



# Tuition Reductions

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Practical Advice and Perspectives of an  
Emerging Pricing Strategy

Presented at CACUBO 2018 Annual Meeting  
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# Tuition Reductions in the Private Not-for-Profit Sector

## College of Saint Mary's Reduction

### Decision Framework

# Sector Research

Tuition Reductions: A  
Quantitative Analysis of the  
Prevalence, Circumstances, and  
Outcomes of an Emerging  
Higher Education Pricing  
Strategy



# Higher Education Pricing

Net Tuition  
Revenue

- Stated tuition rate
- Institutional financial aid
- Discount rate

Approaches

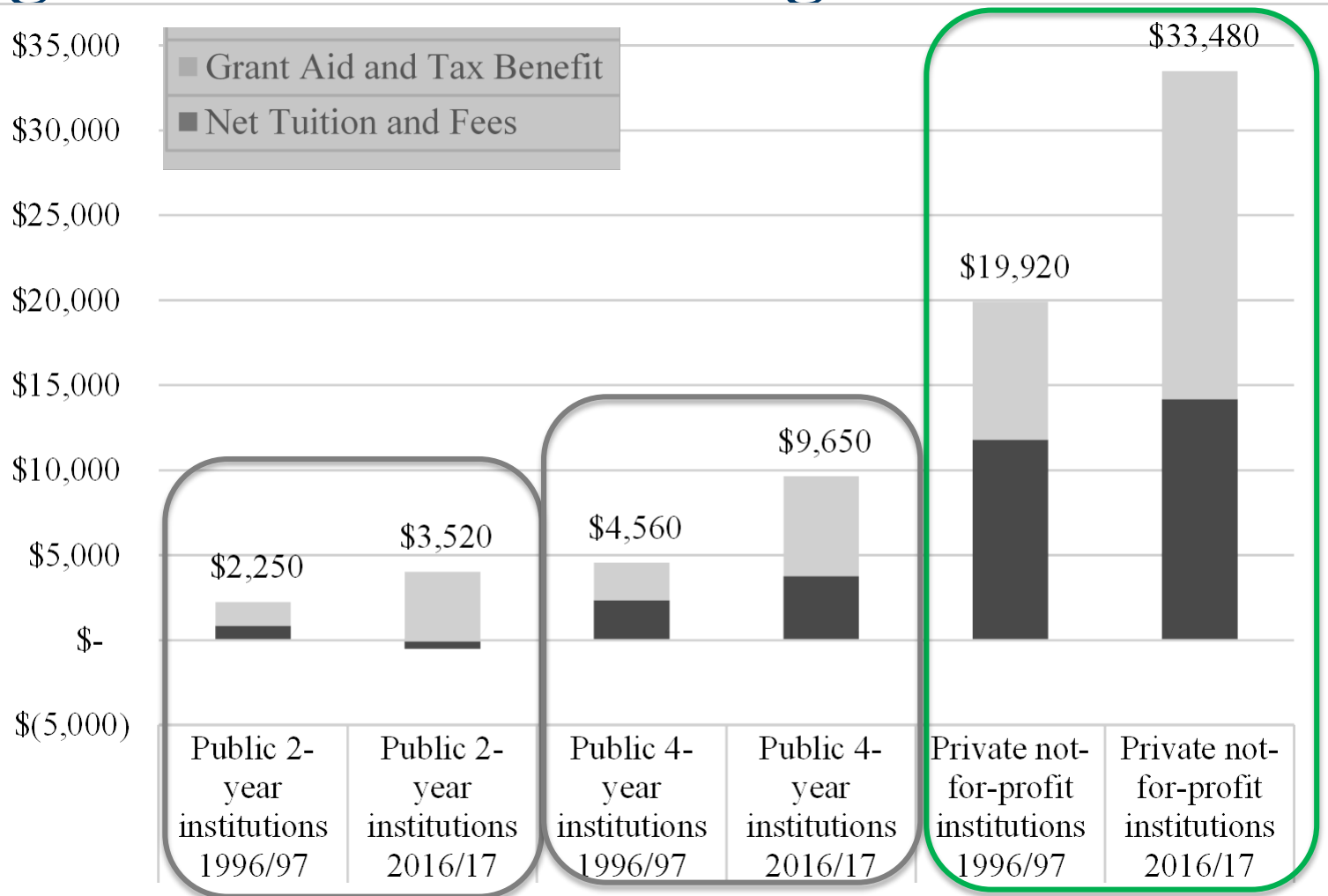
- High tuition / high discount
- Low tuition / low discount

Strategies

- Incremental increases
- Tuition reduction / reset
- Tuition freeze
- Tuition / graduation guarantee
- Accelerated degree programs
- Elimination of fees

