

The Dilemma of the Tuition-Driven College

Institutions that lack a large endowment and a stream of eager applicants need to get the word out to recruit the right mix of students.

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HE TERM "TUITION DRIVEN" no longer pertains only to private colleges. As state appropriations to public universities dwindle, more colleges are relying to a greater degree on keeping classes full in order to generate revenue.

The fact is, virtually all institutions are essentially tuition driven. Although trustees generally understand what being in that predicament means, most lack important information that would enable them to ask revealing questions about their institution's ability to attract a sufficient number of desirable students.

Following are 14 things board members should know about the student-recruitment process on tuition-driven campuses.

1. The game is student recruitment, not admissions. If your institution struggles to reach enrollment goals and must balance its budget on revenue generated by enrollments, then your college or university is in the student-recruitment business.

Unfortunately, many campus officials do not recognize this. Struggling colleges announce with great fanfare the appointment of a chief admissions officer from a well-endowed, selective college or university who understands admissions but, because of a lack of experience, knows little about recruiting. These professionals can evaluate applications with the best of them, but they do not know

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where to start in actually attracting students. Instead, institutions would do better to find senior admissions officers who have worked or currently work at a hardscrabble private college or university, typically found in the Midwest or South.

2. *There are no silver bullets.* There is a tendency in higher education to seek quick and simple solutions to complex questions. Some institutions count heavily on geodemographics or predictive models to identify students similar to those already enrolled. But much of a student's decision in selecting a college is attitudinal. The fact that someone lives in the same neighborhood as your current students does not mean all students from that same area will be interested or want to pay what it takes to attend. Each college-bound student's own attitude determines what enrollment size is best, how far he or she is willing to travel from home to college, in which sport to participate, and so forth. To learn students' attitudes, a college must ask. And the college won't have a chance to ask if it rules out prospective students based on geodemography.

Another supposed silver bullet is the notion of leading with scholarship opportunities at first contact with college-bound students. This "you have already won a scholarship" approach certainly increases the number of first-year students, but it also increases the college's discount rate and usually leads to a higher number of students withdrawing after the first year. Students are looking for value, not deals.

3. *The "a great college sells itself" myth.* Some people on campus believe that if the admissions office would just tell prospective students how great the college is that its enrollment concerns would be over. This assumes, of course, that the admissions staff either is doing nothing or is actually telling prospective students that they would be better off elsewhere. Colleges don't sell themselves; people do. Those with immediate name recognition are exceptions.

Yet colleges regularly hire 22-year-old recent graduates, pay them peanuts, give them little training, and then expect them to persuade 18-year-olds to make a lifelong decision while spending tens of thousands of dollars of their parents' money. Name another industry that would place its future on the

backs of people in their early twenties. While a typical admissions staff may bring in 95 percent of a college's operating budget, these young troopers often are paid less than an added employee on the physical plant staff or an entry-level fund-raiser who helps little with the bottom line.

4. *"Best kept secrets" haven't invested enough in visibility.* Most colleges need greater visibility. Obviously, students can't ask for information or spread the word about your institution if they have never heard of it. Our research shows that about four of ten college-bound students learned of the college in which they ultimately enrolled before they even entered high school, and an additional three of ten learned before their junior year. Interestingly, the junior year of high school is when most admissions offices begin to recruit in earnest. Also, seven of ten students are far more likely to pay attention to unsolicited direct mail from a college whose name they at least had heard.

Yet a huge advertising campaign will not help recruit traditional-aged students. In our studies, less than 1 percent of such prospective students requested information because they saw an advertisement or heard a commercial. Nevertheless, your college can reach students and parents with only a modest investment. What services does your institution provide to teachers, guidance counselors, or coaches in its regional and targeted middle schools and high schools? If your institution is church-related, what services does it offer to affiliated churches? Gaining visibility requires consistency more than money.

5. *Think of financial aid as money the college cannot collect.* A tuition-driven college's greatest apparent "expense" is financial aid. Yet financial aid is not an expense; it is income the college cannot collect. For most colleges, the prospect of increasing the number of full-pay students is remote. Unfortunately, only about 15 percent of the households in the United States have incomes of \$100,000 or greater, and only about 10 percent of these families have a child in a four-year college. But even if you ask a family with an income of \$100,000 to spend \$20,000 to \$30,000 on one child, you are likely to meet resistance. While

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most tuition-driven colleges should find ways to attract students with lower financial need, there is a tendency instead to reward these low-need students with institutionally funded no-need merit scholarships. Obviously, there is no gain in net revenue with this approach.

