Out of Limited Introductory Courses

Experts Determine Competency Requirements

- Physical Interaction Limited to Clinical Placements
- Flexible Content (No Courses) and Modular Curriculum
- Dedicated Student Mentors Conduct Regular Check-Ins
- Assessments Automated or Conducted Through Web Proctoring
- Extensive Recognition of Prior Learning Through Competency Assessment

Source: EAB interviews and analysis
Quality

A Common Formula for Success

Best-In-Class Introductory Course Redesigns Remarkably Similar

<table>
<thead>
<tr>
<th>Three Innovations in Pedagogical Design</th>
<th>Assessment Shows Clear Benefits</th>
<th>The Same “High-Tech, High-Touch” Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>U-Pace Model for LMS-Based Courses</td>
<td>Psych 101 B, A vs. U-Pace Model</td>
<td>Interactive Software</td>
</tr>
<tr>
<td></td>
<td>Underprepared 2%</td>
<td>• Majority of “class time” devoted</td>
</tr>
<tr>
<td></td>
<td>Prepared 5%</td>
<td>to problem-solving</td>
</tr>
<tr>
<td></td>
<td>Underprepared 7%</td>
<td>• Adaptive content modules</td>
</tr>
<tr>
<td></td>
<td>Prepared 19%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stats 101 Traditional 54.7%</td>
<td>Individualized Support</td>
</tr>
<tr>
<td></td>
<td>Hybrid 56.7%</td>
<td>• On-demand assistance from tutors</td>
</tr>
<tr>
<td></td>
<td>15 Weeks 15%</td>
<td>• Personalized feedback for</td>
</tr>
<tr>
<td></td>
<td>8 Weeks 11%</td>
<td>both success and failure</td>
</tr>
<tr>
<td></td>
<td>Final Exam 76.4%</td>
<td>Structured Progress Incentives</td>
</tr>
<tr>
<td></td>
<td>Pass Rate 79.7%</td>
<td>• Grades based on multiple milestones</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Instructor and student</td>
</tr>
<tr>
<td></td>
<td></td>
<td>progress dashboards</td>
</tr>
</tbody>
</table>

| Modified Emporium for Developmental Math | Increase in Developmental Math Completion 15% | Increase in Gatekeeper Math Completion 10% | Redesign Cost Savings Per Student 23% |

Diverging Views on Quality
Third Side of Proverbial “Iron Triangle” Toughest to Bend

Reputation
Association with highly-regarded institution implies superior content and experience

Faculty Expertise
Leading researchers in field provide access to most up-to-date and engaging content

Outcomes
Course results in satisfactory grades, persistence, or career placement

Interaction
Students are actively engaged with one another in discussion and project-based activities

Learning Assessment
Rigorous psychometric assessment design ensures full retention of material and ability

Skill Acquisition
Students attain desired competencies in defined trades or general skills for personal advancement

Professional Design
Sleek user interface and high production value engage and retain students

Standardization
Clear, detailed standards set for all courses ensures consistently smooth experience

Source: EAB interviews and analysis
## Case in Point – Rosetta Stone

Familiar Language Software Demonstrates Key Principles

### Instant Feedback

- Proprietary speech recognition technology assesses pronunciation
- Modular structure allows self-paced progress

### Game-Based Design

- Variety of personal and social games that assess student proficiency
- Numerous progress markers motivate persistence

### Active Peer Networks

- Student-to-student conversation sessions
- Active discussion forums facilitate cross-cultural interaction

### Live Video Tutoring

- Webconference conversations with native speakers
- Limited to 4 participants

Source: www.RosettaStone.com
## Online for Whom?

Differentiating the Major Market Segments

<table>
<thead>
<tr>
<th>Residential Undergraduates</th>
<th>Professional Master’s Students</th>
<th>Adult Degree Completers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opting for Convenience and Enrichment</strong></td>
<td><strong>Investing in Career Advancement</strong></td>
<td><strong>Looking for Fast, Flexible Degrees</strong></td>
</tr>
</tbody>
</table>

### Goals

<table>
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<tr>
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<th>Professional Master’s Students</th>
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</tr>
</thead>
<tbody>
<tr>
<td>On-Time Graduation</td>
<td>Promotion</td>
<td>Salary Bump</td>
</tr>
<tr>
<td>Exploration</td>
<td>Career Change</td>
<td>Personal Fulfillment</td>
</tr>
</tbody>
</table>