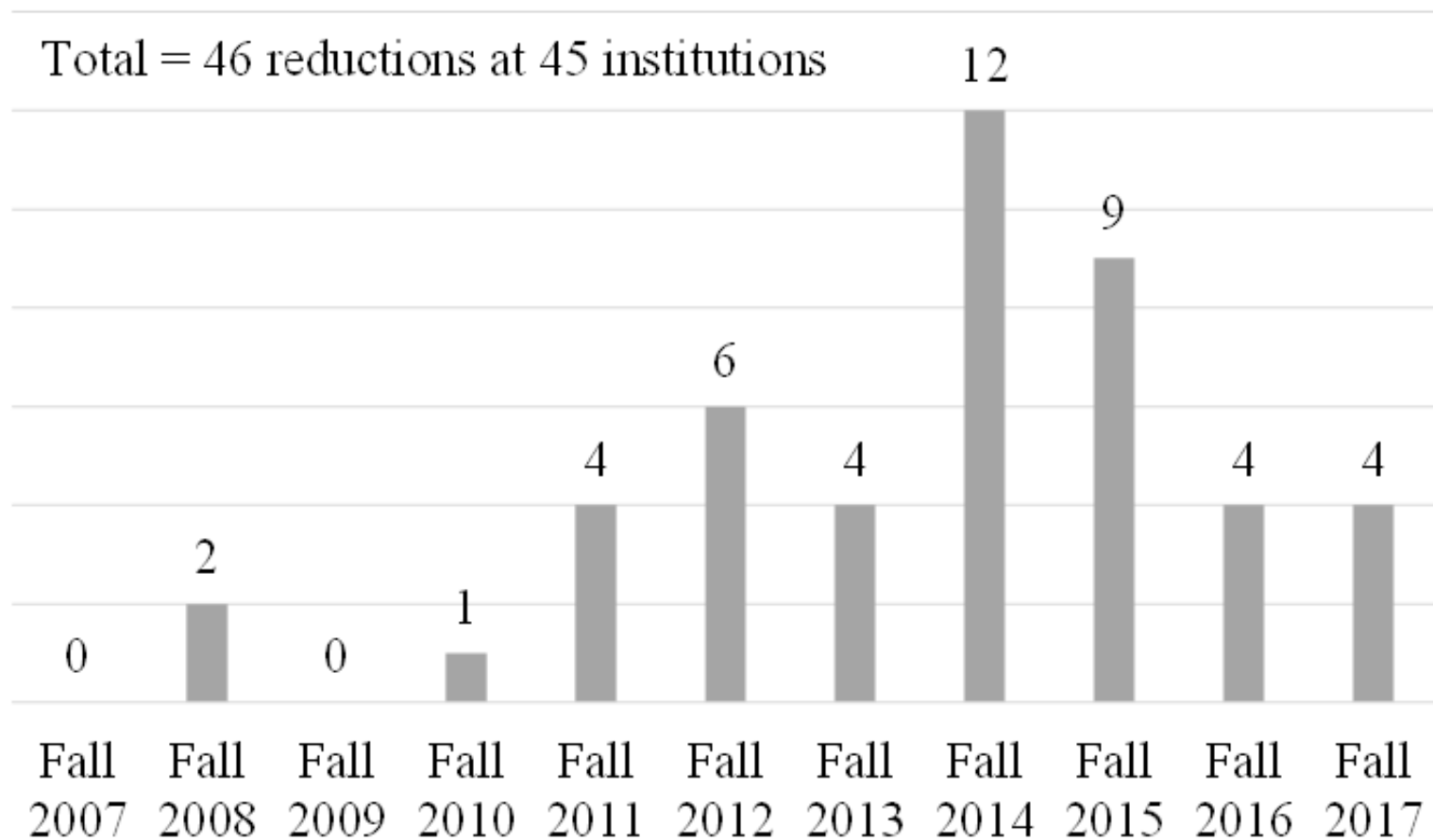


# Higher Education Pricing Trends



Average published tuition and fees, grant aid and tax benefit, and net tuition and fees by sector for 1996/97 and 2016/17 (CollegeBoard, 2016).

# Prevalence of Tuition Reductions



Private not-for-profit institutions with verified tuition reductions for full-time undergraduates

(Kottich, 2017)

# Magnitude of Tuition Reductions

	\$ Reduction	% Reduction
Maximum	\$14,500	53%
Median	\$4,300	23%
Minimum	\$970	7%

# Characteristics

Enrollment  
size

Geographic  
region

% Transfer  
students

% Pell  
undergraduates

Endowment  
size

Religious  
affiliation

Financial  
health



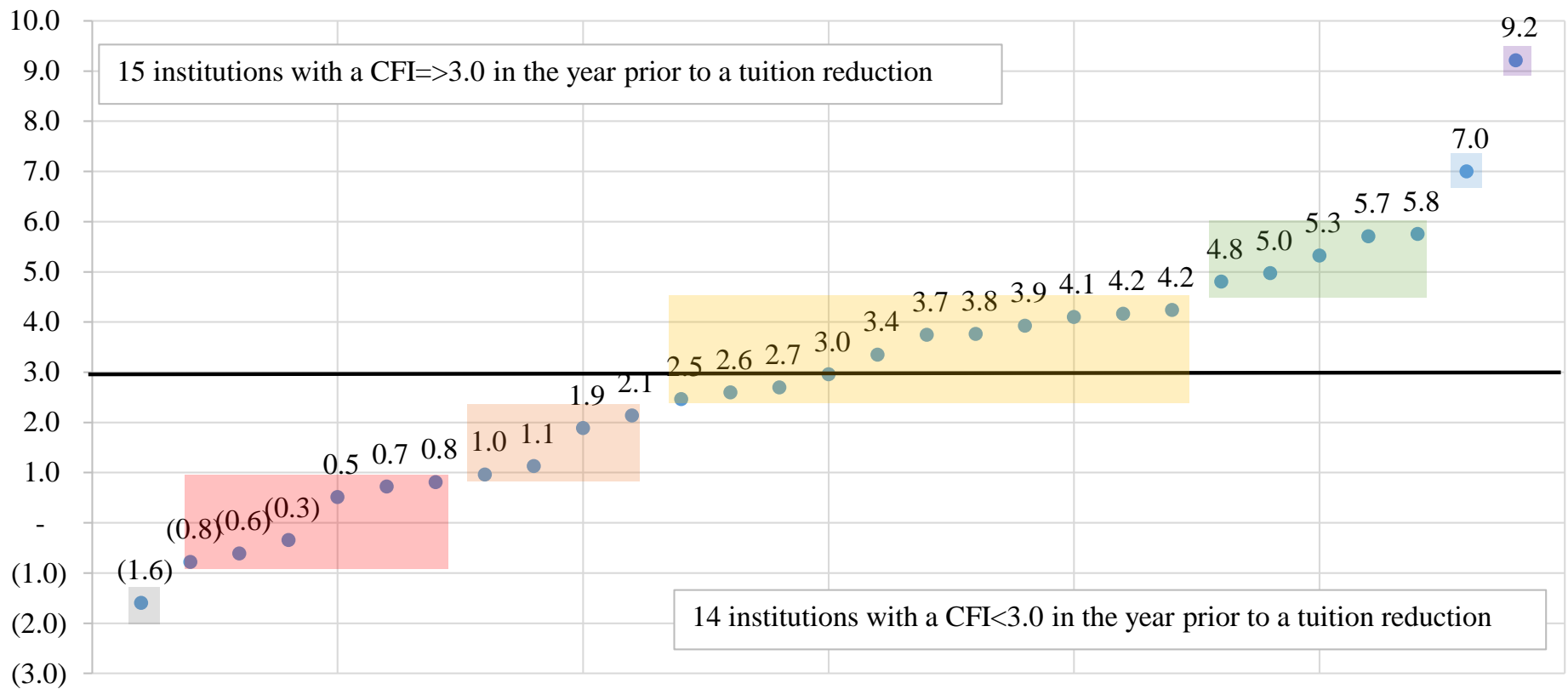
## Consistent with the Sector

- Enrollment size
- Geographic region
- Proportion of transfers
- Financial health

## Inconsistent with the Sector

- Higher proportions of high need students
- Smaller endowments
- More likely to be religiously affiliated

# Prevalence by Financial Strength



Deploy resources to achieve robust mission (7.5 to 10)

Allow experimentation with new initiatives (6.5 to 7.5)

Focus resources to compete in future state (4.5 to 6.5)

Direct resources to allow transformation (2.5 to 4.5)

Re-engineer the institution (1 to 2.5)

Consider substantive programmatic adjustments (-1 to 1)

Assess debt and Department of Education compliance and remediation (-2 to -1)



