A MULTIPLE CASE STUDY ANALYSIS EXPLORING HOW LESS
SELECTIVE, TUITION-DEPENDENT COLLEGES AND UNIVERSITIES
APPROACHED AN UNDERGRADUATE TUITION PRICE RESET STRATEGY

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Laura M. Casamento
DEDICATION

This dissertation is dedicated to my husband Filippo and our beautiful family. Without your love, support and patience, I would not have completed this journey. I love you immensely and will always be grateful for the gifts you have given me. I cherish Sundays.
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This dissertation journey would not have been possible without the support of many people. First and foremost, I want to thank Todd Hutton, President of Utica College and the Utica College Board of Trustees. You allowed me the time to achieve this goal and gave me support and encouragement along the way.

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pushing me to the very end to ensure that my dissertation was as strong as it could possibly be. The opportunity to work with the three of you was a professional and personal experience I will cherish for the rest of my life.

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Lastly, I want to thank the presidents, staff and study participants from the four sites in this study who opened their campuses, hearts and minds to me. I am truly grateful for your willingness to support my research study and to advance this topic in the field of higher education.
ABSTRACT

A MULTIPLE CASE STUDY ANALYSIS EXPLORING HOW LESS SELECTIVE, TUITION-DEPENDENT COLLEGES AND UNIVERSITIES APPROACHED AN UNDERGRADUATE TUITION PRICE RESET STRATEGY

Laura Casamento
Robert M. Zemsky

This comparative case study provides a qualitative exploration of how four private tuition-dependent colleges approached a tuition price reset, including the organizational context, approaches, and strategies involved. As evidenced by the literature reviewed, there is an increasing awareness that the traditional business model of “high tuition/high aid” is no longer viable for less selective, tuition dependent colleges and universities caught in the middle of the market. Some of these colleges and universities are trying to innovate to remain competitive and financially sustainable. One innovation is to drastically reduce undergraduate tuition sticker price; a trend referred to as tuition price resets. A tuition price reset is a strategy that shifts the pricing model for an institution from “high tuition/high aid” to “low tuition/low aid” by lowering published tuition and financial aid awards, often in similar, but not necessarily equal proportion. There are a number of tuition dependent colleges that either have or will consider resetting tuition. This study provides valuable insight for those individuals and institutions seeking to understand the process that colleges and universities go through in evaluating the tuition price reset strategy. Critical factors in each institution’s
motivations, challenges and lessons learned are explored, including the background behind the analysis and decision, planning and implementation, as well as the outcomes of the decision.
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Chapter 1: Introduction

Statement of the Problem

In the private, non-selective sector of higher education there is increasing pressure to find the optimum intersection of price vs. value, or price point. Colleges and universities are caught in the middle of a raging public policy debate about affordability, with the higher education sector facing an exemplar shift in how it is viewed and valued. The media consistently barrages the general population with suggestions that the investment in higher education may not be worth the return, and even questions the basic premise of higher education’s existence.

The federal government, which recently suggested a ratings system that fell short of implementation, has established the College Affordability and Transparency Center College Scorecard, a tool for prospective students and their families to find out more about a college’s affordability, value and post-graduation metrics (The White House, 2013). President Obama continues to advocate for affordability and reducing student debt burden, noting in a recent weekly address, “At a time when college has never been more important, it’s also never been more expensive” (Obama, 2014).

When Moody’s changed the outlook for the entire higher education sector to negative in January 2013, the rating agency noted price sensitivity on the part of students and their families that continues to suppress the growth in revenue from net tuition as a critical factor behind the negative outlook (Moody's Investor Service, 2013). With the exception of the most elite universities, the sector faces diminished student demand and increased price sensitivity (Moody's Investor Service, 2013). Two reasons behind the
changes were cited as a prolonged period of depressed family income and household net
worth, as well as the dip in the number of domestic high school graduates since the peak

Moody’s revised its outlook for the higher education sector to stable from
negative in July 2015. Despite this revision, the ratings agency warned that
approximately 20% of public and private universities will continue to see financial stress,
with weak or declining revenue growth, owed to limited pricing flexibility and
fundamental challenges in student demand for higher education (Moody's Investor
Service, 2015). Moody’s noted that financial stress will be the highest at private colleges
with less than $200 million in revenue (Moody's Investor Service, 2015).

While institutions overall are faced with more liabilities, higher debt service and
increasing expense (Denneen & Dretler, 2012), less selective, tuition-dependent
institutions have to meet these challenges in the face of declining enrollments. Nearly
2,000 regionally accredited colleges and universities in this country have little brand
recognition, are highly tuition-dependent and are struggling to fill up classes (Lapovsky,
2013). Because they are being forced to aggressively discount their tuition and articulate
their value proposition in order to maintain campus enrollments, most of these colleges
will have a difficult time maintaining financial sustainability (Lapovsky, 2013).

Some believe colleges must reinvent themselves in ways that will make them
more effective, affordable, sustainable and available to students, particularly because of
the erosion of higher education resources, which include the declining ability and
willingness of students and families to pay, decreasing state support and pricing that is
outpacing grant programs like Pell, and the growing resistance of students to take on new debt (LeBlanc, 2014).

College and university financial leaders seem to agree. A recent survey of college and university chief financial officers found that at least 50% of them believe the current higher education financial model is broken (The Chronicle of Higher Education, 2014). Additionally, given what they know about their own institutions, financial leaders at private colleges are the most concerned about the ability of institutions like theirs to survive the next decade (The Chronicle of Higher Education, 2014).

A strong case can be made that highly tuition-dependent institutions lacking large endowments are struggling (Rivard, 2013), and although there is some concern that chasing the market can lead to mission drift, the lack of resources for tuition-dependent colleges is forcing them into the market (Zemsky, Massy, & Wegner, 2005).

Consider the trajectory of tuition discounting over the last several years. Tuition discounting, which generally applies to traditional full-time undergraduate students, is the process of directly reducing the sticker price of a college or university by awarding grant-in-aid, a merit or athletic scholarship or need-based scholarship aid (Zemsky & Shaman, 1984) in an effort to increase the likelihood that certain students will choose to enroll. The tuition discount rate is defined as total institutional grant aid divided by total gross tuition and mandatory fees. The tuition discount rate has continuously risen over the last decade, with large increases during the recession (Davis N. P., 2013). At the same time, when average net tuition revenue dollars are adjusted for inflation, institutions have seen no growth, on average, for the last 13 years, and the outlook to grow net tuition levels in the future is less than favorable (Davis N. P., 2013). This less than favorable outlook
means no additional contribution margin will be available to institutions to cover added expenses.

The argument can be made that the current level of tuition discounting represents an outdated business strategy, one that is not aligned with the marketplace. Less selective, private colleges have had to raise their tuition discount over time as a strategy for attracting higher income and better academically prepared students with merit grant aid (Chabotar, 2006). But today’s market is one where the pipeline of academically prepared prospective students who come from families that are able and willing to pay is decreasing (Lundquist, 2015). Demographic changes in the U.S. population will necessitate a focus on lower-income students, affordability and need-based aid, rather than the “preferential packaging” (Chabotar, 2006) of merit aid for a decreasing, more affluent student population.

Lundquist (2015) describes the imperative for colleges to focus on revenue and to “right” price, defining discount rate as an “un-spendable derivative that has played a far too important – and detrimental – role in pricing. It is an internal metric, detached from market realities; what families are able and willing to pay” (Lundquist, 2015, p. 5).

Consider the following: 1) tuition is rising unrealistically to incomes (Changing Higher Education, 2014); 2) willingness to pay is declining, even when ability is not an issue (Baum, Ma, & Payea, 2010); 3) pricing strategies should be tied to an institution’s value proposition (Gilroy, 2003); 4) low-income student populations are rising (WICHE, 2012); 5) enrollments are declining in spite of increasing tuition discounting (Belkin, 2013); and 6) the high tuition/high discount model undermines access and completion for
lower income students (Davis J., 2003). More than ever, affordability matters for the less selective, tuition-dependent sector of higher education.

Three primary paths to achieving competitive advantage have been defined as differentiation, low-cost, or structural advantage, with warnings that the worst case scenario is to be relatively expensive and undifferentiated (Denneen & Dretler, 2012). Others describe the paths in terms of three generic strategies: cost leadership, differentiation and focus strategies (Porter, 1980). The choices a firm makes, however, in determining which strategy to deploy is largely dependent upon the size of the firm and the amount of resources available to it (Wright, 1987).

Higher education pricing strategies play a pivotal role in effective enrollment and financial management. Conventional pricing strategies do not often consider what the customer is willing to pay or what they are thinking (Morrison, 2014). Recent literature on the value of emotions related to pricing reveals that firms must: 1) know how their customers make decisions and who their competitors are; 2) know how to set and communicate their pricing; and 3) know the right price to charge (Morrison, 2014).

As a result of the most recent recession, colleges and universities face increased threats to flexibility in college pricing (Ryan, 2013). With 40% of prospective undergraduate students eliminating a college due to cost before doing any other research on the institution (Sallie Mae, 2013), colleges that rely heavily on the high tuition/high discount model to communicate quality and value need to consider this new market reality. If prospective students cannot get past the sticker price, a college will be eliminated as an option.
With so many families today concerned about rising tuition prices, some literature suggests that by moving from a high tuition, high discount model to a low tuition, low discount model, colleges can align sticker price more closely with what a student actually pays, reinforcing the value proposition (Hanover Research, 2013).

Other supporters of a low tuition, low aid model generally believe that high tuition, even when coupled with high financial aid, causes a large pool of potential students to feel that college is unaffordable. Efforts to keep tuition levels as low as possible may contribute to student access and success by keeping tuition affordable to more students and encouraging greater participation (Badolato, 2008).

Some literature suggests that in order for the high tuition, high discount model to be truly effective, colleges and universities must have a large group of potential students for which enrollment demand is inelastic, or are unresponsive to price increases, and a smaller group of desirable students who are price sensitive (Curs & Singell, 2010). The market reality of today is that just about all non-selective, tuition-dependent colleges provide merit aid in order to enhance the value of a higher priced education to middle income and wealthy students who are often able but unwilling to pay the published price (Lapovsky, 2004).

**Purpose of the Study**

As evidenced by the literature reviewed, there is an increasing awareness that the traditional business model of “high tuition/high aid” is no longer viable for less selective, tuition-dependent colleges and universities caught in the middle of the market.

Some colleges and universities are trying to innovate to remain competitive and financially sustainable. One innovation is to drastically reduce undergraduate tuition
sticker price; a trend referred to as tuition price resets. A tuition price reset is a strategy that shifts the pricing model for an institution from “high tuition/high aid” to “low tuition/low aid” by lowering published tuition and financial aid awards, often in similar, but not necessarily equal proportion.

The purpose of this research study was to explore how four private tuition-dependent colleges approached a tuition price reset, including the organizational context, planning and execution strategies involved. There are a number of tuition dependent colleges that either have or will consider resetting tuition. Many of them will not be successful, but others will. By examining how these four colleges approached a reset, the researcher gained an understanding of why this strategy may be a viable option for some colleges and not for others.

The research study was qualitative in nature. Qualitative research is used when the researcher wants to understand the contexts or settings in which participants in a study have deployed a strategy, made a complex decision, or addressed a problem (Creswell, 2013). The qualitative research method utilized will be a multiple case study. Creswell (2013) explains case study research as, “A qualitative approach in which the investigator explores a real-life, contemporary bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information” (p. 97).

The major research questions guiding this study were exploratory in nature: 1) What is the organizational context necessary to make deployment of the tuition price reset strategy gain traction at the institution? and 2) How did the organizational approaches and strategies affect the outcome? Tuition price resets are a fairly new
phenomenon. Due to their relative newness in the higher education marketplace, there is little traditional market research or literature available on the internal and external context necessary to successfully launch and maintain such a strategy. For the purpose of this study, context refers to, “The circumstances that form the setting for an event, statement, or idea, and in terms of which it can be fully understood and assessed” (Oxford University Press, 2015).

Purposeful sampling was conducted to identify four less selective, tuition-dependent colleges that have reset tuition in the past ten years. An initial list of 19 institutions that have reset tuition during the same timeframe was developed for possible inclusion in the study. A pilot study was conducted to provide a preliminary look at six institutions on the initial list. The analysis resulted in the final site selection of four institutions from the pilot study sites and assisted the researcher in defining what a “successful” tuition price reset looks like.

The primary factors that determined the selection of these four sites were: 1) The process involving the decision and deployment of the strategy to reset tuition provides enough depth to allow for a rich research opportunity, with the potential for multiple interviews and thorough examination; and 2) the leadership team of the college was open to sharing the story. Table 1.1 provides a listing of the selected sites. Pseudonyms were created to protect the identity of the selected institutions.

Two critical variables were identified and used to ultimately determine if a tuition price reset launch was successful: 1) undergraduate net tuition revenue, and 2) number of undergraduate students. Every college or university has a unique weighting of each variable, as well as a varying level of sophistication involved in financial aid matrices.
What colleges and universities do have in common is the core objective of educating students. Securing and retaining more students and sustaining net tuition revenue increases for a period of at least two consecutive student recruitment cycles following the launch of a tuition price reset will determine if the strategy has the potential for long-term sustainability. Two of the four institutions in this study were deemed to have successfully positioned themselves for long-term sustainability.

This research study provides valuable insight for those individuals and institutions seeking to understand the process that colleges and universities go through in evaluating the tuition price reset strategy. By providing rich cases that cast light on the opportunities, motivations, challenges and lessons learned, individuals and institutions will be better prepared to evaluate the tuition price reset strategy as they consider new, innovative ways to attract, enroll, and graduate students.

<table>
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<tr>
<th>College/University Name</th>
<th>Date Range</th>
<th>Reset Reduction%</th>
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<tbody>
<tr>
<td>East College</td>
<td>2012 - 2013</td>
<td>22%</td>
</tr>
<tr>
<td>West College</td>
<td>2014 - 2015</td>
<td>34%</td>
</tr>
<tr>
<td>North College</td>
<td>2013 - 2014</td>
<td>33.7%</td>
</tr>
<tr>
<td>South College</td>
<td>2014 - 2015</td>
<td>43%</td>
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East College is a private, non-profit, comprehensive university, originally founded in the late 19th century as a Southern Methodist small seminary college. In 1942, East College disaffiliated with the denomination and became independent. The mission of East College is to educate each student for a life of productive work, enlightened living and community involvement (East College, 2015).

East College offers 27 undergraduate and six graduate degree programs. Degree programs are offered at its main campus and two additional campus locations within its home state, as well as online. East College provides significant flexibility for student learning, allowing students the opportunity to accelerate their degree completion to less than four years or obtain a second major within the same timeframe. These opportunities are supported by providing credit for prior learning, portfolio credit and independent learning plans, among other initiatives (East College, 2015).

Over one-third of East College’s student body competes on one of the school’s 22 NCAA Division II athletic teams. In 2014, East College was recognized for excellence in its athletic conference (East College, 2015). East College is currently ranked as a top regional college by both *U.S. News* and *The Princeton Review 2015* (East College, 2015).

IPEDS data from 2009-2014 indicates overall enrollment growth at East College of 1400 to 2020 students and net tuition revenue growth from $17,500,000 to $25,000,000. Full-time undergraduate enrollment has grown from nearly 1000 to 1400 students during the same timeframe. East College currently has an endowment of
approximately $40 million and relies on tuition and fees as its primary source of income (U.S. Department of Education, 2016).

**Background**

East College faced significant enrollment concerns from 2007-2011 in its undergraduate population, which was unstable and decreasing overall. From 2008-2009, enrollment decreased from 1090 to 1075 students; from 2008-2009, it decreased from 1075 to 980; from 2009-2010, it increased from 980 to 1095; and then it decreased again from 2010-2011 from 1095 to 979 students (U.S. Department of Education, 2016). The institutional leaders interviewed for this study mentioned concern about market position against both private colleges and universities in the state and lower priced public institutions. The majority of study participants noted the most significant competition for enrollment came from the state’s public institutions. These concerns dovetailed with the economic recession and price sensitivity. The majority of students at East College were in-state, and the state was in the middle of a severe economic downturn.

Adding to enrollment concerns was a reduced retention rate. A significant factor affecting lower retention at East College is the enrollment of provisional students, who make up 17-18% of the new student population annually. These students were described as “not quite meeting the standards” and requiring remedial coursework (Executive vice president, chief admissions and marketing officer, personal communication, August 26, 2015). The number of credit hours a provisional student can take is limited each semester, and provisional students are enrolled in student success courses. Several study participants blamed the growth of the Division II athletic program for the growth of the provisional student issue, while others blamed a former VP for Admissions.
In terms of the financial position of East College, there were many different perspectives among the study participants. The president and board member described it as stable, while a member of the senior leadership team noted the college was “in good shape” (senior leadership team member, personal communication, August 27, 2015). Other study participants viewed the financial position differently. A member of the admissions staff noted that faculty and staff went a few years without raises or promotions, indicating that financial pressures were significant. And even among members of the senior leadership, there was concern about the decline of Expected Family Contribution (EFCs) of incoming classes, with many noting that it keeps dropping. According to the chief financial officer, many prospective students have a zero EFC. Ability to pay was clearly becoming more and more of an issue.

There was also strong belief among study participants that the high sticker price, relative to East College’s competitor set, was creating “sticker shock” and presented a barrier for students and families as they considered whether or not to visit the campus. The president noted, “We needed a wake-up call. We had to find a way to get more people to visit the campus and to give them some security that it [the price] is not going to inflate right away” (President, personal communication, August 26, 2015). The fear of “sticker shock” was supported by weakening economic conditions in the state, which was creating increased need for both the prospective and current student populations.

In early 2011, the president’s concerns were reinforced during a presentation by Stamats, a higher education integrated marketing firm. The Stamats presentation was part of a national conference on higher education leadership issues and focused on the significant economic challenges in the country during 2007-2008, which were repeated in
2011. The presentation highlighted how price-sensitive the higher education market was becoming and referenced consistent media coverage devoted to the value of a college degree, particularly from private colleges or universities, which are associated with higher sticker prices.

The 2008 recession brought with it a new level of price sensitivity, low interest rates and significant job losses in East College’s home state. The market for higher education was weighing heavily on the president, who explained his thinking this way: “The consumer mentality is so firm, and the majority of colleges and universities are essentially selling a commodity. We [the sector] like to think we are not in that game, but I think we are. And colleges are not very good at articulating the value added of their institution and differentiating that from what another institution has to offer” (President, personal communication, August 26, 2015). He raised again the idea of lowering price to his senior leadership team.

**Analysis and Decision**

At East College, the senior leadership team consists of the president, chief financial officer and provost. The president described himself as the “stimulator” and driver of the tuition reset strategy. He was supported, almost entirely, by the work of the chief financial officer, who performed all of the financial analysis without the assistance of anyone else at the institution. Although the three members of the leadership team did have “occasional conversations” with members of the president’s cabinet about the strategy, no one else besides the Cabinet and the Board was brought into the conversation.
The president described the process like this: “We started looking at the data, calculating where we are and discussing why in the world would we do this, would people like it or not, and would they respond to it” (President, personal communication, August 26, 2015). No consultants were employed to assist with the analysis, and no pricing or marketing studies were completed. The chief financial officer analyzed the revised financial aid packaging, dug into EFC data, examined athletic aid and proposed the pricing grid. The financial modeling went out 2-3 years.

