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Considerations Of A Tuition Reset At Small, Non-Selective Liberal Arts Colleges

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CONSIDERATIONS OF A TUITION RESET AT
SMALL, NON-SELECTIVE LIBERAL ARTS COLLEGES

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ABSTRACT

Small, non-selective liberal arts colleges have been increasingly caught in a cycle of deepening discount rates to ensure student enrollments while raising tuition rates to earn more funds from students paying the full cost. However, continually discounting tuitions to attract students can lead to a point of diminishing returns, at which the college is no longer able to achieve the net revenue necessary to cover the operational costs of the institution. Several colleges have undertaken a tuition reset to both lower listed tuition and limit the discount rate at the college. The action to undertake a tuition reset is a long-term, complicated, complex series involving hard work and hard decisions. The colleges undergoing the reset have their own measures for success. Some are financial for the college, but others concern outcomes for students, including reductions in student debt load.

Using the case study method, this research examines tuition resets at three liberal arts colleges, including their goals, their metrics for success, and their success in meeting those stated goals. The research overall concludes that colleges that choose to reset their tuition need to be prepared for the long haul. Tuition reset is not a short term strategy but

one that should be thoroughly researched, scrutinized and weighed to provide the best opportunity for success. This research also shows that success can be in the eye of the beholder.

The college administration may consider the reset a success even though not all aspects of the reset effort paid off, or the longer term results of the reset are beginning to wane. While the tuition reset process and the underlying goals were unique to each college, some universal observations did emerge. For instance, the data that the schools gathered about their regional competition often surprised them, revealing that they were not losing students to other regional private institutions, but to state schools with lower price points.

In addition, each school integrated the reset into a larger strategy of fiscal responsibility, affordability for students, and overall strategic changes at the college.

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CHAPTER 1

INTRODUCTION

In the fall of 2015, Utica College in upstate New York made the decision to reset their tuition. By going from a published tuition of \$34,466 to one at \$19,996, Utica had effectively decided to cut their tuition by 42% for incoming students. This decision came after many months of intensive study, consultant reports, and hard decisions. Utica had decided that they needed to be a college that “was accessible to the traditional middle class and disadvantaged population” (Rubin, 2015). Utica, in prior years, had been using the high tuition/ high aid model, and the college’s average tuition discount rate had risen to 61%. Utica’s admission rate had also increased to 83%, or 4269 admits, but only 647 students had chosen Utica that fall. It was obvious to President Tom Hutton that something needed to change (Rubin, 2015).

Attracting and enrolling students into college is a complicated business. Strategic Enrollment Management (SEM) is the practice that colleges use to attract and enroll qualified students (Green, 2014). One key component of SEM is crafting a class and bringing in students who meet the goals of the institution (Gage, 2017). Financial aid, when used as a part of SEM, can assist a college in yielding the optimal mix of students, including those who otherwise may not enroll at the college (Green, 2014). One way to bring in students is to discount tuition to make the financial aid packages of prospective students more attractive. Financial aid offers play a significant role in what college a traditional-aged student ultimately chooses (J. Kim, DesJardins, & McCall, 2009). Several types of financial aid may be offered to a student seeking admission. Outside of federal financial aid, colleges may offer a student need-based aid or merit aid. Need-based aid usually depends on the income of the student’s family and will help the

family meet the financial burdens of sending a child to college. Merit aid is not income-based but is instead based on the merits of the student and his or her own personal achievements in academics, arts, or sports (The College Board, 2017). Institutional grant aid, need-based or merit-based, is the primary type of aid used to lower a student's tuition cost (Hanover Research, 2013). Merit aid is often used by colleges to attract students and retain them through the application and enrollment process. From 1995-96 to 2003-2004, the use of merit-based aid increased 212% from U.S. \$2.4 billion to \$7.6 billion (Monks, 2009). High-stated tuition levels might be perceived as a signal of quality by consumers (Breneman, 1994; Rine, 2016). In addition, receiving a financial aid award has a significant effect on the likelihood that a student will choose the college in question (Hossler, 2014).

Tuition discounting is a long-standing tradition in higher education. Tuition discounting is often used as a way to financially assist students to attend a college when their financial assets normally would not allow them to do so (Hossler, 2014; Serna & Birnbaum, 2004). From the college's perspective, tuition discounting can be used to help bolster enrollment numbers by manipulating the financial aid packages of students that the institution may wish to enroll: those with high SAT scores, those with diverse backgrounds, or those with a special skill or other talent that the institution would like to have on its campus to reach a specific enrollment objective (Baum & Lapovsky, 2006; Lapovsky & Hubbell, 2001; Rine, 2016; Serna & Birnbaum, 2004). Offering students discounts can help sway the student's decision to attend college. An institution's discount rate is a measure of how much of the institution's own money is being used to attract and enroll students into its programs (Baum & Lapovsky, 2006; Manion, 2007; Redd, 2000; Rine, 2016).

Several colleges have come to the conclusion that tuition discounting no longer works for them, and, like Utica College, have decided to reset their tuition to better meet their students' financial needs (Rivard, 2013; Rubin, 2015; Supiano, 2012). By "right pricing" their tuition, they are able to reduce their reliance on tuition discounts, lessen sticker shock for some families, and offer additional merit aid for lower-income students (Lapovsky, 2015). Tuition discounting is one area where institutions can make a choice about how they are going to use their funds. A few colleges have chosen to lower their base tuition rate in order to reduce their reliance on tuition discounting yet remain competitive as well as financially competitive in their respective markets (Casamento, 2016; Kottich, 2017). Because the process to undergo a tuition reset is complicated and arduous, and the short and long-term success of these tuition resets is not clear from the research, making the decision to reset tuition a risky one. The goal of this study is to analyze the goals and success of tuition resets from the lens of the small, non-selective liberal arts institutions that reset their tuitions.

Statement of the Problem

The National Association of College and University Business Officers (NACUBO) tracks the tuition discounting practices of private non-profit institutions in the United States (NACUBO, 2016). Tuition discounting is very common among non-selective liberal arts colleges in the United States. The average discount rate for incoming full-time freshmen was 48.6% in the 2015-2016 academic year. Tuition discounting has been on the rise as more and more schools attempt to fill their classrooms (NACUBO, 2016). "Almost every private institution uses discounting as part of admissions packages" (Behaunek, 2015, p. 6). The "2015 NACUBO Discounting Study" showed that the rate of tuition discounting has continued to rise

for both incoming first-time freshmen and all undergraduates at private non-profit colleges. From 2004-2005 to 2015-2016, the incoming freshman discount rate went from 38.1% to 48.6%. This percentage translates to incoming freshmen paying, on average, 51.4 cents on every dollar of stated tuition. At the same time, net tuition revenue growth has slowed to 1.8% (NACUBO, 2016).

Private colleges have been in the habit of raising tuition regularly while also raising the discount rate (Behaunek, 2015; Rine, 2016). The sticker price of high tuition may turn away prospective students and their families due to an inability to pay (Longmire and Company, 2013). If students and families are not educated about how the system works, they will choose other colleges that they are better able to afford, and will not even consider the small private schools that seem unattainable (Casamento, 2016).

Tuition discounts can also be seen as lost revenue for the college. An institution's discount rate is a measure of how much of the institution's own money is being used to attract and enroll students into its programs (Baum & Lapovsky, 2006; Manion, 2007; Redd, 2000; Rine, 2016). When the amount of discount exceeds the economic benefit brought in by the additional student, the college needs to recover that loss in some way. According to Loomis-Hubbell, Massa, and Lapovsky, colleges need to make complex tradeoffs, balancing role, mission, and values with finance (Curs & Singell, 2010; Loomis Hubbell, Massa, & Lapovsky, 2002; Rosenfeld, 2013).

On the other hand, tuition discounting can be used as a revenue-generating activity for an institution as well, but there is a level of diminishing return. Hillman found that when a college's discount rate was 13% or higher, it had reached a level of diminishing return (Hillman, 2012).

Martin (2004) contended that a college should determine its financial capacity as well as its excess physical capacity in terms of excess seats and physical plant capacity before determining a tuition discount. If the financial capacity was equal to or less than the physical capacity, the college could expand enrollment or increase the quality of its students by offering a discount (Breneman, 1994; Harter, 2016; Lapovsky, 2015; Martin, 2004; St. John, 1998). Martin warned that colleges should expand enrollment only when they have an excess of financial capacity (Martin, 2004).

Benchmarking an institution against its geographical peers can help to provide a clear and informed framework for institutional decisions (Duniway, 2009; Harter, 2016; Loomis Hubbell et al., 2002; Massa & Parker, 2007). Data from price sensitivity studies may help to inform the college about where they fall in terms of price for their prospective students. A 2017 study by Havranek, Irsove, and Zeynalova found that prospective private-college students in the United States tended to be price sensitive. Their theory is that the availability of a large number of substitute institutions allows the students more choice and greater ability to switch to another comparable institution, either private or public. As tuition in the private college sector rises, the tuition in the public sector may be more attractive (Havranek, Irsova, & Zeynalova, 2017).

In an effort to continue to fill their classrooms, colleges and universities have come to rely on tuition discounting as a tool to encourage students to choose their college over other alternatives (Casamento, 2016; Fisher Eaker, 2008; Griffith, 2011; Tokasz, 2016). However, this high tuition/ high aid model may be outdated and put many colleges at risk for financial stress. Martin and Samuels identified multiple factors, including these three that could be indicators of serious financial stress for a college:

- Tuition discounting is more than 35%.
- Tuition dependency is more than 85%.
- Debt service is more than 10%.

These three points were also identified as the most common risk characteristics in stressed colleges. Dozens of college presidents and CFO's are concerned with the same three issues (Martin, Samels, 2009, p. 9). Ernst and Young reported in 2016 that 800 liberal arts colleges in the United States were vulnerable in the market. If the college was enrolling fewer than 1,000 students, did not have online programs, increased tuition more than 8% a year, had tuition discounts higher than 35%, or depended on tuition for more than 85% of revenue, it was at great risk for closure (Parthenon EY, 2016).

In 2013 Harvard Business School Professor Clayton Christensen predicted that 50% of colleges and universities would be forced to close or go bankrupt in the next ten years. "A host of struggling colleges and universities—the bottom 25 percent of every tier, we predict—will disappear or merge in the next 10 to 15 years" (Horn, 2018). From 2004 to 2014, an average of 4-5 non-profit private and public colleges closed per year, and an additional 2 to 3 merged with other institutions. In 2015 Moody's predicted that by 2017, that closure rate would triple, and the merger rate would double (Gephardt, 2015).

Purpose of the Study

In terms of practical goals, this study is designed to determine if a tuition reset allows a non-selective liberal arts college to attain the internal and external goals that were established before and during the process of a tuition reset strategy. Is resetting tuition prices a viable

strategy to improve the financial and enrollment health of a small, non-selective liberal arts college?

By studying several colleges that have reset their tuition in the past five years, the researcher examined through multiple lenses the success and failure of institutions in reaching their established reset goals. Tuition resets are complicated and require a great deal of proper planning, implementation, and communication to be successful (Bloom, 2017; Casamento, 2016; Kottich, 2017).

Research Questions

From an examination of the literature, as well as insight gained from 16 years of professional experience in higher education programs and enrollment management, the researcher developed a hypothesis that there is an inverse relationship between the tuition discount percentage rate and the long-term financial health of a college. This research reasons that current studies have not addressed the question of whether institutions have attained the goals set when they decided to undergo a tuition reset. Long term questions remain about the financial health and longevity of institutions that have undergone a tuition reset and about the academic implications for the current student population. Specifically, the study sought to answer the following:

1. Among a select sample, when small non-selective colleges decide to undergo a tuition reset, how do they develop their definition of success?
2. Among a select sample, if small, non-selective liberal arts colleges reset their tuition, are those colleges able to meet or exceed their definition of success over the short and long term?

3. Did leadership within the select sample colleges describe the tuition reset as successful?
4. What measures did leadership within the select sample use to measure the success of the tuition reset?

Theoretical Framework

The competition for high achieving high school graduates is fierce (Crosley & Scannell, 2017; Giancola & Kahlenberg, 2016). The methodologies used by the ranking services, like *US News and World Report* place great emphasis on the quality of the incoming freshman class. Many schools will use institutional dollars to entice these students to their classrooms and enhance their rankings (Bastedo & Bowman, 2011; Karaim, 2015; Redd, 2000). Tuition discounts can also be used to boost the number of students attending the college. If the college has excess capacity in terms of empty seats, leaders may choose to offer additional financial aid in the form of a tuition discount in order to fill those seats (Martin, 2004).

Pfeffer and Salanchik's Resource Dependence Theory (RDT) (Pfeffer & Salanchik, 1978) provides a basic understanding of the college macro-environment--the financial operations and financial aid decisions that a college makes. RDT, a business analysis tool, evaluates how colleges and other organizations are affected by the resources that they need to conduct their business. In the case of this study, the RDT unit of analysis is students viewed as raw material. The ability to gather and utilize raw materials is fundamental to success in the environment in which the organization exists. Organizations within the environment need to compete with other independent organizations for scarce raw materials, and these materials are often a source of power. Power and access to the resource are linked; power is relational, situational, and can be mutual (Pfeffer & Salanchik, 1978). The theoretical framework of resource dependency helps

educators understand and frame how non-profit, private colleges are a part of an environment, and how colleges need to compete for resources or students.

Assumptions, Limitations, and Scope

Several significant limitations apply to this study. Tuition price resets are relatively new and fairly uncommon in the United States' college landscape (Casamento, 2016). Therefore, the amount of time since an institution reset tuition may have been only a couple of years. This short timeframe may result in a limited view of the long term effects of a reset policy. A further limitation is the small number of colleges that are willing to be studied in depth on the success or failure of their tuition reset. This subset of colleges having undergone a reset and having financial and other data available to review is a small sample which may limit the reliability of the findings. In addition, the way that a college entered into the tuition reset strategy is critical to its success or failure. Colleges need to enter the process from a place of strength, not desperation (Casamento, 2016; Kottich, 2017). This researcher acknowledges that each college in this study entered into its tuition reset differently, with different resources and different administration and support from staff. While these factors limit this study, readers may find value in how and why each college was successful or unsuccessful in its tuition reset efforts. This research is not intended as a blueprint to success for all colleges and the data or any long-term success or failure messages may not be applicable beyond this work in other college tuition resets.

The researcher has a strong interest in the study material, but is not personally involved in the administration of a non-selective liberal arts college where the tuition has been reset.

Rationale & Significance

Smaller colleges have been caught in a cycle of deepening discount rates to ensure enrollment while raising tuition rates to earn more funds from students paying the full cost (Rine, 2016; Russo, 2000). If a college is unable to enroll a class as expected, or if the discount rate is raised to achieve enrollment goals, the financial impact can be devastating year-over-year (Carlson, 2014; Martin & Samels, 2009; Supplee, 2014). “Colleges in a weak market position struggle to meet enrollment goals, discounting prices more aggressively to do so, and are caught in a downward spiral of diminishing revenue and diminishing enrollments” (Christ, 2015, p. 2).

Definition of Terms

Enrollment Funnel- a visual way of describing the various stages of the admission process, from potential leads, through the inquiry and exploration stages, to application and admission. Each stage generally is a smaller pool than the one that preceded it (Duniway, 2009).

Small, non-selective liberal arts college- This study focuses on private colleges with operating revenues below \$100 million (Woodhouse, 2015). These colleges are fairly small, regional, and may have a purposeful value system, religious or otherwise (Ekman, 2005). Non-selective colleges are defined here as selective or less selective colleges or unranked colleges in the national, regional university, or college ranking by *US News and World Report* (Morse, Brooks, & Mason, 2017).

Tuition Discount Rate- the rate at which a college reduces base tuition by using institutional funds (Baum & Lapovsky, 2006).

Tuition Discount Percentage Rate- the average rate at which a college or university lowers its stated tuition rate for incoming students in the form of institutional grants or scholarships (Baum & Lapovsky, 2006).

Net Tuition Revenue- The financial benefit that an institution will receive from tuition after all institutional aid has been subtracted (Spear, 2016).

Summary

Approximately 2.8 million students are enrolled in private nonprofit institutions in the U.S. (*Digest of Educational Statistics*, 2015). Tuition discounting is currently averaging 48% at private nonprofit schools nationwide and has been on the rise for years (NACUBO, 2016). The benefits of tuition discounting are well known, but there is a point of diminishing return for colleges (Hillman, 2012). Several colleges, rather than continue the spiral of raising tuition and then discounting it, have chosen to reduce their tuition, sometimes as much as 43% (Morris, 2017; Rivard, 2013; Rubin, 2015; Supiano, 2012).

Chapter 2 contains the literature review, (a) introducing higher education finance and enrollment management processes and their influence on college economic behavior, (b) defining the critical variables in this study and their relationship to one another, (c) providing the framework for the data analysis that follows. Chapter 3 will discuss the methodology in which the researcher will perform the analysis of the data collected. Chapter 4 discusses in depth the data collected during the study, and Chapter 5 will cover the major findings and conclusions along with implications for implementation and practices for colleges considering a reset.

CHAPTER 2

LITERATURE REVIEW

Tuition discounting is a technique used in strategic enrollment management in higher education (Hossler, 2014). It is a way to financially assist students in attending a college when their financial assets otherwise would not allow them to do so (Rine, 2016). From the college's perspective, tuition discounting also can be used to help bolster enrollment numbers by manipulating the financial aid packages of students that the institution may wish to enroll. The student may have high SAT scores, a diverse background, or special skill or another talent that the institution desires, but the student does not have enough resources to afford that particular institution. Tuition discounting can also be used by the college to reach specific enrollment objectives (Redd, 2000; Rine, 2016). For a college, there are advantages and disadvantages to tuition discounting. Offering a student a discount can help sway the student to attend the college, but it also reduces net tuition revenue for the college. Net tuition revenue is the total gross tuition minus grant aid, or the amount of tuition revenue being added to the operating budget of the college (Fain, 2010). An institution's discount rate is a measure of the amount of the institution's own money being used to attract and enroll students into its programs (Baum & Lapovsky, 2006; Manion, 2007; Redd, 2000; Rine, 2016).

Tuition discounting is used as a revenue generating activity for an institution as well, but there is a level of diminishing return (Hillman, 2012). Determining the appropriate rate of discount for a specific college for specific students is difficult, so benchmarking an institution against geographical and institutional peers can help to provide a clear and informed framework for institutional decisions on tuition discounting (Bender, 2002; Duniway, 2009; Harter, 2016;

Loomis Hubbell et al., 2002; Massa & Parker, 2007). The objective of this study is to determine if a tuition reset allows a non-selective liberal arts college to attain the internal and external goals established before and during the process of undergoing a tuition reset strategy. This literature review examines the historical aspects of tuition discounting, the current usage in the market, the positive and negative effects of discounting, and the effect of a tuition reset on the institution and its overall enrollment, incoming student quality, and student retention.

Tuition Discounting History

Tuition discounting has been in practice in higher education since the 1970s. During the early days, a reduction in tuition was given as need-based financial aid, as a way to assist lower-income students in earning a college degree (Allan, 1999; Clotfelter, Ehrenberg, Getz, & Siegfried, 1991; Goral, 2003; McLaughlin, 1988). A national standard financial aid formula was in place and was nearly universally accepted by and used by colleges to determine need-based aid (Loomis Hubbell et al., 2002). Changes in the federal financial aid need methodology in 1992, gave colleges greater leeway in creating their aid formulas, giving them the opportunity to develop a competitive advantage. Often, colleges priced individual students differently, using merit aid as a means to attract and enroll students outside of financial need (Loomis Hubbell et al., 2002). Colleges and universities often have many conflicting reasons to discount or lower their tuition for specific students: to raise enrollment by high academically achieving students, to promote enrollments by low-income students, or to attract students with special skills and to increase revenue and fees (Behaunek, 2015; Redd, 2000; Rine, 2016).

In the 1990s, demographic shifts began to alter college enrollment in the United States. Colleges looking to bolster lagging enrollments sought to manipulate their financial aid packages

with additional merit aid funds in order to attract students who otherwise could, potentially, afford to pay the full tuition. Non-need-based grants were used widely to attract prized students (Redd, 2000). During this time, the funds provided by the federal government fell by 6% while tuition rates increased on average nearly 16% (Redd, 2000).

The average discount rate has been on the rise for many years (Davis, 2014; Mulhere, 2016; NACUBO, 2016; Woodhouse, 2015). The national average discount rate rose from 46.4% in FY 13-14 to 48.6% in FY 15-16 for an incoming full-time freshman. During that same period, net revenue slowed from 2.2% to just 1.8%. In addition, 37.5% of reporting institutions had declining enrollments in their incoming and returning student bodies (NACUBO, 2016).

Positive Institutional Reasons for Tuition Discounting

Deegan & Deegan (2013) explained the five areas of competition that colleges face when enrolling students: reputation, resources, price of attendance, breadth of course offerings, and geographical proximity. If the college can make an impact in one or more of these areas among its target student population, it can help its student enrollments in the future (Deegan & Deegan, 2013).