# Operational Outcomes

## Enrollment

- New full-time undergraduates
- FTFT retention

## Student affordability

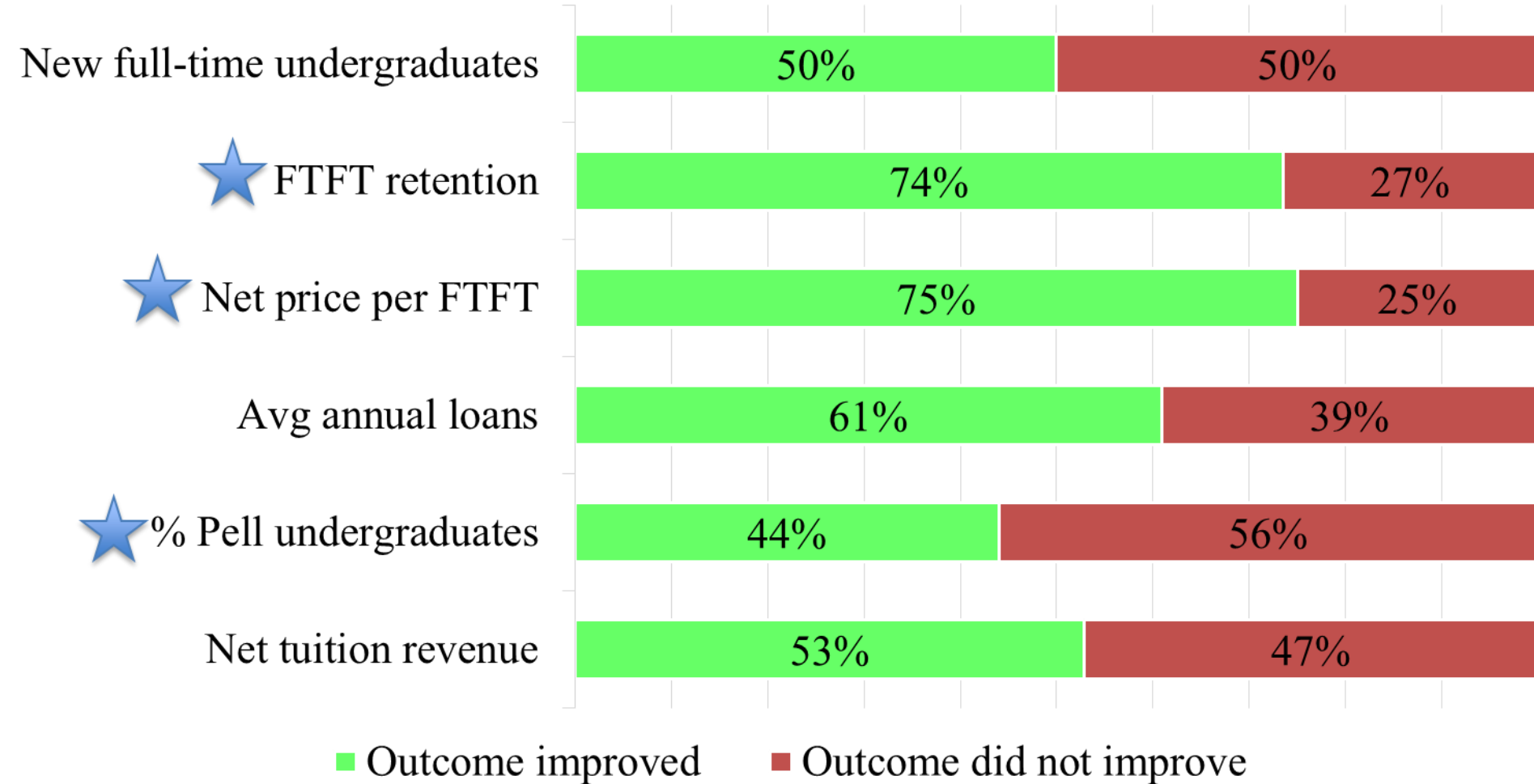
- Net price per FTFT
- Average annual loans

## Student access

- % Pell undergraduates

## Institutional financial health

- Net tuition revenue



There is a statistical difference in this outcome for tuition reducers as compared to the sector.

(Kottich ,2017)







# College of Saint Mary

- 1,100 students
- High level of transfers
- Mission driven
  - 43% high financial need
  - 29% first generation
  - 13% single moms
- Strong health professions
- Financially stable