After examining the data, the chief financial officer became hesitant about the move, noting: “You have to worry about what the downside would be, and I was worried there would be no upside. When you lower your price, you lower your margins, and you no longer have room to negotiate. But I did realize we had to do something” (Chief financial officer, personal communication, August 27, 2015).

A significant event in August 2011 heightened the chief financial officer’s concerns. Approximately 40 new full-time students, who were on campus for summer orientation and fully registered, did not show up for the start of the fall semester. This melt was attributed to students opting for community colleges and technical schools due to price. For the senior leadership team, this was further confirmation that cost, not price, had become more important.

The analysis eventually made its way to the Board through one of its working groups, the Vitality Committee. The Vitality Committee reviewed the analysis and considered the decision before the full Board received it. According to a board member interviewed for this study, once the strategy was presented to the full Board, it was “heavily discussed” (Board member, personal communication, August 26, 2015) at one
or two meetings prior to a vote. The president presented all of the arguments for and against the strategy, no one else on his team presented. When the analysis was presented to the Board, it came in the form of financial reports that showed what the bottom line would look like and what the effect on scholarships would be. The analysis did not include any formal risk assessment or market data research, although the board member indicated that, “Risk was discussed, but not quantified” (Board member, personal communication, August 26, 2015).

The risk factor discussed the most was a public relations one – the risk of changing the image of the institution too drastically, potentially causing prospective students to question whether the institution retained its value. The chief financial officer described the discussion: “You know, if this [strategy] did not work, boy, we’re in the tank. But on the other hand, we thought, well, we haven’t changed the profile of the students coming in for the past five years, so what real risk is there?” (Chief financial officer, personal communication, August 27, 2015).

The initial reaction of the Board to the tuition price reset strategy was described as “shock.” The Board was worried about marketing. They wondered how East College would communicate or advertise the strategy and to whom it would focus the communication. Some members of the Board thought the strategy would make them look like heroes in the community for pointing out the discounting game that the rest of the market was playing and for being proactive about bringing price closer to the reality of actual cost. Other board members disagreed. There was no real consensus.

In the end, consensus was not achieved. A member of the leadership team described the atmosphere in the boardroom as “a battle.” Those opposed to the strategy
cited concerns about damaging institutional image by dropping the price. A few board members ultimately voted against the strategy, but the majority voted in favor. The majority of board members who voted in favor of the strategy felt that cutting the price of undergraduate tuition was “the ethical thing to do,” and that it would gain the institution notoriety.

Following the vote, the Board asked the senior leadership team to: 1) ensure they calibrated the financial aid grid correctly; 2) consider the public relations message; and 3) consider the culture of the institution. According to a board member, even though there was disagreement about the strategy, the entire Board had faith in the long-standing senior leadership team, particularly the president. This sentiment was shared by the chief financial officer, who noted: “Look, I told them not to worry. We have our president, and we can always go back and change this” (Chief financial officer, personal communication, August 27, 2015).

In fact, the president had demonstrated his ability to implement different pricing strategies in the past. Following a substantial (16%) increase in tuition in 2004-2005, East College instituted a price freeze for the 2005-2006 academic year. Both the president’s ability to respond and implement different strategies when necessary was not lost on the Board or the other members of the East College’s senior leadership team.

In November 2011, East College announced a tuition price reset, which lowered the published price of full-time undergraduate tuition by 22%, from $25,000 to $19,500. The new published price was applied to all incoming students beginning in the Fall of 2012. The new published price did not, however, apply to returning students. In an effort to keep the net price for returning students the same as for incoming students,
returning students were guaranteed at least $6,000 in financial aid, meaning no returning student would pay more than a net price of $19,500.

On August 1, 2012, East College announced that they would assist undergraduate students from a nearby university that had lost its accreditation, committing to admit any student in good academic standing who chose to transfer into East College. This announcement came less than 30 days prior to the effective date of the tuition price reset. But students transferring into East College from this university would not be eligible for the reset tuition price – they would continue to pay the same per credit tuition rate that they paid at their former university.

In 2013, East College ventured into online education by hiring approximately 70 employees and taking over the two campus locations of the nearby university. East College’s online undergraduate students were not eligible for the tuition price reset.

**Outcomes**

Although success was never clearly defined, members of East College’s senior leadership team discussed the following goals of the tuition price reset strategy: 1) increase net tuition revenue; 2) expand the East College market area; and 3) become more price competitive with the public colleges and universities in East College’s home state.

According to numerous study participants, the top of the enrollment funnel did widen following the tuition price reset announcement. But while inquiries and applications increased, East College experienced a decrease in yield. The number of freshman enrolled dropped for the first two years of the reset, from 245 students in 2011-2012, to 240 in 2012-2013, then to 235 in 2013-2014. The number of new transfer students increased the first year of the reset, from 86 students in 2011-2012 to 144 in
2012-2013, then decreased back to 114 students in 2013-2014 (East College, 2015). The first year increase in transfer students was mainly due to the acquisition of students transferring in from the university that lost its accreditation rather than the result of the tuition price reset strategy.

The total undergraduate headcount on East College’s main campus increased from 1372 in 2011-2012 to 1427 in 2012-2013, before decreasing to 1409 in 2013-2014 (East College, 2015). Although the exact amount of East College’s main campus, undergraduate net tuition revenue was not made available to the researcher, both the president and chief financial officer reported slightly increased main campus undergraduate net tuition revenue the first year of the reset, due to the acquisition of transfer students from the nearby university and declining main campus undergraduate tuition revenue the second year.

Freshman to sophomore retention decreased the first two years of the reset, from 70% in 2011-2012, to 66% in 2012-2013 and to 61% in 2013-2014. Overall retention remained unchanged from 2011-2012 to 2012-2013, at 71%, before decreasing to 62% in 2013-2014 (East College, 2015).

Two years after the tuition price reset strategy was announced, East College reversed its strategy and increased tuition back up to pre-reset levels. A board member commented on the reversal: “Admissions was pushing hard for the reset to be reversed, saying they needed the tool of the large scholarship to attract students. We voted to raise the tuition levels back to where they were as fast as possible” (Board member, personal communication, August 26, 2015).
Undergraduate enrollment on East College’s main campus is in much better shape since the reversal of the reset strategy, with net tuition revenue increases in nearly every category. Both freshman to sophomore retention and overall retention has increased to 65%. In addition, all current traditional undergraduate student populations are now on the same tuition and fee schedule. Perhaps most surprisingly, the average EFC for the incoming class of 2014 (the first year of the reversal) was $17,687, an increase of over 50% from the prior year average of $11,780 (East College, 2015).

**Planning and Implementation**

Most study participants at East College described the planning for the tuition reset as limited. According to a staff member who worked in the financial aid office, the financial aid staff was notified just prior to the announcement. Financial aid staff had little time to consider the process issues generated by the tuition reset strategy. They struggled with different pricing scenarios for new and returning students. From a system perspective, new rules had to be created in Banner (the student information system) to handle the different pricing levels. From a relationship perspective, the staff had to gain a quick understanding of the reasons behind the tuition price reset so that they could provide proper explanations to the students they served.

The admissions staff heard about the strategy at about the same time as the financial aid staff. A member of the admissions staff described the communications to faculty and staff as, “Very simplistic; the reasons for doing the reset were not laid out in a concrete manner that was understandable” (Admissions staff member, August 26, 2015). Most of these participants wished they had been provided with an analysis of the quantitative data – they wanted to see the numbers behind the decision and “how this all
makes sense.” There was a strong feeling that the staff, who often referred to themselves as “the boots on the ground,” should have been provided with scripts and training about the tuition reset strategy before the announcement.

A member of the admissions staff was hesitant about the reset strategy, noting the few years of zero percent salary increases,

When you are hearing that the reason you did not get a raise is because enrollments are down, then you hear that they’ve cut tuition, it does not take an intelligent person to understand there’s going to be less in the pot to share (Admission staff member, personal communication, August 26, 2015).

The majority of study participants were critical about the lack of marketing behind the strategy. In fact, the marketing staff was not involved in the planning and implementation of the strategy or in the development of various communications to campus constituencies. The entire implementation consisted of a press conference; written correspondences to faculty, staff, alumni and students; and a few town hall meetings hosted by the president and chief financial officer. And leading up to the announcement, the Board was not privy to the detail behind the roll out plan, even though they had asked the senior leadership to carefully consider the public relations message.

The chief financial officer described the situation: “This was a fast decision, made very quickly and already into the next recruiting cycle” (Chief financial officer, personal communication, August 27, 2015). The announcement was made in November of 2011, nearly six weeks into the recruiting cycle for Fall 2012. Admissions staff and athletic coaches, already deployed and on the road, had to suddenly shift gears.

Reports of how returning students reacted to the announcement differed among the study participants. Senior institutional leaders believe the returning student
population understood the pricing differences between them and new students “surprisingly well,” and they discussed the value of the face to face meetings held to explain the strategy. Others, specifically study participants who dealt with returning students on a daily basis, reported “lots of confusion.” Complicating the confusion was the delay in re-packaging for East College’s returning students. Returning students were told they would not pay more than $19,500 after the aid adjustment, but these students did not really know how much they would actually pay until March of the following year, nearly four months after the tuition reset was announced. Some study participants believed this delay caused unnecessary worry for returning students and their families.

New students in the pipeline faced similar challenges. According to the executive vice president for admissions and marketing, students in the pipeline did not understand the new pricing until they received aid packages in March. Without even estimates of what they might pay, prospective students dropped off of East College’s radar and committed to other schools (Executive vice president for admissions and marketing, personal communication, August 26, 2015).

Those study participants involved in admissions work cited conversations with prospective students about their concerns over quality, noting that they were often asked if the institution was in trouble. But the biggest obstacle, mentioned by every study participant, was the lower level of scholarship aid. The market for East College expected flattery; prospective students and families cared more about the scholarship awards than about the bottom line price. As much as university representatives tried to focus prospective student conversations on the bottom line, they were unable to do so. A staff member in the financial aid office described the market reaction this way:
I don’t think we really understood our market because the prospective students wanted to feel like the institution really wanted them. We lost a lot of prospective students because they were receiving scholarship awards of $16,000 from other schools, and we were awarding them something in the $3,000-$5,000 range. So even though the bottom line was about the same, if a prospective student chose us, they wouldn’t be able to stand up in front of their high school assembly and announce the “big” award they got (Financial aid staff member, August 26, 2015).

Staff in admissions felt that the loss of the large scholarship awards really hurt their ability to attract students. A member of the Board heard the same stories: “Prospective students wanted to be able to talk about the ‘big’ scholarship, rather than the bottom line dollars. Maybe we didn’t think about that enough before we jumped off of the cliff” (Board member, personal communication, August 26, 2015).

The implementation of the tuition price reset was further complicated by the acquisition of undergraduate students from the nearby university that had lost its accreditation. The executive vice president for enrollment and marketing explained how traditional students transferring from this university were used to paying a certain per-credit-hour tuition. The leadership team at East College decided to keep their tuition at the same level. This decision created three different pricing levels in the traditional undergraduate student population. Tuition was cut for incoming students, kept the same for returning students, and then set at an entirely different price for students transferring from the nearby university (Executive vice president for enrollment and marketing, personal communication, August 26, 2015). The majority of study participants noted that significant challenges resulted from the systems and process issues involved in keeping track and communicating these different pricing scenarios.
Yet despite all of these challenges and the overall failure of the tuition price reset strategy, only a few study participants admitted that they would have done things differently. Among those few participants, a common theme was the need for improved communication to the faculty and staff about the strategy – what happened and why, as well as the overall marketing of the strategy. Other responses to this question ranged from the need to be more strategic about the plan implementation, to keeping the published price the same for all undergraduate student populations.

One senior leader noted negative faculty and staff perceptions of the administration as an outcome of the tuition price reset strategy. The president of East College did not try to avoid the issue – he only blamed himself, explaining, “Look, it was my forecast that was wrong. I mean, I thought consumers had become more cost conscious after 2008 and 2011, that they would see beyond price to actual cost. And I was wrong; they didn’t see that” (President, personal communication, August 26, 2015).

According to the president, the institution failed to communicate the strategy to prospective students and families. He discussed the psychology of price: “And so I prayed and prayed for JC Penney to be successful when they undertook their strategy of no more sales and one low everyday price. Well, it didn’t work for JC Penney, and it didn’t work for us” (President, personal communication, August 26, 2015).

When thinking about what he might do differently if he could implement the tuition reset strategy over again, the president responded that he would have tried to find a better way to test the market, noting that the psychology of “price equals value” is difficult to overcome (President, personal communication, August 26, 2015).
Findings

As noted by the president of East College, the tuition price reset strategy was implemented with little knowledge of the price sensitivity of its prospective student population. A price sensitivity study, prepared as part of the overall analysis of the reset strategy, would have given the senior leadership team valuable information about the optimal intersection of price versus value for prospective students.

At the time of the tuition reset, East College was thin on resources, both financial and human. The chief financial officer prepared all of the documents to support the analysis without assistance from anyone else at the university. The detailed financial analysis required to carefully consider a decision of this magnitude is an enormous undertaking for any one individual. Key areas of East College such as marketing, admissions, financial aid and institutional research were not represented in the process. After completing the financial analysis, the chief financial officer was not in favor of the move, but the president acted anyway, moving forward with his presentation to the Board.

The decision to reset tuition was quick, leaving little time for careful consideration. The analysis and planning phases occurred over the course of a few months and were implemented more as promotional tactics than long-range strategic objectives. Very little, if any, of East College’s resources were devoted to marketing – either of the institution brand or of the reset itself. In the end, price was the only story.

The tuition price reset was implemented for new students only, creating confusion for students and both systems and process issues for staff. Returning students were provided enough financial aid to ensure that they paid no more than the maximum net
price for new students. However, returning students were not repackaged at the time of
the reset based on their most current FASFA information – the repackaging was
completed four months after the announcement, leaving returning students to wonder
until March 2012 what the exact effect of the reset was on them personally.

At the time of the tuition reset, there was significant employee turnover in key
positions in admissions and marketing. East College has been through several vice
presidents of marketing and turnover in several admissions-related positions. This lack
of continuity may have been a factor in the communication and training shortfalls
regarding the strategy.

The tuition reset strategy may have been seen as an act of desperation because of
East College’s lack of a position of strength argument. The reset was not unveiled as a
reset at all; rather, it was presented as the “cutting” or “slashing” of tuition. At the time
of the announcement, East College had serious enrollment issues and a rising discount
rate. East College was (and still is) a highly tuition-dependent institution with a small
endowment. Up until 2006, undergraduate education was its only revenue stream,
leaving East College little room to absorb the risk of failure.

In terms of timing, the tuition price reset announcement was made in November
2011, well into the next recruitment cycle, so admissions staff and coaches really had to
scramble and reverse their strategy. This timing led to confusion, not just for the
admissions staff and coaches, but for the market as well.
Chapter 3: Case Study of West College

West College is a private, non-profit, comprehensive liberal arts and sciences institution. Founded in the late 19th century by the Brethren Church, West College consists of six colleges: Arts & Sciences; Business & Economics; Education; Founders School for Continuing Education; Nursing; and the Theological Seminary (West College, 2016).

West College offers approximately 70 undergraduate majors and several masters and doctoral level programs. Programs are offered both on campus and online. West College is currently ranked in the top 200 out of nearly 1800 colleges and universities in the National Universities category of the 2016 *U.S. News and World Report* rankings (West College, 2016). West College participates in NCAA Division II athletics with 18 varsity sports and consistently ranks high in Division II Private School Sports Director’s Cup Standings (West College, 2016).

IPEDS data from 2009-2014 indicates an overall full-time enrollment decline at West College from 3770 students to 3440, and a net tuition revenue decline from $61,400,000 to $60,700,000 over the same timeframe. West College currently has an endowment of approximately $47 million and relies on tuition and fees as its primary source of income (U.S. Department of Education, 2016).

Background

Like so many colleges and universities in the middle of the market, West College never fully recovered from the Great Recession. In 2008, West College laid off 48
employees and faced a shortage of cash to fund its operations. According to many study participants, the years between those layoffs and 2013 were not much better.

West College has been suffering from several years of decreasing net tuition revenue and a significant debt burden. The freshman discount rate was in the upper 60 percentile range and the overall discount rate was approaching 60%. Enrollments were suffering, and at one point the student to faculty ratio had dropped to nine to one. The assistant director of admissions noted: “It seems [in] every meeting we are being told we are in the hole financially” (Assistant director of admissions, personal communication, September 3, 2015). The scarceness of resources left little, if any, money to market the brand of the institution. Compounding the problem was the lack of institutional capacity in the area of institutional research, data and financial analysis. A faculty member commented, “We were data starved” (Faculty member, personal communication, September 3, 2015).

In January 2013 the president’s cabinet began to have serious conversations about what to do. Enrollments were down, yet West College was paying more and more money for its incoming students. The vice president for enrollment management described the situation: “The overall discount rate was approaching 60%. Doing nothing, in another five years, the only story here will be about the amount of financial aid you get, not about the great things associated with a West College education” (Vice president for enrollment management, personal communication, September 2, 2015).

Further complicating the situation was the shifting demographics in West College’s home state, where West College drew more than 90% of its students. The top of the enrollment funnel was narrowing, and the president of West College knew he had
to act. Members of the president’s team began to wonder if West College had simply become too expensive.

The president formed the Price Point Committee to review various pricing and aid models. The Price Point Committee had representation from senior leadership, faculty, enrollment management, financial aid and the registrar. The Price Point Committee was charged by the president to evaluate the current financial aid policy, to develop different tuition pricing models and to bring back recommendations to the president’s cabinet. The president appointed the vice president for enrollment management to lead the effort.

The first meeting of the Price Point Committee was held on February 13, 2013. At that meeting, the Provost made a presentation on demographics, competitor analysis and the overall market for West College. The committee concluded that the market was changing and that West College needed to change. Lacking the funds to invest in a solid marketing strategy, the committee decided to undertake a deep-dive analysis of the data to figure out the best plan for long-range institutional stability.

**Analysis and Decision**

Without the dedicated resource of an institutional researcher, the committee turned to the assistant director of financial aid, who had a background in economics, to analyze the data. The goal of the analysis was to see if lowering the price of tuition was a viable option and whether West College could withstand any potential financial losses that might come with the transition to a lower price.

Working with the director of financial aid, the assistant director was charged with evaluating potential pricing levels, as well as levels of baseline academic aid and need-
based aid associated with each price. He then had to determine the level of enrollment
West College might expect based on the different pricing and aid models.

Three different pricing models were evaluated – maintaining the current model,
reducing tuition by $5,000 and reducing tuition by $10,000. Each pricing model included
three year projections rolled into West College’s actual operating budget. The financial
analysis for each of the pricing models was presented to the Price Point Committee. The
committee selected the $10,000 tuition price reduction and then presented their findings
to the president’s cabinet.

The president’s cabinet was in favor of the $10,000 tuition price reduction. The
director of financial aid described the $10,000 tuition price reduction as, “the right
number to make a splash” (Director of financial aid, personal communication, September
2, 2015). Still, more analysis needed to be done. Deans, department heads and various
members of the financial aid and admissions teams were brought into the conversation.
While the effort to enlarge the circle of team members and strengthen the financial
analysis was underway, the vice president of enrollment management focused on the
marketing and communications strategies and finding ways to validate the strategy.

One of those validation strategies was to secret shop competitor institutions, using
ten hypothetical student academic and financial profiles. The results showed that from a
net price perspective, all of the institutions were about the same. But in terms of
published tuition price, West College was the most expensive.

