KNOWNS, UNKNOWNS, AND UNKNOWN UNKNOWNS:
THE REALITIES OF HIGHER EDUCATION

presented by

John Amato, Drake University
Brad Johnson, Southwest Baptist University

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AREAS COVERED

- Costs and Revenue Sources
- Value to Students and Alumni
- Giving Trends
- Advancement Issues
- Solutions
OVERVIEW

▶ **Knowns:** What does the data from our past tell us?
▶ **Unknowns:** What threats makes advancement units most vulnerable
▶ **Unknown Unknowns:** Strategies for achieving advancement success
IMPLICATIONS FOR OUR INSTITUTIONS

- What are the characteristics of the colleges that will thrive?
- What business opportunities do these data present for us?
- How/when should we respond?
PART I – WHERE IS HIGHER EDUCATION HEADED?
THE ENVIRONMENT OF HIGHER EDUCATION

Source: University of Denver
CHANGING ATTITUDES TOWARD HIGHER EDUCATION
THE AMERICAN DREAM

- Percent of college students who believe college is part of the American dream:
  - 1986: 68%
  - 2013: 52%

Source: Pew
IT JUST DOESN’T ADD UP ...
MORE STUDENTS TAKING ON DEBT
DEBT LOAD BY COLLEGE TYPE – 2012

Source: http://ticas.org/sites/default/files/pub_files/Debt_Facts_and_Sources.pdf
Average Annual College Costs
(Tuition, Fees, Room and Board)
Average Increase Over 5%

2000-01 = $22,240
2011-12 = $38,589
Private University

2000-01 = $8,439
2011-12 = $17,131
Public University
Figure 1. Average Tuition Discount Rate by Student Category

*Preliminary estimate.
COLLEGE COST AND OTHER SECTORS

That’s a jump of 1,120%
TUITION REDUCTION

- 30 independent colleges have reduced tuition
  - 1/3rd of these did so before 2003
- Most of the schools that reduced tuition showed an initial enrollment increase, but not a net revenue increase in the first year
- The majority did not sustain increased enrollments over a three-year period
- The institutions that lowered tuition had higher than average tuition increases within three years
- Interestingly, how the tuition reduction is communicated to the marketplace is at least as important as the reduction itself
- Tuition reductions were almost always followed by significant changes in the senior leadership team

Source: Miller, Cook, Sevier
WHY COLLEGE COSTS SO MUCH... AN ONGOING CONVERSATION

- Yes, colleges are labor intensive (estimated at 68%-75% of cost)
- But some bad practices have significantly contributed to the cost run up:
  - Focus on “purchasing” expensive inputs
  - Tuition discounting
  - Increasing debt service
  - Consumerification (confusion over student “wants” vs student “needs”)
    - Co-curricular
    - Extracurricular
  - Technology layered on, rather than technology that actually reduces costs
  - Rise in number of non-academic middle managers and staff
  - Too many majors with too few students
  - Unsustainable student/faculty ratio
  - Too many academic departments
  - Complex cores designed, in part, to keep faculty busy
  - Number of credit hours for a major or to satisfy core continues to climb
  - Federal and state compliance (regulation)
  - Layers of accreditation that often serve the institution rather than students
NON-FACULTY STAFF PER 100 FACULTY MEMBERS

Source: NCES 2014
STATE FUNDING OF HIGHER EDUCATION 2008–13
There is a strong sense that the net revenue per student is dropping

- Inferred because of generally higher discount rates

This presents a double bind for colleges:

- More students and more cost, but less revenue
FOR-PROFITS CHANGING SAGA

- Corinthian closed
- Two of the largest publicly traded for-profits announced substantial cuts and closings:
  - Education Management Corporation (EDMC)
  - Career Education Corp
- Kaplan has sold off more than 30 campuses
- In March, the University of Phoenix announced and enrollment of 213,800. This is half of the university’s 475,000 students during its peak, in 2010
- Publics and privates aggressively growing online offerings
- Increased scrutiny by feds and accreditation agencies

Source: Inside Higher Ed
PART II – WHAT IS HIGHER EDUCATION’S VALUE?
20% to 38%: College cost relative to average household income, 1969 vs. 2012.

Source: Newsweek 2014
YEARLY INCOME BY EDUCATIONAL ATTAINMENT

Source: https://nces.ed.gov/programs/coe/figures/images/figure-cba-2.gif
ECONOMIC VALUE OF A COLLEGE EDUCATION

- Average Income
  - High School Graduate: $28,700
  - College Graduate: $53,800

- Lifetime Income
  - High School Graduate: $940,000
  - College Graduate: $1,800,000

Source: http://web.csulb.edu/misc/eir/assets/taxes1a.gif
COLLEGE GRADUATES SAY COLLEGE IS WORTH IT

<table>
<thead>
<tr>
<th></th>
<th>Has Paid Off</th>
<th>Will Pay Off</th>
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<tbody>
<tr>
<td><strong>All</strong></td>
<td>83%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Boomers</strong></td>
<td>89%</td>
<td>3%</td>
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<tr>
<td><strong>GenXers</strong></td>
<td>84%</td>
<td>6%</td>
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<tr>
<td><strong>Millennials</strong></td>
<td>62%</td>
<td>26%</td>
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While much of the media loves to question the value of a college degree, the national dialogue is remarkably simplistic.