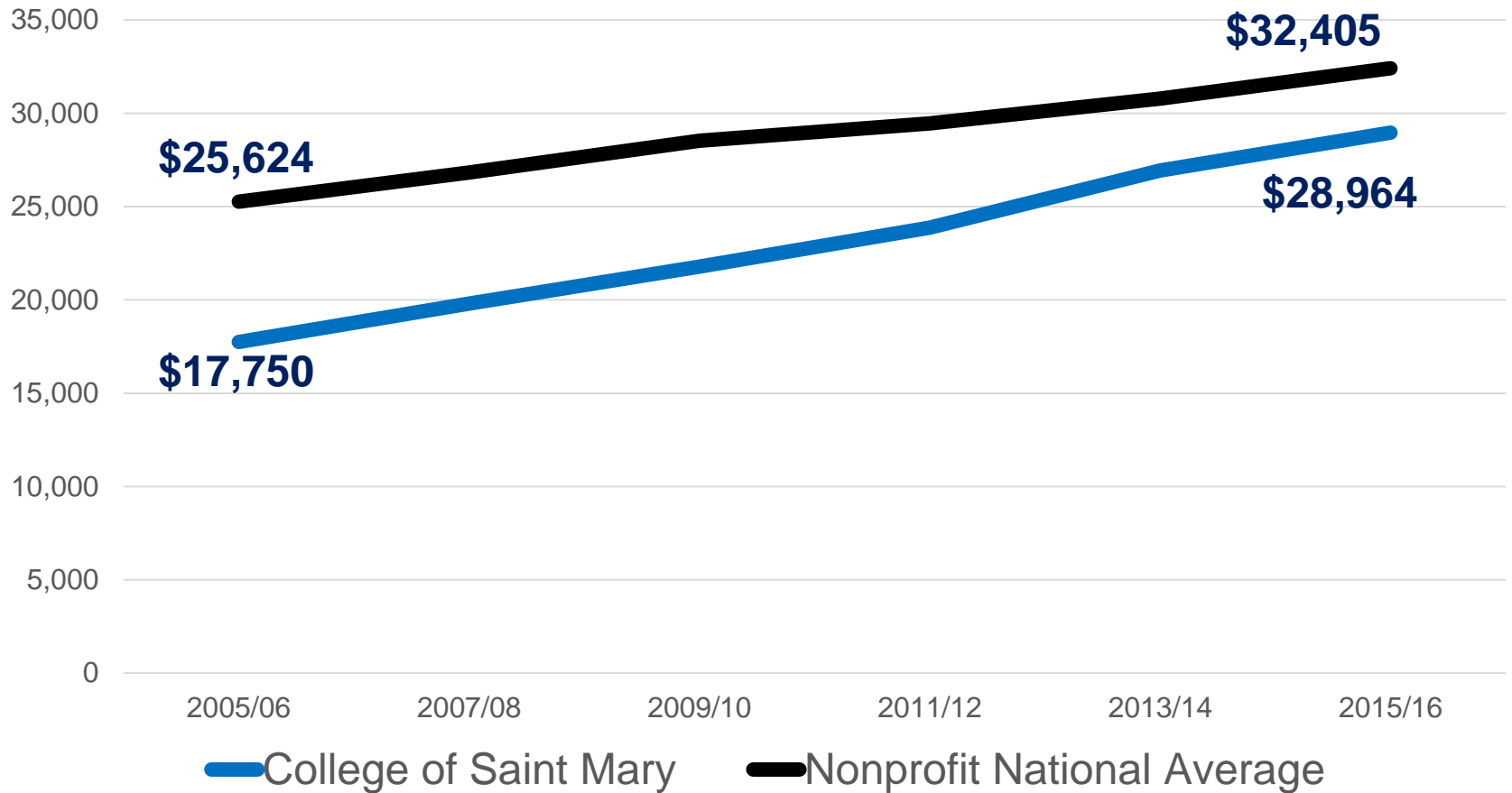
# Vision 2021 Strategic Plan



## ACCESS & AFFORDABILITY

The University will increase the affordability of a CSM education in both **reality** and **perception**.

# CSM vs National Pricing Trend



(College Board, 2015)

# Perceptions

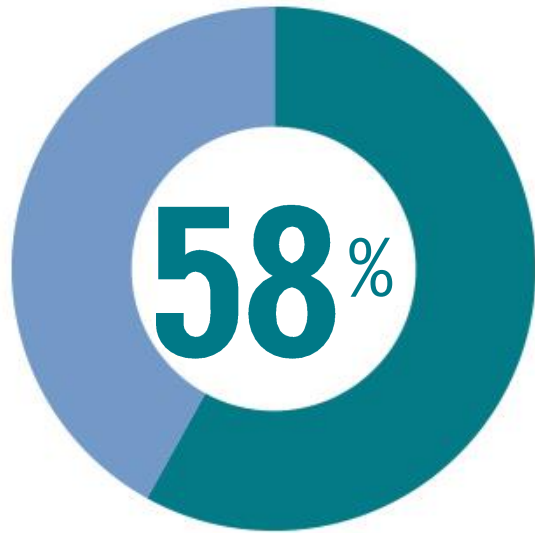


High tuition =  
High quality

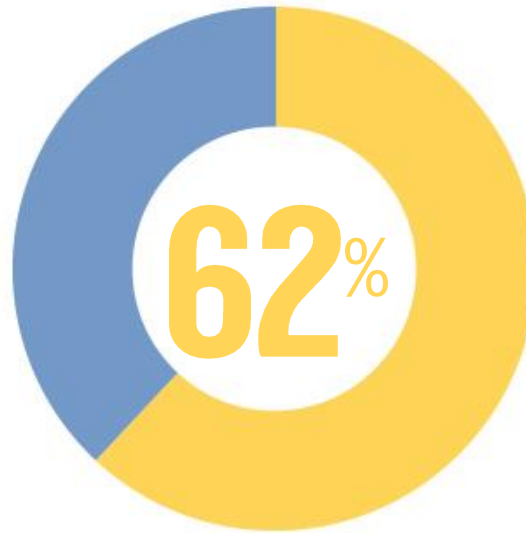


High tuition =  
Out of reach

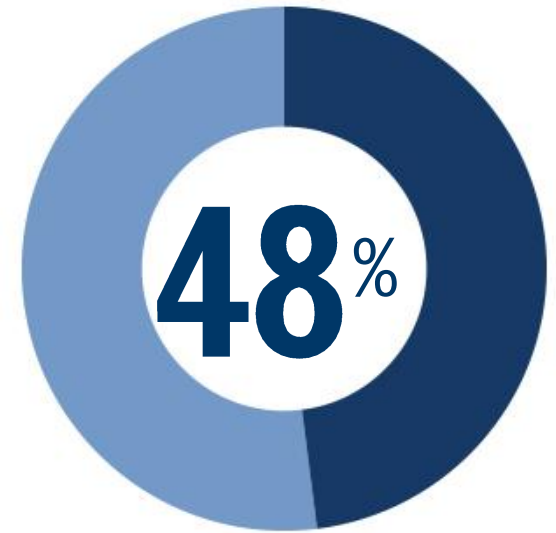
# % of students who rule out colleges based on sticker price