The vice president for enrollment management also knew that several colleges
and universities across the country had reset tuition over the past few years. He reached
out to one of them – North College – to find out about their recent effort to reset tuition. No other schools were contacted as part of the analysis.

In North College, West College’s vice president for enrollment management found a willingness to share just about every aspect of the tuition reset experience, including North College’s marketing and communications strategies for all constituency groups. Plans at West College began to develop to mirror the communications strategies at North College.

Meanwhile, the financial risks of the strategy were beginning to become clearer. The financial analysis applied the tuition price reset strategy to both new and returning students. West College had nearly 80 full-pay or mostly full-pay students. The tuition reduction of $10,000 would mean an immediate loss of approximately $800,000 in net tuition revenue from the number of students who were actually paying more than the reset price. In order for the reset strategy to work, West College needed to yield enough new students from the strategy to make up the difference. The associate vice president for development commented that, “This was a volume game. We would make up the difference in numbers” (Associate vice president for development, personal communication, September 2, 2015).

In an effort to increase new student enrollments under the tuition reset strategy, the Price Point Committee and President’s Cabinet decided to “flip” the current aid model for new students. The assistant director of financial aid described the strategy this way:

We realigned our packaging policies so that a greater percentage of aid dollars would be attributed to academic merit, versus need-based aid. So that way, accepted students would see the money right up front, instead of
waiting until March or April for their aid packages (Assistant director of financial aid, personal communication, September 2, 2015).

The returning student aid packages were balanced with 60% need-based aid and 40% merit. The realignment for new students was 70% merit-based and 30% need.

Returning student aid packages, although recalibrated, would remain need-based under the tuition reset strategy. The proposed recalibration of aid, however, meant a higher net price for returning students. While the tuition price would be reduced by $10,000, returning student aid would be reduced by $10,600 under the proposed pricing model, a deliberate effort to increase net tuition revenue from this student population.

By this time, the subcommittees of the Boards for enrollment and marketing and budget and finance had begun to study the tuition price reset strategy. Members of these committees, along with the president and vice president for enrollment management, gave a presentation to the full board at its May, 2013 meeting. Very little of the conversation dealt with risk. The only risk quantified and discussed with the board was the initial loss of $800,000 in net tuition revenue from returning students currently paying more than the reset price.

The tuition reset strategy resonated with the board. According to a long standing board member and former chair of West College’s board: “We thought it was innovative, more acceptable than discounting, well thought out and that we [West College] could get some positive press from it” (Board member, personal communication, October 5, 2015).

Heading into the May, 2013 board meeting, the vice president for enrollment management thought the following, “We were in May. We had started the conversation in January, so we had five months into this. I was thinking the conversation will take
hold [at the board meeting] and we will be looking at about a year and a half of planning and implementation” (Vice president for enrollment management, personal communication, September 2, 2015). The Board reacted differently than the vice president for enrollment expected. While the Board approved moving forward with the plan, they directed the president and the vice president for enrollment management to implement the strategy by August.

The board resolution, passed at the May, 2013 meeting, gave the team at West College approval to move the plan to reset tuition forward and gave the executive committee of the board the authority to approve the final plan, subject to the executive committee’s review of the most up to date financial analysis; all with a goal of announcing in August, 2013. The Board also passed a resolution creating a ceiling on the discount rate of 40%.

The Board’s reaction took the vice president for enrollment management by surprise. Just prior to the board meeting, West College’s chief financial officer resigned. The vice president for enrollment management commented: “Even though the Board knew there was no chief financial officer in place, it pushed the team to implement the tuition price reset strategy sooner” (Vice president for enrollment management, personal communication, September 2, 2015).

The executive committee of the board ultimately approved the final plan. On August 27, 2013, the president of West College announced that beginning in the Fall of 2014, tuition would be reset from $28,908 to $18,908, a 35% reduction. The tuition reset was applied to both new and returning students. When factoring in room, board and fees,
the total cost package created at West College would be $29,354 for the 2014-2015 academic year.

The announcement was made on the steps of State Capitol in West College’s home state and was attended by the State Board of Regents Chancellor as well as several state legislators. West College enjoyed a substantial amount of regional and national press covering the announcement.

**Outcomes**

Nearly all of the West College study participants involved in the tuition price reset strategy discussed the overall goals of the strategy as follows: 1) position West College for the future; 2) get the discount rate back on track; 3) recalibrate the financial aid model to maximize net tuition revenue opportunities; and 4) make a big marketing splash.

In the first year of the tuition reset, West College enrolled 17 more new students (freshman and transfer) than the previous fall recruitment cycle, an increase of 2.3%. The number of new freshman decreased by 17, while new transfers increased by 34. The number of new students enrolled for the Fall semester of the 2015-2016 academic year decreased by 25 students over the previous year, a decrease of 3.3%. The number of new freshman decreased by 17, while new transfers decreased by 8 (West College, 2015).

Undergraduate net tuition revenue at West College decreased from $26,139,487 in 2013-2014 to $25,418,002 in 2014-2015, a decrease of 2.76%. Total net tuition revenue increased from $50,341,909 in 2013-2014 to $50,581,607 in 2014-2015. The increase in total net tuition revenue was impacted by an increase in graduate program enrollments. Undergraduate net tuition revenue for 2015-2016 remained nearly unchanged from 2014-
2015, at $25,461,008. Total net tuition revenue for 2015-2016 was unavailable at the time of the study (West College, 2015).

The year of the tuition price reset announcement, the freshman to sophomore retention rate increased from 72.9% in the prior year to 76.8%. For the Fall of 2015, the freshman to sophomore retention rate decreased slightly, to 75% (West College, 2015). The tuition price reset announcement did not seem to resonate with the donor base. In the academic year following the announcement, the annual fund finished at its lowest level in several years. It went up slightly in the following year (West College, 2015).

Planning and Implementation

The initial reaction of the prospective student marketplace to the tuition reset was positive. Applications for the 2014-2015 recruitment cycle were up 10% over the prior year, with a 7% increase in admitted students. At one point in the cycle, new student deposits were up 140 over the prior year. The increase in deposits did not materialize in yield.

All of the study participants directly involved in the tuition price reset strategy believe the yield results for 2014-2015 were affected by a significant event that occurred in November, 2013, three months after the tuition reset announcement. Moody’s downgraded West College’s bond rating to Caa2 from B3, deep into junk bond territory. The Moody’s downgrade generated a significant amount of national press. The chief financial officer recalled the negative reaction:

They decided to make a big hairy deal out of this, and we were front page news above the fold, and it was like the announcement of World War II. Then the Chronicle picked it up, and then it’s like anytime a reporter was doing a story and they did a Google search the articles came up. So we were quoted in all kinds of articles, and they [reporters] would be writing about somebody else, but we would
get mentioned (Chief financial officer, personal communication, September 2, 2015).

On the day of the announcement, returning students and their parents received a letter explaining the tuition price reset, along with a detailed comparison of what the student’s financial aid package would have been if West College did not reset tuition to the new financial aid package with the tuition price reset. In addition, the president of West College held numerous campus forums explaining the tuition price reset strategy in detail.

Study participants involved in developing and delivering the communications strategy for returning students acknowledged difficulty. The returning student communications package was built around the story of West College’s last five years of tuition increases, which averaged 4%. With the tuition price reset, even though aid was decreased more than the actual tuition price reduction, returners were paying less than they would have without the reset.

Approximately 1500 returning students received the communications package. Members of the financial aid department recalled having to sit down with close to 100 students and families who did not understand the change in pricing. Of those 100 students and families, 20-30 were identified as low-need students who were losing merit-based aid. Both the director and the assistant director of financial aid described the reactions of these 20-30 students and families as “severely negative” (Director and assistant director financial aid, personal communication, September 2, 2015).

These 20-30 students and families were described as being upset about West College’s shift in financial aid strategy for new students to award a much larger
percentage of the total financial aid package on merit instead of need-based aid. Returning students and their families became aware of the shift in financial aid strategy for new students when West College published the new student aid matrix on its website. The shift in financial aid strategy resulted in returning students receiving much less merit-aid than new students of equal academic caliber.

Returning students and families were not the only group to react to the new student aid matrix posted on West College’s website. West College’s competitor institutions noticed it too, and worked feverishly to counter with their own strategy. The assistant director of admissions noted: “We were being beat [on net price] by everyone” (Assistant director of admissions, personal communication, September 3, 2015). Not long after the tuition price reset announcement, West College removed the new student academic awards from its website. Most study participants acknowledged that publishing the new student academic awards on the website was a mistake.

Faculty and staff reaction to the tuition price reset was described by most study participants as “mixed.” On the day of the announcement, the president of West College addressed a special session of the faculty senate and an open session of the staff. The president’s presentations did not include the data or details about the factors that went into the tuition price reset decision. One of the common themes among study participants was that faculty and staff reaction to the strategy was that the it was more “smoke and mirrors” than actual change, and that the overall net financial effect to students would be relatively unchanged.

The overall messaging strategy to all of the various West College constituency groups contained “position of strength” talking points. These talking points included care
for the individual, concern about the financial burden for students and families, and West
College’s core values. When asked to describe West College’s position of strength at the
time of the announcement, study participants struggled to recall what those strengths
were at the time. The board member and former board chair interviewed for this study
recalled the messaging: “There was no position of strength; this was all marketing. I’m
having a hard time imagining what the position of strength was” (Board member,
personal communication, October 5, 2015).

The vice president of enrollment management acknowledged,

> You want to do this from a position of strength, which is what we claimed. But then in a matter of a few months, the Moody’s downgrade came out, and things started to snowball for us in terms of the financial state of the institution. Things started to shift from a strategy intended to address sustainability to…it is a desperate move (Vice president for enrollment management, personal communication, September 2, 2015).

Adding fuel to the fire, West College’s then president was quoted publicly as saying a
bad Moody’s rating is not a bad thing for West College.

The financial state of the institution played a role in the Price Point Committee’s
decision not to engage consultants to assist with external validation of the tuition price
reset strategy. No pricing studies were conducted and the marketing plan was adopted
from North College. Study participants noted that no additional dollars were added to
West College’s overall marketing budget to support the tuition reset planning or launch,
although $30,000 was reallocated from the existing marketing budget to the effort. The
general feeling among study participants involved in the analysis, planning and
implementation phases was that there was some simplicity to reducing tuition; if they got
the right people around the table, they could easily implement the strategy themselves.
Looking back, those study participants acknowledged that the strategy was anything but simple.

In addition, there was no chief financial officer in place at the time of the Board’s decision to move forward. The chief financial officer position, vacated in May 2013, was filled approximately three weeks before the tuition reset announcement. The study participant who accepted the chief financial officer position was not made aware of the strategy during the interview process; he was briefed only after he accepted the position. Although the chief financial officer believed West College’s discounting strategy at the time of his hiring was unsustainable, the decision to reset tuition made him very anxious. Reflecting back, he now believes West College’s pricing is more sustainable and that the decreases in the freshman class over the last two cycles would have been greater if the tuition price was not reset.

The chief financial officer was able to refinance West College’s debt last year and retire the entire bond issue. There are no more Moody’s ratings to contend with. However, the financial position of West College remains fragile. As of last May, the institution was down to 11 days of cash on hand. The refinancing came with new debt covenants that require cash on hand to be 35 days by May 2016, then increase to 60, 75 and 90 days.

In April 2015, a new president was hired to lead West College. The president has inherited some significant financial challenges. Last Fall, following an in-depth curricular and co-curricular program review process, West College announced the layoffs of 32 employees; 23 of those were identified as tenure-track faculty. The faculty member
interviewed for this study acknowledged that many members of the faculty at West College blame the tuition price reset for the layoffs.

When asked how he viewed the tuition reset strategy, the new president noted that he was attracted to the entrepreneurial spirit of West College and how it had responded to the market. He does remain concerned, however, about the market’s perception of price equaling value.

Findings

For the Price Point Committee at West College, the decision to reset tuition was not part of a comprehensive strategy to rebrand the institution. West College did not have the money to market the institution or its academic offerings. From the committee’s perspective, the decision to be made was whether to invest money into building brand value or dig deep into the data on pricing. The committee considered the $30,000 investment that had been allocated to the effort and determined that it would be more beneficial to try to market a more competitive sticker price than try to market the institution. Doing both was not an option.

When a college or university markets its price alone, then the story can only be about price. In fact, the study participants who worked in admissions noted that the conversations with prospective students and families became almost solely focused on price, rather than the value of a West College education.

Although West College tried to point to a position of strength in its rollout of the tuition price reset strategy, there were few, if any, substantive strengths to point to. The institution was struggling financially, and the ratings downgrade by Moody’s provided
even further validation to the market that West College was in trouble. The strategy to reset tuition became widely regarded as an act of desperation.

Due to the budgetary constraints placed on the Price Point Committee, there was no investment in consultants to assist with external validation of the strategy. Other than secret shopping competitor institutions and analyzing demographic data in West College’s home state, there was no effort to validate the various price points considered with a pricing study. Rather than invest in a marketing consultant, the vice president for enrollment management examined one college that recently reset tuition and tried to mirror their communications plan.

The Price Point Committee did not have the internal expertise to develop the sophisticated financial aid leveraging analysis necessary for a strategy this important and complicated. The assistant director of financial aid did the best he could, but several study participants felt his analysis fell short. In addition, West College had lost its chief financial officer in the middle of the analysis. Despite the loss of senior level financial expertise, the board of West College rushed the initiative through, much to the surprise of the Price Point Committee members, who felt there was still more work to do.

The Price Point Committee made a decision to flip the financial aid model for new students only, by awarding a much larger percentage of the total financial aid package based on merit instead of need. When the revised aid model for new students was published on West College’s website, it created two significant problems. First, it became apparent to returning students and their families that returning students were receiving much less merit aid than new students of equal academic caliber. Second, West College’s competitor institutions saw the new student financial aid matrix and were quick
to counter with their own strategy. Eventually, the new student financial aid matrix was removed from the website, but not before significant damage was done.

West College continues to struggle to meet its new student recruitment goals and to control the discount rate. Within two recruitment cycles following the tuition price reset implementation, the freshman discount rate is at 41%, above the ceiling set by the Board’s resolution. It appears that West College has a brand problem. Without a significant investment in marketing, new student numbers will continue to decline.

There is a bright spot for West College. Retention is increasing. From to 2009 to 2015, the freshman to sophomore retention rate improved from 69% to 75%. Significant effort has gone into student success efforts, including the addition of professional advising staff and the creation of a student success office. The most recent Fall to Spring retention rate for freshman was 92.5%, which is the highest Fall to Spring retention rate for freshman in West College’s history. If West College can begin to invest in marketing the institutional brand, they will have a good story to tell in terms of retention and student success.
North College is a private, non-profit, comprehensive university, originally founded in the late 19th century to provide a Christian learning environment to young men preparing to enter the professional ministries of the Lutheran Church (North College, 2015). The mission of North College today is to prepare students for thoughtful and informed living, for dedicated service to God and humanity and for enlightened care of God’s creation, all within the context of the Christian bible (North College, 2015).

North College has historically served students who show promise, but are not the best and brightest out of high school, with many first generation and lower-income students.

North College is a socioeconomically and culturally diverse campus community, something it takes significant pride in. North College offers undergraduate and graduate degree programs in both traditional and accelerated formats, as well as online and dual degree program offerings. North College partners with the Learning House for marketing and delivery of its online degree programs.

North College offers 78 majors, 38 minors and 25 graduate programs (North College, 2015) and participates in NCAA Division II athletics, with 15 varsity sports programs (North College, 2015).

IPEDS data for North College from 2009-2014 indicates overall enrollment growth from 2800 to 4100 students and net tuition revenue growth from $23,100,000 to $34,800,000 over the same timeframe. North College currently has an endowment of
approximately $30 million, and relies on tuition and fees as its primary source of income (U.S. Department of Education, 2016).

**Background**

North College engaged Noel-Levitz to conduct its first price sensitivity analysis in 2006. That analysis, according to the associate vice president for traditional (on-ground, undergraduate campus) enrollment management, “Revealed a gap between our perceived value, or what students were willing to pay, and what we were charging for tuition” (Associate vice president for traditional enrollment management, personal communication, September 28, 2015). At the time, college leadership was not thinking exactly about a tuition price reset, but they knew they had to do something and were open to all kinds of options.

It wasn’t until 2009, following a meeting of the state’s Private College Council, that the tuition reset strategy emerged as a possibility and began to unfold. At that meeting, the Council unveiled research results from a survey of the state’s high school junior student population. The research revealed that the overwhelming majority of high school juniors in North College’s home state felt a private college education was too expensive, and they would not consider them an option when compared to the cost of public institutions.

Then in the Fall of 2010, North College experienced its first decline in traditional undergraduate net tuition revenue in eight years, despite increased tuition pricing and stable enrollments. The senior vice president and chief operating officer notes: “Our price was curtailing the target population for us, which is the 20-24 ACT student – our intentional missional target. The affordability variable for that [target market] is critical,
and tuition price defines affordability for that consumer” (Senior vice president, personal communication, September 28, 2015). The tuition price reset strategy was gaining traction.

During that same academic year, North College was in the midst of a presidential transition. The College’s long serving, 20-year president was retiring, and the search for a new president was underway. The Board Chair and the outgoing president undertook a major Board restructuring during this time. Due to the tie to the religious denomination, the number of Board members is restricted. Over half of the total number of board members are prescribed by the denomination itself – they are elected through the conventions of the church body.

The Chair broke the Board into committees, one to discuss theological issues and the others for finance and marketing and added some talent to the board with the slots they had to fill. The Chair also reorganized the format of the meetings to take care of the fiduciary business the first day and then strategy, demographics, the market, the presidential search and the tuition reset strategy on the second day. He noted: “By the time we moved to the business of the tuition reset, the board was well educated and understood the strategy” (Board chair, personal communication, November 2, 2015).

In June 2011, a new president took office. He was no stranger to North College. Several years prior to his appointment as president, he was North College’s chief financial officer. He subsequently left the institution for a few years before coming back as president. Not long after the new president arrived, the senior vice president and chief operating officer brought the president up to speed on the tuition reset. As the senior vice president explained it, the top of the enrollment funnel was contracting, and North
College was losing enrolled students because of finances. The traditional undergraduate population had not grown in the past few years and the discount rate was rising. The president clearly understood the issue, stating: “At a 47% discount rate, we were chopping off a very big piece of every dollar we took in” (President, personal communication, September 27, 2015).

North College prides itself on operational efficiency and conservative fiscal management. All but one study participant described the financial state of the college at the time of the tuition reset decision as either stable or strong. Only the Board Chair explained it differently: “We have a low endowment, were highly leveraged and the finances were not great, but we were well managed and we have a scrappy, flexible, low-cost operating model” (Board chair, personal communication, November 2, 2015).

The new president knew he needed stronger expertise than his current board had in order to analyze the tuition reset strategy. Due to the denominational makeup of the board of regents, the Board Chair is one of the few people on the Board who could read a financial statement, so he and the new president came up with the idea of forming the President’s Advisory Council (PAC), a council made up of major donors and local business people who supported North College and could serve as advisors on matters of finance and business strategy.

The president explained the state of his governing board this way: “This is not the kind of Board with deep pockets, and there’s not necessarily deep expertise. I wonder if they (some of them) even realize there is a fiduciary responsibility that comes along with sitting on a Board of Regents” (President, personal communication, September 27, 2015).
The President’s Advisory Council was created to fill the business expertise and financial support gap and would advise the president on the tuition reset.

