

31st Annual Enrollment Planners Conference

How Price and Affordability Affect the Enrollment Decisions of Prospective Students

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Session Overview

- ▶ What do prospective students believe about the cost of college?
- ▶ How do their opinions affect their application decisions?
- ▶ Faced with actual enrollment decisions, how are students' choices affected by variations in price and aid
- ▶ Examples from research with individual institutions
- ▶ Discussion

Data sources for findings and examples

- ▶ *StudentPOLL* survey of college-bound high school seniors
 - Fielded online in January 2016 and May 2016 with sample drawn from ACT test takers
 - Goal was to determine how thinking about price and aid changes from application to enrollment periods

- ▶ Simulated Decision Modeling (SDM) research with inquirers and admitted applicants for individual institutions
 - Predicts how application and enrollment decisions are affected by specific changes to price and aid strategy at an institution

Market-sensitive pricing

Underlying principles



▶ Pricing is a long-term strategic question

- Market effects are a critical input to pricing strategy

▶ Optimal price positioning is highly idiosyncratic. Market sensitivities to price and aid are a function of:

- Socioeconomic character and motivations of each institution's prospective student markets
- Nature of its competition
- Strength of its value proposition vs. competition

Market-sensitive pricing

Underlying principles

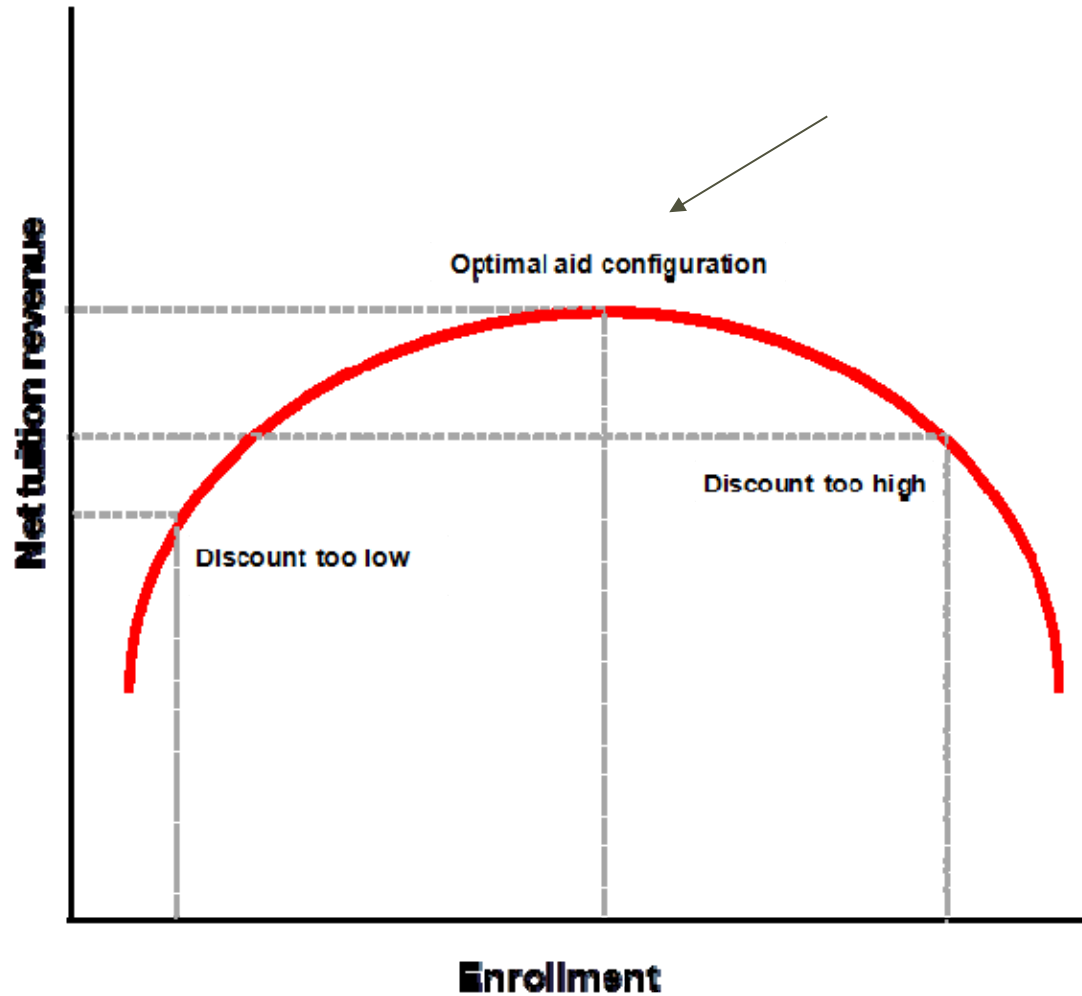


▶ Price and aid sensitivities are different

- The differences can in some cases present significant opportunities