Tuition discounting is practiced at the college level for many good reasons, including to encourage or control enrollment as well as increase revenue (Harter, 2016; Lasher & Sullivan, 2004). The use of tuition discounting has made a positive impact on the number of students who can attend college, both at the higher and lower income levels (Heckman, 2014; Lassila, 2011; Redd, 2000). An institution that can attract the right students using tuition discounting may help its rankings overall, allowing the college to attract a stronger class of students in the future (Martin, 2015; Monks & Ehrenberg, 1999; Woodbury, 2005). One byproduct of the discounting

is that a college could consider the unfunded discount as an investment in the future (Browning, 2013). The incoming class and its resulting profile is a positive signal to potential students about the academic quality and educational value of a college. Smaller, non-selective colleges will often compete for academically gifted students in an attempt to raise their academic profile and attract other students (Browning, 2013; Rine, 2016).

Tuition discounting can also help a college increase the diversity of its student body. Strategically managing the tuition packages of students with diverse social or academic backgrounds can encourage the student to choose the college, thereby increasing the diversity on campus (Rine, 2016).

Tuition discounting can also be used to help manage revenue. Many administrators believe that offering larger discounts to fill seats is better than having empty seats, classrooms, and dorms. They believe that any dollar coming in is better than no dollars at all. Like empty seats on a plane, empty classroom seats bring in no revenue (Harter, 2016; R. E. Martin, 2004; Redd, 2000). “In reality, there is little relationship between the price a college charges and the cost of operations” (Lapovsky, 2015, p. 7). By enticing a student and his or her associated tuition dollars to attend an institution, a college can strategically leverage aid to maximize the incremental amount of additional revenue per student (Harter, 2016; Hillman, 2012; Serna & Birnbaum, 2004).

Many non-selective liberal arts colleges in the United States are donative-commercial non-profit organizations that have a high level of tuition dependency (Rine, 2016). While these colleges may receive contributions from donors, the majority and most stable source of their operating dollars comes from the tuition dollars that they charge students. At these colleges,

much of the merit aid awarded to students is unfunded aid--it does not come from endowed funds or scholarship funds. These dollars usually come from operating revenue (Deegan & Deegan, 2013).

McPherson & Schapiro (1998) explained that colleges use student aid as a “strategic variable” in their desire for a specific financial outcome (Hillman, 2012; McPherson & Schapiro, 1998). In the same work, they explain that colleges can use the student’s desire and willingness to attend the college to extract the most in tuition dollars from that student. In their study on law school enrollment, Kim, Oster, Ueda, and Desjardins concur with McPherson and Shapiro two decades later (Kim, Oster, Ueda, & Desjardins, 2017; McPherson & Schapiro, 1998). Using the concept of consumer surplus, the college can determine how much is enough of a discount to entice a student to attend while not offering a student too much. Colleges want to maximize how much a student will pay while minimizing how much-unfunded aid the school will need to give the student (Hillman, 2012).

Tuition Discounting Consequences

Aggressive discounting can also reduce rather than enhance revenue streams. Finding the threshold at which an institution is enhancing its revenue rather than eroding it is critical to success in this area. There are tradeoffs when schools aid students from operational funds rather than from endowment funds (Hillman, 2010).

A number of negative consequences may arise from discounting. Rine (2016) explains the unintended consequences to tuition discounting, beginning with promoting artificial college pricing. High price/high aid models encourage schools to increase tuition rates above what is needed to cover operational expenses. The perception among parents and students is that a higher

sticker price means a higher quality education (Dawar & Parker, 1994; Holaway, 2016; Rine, 2016). The college will then offer a high discount in the form of an institutional grant to entice the student to attend. Many of the grants offered to these students are unfunded institutional aid, and are essentially a paper discount (Rine, 2016). Discounting can divert attention from the true measure of academic quality, as many students will make a judgment based on the published price of an institution. This practice tends to ignore some of the more important questions about the quality of education at the institution (Browning, 2013; Rine, 2016). The use of high price/high aid models at colleges can lead to students and parents looking at colleges as a commodity, in which the price is an indicator of quality and, ultimately, student success (Finnell, 2017).

When cost is the main focus in the search for the right institution, academic measures and academic outcomes, retention, persistence, and employment may be overlooked (Rine, 2016).

Discounting encourages students to have a consumerist mentality about higher education. When students and families are focused on the cost of a college rather than on an appropriate institutional fit, they are missing some of the other factors important in college choice.

Institutional fit is a major factor in student success and is a critical component in the hunt for the right college (Ishitani, 2016; Rine, 2016).

Discounting can also encourage the college to undertake a redistribution pricing scheme. Redistribution occurs when a college discounts tuition resulting in students paying varying amounts depending on the aid that they receive (Belkin, 2014; Clotfelter et al., 1991; Hillman, 2009; Price & Sheftall, 2015; Rine, 2016). That aid may be based on how well they or their parents can negotiate. Other students, paying higher tuition rates, will then unwittingly and sometimes unfairly subsidize the lower-rate students. Called a classmate subsidy, this practice is

widely used throughout higher education, but it is more pronounced at less financially resourced institutions (Belkin, 2014; Price & Sheftall, 2015; Rine, 2016; Russo, 2000). As seen in several colleges, use of the tuition discount rate has continued to grow unabated as a way to influence the decision making of students to choose their institutions. This practice can further diminish net revenue rates as students pay less and less of published tuition rates (Rine, 2016; Selingo, 2014).

Finally, there is a relationship between student aid and revenue generation. The revenue associated with enrolling an additional student should always exceed the average cost of institutional aid (Hillman, 2012; Martin, 2006). If a school spends more money on educating a student than is generated in tuition income by that student, the college is acting inefficiently, and revenue will be lost. Such losses diminish the college's long term ability to aid other students (Martin, 2006). Microeconomic theory suggests that colleges can provide discounts only up to a point, and any additional discounts above that point will begin to diminish net revenue (Hillman, 2012).

Tools for College Revitalization

Several examples of successful alternatives in the literature show that colleges do not always have to increase their tuition discount rates to attract students. Lapovsky's Tuition Reset study looks at eight colleges that chose to lower their tuition. Many colleges are concerned that if they reduce tuition their net revenue will fall. Lapovsky's study showed that in the year after the reset, three colleges experienced increases in revenue ranging from 0.5% to 4.3%, and four experienced declines from 2.6% to 16.4% (Lapovsky, 2015).

The precondition for success in maintaining or increasing net tuition revenue is that the college has a relatively high discount rate, is discounting a majority of their students, and has excess capacity available, so additional costs of new student enrollment does not add to overall operational costs (Lapovsky, 2015).

Longer-term effects have arisen at the eight institutions. At four of the schools, freshman enrollment has significantly grown. While results are mixed, freshman enrollment has increased between 17% and 76%. The institution that decreased its tuition in 1996, had a freshman enrollment increase of 42% from the year prior to the change from 1995 to 2015 (Lapovsky, 2015).

Armitage studied twelve not-for-profit institutions that reset tuition between 2011-2014, looking at enrollment and financial data before and after the reset activity as well as other benefits to the institutions (Armitage, 2018). He found little consistency among the twelve institutions, but did find general trends. Enrollment grew and peaked at 13% during the year of the reset, and, if sustained, year-over-year growth slowed to 3%. Net tuition revenue growth did tend to increase in the single digits for the reset schools post-reset (Armitage, 2018).

Examples of Successful Resets

Understanding how institutions have been successful in either turning away from high tuition discounting or choosing to follow a strategy that does not include high tuition discounting is central to this literature review. Studying multiple strategies that have been successful is important because not all strategies will be successful at all colleges as the situations may be different based on each institution's characteristics.

Using a strategic effort to target aid to a smaller portion of the student body while also analyzing their ability to pay, Dickinson College turned from a 50% plus discounting model to a discount rate of less than 30% and was able to generate a greater amount of net revenue (Massa & Parker, 2007). Dickinson had been a tuition and fee dependent college before it underwent a tuition reset. Dickinson used an enrollment prediction model comprised of demographic, financial aid, student interest, and other data to develop a model showing which students were most likely to attend the college. This data, along with other critical data including benchmarking data, showed Dickinson College the level of enrollment and financial aid they could be achieving. By using predictive modeling, Dickinson was able to better recognize how financial aid offers would affect the incoming class. While Dickinson did not lower its list tuition, the school used student data and benchmarking data to lower its discount rate and increase overall net revenue (Massa & Parker, 2007).

Grove City College is a small, private liberal arts college that does not participate in the federal financial aid system by choice. The college transparently sets its tuition based on its budgetary needs, and it offers tuition aid only when that aid is backed by actual dollars. Institutional grants are fully funded by donors. No student funds another student's education under this system. Grove City's tuition is among the lowest in the country for a private institution (Rine, 2016).

Other colleges have chosen to "reset" their tuition, effectively lowering the base tuition across the board for all students. As a result, the school can right size its tuition based on multiple factors, including market competition, student expectations, student price perceptions, and the ability of the family to pay (Casamento, 2016). President Casamento of Utica College

details how Utica approached a tuition reset in her 2016 dissertation. Dr. Casamento's research is centered on ways to approach a reset for the institution's best effect. Her conclusion is that colleges need to comprehensively plan for institution strategy and continued revenue diversification, financial and campus investment, and institutional growth. Additionally, a significant investment in the marketing and branding of the college needs to continue past the initial phase of the tuition reset strategy (Casamento, 2016).

Converse College in Spartanburg, SC, lowered its tuition by 43% in 2013, from \$29,000 to \$16,500 for entering full-time students. The college planned to cut the discount rate from 56% to 25% (Lewin, 2013). Converse's president, Becky Fleming, explained the reset strategy in terms of how the rollback would benefit the college: "The rollback is stable, and we have more control over the aid we offer," she says. "It communicates affordability up front rather than having a higher sticker price that you then have to explain" (Berman, 2013, p. 23). Converse reported in 2016 that, overall, students saw a decrease of \$1,100 in their tuition bills (Krupnick, 2016).

An article in the *Enrollment Management Report* noted that three schools that had reset tuition in 2017 and 2018 achieved positive first-year results. Applications increased from 6% at one school to 18% at another. Net revenue increased by \$2.45 million, and transfer applications increased 40% at one school (Hope, 2019).

College Tuition Models and Student Decision Making

Another key consideration in tuition discounting is the base price of set tuition and the factors that influence the college choices that incoming students make (Baum & Lapovsky,

2006). Although few students pay the stated tuition rate, discounting is an important part of the enrollment management plan at a college (Hanover Research, 2013; Lapovsky, 2015).

With increased education about how colleges set their tuition rates and the availability of aid to students, colleges can meet the financial needs of incoming students of both high and low incomes (Lassila, 2011). Within the private college market, colleges can essentially set their price to whatever they choose. Carter and Curry's work on tuition elasticity notes that students and their families are beginning to exhibit more price sensitivity when choosing a college, suggesting that individual student demand is becoming more elastic regarding tuition levels at a specific university (Carter & Curry, 2011). Students take into account many things when applying to a college and making the final choice of which to attend. These choices are based on various factors including tuition rates, financial aid packages, proximity to home, available majors, published rankings, and other factors (Best & Keppo, 2014; Stephenson, Heckert, & Yerger, 2016). There are tradeoffs between tuition level and non-tuition elements, like campus life, housing, and recreational activities among others (Altringer & Summers, 2015). Tavares and Cardoso (2013) found that students typically behave like rational consumers in the choices of what college to attend. One factor that students may use in choosing a college is the Market Clearing Price Concept. This is the price at which supply and demand meet in the college market--the point at which a college can attract a full class of incoming students (Baum & Lapovsky, 2006; Desjardins & Bell, 2006; Levin & Milgrom, 2004; Rine, 2016).

Colleges face a complex set of decisions when setting their base tuition (Gianneschi & Pingel, 2014). Complicated relationships exist between budgetary needs, current tuition rates, enrollment patterns, institution capacity, and financial aid strategies all of which must be

addressed (Holaway, 2016). It appears that each college goes about setting its rates in individual ways and has various units from the college involved at different steps. Colleges need to collect enough tuition revenue to meet the financial needs of the institution. At too high a base point tuition could fail to capture consumer surplus or the students who would be willing to pay more in tuition for the opportunity to attend that institution (Baum & Lapovsky, 2006; Rine, 2016). As each college is unique, having its own history, campus, and academic status, the process of determining value optimization is ambiguous and changes for each student are based on his or her own needs and values (Rine, 2016). Price is often used as a signifier of quality; therefore, when students receive a large discount, they can have a positive reaction to that discount. They may feel as if the higher-priced, higher-quality perceived institution is courting them by offering them more scholarship dollars.

Consumer Choice Theory: How Students Make Enrollment Choices

The Consumer Choice Theory (Becker, 1993) is related to Homan's Rational Choice Theory (Homans, 1961). Consumers have preferences that matter to them, and they will make buying decisions based on those preferences, both for consumer goods and for intangible goods, like education. The choice is related to the utility that the consumer gets from the choice (Levin & Milgrom, 2004). The Consumer Choice Theory model looks at the average student reaction to price changes within the parameters of some basic assumptions. One of the assumptions is that students face budgetary constraints, and they need to make choices between college and "all other goods." The model shows how much the student will sacrifice the other goods in order to attend college. The analysis can help the enrollment manager better understand the financial point at which students will start to make other choices and give the enrollment manager a better

insight into college pricing limitations (Becker, 1993; Serna & Birnbaum, 2004). A price sensitivity study can provide college leaders information about what some of those limitations may be for their current or target population. Pricing studies can also assist colleges in benchmarking themselves against other colleges and help them understand how their tuition discount strategy is affecting their net tuition revenue (Anastasia, 2015; Behaunek, 2015; Schmidt, 2017). An investment in outside assistance to learn the price sensitivity of the target student population, as well as market position, and the competitive environment is noted as a key part of successful tuition resets at several colleges (Brooks, 2017; Casamento, 2016).

Stealth Applicants and the Enrollment Funnel. According to an article in *The Journal of College Admissions*, prospective students are turning more and more to stealth applications, applying to the college without first engaging in conversation with an admissions officer or any personnel at the college (Dupaul & Harris, 2012). Stealth applicants use technology, interpersonal relationships, websites, and rating sites and other tools to gather information about the college on their own. These students bypass the traditional enrollment funnel of prospects, inquiries, applicants, admits, and enrollments (Duniway, 2009). The vetting of the college by the prospect can vary widely, so if one criterion is tuition cost, and understanding of the financial aid options is not clear, the college may lose the chance to engage with a large number of potential students (Dupaul & Harris, 2012).

The *2018 Ruffalo Noel Levitz Marketing and Student Recruitment Report* indicated that 14% of applicants at private non-profit institutions were unknown to the institution prior to application. This number coupled with inquiries coming from the schools' websites (9%), both student-initiated (9%), and referral (4%), shows that 36% of inquirers are likely doing outside

research prior to contacting or applying to a school (Ruffalo Noel Levitz, 2018). With approximately 40% of undergraduate prospects deciding to eliminate a college due to cost, a high tuition, high aid model may be limiting the number of inquiries to a college before it has the opportunity to engage (Sallie Mae, 2013).

Summary of Tuition Discounting and Related Topics in Literature

The literature associated with tuition discounting has changed from the 1990s to the present. Tuition discounting started with the idea that lowering the cost of tuition for some students could increase access while allowing the college a measure of control in crafting its enrolling classes (Hillman, 2012, Rine, 2016). But tuition discounting today has grown into a sometimes problematic activity that could lead to financial distress for an institution (Behaunek, 2015). While there are positive reasons for discounting, there can also be serious and complex consequences for the institution. The literature review revealed that some colleges, to slow down or reverse their dependency on discounting, have turned to tuition resetting whereby they have significantly have lowered their tuition (Casamento, 2016; Lapovsky, 2015).

Because the practice of resetting is relatively new, there is a gap in the literature concerning the actions colleges should follow to find long term success after their tuition discount mitigation or tuition reset. The literature reflects that post-reset actions are just as important as the plan and communication strategy to announce a change in tuition (Casamento, 2016; L. Holt, 2017). Literature is also sparse on the long-term effect of tuition resets on the institution: Is the institution able to meet or exceed its success goals on a short and long-term basis? Did the institution fare well in terms of economic indicators and student enrollment? How can institutions judge a tuition reset or other tuition discount reset as successful or unsuccessful?

CHAPTER 3

METHODOLOGY

The primary purpose of the study was to examine how several private tuition-dependent, less selective, liberal arts colleges developed their definitions of success for tuition reset, and whether they were able to achieve those goals after they underwent a tuition reset. Tuition price resets are a fairly new process in the college market, and little to no data has been collected on whether colleges have been successful in the short- or long term (Armitage, 2018, Casamento, 2016; Holt, 2017; Lapovsky, 2015). The measure of success also depends on the needs and goals of the college undertaking the strategy and the way leaders underwent the process of the reset. The context and circumstances under which they entered the reset may also be critical to their eventual success or failure in the reset (Casamento, 2016; Kottich, 2017).

This research study was qualitative. According to Creswell, qualitative research is appropriate when a researcher needs to see the overall tendency of responses and how those responses may vary (Cresswell, 2008, p. 51). Qualitative research is also suitable when the researcher does not know all the variables and needs to explore the material further. Tuition resets are a complex and multifunctional way to lower the cost of tuition, but the reset will impact the college at multiple levels and across functionality on the campus. All administrative units may be involved in the reset, from marketing, financial aid, admissions, and fiscal, to name a few. The long-term effects on the college, to be explored adequately, will change from college to college depending on each campus's culture, dynamics, and definition of success. A qualitative method of study is most appropriate to review the ways the different units of an organization work together and the ways they influence one another (Rowley, 2002).

The population of colleges known to the researcher that have undergone a tuition reset is very small, with approximately 20 colleges in the past 6 years. The researcher sought to learn about the experience of the colleges as they underwent developing a tuition reset strategy, their individual campus goals, key performance indicators (KPIs), and their definition of success. The qualitative research method utilized in this study was the case-study method. The case-study method offers the researcher a way of looking at complex social units with multiple variables that have multiple importance to the phenomenon (Merriam, 2009, p. 50).

Setting

This study focused on private, not-for-profit, undergraduate, baccalaureate institutions that are not highly competitive, are primarily residential, and have undergone a tuition reset in the past six years. The primary list of institutions that have undergone a tuition reset was identified by simple internet research for news stories about colleges and tuition reductions or tuition resets. This list was matched to a list maintained by economist and writer Lucie Lapovsky, author of *Tuition Reset*, an analysis of eight colleges that addressed the rising cost of college (Lapovsky, 2015). An additional list of 39 colleges that have reduced tuition, with the amounts of the reduction, the years and notes related to the reduction is published in Dr. Sarah Kottich's dissertation on *Tuition Reductions* (Kottich, 2017). The National Association of Independent Colleges and Universities maintains a list of Tuition Reduction/ Reset with the specifics of the reset that can be used as a starting point (NAICU, 2019). The researcher compiled the lists into one master list and sought out colleges that fit the specific criteria of the study.

Participants

Purposeful sampling was used to identify colleges that have undergone a tuition price reset and have had enough time to determine whether financial, enrollment, and retention results can be known. The time frame includes colleges that reset tuition with an entering class from fall 2013 to fall 2016, and have at least two years of incoming student data.

Maxwell (2013) states, “In this strategy, particular settings, persons, and or activities are selected deliberately to provide information that is particular to your questions and goals, and that can’t be gotten as well from other choices” (p. 97). Maxwell (2013) also states one of the goals of purposeful sampling is to find sites or participants where the researcher can establish relationships, ones that can enable the researcher to best answer their questions (Maxwell, 2013). For this study, a mix of intensity and snowball sampling was used to identify, locate, and secure data sites. Intensity sampling allowed the researcher the opportunity to search for and choose rich and interesting cases for a study that meets the site selection criteria (Palinkas et al., 2015). Snowball sampling allowed the researcher to use the professional network present in higher education to obtain college names and contact information from experts in the tuition reset area (Lewis-Beck, Bryman, & Futing Lio, 2004; Palinkas et al., 2015).

Six colleges were identified and verified as appropriate sites of study. The determining factors in choosing sites were as follows:

(1) the process and deployment of the tuition reset strategy the school chose to undertake, and whether two entering classes have happened since that time; and

(2) the leadership team at the college was willing and open to sharing its story and results from the reset.

These were key factors in choosing a site because prior research in this area has determined that the depth of the process a school uses when undergoing a tuition reset is highly related to the eventual success of the reset (Casamento, 2016).

Data

The researcher collected data in the field, using in-depth interviews, document reviews, local press reviews, readily available educational data sets, and direct observations. Interviews are considered an essential part of case study data and were sought as primary sources of information and data for the researcher (Yin, 2009). A review of written documents was also conducted including minutes of board meetings, internal meetings, studies that were done prior to and post-reset, readily available educational data sets, direct observations by the researcher, financial documents and financial reports, any press coverage available about the tuition reset, and resulting sentiment from the public, including current, and prospective students.

The researcher identified and interviewed several participants at each college: the president, chief financial officer, chief enrollment officer, chief marketing officer, and others in the decision-making process at the colleges.

