



**MAGUIRE
ASSOCIATES**

*Advancing
Higher Education
Through Insight
and Innovation*

Finding Your Value Fingerprint

Assessing Value & Price Sensitivity Through Research

31st Annual EAIR Forum - Vilnius, Lithuania
August 25, 2009

Presentation Outline

- **Introductions**
- **Why are “price sensitivity” and “value” important?**
- **Strategic pricing & value enhancement framework**
- **From research to action**
- **Questions**

Introductions

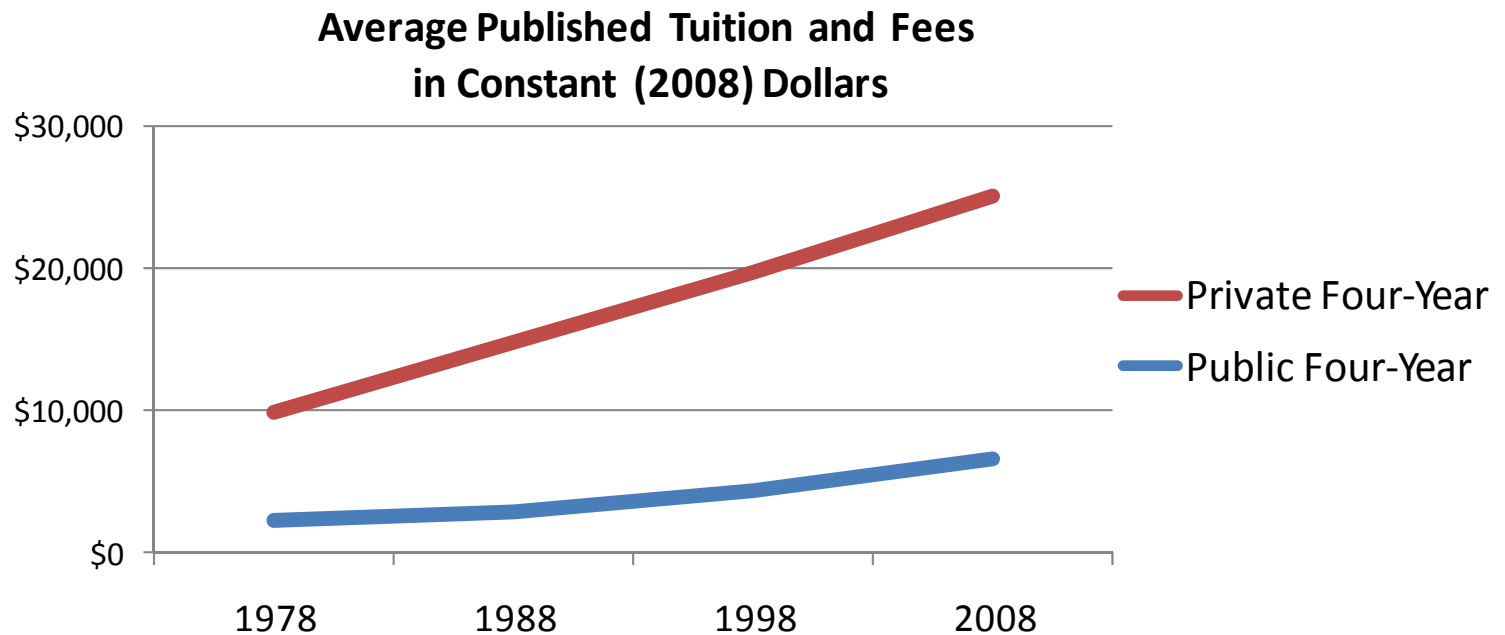
About Maguire Associates

- A 25 year-old, research-based consultancy
- Served over 350 educational institutions and consortia
- Staffed by a team of market researchers and higher education and marketing practitioners
- Core service areas include:
 - ✓ ***Pricing Optimization & Value Enhancement***
 - ✓ Strategic Financial Aid Modeling
 - ✓ Student Recruitment Optimization
 - ✓ Enrollment Management Consulting
 - ✓ Student Satisfaction & Retention
 - ✓ Strategic Planning
 - ✓ Advancement & Alumni Engagement
 - ✓ Branding & Image Development
 - ✓ Integrated Marketing

Why are
“*Price Sensitivity*” and
“Value” Important?

Rising Cost of a College Education

- In the U.S., college tuition has for many years outpaced family income and the cost of living.
- Today, some private colleges and universities have even surpassed \$50,000 in the total cost of tuition plus room and board.