At around the same time, the president embarked on a five-year strategic planning exercise. Even though no one was certain what role a tuition price reset would play in the strategic plan to be developed, the president encouraged his team to move forward with its analysis of the strategy.

**Analysis and Decision**

The process of analyzing the tuition reset strategy was led by the senior vice president and chief operating officer and the associate vice president for traditional undergraduate enrollment. The senior vice president described their task: “Our job was to test it [the strategy], analyze it, to prepare for and take it to market and ultimately to convey it to our internal audiences as well” (Senior vice president, personal communication, September 28, 2015).

The process was held very tightly – initially just the senior vice president, associate vice president, president and provost were involved. Assistance in the form of financial aid modeling and marketing expertise came from two external consulting firms. The first, Noel-Levitz, the same firm that conducted the 2006 price sensitivity study and also provides North College with annual financial aid leveraging, was hired as a key partner on the pricing side to assist with modeling financial aid under several different pricing scenarios. The second, The Lawlor Group, was hired to do an environmental scan of North College’s market and to create the marketing and messaging strategy for the potential tuition reset. The internal team for North College understood that
messaging was a key component in this strategy, and that they did not have the expertise or human resource bandwidth to pull it off themselves.

In Fall 2011, the internal team, along with the Noel-Levitz group, made a presentation to the President’s Advisory Council (PAC) and told them they were thinking about doing something dramatic with pricing – reduce tuition by $5,000 and be the first in the state to reset tuition. The president described the Council’s reaction: “All of the sudden it gets real quiet in the room – and then they said, ‘Well, $5,000 just doesn’t sound like enough. You have to do $10,000!’” (President, personal communication, September 27, 2015).

Following up the PAC suggestion, Noel-Levitz was again hired to conduct an updated pricing study. Noel-Levitz reported back that the $5,000 price point reduction gained no traction in the market, but the $10,000 price point reduction resonated. The PAC’s intuition was correct. The pricing study also confirmed that the major competition for North College was the public institutions, particularly for student athletes.

The financial model developed went out three years and included the repackaging of every individual current student. By this time, the internal team had expanded to some staff members in institutional research, financial aid and admissions. Each individual student’s financial aid package was pulled out of the Banner student information system and manipulated in a couple of different scenarios by the institutional researcher and the director of financial aid. The financial aid repackaging was completed both by Noel-Levitz and the internal team, in hopes that each effort would affirm the other’s findings.

The financial risk of guaranteeing every returning student a lower price roughly translated into the need to increase enrollment by a minimum of 30 students. That was a
risk the senior leadership and the Board thought they could absorb. The president noted:  
“The Board and I thought we could absorb this risk, that if it didn’t work, we could somehow regroup” (President, personal communications, September 27, 2015). The forecast with staying the course was pretty grim; without the reset, the discount rate would grow to 51% and enrollments would decline.

The Board was active in the tuition reset strategy conversations. The Board Chair, who also chaired the President’s Advisory Council, was particularly active. The Chair worked with the president to ensure that enough information went to the Board and that the issues were discussed at length. He also ensured that key constituents in the process, like the consulting partners, had access to the Board.

The Board carefully evaluated the financial risk by studying the financial models, which included worse case enrollment scenarios. Summarizing the risk discussion, the Board Chair stated the following:

And when we had done enough with the math around that [the strategy] to actually show, frankly, that we had diversified our income enough on the non-traditional undergraduate and graduate side, that the [financial] risk was actually relatively low and it was really a year or two, we could demonstrate that it was, that if it didn’t work, you could actually change it back within a couple of years. We had enough money to actually survive that. This wasn’t a “bet the farm” type of deal (Board chair, personal communication, November 2, 2015).

The President’s Advisory Council looked at the financial risk as well. According to the president, “We asked them, would you take that kind of risk in order to get this potential differentiation in your business? And every one of the business people said yes. And that group actually helped the Board have the courage to do it [approve the strategy]” (President, personal communication, September 27, 2015).
The Board approved moving the strategy forward at its January 2012 meeting following a presentation by Noel-Levitz and The Lawlor Group. The two consultant groups presented the most recent pricing study and environmental scan results. One board member wanted the tuition reduction to go even further than $10,000, but the leadership team emphasized the need for some flexibility to negotiate and shape the class.

The Board gave the final go ahead at the May 2012 meeting, after reviewing the final financial models and the proposed communications plan. Prior to the vote, the Board Chair asked all non-board members to leave the room. A study participant and principle of one of the consulting firms, recalls the moment: “All of the sudden, after a long discussion period, we heard the room burst into song. They approved the strategy unanimously and then sang a hymn. It was very moving” (External consultant, personal communication, September 28, 2015).

**Outcomes**

The top four goals of the tuition price reset strategy that emerged from interviews with study participants were: 1) increase the top of the enrollment funnel to get more applicants into the enrollment funnel; 2) create a pricing level that would allow North College to compete more favorably with its competitor public institutions; 3) be a more affordable option for underserved students – eliminate the sticker shock; and 4) be a better value option for middle class students and families.

By nearly every measure, the tuition reset has been a success at North College. The number of traditional undergraduate applications has gone up every year since the reset, with Fall 2015 applications representing a 58.7% increase over Fall 2012 (North College, 2015).
For the three consecutive Fall recruiting cycles following the announcement in Fall 2012, an average of 19 more Pell-eligible students enrolled per year in North College (External Consultant Report, 2016). In addition, an average of six more no-need students enrolled per year (External Consultant Report, 2016). North College experienced a 17% increase in its traditional undergraduate enrollment from 1,211 students in Fall of 2012 to 1,421 in Fall of 2015 (North College, 2015).

Net tuition revenue from the traditional undergraduate student population increased from $12,914,000 in the 2012-2013 academic year to $14,700,000 in 2014-2015, while the discount rate decreased from 47.86% to 27.59% during the same timeframe (North College, 2015).

Enrollment in both the non-traditional adult undergraduate and graduate student programs had increased as well. North College’s total enrollment has increased from 2,941 students in Fall 2012 to 4,380 in Fall 2015, and its operating surplus has grown from $800,000 to $7,100,000 over the same timeframe (North College, 2015).

In terms of retention rates, Fall to Spring freshman retention increased from 85% in the Spring 2013 term to 89% in the Spring 2014 term, before slightly decreasing to 88% in the Spring 2015 term. Freshman to sophomore retention has decreased from 73% in Fall 2012 to 70% in Fall 2015. The freshman to sophomore retention results differ dramatically for female and male students, with female freshman to sophomore retention decreasing from 82% in Fall 2012 to 70% in Fall 2014 and male freshman to sophomore retention increasing from 62% to 69% over the same timeframe (North College, 2015).

Retention for the overall student population is increasing, as evidenced by the substantial increase in the four year graduation rates since the implementation of the
tuition reset strategy, which has gone from 27% for the Class of 2013 to 40% for the Class of 2015 (North College, 2015). And North College graduates are graduating with less student loan debt. The average student loan debt of North College graduates decreased from $42,461 for the Class of 2013 to $34,805 for the Class of 2015, a decrease of 18% (North College, 2015).

There has also been increased activity among North College’s donor base. The donor participation rate has increased by 20% since the tuition reset announcement (Director of prospect development, personal communication, September 28, 2015).

Planning and Implementation

On the day of the announcement, all returning students received a letter detailing the comparison between their individual 2013-2014 academic year cost of attendance with the tuition reset compared to what their cost of attendance would have been under the traditional pricing model. Faculty and staff were briefed in all-college meeting forums, and the president hosted roundtable discussions for various campus constituencies throughout the week. Key donors and prominent alumni were briefed in the days leading up to the announcement.

Nearly all study participants described the planning phase as lengthy, detailed and significant. As different campus constituencies were brought into the conversation, they experienced varying levels of understanding and emotions towards the strategy.

The director of marketing, who stepped into his role just a few months before the public announcement, recalled his team worrying initially about whether the strategy would actually make a financial difference for students. Once they began to read through the individual student letters, the director noted: “Then they [the team] were okay,
because they knew this was more than just marketing spin” (Director of marketing, personal communication, September 28, 2015).

Several study participants described angst and nervousness among staff members who worried about the long term viability – whether North College could afford to reset tuition and whether jobs would be in jeopardy. However, once the president presented the numbers and everyone saw that the number of additional new students needed to make the tuition price reset work was in the 20-30 range, staff members felt more at ease, viewing this benchmark as doable.

Faculty reaction was equally as mixed. One of the academic deans recalled that: “Once the announcement hit, the faculty were excited because it would mean more students in our classes” (Academic dean 1, personal communication, September 29, 2015). Another academic dean shared a different view: “There were pockets of faculty that did not want more students in their classroom for fear that the tuition reset would open up the floodgates and allow a bunch of lesser [academic quality] students in” (Academic dean 2, personal communication, September 29, 2015). There were also small pockets of faculty negativity towards the strategy, where faculty thought that the leaders of North College were just plain desperate.

Returning students seemed to be the happiest. When the president scheduled a series of roundtable discussion for students, hardly anyone showed up. And even though North College had increased support for the financial aid team to handle questions and concerns, they experienced no more than “normal” traffic in the office during the days following the announcement.
The senior vice president considers the positive returning student reaction a testament to the detailed communication strategy established by the internal team and the Lawlor Group: “By providing the returning students with their individual financial aid information right after the announcement, and not waiting until February or March when they would normally receive their financial aid packages, we put students and families concerns at ease” (Senior vice president, personal communication, September 28, 2015).

Other study participants also praised the communications strategy. The director of marketing worked closely with The Lawlor Group in the months leading up to the announcement. During that time, The Lawlor Group conducted a branding and awareness campaign, unveiling an aligned brand – one that unified branding for the traditional undergraduate, non-traditional adult degree completion undergraduate and graduate student populations. The new tagline for North College was simple – “Responsive. Relevant. Real.”

Beyond branding, North College was willing to listen to The Lawlor Group about campus appearance – covering up equipment, moving statues, improving landscaping, installing light pole banners and generally sprucing up the campus. In addition, in an effort to improve some major physical spaces on campus, senior leadership negotiated a new contract with their dining services provider, Sodexo, which allowed Sodexo to invest $1 million in a dining facility upgrade.

In terms of challenges during the implementation, just a few emerged from the conversations with study participants. The first challenge involved prospective student parents. A member of the admissions team recalled several conversations with prospective parents who were skeptical of the strategy and worried it would be a one-year
“get them in the door” gimmick. The second challenge was the lack of buy-in from the chief advancement officer, who was described by the director of marketing as: “Not on board with the strategy, because he felt the lower price would hurt the brand value and scare donors away” (Director of marketing, personal communication, September 28, 2015). Several study participants viewed the chief advancement officer’s lack of buy-in as a lost opportunity to engage donors at all levels on the benefits of the tuition reset strategy for both individual students and the institution overall. The third challenge was a media blip. A study participant described how a local newspaper printed graphs in reverse, an error that showed lower-income students carrying more of the cost burden under the tuition reset than the other way around. The newspaper retracted and reprinted the correct graphs.

None of the study participants offered anything that they would have done differently if they could implement the strategy over again. The president maintained: “I would not do anything differently if given a ‘do-over.’ I think we are a model for how to do this” (President, personal communication, September 27, 2015). The senior vice president agreed: “I’m having a hard time seeing that it could have gone any better” (Senior vice president, personal communication, September 28, 2015). A principal in one of the consulting partners commented: “The truth is that most schools shouldn’t do this, but North College did it right” (External consultant, personal communication, September 28, 2015).

The associate vice president for traditional undergraduate enrollment reflected on the importance of engaging outside consultant partners for pricing, modeling, marketing
and communication, noting the vital role the consultants played in the strategy because they were unbiased, thorough and did not come in making any snap judgments.

Almost all study participants were quick to point out that the tuition reset was part of an overall strategy to rebrand the college and grow enrollments. Along with the tuition reset, there has been significant new academic program development, a renewed focus on retention, a shift to professional academic advising and strengthened student support services. As the dean of allied health described it: “The tuition reset may have brought students in the door, but then you have to keep them so they finish” (Dean of allied health, personal communication, September 29, 2015).

The dean of education discussed how much the tuition reset was in line with the mission of North College:

I think it matched our ethos, if you will, with our business plan, and there’s nothing more exciting than seeing that move forward. That congruence between what is our mission, what are our values, and do these match up to our business plan. And it [the tuition reset] really helped us get closer to that (Dean of education, personal communication, September 29, 2015).

When asked about overall impact, the Board Chair put it this way: “We had to fill up excess capacity and add to enrollment at a time of challenging demographics. So I think we accomplished both. In fact, beyond our wildest dreams” (Board chair, personal communication, November 2, 2015).

Findings

North College implemented the tuition price reset from a position of strength. One of the fundamental keys to this position is diversified revenue streams. North College enjoyed revenue from the traditional undergraduate student population, the non-
traditional adult degree completion student population and the graduate student population. One study participant often referred to this diversification as “the three-legged stool.” Due to the revenue diversification, North College was able to absorb the financial risk of the investment in the analysis, implementation and first year impact of the returning student savings strategy. Not a single returning student was paying the full price anyway.

The planning and analysis that went into the decision to reset tuition was detailed, deliberate and took place over a period of two years. The planning was not rushed, and at every opportunity, North College sought both external and internal validation of the strategy. This validation was sought in many forms, but perhaps the most significant was the engagement of Noel-Levitz and the Lawlor Group. Noel-Levitz’s work on the pricing sensitivity and financial aid modeling for various pricing scenarios helped ensure North College was on the right path. The Lawlor Group’s work on the environmental scan, rebranding and the unification of North College’s marketing and communications plan helped ensure that both the announcement and implementation were executed precisely as planned and without major challenges. The leadership team of North College knew it did not have the knowledge or human resource bandwidth to accomplish what the consultant partners were capable of. This investment added to North College’s position of strength, because it gave the leadership team and Board of Regents the tools it needed to effectively understand the economics and the risk.

North College also had a story to tell; the tuition price reset was only a part of that story. Overall enrollments were on the rise, and North College had embarked on a strategic planning process that fostered curricular innovation and operational
effectiveness. In almost every area of North College, the campus reacted to the realities of the higher education marketplace. College leadership, the President’s Advisory Council and Board of Regents were committed to making a difference to improve access, affordability and outcomes for students.

At the end of the day, price was not the story of North College’s tuition price reset; it was the overall value of the educational experience. The external consultant participating in the study described it best when he said: “It is not about the price; it’s about the product. And in some ways, the price is just the ribbon that ties it all together” (External consultant, personal communication, September 28, 2015).

There are a few cautions to this story. The first is yield. While the top of the enrollment funnel for the traditional undergraduate student population has grown significantly, yield has been unstable and has decreased the last two recruitment cycles. The year the tuition price reset was implemented, freshman yield increased from 35.08% to 39.46%, but then went down to 31.39% in 2014 and 27.86% in 2015. The yield for transfer students went from 51.65% to 69.04% the year the tuition reset was implemented, then increased significantly to 82.11% in 2014, before decreasing back to 66.98% in 2015 (North College, 2015).

And while North College demonstrates operational efficiency and effectiveness, they’ve added 1,000 new students and increased overall net tuition revenues by over 40% since the implementation of the tuition reset strategy, yet only incurred an 11% increase to salary and benefits expense at the same time (North College, 2015). Staff at North College are asked to wear many different hats, and college leadership should be concerned about bandwidth. For example, the senior vice president and chief operating
officer is also a professor of kinesiology, and the chief financial officer teaches three classes a semester. Operational efficiency is an admirable trait in higher education, but it seems that with over $7 million in operating surpluses, the leadership team may want to consider further investments in human resources.
Chapter 5: Case Study of South College

South College is a private, non-profit, undergraduate liberal arts women’s college that is part of a larger liberal arts university. Founded in the late 19th century, South College follows the conviction of its founders that a small undergraduate residential college of the liberal arts is a uniquely powerful environment for developing the talents of women (South College, 2016).

South College, which offers 30 undergraduate majors, is listed as a “Best Value” in its region by U.S. New & World Report. South College began co-educational programs at the graduate level in the mid-1960s. In addition, South College provides distance education and adult degree completion programs (South College, 2016).

Athletics plays a significant role in campus life at South College, which competes at the NCAA Division II level, with over 10 varsity sports programs.

IPEDS data from 2009-2014 indicates overall full-time enrollment growth at South College from 800 students to 870 students and net tuition revenue growth from $11,700,000 to $12,500,000 over the same timeframe. South College currently has an endowment of approximately $72 million and relies on tuition and fees as its primary source of income (U.S. Department of Education, 2016).

Background

In 2012, the president of South College engaged a team of campus leaders to develop a strategic enrollment plan (SEP) to address what she described as several institutional specific challenges: 1) the loss of the middle-class market; 2) the increasing competition from large, regional public universities; 3) the impact on retention from
annual tuition increases; and 4) the unpredictability and volatility of tuition discounting (President, personal communication, October 8, 2015).

The strategic enrollment planning team was tasked by the president to look broadly at ways to grow enrollment and strengthen the institution – increase retention, broaden market appeal and examine academic offerings. The exercise also included a thorough analysis of the operating budget income and expense projections.

The strategic enrollment planning team began the process by thoroughly examining all of South College’s academic offerings and looking through secondary research at vocational demand, competitor program outcomes, the number of degrees being awarded and other relevant data points. The team considered how many students were enrolled in various programs and looked at how South College might revise and create academic program offerings that demonstrated curricular innovation.

Over time, the conversations shifted to increasing net revenue. The president said, “We started with what’s wrong with our product, where are we not matching the [higher education] market needs, and then we moved to the other pieces” (President, personal communication, October 8, 2015). The team began to examine what was impairing net revenue growth.

Most study participants described the financial state of South College at the time of this analysis as stable but expressed concerns about the future. The vice president for enrollment management described the concern:

We were making the budget work every year, but [there was] declining growth in graduate programs. We were also concerned about the potential declining growth with the undergraduate programs as well, and we had no contingency money. We began to wonder if we were simply out-priced
for the value (Vice president for enrollment management, personal communication, October 7, 2015).

By this time, South College’s overall discount rate was 56% and most of the discount was coming from unfunded institutional aid – a direct budget expense for colleges and universities.

As part of the strategic enrollment management process, team members at South College performed an internal analysis of lost students using National Clearinghouse and FASFA data. The team examined the institutions where the lost students enrolled, specifically, the tuition prices and discount rates of these institutions. One of the major findings from the analysis was that South College’s main competition was the state public universities, not the flagship privates. In addition, when South College’s published tuition price was compared to the published tuition price of its top seven public competitors (based on the lost students analysis), the results ranked South College as the most expensive by nearly a $15,000 margin (South College, 2013). The cost differential narrowed by 30% after factoring in room and board charges but still remained significant, at more than $12,000 (South College, 2013).

Given the results of the lost-student analysis, the team began to ask themselves some tough questions about what it really costs to educate South College’s students. Team members wondered if there might be a way to start conversations with parents who were defaulting to the public institutions rather than have the conversation with South College about price. A process that began as academic program review was shifting into a discussion about price sensitivity.

The vice president for student affairs reflected on the process at this point:
Was it the case [we asked ourselves] that schools of our type were pricing themselves out of the market? As competition for students increases – and remember, this is coming fairly fresh out of the recession – as parental resources seemed to be decreasing and parental willingness to pay is also decreasing…was it the case that we were serving our prospective students in the best way? (Vice president for academic affairs, personal communication, October 7, 2015).