### Typical Program Structure

<table>
<thead>
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<th>Residential Undergraduates</th>
<th>Professional Master’s Students</th>
<th>Adult Degree Completers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summer Sessions</td>
<td>Part-Time</td>
<td>Competency / PLA</td>
</tr>
<tr>
<td>Hybrid Courses</td>
<td>Project-Based</td>
<td>Accelerated Programs</td>
</tr>
</tbody>
</table>

### Selection Process

<table>
<thead>
<tr>
<th>Residential Undergraduates</th>
<th>Professional Master’s Students</th>
<th>Adult Degree Completers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>“Search and Shop”</td>
<td>“Search and Shop”</td>
</tr>
<tr>
<td>Reputation</td>
<td>Reputation in Industry</td>
<td>Cost</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td>Convenience</td>
</tr>
</tbody>
</table>
## A Spectrum of Approaches

<table>
<thead>
<tr>
<th>Proportion Online</th>
<th>Online at the Margins</th>
<th>Growing Online Presence</th>
<th>Mature Online Programs</th>
<th>Born Digital Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5%</td>
<td>Limited Summer Courses</td>
<td>Bottleneck Gen Ed Courses Online</td>
<td>Gen Ed Core Online Self-Paced Courses</td>
<td>Fully Online Baccalaureate Degrees</td>
</tr>
<tr>
<td></td>
<td>Blended Master’s Programs</td>
<td>Few Online Master’s Programs Regional Audience</td>
<td>Multiple Online Master’s Programs National Audience</td>
<td>Dozens of Degree and Certificate Offerings</td>
</tr>
<tr>
<td></td>
<td>Converted Night School / ESL Courses</td>
<td>Small General Studies Degree</td>
<td>Multiple Completion Programs Tailored to Local Workforce Needs</td>
<td>Competency-Based, Modular Programs</td>
</tr>
</tbody>
</table>

**Source:** EAB interviews and analysis
An Organizational Dilemma

Online Units Vary Widely in Mission and Structure

Degree-Granting
Shared Service Unit

- Maximal faculty comfort with quality; ideal for applying distance learning capabilities to core UG instruction
- Reduced infrastructure duplication
- Unable to launch market-driven programs without faculty sponsorship; programs are less lucrative

Degree-Granting
Independent Unit

- Lucrative; moderately responsive to market trends
- Maximally responsive to market trends (launching and sunsetting programs)
- Maximal faculty comfort with quality; ideal for applying distance learning capabilities to core UG instruction
- Resource-intensive; delayed by degree approval processes

Non Degree-Granting
Shared Service Unit

- Lucrative; moderately responsive to market trends
- Reduced infrastructure duplication
- Unable to launch market-driven programs without faculty sponsorship; programs are less lucrative

Non Degree-Granting
Independent Unit

- Maximally responsive to market trends (launching and sunsetting programs)
- Programs are less lucrative; resource intensive; more prone to negative perceptions of brand commercialization
- Resource-intensive; delayed by degree approval processes

Source: EAB interviews and analysis
Road Map for Discussion

1. Reframing the Debate
2. Curing the Cost Disease
3. Learning from Early Adopters
4. Anticipating Barriers to Growth
Learning from Early Adopters

The Dot Com Bust

Online Efforts in Search of a Student Base

"Fathom will harness the power of the Internet to enhance the learning experience while upholding the highest professional and scholarly standards"”

Official Partners

"Courses are available to anyone, anywhere and at any time. Expert online instructors help you to explore fully the readings and lectures and share in lively discussions with your classmates"”

Take Courses From

Offers non-credit courses from 13 institutional partners

Columbia spends $15M; earns $700k in revenue

Invites other institutions to sell courses through portal

1999

$25M initial investment

Adds free, “sample” courses

2001

Corporate partners offer continuing ed

Revenues total $2.5M, Expenses total $3.3M

2002

Dissolution Finalized

2003

Dissolution Finalized

2004

2005

2006

Partners provide $12M in start-up funds

Opens to general public @ $250 / course

Plans expansion to high school market

Source: Ben Casselman, "Senate Report Critical of Fathom.com," Columbia Spectator, April 24, 2002; "What Went Wrong with AllLearn?", University Business, June 2006; EAB interviews and analysis
A Systemic Failure

Collaboration and Contribution Fall Short for Illinois Campuses

Illinois Global Campus

March 2007
U of Illinois Board announces Global Campus

Faculty senates reject independent org model

Program development falters; enrollment shortfall

Sets goals of 9k students by 2012, 70k by 2018

UI Springfield (online leader) opts out

May 2009
Board votes to disband Global Campus and phase students out

Price Tag: $18.7M

Strategic Mistakes

Revenue and Enrollment Targets Set First
- Unmet demand identified, but insufficient attention to internal capacity
- Underestimated costs of program development, marketing, and recruiting