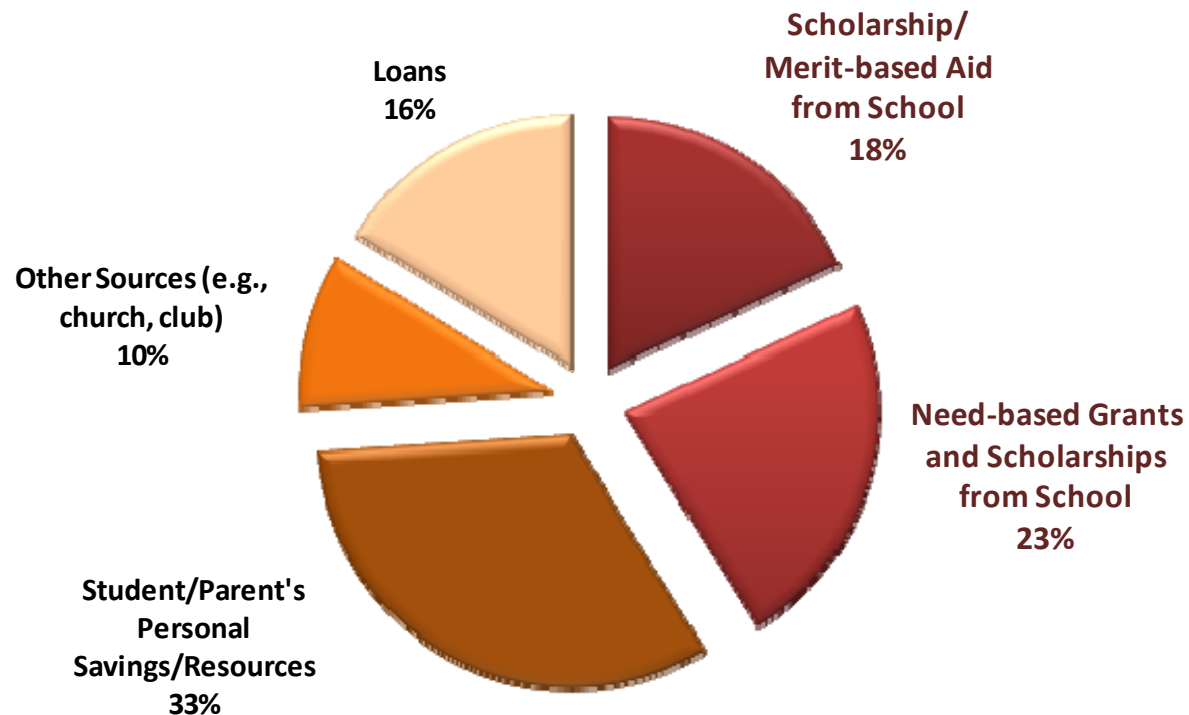


Source: Trends in College Pricing (College Board, 2008).

Students' High Expectations for Financial Assistance

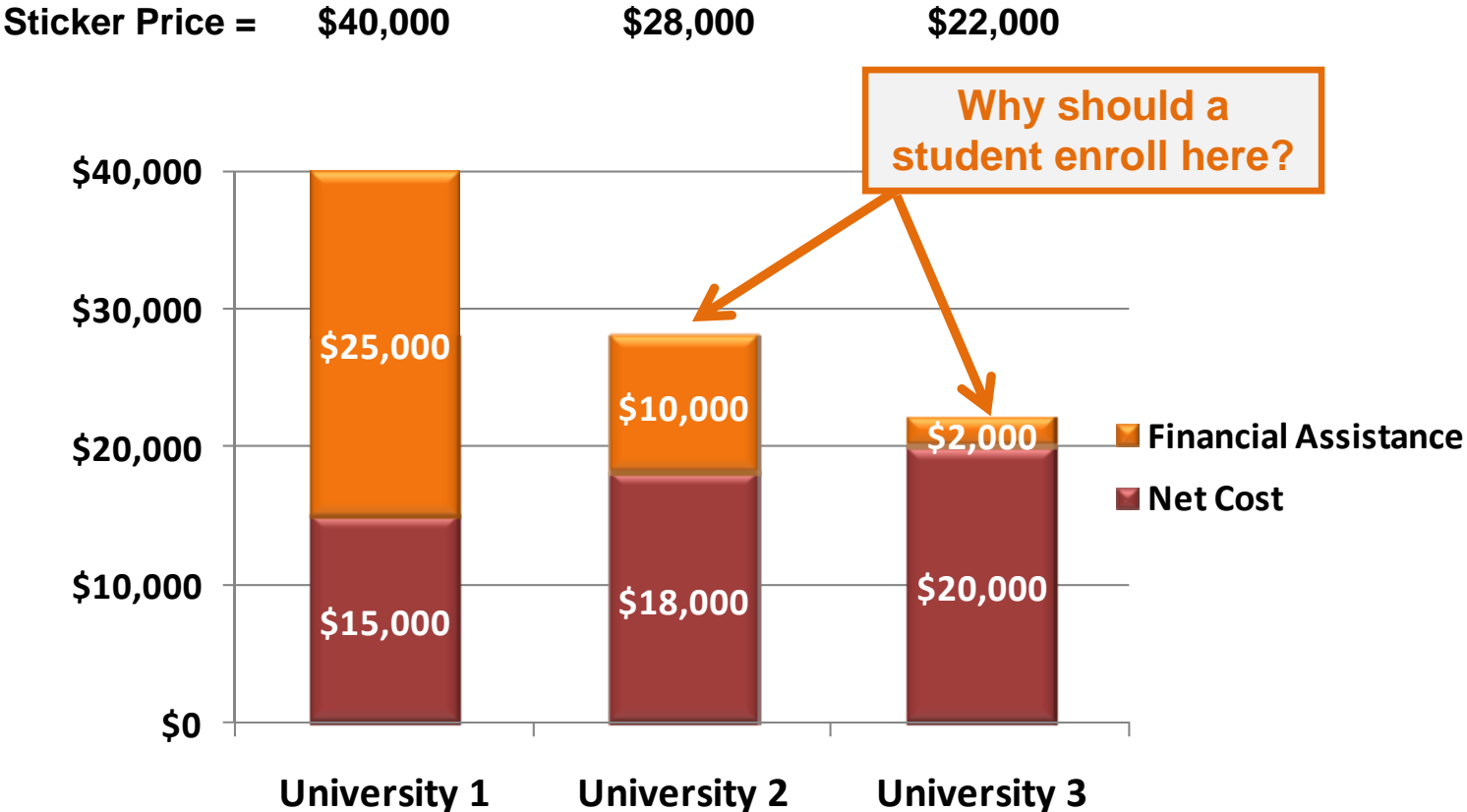
- Many prospective students in the U.S. are focused on net cost and the makeup of their financial aid package in their college decision making.

College Financing Plans



Impact of Differing Discount Rates

- Differences between the “sticker prices” of institutions can be wiped out by differing discount rates.