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6. *Perceived value and student "fit"—not cost—are what prospective students consider.* This may be difficult to believe, but nearly one-fourth of parents say cost was not even among the top three important factors in their family's college decision. In fact, only about 15 percent of parents say cost was the most important factor. Many in private higher education are convinced that a student's choice of a state-supported or lower cost private institution is based solely on cost to the family. Clearly, this is not the case.

Admittedly, cost was significantly more likely to be the most important factor among the parents of students bound for public institutions, with about one in four saying cost was the most important factor in their child's choice. Of course, if your public institution is becoming tuition driven to a greater extent, its price will rise and its advantage will disappear.

"Love" is the reason cost is not the most important factor in choosing a college. Regardless of household income, about six of ten parents say they will let their child choose the college he or she wants and they, the parents, will figure out how to pay for it. Parents will do everything possible not to crush their child's dreams. This is a major reason why starting the recruitment process early and developing allegiance is so critical for tuition-driven institutions.

As the saying goes, however, "You can't draw blood from a stone." A low-income family, regardless of parents' eagerness to make their child happy, simply cannot pay for a high-priced college or university without receiving a deep discount.

7. *Higher cost does not necessarily mean the public perceives higher quality.* Many colleges and universities base their tuition increases on the belief that high cost indicates high quality (the so-called Chivas Regal effect). The parents in our studies disagree. When asked, "Do you believe a private college with a published cost of under \$25,000 for tuition, room, and board can be of the same quality as a similar college with a cost of \$35,000?", about two of three said Yes.

When asked a slightly different way, only half the parents strongly agreed or agreed with the following statement: "The cost of college is generally related to the institution's quality." Four of ten disagreed. Opinions on this issue tend to reflect a person's attitude toward education. Fortunately, those who thought quality and cost were related also were willing to pay more because they believed their child had a better chance of being mentored by a professor, individualizing his or her education, having better access to faculty, and partaking of a liberal arts curriculum. It is important to ascertain families' views early on so the recruitment process can focus on the right issues.

8. *Do not assume a decrease in the number of students applying for financial aid is a good sign.* Many in the higher education community assume if students do not apply for financial aid, they are from affluent families and therefore know they will not qualify for aid. This is not necessarily the case.

Why do students who might qualify for aid not apply for it? Most likely because the student is just not interested in your institution, despite having applied there. It is common for students to apply for financial aid at the three or so colleges they consider their top choices but not at all the colleges to which they apply.

On the other hand, it indeed may be the case that the family simply did not believe it would qualify for any aid. To avoid making the mistake of assuming there is no financial need if the student has not submitted the Free Application for Federal Student Aid

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(FAFSA), your institution should be contacting all students who do not submit a FAFSA before the application deadline. This will enable officials to determine whether a student really has no need or simply is not that interested in your institution.

9. *Be realistic.* Nearly everyone on campus wants three things in an entering first-year class: students with high academic ability, students whose families can pay more of the tuition and fees, and a significantly more ethnically diverse student body. (More males would be fine, too.) For the most part, achieving all three of these goals is nearly impossible. By our estimates, only about 15 percent of the students who take the SATs have combined scores of 1,100 or better and also report incomes over \$75,000. Unfortunately, every college is looking for this group.

Also of note, only 6 percent of the African-American and Hispanic families in the United States have household incomes of \$100,000. In fact, the average household income of African Americans is \$40,316; for Hispanic Americans the figure is \$44,468. Additionally, only 27 percent of college-bound students are traditional 18-year-olds who attend college immediately after high school and receive some support from parents.

10. *Don't fall for "build it and they will come."* New campus buildings do not turn around enrollment problems. A modern science building certainly will attract slightly more science students, but that is only about 10 percent of the available pool. The vast physical-fitness and field-house emporium will be admired by prospective students and heavily used by current students, but few high schoolers will make their college choice based on that facility. An upgraded or new facility will have little effect on enrollment unless a college attracts more students for campus visits.