Low-income

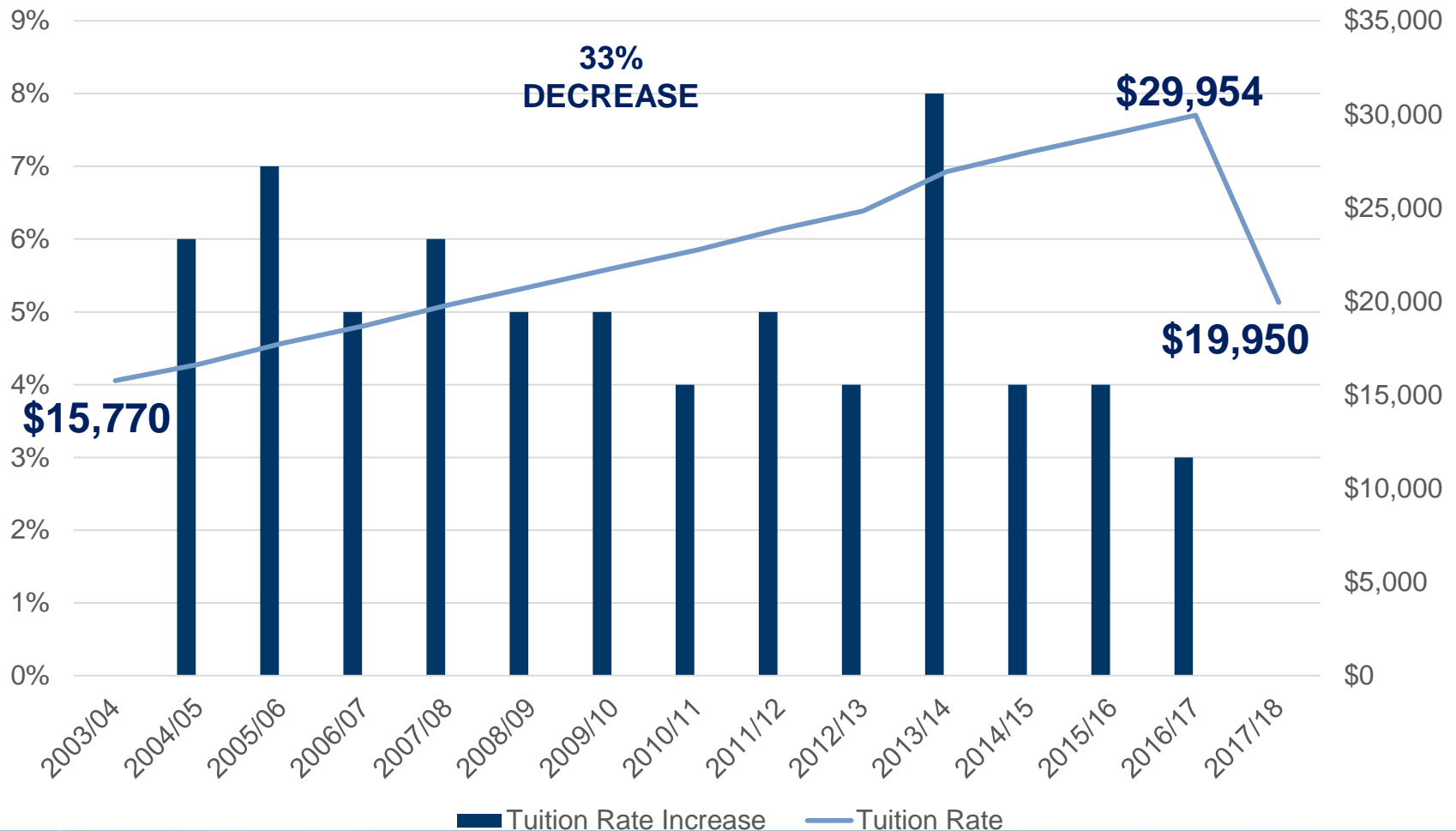


Middle-income



Affluent

# College of Saint Mary Pricing Trends



# Advantages of a Tuition Reduction



- Greater transparency
- Increased perception of affordability
- Lower financial burden for students
- Heighten awareness of the University



# Risks of a Reduction



- Reputational Risk
  - Chivas Regal
  - Is the college desperate?
- Recruitment Strategy Risk
  - Loss of lure of big scholarships
  - Incorrectly predicting market reaction
- Stakeholder Satisfaction Risk
- Financial Risk

# Elements of the Plan

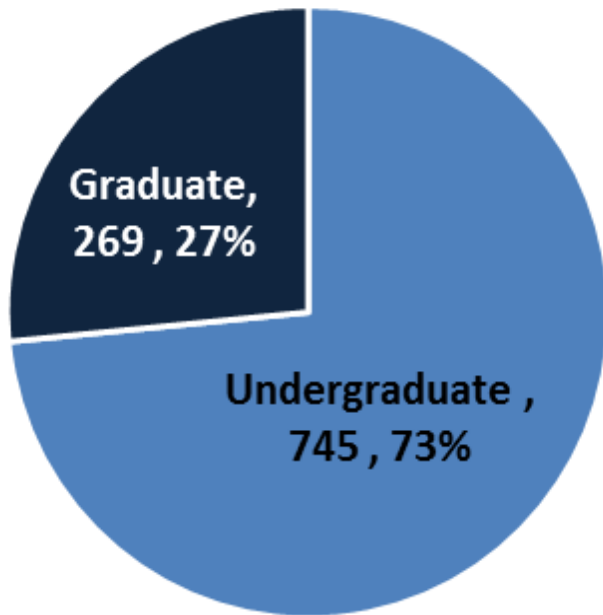


- Shifting the business model
- New program development
- Increase in donor-funded scholarships
- Increased affordability for undergraduates
- Well planned communication strategy (College of Saint Mary, 2017)

