



Net Tuition Revenue Models and Marketing Affordability

Independent School Executive Forum

1

Building a High-Performing Enrollment Management Function

2

Managing Financial Aid for Affordability and Revenue Goals

3

Strengthening the Value Proposition to Respond to Competition

Ensuring Financial Sustainability

Market-Specific Strategies for Ensuring Your School's Long-Term Viability

Building a High-Performing Enrollment Management Function

1. Prospective Family Market Segmentation
2. Segment-specific Channel and Message Selection

Case profile:

Viewpoint School's Strategic Enrollment Management Transformation



Managing Financial Aid for Affordability and Revenue Goals

3. Tuition Revenue Modeling Redesign
4. Sustainable Tuition Discounting Strategy
5. Stigma-Reducing Financial Aid Messaging

Case profiles:

Marin Country Day School's Indexed Tuition Model

Hawken School's Net Tuition Revenue Management Model



Strengthening the Value Proposition to Respond to Competition

6. Pedagogical Experimentation
7. Brand and Capacity Building Differentiation
8. Co-Opted Alternative School Model

Case profiles:

Harpeth Hall School's Center for STEM Education for Girls

Lakeside Academy's Microschool





Affordability an Increased Barrier to Enrollment

Increased Pressure on Families with Multiple Kids, On Income Margins

Admissions Directors Reporting Tuition a Barrier to Enrollment

46% Percent of Day School Admissions Directors

56% Percent of Boarding School Admissions Directors

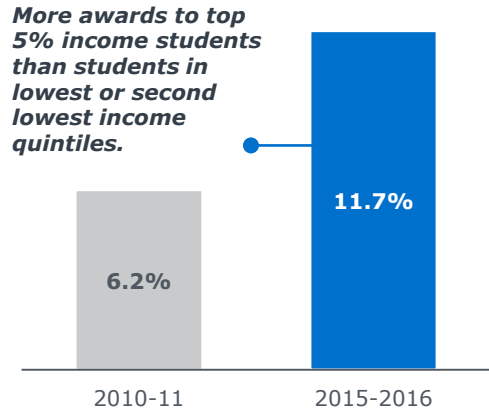
A Sobering View of Who Can Afford Tuition

“When we looked at our tuition, we realized that the Chief Justice of the Supreme Court couldn’t afford to send two kids here without help”

Head of School, Day School

Wealthiest Families Increasingly Applying for, Getting Financial Aid

Percentage of Aid Awards Going to Students in Top 5% of Income Earning Families, NAIS



Source: NAIS Trendbook 2015-2016; The Enrollment Management Association, “2016 State of the Independent School Admissions Industry”

Sticker Shock Creates Barbelled Student Body



Missing Middle-Income Families Leads to Socioeconomic Challenges

Not a Question of Overall Demand

“If we had to, we could easily fill our classes just with full-pay families, but we want our student body to be as diverse and talented as possible.”

*Head of School,
Day School*

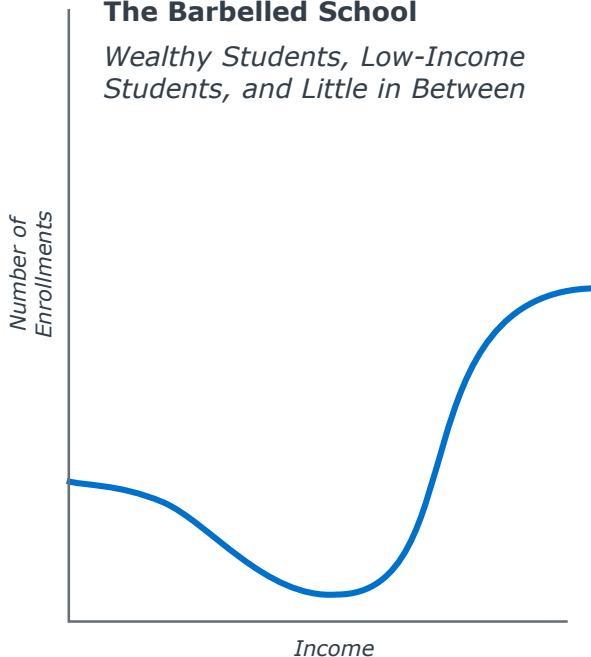
Lack of Diversity Diminishes Experience for All Students

“There’s a benefit to putting our kids in different situations where they’re hearing and sharing different perspectives. None of us want to be a school that’s just for snobby, wealthy, white families.”