Financial aid discounting

Objective optimization at a given price and market position



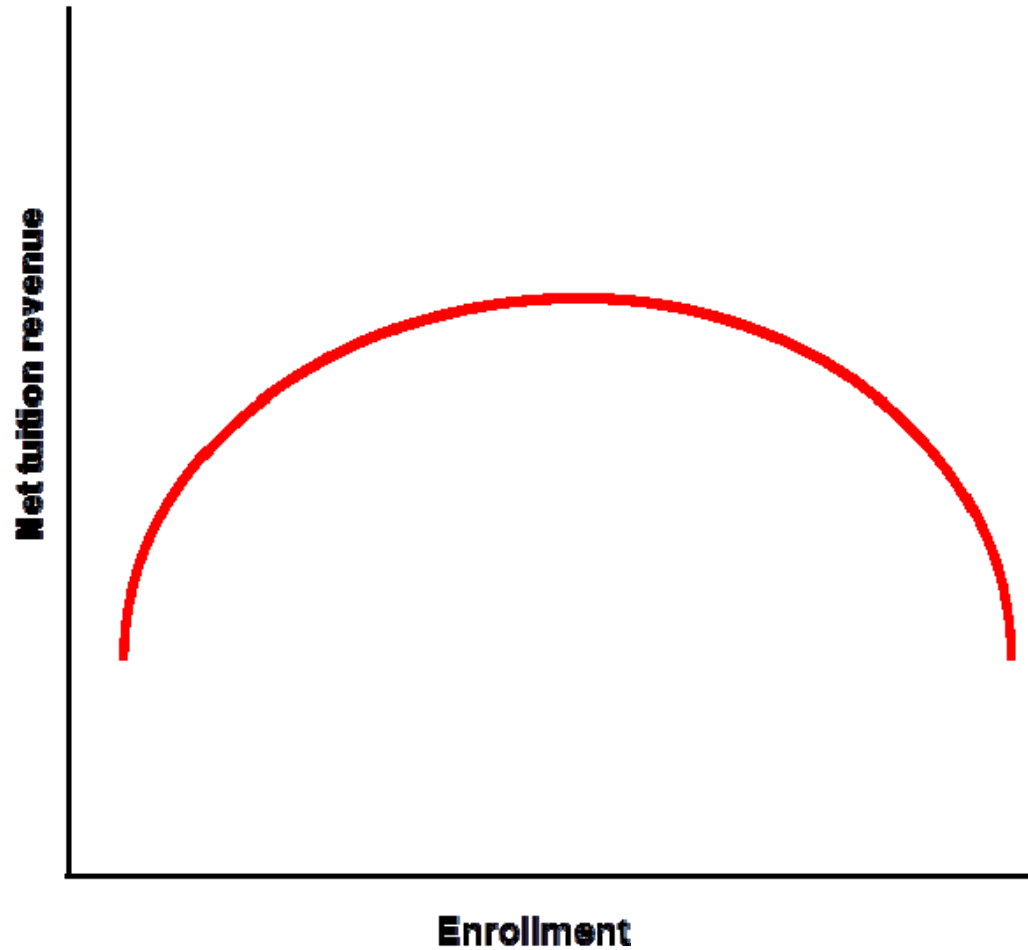
Measures of market position

Objective optimization at a rising price



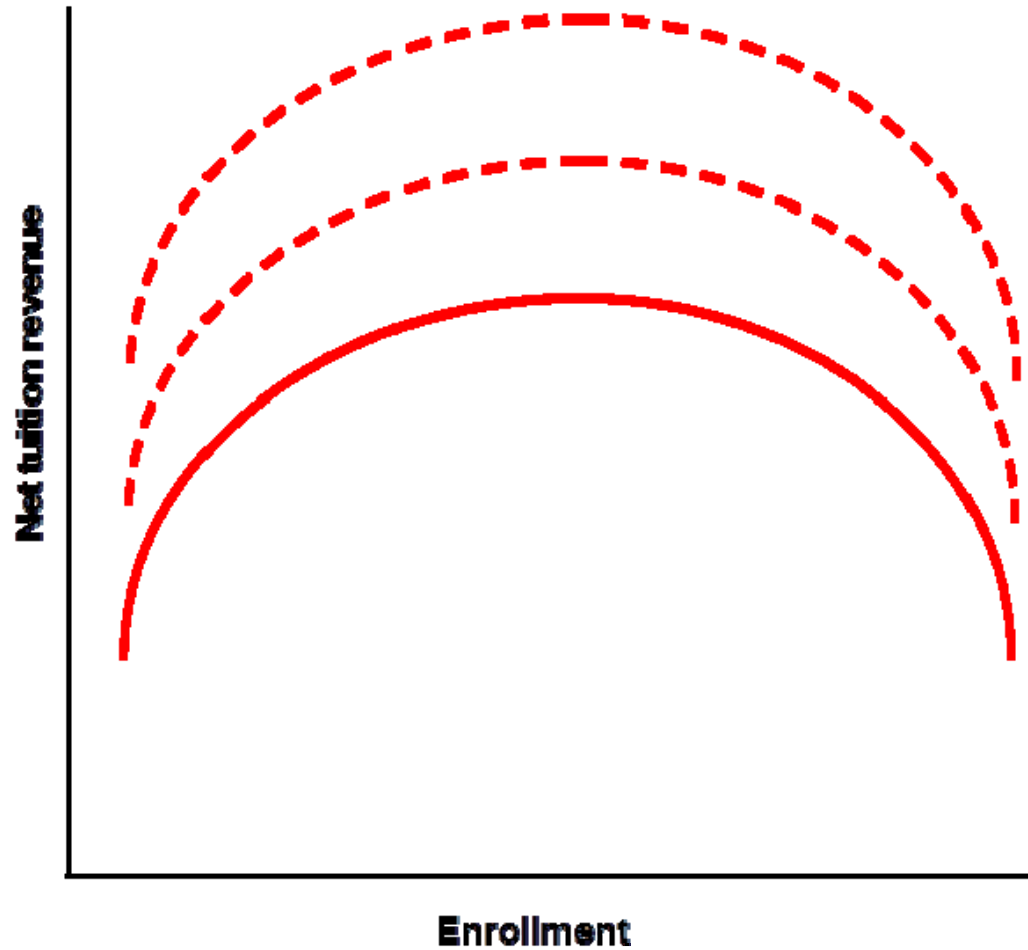
Measures of market position

Objective optimization at improving competitive position



Measures of market position

Objective optimization at improving competitive position



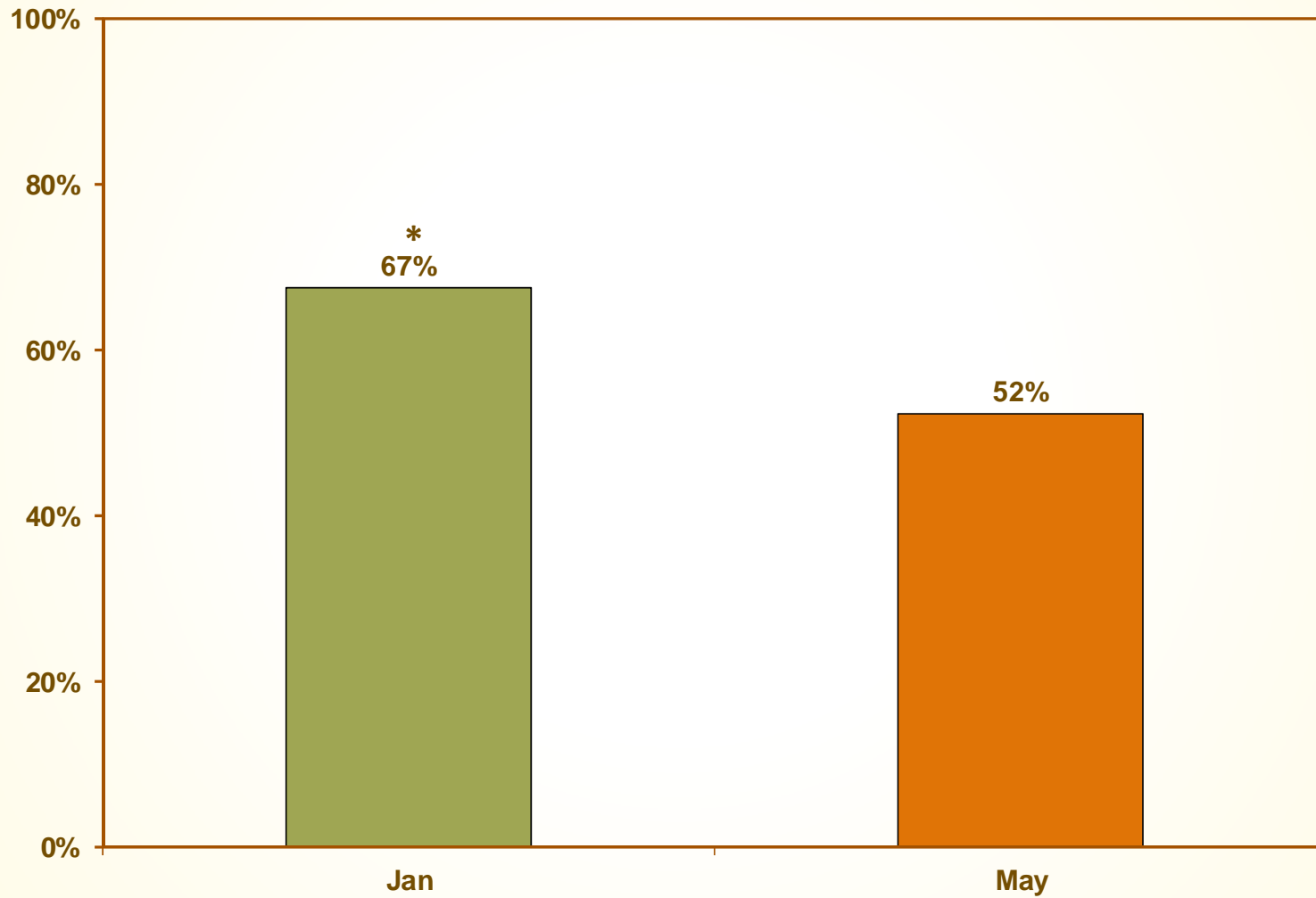
Key *student*POLL findings

- ▶ College costs are an incredibly salient issue. Nine-in-ten students...
 - Are looking at college costs
 - Report that college costs have increased
 - State that college costs are influential on their choice of where to apply (January) or attend (May)

- ▶ Nearly all students have some sense of their family's ability to afford college

- ▶ There is a near universal intention to apply for financial aid
 - Significantly fewer middle income students expect to receive need-based aid as they progress through the funnel

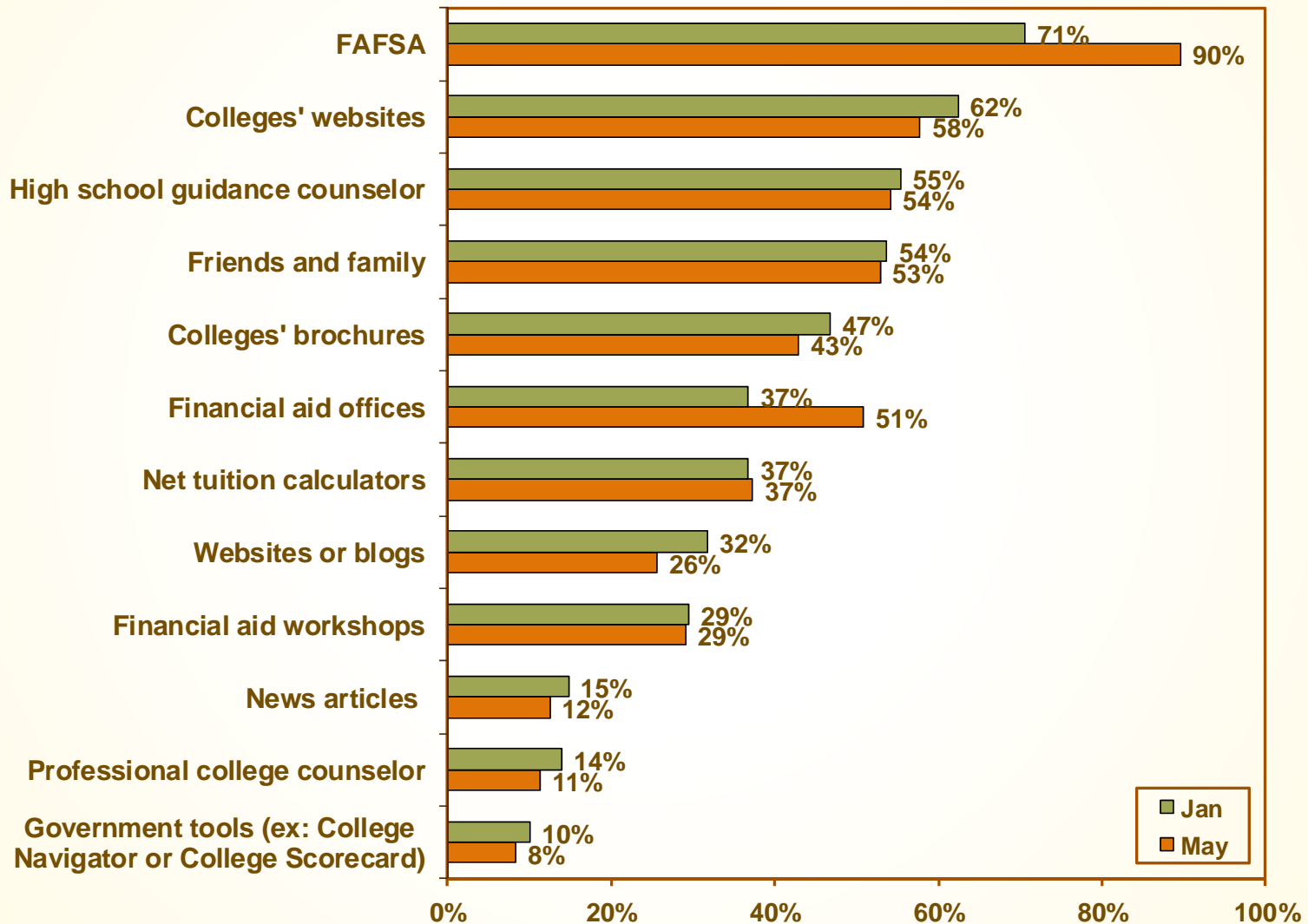
Middle income students who expect to use need-based financial aid to help pay for college



Key *student*POLL findings

- ▶ Students today have access to and take advantage of a range of information sources concerning financial aid and paying for college
 - **Most commonly selected:**
 - FAFSA (Free Application for Federal Student Aid) website
 - Colleges' websites about financial aid, scholarships, etc.
 - High school guidance counselors
 - Friends and family
 - **Least commonly selected:**
 - News articles (online or in print)
 - Professional college counselor or consultants
 - Government sponsored tools (i.e. College Navigator or College Scorecard)