# Shifting the Business Model

## 2016/17 Enrollment

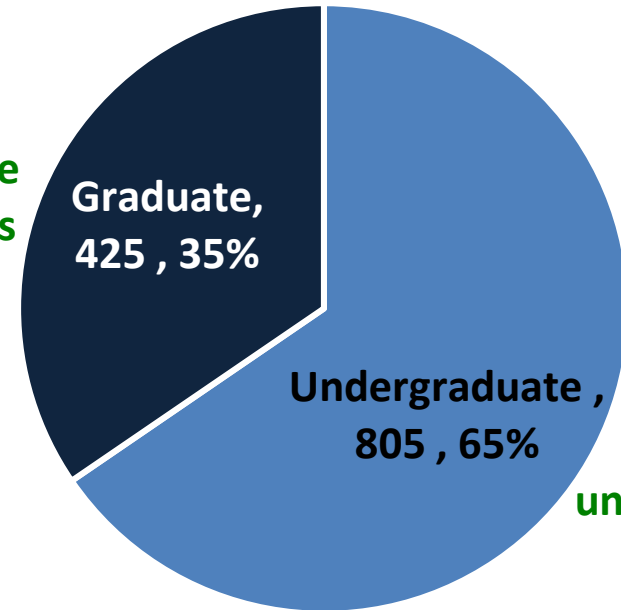
1,014 Students



## 2021/22 Planned Enrollment

1,230 Students

+156  
graduate  
students

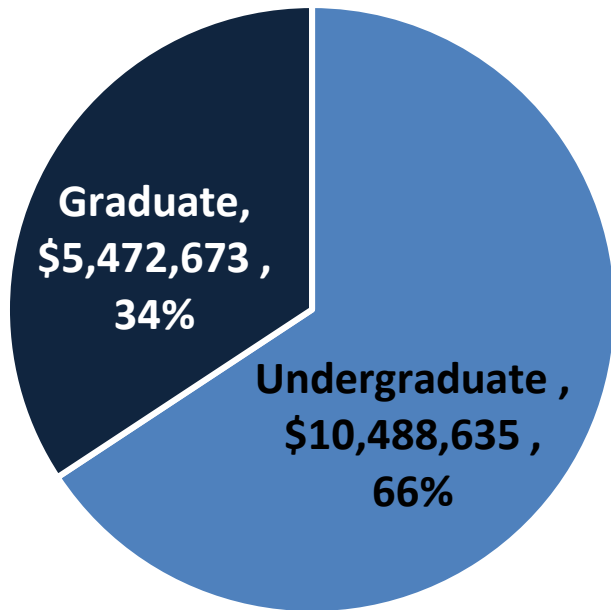


+60  
undergraduate  
students

# Shifting the Business Model

**2016/17 \$**

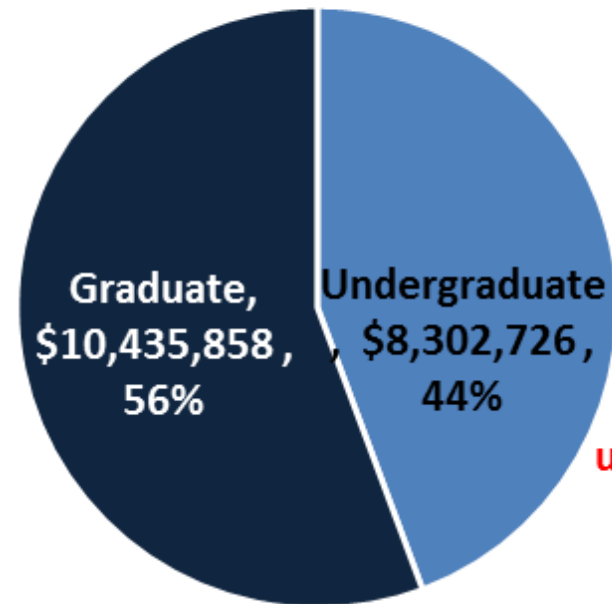
\$16.0 Million



**2021/22 Planned \$**

\$18.7 Million

+\$5M  
graduate  
tuition



-\$2M  
undergraduate  
tuition

# Impact for Continuing Students



- All saved at least **\$1,000 net**
- Average net price 2016/17:  
**\$16,259**
- Average net price 2017/18:  
**\$14,580**
- Average student savings:  
**\$1,679** per student per year or 10%

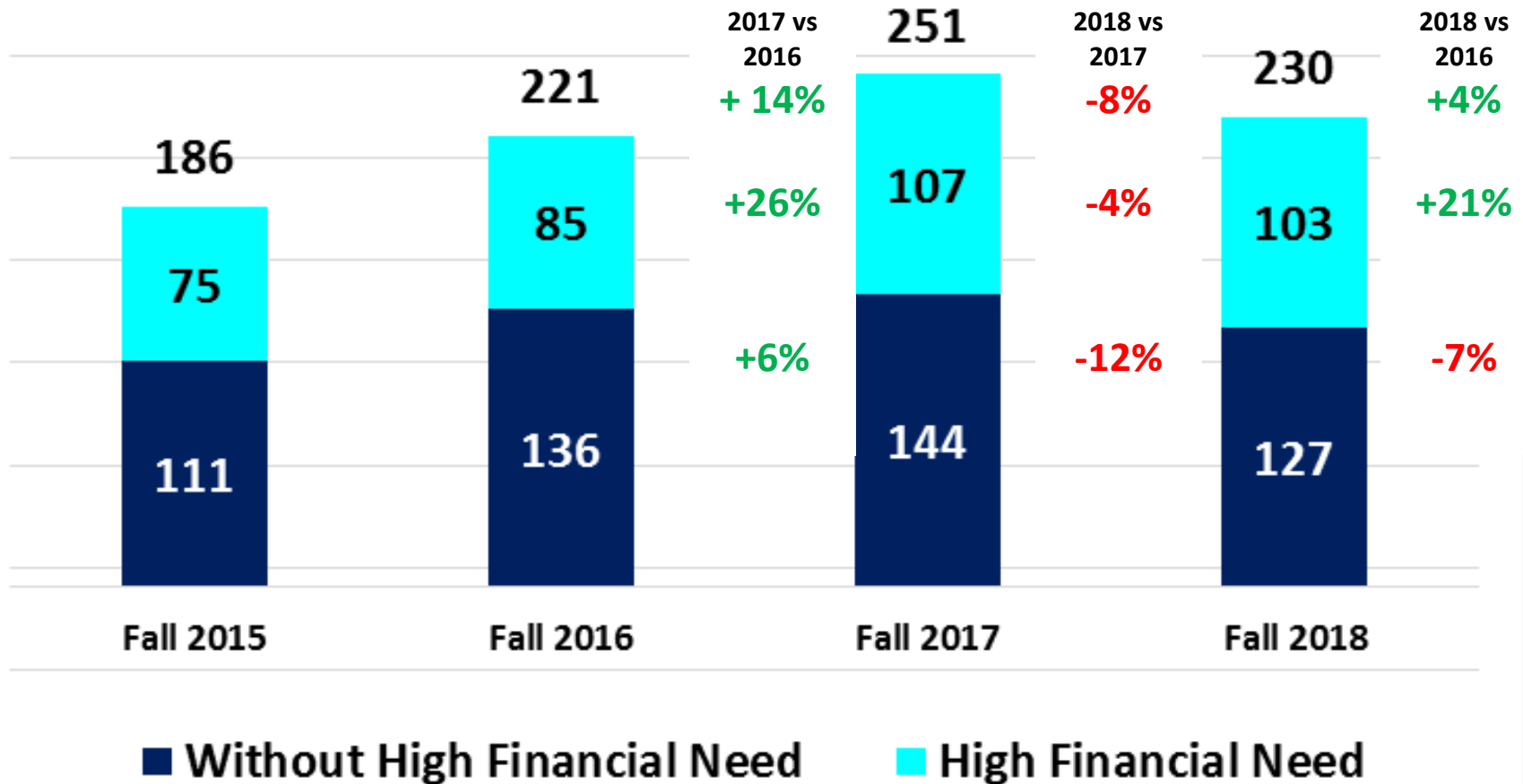
# Impact for New Students

- Lowered average annual borrowings from **\$10,242** per year in 2016/17 to
  - **\$5,184** per year in 2017/18 for students with high financial need (**49% reduction**)
  - **\$7,676** per year in 2017 for students without high financial need (**30% reduction**)