*Director of Diversity,
Day School*

The Barbelled School

Wealthy Students, Low-Income Students, and Little in Between

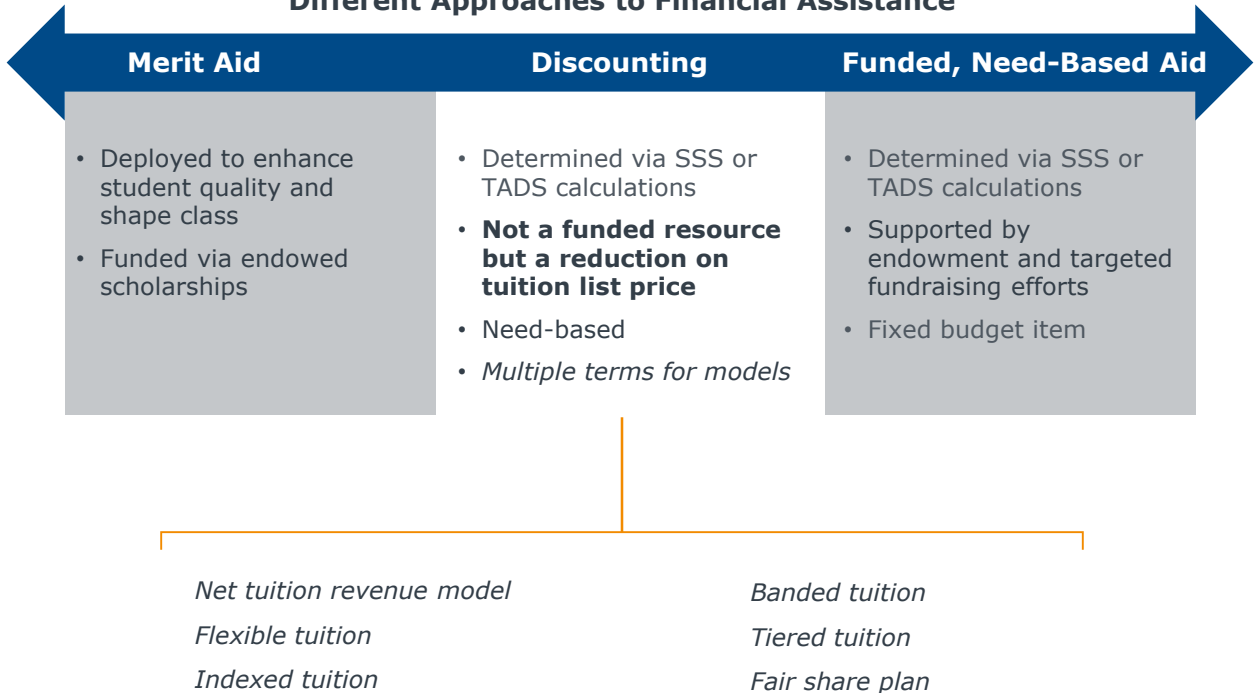




A Spectrum of Independent School Financial Aid

What Do We Mean When We Talk about Financial Aid?

Different Approaches to Financial Assistance



Increased Discounting the Way Forward?

For Many Schools, Discounting a Strategy to Address Mission or Revenue

Can a School Fill Its Classes with High Quality, Full-Pay Students?



Yes, and Comfortable With Student Body Composition

- Every partial-pay student contributes less revenue than a full-pay student
- Current enrollment composition **not precluding school from meeting quality, diversity goals**

Increased **Discounting** **Not Necessary**, but May Be in the Future



Yes, But Concerned about Barbell Effect

- Every partial-pay student contributes less revenue than a full-pay student
- Reliance on full-pay families **harms mission, student body quality**

Increased **Discounting** **to Shape Class**, Grow Pool of Quality Applicants



No, and Reliant on Partial-Pay Families to Fill Seats

- Every partial-pay student adds to total revenue, even when discounted
- Measuring aid as expense **leaves revenue on table**, seats open

Increased **Discounting** **to Grow Tuition Revenue** and Enrollments



Easier Said Than Done

Multiple Barriers Preventing Schools from Full Adoption of Discounting

Conceptual and Structural Barriers Preventing Wider Adoption of Discounting Strategy

- 1 *Financial aid **still measured as expense** rather than discount on revenue for schools with capacity to grow enrollments*
- 2 *Discounting **perceived as unsustainable***
- 3 *Target families **unaware of aid opportunity**, unwilling to pursue*