Analysis

The researcher interviewed participants using a pre-determined, open set of interview questions. It was important to allow the participants the opportunity to be flexible in their answers and to allow them to express themselves in their own terms. Interviews were audiotaped, transcribed and then coded and categorized as appropriate into relevant themes. Additional follow-up questions at times were necessary as further details emerged and as additional

questions emerged in the research analysis. The researcher used direct observation wherever possible.

Participant Rights

The researcher maintained the highest ethical and moral standards for qualitative research and followed specific ethical guidelines for case study methodology (Creswell, 2013). Each participant college is identified by a pseudonym, and college personnel is identified by a pseudonym, or by title only, not by name. The researcher maintains a strong awareness of the sensitivity needed in interviews and will maintain comments and interview data in the strictest of confidence. Participation in this study was voluntary: if a participant did not wish to participate or chose to leave the study before completion, he or she was allowed to leave with no personal negative impact.

Potential Limitations of the Study

A small subset of colleges has undergone a tuition reset, which necessarily limits the research pool of colleges to study. There is a possibility that colleges may be identified by their listed characteristics despite efforts to keep them anonymous.

There is also the potential for bias on the part of the researcher. As a career college administrator, the researcher has her own set of beliefs and ideas about tuition discounting and tuition resets. The researcher sought to mitigate these limitations and biases by soliciting feedback from study participants and using experts in the field for the accuracy of the data and using multiple data sources to verify evidence.

In addition, this study was not intended to be generalizable as the impact that each college has had upon its own circumstances is limited to that college and its specific

circumstance. The preparation conducted and situation that each college was in when it entered the tuition reset will, by necessity, impact the eventual outcome after the reset (Casamento, 2016). While this study is not generalizable, rich information has been gathered about the reset process, and the way the college acted after the reset to assist in making the reset process successful.

CHAPTER 4

CASE STUDIES

The primary purpose of this case study research was to examine how several private tuition dependent, less selective, liberal arts colleges developed their definition of success for tuition reset and whether they were able to achieve those goals after they underwent a tuition reset. The study also considered that the measure of success for the colleges depended on the needs and goals of the college undertaking the strategy; the process of the reset and the context and circumstances under which they entered the reset may also be critical to their eventual success or failure in the reset (Casamento, 2016; Kottich, 2017).

The focus of the study was to answer four research questions:

1. Among a select sample, when small non-selective colleges decide to undergo a tuition reset, how do they develop their definition of success?
2. Among a select sample, if small, non-selective liberal arts colleges reset their tuition, are those colleges able to meet or exceed their definition of success over the short and long term?
3. Does leadership within the select sample colleges describe the tuition reset as successful?
4. What measures does leadership within the select sample use to measure the success of the tuition reset?

The data that informed the study was collected during interviews of 15 college administrators from 6 separate colleges that had undergone tuition reset between 2013 and 2016. The interview subjects ranged from past and present college presidents, chief financial officers, chief enrollment officers, vice-presidents of institutional research and financial analysts. All

participants were selected using purposeful sampling, as detailed in Chapter 3. In the course of data gathering, data from three of the colleges (D, E, F) that had been part of this study were later removed as the interviews revealed a lack of critical data to discuss in detail the resets at those colleges. This decision will be discussed in Chapter 5.

Data Analysis Methods

Qualitative data, consisting of interviews with college administrators were collected for this study. Interviews were semi-structured, and subjects were offered the opportunity to review the questions prior to the beginning of the interview. Further questions evolved as the interviews were conducted and topics of interest were explored. Interviews lasted from 30 minutes to over an hour based on the conversation with the subject. Interviews were conducted over GoToMeeting and were recorded when possible. The interviewer was unable to record only one interview electronically due to technical problems. Handwritten notes were also taken by the interviewer. The GoToMeeting recordings were transcribed by trint.com, an online transcription service. The recorded transcripts were downloaded and edited by the interviewer for accuracy and clarity. After transcription, the interviews were read, reviewed, and coded for relevant themes.

The fifteen interviews from all six colleges yielded a great amount of rich data about both the tuition reset process at their individual school and the effects of the reset on the school, its finances, and its future as a college. A preliminary review found that twelve themes had emerged from the analysis. These were later reduced and combined into six main themes: strategy development including data and information gathering to inform the strategy and direction of the reset; primary goals of the reset including success metrics or key performance indicators that

were set up prior to the reset; overall impact of the reset on financial, social and cultural climate and enrollment with retention; evaluation of success; revisiting the goals and KPIs post-reset; and general thoughts and feelings about the reset as a whole.

Table 1 *Case Studies of Tuition Resets*

College	Fiscal Year of Tuition Reset	Amount Of Reset (Reduction In Tuition)	Original Published Tuition (Year Before Reset)	New Published Tuition	Percent Reduction
College A	FY14	\$10,000	\$29,700	\$19,700	33.7%
College B	FY14	\$12,624	\$28,124	\$15,500	44%
College C	FY16	\$14,500	\$33,946	\$19,446	42.7%

(IPEDS 2008-2018)

Case Study of College A

College A reset its tuition for incoming and returning students in the fall of 2013, lowering the sticker price of traditional undergraduate tuition by \$10,000.

Since the reset, overall enrollment--traditional, online and adult-- has grown by nearly 2,000 students since fall 2011, with the total headcount jumping from 2,800 students to a record-breaking 4,817 at the last student census in fall 2017. Enrollment totals have surpassed 4,000 from FY13-FY17 and were 6037 for total enrollment and 3339 undergraduate enrollments in 2017, according to IPEDS (IPEDS College Navigator, 2018). Overall enrollment includes all of

the college's programs including their part-time and full-time online offerings, traditional populations, adult education, and masters level programs. Starting in 2009, full time, traditional enrollment had been decreasing as the cost of tuition and expenses overall for full-time attendance was on the rise (IPEDS College Navigator, 2018). Meanwhile, enrollment in online programs was still rising. Figure 1 shows the overall and full-time enrollment and tuition trends at College A. After the listed tuition fell in the fall of 2013, enrollment in both the full-time program and total enrollment at the college increased, while the average net price stayed stable.

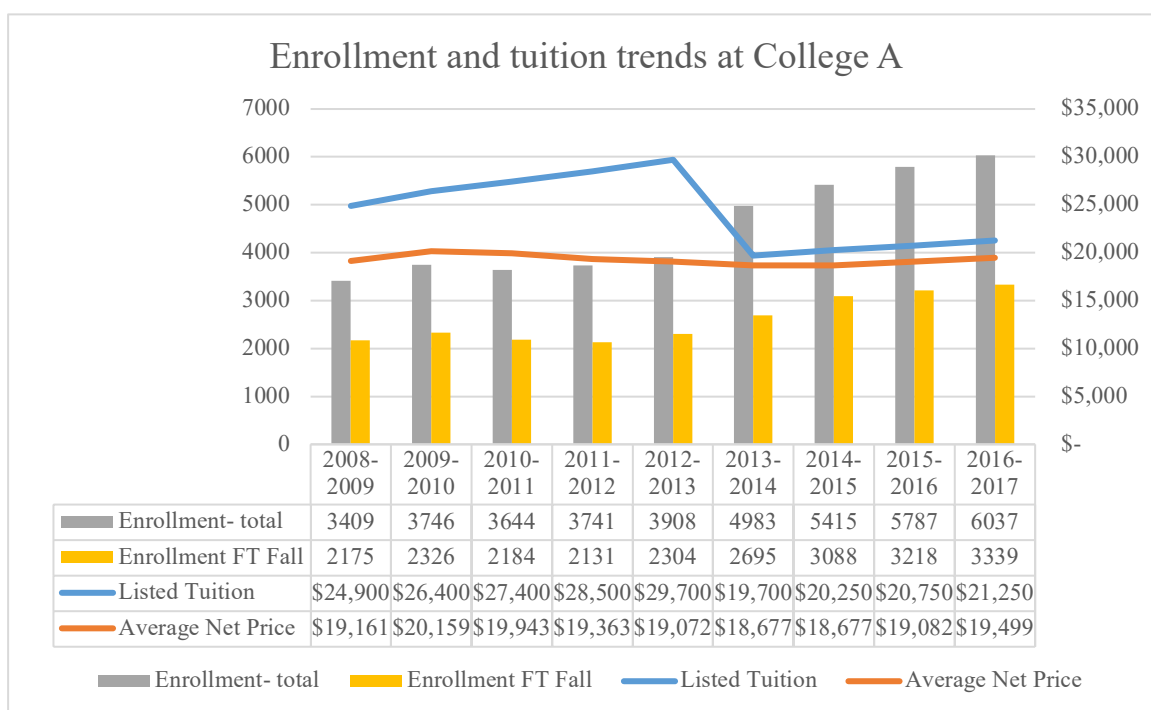


Figure 1. Enrollment and Listed Tuition--College A Enrollment and listed tuition trends at College A from FY09 through FY17 (IPEDS College Navigator, 2009-2017).

College A History. College A, located in the Midwest, was founded in the late 1880s as a religiously affiliated high school for young men. The school started to accept females in the 1950s and entered a period of robust expansion. The school began to offer four-year degrees in

the early 1960s and was accredited by the Higher Learning Commission in the late 1960s. In 1985, the university began offering an accelerated degree completion program for adult students and started their first master's degree in the 1990s. College A is accredited by the Higher Learning Commission and currently offers over 70 degrees to a traditional and adult population, as well as online associate's, bachelor's, master's, and doctoral degrees and professional certificates.

In 2006, College A became aware of a problem in their region. Prior research had shown that students were becoming discouraged by high sticker prices of college tuition (Tang, Tang, & Tang, 2004). To further examine the issue, a statewide private college group did an internal study that showed that pricing had become a problem for the private college market overall in the region (Aamot, 2013). The confusion created by having a sticker price on one side and rising discount rates on the other were starting to show in the prospective student market. Students were increasingly confused about financial aid, discount rates, and the cost of going to college (Provost and COO, College A).

In 2005, College A had an outside consulting firm conduct a pricing study. That research found a gap between what families in the market expected to pay for private education and what the college was charging as their sticker price. A second price study completed in spring 2012 was expanded to include other families, those that had not considered College A as an option. That research found that families in their geographical region were ruling out a private education based solely on sticker price (Supiano, 2012).

The college had also noticed a pattern with their enrollment funnel. The number of initial inquiries to the college was decreasing, and their application and yield population was

narrowing. Fewer prospective students and families were looking at College A in the initial stages of the enrollment process. The pricing studies done in 2005 and 2012 indicated to the college that their listed tuition might appear too high to prospective students and their parents. Fewer prospective students were entering the admissions pool, or the top of the enrollment funnel, because of the listed tuition. With fewer students at the top of the enrollment funnel, the college had three options: do more to move the students who had indicated interest down the enrollment funnel by adding additional merit aid; use other tactics to move those interested down through the different stages to eventual enrollment; or accept smaller incoming classes.

At College A, the discount rate had neared 49%, and some of their competitors were reaching close to a 60% discount rate. Essentially every traditional undergraduate student at the college was on some type of financial aid, and there were no full pay students (President, College A). To entice more admitted students to accept their offer of admission, the discount rate would likely need to increase even more.

Traditional undergraduate enrollment at the college was growing, but looking toward the future, college administration understood that to stay competitive in the traditional undergraduate market they needed to do something about the high sticker price and the unfunded discount rate. The provost and chief operating officer of College A stated:

Looking ahead at the data, looking at what's coming out of the high school sector, where the family's debt is and other factors, it was very transparent to us that something had to happen. With our target population, the price was a huge sensitivity issue, and the data analysis reaffirmed that. Then, it was about how we increase the volume to offset the differential. It's a combination of high sticker

price and a high discount rate, and it is a large unfunded discount rate. If I had a funded discount rate that was still creeping up, it doesn't bother me as much because I can operate the business from there. But for most of our institutions, it's the unfunded discount rate leaving us net less net revenue. (Provost and COO, College A)

The college leadership felt that its sticker price was stopping traditional undergraduate students from pursuing a degree with them, “The question is where you are getting the students into that funnel and what are those issues that are limiting them from persisting down the funnel? The sticker price was happening before we even had that chance to have that conversation. Even before they were known as a lead here” (President, College A).

College A Pricing Solutions. College administration, including the current president, the chief financial officer, the provost, and chief operating officer started working on a strategy to reduce the full time, undergraduate sticker price and reducing the discount rate, while making up the loss in revenue by adding to the volume of traditional undergraduate students at the college. They worked toward building a “top of the funnel” strategy, getting more potential students into the funnel, with the idea that a number of these prospective students would continue through the stages of application and admission eventually becoming enrolled in the college, increasing the yield for the traditional undergraduate classes.

The timeline for the college leaders was important, as they were doing well financially due to strong economic stewardship, but they saw that the tuition discount rate and their sticker price were growing, “Another thing was our enrollment was growing, so it wasn't like it was a desperation move yet, but we wanted to get better; we weren't getting the operating margins that

we wanted overall” (Provost and COO, College A). The college had participated in the private college pricing study that showed pricing was an concern. This study identified that rising listed tuition costs were a concern for students and parents in the college’s target undergraduate demographic (President, College A). Looking at the combination of several factors, the rising tuition discount rate, the increasing sticker cost, the narrowing of the funnel at the top, and the growing amount of family debt in their target market, the college began seeking ways to mitigate all of these pressures. “Even before the (college pricing) study the state association did, we knew pricing was a problem. We realized that the sticker price was presenting a challenge for people to consider us” (Provost and COO, College A). Several members of the senior administration attended the 2012 Council of Independent Colleges Presidents’ meeting and sat in on a meeting, titled “Cutting Tuition: An Old Strategy for the New Liberal Arts College?” The session panel had college presidents from Sewanee, Muskingum University, and Blackburn College discuss their tuition resets, the reasons behind those resets and the eventual outcomes, both good and bad (deVise, 2012). From there, the senior administration made the decision to move forward. As the reset idea fit into their overall strategic plan as a key element, they felt it was necessary to move forward for the students. “And, we pretty much said, ‘This is what we are going to do, and this is how we are going to do it. These are our children. Things, of course, evolved over time, but we knew we had to do something” (Provost and COO, College A). The college focused their strategy on reducing the sticker price as well as reducing the discount and trying to make up those numbers with additional volume, a funnel strategy (Provost and COO, College A).

The board of trustees were kept informed in what the administration called “The Affordability Initiative,” giving the board the reasons behind needing to work toward lowering

price. The administration shared with the board the financial and enrollment reasons behind the reset, if not the reset idea itself. When the time came, the board voted unanimously to adopt the proposal. There was no dissension; there was really no discussion other than about the different scenarios, and the price point to choose (Provost and COO, College A).

Once the board and administration made the decision to move forward, the college entered into a data gathering and testing mode to determine the right level of tuition and the strategy with which to move forward. Keeping the idea of a reset within a very small group of the president, the provost, the CFO, and an enrollment management professional, the group started determining whom the reset would affect, how deep the reset could go, and how it would be managed.

College A Developing the Reset Strategy. The college started data analysis and discussion and then brought in consulting assistance for third-party validation and scenario analysis to determine how deep the tuition reset could be, or what the tuition discount would be. The college was already working with consultants on its financial aid and discounting strategy and continued to use the same firm for the data modeling for the tuition reset. The college was able to explore different scenarios by using Ruffalo Noel Levitz, an outside consultant to evaluate the possibilities for the discount or how deep the tuition cut could be.

College A also used an internal team of seasoned campus staff professionals from admissions, financial aid, finance, and data analytics to study the models and consider different options to make the most appropriate choices for the college. These models examined financial aid costs going forward, tuition levels, retention history, enrollment history, and overall discounts for the college. This two-model system, using internal and external teams for data

analysis, was noted by the president and chief strategist as “very helpful, not just for knowledge that the models were accurate, but using the outside party led to third-party validation” (President, College A, Provost and COO, College A).

Using the internal and external teams, College A was able to model different options and make informed choices on the dollar amount of the tuition to charge, or the continued discount rate they would need to maintain the current student population. In the sense of fairness, the college leadership, from early in the planning, wanted to extend the tuition cut to the entire undergraduate population, current and incoming students, so extensive financial aid modeling was needed to get an accurate picture of what the eventual revenue could be or needed to be to hit their goals (Provost and COO, College A).

Because the college was making difficult decisions with limited information, the provost felt an outside party would help the board of trustees, the reset committee members, and others in the college community understand the viability of the data analysis and to ensure it had not been undue influence from his office that led to the data conclusions (Provost and COO, College A). The CFO felt that the third party validation helped them to make difficult decisions when they had limited information about the future state of the college. The third party data provided a sense of research and credibility to the eventual strategy (Provost and COO, College A).

College A Goal setting. Overall, once the decision was made, the college had the following goals, articulated by the president: “Well, there were two primary goals: one was to grow the top of the funnel when it comes to admissions and recruiting, and we wanted more people to take a look at us because too many people passed us by just when they heard the

sticker price, and the second was to increase rates of retention because the number one reason for discounting was financial” (President, College A).

The provost and chief operating officer had slightly different goals in mind: increasing enrollments while maintaining net tuition revenue and maintaining retention. “It wasn’t just increasing enrollment because high enrollment with low net revenue is a bad thing, and there’s a lot of schools buying students and actually [putting] the school in a worse position” (Provost and COO, College A). Enrollment numbers can make the campus look better and stronger, when, in fact, it is not fiscally stronger because the net tuition revenue coming in from those students is, overall, lower (Doti, 2015; Supiano, 2011).

When resetting the tuition, the provost wanted to make sure they looked at three things: enrollment, retention, and the net price revenue. The college needed more students to make it further into the funnel and choose the college; more students needed to stay in college to graduate; and the net tuition revenue coming in from tuition needed to be higher (Provost and COO, College A).

Success and what that success would look like for the college was tied to the strategic plan that was currently in place. The enrollment goal for the college was 5000 enrolled students in all programs--undergraduate, non-traditional undergraduate, and online over a five-year span. The college had started with 2800 students when the reset was announced. For the traditional undergraduate population, the goal was to move enrollment from 1200 traditional undergraduates to 1500 students in five years (Supiano, 2012).

The college also had an ongoing financial goal of maintaining a 3% operating margin on unrestricted net assets; their operating cash flows produce that 3% (President, College A). When

discussing whether they had set metrics for what success would be, the group agreed that they needed to look at the number of students enrolling in the full-time programs, the persistence of incoming students, and the retention of the currently enrolled students. They based those metrics on the finances, enrollment, and retention needed for the reset to be a success.

We looked at where we were before the reset, and we looked at where we wanted to be, particularly on the retention side and persistence side, and we were in the low 40% for a five-year graduation rate, and we wanted to get to 60%. And we're not quite at 60% yet, but we're in the 50s, and we've made good progress on the enrollment side. (President, College A).

With the work that the internal and external teams had done, college administration determined that the school, at a minimum, needed to enroll an additional 24 students in the first year in order to make the reset financially successful in terms of replacing the lost revenue if they cut the tuition. “We knew we needed 24 additional students from what we had the year before to make the reset work financially. It was a small risk as far as I was concerned” (President, College A).

The limited number of needed new enrollments made the reset more viable for the college; in addition, they needed to retain only an additional 30 upperclassmen. It appeared that, with the cut in tuition across all classes of traditional students, the retention of upper classes would be likely, especially for those struggling to pay their tuition bills (Supiano, 2012). However, not enrolling those 24 additional new students meant a financial loss of \$600,000 for the college. Based on their financial assets at the time, the loss of \$600,000 was not an insurmountable issue. A strong financial base, and an ability to manage costs meant the college

could take the risk to cut the tuition even if the cut was not a success in year one (Provost and COO, College A).

The success metrics for the college were all related: decreasing the tuition discount percentage leads to a possible net revenue increase. Based on the price and the reallocation of financial aid lowering the tuition base rate would, potentially, lead to additional enrollments and retention of the upperclassmen. When explaining his view of the success metrics, the provost and chief operating officer stated

One [metric] was really a decrease in our discount and an expectation that we would increase in overall enrollment numbers. There was also a fixed number, a breakeven number you have to reach because you're capturing those retaining students, too. The key elements are still the same metrics that were used to initiate the study--volume enrollment, retention, and increasing graduation rates. (Provost and COO, College A)

One additional piece the college reviewed was how grant aid would affect the incoming and continuing students. As the college lowered tuition, federal and state grant dollars would go further for the students eligible to receive them. As the school cut tuition for all students, the low-income students who had grant dollars available to them had more buying power under the new tuition rate. "Grant money goes further on a lower tuition price point. With a third of our students in that market, it was important to keep that in mind as well" (Provost and COO, College A).

Resetting Tuition. On September 12, 2012, the college announced that it would reduce the listed tuition rate for the 2013-2014 academic year. Tuition and fees for all new and returning students in their traditional programs would be cut by \$10,000. To be transparent with current

students, freshmen, sophomores, and juniors were sent personal letters explaining what their out of pocket costs were, what they would have paid under the old system, and what they would pay under the new system.

The college used student ambassadors, giving them an early look at the plans so they could help explain the changes to their peers if necessary (Supiano, 2012). One student who acted as an ambassador shared his letter. His projection had him paying \$1300 less than he did in 2011-2012. His tuition had been reduced, and his merit aid had been decreased as well, so the college explained the financial breakdown for his personal situation, knowing that students and parents could be confused when reading the news and trying to understand their own situations (Supiano, 2012).