Sources of information on financial aid and paying for college

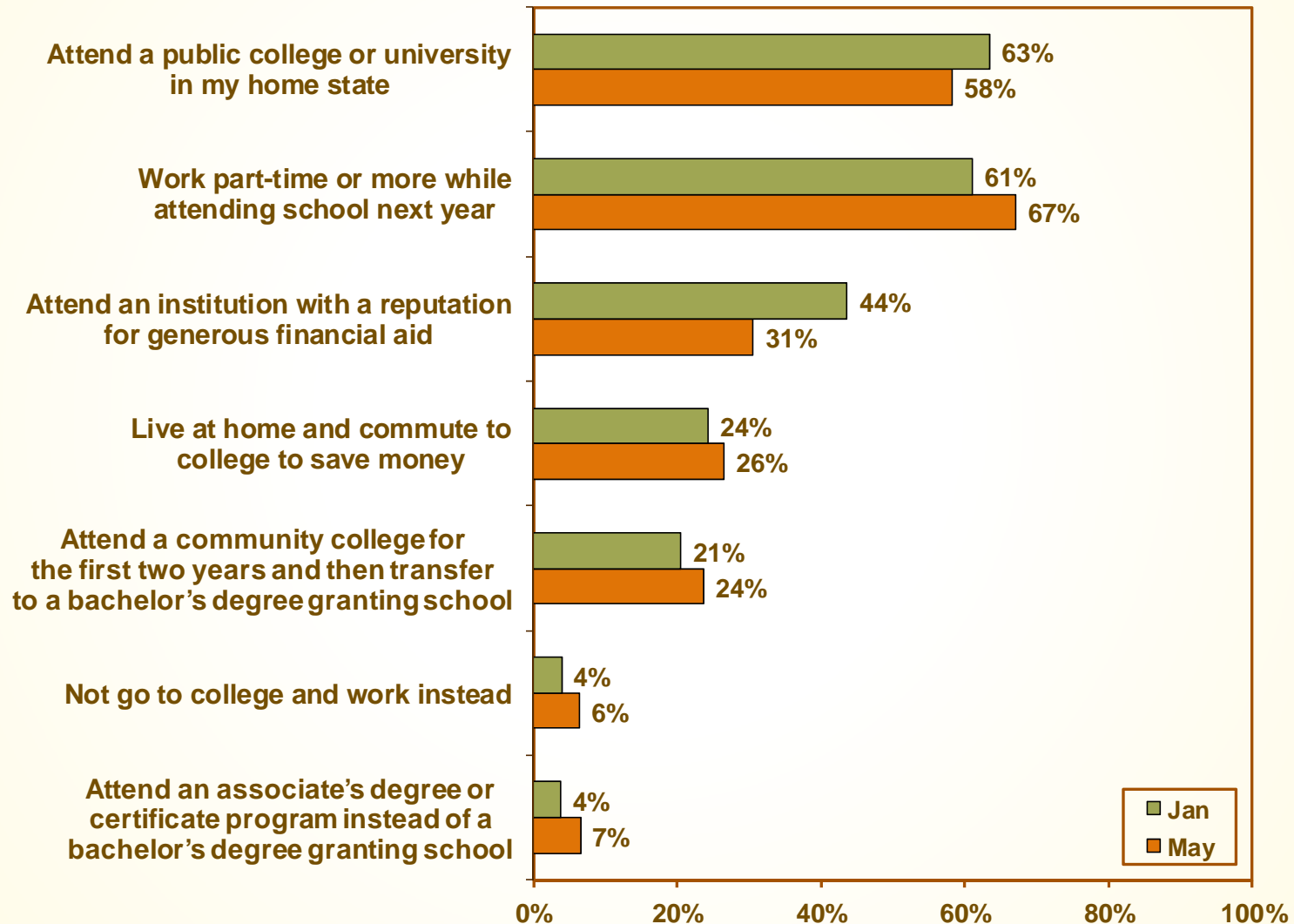


Key *student*POLL findings

- ▶ Cognizant of price increases, students consider a number of options
 - **About two-thirds plan to:**
 - Attend a public college or university in my home state
 - Work part-time or more while attending school next year

 - **Very few plan on:**
 - Not going to college and working instead
 - Attending an associate's degree or certificate program instead of a bachelor's degree granting school

Options students have considered due to rising college costs



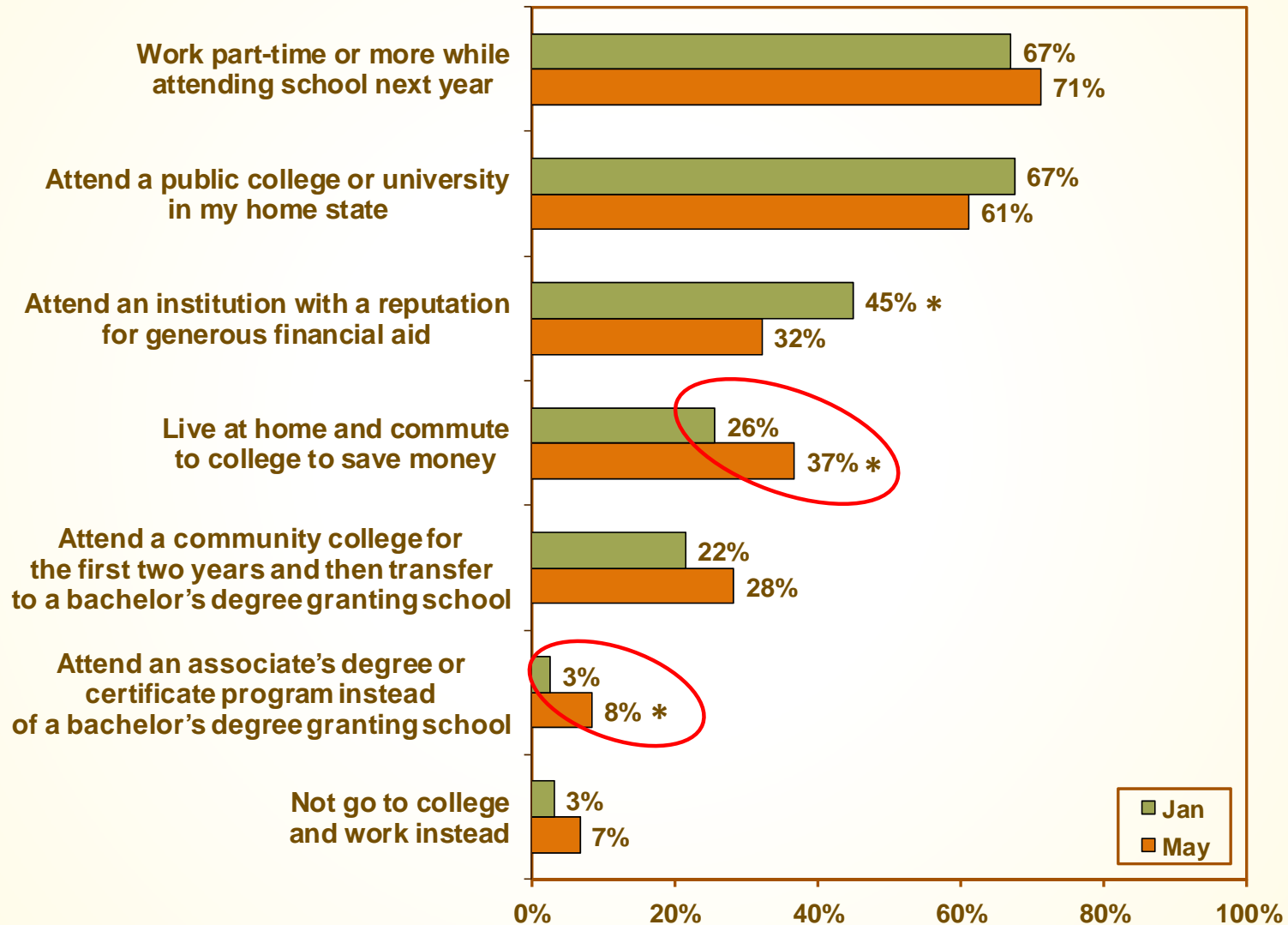
College costs of significant concern for middle income students



▶ Middle income students are:

- Much more likely to consider living at home and commuting
- Also more likely to consider an Associate's degree or certificate program instead of a traditional four-year program

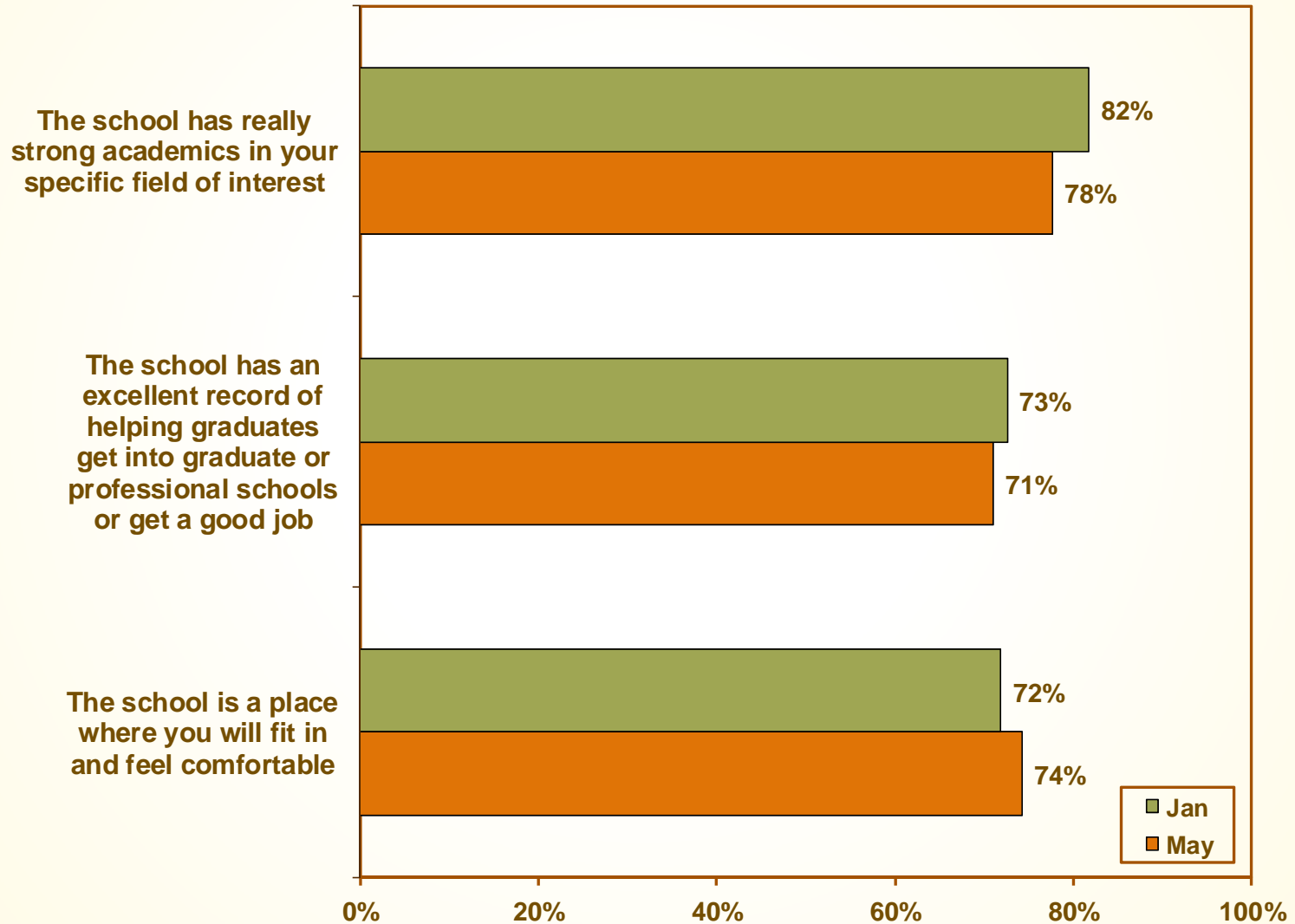
Options middle income students have considered due to rising college costs