When Under-Enrolled, Financial Aid a Discount

Recognizing the Real Cost, Impact of Aid When School Has Growth Capacity



Full Tuition: \$30,000

Tuition Paid: \$25,000

Discount: \$5,000

Tuition

Full Class

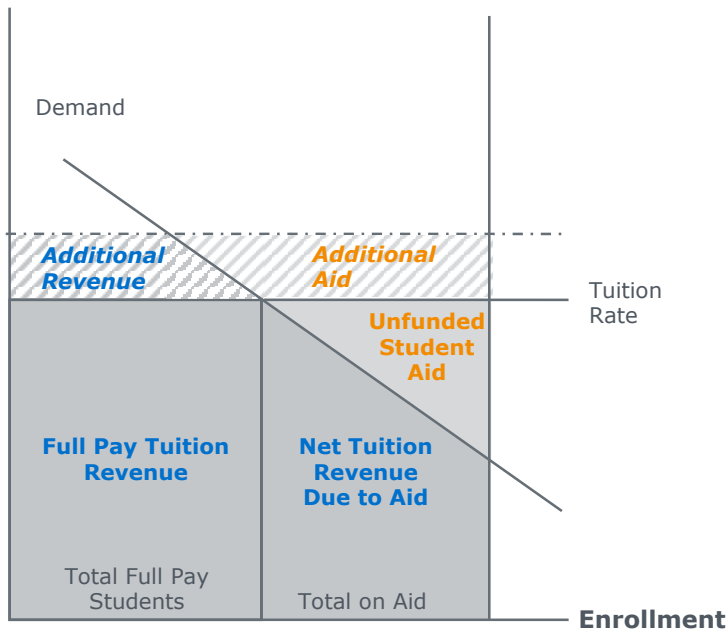


Additional \$25,000 to Net Tuition Revenue Goal



-\$5,000 from budget

- Partial pay students contribute additional net revenue
- “Unfunded student aid” not an actual expense
- **Financial aid not a necessary budget line item**