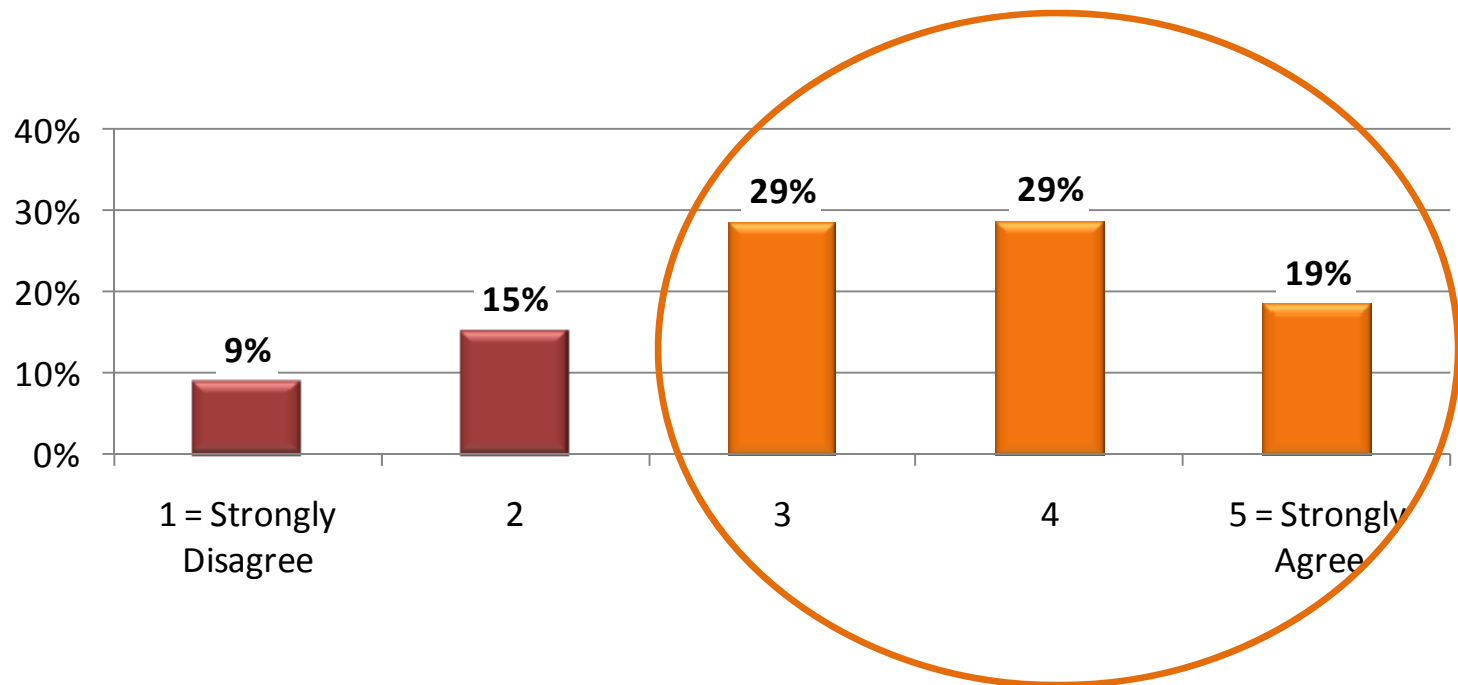
Students are strongly
value-oriented.

They seek quality that far
exceeds the costs they incur for
an education.

Students' Willingness to Pay

- College is often seen as an investment and many students will invest more in a higher quality education.

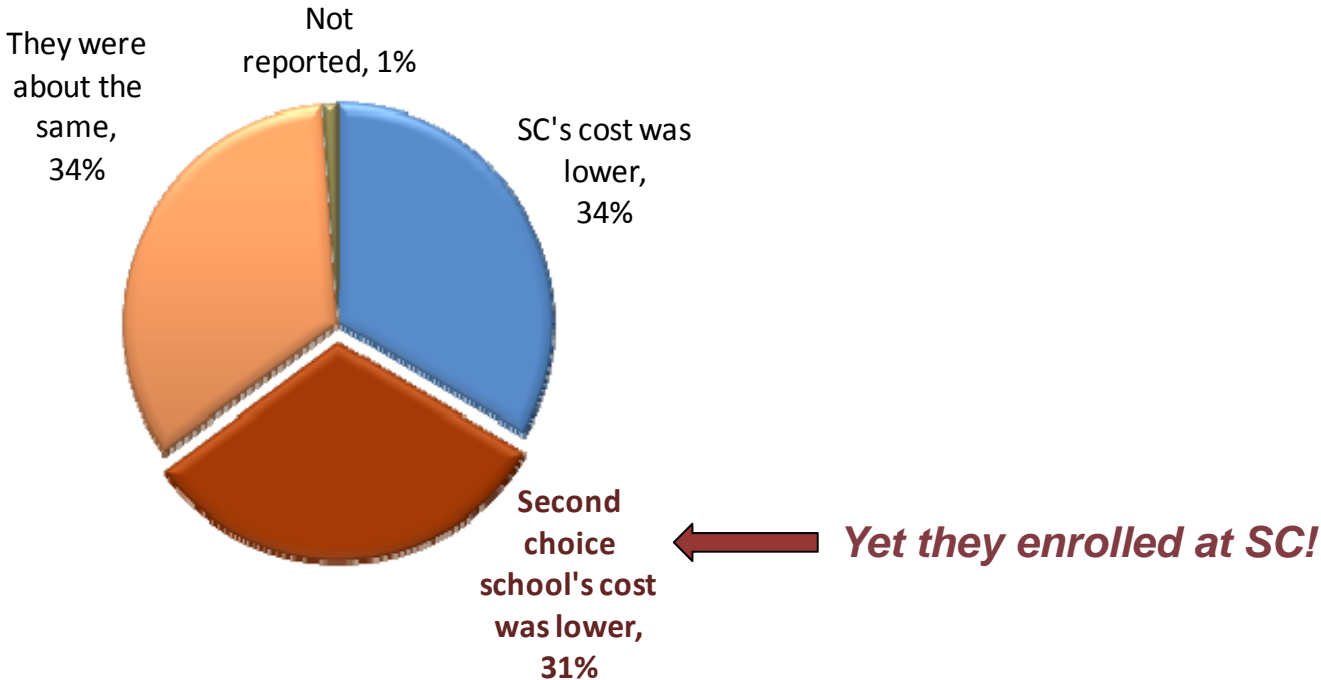
“I am willing to assume debt, or deepen my financial commitment, for a higher quality education.”



Enrolling Students' Net Cost

- Many students do not attend the least expensive option that is available to them.