***Key student*POLL findings**

- ▶ **Price isn't the sole factor when choosing a college or university**
 - Many students are considering schools they would otherwise rule out as too expensive for a variety of reasons

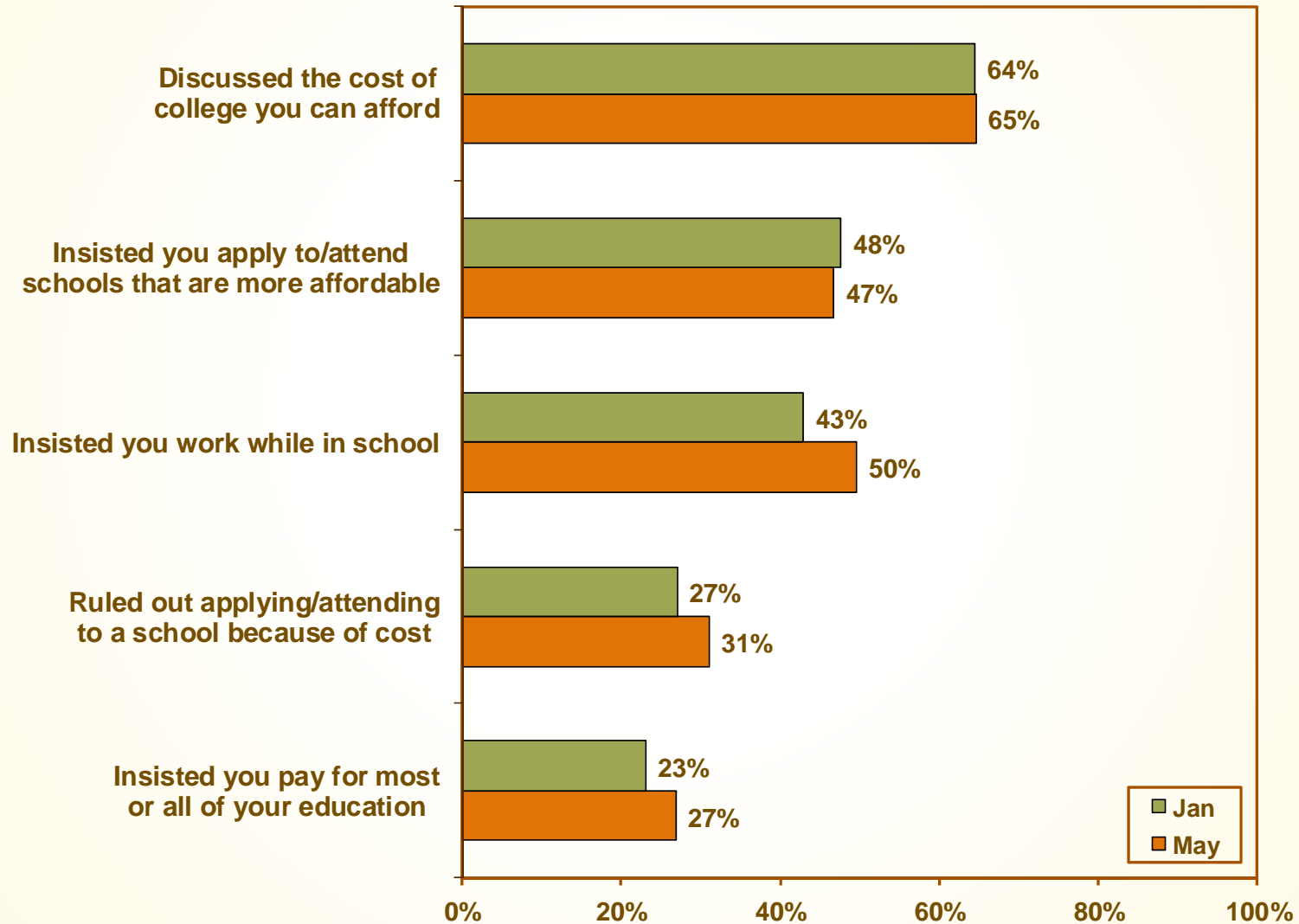
Reasons students would consider a school they would otherwise rule out as too expensive



***Key student*POLL findings**

- ▶ **Parents are influencing the schools of consideration, but the choice is largely left to students**

Parental influence on students' application and matriculation decisions



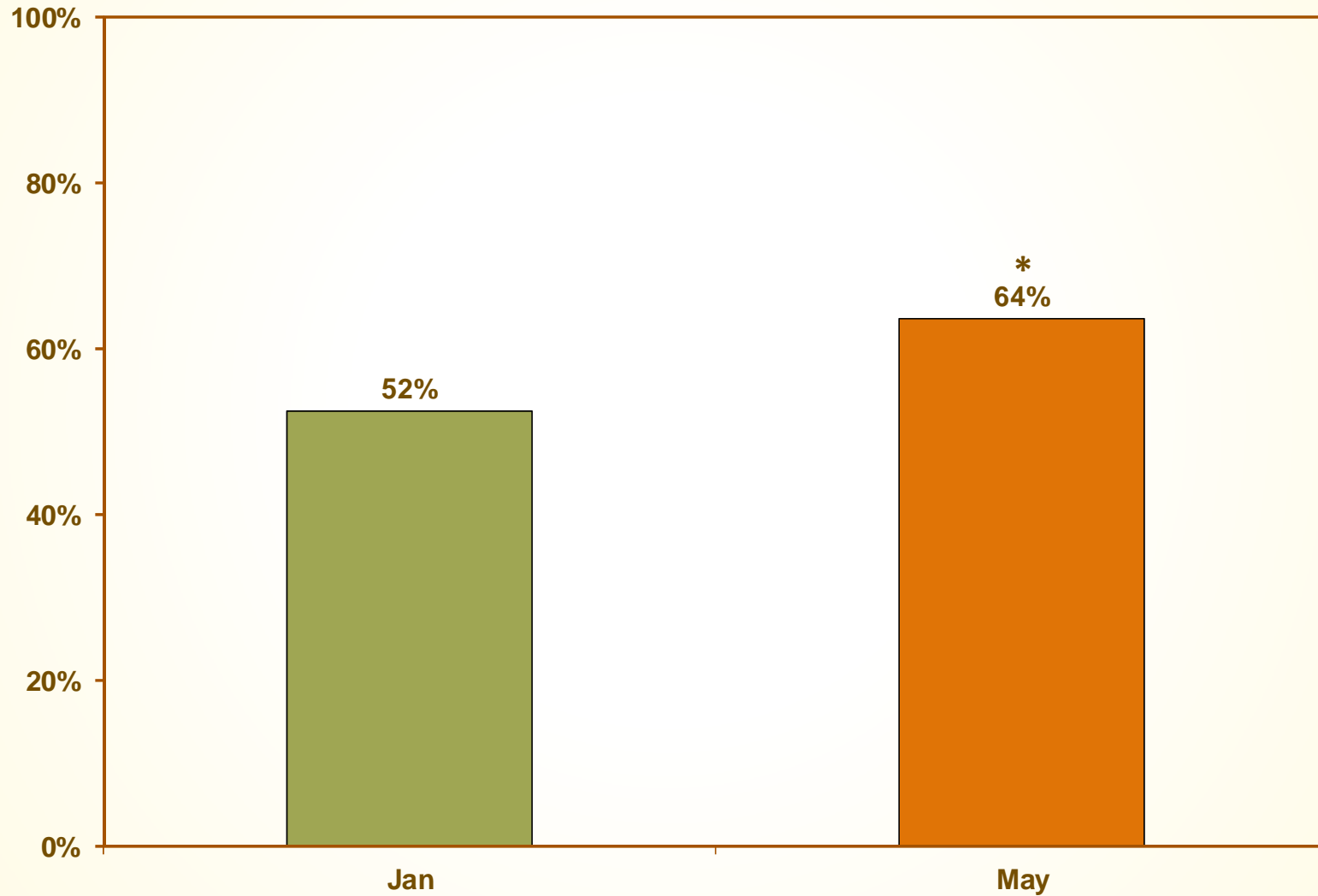
College costs of increasing concern for low income students



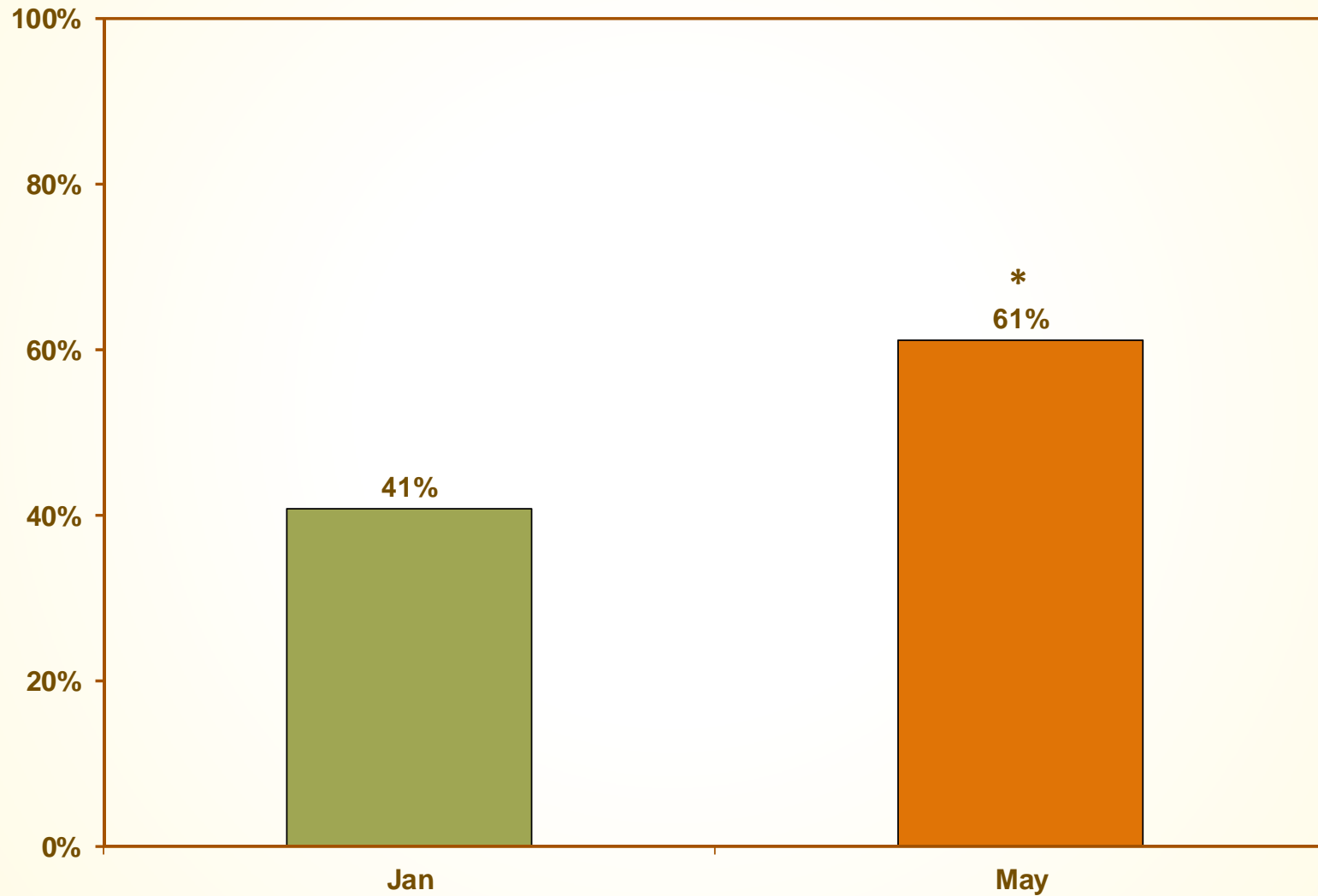
- ▶ **Influence of cost of attendance increases substantially as well**
 - About half report cost of attendance as “very influential” on applications
 - Nearly two-thirds report cost of attendance as “very influential” on enrollment decision

