Macro Trends Impacting Higher Education
Sustainable Business Model

Revenue growth and diversification approaches have not been part of higher education’s typical response to budget challenges.

Growing and diversifying revenue is more difficult than cutting expenses, and requires an element of operational execution that may challenge the capabilities of the institution.
The changing competitive landscape presents a serious challenge for colleges and universities across the country.

Institutions are struggling to match revenues with expenditures, while simultaneously trying to cope with:
- Lower net revenue per student
- Rising costs
- Evolving consumer behaviors
- Digital technology
- Shifting student demographics

As a result, institutions are forced to address their business models:
- Institutional willingness will be greatly tested
- Innovation will be key to stand out in a crowded market
- Collaboration will expand
- The big will only get bigger
Self-Inflicted Industry Wounds

• Operating procedures and policies which no longer align to the market place and prevent revenue growth and prosperity.
ADULT AND TRANSFER STUDENTS

- Requires speed, service, and convenience
  - Processing speed measured in seconds, minutes, hours, days
- Multiple enrollment start times
  - Instant start times
- Colleges that rely upon a traditional selling rhythm are able to get “some students”
- Institutions that have separate selling methodologies take the vast majority of market share and have significant growth

HIGH SCHOOL / TRAD GRAD SCHOOL MATRICULATION

- Single entry point for recent high school graduates
  - Establishes a rhythm that is slow and predictable
    - Days, weeks, months, years
    - Travel season, campus visits, acceptances, FAFSA, financial packaging, deposits
- Slower rhythm compared to requirements of adult and transfer students
Changing Consumer Behaviors

Convenience and experience culture.

Consumers no longer view student loans as financial aid.

Technology

Consumers believe lower costs, means lower tuition prices.

Responsive

Institutional Strategies

AGB
Macro Trend – Enrollment

- Full-time: 2012 - 14%, 2023 - 18%
- Part-time: 2012 - 18%, 2023 - 10%
- Male: 2012 - 20%, 2023 - 20%
- Female: 2012 - 10%, 2023 - 25%
- White: 2012 - 7%, 2023 - 7%
- Non-White: 2012 - 25%, 2023 - 25%
Culture of Innovation

REINVENTION
Requires rapid improvement of competitive position while retaining strengths of the business model

ASPIRATION
Offers an opportunity to focus on early changes by anticipating future trends

CRISIS
Presents an urgent need to transform the business model, stabilize finances, and re-establish competitive position

TURNAROUND
Requires changing elements of the business model to become financially stable
Technology Migration

2.9 million enrolled in some online
Babson, Online Report Card, 2016

2.85 million enrolled exclusively online
Babson, Online Report Card, 2016

More than 7.4 million students, 33% of total higher education from 2015
Chronicle, 2016
Digital Learning

18% increase in number of public institutions offering online degrees from 2012

29% increase in number of private institutions offering online degrees
Online Infrastructure

- Learning Management System
- Online applications
- Portal links for seamless access
- Help desk support 24/7
- Eliminates any reason to even call your institution
Transfer Students

[Diagram showing percentage of categories with placeholder text]

[AGB Institutional Strategies logo]
Comparing Market Segments

The market segment for adult degree completion is larger than the traditional high school segment

- 40 million adults with college credit and no degree
- 3.3 million high school students graduating
Unbundling the Degree

Need for fewer general education courses

- Dual Enrollment
- CLEP / DANTES
- High School Summer Programs
- Enrichment programs that give college credit
- Summer online
- For credit MOOCs
- AP – Advanced Placement Courses
Expectation Gap

- Students
- Parents
- Employers
- Colleges
Career Focus

82%
- Considered career options when selecting a major

62%
- Considered average salary when considering a major

75%
- Expect to save more money and live better than their friends/peers

60%
- Consider recent job placement statistics when selecting an institution

97%
- Said going to college to “get a better job” was of their highest importance – 67% in 1976
Certificates and Credentials