Revisiting Key Performance Indicators (KPIs) and other success factors post-reset.

Once the reset was complete, how did the college fare in terms of their set goals or set key performance indicators? The CFO replied, “As time went on, we saw the enrollment numbers. Saw where they were growing, but now it's plateaued again. Overall revenue for the past couple of years has been pretty much the same” (Provost and COO, College A).

Figure 2 shows the relationship between the revenue and fees per FTE, the equity ratio and the percentage of tuition and fees that make up core revenues. In this case, there is an increase in revenue per FTE after the reset in fall 2013. Tuition and fees as a percent of the core revenues also fell in that same time period indicating a lessened reliance on tuition and fees for revenue for FY13 and FY14. That situation changed in FY15, but appears to be on the decline again in FY17. At the same time, revenue per FTE in FY17 also declined. These changes could be just minor adjustments to the college's economic situation in the short term, or they could be

indicators that the utility of the reset is limited in time and scope for the college in terms of tuition and fees as the main driver of its core revenue. Additional time is needed to see how the college responds in light of an ever-changing market landscape.

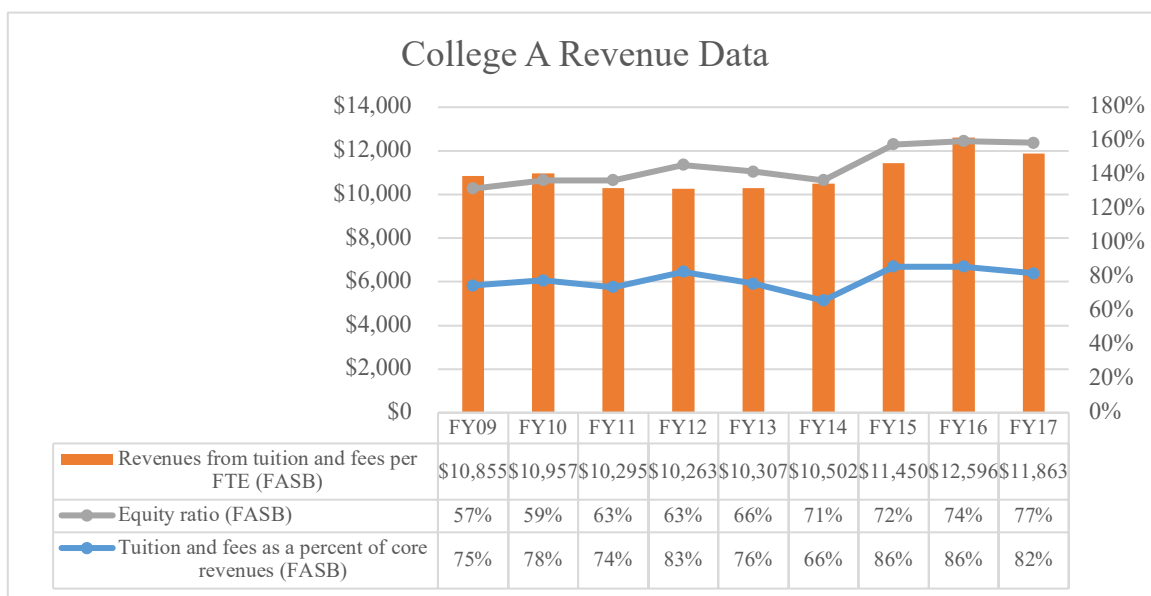


Figure 2. College A Revenue Data. Tuition as a percentage of tuition and fees, Equity Ratio and overall revenue per FTE (IPEDS College Navigator, 2009-2018).

The reset helped the college to monitor more closely the institutional financial aid and discount rate. The CFO explained there could be a challenge when an institution starts working with large numbers for financial aid; the scenarios become complex as more data points and changes get involved. “There is a challenge when you have growing discounts to control; it could be easy to lose sight of a growing discount rate” (Provost and COO, College A).

At the college, the discount rate dropped from 49% to about 32% in the first year and has continued in that 32% to 34% range. For undergraduate pricing, the college has raised its

undergraduate tuition two and a half percent every year since. The increases have been quite modest compared with those of the local competition (President, College A). In order to keep a close eye on the incoming student enrollment and retention of current students, the college still considers the gaps in financial aid for students whenever it considers a tuition increase. The college knew going forward it would be increasing tuition each year, but from a lower base rate, compared with their competitive set in the region. The intention is to continue to manage the discount rate, allowing the discount rate and tuition to adapt to the changing environment as needed while still keeping both tuition and the discount low, thus increasing the volume of students (Provost and COO, College A).

Using the models built for the reset, the college feels it can maintain a separation of tuition cost and program quality when discussing the college with potential and current students. The provost and COO explained,

When discussing enrollment with a potential student, they get past the cost of the programs and talk about the quality of the college and the programs. That helps to drive the student through the funnel, and then they come and acquire and persist. (Provost and COO, College A).

When asked if the tuition reset met the goals, articulated and unarticulated, the president mentioned that amount of national press that the school received, including mentions in the *Wall Street Journal* and *CBS Money Watch* and the *CBS Evening News* (Reynolds & CBS Evening News, n.d.) as well as a mention by then U.S. Secretary of Education, Arne Duncan. When asked what other consequences there were for the institution post-reset, the president mentioned that people saw their reset as a shell game, that the press and media didn't always understand the

change or the motivations behind the change (President, College A). The local press reported the tuition reset, but was also quick to point out the accompanying financial aid reduction, potentially adding to the confusion about how tuition resets can work, “But there’s a catch: Financial aid packages will shrink, too, so the actual savings for students will be considerably more modest than the \$10,000 tuition cut the university was expected to announce Wednesday, Sept. 12” (Koumpilova, 2012). While otherwise positive about the reset, *The Wall Street Journal* article also pointed out that tuition resets may make the school more appealing to cash-strapped families, but it did not mean the cost of the education was coming down (Korn, 2013). As the listed tuition amount is lower, the merit aid that the school offers to students is generally also lowered, so families could be expected to contribute about the same amount to the students’ educational costs.

The group was quick to give credit for the messaging plan to their consultant and to their internal team. The consultants helped them to craft the messaging as well as to receive the national press coverage (L.J. Holt, 2018b, Lawlor, 2017). The college marketing and communications team was awarded a 2013 CASE award for the communication plan that was developed and delivered. Before they announced the reset, the team planned out an entire strategy for the open and transparent messaging to students, families, and other stakeholders. Efforts included fact sheets, media kits, a logo redesign, website additions, and an aggressive visibility campaign (“2013 Pride of CASE V Winners | CASE District V - Council for Advancement and Support of Education District V,” n.d.).

When asked about their personal aspirations for the reset, the president replied, “Well if we hadn't gone through with it, we would not have had the quantum increases in enrollment that

we have experienced. We would have continued to stumble along at a growth of 1 or 2 or 3 %. I don't know that we would have declined in enrollment, but we would not have had the exponential growth. We would be still struggling to make that 3% margin” (President, College A). Said the provost and chief operating officer, “It was riskier to continue on as we were than it was to do a reset. That's the hard part that people don't realize” (Provost and COO, College A).

Overall, how would they grade their reset and its success? According to the president, “Looking back on a scale of 100, let's just be modest and say 95. There is always something that can happen better. I can't think of one” (President, College A). One area of improvement that was mentioned was that 100% persistence to graduation would be ideal.

The president mentioned that he hates to see students borrow money to attend school and then discontinue. The college is getting better at tracking students when they leave to see what they do next. If they go to another institution, that is fine with him; that is still a win in his book, as long as the student persists with higher education. In addition, he is seeing a lot of transfer students come to them and persist at this institution. “It is a success if they graduate” (President, College A). The provost and chief operating officer said, “I'd give it a 95. I mean, I certainly would love to have bigger numbers, but I also would be concerned that we could manage the bigger numbers” (Provost and COO, College A).

Factors for success in the reset. According to the president, “The main factor was good data. I mean I'm always surprised at how many decisions are made, and even at our own university, where people either do not have good data or have access to data and then when it comes to making a decision, they don't look at data at all” (President, College A). The data collected internally and externally from the different teams led to the scenario building and good

decision making. In the college's situation, a reset made sense. For another college, the decision point would be different. From a value proposition standpoint, College A had to look hard at its student body--who was paying full price, who was on grant aid, and how they could move forward within their demographics, their identity as a college. The data gathering and data analysis drove the decisions.

Post-reset, the president has used the data analysis in his current decision-making strategy. When approached to invest in new ventures, he pushes back with the data question: How is this going to work? Where is the data analysis? "I hear from departments, 'It's just we know this is going to work if you just give us the extra 100 grand. We can make it happen.' And I go, not really... It's not magic" (President, College A).

The second factor for success for the president was the outstanding communications plan that garnered the college national newspaper and television mentions along with various local and regional stories. The marketing and communications team, as well as their consultant, were very aggressive in reaching out to the press, and they were successful for the college (President, College A).

As the different parts of the goals were ultimately related--the tuition cut, the enrollment increase and the retention of returning students-- all led to the increase in net tuition revenue. The chief provost and chief operating officer saw cutting the tuition for all students, not just newly enrolled students, as a key factor in the success of reducing the tuition for the entire traditional undergraduate student body.

The college saw extending the cut to all returning traditional undergraduate students as fair (Provost and COO, College A).

Figure 3 highlights the funded and unfunded grant aid at the college in relation to the tuition and fees. After the reset in 2013, unfunded grants as a percentage dropped from over 45% to less than 20%. Since then, however, the unfunded grant aid has started to climb up to 25%, indicating that the college could be using unfunded aid to attract enrollments. Meanwhile, in the year of the reset, institutionally-funded grants went up. Since then, that amount seems to have lowered again to pre-reset amounts. This rise may be due to a low endowment or lack of funded scholarships for students.

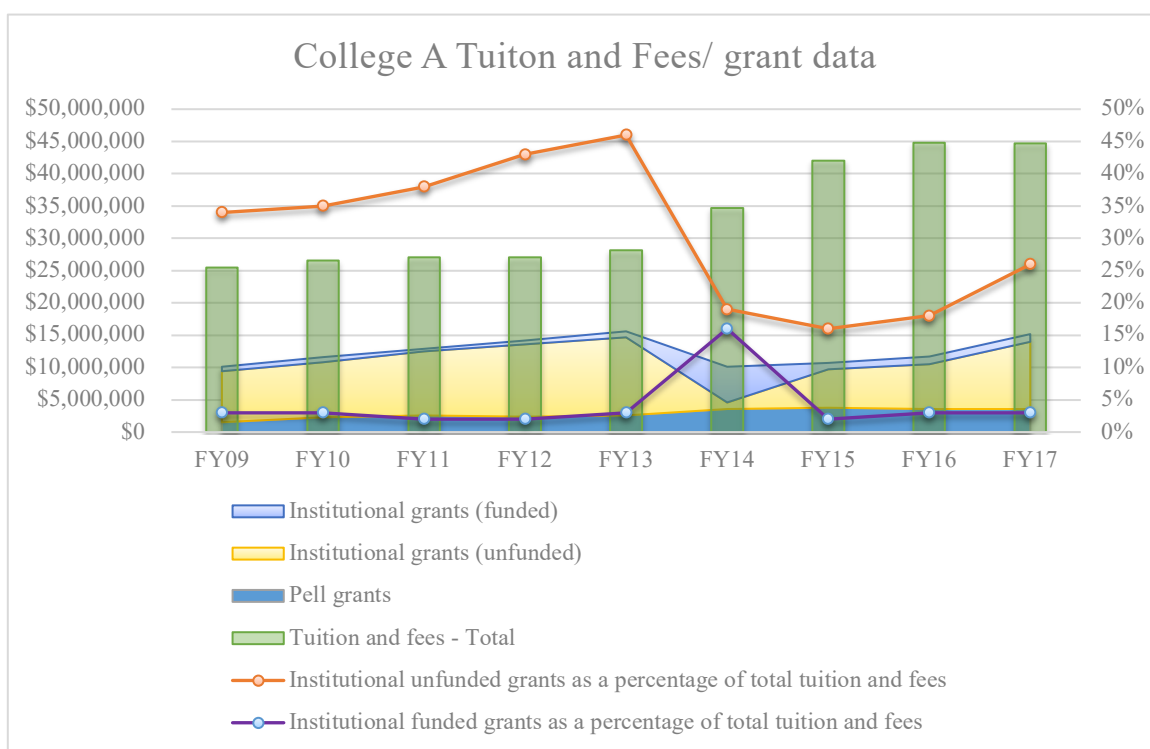


Figure 3. College A Funded and Unfunded Grant Aid. Tuition and Fees and unfunded and funded grants (IPEDS College Navigator, 2009-2018).

Figure 4 shows that unfunded and funded grants were both impacted after the reset. Pell Grants as a percentage of published tuition have slightly increased, as have all grants and scholarships as a percentage of total tuition. The amounts of Pell Grants awarded to the college students has stayed relatively stable since FY10 and the amount of grant and scholarship aid awarded at the college has dropped since the reset.

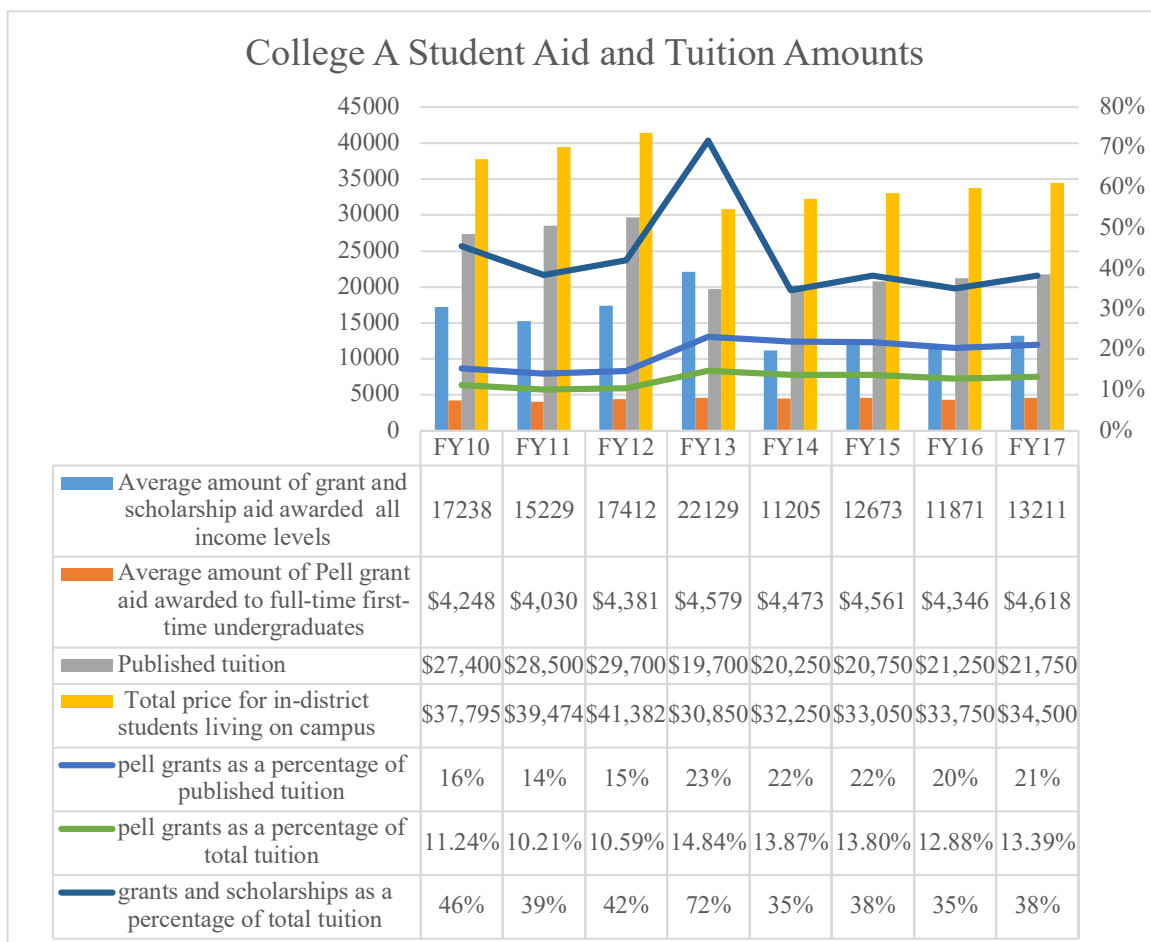


Figure 4. College A Student Aid and Tuition. The average amount of grant and aid for full-time undergraduate students, and as a percentage of total tuition (IPEDS College Navigator, 2008-2018).

Case Study of College B

College B reset its tuition in the fall of 2014, lowering traditional undergraduate tuition by 43% or \$12,624 (*2014-15 Tuition Reset*, 2014). The reset included a promise that all returning traditional undergraduate students would see a net reduction of at least \$1,000 in their out-of-pocket tuition costs (*2014-15 Tuition Reset*, 2014).

Prior to the reset in fall 2014, enrollment at the college for all populations--graduate, traditional, undergraduate, and adult--had fallen nearly 23% (IPEDS, 2018). In contrast, enrollment at the college since just before the reset has increased by 145, or about 11%. Full-time undergraduate enrollment has grown by 238 or about 30% since the reset. A larger percentage of the student population is now enrolled in the traditional undergraduate program as opposed to online or adult part-time programs. Post-reset the enrollment in the online and graduate programs has decreased, while traditional undergraduate population has grown. The year after the reset announcement, the first incoming class of traditional students increased by 98 students (Brooks, 2013; IPEDS, 2018).

Figure 5 shows the overall and full-time enrollment and tuition trends at College B. As the listed tuition fell in the fall of 2013, enrollment in all populations increased. Published tuition has remained stable since the reset, with minor year-over-year adjustments, while the total price for students has been on an upward trend since the reset.

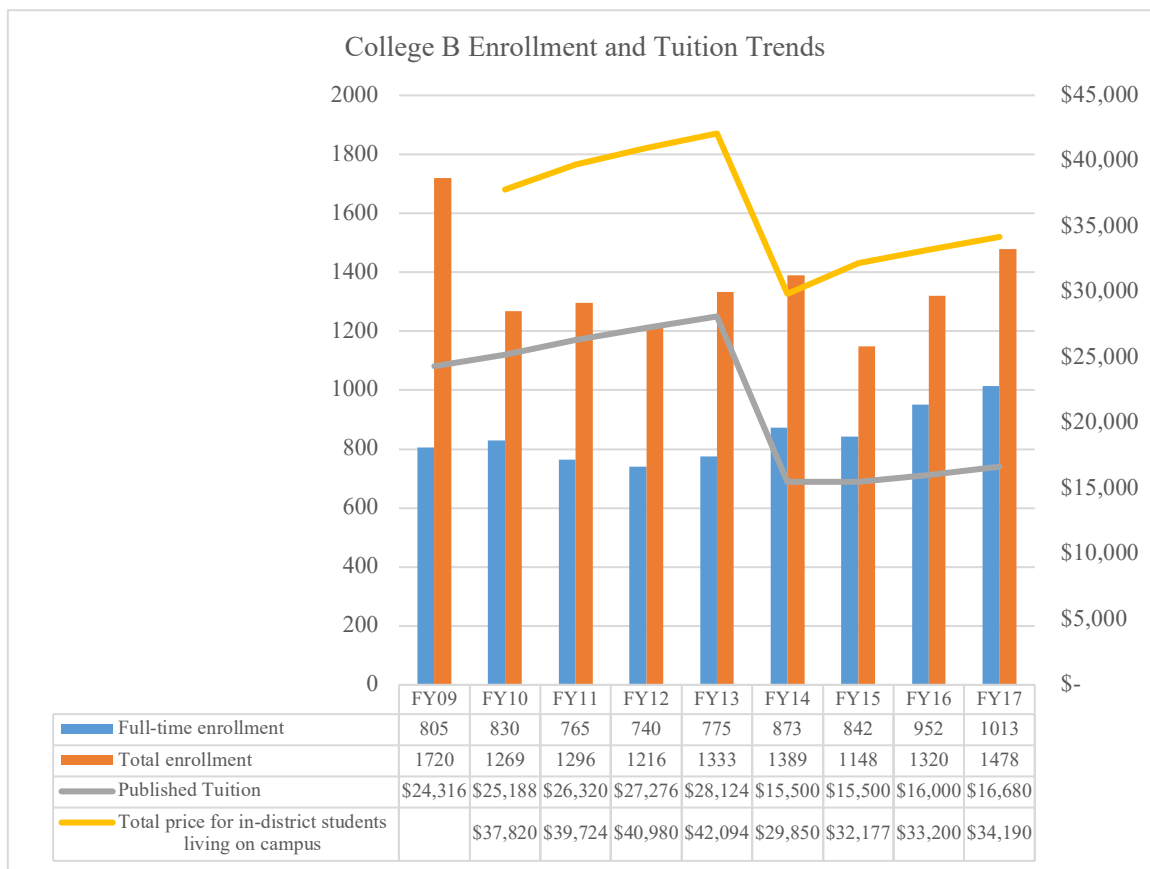


Figure 5. College B Enrollment and Tuition Trends. College B Full-time enrollment, total price and published tuition data (IPEDS College Navigator 2008-2018).