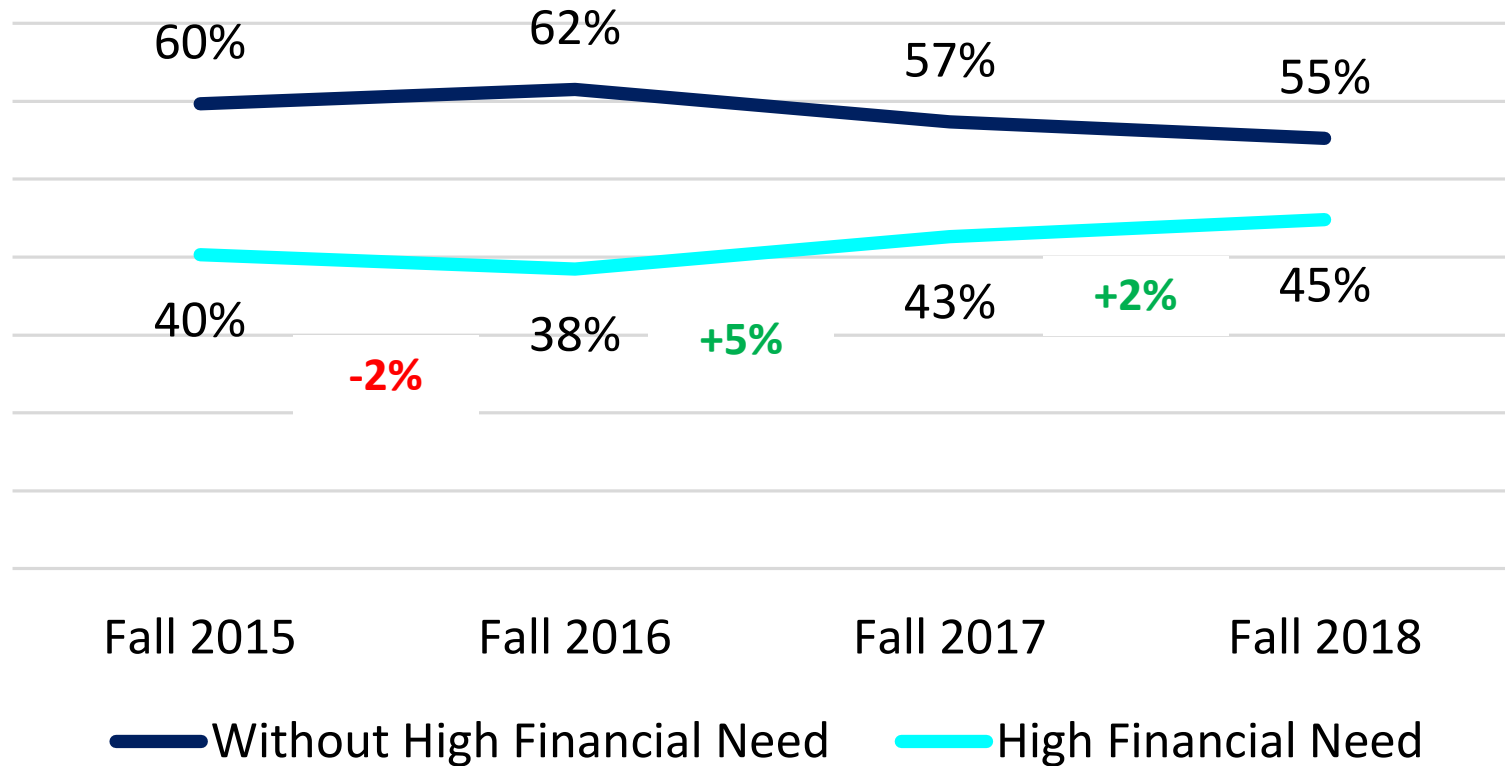
# Improved Recruitment

## # of new full-time undergraduates

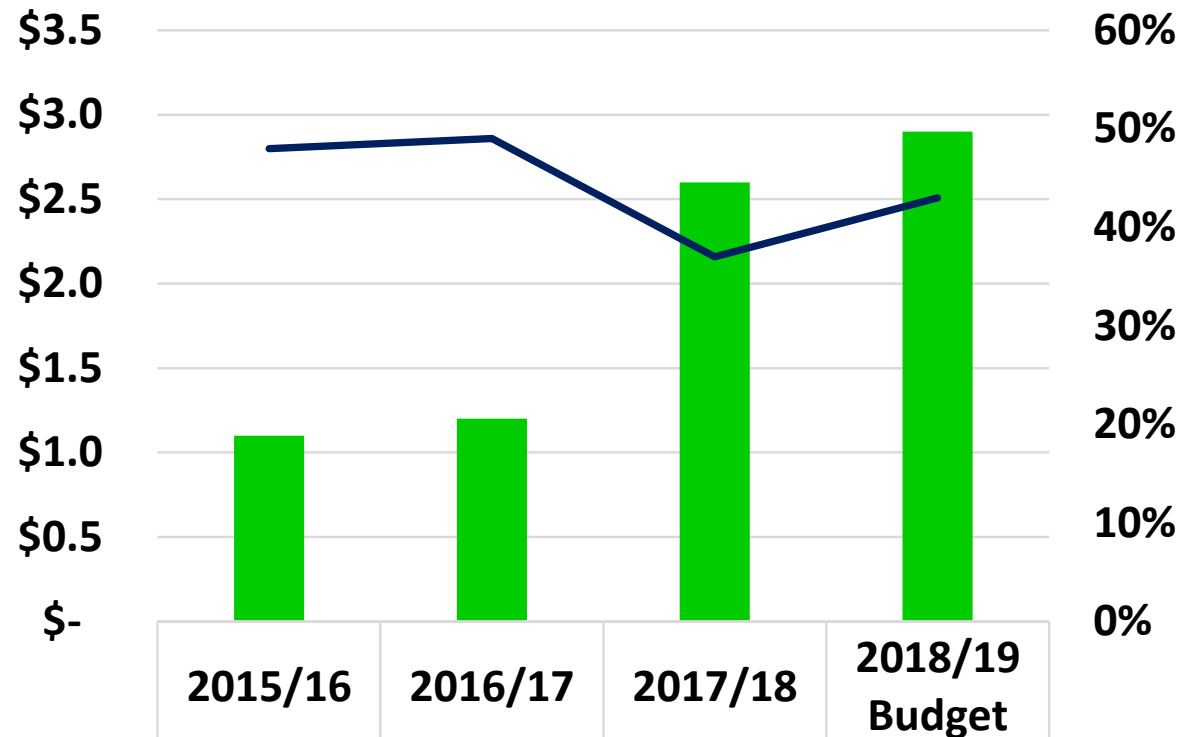


# Improved Access

% of new full-time undergraduates

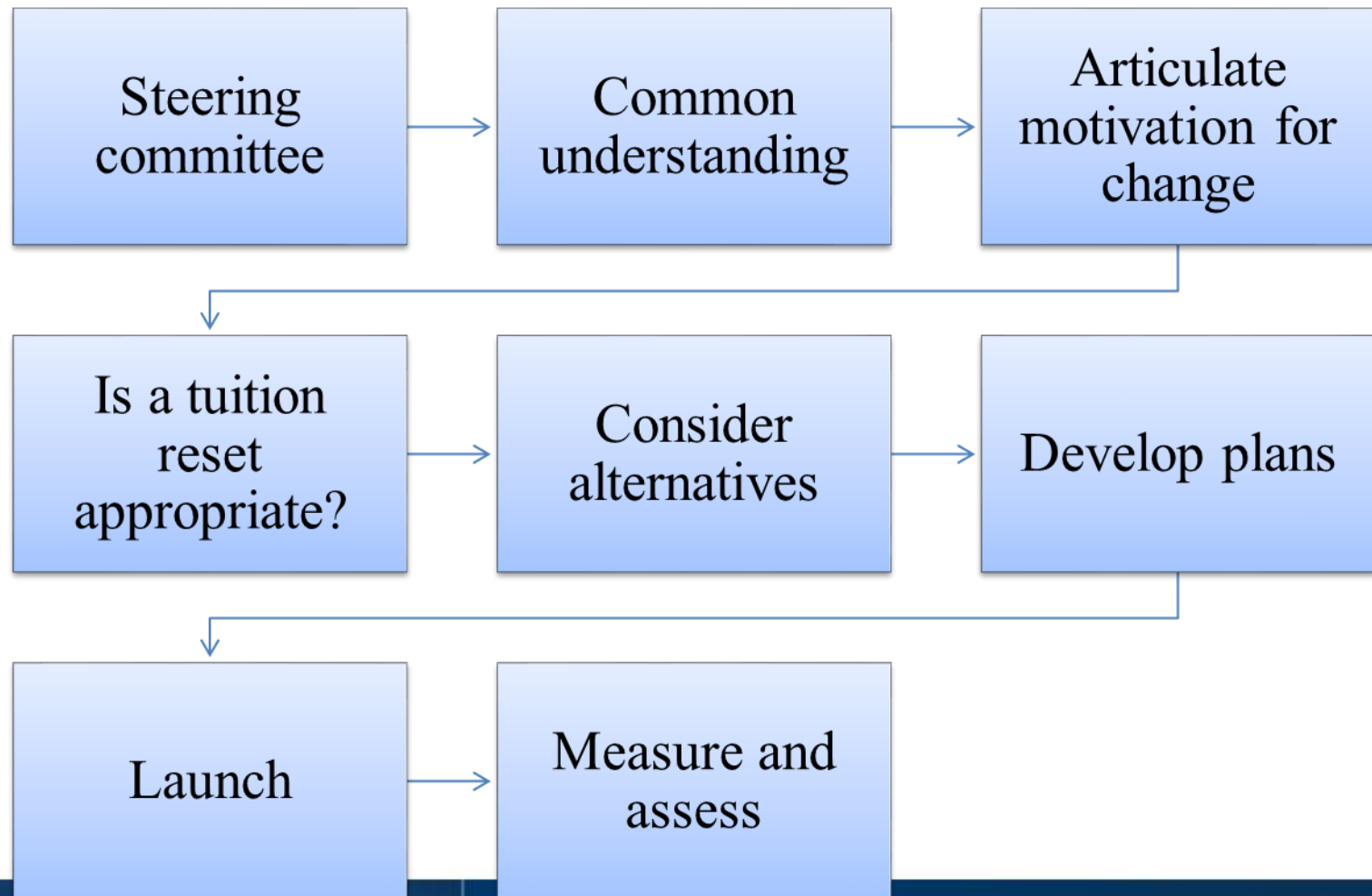


# Student Financial Support



<span style="color: green;">■</span> Funded Scholarships (millions)	2015/16	2016/17	2017/18	2018/19 Budget
	\$1.1	\$1.2	\$2.6	\$2.9
<span style="color: blue;">—</span> Discount Rate	48%	49%	37%	43%

# Advice to Those Considering a Tuition Reduction





(Ayers, n.d.)



# Advice to Those Considering a Tuition Reduction







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# Questions / Discussion

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## Decision Framework for Private Not-For Profit Leaders Considering a Tuition Reduction

*Excerpt from Dissertation in Practice by Sarah Kottich, Tuition reductions: A quantitative analysis of the prevalence, circumstances and outcomes of an emerging pricing strategy in higher education.*

Why is your institution considering a tuition reduction?
To grow enrollment
Because it is the right thing to do
To lower the financial burden for students
To differentiate your institution from your competitors
To align your pricing with competing public universities
To strengthen your institution's financial health
Do you understand your current business model?
Current pricing approach and philosophy
Historical enrollment trends by type of student (undergraduate vs graduate, by academic program, full-time first-time vs transfers in, athletes vs non-athletes, residential vs commuters, high financial need vs middle income vs full paying)
Programs with excess capacity or room to grow
Enrollment funnel trends and conversion rates
Gross tuition and fee revenue by academic program
Institutional financial aid policy
Undergraduate discount rate by type of student
Student retention benchmarked with comparable institutions
Funded vs unfunded institutional financial aid
Net programmatic contribution (tuition & fees, less institutional aid, less costs to run the program) for academic and co-curricular programs
Who are you competing with to attract students and what is their pricing strategy?
Using a programmatic lens
Using a co-curricular lens
Using a geographic lens
Using a mission lens
In addition to pricing strategy, have you considered other elements that could contribute to how much of the market you currently serve?
Academic programs that serve a specific niche
Quality academic programs that offer students a strong return-on-investment