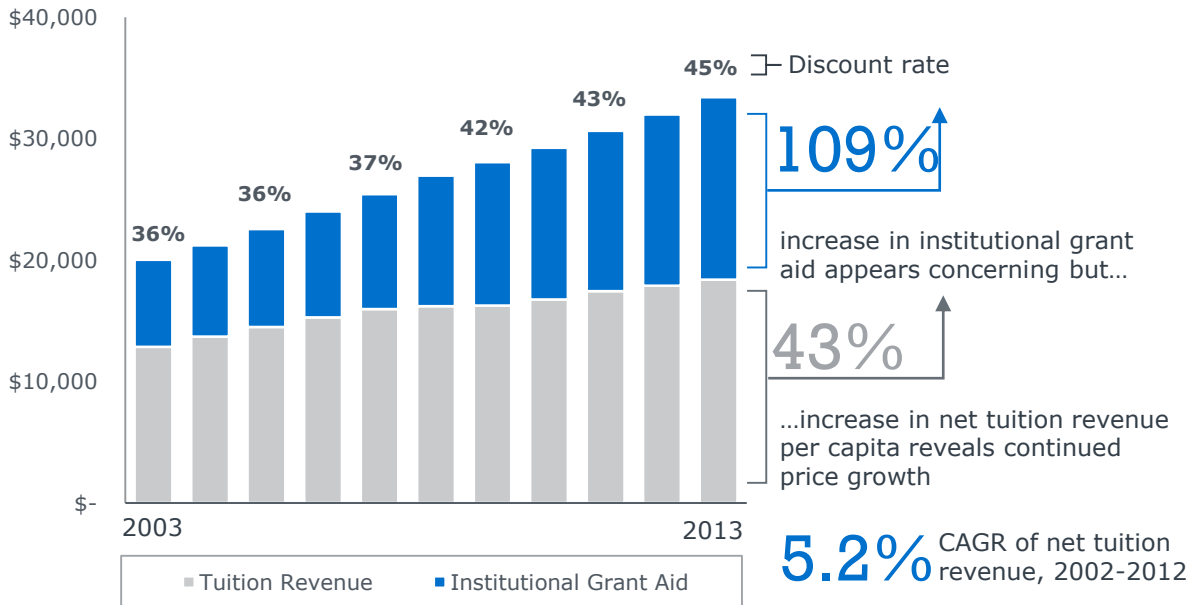


Higher Ed's Long Run of Discounting

Discounting for Decades, but Overall Price and Revenue Still Growing

Higher Ed Discount Rate and NTR/Capita Increase Together

Per Capita Tuition Revenue and Institutional Grant Aid for Freshmen

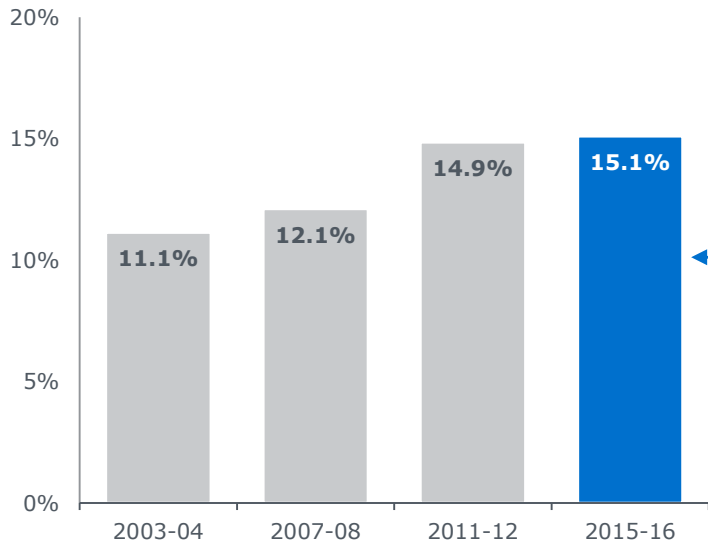




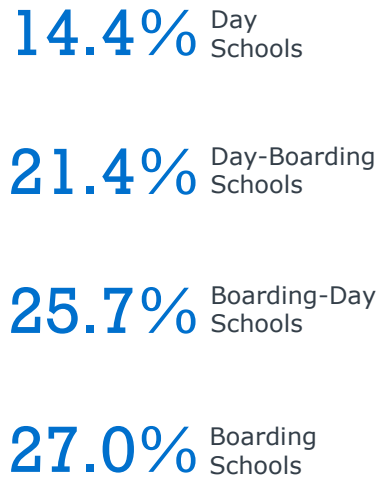
Room for More Independent School Discounting?

Discount Rate Increasing, But Comparison to Higher Ed Suggests Runway

NAIS Discount Rate Over Time



2015-16 Discount Rates by School Type



Source: Aimee Gruber, "Admission & Financial Aid Trends: What Every School Leader Should Know," NAIS 2012 Annual Conference; The Enrollment Management Association, "State of the Admissions Industry 2016," 2016;

Families Still Attach Stigma to Aid

How Many of These Concerns Have You Heard?

Despite Increase in Aid to Upper-Income Families, Perception Remains that Aid Isn't An Option

If we ask for aid, everyone is going to know how much we make.

Won't asking for aid hurt our child's admissions chances?



Won't we be taking money from families that really need it?

Financial aid? I don't need a handout!

Financial aid isn't available to us anyway.

Indexed Tuition at Marin Country Day School

Mission Inspires Shift to a New Tuition and Discounting Model



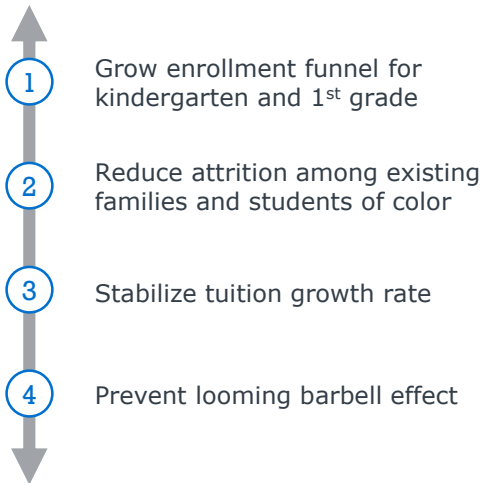
marin
country
day
school

Location: Corte Madera, CA

Year Founded: 1956

Grades: K-8 **Enrollment:** 590

Immediate Challenges



Longer-Term Challenges

Mission Motivates Change to New Model

“We made a commitment to change the perception that our school is out of reach to families of moderate incomes. We believe economic diversity enriches the educational environment.”

Ann Borden, Director of Communication and Indexed Tuition

Changing the Conversation

Securing External Stakeholder Buy-In for Indexed Tuition Model

Terminology Change Establishes Parent and Prospect Buy-In



Shift from “financial assistance” reduces stigma around requesting support



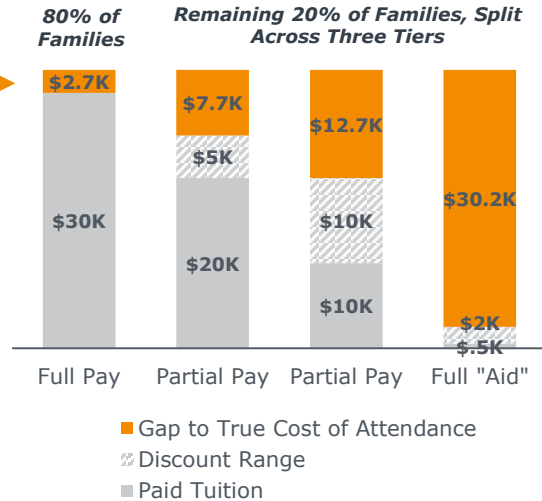
“Indexed tuition” label implies universal participation among enrolled families