All the while, South College’s president was becoming increasingly focused on the state of the higher education market and making institutional operations more transparent – to find a more upfront way of dealing with prospective parents and their students and finding ways to contain costs. She decided to create a smaller, core group from the membership of the larger strategic management enrollment team to focus on price sensitivity and affordability. The smaller group was charged with investigating several different pricing strategies.

**Analysis and Decision**

This core affordability team was comprised of members from institutional research, admissions, academic affairs, athletics, marketing and enrollment, student affairs and advancement. One of the affordability team’s first decisions was to engage Noel-Levitz to do a price sensitivity analysis of 200 prospective students and families. The results of the survey showed that prospective students selected an ideal sticker price of $12,500 and $20,000 for the perceived value of South College. Parents of prospective students selected an ideal sticker price in the range of $10,000-$20,000 (South College, 2013). The vice president for enrollment management commented on the results: “The survey [results] showed us there was a clear disconnect between the high-price, high-aid model and the market for South College” (Vice president for enrollment management, personal communication, October 7, 2015).
Following this survey, Noel-Levitz and South College’s institutional researcher began a deep-dive data analysis of pricing and financial aid scenarios. Most study participants characterized Noel-Levitz’s role as the primary data cruncher, while the institutional researcher provided verification of the calculations. Based on the preliminary analysis of the financial data, several strategies emerged as possibilities, including a four-year tuition freeze and a tuition reset. Following further evaluation, the strategy to reset tuition emerged as the best option to pursue.

The initial reaction of some of the members of the affordability team to the idea of resetting tuition was described by the president of South College like this: “They were unnerved by the idea of a reset; skeptical, cynical, thinking it was just about smoke and mirrors” (President, personal communication, October 8, 2015). The athletic director noted her own reaction: “Apprehension. It made my heart flutter. I mean, it was hard for me to imagine how we could make it work for athletics.” Other members were simply curious, and as the vice president for academic affairs explained: “We naturally wanted to look at the experience of other schools who had done it” (Athletic director, personal communication, October 7, 2015).

So while the financial analysis continued to advance, the institutional researcher contacted several colleges and universities that had implemented tuition price resets. The team used these connections to learn what led to the decision for each of these schools, what went into the analysis and implementation of the decision and the results. The connection South College made with North College proved to be the most significant. North College was contacted by two college’s participating in this study – the other college that contacted North College was West College.
North College announced their tuition price reset in September 2012 and demonstrated significant success in the first year. The leadership team at North College was happy to walk South College’s team through the tuition reset process. During these discussions, North College shared all of the details behind their financial analysis, marketing strategies and rollout. The senior vice president at North College introduced the team from South College to The Lawlor Group, the firm that developed the marketing and communications strategy for North College.

Following the success of North College, The Lawlor Group received “a few dozen” phone calls from colleges and universities across the country interested in exploring the tuition price reset strategy. According to John Lawlor: “In almost every instance, once we understood the institutional motivations behind the inquiry – the financial and market positions of the institutions – we respectfully declined the offer to help and actually advised those institutions against moving forward” (John Lawlor, personal communication, October 13, 2015). But something felt different about South College. The team at South College seemed to understand the importance of external validation. South College did three things that impressed the Lawlor Group: 1) they had already engaged Noel-Levitz and completed a price sensitivity study; 2) they conducted a thorough analysis of lost-student data; and 3) they were reaching out proactively to other schools who has reset tuition. These three things made The Lawlor Group want to learn more.

In an effort to learn more, staff from The Lawlor Group spent a few days on the South College campus to interview a wide variety of people including the president,
board members and representatives from nearly every campus constituency group. The tipping point for The Lawlor Group was the interviews with the students:

They [the students] were so good and so self-confident. Even first year students, these young women are going to go on and be leaders, and it was like – yes! And people get women’s colleges and the South College home state, and maybe they [South College] don’t get the attention they deserve. It felt like you were working with an underdog…that you really believed in what they [South College] were doing. We thought, damn it, we want to be a part of this” (John Lawlor, personal communication, October, 2015).

The Lawlor Group signed on to assist South College with marketing strategies, which included a complete rebranding of the institution, as well the development of a communications strategy for the potential tuition reset launch. The president commented on the value The Lawlor Group brought to the analysis: “We used the strength of The Lawlor Group, coupled with our own internal resources, to combine external, objective perspectives with our own suspicions and beliefs” (President, personal communication, October 13, 2015).

While the president of South College did not participate in the actual information gathering process, she never took her eye off of the affordability team’s task. All along the way, she kept the Board chair up to speed on the strategy; however, no special workgroup of the Board was established to consider it. The full Board got their first glimpse of the strategy at the January 2013 meeting, where an initial price point of $19,500 was presented.

The Board chair described plenty of hesitancy at this meeting. One of the big questions was how South College would be able to reset tuition without dropping overall net tuition revenue. There was also discussion about possible damage to institutional
reputation and the de-valuing of a South College degree. Following the board meeting, it became clear to the president and the Board chair that they needed to further educate the Board on unfunded aid and the growing discount rate.

The affordability team had more work to do as well. The financial analysis was refined and a final price point recommendation of $16,500 was established, which represented a further reduction of $3,000 from the initial price point presented at the January 2013 board meeting. Still, some members of the affordability team were not convinced. The vice president for academic affairs was growing frustrated, noting that the data was researched, externally validated and mulled over again and again. He recalled addressing the group:

I told them, at this point, as far as I can see, we have to make a decision and jump, one way or the other. We had talked and talked and talked…very frank discussions, even some tears...but this [the decision to reset tuition] wasn’t a wild guess (Vice president for academic affairs, personal communication, October 7, 2015).

In the end, the group decided to jump. It was time to go back to the Board.

The president presented the final price point recommendation to the full board at their April 2013 meeting. The financial projections went out five years, included a number of “what-if” enrollment scenarios and were incorporated into South College’s actual five-year budget model. Study participants recalled the board discussion that day as focused on brand value, market position and the affordability team’s due diligence. The conversation eventually turned to risks. From the Board chair’s perspective, risk was discussed in a few ways: 1) brand risk – lower quality perception; 2) sensitivity analysis around increases and decreases in enrollments; and 3) net tuition revenue targets (Board chair, personal communication, November 3, 2015). It was the external validation of
Noel-Levitz’s price sensitivity analysis that eventually swayed the Board, which voted to approve the tuition price reset.

The Board approval came with two caveats – if South College was going to reset tuition lower, it must eliminate unfunded institutional aid and institute cost controls. These measures would ensure that even if South College recruited the same number of new students as the previous year, it would lower the risk of incurring any possible negative financial consequences of resetting tuition.

On September 10, 2013, South College announced that beginning in the Fall 2014, tuition would be reset from $29,124 to $16,500, a 43% reduction. The tuition reset was applied to both new and returning students. For returning students, South College ensured that every returning student in the full-time undergraduate program saw at least a $1,000 decrease in their actual cost of attendance for the 2014-2015 academic year, compared to what the cost of attendance would have been under the traditional pricing model. In addition, the Board voted to set room and board charges at $9,500, which when combined with the tuition reset, created an overall total cost package at South College of $26,000.

Shortly after the announcement, and on the heels of welcoming a record freshman class of 231 students, South College experienced an unexpected increase in the tuition discount rate, which jumped from 54% in Fall 2012 to 60% in Fall 2013. The vice president for enrollment management explained the reason for the increase in the tuition discount rate as the implementation of increased academic awards for Fall 2013, which resulted in increased yield of higher academic band students and lower yield for lower academic band students. Numerous study participants believe the unplanned increase in
the discount rate provided further validation of the need for South College to get the tuition discounting strategy under control, because prospective students who did not obtain high levels of institutional aid could not afford to enroll.

**Outcomes**

Nearly all of the South College study participants discussed the overall goals of the tuition reset strategy, which included: 1) exiting the unfunded aid business by aligning institutional aid with endowed scholarship funds; 2) increasing current market share; 3) creating new market opportunities; 4) increasing net tuition revenue; 5) reducing student debt burden; and 6) aligning price with value.

In the first year of the tuition reset, South College enrolled 35 more new students (freshman and transfer) than the previous Fall recruitment cycle, an increase of 15%. The most significant growth came from the transfer student population, which increased from 22 students in 2013-2014 to 47 in 2014-2015, an increase of 113%. The number of new students enrolled for the Fall semester of the 2015-2016 academic year decreased by 23 students over the previous year, a decrease of 8.5%. The number of new freshman decreased by 28 students, while new transfers increased by 5. South College experienced a 16% increase in its total undergraduate student enrollment from 633 students in Fall 2013 to 718 in Fall 2014 to 737 in Fall 2015 (South College, 2015).

Undergraduate net tuition revenue at South College increased from $7,332,137 in 2013-2014 to $7,907,981 in 2014-2015 and $8,136,577 in 2015-2016. Total net tuition revenue increased from $10,680,141 in 2013-2014 to $10,862,818 in 2014-2015, before decreasing to $10,417,246 in 2015-2016. Total net tuition revenue was impacted by a decrease in graduate and adult program revenue from $3,348,004 in 2013-2014 to
$2,954,837 in 2014-2015 and $2,280,669. The Fall to Fall undergraduate student retention rate increased from 88% in 2013 to 91% in 2014. The Fall to Spring undergraduate retention rate decreased from 95% in 2014 to 91% in 2015. The 64 enrolled students who did not return for the Spring 2015 semester represented more than double the number who did not return in the previous two spring semesters (South College, 2016).

The tuition price reset announcement did seem to resonate with the donor base. South College reported record total giving of $4 million in 2013-2014 (South College, 2015). Alumnae reported feeling great pride in their alma mater for addressing college affordability and drawing national media attention.

**Planning and Implementation**

On the day of the announcement, faculty, staff and returning students were briefed in open forums just prior to the press conference. Alumnae were sent an email blast, and the alumni magazine dropped the same day. The president and her leadership team took the time to brief key stakeholders, such as significant donors and elected officials. The president personally gave the leaders of her professional organizations – for instance, CIC and The Women’s College Coalition – a heads up about the announcement. She also called the presidents of other local colleges and universities. Each returning student was emailed a letter detailing the comparison between their individual 2014-2015 academic year cost of attendance under the tuition reset and what their cost of attendance would have been under the traditional pricing model.

The athletic director described “total excitement on the campus” (Athletic director, personal communication, October 7, 2015) when the announcement was made.
The faculty gave the president a standing ovation when she delivered the news to them. The media response was overwhelmingly positive, and alumnae sent messages of strong support.

The returning students were initially ecstatic, some even reduced to tears. But while the president was in the middle of addressing the student body, something happened that no one on the team at South College had ever anticipated. Right in the middle of the president’s opening remarks, students started using their smartphones to check their email and open the letters about the financial aid repackaging. Then they immediately began sharing the letters with each other.

The vice president for enrollment management remembered: “Now students are comparing their academic worth, their athletic worth, and not gaining a clear understanding of why their $20,000 scholarship was just reduced to $8,500” (Vice president for enrollment management). Every study participant involved in the planning and implementation phase of the tuition reset at South College was caught off guard by the returning student reaction.

The sharing of financial aid letters was a particular problem with the student-athletes; the athletic director described their reaction as simply a “firestorm.” She recalled the situation:

So we were dealing with athletes, not only frustrated that they were not getting a 43% reduction in tuition, but they also became acutely aware that everyone’s athletic award was different, and it wasn’t always based on athletic success or talent (Athletic director, personal communication, October 7, 2015).

For some student-athletes, the athletic award was reduced as low as $1,000. The athletic director met with those students. She described them as feeling like they might as well
quit playing athletics because they could more easily earn $1,000 with a part-time job. And with the part-time job, they wouldn’t have to travel and train all of the time or get up for 5:30-7:30 a.m. team practices.

The president and members of the President’s Advisory Cabinet took the time to sit with every returning student to try to resolve the issues and explain the financial aid repackaging. In the end, just a handful of students and their parents put up a fight. The president gave these students and families the option of keeping the old price and the old aid package, but told them they would incur future annual increases on the larger tuition price as well. The vice president for academic affairs described the one parent who took the president up on her offer:

One parent just insisted his daughter keep her scholarship, even though it meant her cost of attendance would be more if she did. He was basically saying, “I will pay more to feed my daughter’s ego and my own.” It turned out, when the same parent actually had to pay the higher bill, he went with the new [tuition reset] plan (Vice president for academic affairs, personal communication, October 7, 2015).

There were other implementation issues as well. By the time the tuition reset was announced publicly, athletic coaches and admissions counselors were already out on the road, recruiting for the next Fall cycle. The counselors and coaches had to be trained, mid-cycle, and provided with new marketing materials that reflected the tuition reset pricing. One of the admissions counselors recalled: “There was just not enough training. We were provided with cookie-cutter answers, but some parents were pretty savvy, and we were not prepared to deal with all the questions” (Admissions counselor, personal communication, October 7, 2015). The president readily agreed: “We did them [the coaches and counselors] a disservice by not giving them more than a one or two day
heads-up – they should have been trained and understood the strategy” (President, personal communication, October 8, 2015).

There was also confusion about marketing, messaging and implementing the messaging strategy. South College did not have the financial ability to invest as much into the tuition reset effort as North College did. Staff from the Lawlor Group found themselves operating in an entirely different environment. A staff member from the Lawlor Group commented:

Our reaction is they [South College] were having enrollment problems, not because it’s necessarily a bad product. It’s because no one knows anything about the place, and they needed to invest in some marketing and awareness building. Which when they did, they did so only minimally (Lawlor staff member, personal communication, October 13, 2015).

The director of media relations believes the number one challenge from a communications perspective was the minimal amount of time she and her team had to prepare. She said: “Then there was confusion about who would do what – our team or The Lawlor Group? We thought The Lawlor team would do much more than they did, so my team had to work around the clock to pull it off” (Director of media relations, personal communication, October 7, 2015). At North College, The Lawlor Group not only developed the messaging architecture, they also did the bulk of the writing. At South College, the media relations team did the actual writing, mainly because the budget could only be stretched so far.

For all of the challenges in the implementation, there were certainly some successes. The digital advertising and Pandora radio campaign analytics demonstrated a strong response. The president of South College wrote a letter to President Obama to make him aware of South College’s efforts to address college affordability and student
debt, stating in her letter that South College was, “answering your call.” She also penned an op-ed that was published and attracted other media attention.

The communications to alumnae and other donors were viewed positively as well. The Board chair of South College believes the tuition reset provided the development team with more opportunities to interact with donors and demonstrate how donor dollars now stretched twice as far. In addition, the positive results of the first year have allowed South College to create more robust case statements of support to foundations and corporations.

Nearly all of the study participants at South College indicated they believe the tuition price reset was a positive move for the institution and “the right thing to do,” as the president of South College declared on the tuition reset video. The one study participant who viewed the results differently, did so only because she feels the market has already for forgotten about the strategy and that South College should be investing more in marketing the institutional brand.

**Findings**

South College’s president and her team – members of both the larger strategic enrollment management plan team and the smaller, core group that championed the tuition price reset initiative – knew that in order to effectively create and execute a plan, they needed internal and external review and validation of data. The in-depth analysis of lost-students from the National Clearinghouse and FASFA data coupled with the engagement of Noel-Levitz to conduct a price sensitivity analysis are evidence of the team’s willingness to examine relevant data and seek validation.
South College was coming off of a record enrollment year. The 2013 freshman class increased by 45 students, or 24%, over the prior year. When South College announced the tuition reset in September of 2013, they were able to point to this enrollment growth as a position of strength. In addition, South College was making improvements to the physical campus and dedicating significant time and energy to academic program relevancy. Both the appearance of the physical campus and the academic program offerings provided a sense of quality.

Yet for all of this planning and due diligence, the implementation process of South College’s tuition price reset seemed rushed. The media relations team was not brought up to speed until after the Board’s April 2013 decision, leaving less than five months to develop and implement a marketing, messaging and communications plan – a plan that included rebranding the college. More time should have been dedicated to the messaging around the recalibration of aid. Even the president acknowledged that more prep work was needed to go into the communications to returning students: “We were flying by the seat of our pants in terms of the reactions to the loss of trophy scholarships” (President, personal communication, October 8, 2015).

Time was not the only limitation. Communication among the team members during this time was sometimes less than favorable, as both the internal staff and the external marketing consultant were often unclear about their roles and responsibilities. Additionally, South College’s communications plan did not include adequate training for staff involved in student recruitment, specifically the admissions counselors and athletic coaches. The admissions counselors and athletic coaches were told about the strategy one or two days prior to the public announcement – weeks into the next recruitment
cycle. Providing the recruiting staff with training well ahead of time might have helped to shape the messaging to students and would have certainly helped the response to prospective students and families.

The messaging for the tuition reset highlighted the 43% reduction in price rather than a reset of tuition to $16,500. This made a difference in the returning student reaction. Returning students truly believed they were going to be paying 43% less, which led to some of the negative returning student reactions. When asked what advice they had for other colleges or universities considering a tuition price reset, many study participants responded that they would advise against focusing on the percentage decrease.

Lastly, South College needs an investment in marketing. By historical standards, the president and the Board invested a significant amount to market the tuition price reset strategy, but probably not enough as they needed to. The marketing dollars allocated to the strategy should also have remained in the budget for the following recruitment cycles. The first year of the tuition price reset, new student enrollments increased by 15% over the prior year. But the following year, new student enrollments decreased by 8.5%. The second year decrease could be attributed to a pullback of the budgeted investment in marketing.

Very soon, the tuition price reset at South College will no longer be a story. But the institutional brand must endure. Awareness of, and interest in, the brand of most college and universities can only be sustained through investment in marketing and messaging the brand.
Chapter 6: Making Sure A Good Idea Works

When a college or university evaluates and implements a new idea or strategy, success will likely be affected by the quality of the analysis and depth of the planning involved in the evaluation process. The colleges and universities participating in this study demonstrated a wide range of abilities and effectiveness in analysis, planning and implementation of the tuition price reset strategy. The abilities and effectiveness of each of the four institutions were influenced by organizational context – financial strength, market position, demographic and enrollment trends, and the bandwidth and talent of each institution’s human capital.

Most colleges and universities that have implemented a tuition price reset strategy have done so with negative or mixed results, because the strategy was not part of a larger, comprehensive strategy to elevate the brand of the institution. Comprehensive strategies require linkages to academic quality and program delivery, investment in institutional branding, revenue diversification and risk mitigation. Implementing a tuition price reset as a stand-alone strategy causes the decision to be viewed through a single lens, where price – and only price – is the story.

There are several common themes that emerged from this study that can inform the necessary steps needed to undertake a complex decision making process and ensure that a good idea produces positive, intended results.

A Position of Strength, Not Desperation

The overall institutional strategy necessary to sustain a tuition price reset should contain three key components – curricular innovation, revenue diversification and
institutional growth and investment. The colleges in this study that effectively demonstrated success in these three component areas, successfully launched the tuition price reset strategy from a position of strength.

Academic programs are the products offered by colleges and universities. Curricular innovation involves both the development and retooling of academic programs to ensure high quality delivery of market relevant content. In order to develop and deliver market relevant academic content, both institutional leaders and faculty must understand and be prepared to respond to the needs of students and the realities of the higher education marketplace. Curricular innovation is not a one-time effort; it is ongoing and must be part of institutional culture.

All four colleges participating in the study demonstrated differing levels of curricular innovation. Both North and South colleges undertook the tuition price reset strategy as part of overall institutional strategic planning effort and focused a great deal of time and effort on market relevant academic program delivery. East and West colleges, while offering a number of market relevant academic programs, did not undertake the tuition price reset as part of an overall institutional strategic planning effort. East College, in particular, did not engage in long range strategic planning. Both East and West colleges were trying to solve a declining enrollment problem and focused their efforts solely on the price of the product.