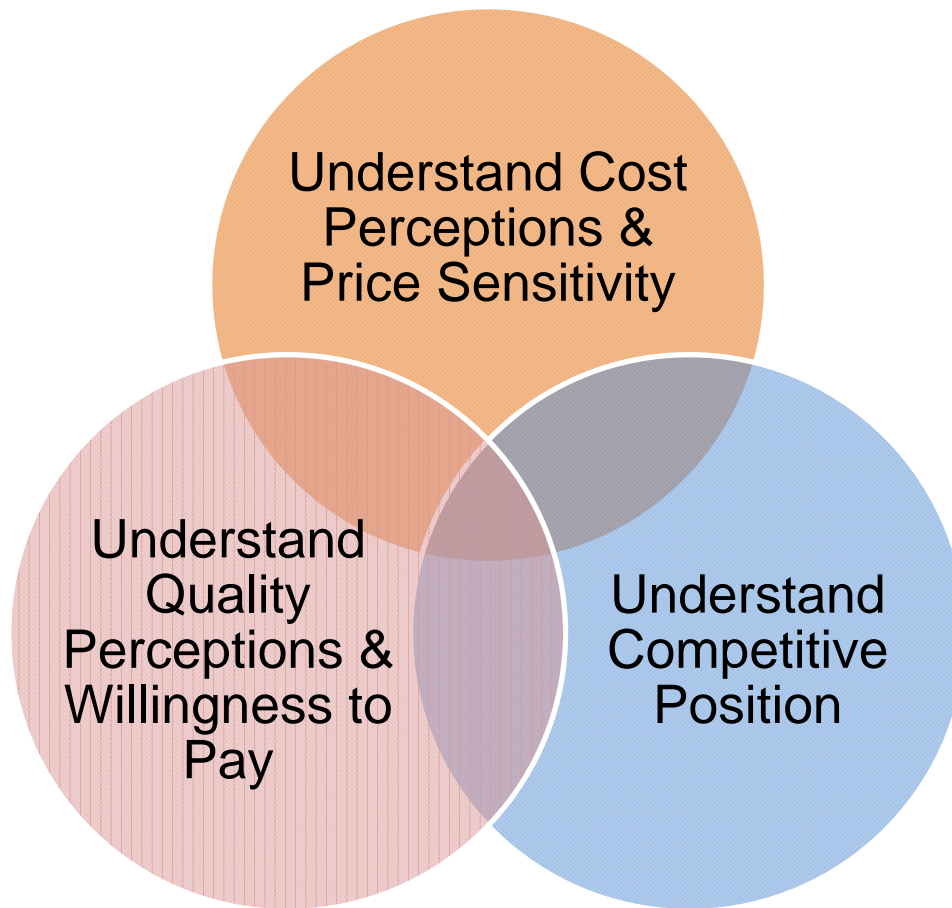
SC's Net Cost* Compared to the Net Cost of Students' Second Choice School



* List price minus financial aid.

Strategic Pricing & Value Enhancement Framework

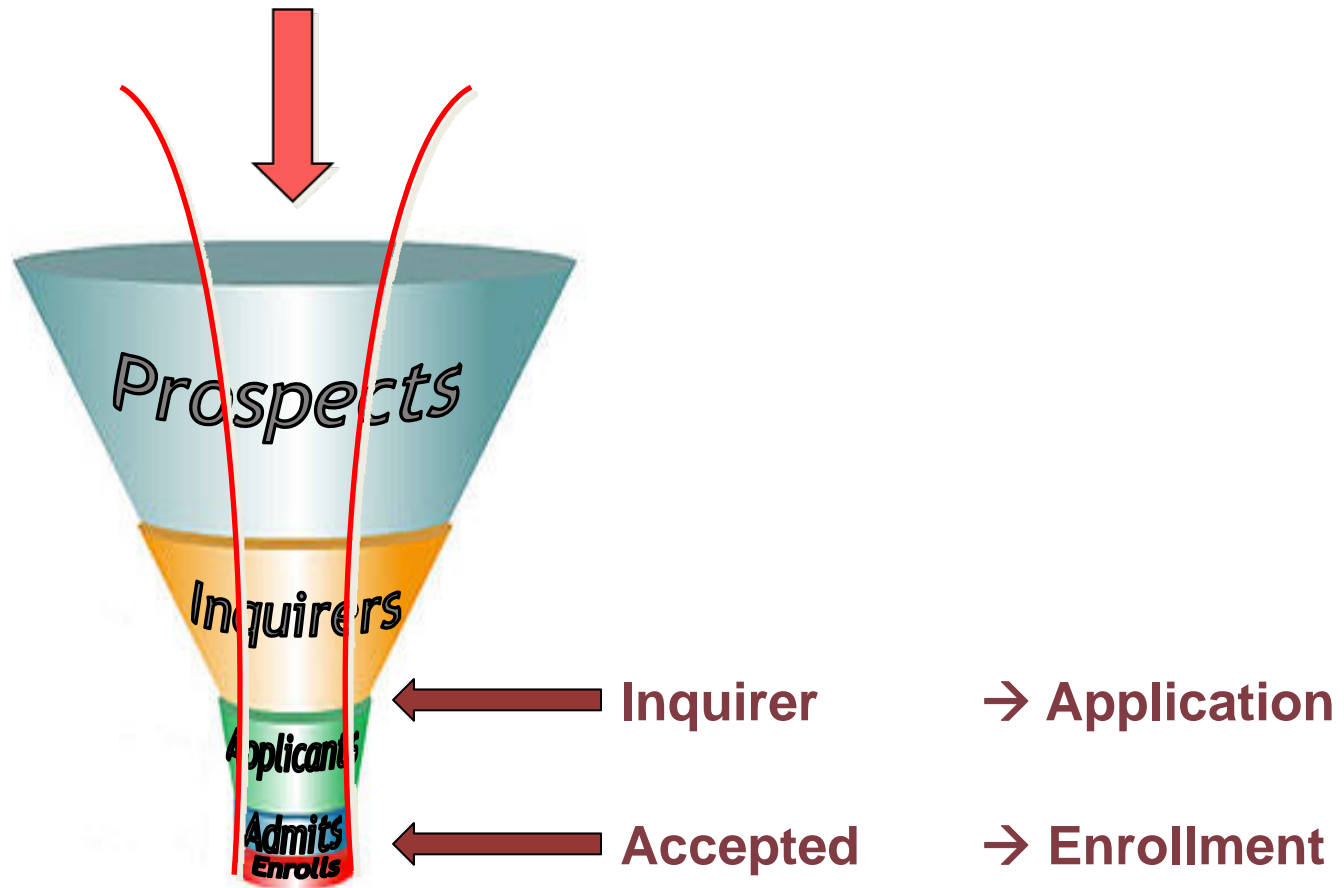
Strategic Pricing & Value Enhancement Framework