College B History. College B is a private liberal arts college in the South. Accredited by the Southern Association of Colleges and Schools Commission on Colleges, College B offers over 30 degrees at the Bachelor's and Master's level degrees as well as a few professional certificates in traditional, adult, and online formats. The recession in the late 2000s was a wake-up call for the college. They had weathered the downturn overall, but had growing concerns about the levels the tuition rate was reaching. Along with the rising tuition was a rise in the discount rate.

Looking forward, the college administration had real concerns about the future of the college. As they started looking at the regional market and the trajectory of tuition costs, it was likely the tuition would be over \$50,000 in just a few years. “Looking at demographic changes in the state, and trying to be realistic, could we put a \$50,000 dollar sticker price on this education?” (Past President, College B).

Undergoing strategic planning for the college, “we saw it projecting out over 5 plus years and didn’t feel like it [high price/high aid financial aid model], was sustainable” (Past President, College B). “That was a disturbing trend for a lot of people to see, that we were getting to a point where our price point was going to be more than the current median income of families in our state” (Associate Provost for Institutional Research and Registrar, College B).

Using Ruffalo Noel Levitz, the college underwent a price sensitivity study in a 200-mile radius to its campus and determined that many of the target families placed a price tag of \$12,000-\$20,000 on what college tuition should cost for a private college (Brooks, 2013). The study detailed what parents and families considered was too expensive for a private college education, what was too “cheap,” and what would families be willing to pay (Associate Provost for Institutional Research and Registrar, College B). “We found out that students preferred the lower price point from the sticker price comparison, even if the net price they were paying overall was higher” (Associate Provost for Institutional Research and Registrar, College B).

With a College B sticker price over \$28,000, and the total cost to attend reaching \$38,000, College B was pretty far away from the family ideal of college tuition rate (Brooks, 2013). Other colleges in its region had also tried resetting tuition or freezing tuition in 2013 and 2012 with varying success (Brooks, 2013).

College B Pricing Solutions. In 2011, the college underwent a strategic planning process, including a strategic enrollment plan. During this process, the school did an intensive review of the operating budget and long term expense projections. The college became interested in ways that it could make investments, increase its enrollments and address some of the unique issues that challenged the institution. Shifting demographic changes in the state and a discount rate of 60 % were concerns that needed to be addressed.

About 95% of College B traditional undergraduate students were receiving institution aid (Brooks, 2013). The high tuition/high aid model did not allow for a lot of flexibility (Past President, College B). Even though the enrollment plan had included affordability as a key concern of students and parents the college decided that the high discount rate was not allowing for any transparency or real value to the students or the families. Because affordability had been identified by students, parents, and other stakeholders as a key issue that the school needed to address, the college formed a sub-committee to look at the issue on the campus (Associate Provost for Institutional Research and Registrar, College B).

The committee on affordability spoke with various groups on the campus, including the admissions and enrollment teams. One comment committee members heard consistently was that admissions personnel had been getting resistance from the students and the family as soon as they talked about the tuition rate. The counselors would have a great conversation with the student until the price came into the picture. “The price conversation would shut the conversation down before the counselor would even get the chance to talk about aid, and how to pay for college” (Associate Provost for Institutional Research and Registrar, College B). That knowledge helped the committee hone in on College B’s price as a concern and the question of whether it

was affordable for their market. The analysis showed that the college was, when comparing net price, on par with its competition. In contrast, the student perception was that the college was not affordable, “because of sticker price shock” (Associate Provost for Institutional Research and Registrar, College B).

The committee started some internal analysis on their net cost of attendance comparing the sticker price, net price, and scholarship offers that prospective students received from other institutions with their net price. According to the associate provost for institutional research and registrar, the college was trying to get a sense of who the competitors really were and what the offers on the table were (Associate Provost for Institutional Research and Registrar, College B). The college also undertook a lost student analysis. By using its admitted student data and National Student Clearinghouse student enrollment data, they got a clearer picture of what was happening within their region and among their admitted students who chose not to attend College B. National Student Clearinghouse data allowed the college to gain knowledge of the colleges prospects ultimately chose if they did not choose College B. They found that the majority of the prospects who chose other schools, had chosen public institutions. The college had lost many middle-income students to the region’s public institutions even if, once aid had been calculated, the public institution was not less expensive overall (Past President, College B). The results were surprising for the college administration who had assumed that their main competition was other regional, private liberal arts colleges within their competitive set. “They weren't looking for a high priced ‘quote-unquote’ elite institution. They were looking for an affordable institution that was the best value that they could get. And we found that if they weren't choosing College B, they were typically choosing places like the two flagships or other prestigious public institutions

within the state” (Associate Provost for Institutional Research and Registrar, College B).

Equipped with this knowledge, the college analyzed its affordability and considered ways to achieve a more stable way of setting tuition while assisting middle-income students to attend.

The college also looked at other ways to grow enrollment, considering academic programs with particular potential for growth, or programs that could be adapted to be more market-friendly.

The college created a framework to estimate the investment the programs needed for growth, and the potential return in terms of the college’s investment and its ultimate bottom line. In the end, modeling out investments with the tuition discounting volatility issue proved difficult. “When we looked at what we were doing, it wasn’t a given that we were going to cut the tuition, but we knew that affordability was a critical issue, and we really needed to look at that carefully” (Past President, College B). The college began to believe that presenting the college as a more affordable, high-quality alternative could be more attractive to students (Associate Provost for Institutional Research and Registrar, College B).

College B Developing a Reset Strategy. Using Ruffalo Noel Levitz, the college undertook a price sensitivity study to determine the right price for the institution, and the price that would be considered too expensive or too cheap for their target students (Associate Provost for Institutional Research and Registrar, College B).

Using College B internal inquiry lists of students who had inquired but not enrolled, and purchased lists of prospective students from other regional institutions who had not inquired at College B, the college attempted to find out the amount students would be willing to pay for the education they would eventually receive. The college wanted a broad regional view of the tuition amount students and families would consider as an option in their college search. “What we

found out was that students, even when the net price was higher, they preferred the lower price points from sticker price comparison” (Associate Provost for Institutional Research and Registrar, College B).

The committee also studied median family income in terms of the sticker price. The college undertook an income sensitivity analysis to determine the right price point both for the financial health of the college and to provide more clarity for the operating budget. In addition, they considered the price point they felt the market would respond to. “We really were very thoughtful on how we, in our process, considered the pros and cons and then in some ways to consider people's emotional reactions to a particular price” (Associate Provost for Institution Research and Registrar, College B).

The college tied the data to the environmental and market landscape within their geographical area to build an affordability model. Keeping the income sensitivity analysis as a focus they formulated what was doable both from initiating a price reduction in the present and from developing a college operating budget in the future (Past President, College B).

During the planning process for the reset, one consideration the team at College B had was to foresee future market trends in order to make accurate predictions. One positive aspect of the timing of the reset process was that enrollment at the college had been increasing for a few years before the reset, so there was less pressure for growing enrollment. The college could afford to implement the reset without counting on any new students joining to make it work. “So, of course, we were hoping and predicting that we'd see a growth in enrollment, but we did [it] at a time where we did not have to count on that enrollment to still make our budget the following year” (Associate Provost for Institution Research and Registrar, College B).

Once College B made the decision that some changes were necessary to lower the sticker price of the tuition and lower the discount rate, the school's leaders started scenario planning to see what different scenarios were possible for them. Using the price sensitivity information gathered from the regional market helped them to visualize what the possible range of tuition could be and while still being impactful for the families they were trying to reach in their market. They worked with the models to get the lowest price possible while negating overall impact to their budget (Associate Provost for Institutional Research and Registrar, College B).

The group developed a set of numbers to present to the board of trustees. The president indicated to the group that they needed the scholarships they were awarding to better match the actual endowed funds. The president had received feedback from stakeholders that donors did not want unfunded institutional aid layered on top of their scholarship funds; they wanted their gifts to have more meaning (Associate Provost for Institutional Research and Registrar, College B). The college also set multiple internal teams to work on exercises dealing with both the pros and cons of the reset to help themselves prepare for issues and problems going forward. One of those issues the team worked out was the scholarship conversation. "I think that is something we have really tried to balance out, how to find the right mix of recognizing top talent and how to manage scholarships" (Associate Provost for Institutional Research and Registrar, College B).

College B Goal Setting. When setting goals for the reset, College B's team had several top items on their list. Overall, they wanted to reduce the discount rate and use their endowed funds to provide scholarships for students. "The president said, "You know we need to be at a point where we're better matching our scholarships to our actual endowed funds. And that was an incredibly meaningful part for the donors was that we weren't layering on unfunded aid on top of

their gifts that they given to the college” (Associate Provost for Institutional Research and Registrar, College B).

The school also wanted to grow admissions and drive enrollments. Considering their geographical reach of about 200 miles and preferred student quality, the school had been facing a reduction in students if something was not done. They needed to recruit at least as many students as they had during the planning year. Therefore, project leaders built the model around having as successful a year as they had had the year before they launched (Associate Provost for Institutional Research and Registrar, College B).

Next, the college was set on keeping the overall impact on the operating budget at a minimum. “I developed a tool we could play around with the different figures and budget models. Because, of course, the greatest concern in all of this is that at the end of the day you're going to really significantly impact your budget in a negative way. And that's a big risk. People are worried, and you could have negative impacts even with higher enrollment if you don't get it right” (Associate Provost for Institution Research and Registrar, College B).

Finally, the college also wanted to minimize the impact on returning students, and to lower the average student debt level overall, “We didn't want any net tuition increases for any returning student. So I think that we understood we had already had a pretty good practice of being very mindful of student debt levels and that national norm” (Past President, College B).

Success for the college was tied to enrolling as many students as they had for the planning year, maintaining their operating budget, and retaining returning students. “We were hopeful that we would recruit more than we did in the planning year, which we did” (Past President, College B). The board also pushed the college to maintain good habits going forward

so that they would not fall back into raising tuition and raising the discount rate to recruit students (Past President, College B).

When discussing if they set metrics for what success would look like, College B did establish set key performance indicators for the discount rate. They also committed to a lower net price for all returning students of at least \$1000 per year and kept student debt levels below the national average (Past President, College B).

Resetting Tuition. Once the board agreed to move ahead, the committee and college leadership started to prepare their announcement to the college. One of the fears of the president was a perception that the reset was a desperation move for the college. She did not want students, parents, donors, or alumni to misinterpret the reset. In order to counteract that potential concern, members of the planning committee conducted mock interview sessions with the president to help her prepare for all of the potential questions (Associate Provost for Institution Research and Registrar, College B).

One key consideration for the college was also to share the benefits of the reset with everyone, without losing prestige for the college. One piece they were careful to communicate was the renewed value of the state and federal grants in the equation, and how those funds would go further in paying for students' education (Associate Provost for Institution Research and Registrar, College B). The college worked with a communication consultant to develop an overarching strategy to develop talking points for specific issues (Lawlor, n.d.). The internal communications group coordinated and planned to make the marketing of the reset a success (Associate Provost for Institution Research and Registrar, College B).

In the end, the college administration announced a 43% reset for traditional students for fall 2014. The new reset tuition was \$16,500 and roughly matched what the college had charged for tuition a decade earlier. Every returning student was promised at least a \$1,000 reduction in-out-of-pocket tuition costs when compared with costs under the old system, including a 3.5% tuition increase (“<https://www.CollegeB.edu/admissions/financial-aid-and-tuition/undergraduate-freshmen-and-transfer-students/2014-15-tuition-reset/tuition-reset-fact-sheet/>,” n.d.).

The college had planned to announce the reset simultaneously for the different groups, so that the message could be customized for each group (Associate Provost for Institution Research and Registrar, College B). One area presenters were concerned about was how students would hear and potentially misunderstand the message, “It was a clear direction we wanted to take; it was a tuition reset and not a price reduction” (Associate Provost for Institution Research and Registrar, College B).

Revisiting Key Performance Indicators and other success factors post-reset. Once the reset was complete, College B became one of the lowest priced private institutions in the state and region and put their tuition rate on par with the costs at state institutions. With this change, the college was able to grow enrollment much faster than expected, from 260 enrollments before the reset in 2014-2015, to 298 in 2015-16 and 332 in 2016-17. The number of transfer students also increased. First generation college students grew as well, from 7% in 2006-2009 to 25% post-reset. The class of 2017 was the largest class in 27 years (Associate Provost for Institution Research and Registrar, College B). The discount rate had gone from 68% to less than 20% post-reset (Current President, College B).

Figure 6 shows the relationship between the revenue and fees per FTE, the equity ratio and the percentage of tuition and fees that make up core revenues. In this case, the graph shows a marked increase in revenue per FTE after the reset in fall 2013. Tuition and fees as a percent of the core revenues also fell slightly in that same time period, indicating a lessened reliance on tuition and fees for revenue for FY14. The amount of this reliance changed in FY15, but appears to have been on the decline again in FY16 and FY17. Revenue per FTE dipped again slightly in FY16 but was back on the rise in FY17.

These changes could be just minor adjustments to the college's economic situation in the short term, or they could be indicators that the utility of the reset is working for the college overall. The marked increase in the revenue per FTE is a strong positive sign for the college.

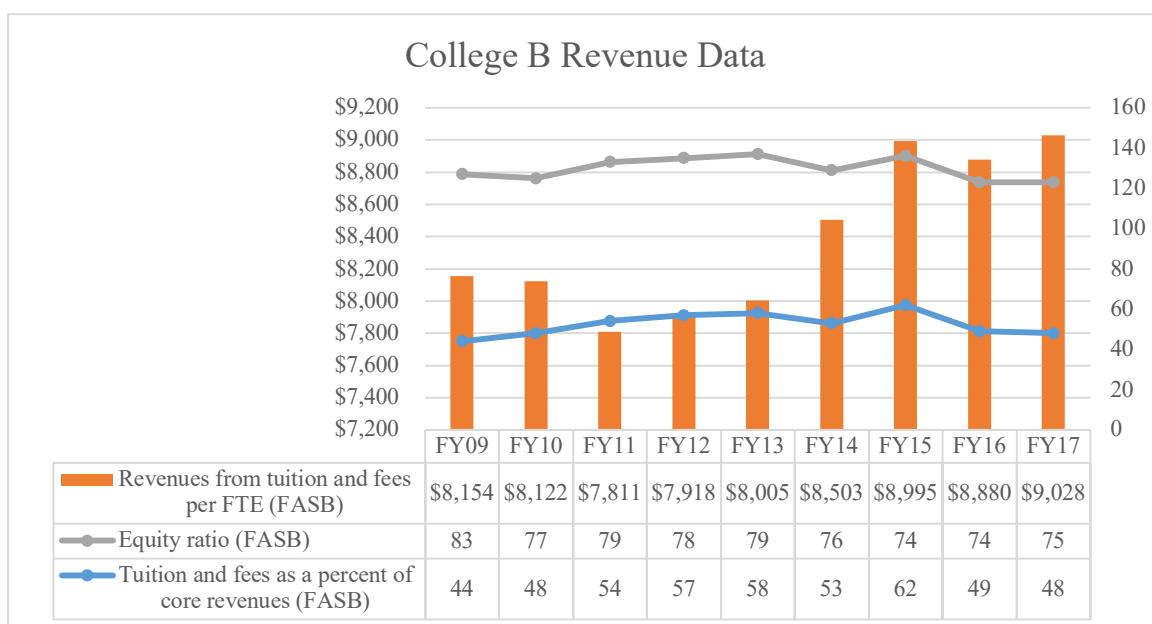


Figure 6. College B Revenue Data. College B Revenue Data, Tuition as a percentage of tuition and fees, Equity Ratio and overall revenue per FTE (IPEDS College Navigator, 2009-2018).

The incoming cohort immediately after the reset did have a slightly higher discount rate than planned, but not enough to negatively impact the budget, and the additional enrollments made up for the shortfall (Associate Provost for Institution Research and Registrar, College B, Current President, College B).

Diversity numbers at the college have also slightly increased, from 23% pre-reset to 28% in 2018. One surprise the college faced was from students who had anticipated larger scholarships from the college. “They felt their money was being taken away from them, which reinforces the idea of how little the general public understands about tuition discounting” (Past President, College B).

College B Factors for Success. Post-reset, the college revisited many of the factors that they identified as important to their success.

The net tuition revenue has remained about the same while the discount rate has decreased,

From that point on, and we've largely held to using the annual fund for scholarships so that that was a big help. I will tell you that we net about the same amount per student because we reduced our tuition discount rate along with our tuition. So at the high point in 2013-14, our tuition was \$29,124. That price dropped to \$16,500, and then our tuition discounts went from 60% to about 20%” (Current President, College B).

Figure 7 shows the dramatic decrease in reliance on unfunded aid at the college while the reliance on funded aid has changed only marginally since the reset in FY14. Recent trends do show an increase in unfunded aid, so that will be something to review as the college gets further away from the reset activity.

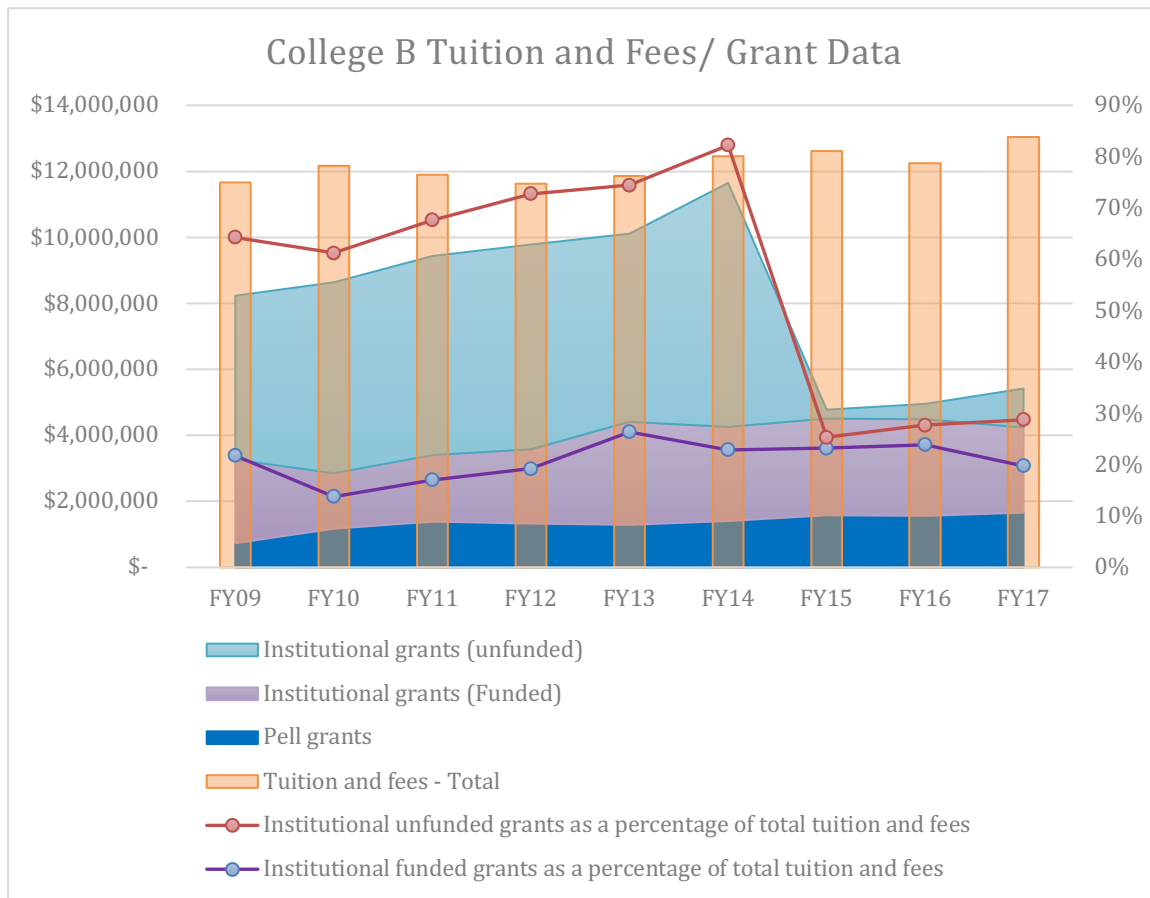


Figure 7. College B Funded and Unfunded Grant Aid. College B Tuition and Fees and unfunded and funded grants (IPEDS College Navigator, 2009-2018).

In general, enrollment at College B has increased; 2017 was the largest class in over 27 years at the school. “Yes, I feel pretty strongly that it was very successful especially in terms of enrollment and especially in terms of really developing a much more sustainable operating model” (Current President, College B). The middle-class and diverse populations have also increased: “I would say we certainly saw a greatly increased middle-class community population. We were about 20% of our students were students of color in the undergraduate

programs. So, that obviously wasn't enough, but that was a positive for us” (Current President, College B). The associate provost concurs:

Where we saw the biggest shift was in income bands, and we saw a lot more enrollment at the middle to low income, because, of course, that was pretty much our goal is to address affordability. And I think that was a really positive effect for us. Now there have been some shifts over the years after that around who we were trying to recruit and what our standards are. For instance, we've intentionally made a shift to focus more on GPA than we have on test scores and that's been beneficial for us. (Associate Provost for Institution Research and Registrar, College B).