There is no question that impressive buildings help sell a college, but it is only a small part of a total campus experience that has to be demonstrated firsthand. Admitted applicants who do not visit the campus are very unlikely to enroll, regardless of the number of photos they receive of your campus. Offi-

cial should pay less attention to the number of inquirers or applicants and more attention to the number of prospective student visits. In a restricted-resource environment where hard choices must be made, it may be a wiser strategy to invest in recruitment programs that attract students to campus than spending money on advertising or months of staff visits to high schools.

11. *"Branding" is different in higher education.* Many colleges expect that once it has been effectively "branded" the college or university will thrive hap-

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pily ever after. There is nothing inherently wrong with this belief, except branding a college is far more complex than branding a tangible product.

Take for example, the issue of a changing clientele. While alumni, friends, and donors are relatively stable recipients of the college's branding messages, two key constituencies change each year—prospective students and their parents. This means the college brand must be reintroduced year after year.

Infrequent purchase is another issue. A student will purchase a college education only once or, maybe, twice (with a transfer) in his or her lifetime. Even parents who are likely to have experience with one or two other children in selecting a college often are dealing with different children with different interests and needs. There are few opportunities to become an expert in the college-selection process, which also means there are few opportunities to establish a brand even within a family. Can you think of any other business where the company starts nearly from scratch each year to attract one-fourth of total sales?

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12. Enroll the student, get the parent. Many college officials mistakenly assume that parents are calling the shots. Nowadays, kids share virtually everything with their parents. Therefore, prospective students mirror their parents' attitudes and interests on nearly all characteristics of a college, including what the family is willing to pay. Two of three students said their parents had read the student-recruitment materials from the institutions in which they were most interested, and one of three had read the materials of many other colleges. But don't let this deceive you: In all but a handful of cases, the student makes the final decision.

As a trustee, you've heard about aggressive "helicopter" parents pushing for larger financial-aid packages or threatening a lawsuit when a student is dismissed from college for good reasons. At tuition-driven institutions, where each student is a source of revenue, boards may have to make more decisions on how much parental harassment is too much to tolerate.

13. Ask the right questions. At many colleges, when the word "marketing" comes up, the conversation immediately turns to how to attract greater numbers of higher achieving students. Yet at these same colleges, it often is the case that the most academically able students withdraw from the institution after a year or so. Overall attrition can be a problem at many high-cost, tuition-driven institutions if students question the value for the dollar. Two questions trustees might ask: "What students do we serve best?" and "What do we owe our students?" Others appear in the sidebar below.

14. Marketers from other industries don't know best. Trustees who have marketing experience tend to think that what works in their industry will work in higher education. This is dangerous.

Unlike most consumer industries, a college can purchase the names of virtually all college-bound students. These lists include each student's academic ability, high school, academic field of interest, and more. What's more, less than one-half of 1 percent of traditional-aged students said a mass-media advertisement or commercial, for example, had an impact on the college they chose.

For the most part, student recruitment is a word-of-mouth business. Nearly eight of ten students first learned of their enrolling college from a friend, relative, or parents—sources the college does not control. An intentional word-of-mouth marketing campaign is essential for effective student recruitment, yet few colleges make the effort. The key issue in higher education marketing is not reaching students; it is having a persuasive message in a noisy marketplace. ♦

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T'SHIP LINKS: George Dehne, "A Glimpse at the Future of Private Colleges," March/April 2005.

Robert M. Moore and Jeanne Rattabury, "Ten Practical Questions About Branding," March/April 2004.

George Dehne, "Coming Attractions," November/December 1997.

QUESTIONS FOR BOARDS TO CONSIDER ABOUT STUDENT RECRUITMENT

- How tuition-driven is your college or university?
- Does your institution calculate financial aid as an expense, or does it use a “net revenue” model?
- Has your institution done an assessment of excess capacity in classrooms and residence halls to determine whether leveraging financial aid to increase net tuition revenue or meet other enrollment goals would make sense?
- Are you regularly asking, “What students do we serve best?”
- Is your institution making unfair demands of the admissions office—such as demanding a higher ability, higher income, and more diverse student body—without clearly expressing its priorities or providing appropriate funds for recruitment purposes?
- Is your college or university putting undue emphasis on its physical facilities?
- Is the board regularly briefed on the student-recruitment effort?
- Does the administration seem to be seeking a “silver bullet” to solve all recruitment issues?
- Is your college putting its enrollment future in the hands of a few recent graduates?
- Does your institution describe itself as a “best kept secret” but invest little to become better known?
- Does the chief enrollment officer have a seat at the institution’s head table?