Gap of \$2,700 between top indexed tier and true cost of attendance communicated

Even Full-Pay Families¹ Not Covering Full Cost of Attendance Via Tuition

Paid Tuition, Discounts, and Unfunded Cost of Education



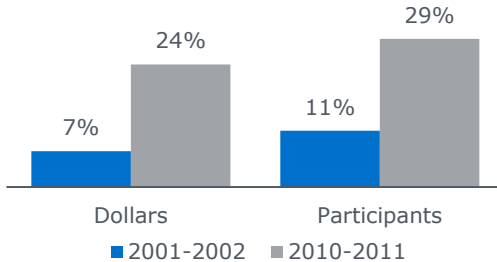
1) Minimum estimated income of \$175-230K in order to be considered full pay

Indexed Tuition Achieves Sustainability Goals

Financial, Enrollment, and Diversity Success Since Launch in 2002-03

Middle-Income Families an Increased Share of Partial-Pay Families¹

Families Earning \$100-159K² as Share of Families Paying Indexed Rate



Increase in overall "aid budget" and enrollment capacity maintains space for lower-income families

Renewed Attention on Goals Beyond Strict Enrollment Growth



Enrollment management function now focused on retention



Students of color now 34% of all students, with goal of 40% by 2020

Potential Ongoing Benefits



Additional inquiries and applications



Drives fundraising from top earners due to clarity around true cost of education

1) Approximately 20% of current families pay tuition below top of index

2) 2001-2002 figures for income band of \$100-149K

Coping with the New Normal

Hawken School Seeks to Combat Unfavorable Economic Circumstances



Location: Gates Mills, OH

Year Founded: 1915

Grades: K-12

Enrollment: 1040



Unfavorable Demographic Market

Few full-pay families available across Cleveland area



Pressure on Upper Middle-Income Families

Large portion of otherwise interested market priced out by rising tuition



Capacity to Grow Enrollments

Seats available across all grade levels



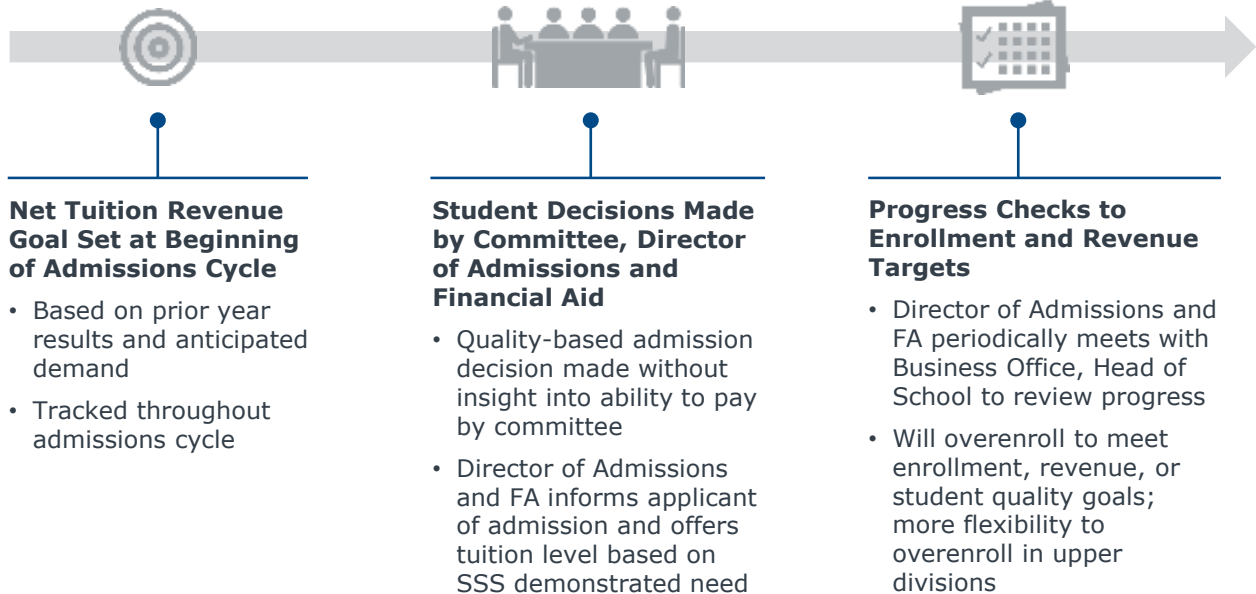
Still Processing the Recession

100 existing Hawken families moved from full pay to partial pay following the recession