Methodology

- Survey Research
- Predictive Modeling
- Secondary Research

Two Critical Decision Points



Understanding Cost
Perceptions & Price
Sensitivity



Understanding
Quality Perceptions &
Willingness to Pay



Understanding
Competitive Position

Key Question

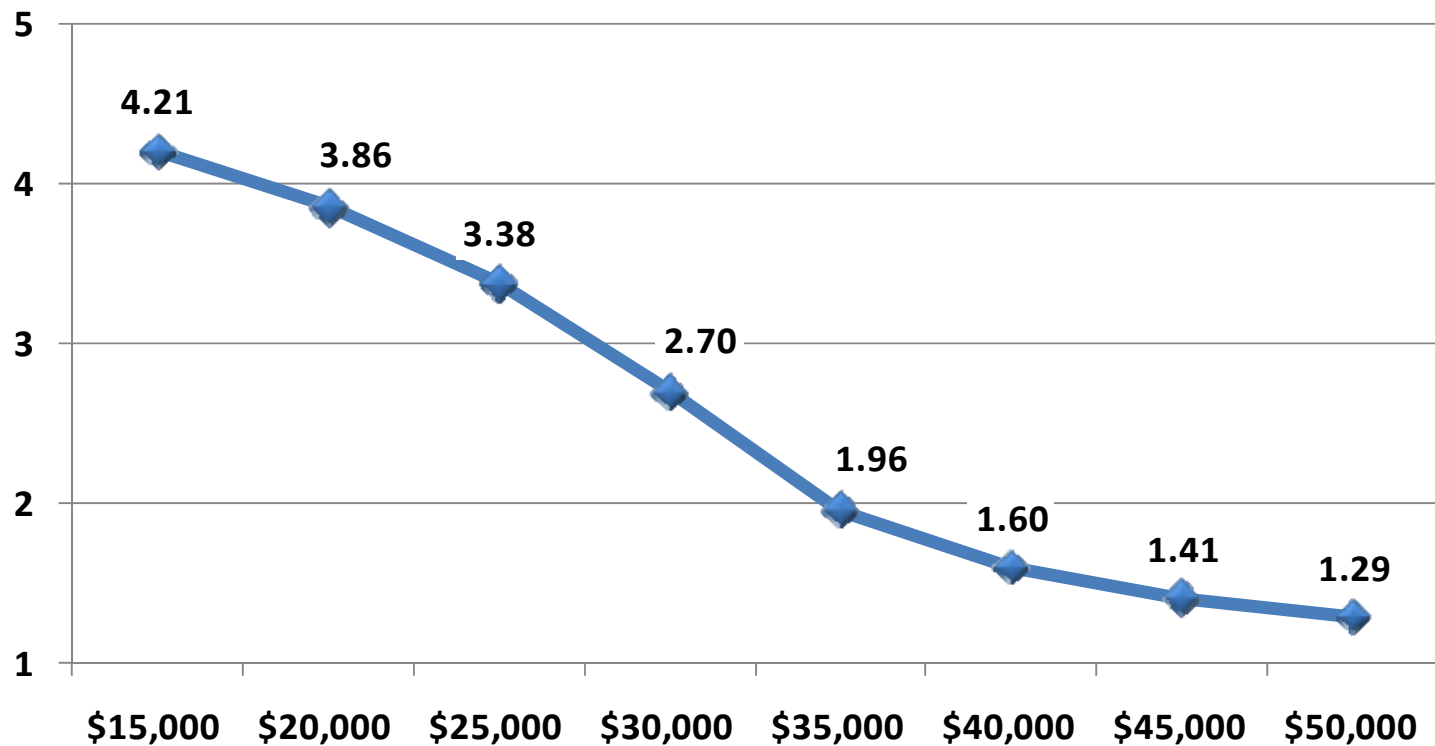
- What role do **costs** and perceptions of the **availability of financial aid** play in students' application and enrollment decisions?

Useful Techniques

- Price-point analysis
- Cost ladder testing*
- Optimal price adjustment
- Predictive modeling*

Market Reaction to Costs

Likelihood of Enrolling among Likely Applicants at Particular First-year Costs



Scale: 1 = Very unlikely to enroll to 5 = Very likely to enroll

Predictive Modeling Typical Predictor Variables

Application Status	Quality measure/ Exam Score	GPA Score	Early Decision Application
Gender	Cost of Attendance	Financial Aid Applicant	Financial Need
Institutional Aid per Student	Academic Institutional Rating	Home State	Ethnicity
Legacy Status	Commuter/ Resident Status	Academic Interest	Other