- ▶ **Students are much more likely to consider net costs later in the process**
 - 50% more low income students are taking financial aid into account in May compared to January

Low income students who say college costs are 'very influential' on decision of where to apply (Jan) or attend (May)



Low income students who look at college costs after subtracting what they expect to receive in financial aid



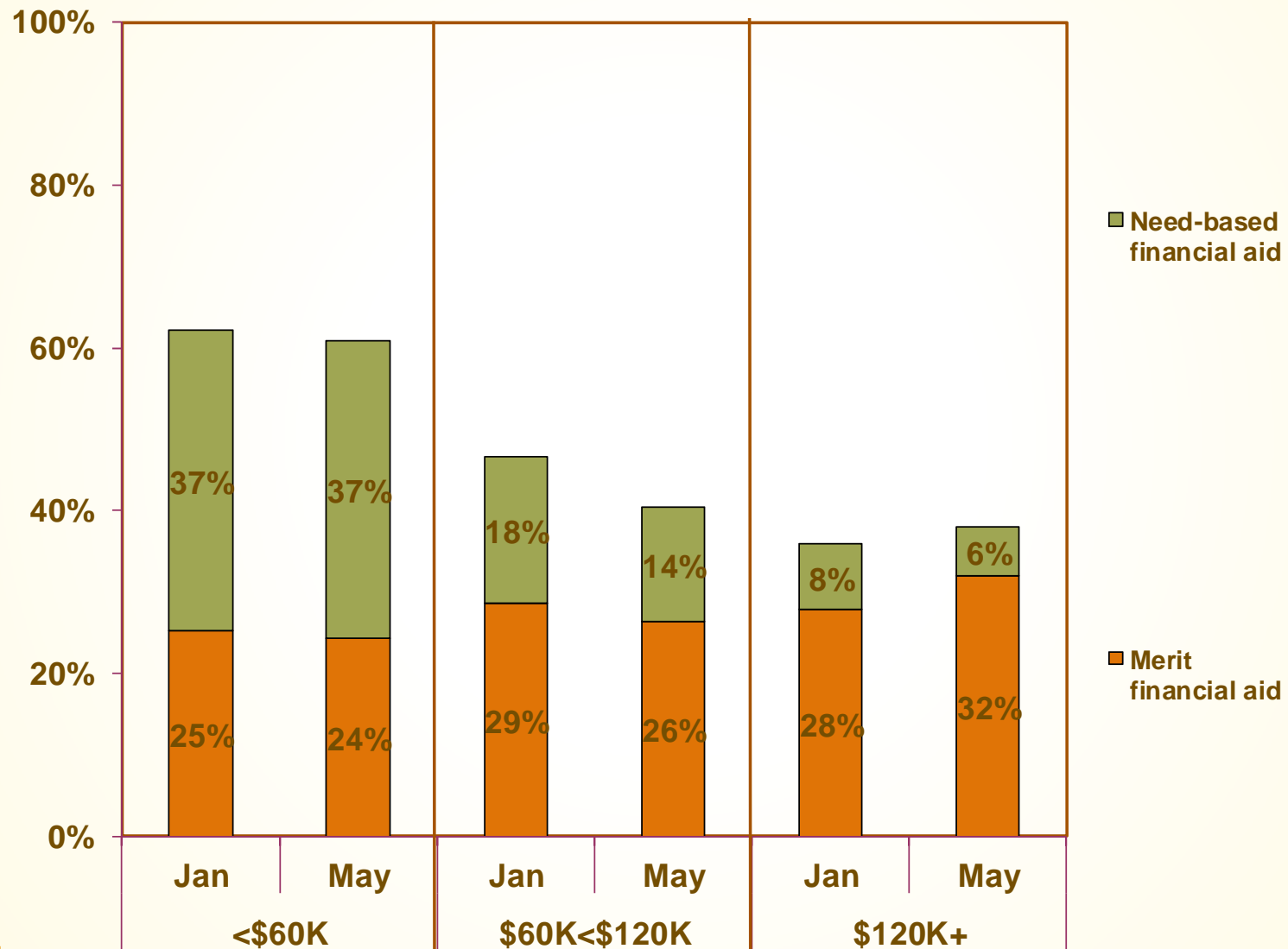
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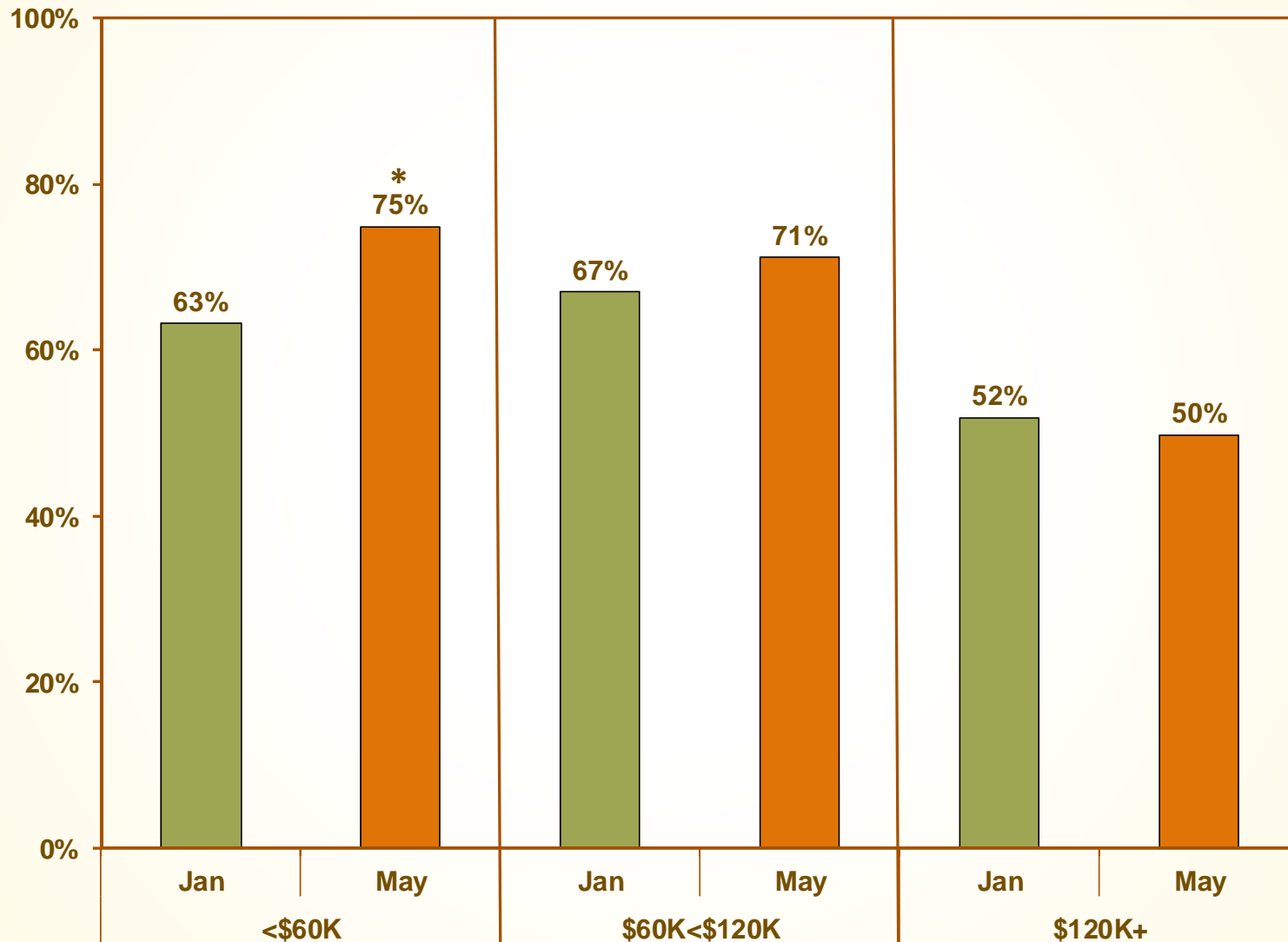
- ▶ **Compared to others, low income students are expecting institutional grants and self-help to cover more of the costs**
 - On average, low income respondents believe that institutional grants (both need- and merit-based) will cover nearly two-thirds of their total cost of attendance

- ▶ **Due to rising costs, low income students are more likely to consider self-support options such as work to help pay**