Discounting Throughout the Admissions Process

Flexible Tuition at Hawken Not Just a Quick, End-of-Cycle Band Aid

Net Tuition Revenue Approach Embedded In All Stages of Admissions Process



Ensuring Discounting's Long-Term Sustainability



Implementation Choices Help Overcome Barriers to Long-Term Success

Solutions to Common Barriers

Quality Control

- Discounted rates offered throughout cycle, not just at end to fill seats
- Ensures discounts aren't solely allocated for weakest quality students



Matching Price with Demand

- Discount rate benchmarks for each grade level serve as targets
- Lower maximum tuition in early grades puts ceiling on total discount



Expectation Setting

- Enrolled families reapply for flexible tuition each year
- Tuition grants align with SSS calculations and do not 'gap' to prevent future attrition



Variations Across Grade Levels

1 Tuition Climbs ~\$1,000 Each Grade Level

- Each individual grade has own tuition level
- Ranges from ~\$19,900 in Kindergarten to \$31,600 in 12th grade (PK less than \$10,000)
- Biggest jump from K to 1st

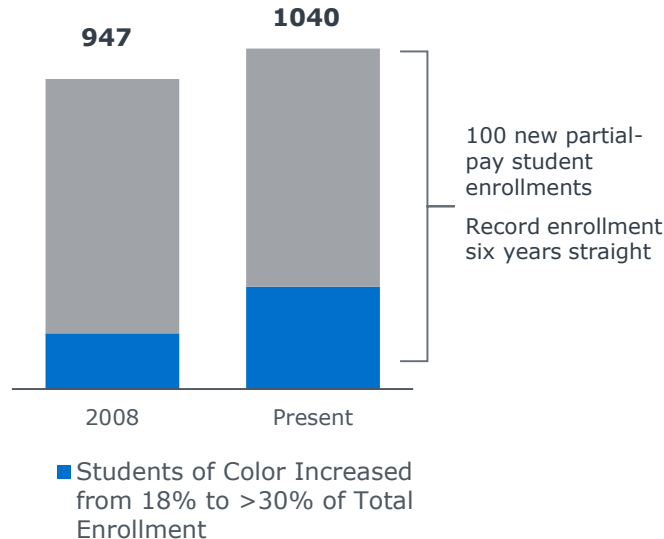
2 Average Discount Rates Higher For Later Grades

- Lower divisions: 15-18%
- Middle divisions: 20-25%
- Upper divisions: 30%+

Benefits Across the Board from Flexible Tuition

Positive Impact on Enrollment, Diversity, and Net Tuition Revenue

Enrollment at Record High, With Most Diverse Student Body Yet



High Participation Rates for Flexible Tuition Model

42% Students paying flexible tuition

Includes supplemental costs such as trips, supplies, transportation, laptop

Favorable Growth Trends for Tuition Rate, Net Tuition Revenue

- Tuition growing 2-2.5% annually
- Net tuition revenue growing faster than inflation

- 1 Employ Data Analytics to Increase Market Intelligence
 - 2 Build Brand Awareness to Generate Prospects
 - 3 Harness the Full Potential of Word of Mouth
 - 4 **Demonstrate Value with Concrete Messaging**
-

