Communicating Value through Sustainable Business Models

Dr. Jim Hundrieser, Associate Managing Principal
January, 2017
Expectation Gap

- Students
- Parents
- Employers
- Colleges
Broken Link Between Higher Education and Work

98% of Chief Academic Officers rate their institution as very/somewhat effective at preparing students for the world of work.

13% of Americans strongly agree that college graduates in this country are well-prepared for success in the workplace.

11% of business leaders strongly agree that graduating students have the skills and competencies their businesses need.

Sources:
Lumina Foundation/Gallup Poll 2013
The 2013 Inside Higher Ed Survey of College & University Chief Academic Officers report
“The weak labor market has been, and continues to be, very tough on young workers: At 16.2 percent, the March 2013 unemployment rate of workers under age 25 was slightly over twice as high as the national average.”

“#1 CEO challenge is hyper-complexity. Higher Ed is not equipping graduates with the right mindset or skills.”

“Eight in 10 members of the Class of 2015 said they felt their education prepared them well for the workforce, compared with 64% of 2013 and 2014 graduates.”
Asked groups of employers and college students a series of similar questions about career preparation.
Students Reason for Attending = Career Focused

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
Fundamental Change - Consumer Mentality

Consumers becoming more selective

Consumers believe lower cost of education means lower tuition prices
Projected Enrollment by Type

Percentages are Forecasted to Change

RGTF – Co-Ed; Non-African-American Population

NCES, 2015

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Trend - Lower Net Tuition

- The average tuition price published at four-year private colleges is $32,405
  - The average freshman discount in 2015 was 48% (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
  - 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
Cost Cutting is the Norm

- Across the country, institutions are reshaping their business models
  - Consolidation of institutions
  - Tenured faculty members may be assigned involuntarily to another campus, without the guarantee of continued tenure
  - Faculty layoffs
  - Program prioritization or revitalization or elimination
  - Deep operational cost cuts across the board without prioritization
  - No pay increases or pay cuts
  - Elimination of 403(b) contributions
Sustainable Business Model

Revenue growth and diversification
2.9 million enrolled in some online

2.85 million enrolled exclusively online

More than 7.1 million students, 33% of total higher education from 2012

Babson, Online Report Card, 2016
Babson, Online Report Card, 2016
Pearson, 2014
Market Response to Technology Migration

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

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

Partnership opportunities exist

Do-it-yourself programs have numerous requirements
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
Online Must-Have List

1. Must help students with career placement
2. Provide flexibility in course selection and offerings
3. Flexibility with process and policies (different from traditional undergraduates)
4. Local source activities (65% are within 100 miles)
5. Great website
6. Affordable
7. Easy and regular access to communicate with faculty
8. Offer fully online and blended (not one or the other)
9. Transparent data (job placement, retention rates, graduation rates of non-traditional populations)
10. Market to all ages of potential students
Unbundling the Degree

The trend of unbundling classes and credits from the institution’s core has already begun.
General Education Academic Courses

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
Transfer Students

- 75.00% Students Attending One College
- 25.00% Students Attending Two or More Colleges
Transfer students represent a major opportunity for institutions.

Requires speed and service to maximize competitiveness.

Many old paradigms around serving and processing transfer students (tactical).

Transfer student entry class should be as large as your freshman class – great diversification opportunity.
Trend – 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
Trend – Certificates and Credentials

BMO Education and Training Report

The U.S. Census Bureau

Lumina
Job Boot Camps
<table>
<thead>
<tr>
<th>Format</th>
<th>On-site</th>
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<tbody>
<tr>
<td>Cost</td>
<td>$14,250</td>
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<tr>
<td>Required Experience</td>
<td>Beginner</td>
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<tr>
<td>Languages</td>
<td>JavaScript, HTML/CSS,</td>
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<tr>
<td>Class Size</td>
<td>20 Max (8:1 Student Instructor Ratio)</td>
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<tr>
<td>Course Length</td>
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<td>Hours/Week</td>
<td>65-80</td>
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<td>Sessions/Year</td>
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<tr>
<td>Application Process</td>
<td>Application + Interview + Code Challenge</td>
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<tr>
<td>Job Assistance</td>
<td>Students have opportunities to meet recruiters, hiring managers, and employers. Each cohort has a career night.</td>
</tr>
<tr>
<td>Tuition Reimbursement</td>
<td>$1,000 off for early payment</td>
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<tr>
<td>Financial Aid</td>
<td>Scholarships available for single parents, veterans, and low income families.</td>
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<td>Payment Plan</td>
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<td>Description</td>
<td>Immersive Front-End Web Developer Program</td>
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<td>Contact</td>
<td><a href="mailto:info@angelhack.com">info@angelhack.com</a></td>
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</table>
Corporate Take Over

- Compose
- Udacity
- Coursera
- Lynda.com
- edx
Partnership Imperative

Georgia State University and Georgia Perimeter College

Armstrong State and Georgia Southern

Lyndon State and Johnson State Colleges in Vermont

College of South Idaho and Eastern Idaho Technical College
Changing the Business Model
Creativity and Innovation Requirements

<table>
<thead>
<tr>
<th>Level of Creativity and Innovation</th>
<th>Financial Challenge</th>
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<tbody>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
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</table>

- Using creativity and innovation to significantly improve competitive position
- Reduce costs, slight adjustments, reallocation of resources
- New Programs
  - Blended delivery
  - Technology
  - Speed and service
  - Affiliations
  - New policies
  - Student acquisition
  - Lowering costs
- Cost cutting and survival mentality is not a viable strategy for prosperity

Prosperity is here
Many institutions are here

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Alignment with Macro Trends

Focus on innovation and creativity linked to the macro trends shaping higher education

Opportunities come from aligning your institutions
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Associate Managing Principal

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