Pfeffer and Salanick (2003) defined the key to organizational survival as the ability to acquire and maintain resources. Revenue diversification is a key component to maintaining resources. By diversifying revenue, colleges and universities can absorb the risk associated with new strategy implementation, because overall institutional risk is
spread across varying sources of institutional revenue streams. Colleges and universities, like all organizations, must manage – rather than be controlled by – their resource dependencies and continually adapt strategies to the resource environment (Pfeffer & Salancik, 2003).

While all four colleges participating in the study had varying levels of revenue diversification, North College demonstrated the strongest revenue diversification strategy. The strength of North College’s revenue diversification strategy played a significant role in the success demonstrated by their tuition price reset results. With less than 50% of overall institutional revenue coming from the traditional undergraduate student population, the leadership of North College took comfort in knowing that any downside financial risk from the tuition price reset strategy was mitigated by continued resource generation from other student populations. In the end, net tuition revenue increased for North College’s undergraduate, non-traditional adult and graduate populations.

South College’s undergraduate net tuition revenue in the first year of the tuition price reset increased from the prior year, but overall net tuition revenue decreased, as a result of declining graduate student enrollments. West College’s undergraduate net tuition revenue in the first year of the tuition price reset decreased from the prior year, but overall net tuition revenue increased due to larger graduate school enrollments. East College experienced both a loss in undergraduate and graduate net tuition revenue in the first year of the tuition price reset. These varying fluctuations in total net tuition revenue experienced by the four colleges in the study, serve to underscore the need for comprehensive institutional strategies and revenue diversification.
Institutional growth and investment plays a key role in the communications plan for a tuition price reset strategy. Each of the four colleges in the study expressed concern about the market perception of the institution lowering price and about whether the lower price would be perceived by the market as the institution offering a lower quality product or a product of diminished value.

Both North College and South College had a story to tell in terms of investment and enrollment growth. Each had been making significant investments in its physical plant and the addition of new and market relevant academic programs. Overall enrollments were rising. Just prior to South College’s announcement, the institution had welcomed its largest ever freshman class to date. The investments in physical plant and positive enrollment trends positioned North College and South College with a story to tell that went beyond price. Both North College and South College proclaimed their institutions were resetting tuition from a position of strength, not desperation. The investments in the institution, as well as the enrollment growth, helped to support their positions.

East College and West College were each facing overall enrollment declines and mounting financial pressures. The Great Recession had a significant negative impact on students and families in East and West Colleges’ home states. In August of 2011, East College faced a melt of 40 new full-time students who attended summer orientation and were fully registered but failed to show up at the start of the semester. The unexpected melt led institutional leaders to believe that actual cost – not value associated with a higher sticker price – was becoming more important.
Leaders of West College had similar concerns. While West College did promote a position of institutional strength, they could not demonstrate either institutional investment or enrollment growth as positions of strength. The Moody’s downgrade of West College’s bond rating just a few months after the tuition reset announcement led the market to conclude that the tuition reset was an act of desperation.

Because both East College and West College did not have the financial strength or expertise to effectively market their institutional brand and did not have a story of investment and growth to share with the market, they could only communicate about price. The markets for East and West Colleges responded unfavorably.

**Do Your Due Diligence**

The effective implementation of the tuition price reset strategy requires significant effort in analysis and planning. The strategy is complex. The decision cannot be rushed. In addition, the analysis, planning and implementation phases should be strengthened by the use of outside consultants to assist with pricing validation and marketing plans. The investment in external pricing and marketing assistance is critical. Only two of the four colleges participating in the study utilized outside consultants and they were the only two colleges in the study that experienced an increase in undergraduate tuition revenue in the first year of the tuition price reset implementation.

North College demonstrated detailed planning over a two year period. A significant part of the planning involved ensuring that there was alignment between many variables in the institution that support the strategy. For example, North College studied the price sensitivity of its prospective student market, engaged in a comprehensive analysis of its competitor institution set, understood its full pay student base, analyzed
tution discounting and demographic trends, and considered the strategy as a part of an overall effort to lift the brand.

North College committed a great deal of human and financial capital to implement and market the strategy, including seeking external validation. The external validation came from North College’s engagement with Noel-Levitz and The Lawlor Group. The leadership team at North College understood that it did not have the internal expertise or human capital bandwidth to evaluate and execute the tuition price reset strategy without outside assistance. North College engaged consultants to validate price, affirm market position, scan the competitive environment and develop the communications and implementation plans associate with ramp up and rollout of the strategy.

Noel-Levitz’s work on the price sensitivity study and financial aid modeling gave North College confidence that the reset tuition price would resonate with its prospective student market. The Lawlor Group’s work on the environmental scan, rebranding and unification of North College’s identity, and their development of the marketing and communications plan for the tuition price reset rollout, ensured that the announcement and implementation would be executed according to the plan and without major challenges. North College’s investment in outside consultants gave the leadership and Board of Regents a better understanding of the economics and potential risks of the strategy.

South College put significant time and effort into analyzing the tuition price reset strategy, studying it in-depth for just over a year. The strategy was born out of South
College’s strategic enrollment planning committee’s charge to broadly look at ways to increase retention, grow market appeal and examine academic offerings.

The South College president and her team also knew they needed internal and external validation of the data in order to effectively create and execute the plan. South College engaged the same outside consulting firms as North College – Noel-Levitz and The Lawlor Group. Noel-Levitz conducted a price sensitivity study, and The Lawlor Group assisted with an institutional rebranding campaign and tuition price reset communications and implementation outline.

The level of engagement that South College had with The Lawlor Group differed from North College’s level of engagement. The internal team of South College took on the work of writing the various constituent communications and implementing the marketing plan laid out by The Lawlor Group. The difference in work roles and responsibilities between North and South College and The Lawlor Group is attributable to budget constraints at South College.

In contrast to the level of in-depth analyses performed by the internal and external teams at North and South College, the leadership group at East College studied the strategy for a few months before a decision was made by the Board to reset tuition. No external consultants were used to provide external validation of the strategy, which was implemented with little knowledge of the price sensitivity of the prospective student market. At the time, East College was thin on resources. Their entire financial analysis was prepared by one person – the chief financial officer. In the absence of external validation, the isolated work of the chief financial officer left no opportunity for any internal validation of the strategy. After her analysis, and despite the chief financial
officer’s objections to the strategy, the president of East College picked a price point reduction without supporting data and the Board voted to implement it.

Utilizing a larger team of individuals to analyze the strategy than East College did, West College also studied the tuition price reset strategy for a few months before making its first presentation to the Board. Similar to East College, no external consultants were used to provide external validation of the strategy, which was implemented with little knowledge of the price sensitivity of West College’s prospective student market.

Constrained by the lack of financial resources, as well as the lack of institutional research data expertise, West College utilized the services of its assistant director of financial aid to perform the bulk of the financial analysis. When the president and vice president of enrollment management at West College presented to the Board, three months after convening a committee to study the strategy, they expected to get approval to continue to evaluate the strategy. The president and vice president for enrollment management came away from the meeting directed by the Board to accelerate the analysis, with a goal of announcing the tuition price reset within three months. The Board’s decision took the West College team by surprise.

When considering strategies as significant as resetting institutional price, college and university officials can ill afford to be swept up in the moment and make decisions that either ignore the data or rush through what should otherwise be thorough and thoughtful analysis. Common sense needs to prevail.
It’s Not Just About New Students

One of the biggest landmines in front of a college or university thinking about a tuition price reset is focusing so much attention on what the impact of the strategy will be on new student populations that they ignore, or do not fully consider, the impact of the strategy on returning students.

All but one of the four colleges participating in the study reset tuition for new and returning students. East College reset tuition for new students only, but recalibrated returning student financial aid so that the net price for returning students was the same as for new. The different price points created confusion for students and process and systems issues for staff. The student information system had to be re-coded to handle the pricing differences. Further complicating the issue for East College was the acquisition of undergraduate students transferring from a nearby college that had lost its accreditation. The acquisition of these undergraduate transfer students occurred in the same year as the tuition price reset implementation. Students transferring into East College from the nearby college were promised the same per credit hour tuition rate that they had been paying at their former institution, creating a third price point for traditional undergraduate students.

West College implemented the tuition price reset for new and returning students but made a decision to recalibrate aid differently for new students. The Price Point Committee at West College flipped the aid model for new students by awarding new students a much higher percentage of the total financial aid package on merit instead of need. When the aid model for new students was published on the West College website, it became apparent to returning students and their families that returning students were
receiving much less merit-based aid than new students of equal academic ability. Although the new student aid financial aid matrix was quickly removed from the West College website, it was too late to avoid the confusion and anger that ensued from a very vocal group of students and families.

When considering the strategies for new and returning students, it is important to consider what affect, if any, the tuition price reset will have on athletics and athletic scholarships in particular. All four of the colleges in this study participate in NCAA Division II athletics. While each of the colleges acknowledged the important role that athletics plays in campus life, East College and South College acknowledged significant pushback from student athletes from the reduction of athletic scholarship aid. At South College, athletes shared their financial aid letters with each other, which made them aware that each student-athlete’s athletic award was different and not always based on the student’s athletic ability. At both East College and South College, student athletes questioned whether or not participating in athletics would actually be worth the effort.

Communicate Effectively

One of the advantages of using external consultants to help shape the communications strategy for a tuition price reset is to ensure that communications to all campus constituency groups are timely and on message. Two important pieces of the communications strategy are the training of staff and returning student messaging. The communications strategy should include the timing of staff training and the detail behind the following questions: 1) what campus groups need to be trained; 2) what do the different campus groups need to know; and 3) when do the different campus groups need to know it?
Three of the four colleges in the study acknowledged that they would have tailored communications and training differently if they had the chance to implement the tuition reset strategy again. Study participants at North College acknowledged that they should have brought in the admissions and financial aid staff sooner for training, noting that a few weeks before the tuition price reset announcement was not enough time for the individuals who would be on the frontlines explaining the strategy to students and families to be fully versed.

Study participants at South College acknowledged that they should have brought in the media relations team much sooner than they did. By the time the media relations team was brought into the conversation, only five months remained before the announcement. In that five months, the media relations team had to implement a marketing, messaging and communications plan, which included a rebranding of the college. In addition, South College study participants would move up the timeline for training admissions staff and coaches.

East College study participants acknowledged that they should have expanded the circle of people who knew about the strategy and trained financial aid and admissions staff well in advance. Financial aid and admissions staff who participated in the study noted that the leadership of East College failed to provide the campus with data to support the decision, leaving many campus constituent groups with little confidence in the rationale.

Both East College and South College study participants acknowledged that they would have spent more time on the communications to returning students. The president of South College noted that they [her and her team] did not anticipate the negative
reactions to the loss of trophy scholarships. East College study participants would have provided returning students with revised aid packages as soon as possible after the announcement was made instead of waiting four months to do so.

**Timing Is Everything**

When considering the tuition price reset strategy, the timing of the announcement is crucial. Ideally, the announcement should be made at a point in the current recruitment cycle that greatly reduces, or even eliminates, the chance of new student melt. Announcing before a college or university has brought in their Fall semester incoming class could cause new student enrollments to drop if students and families decide to wait a year to enroll in order to take advantage of the lower price. In addition, the announcement needs to take place before the start of the next year’s recruitment cycle. The window of opportunity for timing the announcement of a tuition price reset in order to maximize the potential for yielding the desired enrollment results is very narrow.

Both East College and South College announced their tuition price resets after the start of the next year’s recruitment cycle. Admissions staff and coaches were already on the road, promoting the college with current marketing materials and current pricing. Once the tuition price reset announcements were made, admissions staff and coaches were called in from the road, trained about the reset, and provided with updated marketing materials. Providing both the training and the materials before the announcement and in advance of the start of the next recruitment cycle would have strengthened the message to prospective students and families because adequate time would have been given to prepare the admissions staff and coaches on the strategy.
The Role of the Board

The Board has an important role to play in the analysis and decision of the strategy to reset tuition. Either an existing committee or newly created special workgroup of the Board should be tasked with closely monitoring the activities of management as they undergo the analysis phase. This committee or workgroup should meet regularly to receive updates from management on the progress of the analysis, and firsthand reports and presentations from external pricing and marketing consultants. In addition, if members of management visit colleges or universities who have previously reset tuition, a handful of board committee or workgroup members should accompany management on the visits. These visits can provide board members with a chance to see for themselves the opportunities and challenges institutions face when considering the tuition reset strategy. Lessons learned from these visits can enlighten board members and allow them to more effectively consider the recommendations of management.

Keep Investing

The long term potential success of the tuition price reset strategy is dependent upon a college or university’s commitment to invest in marketing the brand of the institution in the years following the tuition price reset implementation. Only one of the four institutions in the study made a significantly greater investment in the marketing of the tuition price reset than their normal marketing budget and maintained the same level of marketing in the following years.

North College has continued to invest in marketing its brand at a high level and as a result of the investment, has seen an increase in the traditional undergraduate population both the year of the tuition price reset and the two academic years following.
In addition, North College has experienced an increase in its international, non-traditional adult and graduate student populations.

Although South College made a larger investment in marketing the tuition price reset than its normal annual marketing budget, it did not maintain the marketing investment in the year following the tuition price reset. The total undergraduate student population increased the year of the tuition price reset and the year following, but new student enrollments were down 8.5% in the second year.

East College and West College did not increase their existing marketing budgets to invest in the tuition price reset or to market the institutional brand in the year following the implementation. At both of these institutions, the undergraduate student population went down the year of the reset. East College discontinued the reset strategy after the second year and increased tuition over the following consecutive two years back up to pre-tuition reset levels. West College continues to see a decrease in undergraduate net tuition revenue and has experienced a rise in the tuition discount rate to over 40%, the tuition discount ceiling set by a resolution of the Board. Study participants at both colleges cited the weak financial position of the institution as the reason behind the lack of investment.

**Overall Message**

It is clear that a tuition price reset can, in some instances, result in higher enrollments and increased net tuition revenue, specifically when a college or university’s published price becomes aligned with the market’s perception of the institution’s value. All four colleges in the study gained short-term publicity and visibility on a local, regional and national level following the tuition price reset announcement. Short-term
publicity and national attention are not enough. Only two of the four colleges, North College and South College, were able to increase both undergraduate student enrollments and undergraduate net tuition revenue in the year of the tuition price reset implementation and the year following.

Effective pricing is not enough. Together with pricing, colleges and universities need to examine operational efficiencies and cost-savings measures in order to maintain a lower cost of attendance. Only one of the sites in this study, North College, discussed on-going efforts to address operational efficiency and systematic academic program review. None of the four sites addressed outright cost-cutting efforts. Re-engineering academic and administrative programs and processes should be an integral part of the strategic effort to reset tuition in order to address long term affordability and institutional viability.

The message that colleges and universities must deliver to the prospective student marketplace needs to be comprehensive. When a college or university is able to align its competitive differentiators with value driven pricing and messaging, a tuition price reset can be a sustainable way to elevate the institutional brand and implement more transparent and predictable tuition discounting practices.
Appendix A: A Review of the Literature

When Moody’s changed the outlook for the entire higher education sector to negative in January 2013, the rating agency noted price sensitivity on the part of students and their families that continues to suppress the growth in revenue from net tuition as a critical factor behind the negative outlook (Moody's Investor Service, 2013). With the exception of the most elite universities, the sector faces diminished student demand and increased price sensitivity (Moody's Investor Service, 2013). Two reasons behind the changes were cited as a prolonged period of depressed family income and household net worth, as well as the dip in the number of domestic high school graduates since the peak of 3.34 million for school year 2007-2008 (Moody's Investor Service, 2013)

Faced with growing student debt burden, increased regulatory focus on pricing transparency, and the diminishing importance of the “Chivas Regal” effect in the prospective student marketplace, institutions are rushing to find possible solutions. Some colleges and universities are trying to innovate to remain competitive and financially sustainable. One innovation is to drastically reduce sticker price; a trend referred to as a tuition price reset. A tuition price reset is a strategy that shifts the pricing model for an institution from “high tuition/high aid” to “low tuition/low aid” by lowering published tuition and financial aid awards, often in similar, but not necessarily equal proportion.

Tuition price resets are a fairly new phenomenon and because of their relative newness in the higher education marketplace, there is a void of literature on the topic. This void will be addressed by delving into the business model as well as the market for
higher education for less selective, tuition dependent colleges and universities, as the context for exploring the strategy of resetting tuition.

**The Higher Education Business Model**

A recent report examining 1,700 public and private non-profit colleges and universities found one-third of them were financially unsustainable and another 28% were on the verge of slipping into an unsustainable position (Denneen & Dretler, 2012). Two significant negative trends were cited in the report: 1) institutions have become overleveraged, with total long-term debt increasing at an average rate of approximately 12% per year; and 2) the average annual interest expense grew at almost twice the rate of instruction-related expenses (Denneen & Dretler, 2012).

While institutions overall are faced with more liabilities, higher debt service and increasing expense (Denneen & Dretler, 2012), less selective, tuition-dependent institutions have to meet these challenges in the face of declining enrollments. Nearly 2,000 regionally accredited colleges and universities in this country have little brand recognition, are highly tuition-dependent and are struggling to fill up classes (Lapovsky, 2013). Because they are being forced to aggressively discount their tuition and articulate their value proposition in order to maintain campus enrollments, most of these colleges will have a difficult time maintaining financial sustainability (Lapovsky, 2013).

Some believe colleges must reinvent themselves in ways that will make them more effective, affordable, sustainable and available to students, particularly because of the erosion of higher education sources, which include the declining ability and willingness of students and families to pay, decreasing state support and pricing that is
outpacing grant programs like Pell, and the growing resistance of students to take on new
debt (LeBlanc, 2014).

College and university financial leaders seem to agree. A recent survey of college
and university chief financial officers found that at least 50% of them believe the current
higher education financial model is broken (The Chronicle of Higher Education, 2014).
Additionally, given what they know about their institutions, financial leaders at private
colleges are the most concerned about the ability of institutions like theirs to survive the

A strong case can be made that highly tuition-dependent institutions lacking large
endowments are struggling (Rivard, 2013), and although there is some concern that
chasing the market can lead to mission drift, the lack of resources for tuition-dependent
colleges is forcing them into the market (Zemsky, Massy, & Wegner, 2005).

Defining the Market

Demographics

The market for undergraduate admissions is changing. For several years, the
focus has been on shrinking demographics, but thanks to new data on college ready
student populations, institutional leaders have reason for optimism. College enrollments
will grow, but at a slower pace (The Lawlor Group, 2014). While undergraduate
enrollment at private institutions increased 38% over the past eight years, over the next
eight years it is projected to increase only 10% (U.S. Department of Education, 2013).

The market is also becoming more diverse. For the first time, more white people
died in the Unites States than were born (U.S. Census Bureau, 2013). By 2018, whites
will be the minority of children under the age of 18 in America (Frey, 2012). Colleges
will need to be ready for a more racially and culturally diverse student body (The Lawlor Group, 2014). Sixty-nine percent of Hispanics graduating from high school in 2012 enrolled in college that Fall, compared to 66% of their white counterparts (Pew Research Center, 2013), and this trend will continue. The number of white high school graduates will drop considerably by 2027, while the number of Hispanic and Asian high school graduates will increase. (WICHE, 2012).