Expanding the Enrollment Funnel

1

**Employ Data
Analytics to Increase
Market Intelligence**



1. Geodemographic Market Analysis
2. Psychodemographic Family Profiles
3. External Image Audit

2

**Build Brand
Awareness to
Generate Prospects**



4. Summer Camp Lead Capture
5. Targeted Prospect-Generating Events
6. Content Marketing Lead Cultivation

3

**Harness the
Full Potential of
Word of Mouth**



7. Parent Talking Points Card
8. Structured Parent Ambassador Network
9. Social Media Influencer Targeting

4

**Demonstrate Value
with Concrete
Messaging**

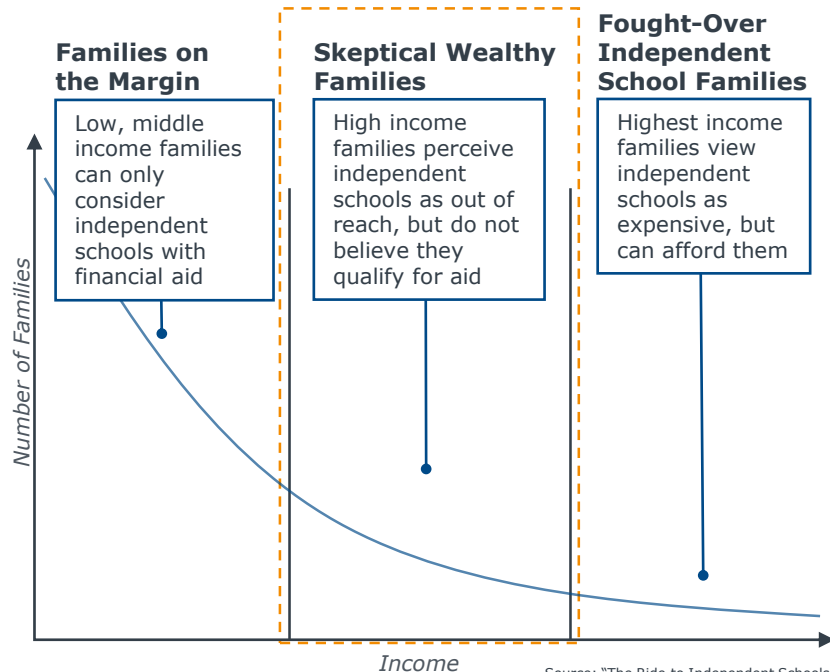



10. Teaching-Centered Open House
11. Parent-Centered Convenience Messaging
12. Transparent Financial Aid Messaging

Cost Concerns Creeping Up the Income Ladder

Even Wealthy Families Concerned About Affordability

Independent Schools Not Perceived as Financially Feasible Even Among High Income Families

56%
Of families earning \$200K-\$250K cite affordability concerns when considering independent school




273%
Increase from 2002-2003 to 2014-2015 in percentage of families earning over \$150K applying for financial aid

Source: "The Ride to Independent Schools." The Enrollment Management Association. Princeton, NJ (2017); "Class, Popular Media, and Independent School," NAIS, <https://www.nais.org/magazine/independent-school/winter-2006/class-popular-media-and-independent-schools/>; "2016 State of the Independent Schools Admissions Industry," The Enrollment Management Association; EAB interviews and analysis.

Making Affordability Visible

Strategies Allow Prospects to See Tuition Within Reach

Affordability Messaging Practices by School

School	Practice	Pros	Cons
 St. Elizabeth's School	St. Elizabeth's provides a financial aid calculator on admissions page so prospective families can calculate their contribution	Simple calculator provides total transparency into aid calculation	Calculator may be too simple for schools that use complex methods to calculate aid
 The Loomis Chaffee School	Loomis Chaffee provides a table to show financial aid received by families across incomes	Table demonstrates to prospects availability of aid at many income levels	Could upset current families who pay full tuition, but could qualify for aid
 North Cross School	North Cross uses personas of typical financial aid families to show prospects how they can afford school	Personas allow prospects to better understand how aid is calculated given family circumstances	Can be difficult to distill financial aid qualifications into a few simple factors

Financial Aid Made Simple

Wellesley College's Scaled-Down Calculator Provides Key Lessons

▶ Making Affordability Accessible

Takeaways for Independent Schools from Wellesley's Quick College Cost Estimator

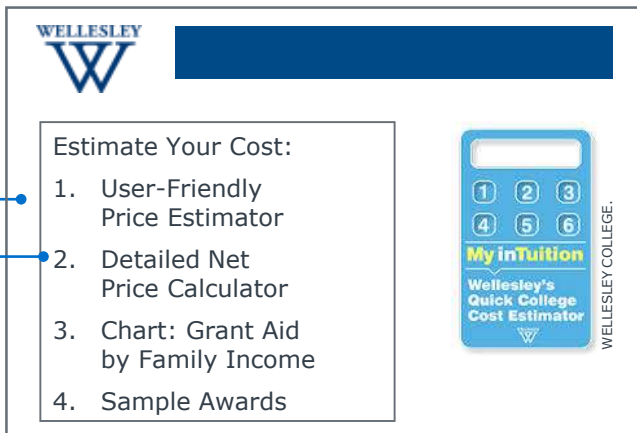
- Require only basic demographic, financial information
- Place calculator prominently on financial aid page
- Make steps quick, easy to complete
- Offer aid ranges as estimate with explanations of calculations

Direct Prospects to User-Friendly Price Estimator First

User-friendly price estimator appears in sidebar, first in list of cost resources

Price Estimator a Supplement, Not a Replacement

Standard net price calculator available for students seeking further detail, also to satisfy federal requirements



The screenshot shows the Wellesley College website interface. At the top left is the Wellesley College logo. To its right is a dark blue header bar. Below the header is a sidebar containing a list of cost resources:

1. User-Friendly Price Estimator
2. Detailed Net Price Calculator
3. Chart: Grant Aid by Family Income
4. Sample Awards

To the right of the list is a blue calculator icon with the text "My inTuition" and "Wellesley's Quick College Cost Estimator". The text "WELLESLEY COLLEGE." is written vertically to the right of the calculator icon.