On the other hand, the cohort that came in the first year of the tuition reset did not retain well:

The 2014 cohort did not retain well. It's tough to say what the exact reason for that. We went from a 75% rate to a 70% rate or something. Well, from a cohort population you're only talking less than a dozen students. From a data standpoint, we can't really piece apart if it had anything to do with the reset. Since then our retention rates have rebounded, and we are looking at about 76% for this coming fall, which would be a five year high” (Associate Provost for Institution Research and Registrar, College B).

Grading for the reset was pretty even across the board. The current president and the past president both graded it an A-. The current president suggested,

I think it's a solid A or A-minus. I think one thing that we probably missed an opportunity was how we market it and how we thought about the graduate program. The reset really

just focused on the undergraduate and we had also been seeing declining graduate enrollment with the recession. (Current President, College B)

The past president reflected,

I think there are a few things we could have done differently, but I really feel like and, granted I've been away now for almost two years, yet at a time that I left, It was a very it was hugely successful in terms of the actual enrollment growth in terms of expanded just media coverage and visibility for the institution. The unexpected surprise was the increase in giving, and the improved campus culture and morale was really important. And then I think it also helped to sharpen how the college community focused on the value proposition, and how it has to be a balance between program and affordability.

(Past President, College B)

The past president noted good publicity as a major factor in the success of the reset. The college's mention in the national press including the *Wall Street Journal* and the *New York Times* had people starting to look at them in a new light. "I think they could step out a *Wall Street Journal* and I mean really large, and you know well-known national publications on that gap. And I think that that was really important. And I think that's probably the biggest factor was just getting them out" (Past President, College B). Another factor was great planning:

I think one was the time we took to study, plan, and engage and to have at that point outside experts know that the [college community press] was very skeptical of this as a possible strategy for the college. So I think having some real objectivity and data gathering was really helpful to the planning process as a whole and being really thoughtful and methodical in how we did that. Knowing your students and knowing your

marketing. Taking the time to know your market and taking the time to do the planning right. (Past President, College B)

Case Study of College C

College C reset its tuition in the fall of 2016, lowering traditional undergraduate tuition by 42% or \$14,470. The reset included a promise that all returning students would see a net reduction of at least \$1,000 in their out-of-pocket tuition costs (“Affordability Initiative”).

For this college, overall enrollment had grown by nearly 2000 students since fall 2008, with the headcount jumping from 3273 students to 5258 at the last student census in fall 2017. Full-time enrollment had slowly increased year-over-year, typically 1-2% per year (IPEDS, 2018).

However, the discount rate was on the rise and had grown to over 60%, and the college was financially highly leveraged. In addition, College C had not seen any growth in net tuition revenue overall, despite an increasing tuition rate. Just before College C announced the reset, it had an unexpectedly large freshman class. The class had been projected to be about 470, but 645 first-time freshmen enrolled that fall. Despite the considerable size of the freshman class, the college decided to push forward with the reset. They knew they had a strong class in terms of size, but they had had to pay more to get them into the college, thus lowering net tuition revenue from this group (Current President, College C). Figure 8 highlights the enrollment and tuition trends at College C. Full-time enrollment was relatively flat when compared with a growing total enrollment at the college. Post-reset in FY16, full-time enrollment did increase at a faster rate, albeit not as fast as the college would have liked or anticipated.

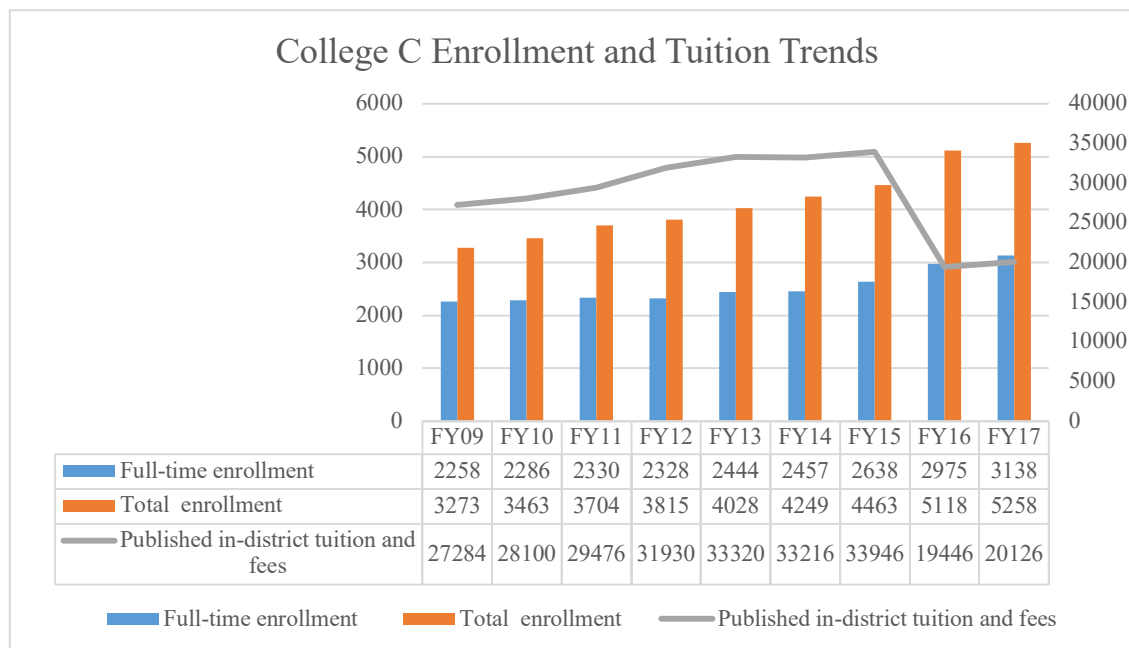


Figure 8. College C Enrollment and Tuition Trends. College C Full-time enrollment, total price and published tuition data (IPEDS College Navigator 2008-2018)

College C History. College C is a private liberal arts college located in the Northeastern U.S. Accredited by the Middle States Association of Colleges and Schools Commission on Colleges, College C offers over 30 degrees at the bachelor's and master's levels as well as a few professional certificates in traditional, adult, and online formats.

College C wanted to enroll more traditional undergraduate students and began work on an awareness campaign. Part of that process was to perform a competitor review and find out where College C stood in the market. School administrators needed to know who their competitors were, what the competitors were charging, and what programs competitors were offering to students. That research revealed that College C was the highest priced in terms of tuition and fees. While the college had assumed that their real competition was the regional high-quality liberal arts schools, the big surprise from the research was that they, like College B, had

been heavily competing with the public schools. Some private colleges were on the list as well, but not the schools College C had anticipated.

But there were there were some surprises, and the surprises were that we were competing heavily with the public sector. And there are some privates too. But of course the privates that they thought were competitors were not, and they were shocked when they realized who they were and who they weren't. (Senior Vice President for Student Life and Enrollment Management, College C)

College C had also been listed in the *High Debt Private Non-Profit Colleges and Universities Report* (Institute for College Access and Success, Student Debt and the Class of 2014, 2015), an occurrence that was a concern for the college. The college needed to explore reducing the debt load for students. Tuition discounting had been going up, and, over the past few years, full-time traditional undergraduate enrollment had been relatively flat, with 2016 as an exception. The college then moved onto a pricing study; the outcomes were that College C had significant public college competition. In the regional and statewide market of College C, there are many choices for incoming students at all levels. The public system has 64 state institutions, as well as over 100 private institutions, so differentiation is key for an institution (Senior Vice President for Student Life and Enrollment Management, College C).

College C Pricing Solutions. Among the negatives in College C's financial picture were that the college was highly leveraged, and operating expenses were exceeding revenues. With the exception of 2016, traditional enrollments had been flat, but online programs had been exploding (Current President, College C). In February 2014, the college had approximately 64% of its revenue coming from traditional undergraduate programs. The new president attended a meeting

at which the president of Converse College presented “Rethinking Tuition” and Converse’s recent reset experience. The current president of College C remembers, “Everyone there were like the super naysayers. They were totally knocking it, and I just thought, well, wait a minute, you know there's got to be something to this transparency” (Current President, College C). A small group of College C’s stakeholders visited colleges that had reset their tuition to see what they felt they had done right, and where they had made mistakes:

We decided to set out on a mission, and there was a group of about five of us that went to visit each one of those colleges, and we got to hear firsthand what works and what doesn't...we were more and more convinced that this was the right move for us, that we would not repeat the mistakes that we had seen and that it would work and we had proof in the studies we did. (Current President, College C)

College C Developing the Reset Strategy. The college started seriously considering a reset in February 2014 and did the work to prepare until May 2015 when its board decided to move forward with the reset. The reset team met with the board again in August 2015, prepared to pull the plug at any time along the way if needed. (Current President, College C). Some on the reset committee did not agree with the concept from the beginning. The Associate Vice-President of Information Technology and Institutional Research originally was not in favor of the project. He was encouraged to share his feelings with the board of trustees and to continue promoting his ideas to the others.

However, when the projections for the future of the discount rate were released, he changed his mind: “You know what? I take it back. I know this is something we had to do” (Associate Vice President of Information Technology and Institutional Research, College C).

College C had worked previously with a consulting firm on financial aid modeling. The college continued to use that model and duplicated it for its own internal use. College C also chose to use both internal and external teams to model the data.

In this process the college modeled every financial aid repackaging for its students (Current President, College C). The group was adamant that the data needed to make sense before it was brought to the board. Financially, they needed to make sure the plan made sense internally before they could ask the board to make a decision (Current President, College C). The two teams tested and modeled the various tuition amounts until they found one that appeared feasible to them.

The original idea was to cut the undergraduate tuition by \$10,000, but that reduction did not seem impactful enough, so they started to test other numbers. By testing different numbers, the teams found that a listed tuition rate of \$16,000 was too low; even undergraduate students and parents saw that as too low, that the value of the education could be considered inferior. The \$20,000 number was more valuable in the eyes of both the parents and the students. The college worked to get the tuition number under \$20,000 (Current President, College C, Assistant Vice President for Advancement, College C). For returning undergraduate students, College C made a commitment that every returning student would see a net tuition cut of at least \$1,000. The result was that retention increased by 5%, which had been anticipated and did impact their budget (Senior Vice President, Student Life & Enrollment, College C).

College C Goal Setting. Once the decision was made, the college established the following goals: to lower student debt, lower the overall discount rate, increase the net tuition rate, slightly increase student quality while continuing to be a college of opportunity, and increase first-year retention (Senior Vice President Student Life & Enrollment, College C).

College C students had been carrying quite a lot of student debt, and the college had been named in several articles about their student debt amounts for the class of 2013 (Bidwell, 2013; Reed & Cochrane, 2014).

Our average was \$42,000 to \$43,000, and this is actually the thing that really propelled us forward. It really was a primary driver. Of course, we want to be better financially, but we didn't really need more students if we could retain and graduate more; we really wanted our students to graduate at a higher rate. (Current President, College C)

College administration felt that transparency in the pricing was important. Very few of the undergraduate students had been paying full price, and almost all of the student body was getting a \$2000 housing grant. Ultimately, the school chose to reduce the cost of room and board as well, which had not been in the original pricing scenarios (Assistant Vice President for Financial Planning & Analysis, College C).

Resetting Tuition. The internal team continued to move forward but remained prepared to pull back at any time until the morning of the announcement in September 2015. In August 2015, one last board meeting finalized the push to go live with the reset (Current President, College C).

The team tasked with researching and developing the reset had established a culture of pushing back and debating issues in their meetings. When people did not agree on the right path, the college turned to data to help resolve any concerns (Associate Vice President of Information Technology and Institutional Research, College C).

Leaders also looked at other colleges that had tried resets but were not successful and talked to them about what had gone wrong. This committee did not want to commit to a reset

only to have a correction to raise tuition again. Talking to other colleges about what they had done was very helpful (Senior Vice President, Student Life & Enrollment, College C).

College C reset their tuition for traditional undergraduate students entering and those returning in the fall of 2016, reducing tuition and fees by 42%. Before the reset, tuition had been \$34,466; afterwards, tuition had been reduced to \$19,996 (“Affordability Initiative,” n.d.). After the reset, an undergraduate student could expect to have 61.4 % of his or her tuition covered by federal and state financial aid (“Leading Boldly,” n.d.). College C also reduced room and board costs by an average of 13% for an additional savings for students (Peplin, 2018).

The reset was announced on campus with a press conference that received significant local, regional, and national coverage. State officials attended, adding to a high level of interest and buzz on campus that day. The majority of the feedback, even from graduating seniors, was positive. Seniors were “simply proud to be connected to the college’s historic endeavor and/or optimistic that younger siblings would now also have the opportunity to afford to attend [the college]” (Peplin, 2018).

At the same time the press conference was happening, each student received an email of a personalized letter outlining the details of their new projected charges. Showing both the old rate (un-reset) and student charges under the new rate, the college was careful to explain the impact on their bills. Letters and emails were also sent to seniors, alumni, and parents explaining the reset and the reasons behind it.

Others in the college community also received communications explaining the reset and reasons behind it, even if they were not directly affected. This extended community included College C’s online students and graduate students (Peplin, 2018).

The college had worked hard to prepare for announcing the new strategy; the college had invested heavily in both a pre- and post-announcement marketing strategy. National media coverage included *ABC News*, *Fox Business*, *CNBC*, *USA Today*, *Bloomberg Business*, *CNN*, *Money*, *Fortune*, *U. S. News & World Report*, and regional media coverage included various outlets in the regional markets with live broadcasting from campus. The reset was even announced on the Times Square jumbo screen. Additionally, communications were sent to high school counselors and transfer admissions professionals all across the country (Peplin, 2018).

Revising Key Performance Indicators (KPIs) and other success factors post-reset.

College C leaders believed that transparency for the community was very important. Leaders wanted to make sure that students, parents, and other stakeholders understood the need and reasons for resetting tuition. College leaders felt that too many students and their families were dismissing the idea of a private college education due to the high sticker price, so lowering their price was something the college should do for the benefit of their market (College, n.d.). With the lower base price, middle-income students could consider College C as an option for their education.

The success metrics for the college were all related; in their presentation to the board, committee members gave a best case and worst case scenario predicting the possible outcomes on each of the aspects of the reset. The college wanted to decrease the average student debt load; decrease the discount rate, increase the net tuition rate, increase quality while still offering access to students who show promise, and improve first- and second-year retention (Senior Vice President Student Life & Enrollment, College C). “We had very specific targets for retention, freshman and transfer enrollment targets. By and large, the results exceeded our expectations.

We were pretty conservative with our budgetary targets” (Senior Vice President Student Life & Enrollment, College C).

Since the reset, College C has begun work to control the financial items that they can, mostly with spending, debt, and financial ratios; the college has prioritized where they make investments. The college has also started a budget oversight committee made up of staff, faculty, and other administration to help rightsizing spending (Current President, College C).

Figure 9 shows the relationship between the revenue and fees per FTE, the equity ratio and the percentage of tuition and fees that make up core revenues. In this case, there has been a marked decrease in revenue per FTE since the reset in FY16. Tuition and fees as a percent of the core revenues have fallen slightly in that same time period, indicating a potentially lessened reliance on tuition and fees for revenue since FY16. Additionally, the equity ratio has fallen since its high in FY14, indicating potential financial issues for the college.

With the short time frame since the reset, it is difficult to assess whether these are short term market issues for the college in light of its geographical location and strong state college competition or whether this indicates a longer-term problems.

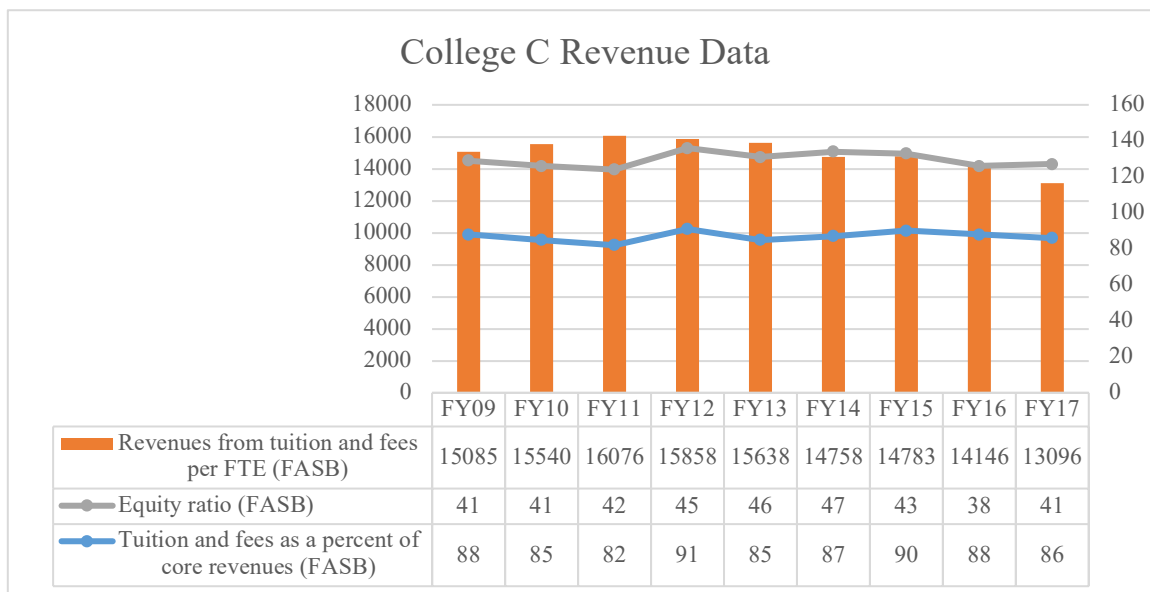


Figure 9. College C Revenue Data. College C Revenue Data, Tuition as a percentage of tuition and fees, Equity Ratio and overall revenue per FTE. (IPEDS College Navigator, 2009-2018)

In the fall of 2016, College C saw applications for traditional undergraduate admissions increase by 9% and an additional 4% in the fall of 2017. Freshman enrollments were about 10% over the goal stated in the reset and were 6% more than in the fall of 2015. Transfer enrollments were 30% over the reset goal and 63% over the fall 2015 actuals.

As the fall 2015 entering class of freshmen was much larger than expected, the college decided to hold the planned enrollments for fall 2016 flat. In spring 2016, new applications to the college were up about 4%, and the college was well on their way to meet their fall 2017 goals. In April 2017, an unexpected announcement by the state government about a free tuition plan for state residents who attended state colleges threw the entire state's higher education system into turmoil. As a result of the ill-timed announcement, College C did not meet its fall 2017 enrollment but did exceed the returning student goal and transfer enrollment goal (Peplin, 2018;

Straumsheim, 2017). As of May 1, 2018, College C had made their fall 2018 freshman enrollment goal (Current President, College C).

Figure 10 outlines the tuition and fees data in comparison with overall grant data at the college. FY16 and FY17 showed a continued increase in total tuition and fees at the college (traditional and other programs). Unfunded grants have dropped to nearly 20% of the funding for students, while institutionally funded grants are nearly non-existent. With the short time frame since the reset at College C, little data is available to determine if the reset has longer lasting utility from a financial perspective.