Institutional aid expectations to help pay for college

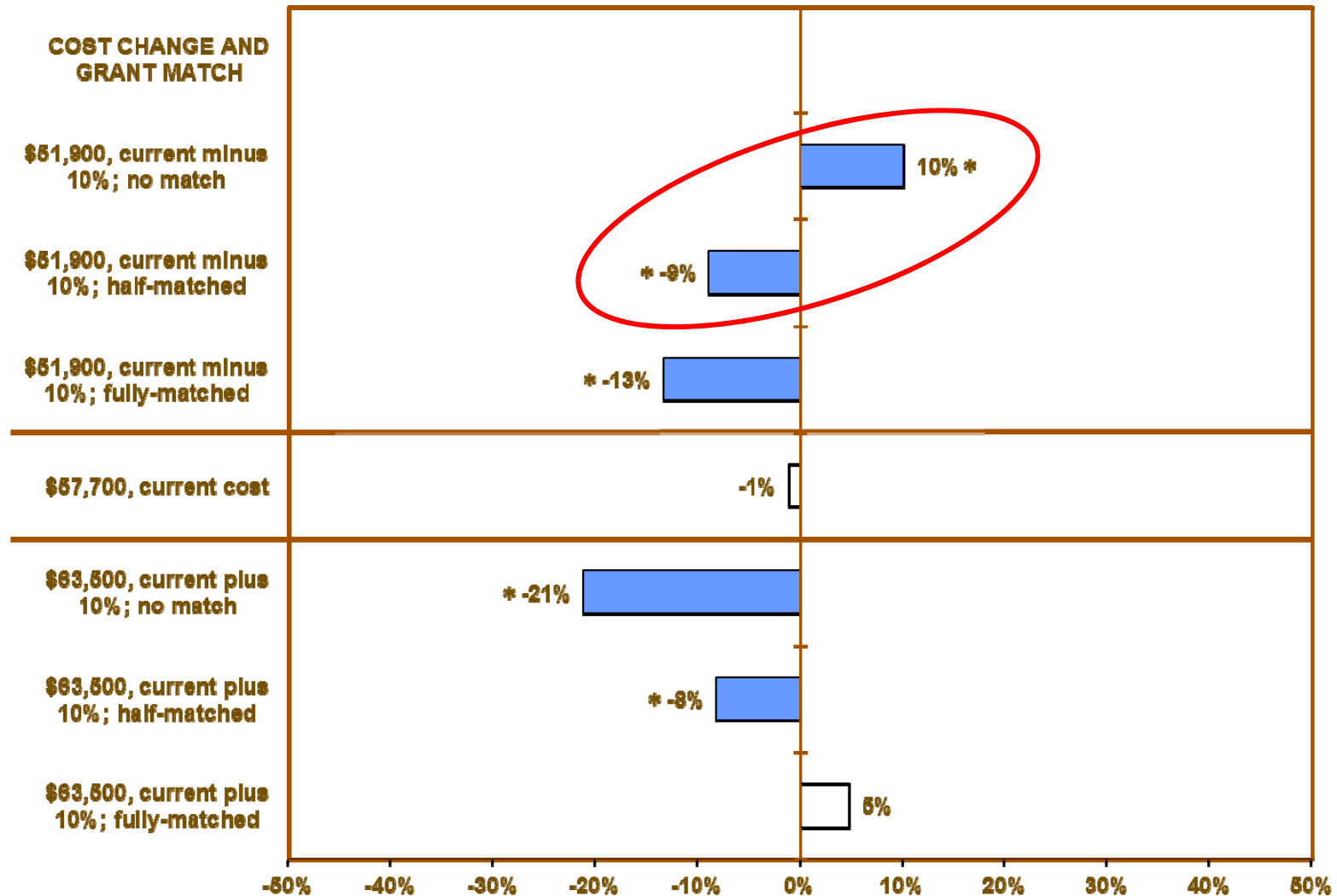


Low income students who plan to work part-time or more while attending school next year

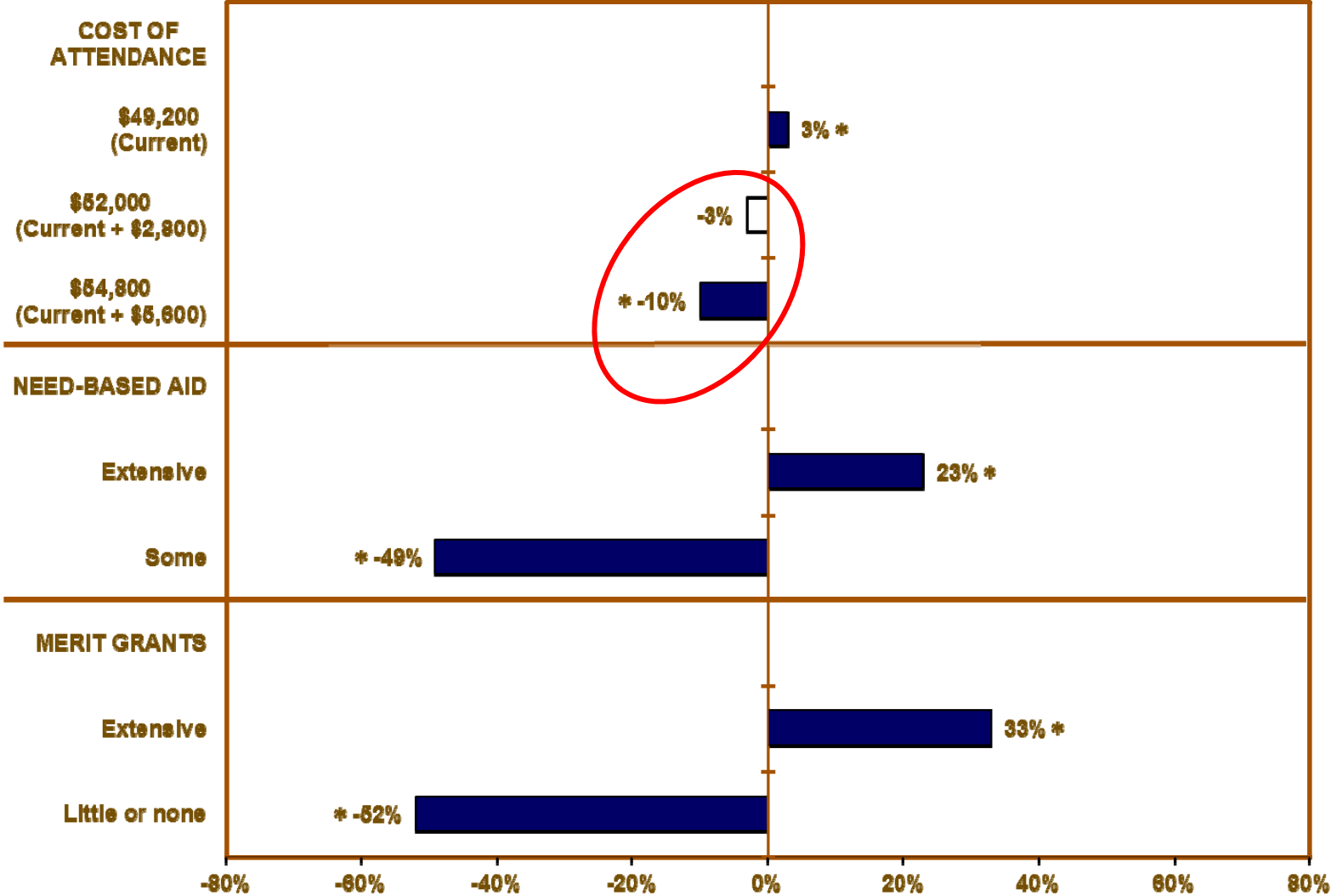


Examples of findings from SDM research with individual institutions

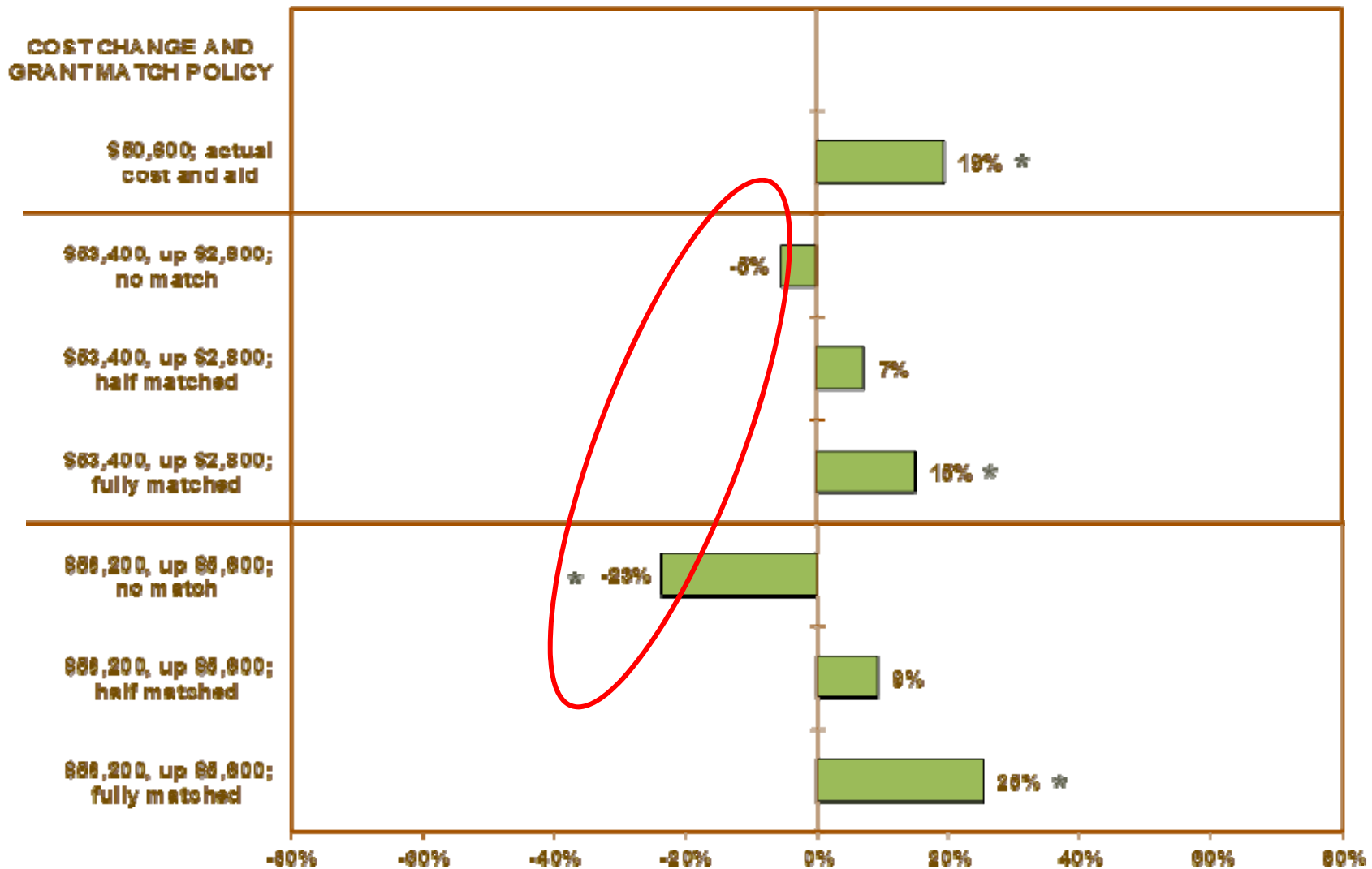
Effect of price/aid on number of matriculations