The Logistic Model

Enrollment Predictors

Direction

Variable

+

Scholarship Amount

+

In-State

-

SAT

-

High School GPA

-

Male

-

Minority

-

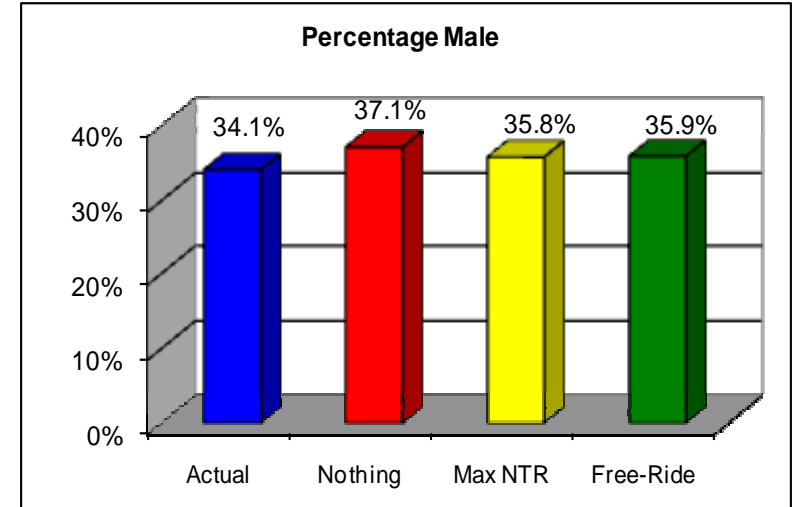
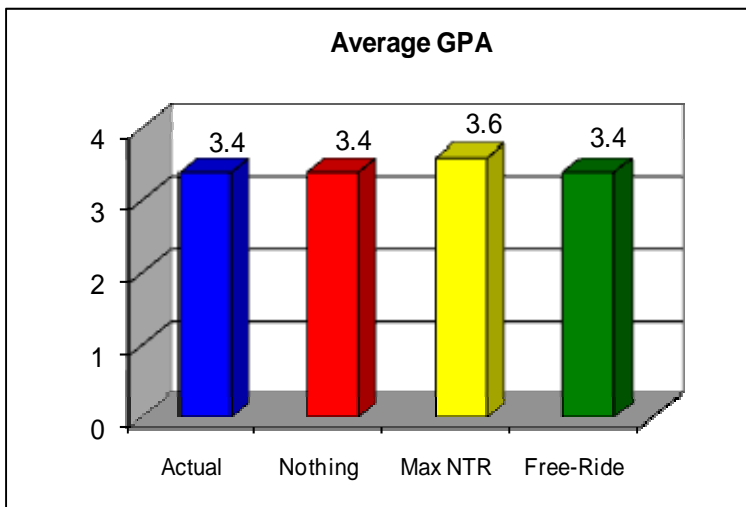
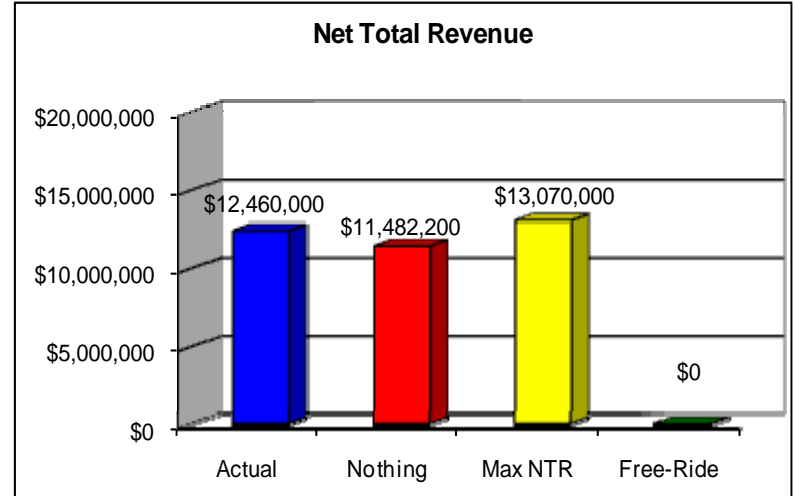
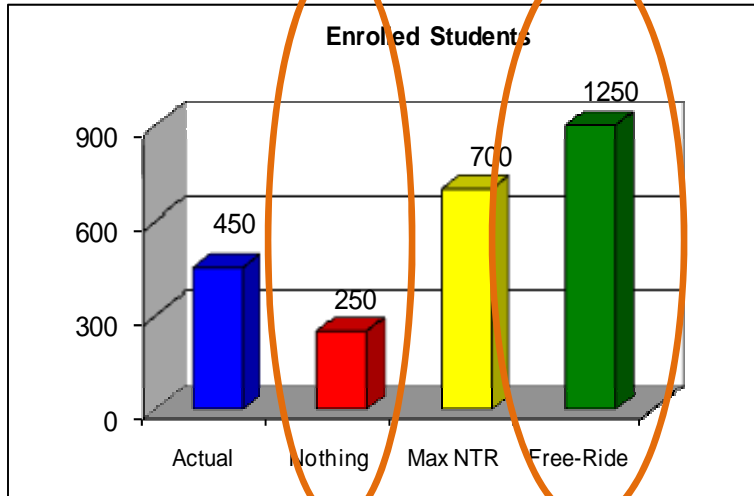
Applying to Arts and Science

-

Applying to Business Program


Sample College Price Boundaries

Ratio: $1250 / 250 = 5$ to 1



Price Elasticity

- **Low** – Financial aid does not have much of an effect on students' enrollment decisions.
- **High** – Net cost is a dominant factor in students' enrollment decision and their decision making is very sensitive to financial aid offers.
- **Medium** - Students admitted to these schools tend to respond to less expensive financial incentives and therefore bring in more net revenue.



Greatest opportunity to use financial aid strategically to shape incoming classes.