Independent Org Structure Sidesteps Units
- Original model prioritized new administrative and management positions
- Global Campus would be separately accredited and degree-granting

Limited Investment in Growing Campus Capacity
- Urbana and Chicago campuses had little online learning infrastructure
- Few instructional design resources or development incentives for faculty

Source: Steve Kolowich, “What Doomed Global Campus?”, Inside Higher Ed, Sept 3, 2009; EAB interviews and analysis
Bottom Up, Not Top Down

“What we learned from this process, and what we’re doing now, is a very different model of development, which is to start with very successful online courses and programs... then exploring how we can grow and scale up those programs, as opposed to creating a superstructure and then saying we need to create programs to pay off the initial investment."

Nicholas Burbules
Professor of Education Policy
University of Illinois

Source: Steve Kolowich, "What Doomed Global Campus?", Inside Higher Ed, Sept. 3, 2009
**A Cause Without Constituent Support**

Bellwether State Struggles with Both Supply and Demand

### UC Online

**June 2010**
- UC Board of Regents approves “Cyber Campus” pilot

**2013**
- Proposed legislation to mandate articulation of external credit

**Price Tag:**
- $6.9M

**Expected**
- $6M in venture financing; got $748k
- 7k non-UC students to offset upfront costs

**Slow, Unguided Course Selection Process**
- Only 3 courses available during Spring 2013 term
- Difficulty meeting demand for bottleneck introductory courses, particularly during traditional terms

**Little Cross-Campus Collaboration**
- Majority of UC enrollees in courses at own institution
- Campuses slow to agree to system-wide catalog of online, transferable courses

**Lack of Faculty Buy-In or Proper Incentives**
- Perception as added amenity during period of deep budget cuts for F2F instruction
- Limited faculty interest prevents program growth and curricular breadth

Source: EAB interviews and analysis
Cut Our Losses?

"Shouldn't we be able to see the loan repayment schedule for UC Online? And is it possible that we should stop throwing good money after bad, fold UC Online, sign on to Coursera, and get back to the important business of protecting what remains of UC on-campus instruction?"

Wendy Brown
Professor of Political Science
Berkeley Faculty Association

Source: Wendy Brown, "Where's UC Online Now and How Will We Get Our $7 Million Back?" Remaking the University, July 19, 2012
Learning from Early Adopters

**Tomorrow’s Challenge: Infrastructure**

Operational Failures Biggest Risk for Online Growth Goals

- Unfavorable Vendor Contracts
- Enrollment Shortfalls
- Unsustainable Incentives
- Expensive Instructional Model
- Technical Difficulties
- Persistence Gaps
- Poor Perception

Source: EAB interviews and analysis
Road Map for Discussion

1. Reframing the Debate
2. Curing the Cost Disease
3. Learning from Early Adopters
4. Anticipating Barriers to Growth
## Envisioning the Path Ahead

### Key Competencies and Investments Required for Continued Growth

<table>
<thead>
<tr>
<th>Online at the Margins</th>
<th>Growing Online Presence</th>
<th>Mature Online Programs</th>
<th>Born Digital Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5%</td>
<td>5-10%</td>
<td>10-30%</td>
<td>80-100%</td>
</tr>
</tbody>
</table>

### No Central Coordination
- Ad Hoc Course Selection
- No Formal Instructional Design Process
- Rubber Stamp Approval Process
- Clunky LMS
- Campus Advising
- Duplicative Services
- Traditional Term Structure

### Some Central Oversight
- Uneven Course Quality
- Uncoordinated Student Service Portfolio
- Little Market Research
- Few Courses Available During Terms

### Central Online Stakeholders
- Expansive Offerings
- Replicate Campus Structures

### Online is Core Business
- Credit Available in Multiple Formats
- Multiple Start Dates
- Analytics-Driven Support Services
- Adaptive Learning
- Sophisticated Marketing and Recruitment Shop
- Team-Based Instructional Design

### Web Resources for Students
- Design Support
- Faculty Incentives

### Web Access to All Services
- Quality Standards
- Central Instructional Design Unit
- Market Research Required
- Flexible Offerings
Managing in Two Worlds
Preparing for Online Growth in the Core and on the Frontier

- New Online Markets
  - Target Students
  - Multimodal Undergraduates

- Testing the Waters
  - Establishing Instructional Standards
  - Incentivizing Faculty Participation

- Getting to Scale
  - Supporting Online Students
  - Untethering from the Academic Calendar
  - Build, Buy, or Partner?
  - Addressing Risk

Build, Buy, or Partner?