St. Elizabeth's Shows School Tuition Within Reach

Calculator, Language Used to Reframe Aid

St. Elizabeth's Family Commitment Calculator



FCP Calculator

Adjusted Gross Income:

Number of Children Attending SES:

Total Tuition:

% of Annual Income:

ST. ELIZABETH'S SCHOOL

Calculator only requires two data points: family income, number of children planning to attend

Calculator computes total tuition to be paid as percentage of annual income to determine family's "fair contribution"

Language Used to Reframe Financial Aid

- Emphasis on fair family contribution, not financial aid
- Normalizes payment of different levels of tuition across families

“Nobody here is on financial aid, nobody is on scholarship...your commitment is your fair, equitable tuition payment. And we found that that really was a game-changer as far as how people feel about their place here.”

*Ramsey Stabler, Head of School
St. Elizabeth's School*

Loomis Chaffee Publicly Shares Aid Frequencies

Transparency About Tuition Contribution Mitigates Affordability Concerns



Loomis Chaffee Family Contribution Frequency Table, 2017-2018

Aid recipient income ranges

Ranges of total family contribution

Total families receiving aid at a given income level

2017-2018 FA Recipients								
Family Contribution (FC) = How much a family is asked toward Loomis tuition. Each column indicates the number of families with an FC within the stated income range.								
Income Range	FC = \$0-\$5,000*	FC = \$5,001-\$10,000*	FC = \$10,001-\$15,000*	FC = \$15,001-\$20,000*	FC = \$20,001-\$25,000*	FC = \$25,001-\$30,000*	FC = \$30,001-\$40,000*	% of FA recipients
Total Income: \$0-\$50,000	41	8	0	0	0	0	0	18.0%
Total Income: \$50,001-\$100,000	18	10	3	3	2	2	0	17.0%
Total Income: \$100,001-\$150,000	10	18	11	5	2	1	0	23.0%
Total Income: \$150,001-\$200,000	2	0	2	4	0	1	0	13.0%
Total Income: \$200,001-\$300,000	0	1	4	4	4	2	0	9.5%
Total Income: \$300,001-\$750,000+	0	0	0	0	0	0	0	10.5%

Key Chart Details

Easy to Find

Financial Aid Distribution Chart appears on school financial aid page

Provides Transparency

Chart demonstrates range of aid recipients, even among high income earners, creating greater visibility into school financial aid awards

Readily Available

Financial aid data typically collected by admissions team to share with Board

Financial Aid Scenarios Illuminate Aid Options

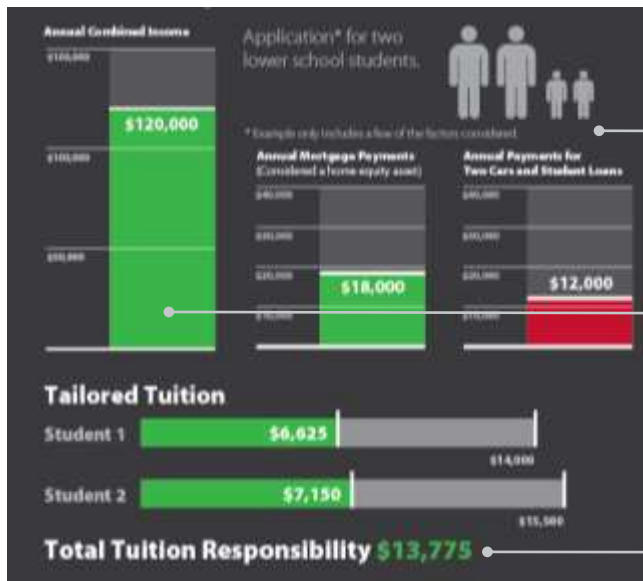
North Cross School Uses Personas to Demonstrate Affordability



North Cross Personas Illustrate Variety of Aid Recipients

Family Persona Creation Checklist

- ✓ Depict real-life examples, families school wishes to attract
- ✓ Ensure personas easily accessible on admissions page
- ✓ Highlight select details of family circumstances with disclaimer
- ✓ Reflect school values, process with financial considerations shown



Disclaimer reflects only select factors shown that determine aid

Three sample personas on website depict varied family structures, assets, debt

Total tuition contribution based on unique family situation