Understanding Cost
Perceptions & Price
Sensitivity



Understanding
Quality Perceptions &
Willingness to Pay



Understanding
Competitive Position

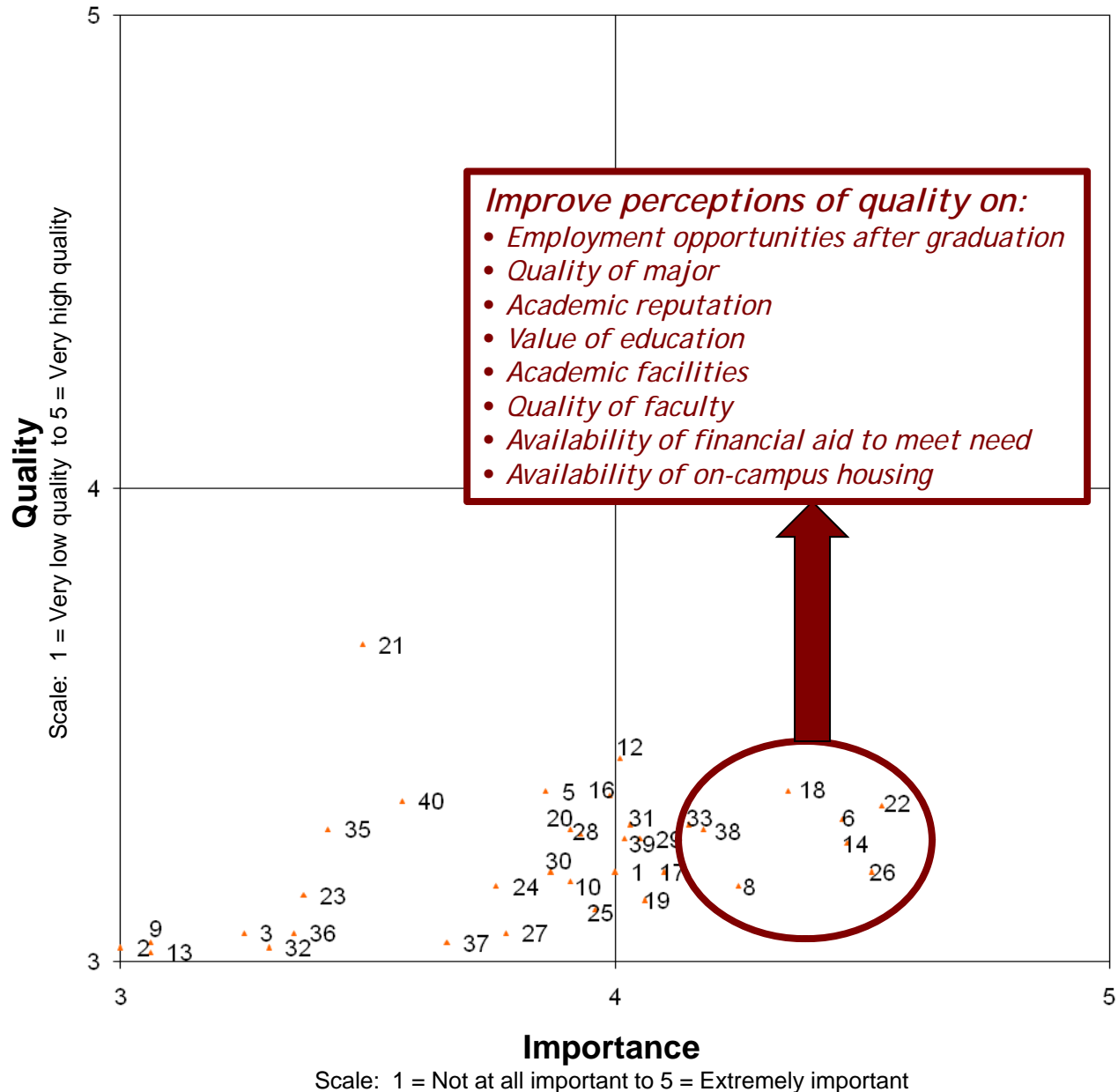
Key Question

- What **educational priorities** drive up students willingness to pay for a college education in general and which **attributes** and **promises** most drive application and enrollment at your school?

Useful Techniques

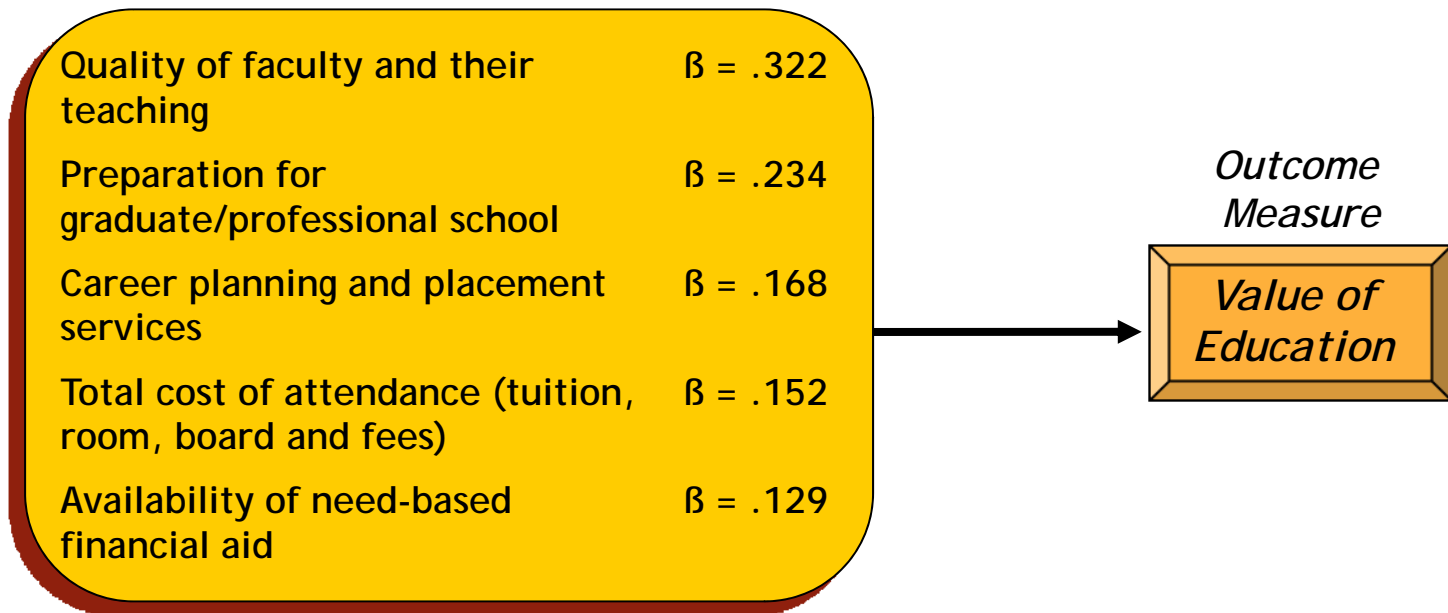
- Scatterplot analysis*
- Multiple regression*
- Factor analysis
- Correlation analysis