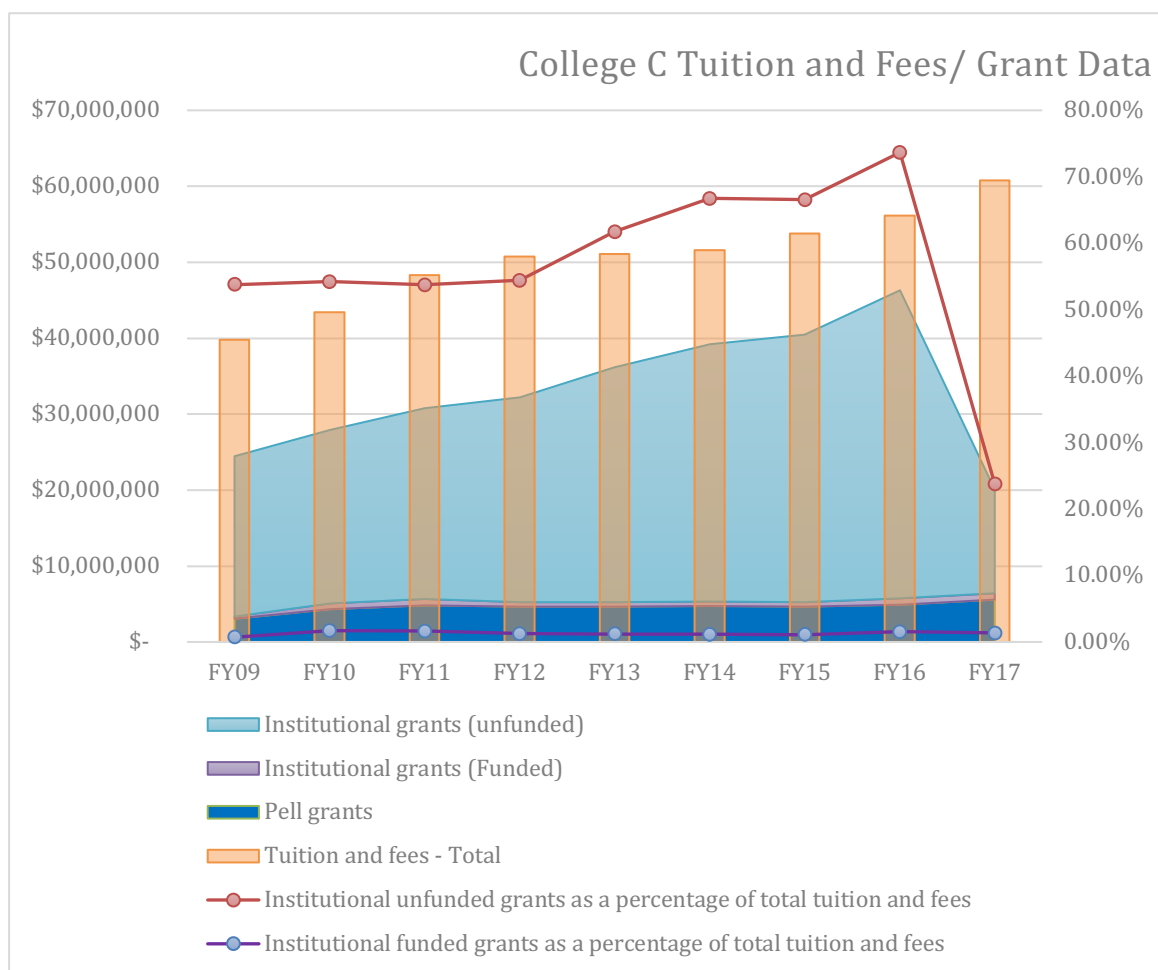


Figure 10. College C Tuition, Fees and Grant Data. College C Tuition and Fees and unfunded and funded grants (IPEDS College Navigator, 2009-2018).

When asked what the college would change about the reset, the current president was clear:

Nothing. I think that we were a model of how to do it. You know in terms of you know we learned a lot from other schools about the timing of their implementation when they brought people on board how they communicated. We were so well-prepared it was just like a well-oiled machine. (Current President, College C)

The Senior Vice President of Student Life & Enrollment, stated,

At the end of the day, we tested and went through everything 2, 3,4,5 times and tried everything and really put everything to the test, and that is why we were successful in the end. There were some moments where we had to dig deep, and we were pushed a bit.

They asked those tough questions, so that helped us process it right. (Senior Vice President Student Life & Enrollment, College C)

The Senior Vice President Student Life & Enrollment graded the reset an A-, and also gave it a grade of incomplete. “It just isn’t done yet” (Senior Vice President Student Life & Enrollment, College C).

Factors for success in the reset. When asked about their reset and what the college felt made it successful, the current president replied, “Due diligence, and planning. The validation of financial modeling and making investments in marketing and the planning. Doing the work and having the college making the investment to do it right” (Current President, College C).

The planning was key. The price perception study started this process, then the smaller group was very engaged in answering questions and looking daily at the data and pushing back from the outset of the reset planning. These preparations helped the group move forward, answer questions, and resolve issues from the beginning. Having members in the group that pushed back and giving them permission to do so really helped in coming up with the right data and the right answers to bring to the board and undergo the reset (Senior Vice President Student Life & Enrollment, College C, Associate Vice President of Information Technology and Institutional Research, College C).

CHAPTER 5

CONCLUSIONS

The purpose of this study was to discover how several private tuition dependent, less selective, liberal arts colleges developed their definition of success for post-tuition reset and whether the college was able to achieve those goals after the reset. Case studies involving interviews of college administrators and document research were utilized to study tuition resets at three colleges that reset tuition with entering classes in fall 2013 to fall 2016, and, at the time of this writing, had at least two years of post-reset data. This concluding chapter will focus on the research findings and conclusions from those results, implications for practice, and recommendations for future research.

Summary-Research Findings and Conclusions

Developing the Definition of Success. The way the colleges developed their own definition of success provided the foundation for the study and allowed the researcher to understand the context and scope of the reset activity for the college. The context and circumstances under which the colleges entered the reset were presumed critical to the eventual success or failure in the reset (Armitage, 2018; Casamento, 2016; Kottich, 2017). In addition, knowing the reasons underlying the action of the reset was integral to understanding the colleges' own definitions of success and their subsequent actions to achieve that success.

The research yielded findings that three of the colleges that defined themselves as successful shared the following characteristic: all three of the colleges entered the reset after close examination of their traditional undergraduate population and determined that the college needed to make a dramatic change to be in the consideration set for their intended population.

The other three colleges that were studied may also be classified as successful in terms of financial success or in terms of their own goals and key performance indicators. In fact, all of the administrators that were interviewed indicated success in their own terms at their respective institutions. The decision to limit the case studies to three was based on the judgment of the researcher that the data collected from three remaining schools (D, E, and F) were not substantial enough to make a critical and relevant study. These three institutions and the interviews conducted did yield some interesting information that is included in Chapter 5 and in Appendix A.

Competitive Market Research. The three successful colleges outlined in the case studies did competitive market research in the form of pricing studies, price sensitivity studies, income sensitivity analyses and other research concerning who their competitors really were in order to understand the context of their individual markets. These colleges made the time and effort to understand their own situations in the context of their regional, geographical, and student population markets. Sometimes these analyses introduced ideas or knowledge altered the way the college considered solving their problems, or showed them that those whom they considered competitors were not really competition at all.

Data Collection. In addition, each of the three successful colleges gathered a great deal of internal data, learning details about their campuses and how the college operated, from tuition discounting trends and financial aid details to specifics on recruiting and other admissions activities. The successful colleges learned who they were, who their students were, and how to best communicate with and serve those students. This step of gathering data was important for them to define who the college was, and what their eventual success could, or would look like.

Goal Setting. Each of the three successful colleges set key performance indicators and goals that they intended to meet, both personally and professionally. Those goals followed similar themes as noted in Table 2.

Table 2. *Case Study College Goals Overall*

No.	Goals	Specific Objectives
1.	Goals Related to the Student Experience	Provide affordability for incoming and continuing students Lower the debt load of students Make grant and financial aid go further toward paying tuition Keep student debt level below the national average Increase student quality
2.	Goals related to tuition dollars/ tuition income	Reduce discount rates Grow net tuition revenue
3.	Enrollment Goals	Grow enrollment
4.	Retention Goals	Increase retention for the institution
5.	Goals related to the college budget	Maintain operating budget responsibility and good fiscal habits
6.	Goals related to financial aid	Match scholarship amounts to endowed funds

Definition of Success Development

The three successful colleges' definitions of success evolved as a result of the research the college did in the preparation stages of the reset. The eventual goal setting was complex, and the goals set were often interdependent of one another. The definitions were developed after various research was undertaken to give each college a much better picture of who it was as a college and who its real market competition was. This clarity was necessary for the colleges to

understand the true nature of their market, how much the college needed to continue to discount tuition, and the level of reset that would be meaningful for their individual student bodies.

For two of the three successful schools, goals included developing and maintaining budgetary discipline so that the necessity of high discounts to grow enrollments to cover budget shortfalls would no longer be necessary. In addition, two of the colleges had been named in press articles about high student debt levels. The undesirable publicity became a strong driver for them to begin reconsidering tuition rates. All three successful colleges had a goal to lower overall student debt levels.

Table 3. *Case Study Specific College Key Factors*

College	Key Factors to solve with tuition reset	Resolution
College A	Reduce confusion in the market related to high price/ high aid model	Lower listed tuition and discount rate
	Softening in the number of prospective students looking at the college	Increase number of prospective students
	Increasing unfunded discount rate	Lower discount rate from 49% to 32-34% and allow for adaptation as the environment changes
	Essentially all traditional undergrads were receiving financial aid	Lowered overall traditional undergraduate tuition and kept increases modest
	A growing amount of student debt	Lower tuition so that students take on less debt, allow Pell Grants to become a larger percentage of tuition funding for those eligible
	Grow enrollments while maintaining net revenue and retention- Reach 5000 enrolled students in all programs, go from 1200 traditional undergrad to 1500 traditional undergrad in 5 years	Revenue from tuition and fees has increased overall since reset; enrollment has grown overall to 6037 and FT fall 16 (FY17) enrollment to 3339
Maintain a 3% operating margin on unrestricted net assets		
College B	Lower tuition and discount rate to provide for more flexibility in financial aid	Lowered tuition 43% or \$12,624 in fall 2014, discount rate went from 68% to 20% post-reset (reported by Current President)

Table 3. *Case Study Specific College Key Factors*

College	Key Factors to solve with tuition reset	Resolution
	Lower tuition to better match media family income in the regional area	Lowered tuition enough to become one of the lowest priced privates in the regional area and on par with costs at state institutions
	Make investments to grow their enrollment	Enrollment at the college has reached a 27 year high in 2017
	Provide more transparency for students and families around financial aid-lower/avoid sticker price shock	Lowered tuition by 43% or \$12,624
	Grow academic programs, change programs to make them more market-friendly	
	Keep scholarship funding aligned with endowed funds	Using annual fund for scholarships, recent years have a lowered reliance on unfunded aid
	Limit impact to the budget & maintain good habits	Revenue from tuition and fees per FTE is on the rise, and tuition and fees as a percentage of core revenues are decreasing
	Minimize impact on returning students	Lower net price for returning students of at least \$1000 per student
	Lower overall student debt limits	Committed to lowering student debt level to below the national average
College C	Lower tuition for all returning students at least \$1000	Lowered tuition for all new and returning students
	Increase net tuition revenue	

Table 3. *Case Study Specific College Key Factors*

College	Key Factors to solve with tuition reset	Resolution
	Lower student debt	Post-reset students could expect 61.4% of tuition covered by state and federal financial aid
	A lower overall discount rate	The discount rate went from 60% to 30% post-reset
	Slightly increase student quality	
	Continue to be a college of opportunity	
	Offer more transparency in pricing	Offered messaging to students, parents, and stakeholders on the need and reasons behind the reset
	Gain control over financial items they could control	Started a budget oversight committee to control spending and right size spending

Cautionary Success. In general, in their own terms of success, the leaders at the three successful colleges did see their efforts to reset tuition as a success in the short term. A few respondents mentioned that it was early in the process to really make the assessment that the reset had been a success. Others mentioned that the college was still working on some items, but were getting closer to meeting their goals. One additional respondent mentioned that short term success had leveled off, and the college had maintained the same level for revenue for the past few years.

When the three successful colleges set specific key performance indicators and tied success back to those, the leaders tended to be positive about the results. Even if the college had not yet met their respective goals, leaders remained positive about the ability of the college to reach those specific goals. In one case, the KPIs that had been set and the starting point seemed quite far apart, “We were in the low 40% for a five-year graduation rate, and we wanted to get to 60%. And we're not quite at 60% yet, but we're in the 50s” (President, College A).

When reviewing the three successful individual colleges’ definitions of success, in Table 2 (above), all three had the similar goals of lowering tuition, lowering their discount rate, and increasing transparency/ lessening confusion in the market. The utility of financially assisting students with manipulated financial aid packages had outlived its usefulness for these schools. The amounts of their discounts had begun to exceed the amount of the economic benefit that the additional students were bringing in. The colleges were using a larger and larger amount of their operating funds in order to attract and enroll students to their campus. By “right pricing” their tuition, the colleges have attempted to reduce their reliance on tuition discounts, lessen sticker shock for some families, and offer additional merit aid for lower-income students (Lapovsky, 2015).

Based on Hillman’s work in tuition discounting as a revenue-generating activity, all three of the colleges in the study were well beyond the 13% marker of diminishing returns (Hillman, 2012). When the successful colleges performed price sensitivity studies or benchmarking studies, colleges discovered meaningful information about their prospective students. The most prominent discovery was that their competitors were the regional or state public institutions and not their private school peers. This finding agrees with the 2017 study by Havranek, Irsove, and

Zeynalova in which it was found that prospective private college students in the United States tended to be price sensitive. Their theory is that the availability of a large number of substitute institutions allows the students more choice and the ability to switch to other comparable institutions, either private or public. As tuition in the private college sector rises, the tuition in the public sector may be more attractive (Havranek, Irsova, & Zeynalova, 2017).

Martin and Samel's work in 2009 identified multiple factors that could be indicators of serious financial stress for a college: tuition discounting is more than 35%, and tuition dependency is more than 85% (Martin & Samels, 2009, p. 9). Table 4 highlights the situation of each of the successful colleges as it related to terms of discount rate and tuition dependency pre and post-reset.

Table 4. *Factors of Financial Stress*

College	Fiscal Year of College Tuition Reset	Discount Rate Post-reset	Tuition Dependency Low pre-reset (reset FY)	Tuition Dependency post- reset FY17
College A	FY14	34%	74% (FY11)	82%
College B	FY14	20%	48% (FY10)	48%
College C	FY16	30%	82% (FY11)	86%

Leadership Views of the Tuition Reset. All of the administrators at the successful colleges saw the reset as a success in some measure. One in particular at College C noted that it was too early in the reset process to give the reset a grade, as it was still to be seen where the college would end up. Most of the interviewees gave the reset an A grade, or a 95 in terms of a number grade. In each case, leaders thought some things could be better, but also believed the college was on track to do those things, or that some items were things outside of their control.

Larger enrollment numbers were mentioned, but there was also concern that larger enrollment numbers would be difficult for the college to manage. The college administrators were often complimentary of their colleges' and their staffs' efforts in light of the reset but were also unlikely to judge the efforts as a complete success. This type of sentiment was fairly common when asked what their grade would be, or when pressed about how to make the grade a better one. Many would, when pressed, come up with some answer about how the reset could have been better, but any negativity was generally couched in terms of the market at the time, the uncertainty of the market at the time, the needs of administration to meet scholarships, or other situations that were difficult to handle in the reset. Some sentiments involved ideals that would be impossible to ever meet. A 100% to graduation is unlikely to happen, for example.

College B did choose not to give a numerical score but did talk in more general terms about their results in terms of the goals that had been placed on the reset. The conversation did center on the sustainability of the college, their enrollment, and their operating model. This approach was a marked difference from the other colleges that were looking at numbers as part of a more holistic picture. The related results from the changes at College B were much more

meaningful for them in terms of how the college moved forward. This contrast may be due to the timing between the three resets.

Measuring the Success of a Tuition Reset. Each of the colleges entered into the reset with its own definition of what success would look like and what that success would mean to each school. The definition of that success included articulated and unarticulated items for the administrators that were a part of the study.

Often, the administrators needed to report back to their boards on the success or lack of success of their own reset activities and on the general indicators that had been determined for their individual campuses. Where they were able, college administrators did indicate specific KPIs that needed to be met.

Table 5. *Goals and Results in Case Study Colleges*

Overall Goal	Specific Objective		Results
Goals related to the student experience	1. Affordability for incoming and continuing students	College A	Set tuition based on research of market and competitors
		College B	Narrowed the gap in what families were expected to pay for private education and the sticker price of tuition
	2. Lower the debt load of students and make grant and financial aid loans go further in paying tuition	College A	The buying power of the grants and loans available to their lower-income students would go further in paying their tuition.
		College C	The buying power of the grants and loans available to their lower-income students would go further in paying their tuition.
	3. Keep student debt levels below the national average and avoid negative press around student debt amounts	College A	The reset was viewed as a way to help reduce student debt load and improve the reputation of the college

Table 5. *Goals and Results in Case Study Colleges*

Overall Goal	Specific Objective		Results
		College C	The reset was viewed as a way to help reduce student debt load and improve the reputation of the college
	4. Slightly increase student quality average	College C	Increase student admission standards and student quality overall
Goals Related to tuition dollars	1. Reduce discount rates, grow net tuition revenue, grow full time traditional enrollments	College A	Need and desire to reduce their discount rate and lower their reliance on discounting tuition to attract and enroll students while increasing net tuition revenue and growing traditional full-time enrollments
		College B	Need and desire to reduce their discount rate and lower their reliance on discounting tuition to attract and enroll students while increasing net tuition revenue and growing traditional full-time enrollments
		College C	Need and desire to reduce their discount rate and lower their reliance on discounting tuition to attract and enroll students while increasing net tuition revenue and growing traditional full-time enrollments
Retention Goals	1. Increase retention	College C	Lower net price for returning students of at least \$1000 per student
Financial Aid Goals	1. Match scholarship funds to endowed funds	College B	The desire to make scholarship funds donated by alumni count, by matching the scholarship given to students match the amount of endowed funds they have. Limit the amount of operational funds used to attract or fund student tuition.
Budget /Fiscal Goals	1. Maintain operating budget responsibility and improve long term fiscal habits	College C	Use the time of the reset to establish and maintain fiscal responsibility overall at the school

Specific Comments on the Colleges Post-reset. College A's reset occurred in the fall of 2012. Since then its full-time enrollment has increased by nearly 30%. At the same time, its tuition and fees have, as percentage of revenue, increased by almost 8% and their equity ratio in the first year (FY13) since the reset increased by nearly 7.5% alone, so the remaining 8% increase was from FY14-FY17 (IPEDS, 2018).

The slow-down in growth in the equity ratio could be a sign that the benefit of the tuition reset has softened in its utility for the college. The IPEDS equity ratio, is a measure of the assets of the college over its liabilities, or how the college has been capitalized. This ratio can provide a look at the ability of the college to access debt or capital in the marketplace, or the overall financial health of the college (IPEDS, 2018-19 Survey Materials).

In addition, the institutional unfunded grants as a percentage of total tuition fell in FY14 to 3% but has been on the rise since, landing at 23% in FY17 (IPEDS, 2018). This trend could be a sign that that college is beginning to rely once again on discounting tuition to attract students. Tuition at the college has increased about 10% while discounting had increased to 23% in FY17, a 766% increase from FY14, when it had a low of 3% (IPEDS, 2018).

College B reset its tuition in FY14 (fall 2013). Since then College B's equity ratio has been softening slightly, from 76% in FY14 to 74% in FY16 (IPEDS, 2018). This could be an indicator that the school may be having more difficulty in accessing resources in the marketplace. A recent rise to 75% in FY17 is a positive sign.

College B made the commitment to use funded sources for their grant aid and has kept the percentage of funded grants pretty steady since the reset. There have been minor changes from year to year. The college has drastically reduced the number of unfunded grants as a

percentage of total tuition and fees from a high of 59% in FY14 to 9% in FY17 (IPEDS, 2018). The 9%, however, is an increase from the years directly after the reset during which the percentage dropped to as low as 2% (IPEDS, 2018).

College C reset its tuition in FY16 (fall 2015), so there has been limited time since the reset to evaluate data on financial improvements at the college. The equity ratio the year before the reset had risen from 41% in FY10 to 47% in FY14 (IPEDS, 2018). The year of the reset, it had dropped slightly to 43%; 38% in FY16; and 41% in FY17 (IPEDS, 2018). This recent rise could be a sign that the college is beginning to better manage its financial situation. The current president specifically mentioned the actions of the college to control spending (Current President, College C). The reliance on tuition and fees as a percent of core revenues has been declining since the reset, a sign that the college is trying to move away from tuition and fees as the only income generator.

Signs That Could Mean Future Difficulties

College A- The increase in tuition and fees as a percentage of revenue could also be a sign of future difficulty for the college. It could indicate a decrease in endowed funds, grant dollars or other sources of income other than tuition dollars. This increased reliance on tuition dollars could be problematic if enrollments do not continue to increase, or if it again becomes necessary to highly discount tuition to attract students.

College B- An increase to 9% unfunded grants is still far below the number of unfunded grants in the past, but is still higher than in the years just after the reset. This increase could be a sign that the school is beginning to soften its stance on unfunded grants as it faces competition in the market, and may need to continue to attract students with an increase in merit aid.

College C- The revenue from tuition and fees per FTE has declined since the reset, from \$14,783 in FY15 to \$13,096 in FY17 (IPEDS, 2018). While enrollment for full-time undergraduates is up, the amount the college is collecting in revenue per FTE has decreased by \$1,687 per student (IPEDS, 2018). Historically, College C has had a low percentage of institutionally funded grants as a percentage of total tuition. The decrease in revenue could be an indicator of low endowments and increased reliance on unfunded aid to attract students (IPEDS, 2018). An additional step for College C may be to undertake a giving campaign to increase endowed funds at the college in order to bolster scholarships without dipping into operational funds.