Modality of programs (face-to-face, online, hybrid)
Effective marketing and promotion
Effective leaders in recruitment and retention
Systems that ensure maximization of recruitment and retention

Have you assessed and mitigated the potential risks of a tuition reduction? These could include:

Reputational risk

Does lower tuition mean lower quality?

Is this a marketing gimmick?

Is the institution financially desperate?

Strategy risk

Are you accurately predicting how your target market will react?

Will reductions in scholarship levels negatively impact new student recruitment?

Will continuing students benefit from the change?

How will faculty, staff, alumnae react to the change?

Can you learn from the successes and challenges of similarly situated institutions which have reduced tuition?

Financial risk

Do you have alternate revenue streams such as graduate programs?

Do you have donor support (through annual gifts or endowment) which will help lower the financial burden on students?

Do you have contingency reserves available in case operational results do not go as planned?

Do you have the following resources in place to successfully plan and execute a tuition reduction?

Time for due diligence, planning, and implementing measures to mitigate risks

Decision makers who understand the business model, competition, risks, and potential rewards of a tuition reduction

An internal expert and champion to lead the effort

A focused and invested team to support the champion

An experienced marketing and communication team or partner

A multi-year strategic plan, which the tuition reduction is a part of

A multi-year financial plan informed and driven by the strategic plan

Revised financial aid policies to implement alongside of the tuition reduction

Short-term and long-term communication plans for key stakeholders

Recruitment leadership, staff, and systems which can successfully serve potential increases in student inquiries

The courage and wisdom to follow through or change course depending on what is best for the institution

What measurements would indicate that the tuition reduction was a success?

Increasing or maintaining new student recruitment levels

Increasing or maintaining student retention

Decreasing the net price (tuition + fees – institutional aid) for students

Decreasing the average annual amount of loans borrowed by students

Increasing the proportion of undergraduate students awarded Pell grants

Increasing or maintaining the institution's net tuition revenue by x%