Inquirers' Quality by Importance



Primary Drivers of Perceived Value

Predictive Model of Perceived Value of Education at a Sample College



*Scale: 1 = Very Low Quality to
5 = Very High Quality*

Understanding Cost
Perceptions & Price
Sensitivity



Understanding
Quality Perceptions &
Willingness to Pay



Understanding
Competitive Position

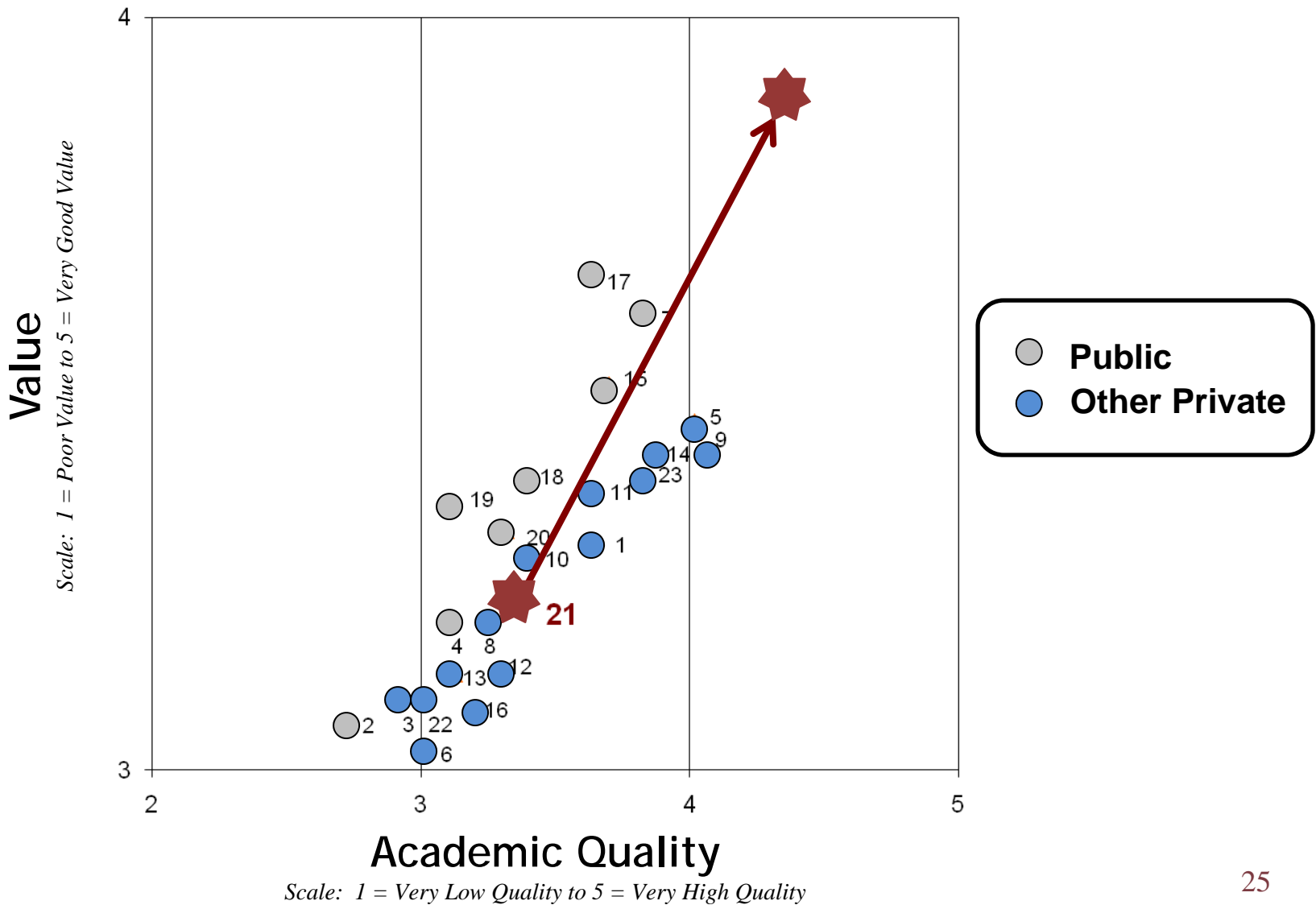
Key Question

- Who are your institution's top competitors at the application and enrollment stages, and how can you capitalize on your advantages and **position** your institution against different categories of competitors?

Useful Techniques

- Scatterplot analysis*
- Competitive benchmarking*

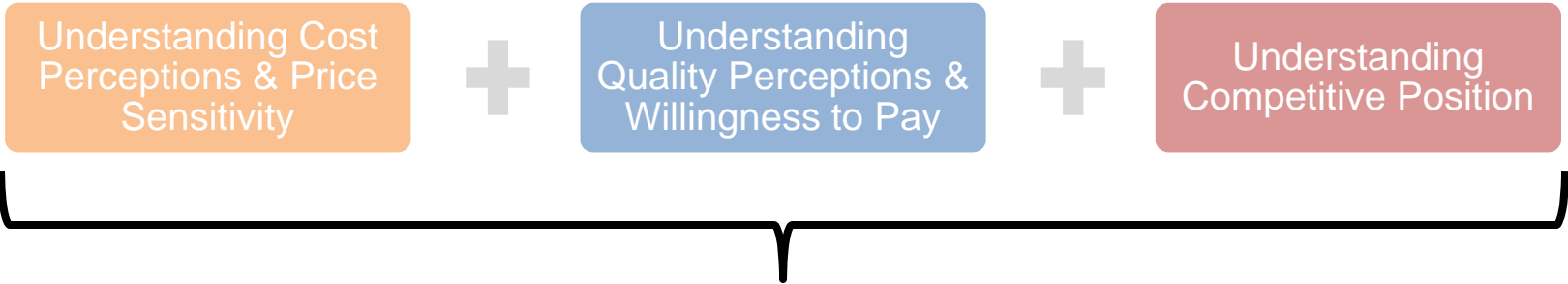
Competitive Position



Benchmarking

	School	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Public/Private	Private	Private	Private	Public	Public
Total Undergraduates	4,718	4,803	5,699	2,494	16,381
Academics					
Student-to-faculty ratio	14/1	14/1	13/1	12/1	10/1
Graduation rate	66%	72%	70%	68%	76%
Admissions					
Number of applicants	4,634	7,273	7,716	3,172	5,278
Acceptance rate	82%	51%	59%	82%	74%
Number of Acceptances	3,798	3,709	4,568	2,590	8,753
Yield Rate	24%	29%	29%	22%	34%
Cost					
Private tuition and fees	\$24,920	\$25,064	\$25,744	\$23,470	\$15,512
Room/Board	\$9,780	\$11,260	\$9,456	\$9,530	\$5,998
Financial Aid					
Students receiving need-based grants	50%	51%	49%	55%	43%
Percent of need met	72%	94%	78%	76%	62%
Average financial aid	\$19,440	\$21,295	\$18,095	\$20,460	\$8,466

From Research to Action



- Set the “best” financial aid and scholarship awarding amounts to optimize net revenue
- Improve enrollment among target populations
- Impact value perceptions in the marketplace
- Inform key marketing messages
- Develop a stronger financial base to support operational needs and other strategic goals

Resource @ www.maguireassoc.com:

“How Your Institution Can Change Its Value Perception”

Questions

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