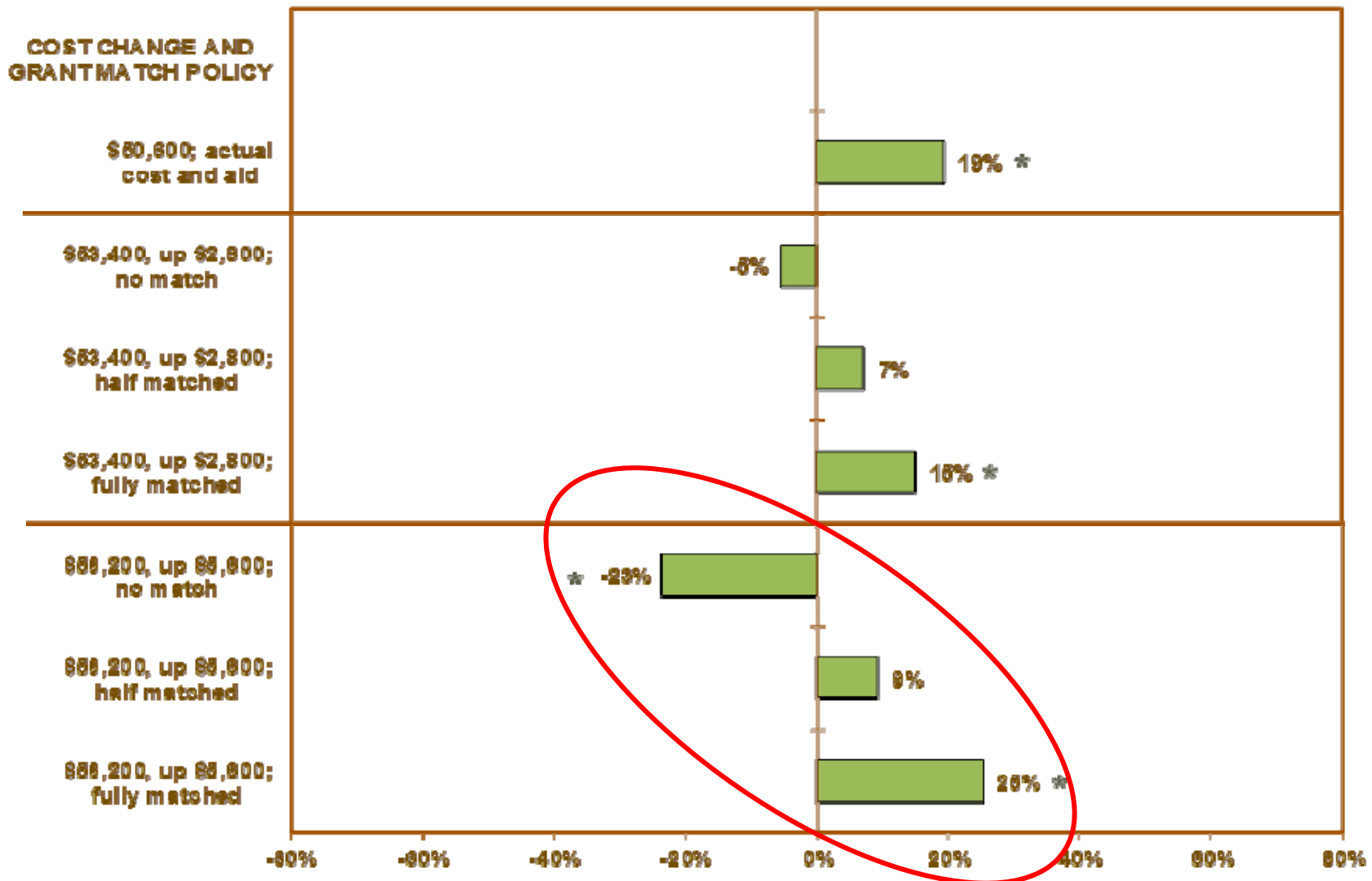
Effect of price/aid on number of applications



Effect of price/aid on number of matriculations



Effect of price/aid on number of matriculations



Effect of price/aid on number of applications

TOTAL ATTENDANCE COST
(In-state / Out-of-state)

\$17,800 / \$28,900
(Current cost)