Conclusions

In general, each of the three colleges outlined in the case studies has been successful, to some extent, in attaining their own stated goals and success factors. The successes have not been overwhelming or universal, pointing to the fact that each college enters the process at different places and in different situations. When reviewing business case studies, students are reminded to remember the context of the case. That caution is important--the context of the reset and the reasons and resources that each of the original six colleges had entering the reset are critical to remember. Some factors that are common to the original six colleges are listed below, but not all factors apply to all six colleges:

- a. The colleges defined their own success and were somewhat successful in meeting their preset goals. Goals were set as data were gathered about their own situations in light of their regional, geographical, and individual campus dynamics. The colleges did not rely on the blueprint from another college's reset. In general, colleges took the

- time to do the work to know what the market thought about them and their tuition rates, and their own reputations before moving forward.
- b. Each school put in years of work gathering data, discussing implications, determining the right steps for its budget and its student body before moving forward. Each school integrated the reset into a larger strategy of fiscal responsibility, affordability for students and overall strategic changes at the college.
 - c. For the schools that gathered regional data, the data they gathered about their regional competition often surprised them, showing them that the schools were not losing students to other regional private institutions, but to state schools with lower price points. For the most part, the colleges, before getting involved in the process, had misjudged who their competition really was. Colleges assumed it to be other privates when, in reality, it was the lower-priced state colleges.
 - d. Each school made an effort to include the entire undergraduate student body in the reset and shared the tuition reset with returning students making sure to explain what the reset meant to those returning students. The schools often made specific dollar amount reductions to those returning students.
 - e. Colleges hired experts from the higher education community to assist in modeling, research gathering, or communications and marketing. These experts assisted in building models as well as in adding external validation to the process and data gathered.
 - f. Each successful college had other attributes going for them; either the colleges had a strong financial base and other programs (online or adult program) that could help

sustain them during the changes, or the college had strong academic programs that would assist in attracting students. Each had board support and looked at the issue critically and objectively to see if it was the right move for each of them. These schools generally entered the process of the reset from a position of strength, not of desperation.

Implications of the study

Each of the colleges studied in this research was increasingly dependent on tuition discounts to enroll students. With rising tuition sticker rates, each college had begun to find that families were dismissing their college out of hand without even considering them in the mix of colleges. Meanwhile, the net tuition revenues for the colleges and enrollments were beginning to decline overall.

These colleges all had high levels of tuition dependency (Rine, 2016). While each of the schools had an endowment, a majority of their aid came from unfunded sources or from operating funds. Using the concept of consumer surplus, these schools were attempting to use discounts to entice students to attend their schools. However, they were finding that, as the sticker price of each college rose, the discount rate also needed to rise. Because families did not understand the complex nature of financial-aid funding, these schools realized they had been losing students who otherwise may have chosen them, simply because their sticker price was too high for their target market (Hillman, 2012).

Looking at the college market for students as an ecosystem or environment, one can understand the limitations of Resource Dependency Theory and how the colleges in this study competed for students (Pfeffer & Salanchik, 2003). The choices the colleges were making in

raising tuition and raising discount rates were no longer viable solutions for them, or, it appeared, would not be viable for them in the future. When the colleges chose to reset their tuition, they were attempting to change their place in the ecosystem to better compete for students in a way that the prospective market could understand the value of the college.

Limitations

There are several significant limitations to this study. Tuition price resets are relatively new and fairly uncommon in the United States college landscape (Casamento, 2016). Therefore, the time since an institution reset tuition may have been only a couple of years. This short timeframe may present a limited view of the long-term effects of a reset policy. A further limitation is the small number of colleges that met the criteria to be studied in depth on the success of their reset. While the data collected is rich in content, the small sample size may limit the reliability of the findings.

The amount of data that could be collected from each college was limited by the lack of external news stories, the limited amount of data reported in external sources or the inability to locate and interview critical interview subjects involved in the reset activity. Three (D, E, and F) of the six colleges identified lacked critical information to help tell the story of their reset activity. The largest roadblock was the inability to locate key college administrators who had since left the colleges, had retired, or were unavailable to be interviewed.

Each college, by necessity, entered into the reset process at different stages and with different goals and outcomes in mind. The goals of the colleges when they entered the reset were somewhat similar, but their own campus situations varied based on geography, student base, tuition amounts, staff resources, endowments, and campus culture. These differences cannot be

dismissed in the outcomes for each college. In addition, the way that a college entered into the tuition reset strategy is critical to success or failure. Colleges need to enter the process from a place of strength, not of desperation (Casamento, 2016; Kottich, 2017).

While these are limitations to this study, readers may find value in how and why the colleges believe they were successful, how they set their own institutional goals and key performance indicators, and how they worked to meet those goals through the reset process.

Recommendations for Further Research

There is opportunity for much more research in the area of tuition resets. Specifically, when colleges are not successful, what are the factors that led to that lack of success? The researcher, in conversation with other colleges in this research, learned about resets that were not publicized but were also not successful. Looking at the schools that choose to reset but cannot sustain the process or that revert to former levels of tuition and discounts would be an informative study to undertake.

Other opportunities exist in the study of unintended consequences and benefits of the reset. In each case, the colleges all had experiences that were surprises to them, such as increased diversity, more Pell grant recipients, more international students, or more transfer students. A study in the unintended benefits or consequences could help other schools understand the long-reaching impacts of a reset.

Additional research needs to be done to look at the potential limited utility of the reset. How long is the benefit of the reset expected to last for the colleges, and what benefits are long lasting vs. short-term fixes? The lower tuition amount may be a new starting point for the students along with a lower discount rate for the college, but how long does that lower amount

remain functional for the college? It appears in this limited study that the utility of the reset may be softening for the colleges who reset earlier. In his 2018 dissertation, Armitage found,

Following the (tuition) reset, there was a positive trend in average year-over-year NTR (net tuition revenue) and NTR per FTE growth experienced by the group of reset institutions. However, for institutions with 3 years of publicly available financial data following their tuition reset, both NTR and NTR per FTE were greater than before the reset at only two institutions. (Armitage, 2018)

Additional research on other types of colleges and their reset outcomes is another avenue. Private for-profit schools have also reset tuition but have framed the reset in terms of scholarships or other funding methods for students. Looking at the discount process through a for-profit lens could prevent not-for-profit schools from making costly mistakes.

Other research ideas that evolved during this process include subjects such as these: What outside services and expertise are necessary for a college to be successful in a reset? Could those services be bundled within one agency to assist with a blueprint of what a college needs to do to be successful? It appears that the consulting firms involved each have a piece of the process, but there is not one that seems able to or capable of overseeing the whole process and working with a college to help with this process. As the process to reset is complicated and lengthy, there could be a market for long-term services.

The action to undertake a tuition reset is a long-term, complicated, complex series of arduous work and difficult decisions. The six schools that were studied in the research all underwent the process with the best of intentions, all anticipating that their reset would be successful. The three schools discussed in this research gave the researcher an opportunity to

highlight not just the amount of work and effort that was expended on their reset, but also the ways the college chose to spend their time and energy during the reset. For each school, this energy expenditure differed reflecting individual nuances as colleges.

The research, overall, shows that colleges choosing to reset their tuition need to be prepared for a lengthy process. Tuition reset is not a short term strategy for managing finances and should be thoroughly researched, vetted, and debated to provide the best opportunity for success. This research also shows that success may not look the same to every campus. The researcher conducted this study to find out the goals of the college when they entered the process, and whether the goals had remained the same by the time of the actual reset. The underlying thought was that net tuition revenue alone was not enough of an incentive for a college to undergo a reset, and, therefore, should not be the only aspect considered when evaluating the success or failure of a reset. As colleges serve students, student-based KPIs should be included in the reset goals. The researcher found often the colleges did not mention net tuition revenue until well into the conversation, and, usually, only in direct response to a specific question. The administrators were far more interested in talking about how the reset had served their student populations through decreased debt load, better use of grant and financial aid funding, and the students' reaction to the reset in general.

Revisiting the colleges later and reassessing their key performance indicators including current discount rate, net tuition revenue, percentage of grants and aid, and percentage of tuition and fees as core revenue could be a rich source of data in determining the longer-term success of the financial goals of the institution. Other student-based KPIs could be studied as well, such as the amount of student debt and retention rates.

Long Term Success May be Fleeting

Even with the hard work, research, and resources expended, resetting has not been a resounding success for any of the colleges for the long term. Their outlook may be somewhat stronger, but the colleges still face challenges both internally and externally. College C, for example, could not have known that the state tuition scholarship would throw the entire market into disarray mid-way through the traditional undergraduate recruiting cycle. Any given institution can only do so much in the face of changing demographic, educational, and emerging market demands.

Since starting this work in 2016, many small non-selective liberal arts colleges have continued to struggle to keep their doors open. As of January 2019, at least 20 such institutions had closed, announced their closure, or merged with another college (Appendix E). Others have been able to raise enough funds to remain open or have made financial deals with corporate benefactors to stay open in some form. Hobby Lobby purchased the college campus of St. Gregory's University, Shawnee, Oklahoma, in October 2018. Hobby Lobby intends to keep the campus a college and offer college education in a Christian environment (Busta, 2018).

Meeting market demands to acquire high-performing students will continue to be difficult for the small non-selective liberal arts colleges. Continually raising their tuition rates and, subsequently, their discount rates to attract students is not a long-term answer. If colleges consider a tuition reset, clarity about their own measures of success and plans to measure that success over the long term is paramount. Colleges also need to be prepared with eventual alternative funding from other programs and to recognize the potential for limited financial utility from the reset. A tuition reset is not a magic cure for the financial ills of the small non-

selective college, but with proper planning and implementation, it may assist a college in improving financial and student success measures, debt loads for students, and instituting internal fiscal controls.

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APPENDIX A

Recommendations from the Colleges on a Successful Reset.

Overall, the three colleges had advice for others considering a tuition reset based on their experiences:

Know who you are as a college, and what that reset means to you. Do you have a fairly diverse revenue stream? If not, you need to build that first.

If you are relying on just your traditional undergraduate students and you make a major change like resetting tuition to save your college, you are taking a big risk.

If you have multiple revenue streams, you can better afford to take the risk

If you have a number of full pay students, you may not want to consider resetting tuition.

If you have even 10% of your students paying full price, you are risking losing that revenue, and that can be a big number.

Are you good stewards of your resources? Eliminate all of the debt you can and live within your means first.

Be in a good financial position to consider cutting tuition.

Make the reset a part of an overall strategy that fits with the goals of the institution. The reset for College A was built into an overall strategy at the college that met their goals as a religiously affiliated institution, offering access to lower incomes, growing specific academic programs, etc. The reset needed to fit with those goals as well as with the programs for other populations (returning non-traditional and online programs).

APPENDIX B

Participation Letter

Date

Dear Dr. :

I would like to request your participation in a doctoral study examining how a college develops success factors and key performance indicators when undergoing a tuition reset. I am also looking at those success factors after a tuition reset. While your participation is voluntary and anonymous, know that your participation has the potential to greatly impact how other colleges may approach a tuition reset.

I would like the opportunity to interview you in via GoToMeeting. It is anticipated that the interview will take no longer than 60 minutes and I will ask you specific information about how your institution approached setting goals for your institution and how your institution has fared since the reset. Collected data will be beneficial to other colleges who are considering tuition resets of their own and are concerned with the long term success of colleges who have already undergone a reset.

Procedures: Your participation in this research study is completely voluntary. The study will run from March 2018 to May 2018, with results/findings published by August 2018. Upon your request, I can send you a copy of your individual completed survey and interview notes, as well as a copy of the completed dissertation. I do not foresee this study presenting any risks or hardship on you, other than the time to invest in it. While your participation is voluntary and anonymous, know that your participation has the potential to greatly impact how other colleges may approach a tuition reset.

Confidentiality: Your identity will be protected throughout the study and thereafter. Only I, the researcher, will have access to your information. Follow-up verbal/signed and written reports and discussions will identify you only as a number (i.e. Participant #2). Your name and school location will not be shared with anyone else. Your confidentiality will be protected in compliance with The University of New England's research with human participants' policies and procedures.

Compensation: No monetary or non-monetary compensation will be provided for your input or time.

Questions: If you have any questions or concerns, please contact me at (518) 522-1399 or lholt1@une.edu. You also may contact Dr. Leslie Hitch at The University of New England at lhitch@une.edu.

Please use the link below to schedule your interview time and to complete the consent form. All data needs to be collected by May 30, 2018. Your participation is greatly appreciated. Thank you for your time and effort.

Online Scheduling Link: <https://calendly.com/lholt1>

Sincerely,

Lynda J. Holt, MBA, MS Accounting
Marketing Manager, Excelsior College
Doctoral Candidate University of New England

APPENDIX C

Research Subject Information Form

Protocol Title: Consideration of a Tuition Reset at Small, Non-Selective Liberal Arts Colleges

Researcher: Lynda Holt

You are being invited to participate in an interview based research study. The purpose of this study is to better understand how colleges develop success factors and key performance indicators when undergoing a tuition reset as well as how well the institution met those success factors after a tuition reset.

Specifically, by thoroughly examining colleges who have had a successful reset, the researcher hopes to gain an understanding of how success factors were developed and what the short and long term effects of the reset were.

This research is being conducted as part of the Doctoral program at The University of New England.

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, Lynda Holt, Lholt1@une.edu or (518) 522-1399. If you have questions about your rights as a research

participant, please contact Olgun Guvench, M.D. Ph.D., Chair of the UNE Institutional Review Board for the Protection of Human Subjects at (207) 221-4171 or by email at irb@une.edu.

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**

Intended Interviewees:

Current President

Past President- if applicable

Chief Financial Officer

VP of Marketing

Interviewee Name:

College Name:

Position Title:

Current President/ Past President

1. How long have you been at x College?
2. What was your role in the tuition reset strategy?
3. How did the institution become interested in the tuition reset strategy?
4. What was the financial state of the institution at the time? What were the enrollment and tuition discounting trends?
5. How did the process start, who or what brought that process about?
6. How set was the strategy from the beginning? Or was the process unfolding for the college as it went along? Was the reset part of a larger strategy at the college?
7. Was there a committee involved in the process? What were the general feelings with the committee regarding the tuition reset when the idea was first being discussed? How were those feelings dealt with by leadership?
8. How was the board involved? How active did the board become as time went on? How supportive was the board in general?
9. Did you use any consultants? Where there people/ professionals/ consultants you wished you had brought in for assistance earlier in the process, or even overall?
10. Where others brought into the conversation as time went on? What roles did they play?

11. Were faculty and students included in the decision making process?
12. What data/information was gathered in order to make the decision to move forward with the reset? How did you decide how much to discount the tuition, what other decisions needed to be made?
13. Did the school consider other alternatives, tuition freezes, etc?
14. Are there any survey results as to affordability, price, and value or perception of the institution's value from before or after the reset?
15. What were the primary goals of the reset? Were those quantified in any way? Did they change as time went on and knowledge was gained?
16. How did the institution determine what success would look like? Were there specific KPI's that you wanted/ needed to meet to call it successful? Did you have student quality and retention goals from the pre-reset phase, or was were the ideas of success primarily financial?
17. How has the institution changed since the reset?
18. Post-reset, have you continued with the tuition discount, is the sticker price significantly different?
19. How was risk assessed? Did you have a plan in case the reset failed?
20. What would you have done differently if you could implement the strategy over again?
21. Did the institution change its tuition discounting strategy after the price reset?

22. How has the net revenue per student change after the reset?
23. Could there be other factors influencing the changes? How was this assessed?
24. Were there other consequences of the price reset?
25. What has been the overall impact on the institution of the price reset strategy? Cultural changes, changes in student body composition that are noticeable?
26. Has the reset met most of the goals that were intended, both articulated and unarticulated?
27. Has the reset surpassed/ met or fell short of your personal hopes? If you had to give the reset a grade in terms of success, what grade would you give it looking back (on a scale of 100 points)?
28. Do you feel now that the reset was worth it? If the college had not gone forward with the reset, what would be your advice today? To go forward or not go forward?
29. Are there other reasons, besides financial that a college should consider a reset (student affordability, etc?)
30. If you could choose one factor that made the reset successful, what would that factor be?
31. What advice do you have for other institutions thinking about deploying a price resets?
32. What are the next steps to keep the positive activity going forward?
33. Do you think there has been enough time elapsed to say the reset was positive?

34. Can you recommend anyone else I may want to speak with to find out more about the process or outcomes on your campus?
35. Is there anything important I should know that I have not asked about?

Chief Financial Officer

1. How long have you been at x College?
2. What was your role in the tuition reset strategy? Did your role change as the reset went forward?
3. How did the institution become interested in the tuition reset strategy?
4. What was the financial state of the institution at the time? What were the enrollment and tuition discounting trends?
5. Did the college project the long-range financial impact to the institution of both implementing the reset and staying the course with the current pricing model?
6. What were the primary goals of the reset? How set was the strategy from the beginning? Or was the process unfolding for the college as it went along? Was the reset part of a larger strategy at the college?
7. Did the school consider other alternatives, tuition freezes, etc?
8. What data/information was gathered in order to make the decision to move forward with the reset?

9. How did you decide how much to discount the tuition, what other decisions needed to be made?
10. How did the institution determine what success would look like? Were there specific KPI's that you wanted/ needed to meet to call it successful? Did you have student quality and retention goals from the pre-reset phase, or was were the ideas of success primarily financial?
11. How was risk assessed?
12. How has the institution changed since the reset?
13. Did the institution change its tuition discounting strategy after the price reset?
14. How has the net revenue changed after the reset? Could there be other factors besides the reset?
15. Has the college gone back to look at the success factors pre-reset and compared them?
How well do they match?
16. Do you feel now that the reset was worth it? If the college had not gone forward with the reset, what would be your advice today?
17. Do you think there has been enough time elapsed to say the reset was positive?
18. What are the next steps to keep the positive activity going forward?
19. Are there other reasons, besides financial that a college should consider a reset (student affordability?)

20. What advice do you have for other institutions thinking about deploying price resets?
21. Can you recommend anyone else I may want to speak with to find out more about the process or outcomes on your campus?
22. Is there anything important I should know that I have not asked about?

VP of Marketing

1. How long have you been at x College?
2. What was your role in the tuition reset strategy? Did your role change as the reset went forward?
3. How did the institution become interested in the tuition reset strategy?
4. How did your institution evaluate market position before the reset?
5. What was the general feeling on campus following the announcement of the price reset? From students, from administrators, from faculty?
6. Did the college project the long-range impact to the institution of both implementing the reset and staying the course with the current pricing model? How did the institution implement the price change for new and returning students?
7. How did you plan marketing activities around the reset?
8. Did underlying branding messages change before, during or after the reset? How?
9. Post-reset, has the messaging changed to reflect the new reality? How?

10. Post-reset, how have you continued to tell the story of the reset, how has the story changed to keep the new lower price relevant to students and parents?
11. Do you think there has been enough time elapsed to say the reset was positive?
12. What are the next steps to keep the positive activity going forward?
13. How has your local and regional competition reacted?
14. How did the institution market the change other groups, parents, local press, etc?

Consultants Used in the Reset

1. What was your role or your firm's role in the tuition reset strategy? Did your role change as the reset went forward?
2. How set was the strategy from the beginning? Or was the process unfolding for the college as it went along?
3. How early in the process was your firm engaged in the process? Did you ever wish you had brought in for assistance earlier in the process?
4. What did you see as the primary goals of the reset?
5. What data/information was gathered in order to make the decision to move forward with the reset? What data do you see as most helpful in helping the board and the institution make the decision to move ahead?

6. How did the institution and the board determine what success would look like? Were there specific KPI's that they wanted/ needed to meet to call it successful?
7. How was risk assessed?
8. What would you have done differently if you could implement the strategy over again?
9. What has been the overall impact on the institution of the price reset strategy?
10. Has the reset met most of the goals that were intended, both articulated and unarticulated?
11. Do you feel now that the reset was worth it? If the college had not gone forward with the reset, what would be your advice today?
12. Are there other reasons, besides financial that a college should consider a reset (student affordability?)
13. If you could choose one factor that made the reset successful, what would that factor be?
14. What advice do you have for other institutions thinking about deploying price resets?
15. Can you recommend anyone else I may want to speak with to find out more about the campus or community reaction?
16. Is there anything important I should know that I have not asked about?

APPENDIX E

Major liberal arts college closures and consolidation, 2016-present

Institution	Region	Year	Deal
American Jewish University (undergraduate program)	South	2018	Closed
Burlington College	Northeast	2016	Closed
Concordia College Alabama (HBCU)	South	2018	Closed
Crossroads College	Midwest	2016	Closed
Dowling College	Northeast	2016	Closed
Grace University	Midwest	2018	Closed
Green Mountain College	Northeast	2019	Closing
John Wesley College	South	2018	Merged (Piedmont International University)
Marygrove College (undergraduate program)*	Midwest	2018	Closed
Marylhurst University	West	2018	Closed
Morthland College	Midwest	2018	Closed
Mt. Ida College	Northeast	2018	Closed (University of Massachusetts Amherst acquired physical assets)
New Hampshire Institute of Art	Northeast	2019	Merged (New England College)
Newbury College	Northeast	2019	Closed
Saint Joseph's College	Midwest	2017	Closed
Shimer College	Midwest	2017	Acquired (North Central College)
St. Catharine College	South	2016	Closed
St. Gregory's University	South	2017	Closed
Trinity Lutheran College	West	2016	Closed
Wheelock College	Northeast	2018	Merged (Boston University)

(Boston University, 2018, Busta, H, 2019)