A smaller proportion of college students will be traditional age (The Lawlor Group, 2014). Individuals under age 25 currently make up 60% of all college students, but that percentage will drop to 57% by 2021 (U.S. Department of Education, 2013). The number of high school graduates are declining in all but 18 states (WICHE, 2012). Through 2019, the number of high school graduates is projected to be flat or declining in every region except the South (WICHE, 2012).

At the same time that we are experiencing racial diversification, our nation is also experiencing low levels of social mobility and high levels of income inequality (The Lawlor Group, 2014). A racially and socioeconomically diverse student population is more likely to be price sensitive (Hearn & Longanecker, 1985) and less likely to be attracted to traditional tuition pricing models.

**Demand**

The literature refers to the sticker price as the item that families usually understand to be the full cost of a year’s education and that it varies depending on the options included: whether the student is residential or commutes, occupies a single or triple room, chooses a larger or smaller meal plan, and so on. The discounted price is
defined as the sticker price reduced by the award of grant-in-aid, a merit or athletic scholarship, or need-based scholarship aid (Zemsky & Shaman, 1984).

When an institution evaluates its discounting practices, net tuition revenue generation and pricing strategies, demand for the institution should be the first factor to consider. With colleges and universities embroiled in the public policy debate about affordability and value, institutions are reassessing their demand and thinking more strategically about their path moving forward.

Enrollment, sticker price and the discount rate are inter-woven, and each has various impacts on net tuition revenue. Some institutions are able to hold sticker price and the discount rate constant and generate more net tuition revenue by expanding headcount. Other institutions can maximize net tuition revenue by increasing the sticker price and decreasing the discount rate while maintaining enrollment (Davis N. P., 2013). Institutions that are able to successfully deploy these strategies do so because they enjoy demand for their product.

Demand is affected by: 1) price; 2) the competition for similar goods and services or their substitutes; 3) consumer purchasing power; and 4) consumer taste preferences (Leslie & Brinkman, 1987). Described another way, demand is affected not only by price, but also by the resources available to the buyer and the value of the good from an investment perspective (Leslie & Brinkman, 1987).

During the college search process, a student feels at least four identified forces; the desire to maintain or acquire a given social status, or to invest in the future, the desire to spend time attaining an education, and socioeconomic conditions (Jackson, 1978).
Choices made about which college or university to attend, and the choice to attend or not, also depend on multiple market forces. One of those choices is the value-to-price decision based on a cost-to-subsidy ratio reflected by institutional price (Gilroy, 2003). This decision is combined with certain factors (self-concept, motivation, home and school environment and socio-economic status) relating to tastes and preferences based on the consumer’s perception of the institution’s prestige (Gilroy, 2003). If the net price exceeds the expected benefits as a consumer or investor, the prospective student will not choose to enroll at that price. This is the concept of the “rational actor,” and it is assumed both for the choice of which college to attend and between choosing to attend college or not (Hearn & Longanecker, 1985).

Students often react differently to various forms of financial aid and tuition prices, making the task of analyzing the relationship between financial aid and enrollment a complex process (Heller, 1997). Again, price is only one consideration. Assuming that financial aid is simply a discount to the published tuition price, all students should react in a similar manner to the same increase in financial aid or cut in tuition, but this is not the case (Heller, 1997). Financial aid involves many different types of financial assistance – grants, subsidized loans and unsubsidized loans, for example. Therefore, the net cost of attendance for a student who receives a $1,000 grant is different than for a student who receives a $1,000 loan (Heller, 1997).

For the lowest cost, least selective institutions that enroll less affluent students, student price sensitivity is a major issue. Leslie & Brinkman (1987) describe the reason:

This is so because: (1) a $100 price increase will be proportionately more in a low-cost institution; 2) less selective institutions are less likely to attract high ability students; 3) less selective institutions are less likely to
have applicant pools into which they may dip if those accepted respond negatively to price; and 4) low-cost institutions are more likely to attract low income students, who are known to be more sensitive to price (Leslie & Brinkman, 1987, p. 198).

For less selective, tuition-dependent institutions to survive, tuition price must align with market position.

**Affordability and Family Income**

The process students and their families go through to determine both college attendance and which college to attend is certainly not a new phenomenon. Schultz (1972) described the process by treating the student and their family as a “firm,” where student and family resources are treated as the supply, and student capacity to benefit from a college education is treated as the demand. The “firm” can use these resources to offset costs or enhance return on investment (Gilroy, 2003). The decision by the “firm” to use these resources for college expenses or not, becomes the family’s “willingness to pay” decision (Gilroy, 2003). The decision by the “firm” to use the resources at a rate that appears to offer the preferred investment return based upon perceived value to the price of the product, becomes the family’s “affordability” decision (Gilroy, 2003).

Today, families are increasingly concerned about rising prices in private higher education. Tuition increases are straining families’ ability to pay, and even among families with the ability to pay, willingness has become a significant issue in the market (The Lawlor Group, 2014).

When 30-year inflation-adjusted family income is compared to average published tuition and fees, mean household income for the bottom 80% of households (households with incomes less than approximately $100,000/year) has been relatively flat, even
decreasing slightly over the past 15 or so years (Armstrong, 2014). Over the same
period, the inflation-adjusted price of non-profit four year institutions has increased by
roughly 150% (Armstrong, 2014).

Families’ ability to pay is being strained by these tuition increases (The Lawlor
Group, 2014). In 2011-2012, when median household income was $50,054 (U.S. Census
Bureau, 2014), full time dependent students had an average out of pocket cost (equal to
the total price of attendance less all financial aid, including loans) of $18,100 at four-year

During the early to mid-2000s, the discount rate remained steady, hovering at
about 37-38% (Davis N. P., 2013). The recession may have changed all that.
NACUBO’s recent discounting survey showed there was a fairly large increase in the
discount rate in FY 2011 – 2.3% – the largest one-year increase in the nearly 20 year
history of the discounting study. This increase even outpaced the 1.7% increase from
2008 to 2009 during the recession. Why? Some attribute continuing large increases in
the discount rate to a weak U.S. economic recovery, falling wages and depressed average
family net worth (Davis N. P., 2013). Others point to a new level of frugality in the
American consumer, who is maintaining the level of thriftiness adopted during the 2008-
2012 recession, due to the drop in inflation-adjusted median household income over the
past few years (Martinez, Motiwala, & Sher, 2014). Providing further validation of these
views, 79% of college applicants and their parents said the economy affected their
decisions about applying to or choosing a college (The Princeton Review, 2014).

The following data points provide a sobering snapshot of the state of net worth
and family income in this country: 1) Americans ages 29-37 in 2010 had 21% less net
worth than their counterparts from 1983 (Steuerle, McKennon, Ratcliffe, & Zhang, 2013); 2) net worth declined by an average of 4% for all but the richest 7% of American households from 2009 to 2011 (Pew Research Center, 2013); and 3) from 2002 to 2012, average family income decreased 10.7% for the “bottom 90%” of families who were not in the top decile of earners (Lahart, 2013).

The undergraduate student population and their families are moving towards a new level of cost consciousness (The Lawlor Group, 2014). A recent survey found that 67% of families eliminated a college from their choice set due to cost at some point during the admissions process, with 40% eliminating a college before researching the institution at all (Sallie Mae, 2013). Another study on the college price-to-value proposition found similar results, with approximately 40% of students and parents rejecting colleges solely on the basis of sticker price (Longmire and Company, 2013).

Further evidence exists about the increasing importance of cost and financial aid in students’ college choice. A recent survey of college freshman revealed that the cost of attendance was rated as being “very important” in students’ enrollment decisions by 45.9% of students, up 2.6 percentage points from 2012 and up 14.9 percentage points from 2004 (CIRP, 2013). When the data is analyzed by education level of students’ parents, it reveals that costs and financial aid for first-time generation students are particularly important, with 53.9% indicating that the cost of attendance at their current institution was a “very important” factor in their decision to enroll, compared to 43.8% of continuing generation students (CIRP, 2013).

Twenty-one percent of adults aged 18 to 29 cite college costs (tuition or loans) as the biggest financial problem their families are dealing with, along with 14% of those...
aged 30 to 49 (Gallup, 2014). Colleges are feeling this affect. Fifty-seven percent of chief business officers at schools with declining enrollment over the last four years attribute the drop to price sensitivity (Davis N. P., 2013).

The overall undergraduate student population is demonstrating more financial need. Grant aid from colleges and universities in the form of discounts to their students grew from $13 billion in 1992-93 to $44 billion in 2012-13 (Baum, Payea, & Elliot, 2013). Additionally, the number of students receiving Pell Grants increased from 4.8 million in 2002-03 to 8.8 million in 2012-13 (Baum, Payea, & Elliot, 2013). While the number of recipients is growing, the amount covered by the Pell grant awards is not. The portion of private non-profit tuition and fees covered by the maximum Pell grant has decreased from 21% in 2003-2004 to 19% in 2013-2014 (Baum, Payea, & Elliot, 2013).

The lack of growth in Pell award levels combined with increased tuition prices is also raising public policy concerns about the increasingly large financial commitment required of lower income families to attend college and its potential to undermine both access and the likelihood of completion. The proportion of adults aged 18 to 29 who self-identify as being in the lower or lower-middle class has almost doubled since 2008, and has increased 8 percentage points among college graduates of all ages (Pew Research Center, 2014). Research has shown that low and middle income students are left with few options: amass large amounts of debt to enroll in college, work more hours to pay for college, or forgo college enrollment altogether (Finney, 2014).

Student Debt

When examining funding sources for college, the main way to close the gap between grant support and expected family contribution is through borrowing. The most
common form of borrowing included in financial aid packages is both subsidized and unsubsidized Stafford loans. Further unmet need is often met through the federal Parent Loan for Undergraduate Students, or PLUS loans. Additional gaps are met through a variety of sources – cash reserves, private loans, personal loans, home equity and possible gifts or loans from family members (Bowen, Chingos, & McPherson, 2009). Adult students may also have find funding opportunities through their employers.

Current annual Stafford loan limits for dependent students range from $5,500 for the first year of attendance to $7,500 for the fourth year and beyond. Once Stafford loans are exhausted, access to credit can become a major issue, especially for lower income families. In the absence of collateral to mitigate the risk of default, lenders will favor higher income families with larger net worth and more robust monthly household cash flow. Both affordability and access to credit markets present additional challenges to low income families, as higher income families have more options in funding tuition gaps.

There has been an increasing emphasis among policymakers and the media on the current level of student debt in this country. U.S. News and World Report’s popular college rankings now include colleges with the least and most debt for the latest graduating classes among their profiles (U.S. News and World Report, 2014).

Consider the following data points that support this increased emphasis: 1) the number of Americans with outstanding federal student loans has increased by 41% since 2007, and the average amount they owe has increased 51% (Federal Student Aid, 2014); 2) the average student loan debt per borrower for the Class of 2012 was $29,400 (Reed & Cochrane, 2013); 3) from 2008 to 2012 debt at graduation (federal and private loans combined) increased an average of 6% each year (Reed & Cochrane, 2013); and 4) one-
third of student borrowers have $25,000 or more of cumulative student debt (Baum, Ma, & Elliot, 2014).

The growing alarm over student debt levels seems to be making its way into the prospective student marketplace. In 2014, families reported that out-of-pocket spending from parents and student combined was $8,850, accounting for 42% of the total amount paid for college. This broke a three-year trend of decreases in out-of-pocket spending (46% in 2010, 41% in 2011 and 38% in 2013). In addition, family use of borrowed money to pay for college – $4,610 for parents and student combined – dropped to the lowest it has been in five years (Sallie Mae, 2014). The prospective student market is reacting in ways that suggest an increased aversion to debt.

Aversion to debt is a market response that makes sense, especially when you consider that among households headed by a college-educated adult under age 40, those without any student debt obligations have about seven times the typical net worth of those who do have student debt (Pew Research Center, 2014).

**Accountability and the Demand for Transparency**

The market is being influenced by public policy. Heightened demand for accountability from prospective students and their families, as well as from legislators and government officials, is requiring colleges to improve tracking outcomes. Prospective students and their families are making more sophisticated demands for data (The Lawlor Group, 2015).

The most common reason students attend college is for career preparation (The Lawlor Group, 2014). Eighty-eight percent of first-year students in the 2012 survey of college freshman said, “To be able to get a better job” was very important in their
decision to attend college, and 79% aimed “to get training for a specific career.” Fifty-six percent said “this college’s graduates get good jobs” was a very important reason for choosing the college they did (CIRP, 2012).

With the president implementing his own college scorecard, colleges must be mindful of how they measure up. The results will certainly have an effect on both market perceptions and the flow of federal dollars. The Obama administration has proposed allocating federal student aid according to performance (The White House Office of the Press Secretary, 2013). Similar oversight is happening at the state level. Twenty-two states are already tying appropriations for their public universities to student outcomes like retention and graduation rates, seven states are transitioning to such performance based funding, and 10 more are considering it (Friedel, Thorton, D'Amico, & Katsinas, 2013).

Pricing

The Value Proposition and Willingness to Pay

Consumers arrive at a perception of overall value through a mix of the following: the perception of the quality of the product or service, the cost to buy and use it, and the excitement in having and using it (Longmire and Company, 2013). Literature suggests the following factors are important to student perceptions about the fairness of institutional pricing: 1) ability to pay; 2) quality of the experience; 3) prices of other schools; and 4) for students of private institutions, future earning potential (Goethals & Frantz, 1998).

Fifty-seven percent of Americans say the higher education system in the United States fails to provide students with good value for the money they and their families
spend. An even larger majority – 75% – says college is too expensive for most Americans to afford (Pew Research Center, 2011).

Economic conditions influence the way prospective students and their families look at the value of attending a particular college or university. Most students attend a college or university with tuition and fees of less than $11,000 (Baum & Ma, 2013). Sixty-one percent of Americans think college tuition should be no more than $20,000 (Calderon & Sidhu, 2013), but for more than half of the students at private colleges, tuition is over $31,000 (Baum & Ma, 2013).

Students and families comparison shop for colleges, so it is critically important for colleges to align price and prestige indicators given the competitiveness of the market (Sevier, 2014). Some brand consultants and researchers believe that determining the value proposition that is valued by the market can help shape, with a level of confidence and accuracy, the value proposition a college wishes to project (Sevier, 2014). These researchers link an institution’s value proposition in the marketplace to its discount rate, suggesting that a high discount rate means that prospective students, especially higher income students, do not value high discount institutions. Rising discount rates are cited as a particular concern for institutions with softer demand (Sevier, 2014).

The public thinks that higher education tuition and fees are too high, and among members of college and university leaders, conflicting positions exist. Fifty-five percent of board members recently surveyed agree that higher education, in general, is too expensive. (American Association of Governing Boards, 2012) Yet 62% of board members also say that their own institution generally costs what it should, relative to its value, and that their institution is doing all it can to keep tuition and fees affordable for
students (American Association of Governing Boards, 2012). College financial leaders are conflicted as well, with one-third of them agreeing that colleges are doing a worse job now than they did a decade ago in providing value for students (The Chronicle of Higher Education, 2014).

Gilroy (2003) explained the following in his study on the impact of affordability and pricing:

Even when pricing strategies were successful in establishing the proper value-to-price, if the price was still out of reach of the family’s resources, it remained unaffordable. The lesson here is that pricing and affordability may not be the same in all family circumstances. As available family resources diminish relative to net price, affordability increasingly becomes a significant factor, whereas families with larger resources may simply need help with cash flow. This latter instance has been referred to in the literature as family “willingness to pay” college prices. As family resources increase, the prestige and pricing strategies may be more significant. For those in the middle or lower end of the income scale, higher priced institutions present both pricing and affordability issues for students and their families (Gilroy, 2003, p. 142).

Further evidence that private colleges need to play close attention to families’ willingness to pay that the family income of students at four-year public institutions in many states is higher than that of private colleges, suggesting an unwillingness to pay a high published tuition price (Lapovsky, 2004). Forty-six percent of dependent students with family incomes of $120,000 or higher attend public four-year institutions, compared to 26% attending private, non-profit institutions (Baum, Ma, & Payea, 2010).

**Tuition Discounting and Net Tuition Revenue**

Some researchers believe that colleges and universities have hit a wall in terms of their pricing and discounting policies (Lapovsky, 2013). According to the latest NACUBO tuition discounting study, the average discount rate from institutional aid alone
at four-year private colleges and universities is 45% for first-time full-time students and
40% for all undergraduates. Furthermore, institutions in the study provide, on average,
institutional grants to 87% of their freshmen. The discount rate is in excess of 50% at
more than 25% of the institutions participating in the study (Davis N. P., 2013).

Critics of tuition discounting suggest that the practice does not always produce the
desired enrollment effects and does not always increase institutional revenue. For
instance, literature reveals that when combined across all institutions, tuition discounting
has sometimes led to unfavorable outcomes for lower-income students, such as restricting
their access to merit grant aid to attend four-year institutions and reducing their
opportunities to choose between attending public or private colleges (Davis, 2003).

Others believe that policymakers face a dilemma when trying to use financial aid
to lower the cost of higher education for needy students because lower income students
are more likely to become discouraged by rapid increases in the sticker price of higher
education. The reason for this dilemma is that information about tuition levels is much
more widely known and easier to access than information about financial aid (Mumper,
1996). Validating the existence of this dilemma, the results of a recent survey on the
price-to-value proposition revealed that 60% of students and parents are unaware that
private colleges effectively discount their published tuition. They are also unaware of the
magnitude of the typical discount (Longmire and Company, 2013). Between this and the
recent significant increases in tuition discounting, researchers note that many colleges
and universities are receiving little, if any benefits from their tuition increases other than
a great deal of negative publicity (Lapovsky, 2010).
At small private colleges, tuition and fees typically account for two-thirds or more of institutional revenue (Chabotar, 2010). Forty-five percent of colleges reported they did not meet their tuition revenue goals in 2013 (American Association of Governing Boards, 2013), suggesting a significant portion of institutional revenue remains at risk. Moody’s reports that for private universities, the percentage projecting net tuition revenue declines jumped to 24% in fiscal year 2015, from 18% last year, stating that over 40% will not increase net tuition revenue beyond the rate of inflation in the coming year (Moody's Investor Service, 2014).

Strategies

Conventional pricing strategies do not often consider what the customer is willing to pay or what they are thinking (Morrison, 2014). Recent literature on the value of emotions related to pricing reveals that firms must: 1) know how their customers make decisions and who their competitors are; 2) know how to set and communicate their pricing; and 3) know the right price to charge (Morrison, 2014).

Three primary paths to achieving competitive advantage have been defined as differentiation, low-cost, or structural advantage, with warnings that the worst case scenario is to be relatively expensive and undifferentiated (Denneen & Dretler, 2012). Others describe the paths in terms of three generic strategies: cost leadership, differentiation and focus strategies (Porter, 1980). The choices a firm makes, however, in determining which strategy to deploy is largely dependent upon the size of the firm and the amount of resources available to it (Wright, 1987).

As a result of the most recent recession, colleges and universities face increased threats to flexibility in college pricing (Ryan, 2013). With 40% of prospective
undergraduate students eliminating a college due to cost before doing any other research on the institution (Sallie Mae, 2013), colleges that rely heavily on the high tuition/high discount model to communicate quality and value need to consider this new market reality. If prospective students cannot get by the sticker price, a college will be eliminated as an option.

With so many families today concerned about rising tuition prices, some literature suggests that by moving from a high tuition, high discount model to a low tuition, low discount model, colleges can align sticker price more closely with what a student actually pays, reinforcing the value proposition (Hanover Research, 2013).