Over a lifetime, people who have college degrees consistently make more money than people who do not.

However, significant debt for some students, and poor job prospects for some majors, has negatively impacted the perceived value of a college degree.

In the final analysis, there is no single answer to the question: Is a college degree still a good value?
PART III – WHAT ISSUES FACE ADVANCEMENT?
Charitable donations to colleges reached an all-time high of nearly $38 billion in 2014.

Donors increased the amount they gave colleges in 2014 by 10.8%, up from $33.8 billion in 2013 (previous historic high).

Gifts from all sources, including alumni, corporations and foundations, were up in 2014.

Each source’s proportion of the total was roughly the same as it was in 2013.

28.6 percent of the total was given to fewer than 2% colleges and universities.

Source: Council for Aid to Education, reported in Inside Higher Ed.
Percent Alumni Giving – Median

Source: Blackbaud

Source: Grantspace.org
WE ARE AT A CROSSROAD...
THE ROAD LESS TRAVELED

The three roads:

- One road: We will fail
  - This is a narrow road, colleges almost never fail

- One road: We will prosper
  - This, too, is a narrow road; there simply are not enough resources in the marketplace for all the schools that want them

- One road: We will become marginalized
  - This is a wide road and too many schools are on this road

Source: March 2014 Trusteeship – The Road Less Traveled
FUNDRAISING CHALLENGES

- Annual giving is flat or declining; less than 20% of alumni give to annual fund
- Capital giving is flat or declining; campaigns are taking longer to close
- Size and composition of donor pool is stagnant
MARKETING CHALLENGES

- Marketing is seen only as promotion
- Political issues are confused as marketing issues
- No valued and differentiating brand
- Have not embraced an integrated marketing model
- Marketing plan does not dovetail with recruiting and fundraising plans
- No consistent use of measurement to determine marketing effectiveness
ALUMNI RELATIONS CHALLENGES

- Many early Alumni Associations were founded to support the University – including fundraising.
- Attention and resources tend to go to Development.
- Alumni Relations Staffs are not viewed as essential as development staff.
- High turnover because of low pay.
PART IV – CAN WE SOLVE THIS?
SIX COMMON DENOMINATORS OF THE MOST EFFECTIVE ADVANCEMENT UNITS:

- Great leadership
- Strong senior team
- Compelling vision
- Board support
- The ability to raise money
- A willingness to stay the course
QUALITIES OF THE SENIOR TEAM

- Orbit the vision
- More committed to the other members of the senior team than the groups they lead (manage)
- Highly collaborative
- Do not shy away from conflict
- Decide and then commit as a team
- Hold one another accountable
- Celebrate each other’s success
MARKETING & RECRUITING
BEST PRACTICES

- Build your brand on a solid foundation of compelling differentiation
  - Remember the recruiting four-step:
    - 1) What kind of students do you want?; 2) Where do they live?; 3) Build a brand; and 4) Recruit
- Segment your student pools and create a specific recruiting strategy for each major segment
  - Integrate your message strategy across multiple channels including the web and social
- Build:
  - An effective high school relations strategy
  - An effective alumni recruiting strategy
  - Transfer recruiting strategy
- Conduct a recruiting/financial aid assessment
GET THE VISION RIGHT

- It is not about being good or better
- It is not about being distinctive or unique
- Rather, it is about being compelling

Compelling visions attract resources: students, donated dollars, talented faculty and staff
EGO-CENTRIC VS. CONSTITUENT-CENTRIC

“We have a great pre-med program,”

or

“96 percent of our graduates are accepted into medical school within one year of graduation.”
ALUMNI RELATIONS BEST PRACTICES

- Know and understand your alumni body
- Recruit and fairly compensate a passionate staff
- Resist being labeled a “friend-raising organization”
- Become part of the “Moves Management” process
FUNDRAISING BEST PRACTICES

- There has never been a better time to raise money (if you know what you are doing)
  - There is more wealth in motion than at any other time in our nation’s history
  - Big donors are still giving—they are especially attracted to strong visions
  - Smaller donors are still giving, though they are supporting fewer causes more robustly

Plan your strategies. Implement your strategies. Measure your outcomes.
SIX KEY STEPS TO INCREASE GIVING

- Revitalize your annual fund
- Discover your donors’ animating passions
- Customize your solicitations
- Expand your donor pool
- Know where the money is (Wealth Screen)
- Move donors up your giving pyramid
INCREASING ALUMNI PARTICIPATION RATE

- Set ambitious goal of doubling your alumni giving rate
- Seek an alumni matching gift donor
- Set up alumni to alumni volunteer network
- Keep asking until alumni contribute