- Stacking of credentials as part of the college degree structure will become mainstream
- Stacking three to four classes at a time
- Non-Degree graduate and professional certificates
- Badging and Bootcamps for competencies
- Partially driven by major corporations
Corporate Takeover
Partnership Imperative

Georgia State University and Georgia Perimeter College

5 Colleges Model

Lyndon State and Johnson State Colleges in Vermont

Boston University and Wheelock College
Macro Trend – Lower Net Tuition

- The average tuition price published at four-year private colleges is $32,405
  - The average freshman discount in 2016 was 49% (new students)
    - Net tuition revenue of $14,809
- The average in-state tuition for California public institutions is about $1,200 (CC), $5,400 - 12,500
- The average in-state tuition for Florida public institutions is $1,903 - $6,100
  - Some States are providing additional support
- Median household income for the United States was $56,516 in 2015 – discounting pressures will continue (2009 - $56,731)
  - California median household income was $61,320
  - Florida median household income was $48,426
Quantifying Financial Challenges

Quantify the situational assessment of your institution.

Gain consensus among key constituents.
Example

• An institution with a $600 million budget identified a $45 million gap in financial and operational needs:
  
  Financial $15 million
  Operational $30 million
  
  Required real revenue growth. No amount of cost cutting would allow for a long-term sustainable business model.

• Institution determined it required an additional $150 million of revenue growth over a five to seven year period
High Creativity and Innovation

INNOVATION AND CREATIVITY REQUIREMENT

HIGH

- Strengthen competitive position
- Market share gains
- Leverage strengths
- New revenue resources

LOW

- Make slight operating adjustments

FINANCIAL CHALLENGE

LOW

- Cost cutting (traditional approach)
  Is not enough to create a long term sustainable business model

HIGH

- Revenue diversification
- New programs
- Blended delivery
- Service, speed, statistics
- Macro-trend revenue
- Productivity
- Lowering costs
Focus on Prosperity

Situational assessment for your own institution (Diagnostics)
- Which includes the financial quantification
- Collaboration and consensus on the diagnostic assessment

Macro trends shaping higher education (Exploration)
- Alignment of mission and strengths
- Creativity and innovation will be required, along with institutional resolve
- Developing growth building blocks

Develop tactical execution plans (Implementation)
- Key assumptions, internal obstacles, leadership accountability, required measurement metrics, financial modeling, risks, investments, milestones, and timelines
# Rethinking the Change Paradigm

Most Institutions...

- Form a committee
- Have representation from all areas
- Select a popular person to lead the committee
- Lengthy report generated
- Outcomes are recommendations
- Leadership team waits for recommendation

More Institutions Should...

- Bias towards action
- Use key implementation members who will be accountable
- Led by or co-led by a cabinet/leadership member
- Define specific outcomes, resources, resource needs, and timelines
Questions for consideration

1. What is a question for me?
2. How trends are affecting them at the local level -- department, college, unit, division
3. Which of the trends are most relevant to SLU- in a positive and negative way
4. Are there trends not mentioned that you have noticed that affect you or SLU generally?
5. What data do we need to localize the effects of these trends?
Examples – Successful Implementation

**Leadership Traits**
- In harmony with board
- Understand real objectives tied back to financial requirements, institutional aspiration, and mission
- Case for change is uniform from all leaders

**Institutional Will**
- Understanding of macro trends facing higher education
- Nay sayers are heard and data refutes
- Consensus among key constituents around institutions situational assessment

**Cultural Change**
- Hallmark small victories
- Document and highlight changes as they occur – Don’t wait for big reveal – they often don’t happen.
- Diversification is the only real strategy for revenue growth
Q & A
AGB Institutional Strategies

• AGB Institutional Strategies helps institutions focus on prosperity in a time of uncertainty

• Higher education is our only business

• A proven, collaborative approach that includes:
  • Discovery
  • Exploration
  • Implementation
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