\$18,900 / \$31,600

\$19,900 / \$34,300

\$21,000 / \$37,000

NEED-BASED GRANTS

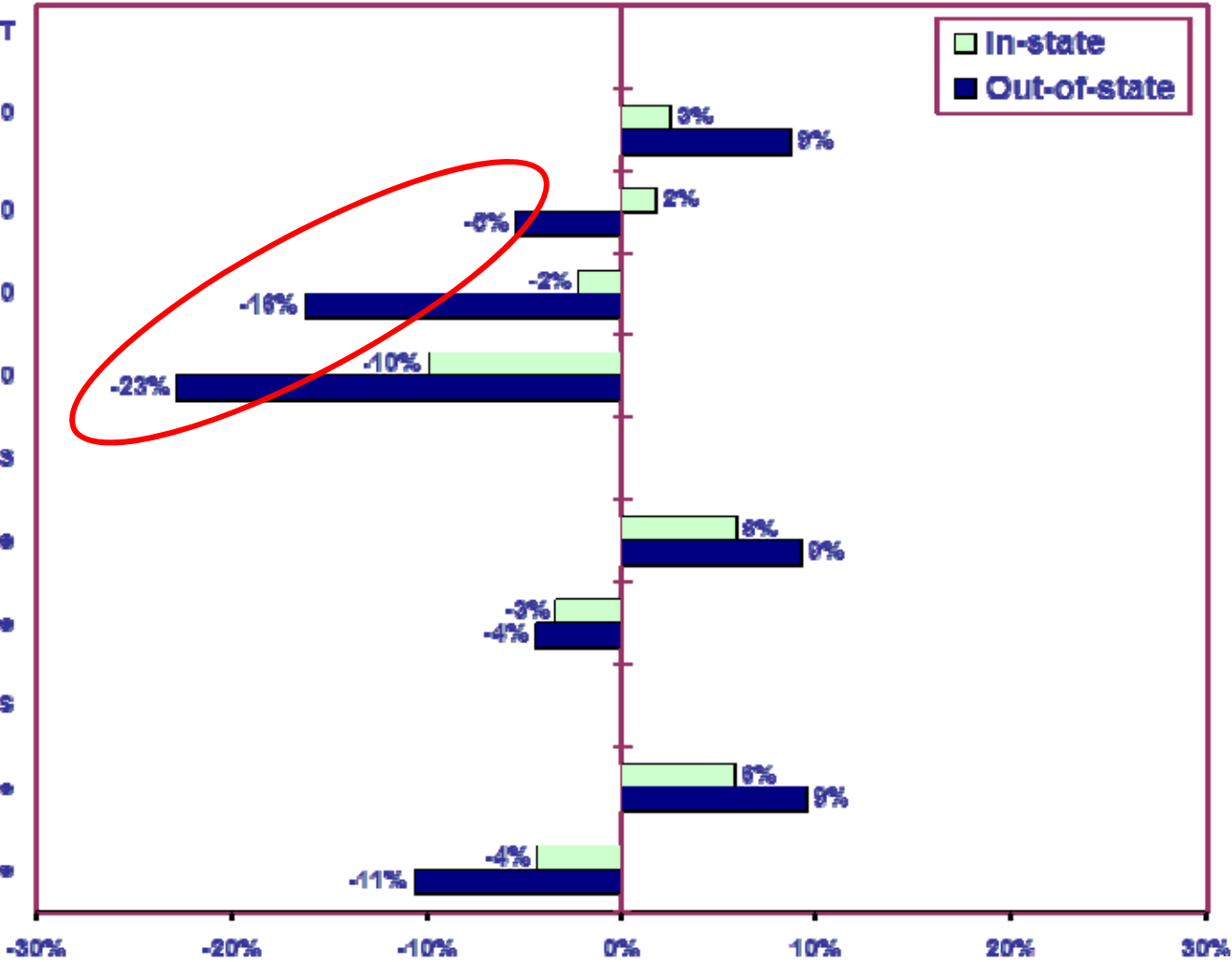
Extensive

Some

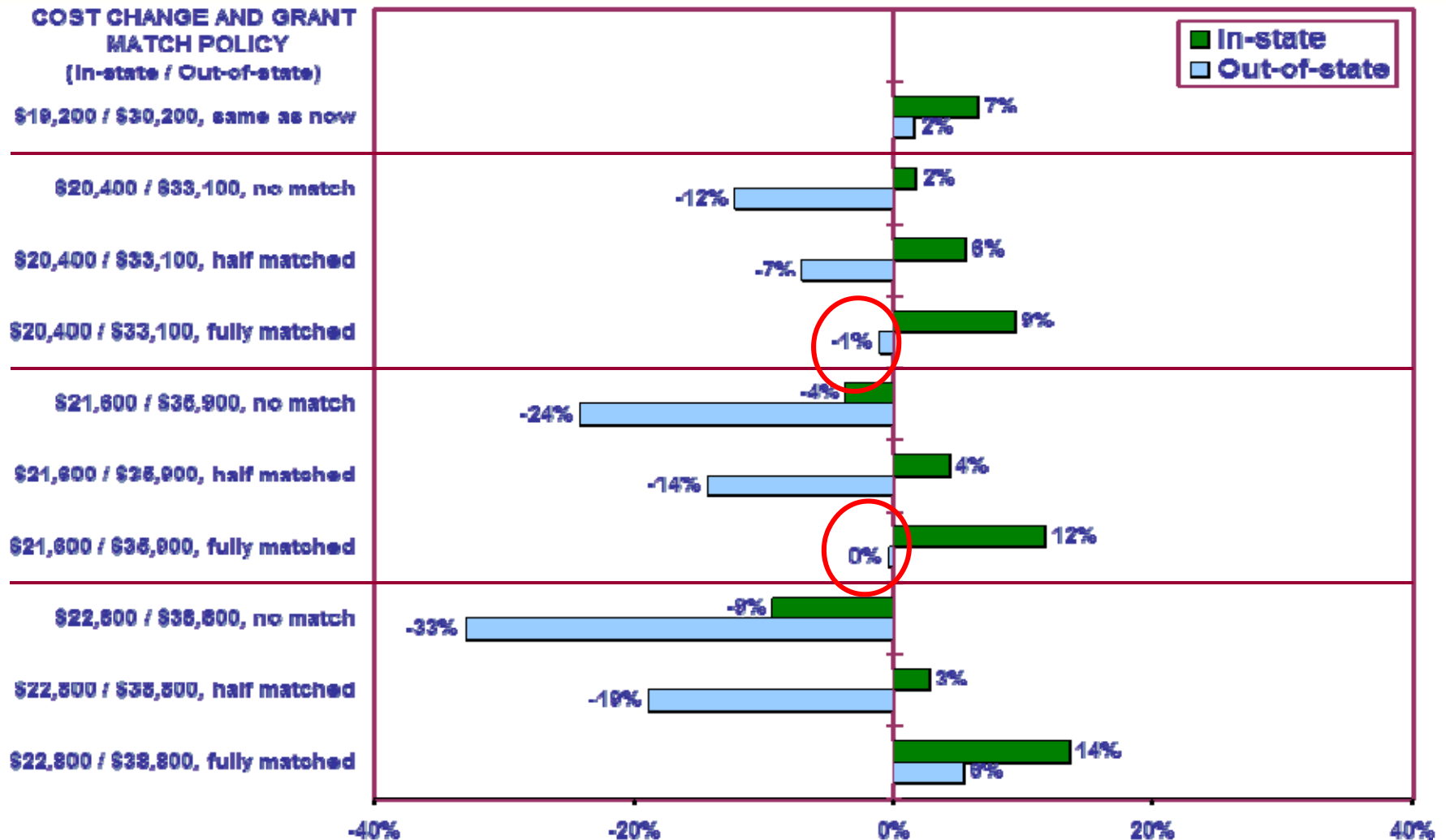
MERIT GRANTS

Extensive

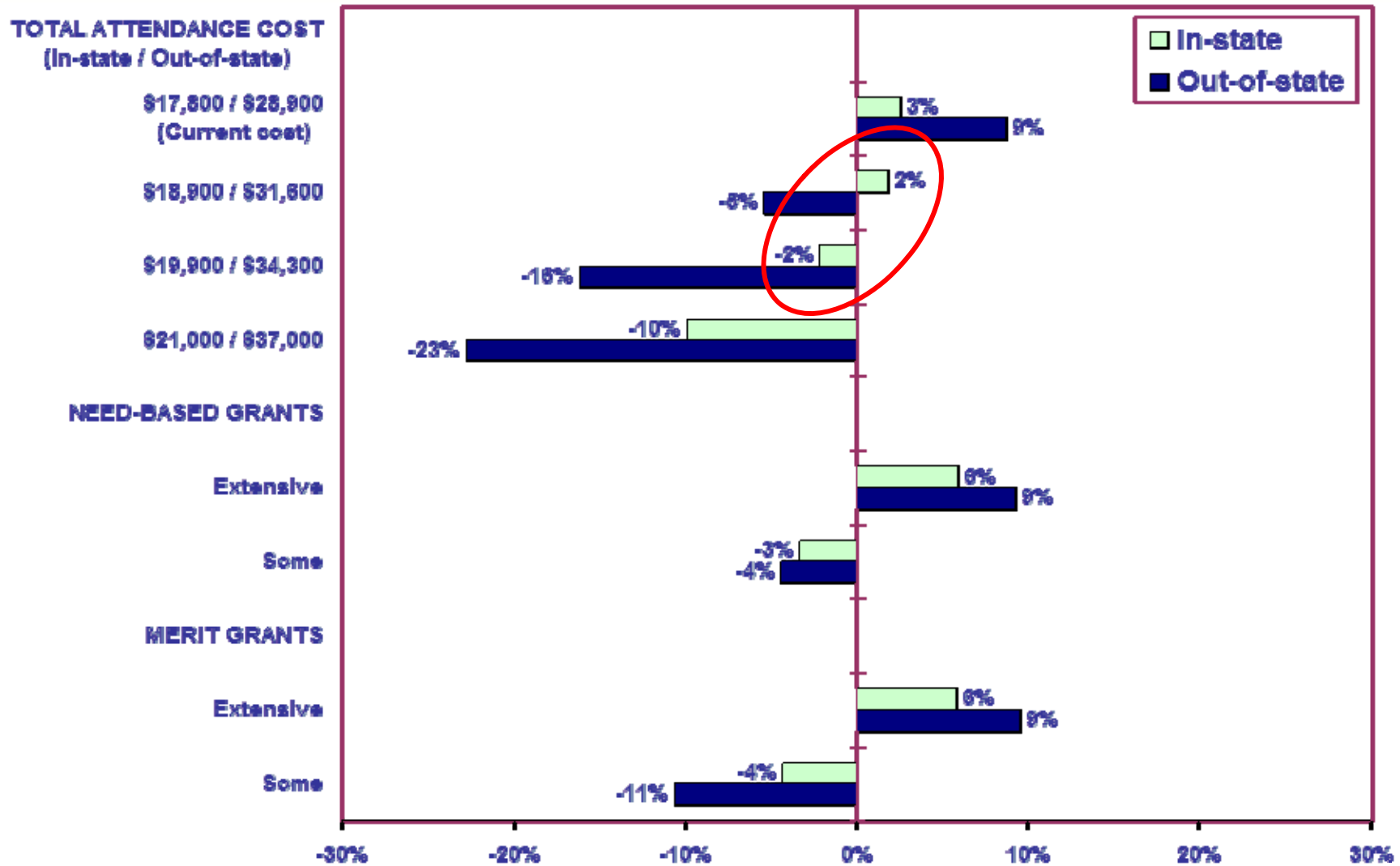
Some



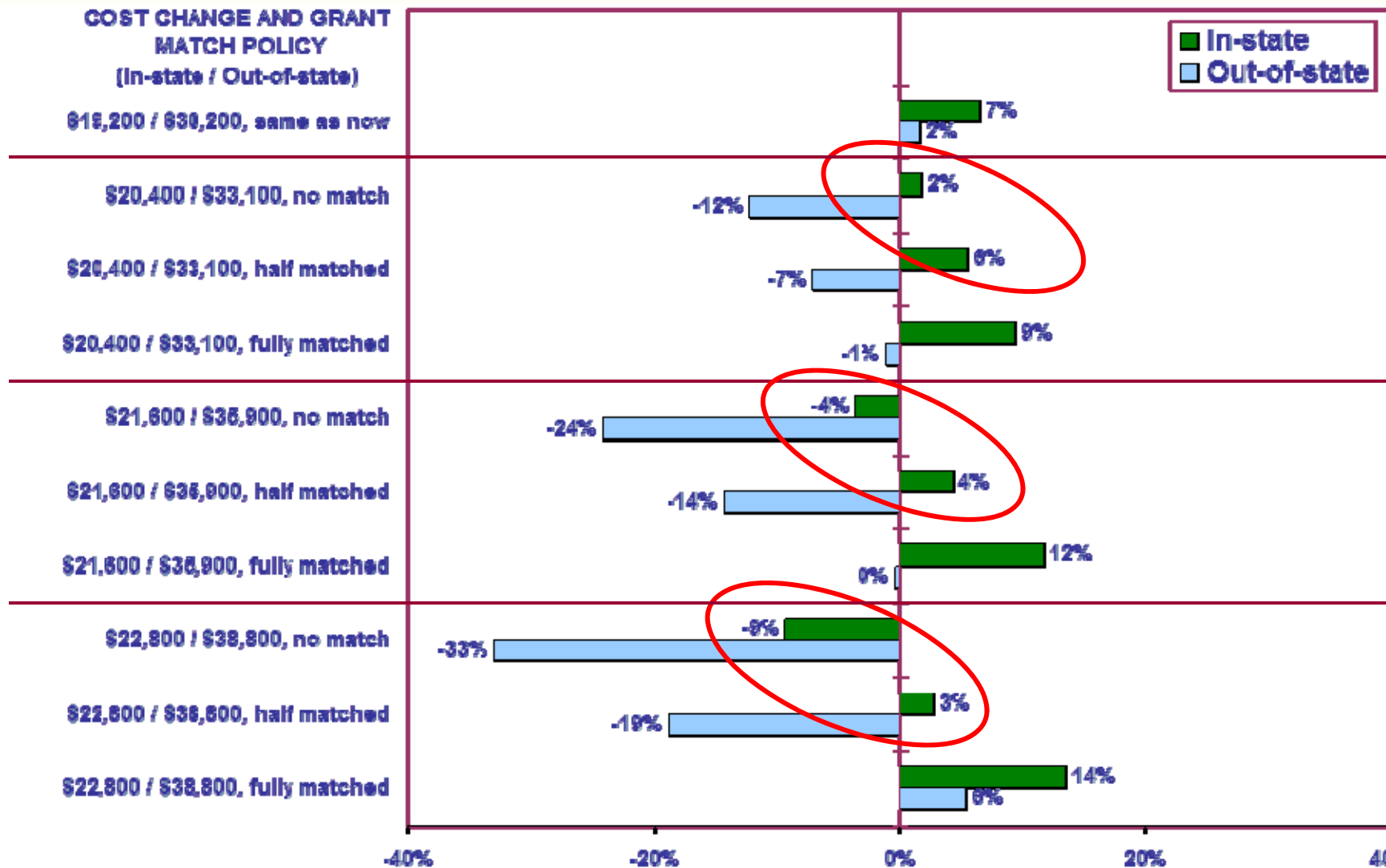
Effect of price/aid on number of matriculations



Effect of price/aid on number of applications



Effect of price/aid on number of matriculations



Market-sensitive pricing

Key Takeaways



- ▶ **The key for each institution is to set price and aid levels to optimize net revenue (and ultimately the bottom line), along with class size and character**
 - Not necessarily maximizing price or minimizing discount
- ▶ **In the long run, an institution's ability to control price and aid depends on its ability to act strategically to ensure a strong, intentional competitive positioning**

Discussion