Other supporters of a low tuition, low aid model generally believe that high tuition, even when coupled with high financial aid, causes a large pool of potential students to feel that college is unaffordable. Efforts to keep tuition levels as low as possible may contribute to student access and success by keeping tuition affordable to more students and encouraging greater participation (Badolato, 2008).

Some literature suggests that in order for the high tuition, high discount model to be genuinely successful, colleges and universities must have a large group of potential students for which enrollment demand is inelastic, or are unresponsive to price increases, and a smaller group of desirable students who are price sensitive (Curs & Singell, 2010). The market reality of today is that just about all non-selective, tuition-dependent colleges provide merit in order to enhance the value of a higher priced education to middle income and wealthy students who are often able but unwilling to pay the published price (Lapovsky, 2004).
Those who express caution to institutions thinking about lowering their sticker price are concerned that deployment of such a strategy will have potentially negative consequences, because maintaining a high sticker price actually provides incentives to customers who believe they are getting a higher quality item for a lower net price (Gilroy, 2003).

Recent literature points to the strategic mistake made in 2011 by JC Penney to change its pricing strategy. The reason behind the failure is cited as tossing aside the long standing policy of retailers to generate sales through coupons and promotions that hype consumer emotions rather than a no-discount, everyday price retail policy. The argument is made that a no-discount, everyday price policy is generally only successful when a brand is aligned with prestige, like Apple, where sales promotions are not necessary to lure customers into stores (Mourdoukoutas, 2013).

The key strategic component for colleges and universities is to find the right balance between discount and the market segments they want to reach (Gilroy, 2003) noted:

Different institutions at different levels in the hierarchy follow different pricing strategies. In a way, institutions are constrained both by their own institutional resources and by the practices of their peer group. Pricing strategies serve to enhance the proper value-to price proposition, particularly to an institution’s preferred customers (Gilroy, 2003, p. 164).

The deployment of a major pricing strategy has more than just financial implications for an institution; it is an organizational change strategy that represents a shift in how institutions view themselves in the marketplace. Although they often speak in terms of reinventing themselves, most institutions are working on the margins to make changes in how they operate. Lapovsky (2013) notes in her report on the higher
education business model: “Change is very difficult to implement at many institutions; thus, what may look like a relatively minor change to the outside world may be considered major to those within the institution” (Lapovskiy, 2013, pp. 5-6).

Institutions deploying the strategy to reset tuition should understand the characteristics of successful change initiatives and do their best to implement best practices into their change process. Change strategies have a greater chance of success if they are aligned with institutional culture (Kezar & Eckel, 2002). Examining the organizational context necessary to reset tuition requires both a study of the market and an internal alignment of people and processes. “Data gathering, analysis, report writing and presentations” (Kotter & Cohen, 2002, p. 8) are not enough to implement successful organizational change strategies. A more creative and successful approach aims to grab the “feelings that motivate useful action” (Kotter & Cohen, 2002, p. 8). For tuition price resets, this approach can be applied to both the prospective student marketplace and the institution.

**Tuition Resets**

In response to developments in the higher education marketplace, several institutions have pursued the strategy to reset their tuition. These institutions believe their market segment will respond favorably to a strategy that provides consumers with more transparency about the actual net price they will pay, as opposed to the more traditional published sticker price. Institutions that have deployed a tuition price reset strategy have done so to keep net tuition revenue constant or increasing, seeking the enrollment of additional, price conscious prospective students. The tuition reset strategy is also employed as a mechanism to aid in the retention of enrolled students.
Natalie Palluro Davis, manager of research and policy at NACUBO, noted in a recent article in *Business Officer*: “These institutions – and others – are responding to changing demographics, intense competition from both private and public institutions in their region, and laser-like scrutiny by students and families on out of pocket costs” (Porto, 2014).

The strategy to reset tuition price may result in less student debt overall. Not every student affected by a tuition reset has the same cost of attendance; however, most students end up paying less under a reset than they would under a traditional pricing model (LaMott, 2015). For lower income students, especially those less academically qualified, state and federal need-based aid dollars cover a greater percentage of their tuition costs under a reset, thereby reducing out-of-pocket expenses and the amount of borrowing needed (Ashland College, 2013). Students not qualified for need-based aid, who would have had a net cost of attendance closer to the pre-reset published price, experience a savings due to reset tuition.

Considering that average student loan debt for the Class of 2012 was nearly $30,000 (Reed & Cochrane, 2013), if average annual savings of $1,000 per year of college attendance per student was achieved, student loan debt for future graduating classes could be reduced by 14% or more. And even though students may pay less as a result of a tuition price reset, tuition-dependent institutions can experience overall increases in net tuition revenue from both an increase in the number of new students (Lapovksy, 2015) and greater retention of existing students (LaMott, 2015). Colleges and universities share a core objective of educating students. By securing and retaining
more students, institutions can contribute more effectively to this core objective while achieving greater financial sustainability.

It is too soon to know the long term effect of tuition price resets. Institutions that have deployed this strategy are hopeful that families in their market segment will no longer define the quality of a college education by the annual sticker price, bringing the days of high (and rising) tuition levels to an end (Porto, 2014). Recent literature and market data support the theory that consumers may be moving away from the “Chivas Regal” effect towards a greater expectation of actual cost and increased transparency.
Appendix B: Research Methods

The primary purpose of this study was to explore how four private tuition-dependent colleges approached an undergraduate tuition price reset, including the organizational context, planning and execution strategies involved. Tuition price resets are a fairly new phenomenon, and due to their relative newness in the higher education marketplace, little research exists on the internal and external contexts necessary to successfully launch and achieve such a strategy. This research study was qualitative in nature. Qualitative research allows the researcher to gain a detailed understanding of an issue by talking directly to people in the setting of their home or place of work (Creswell, 2013). Conducting research in this manner empowers individuals to share their stories, and it allows the researcher to hear stories that are unencumbered by what the researcher may expect to find or has uncovered in the literature (Creswell, 2013). The qualitative research method utilized was a multiple case study.

While there is a significant body of research on the topic of tuition pricing and the market for higher education for less selective, tuition-dependent institutions, very little literature exists on the phenomenon of tuition price resets. The case study method is appropriate when the boundaries between the phenomenon that the researcher is attempting to study and the context for that phenomenon are unclear (Yin, 2009). Yin writes: “In other words, you would use the case study method because you wanted to understand a real-life phenomenon in depth, but such understanding encompassed important contextual conditions – because they were highly pertinent to your phenomenon of study” (p. 18). The qualitative research methodology allowed the
researcher to explore the research questions in-depth in the contextual setting of the deployment of the strategy to reset tuition price. It did this by affording the researcher the ability to uncover details and complexities of the processes developed and the relationships involved.

Qualitative research relies on the researcher as a key instrument in data collection (Creswell, 2013). In case study methodology, the researcher is tasked with drawing out issues of interest from the data and constructing stories. To construct the stories, the researcher must decide what data and issues to include and what to exclude. During this decision process, the researcher must take appropriate steps to avoid two potential limitations of the case study method – researcher bias and oversimplification (Merriam, 1998).

Purposeful sampling was conducted to identify four private tuition-dependent colleges that deployed an undergraduate tuition price reset. Maxwell (2013) states: “In this strategy, particular settings, persons and or activities are selected deliberately to provide information that is particularly relevant to your questions and goals, and that can’t be gotten as well from other choices” (p. 97). Maxwell (2013) also points out that one of the goals of purposeful sampling is to select sites or participants with whom the researcher can establish the most productive relationships, ones that most enable the researcher to find the answers to their research questions. For this particular study, a mix of intensity and snowball sampling strategies was utilized for their ability to “benefit inductive, theory building analysis” (Miles, Huberman, & Saldana, 2014, p. 32).

This four case field study was defined by the organizations. An initial list of 19 institutions that have reset tuition during the last ten years was developed for possible
inclusion in the study. A pilot study was conducted to provide a preliminary look at six institutions on the initial list. This analysis resulted in the site selection of four institutions and assisted the researcher in defining what a “successful” tuition price reset looks like. The primary factors that determined the selection of these four sites were: 1) the process involving the decision and deployment of the strategy to reset tuition provided enough depth to allow for a rich research opportunity, with the potential for multiple interviews and comprehensive examination; and 2) the leadership team of the college was open to sharing the story.

Two critical variables were used to ultimately determine if a tuition price reset launch was successful: 1) undergraduate net tuition revenue; and 2) number of undergraduate students. Every college or university has a unique weighting of each variable, as well as a varying level of sophistication involved in financial aid matrices. What colleges and universities have in common is the core objective of educating students. Securing and retaining more students and sustaining net tuition revenue increases for at least two consecutive student recruitment cycles following the launch of a tuition price reset determined if the strategy has the potential for long term sustainability.

Data was collected in the field from in-depth interviews, written document reviews, as well as the researcher’s direct observations and note-taking during the site visits. Interviews are essential sources of case study data and were conducted for their ability to provide the researcher with the opportunity to ask key participants for the facts of the tuition reset strategy and their opinions about events (Yin, 2009). The interviews were semi-structured to allow the participants the ability and flexibility to express themselves in their own terms.
Interview participants included several individuals at each organization, such as the president, chief operating officer, chief financial officer, chief enrollment officer, chief marketing officer, additional members of the internal review team, and the Chair of the Board or other trustees. Participants also included the consultants engaged by the institutions to study and implement the strategy. These individuals were selected because, in most cases, they were part of the team that directly developed and oversaw the deployment of the tuition price reset strategy. These team members provided the researcher with the best insights into the phenomenon and also provided the best access to corroboratory or contrary sources of evidence (Creswell, 2013). The researcher also interviewed faculty members and staff who were not directly involved in the strategy decision or deployment, to clarify how other parts of the institution perceived the strategy.

A set of pre-determined, open-ended questions were used to conduct the interviews. The researcher granted anonymity to the interview participants and pseudonyms were created to protect the identity of the selected institutions. Interviews were audio-taped and transcribed, then coded and categorized. Interviews were analyzed on a continual basis as a source of follow-up questions, the development of themes and as an eventual source for establishing and organizing patterns.

A review of both internal and external written documents was conducted. The researcher reviewed pricing studies, board meeting presentations, committee minutes, marketing and strategic enrollment management plans, proposals and progress reports, process flow documentation and implementation plans, financial reports and other available internal documents. These documents were used by the researcher to develop a
comparison between the market analyses performed by each institution. The review of these documents also provided the added benefit of broadly covering the tuition price reset strategy over an eighteen to twenty-four month period and were used to validate and strengthen evidence from other sources (Yin, 2009). External document sources included news reports and other articles written in both local community newspapers and national publications and websites.

The researcher employed direct observation and simple note-taking as evidence collected through field visits at the organizations and in conjunction with the interviews of key personnel. Direct observation is one of the key tools for collecting data in qualitative research (Creswell, 2013).

The researcher deployed several strategies to deal with bias and ensure the credibility of the study’s findings. The strategies involved the collection of rich data from on-site immersion at the institutions selected for the study and intensive interviews; member checking, which involves the process of consistently soliciting feedback from study participants on the accuracy of the data and developing conclusions; triangulation, which makes use of multiple data sources to develop converging lines of inquiry and corroboration of evidence (Yin, 2009); and using contrast and comparison tactics (Miles, Huberman, & Saldana, 2014) where appropriate.

As stated earlier, tuition price resets are a relatively new phenomenon. Since so little research exists on this topic, it was especially important for the researcher to address construct validity and trustworthiness through multiple sources of evidence. Additionally, techniques to ensure greater levels of verification included follow-up discussions with essential study participants, when necessary, as reflection and analysis
developed throughout the study. Also, the researcher obtained participant validation by providing interview transcripts back to participants and asking them to comment. The researcher also provided the presidents of the participating sites with the draft chapter for their particular site, asking them to fact-check and provide comments.

It is critical to reflect on the researcher’s biases, which include a strong interest in tuition pricing and affordability measures at non-selective, tuition-dependent private institutions. The researcher’s current institution, Utica College, announced a tuition price reset on September 15, 2015.

Having been a community bank president with a strong background in personal finance, as well as the researcher’s current role as the co-chief operating officer at Utica College with responsibility for all divisions involving revenue generation and financial affairs, the researcher brings an obvious level of credibility to this research study. As Miles, Huberman and Saldana (2014) describe, “A savvy practitioner is often a better research instrument in a qualitative study: sharper, more refined, more attentive, people-friendly, worldly-wise and quicker to hone in on core processes and meanings about the case” (p. 42).

The research study was conducted with adherence to the highest ethical and moral standards for qualitative research and following specific ethical guidelines for case study methodology (Creswell, 2013). The researcher maintained awareness of and sensitivity to study participants by establishing respectful, supportive relationships and exercising every effort to anticipate ethical issues in the field. The researcher responded to these matters when they arose in a considerate and careful way, calling upon professional guidance from higher education peers and other research professionals.
While this study was not intended to be generalizable; this research provides an in-depth look into four tuition-dependent institutions that have launched a tuition price reset strategy. The researcher provided a full description of the specific organizational contexts so the reader can evaluate the existence of transferability to other contexts. Within the tuition price reset strategy phenomenon, the four sites provided some multiplicity: specifically, the process tuition-dependent colleges go through when they analyze, plan for, and implement a tuition price reset, including the organizational context, planning and execution strategies involved.
Appendix C: Research Subject Information Form

Protocol Title: A Multiple Case Study Analysis Exploring How Less Selective, Tuition-Dependent Colleges and Universities Approached an Undergraduate Tuition Price Reset Strategy

Researcher: Laura Casamento

You are being invited to participate in an interview based research study. The purpose of this study is to better understand the process that less-selective, tuition-dependent, private colleges and universities go through when deciding to reset their tuition price and to gain a deeper understanding of the organizational context, planning and execution strategies involved in the decision. Specifically, by thoroughly examining how colleges approached a reset, the researcher hopes to gain an understanding of why this strategy may be a viable option for some colleges and not for others. This research is being conducted as part of the Executive Doctoral Program at the Graduate School of Education at the University of Pennsylvania.

The interview will take approximately 60 minutes. Brief (no more than 30 minutes) follow-up interviews or telephone conversations will be conducted as needed. There are no associated risks involved with this study. Upon your consent, the interview will be digitally audio-recorded and transcribed by a professional transcription service. The digital audio files and transcriptions will be kept in a secured location. Upon completion of this project, all digital audio files will be erased. All publications and presentations will ensure your confidentiality. As a participant of this study, you may request to receive a copy of the summary findings upon completion of this project.

If you have read this form and have decided to participate in this project, please understand that your participation is voluntary and that you have the right to withdraw your consent or discontinue participation at any time without penalty. You have the right to refuse to answer particular questions. If you have any questions about your participation in this research study or about your rights as a research subject, feel free to contact the researcher, Laura Casamento at lcasame@utica.edu or (315) 792-3054. You also may call the Office of Regulatory Affairs at the University of Pennsylvania at (215) 898-2614.

If you agree to participate in this study after reading the above information, please sign and date this form.

__________________________________________________________________________  __________________________________________________________________________
Interviewee’s Name (Print)                                          Interviewee’s Signature                                     Date
Appendix D: Interview Protocol

Interviewee Name:

1. Please describe your current position at the institution.
   a) In what other positions have you served this institution?
   b) What was your role in the tuition reset strategy?

2. How did the institution become interested in the tuition reset strategy?
   a) What was the financial state of the institution at the time? What were the enrollment and tuition discounting trends?
   b) How did the process start and unfold? What motivated the process?
   c) Who were the drivers and who was involved?
   d) Who else was brought into the conversation?
   e) What were the general feelings regarding the tuition reset when the idea was first being discussed?
   f) How was the board involved?

3. What data/information was gathered in order to make the decision?
   a) Who was responsible for gathering the information?
   b) Were external consultants involved in the process? What type of consultants?
   c) How specifically was risk assessed?
   d) Did your institution (or your consultants) measure student satisfaction or brand value before the reset? What were the survey results as to affordability, price, and value or perception of value?
   e) How did your institution evaluate market position?
   f) How did the institution (or your consultants) project the long-range financial impact to the institution of both implementing the reset and staying the course with the current pricing model?
   g) What were the primary goals of the reset?
   h) How did the institution implement the price change for new and returning students?
   i) Was success defined? How did the institution determine what success would look like?

4. What challenges did the institution face during implementation of the reset?
   a) Were the challenges the institution faced anticipated?
   b) How were the challenges dealt with?
   c) What was the general feeling on campus following the announcement of the price reset?
d) What would you have done differently if you could implement the strategy over again?

5. How has the profile of the institution changed since the reset?
   a) How did the institution change its tuition discounting strategy after the price reset?
   b) Did the net price change after the reset? How?
   c) Did the number of applicants change after the price reset? How? Did the academic profile of the applicant pool change after the price reset? How?
   d) Could there be other factors influencing the changes? How was this assessed?
   e) How did the price reset affect the institution’s net tuition revenue? What other mediating variables might there be?
   f) What was the change in net revenue per student? Has the institution gone back to compare these numbers to what was originally projected? Were there differences? What were the differences?
   g) What comparative changes in retention did the institution experience after the reset announcement? In subsequent semesters for rising sophomore, junior and senior classes? How did those changes compare to original forecasts?
   h) When the reset was announced, did competitive institutions increase their discount?

6. How did the institution handle communications/messaging for the reset?
   a) What steps, and when, were taken to build brand value as part of the reset?
   b) What specific “position of strength” arguments did the institution articulate at the time of the reset announcement?
   c) How did the institution coordinate communications to its different constituencies?
   d) How did the institution market the change to non-student campus constituencies?

7. Were there other consequences of the price reset? Was there any impact on donor relations and fundraising?

8. What has been the overall impact on the institution of the price reset strategy?

9. How did the institution respond to competitive criticism of the price reset?

10. What advice do you have for other institutions thinking about deploying price resets?

11. Can you recommend anyone else I may want to speak with to find out more about the campus or community reaction?
12. Is there anything important I should know that I have not asked about?
Appendix E: Interview Participants

**East College**
President
Executive Vice President, Chief Admissions & Marketing Officer
Assistant Director of Undergraduate Admissions
Chair, Board Governance Committee
Director of Financial Aid
Associate Professor of Biology
Executive Vice President and Chief Financial Officer

**West College**
Executive Vice President, Enrollment Management and Marketing
President
Vice President of Finance & Administration
Director of Financial Aid
Director of Enrollment Services
Associate Professor, Chemistry/Geology/Physics
Associate Vice President of Development & Campaigns
Associate Director of Financial Aid
Assistant Director of Admissions
Member, Board of Trustees

**North College**
President
Director of Prospect Development - Advancement
Director, Marketing & Communication
Associate Vice President for Traditional Enrollment Management
Senior Vice President and Chief Operating Officer
Associate Vice President for Student Life
Director of Undergraduate Admissions
Director of Administrative Computing and Institutional Research
Vice President for Finance and CFO
Associate Dean - School of Allied Health Sciences
Dean - College of Education and Science
Director of Athletics
Board Chair (at time of reset)
Principal and Founder, The Lawlor Group
Vice President/Director of Market Research, The Lawlor Group
Director of Content Strategy, The Lawlor Group
South College
President
Vice President for Academic Affairs
Associate Vice President for Enrollment Management & Services
Financial Aid Staff Member
Director of Intercollegiate Athletics
Dean- School of Humanities, Sciences & Education
Director of Media Relations
Vice President of Finance and Administration
Admissions Counselor
Board Chair
Principal and Founder, The Lawlor Group
Director of Content Strategy, The Lawlor Group
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