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STAMATS

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## *Occasional Paper*

# Wise Moves in Tough Times

## Responding to Today's Marketplace

By any measure, these are tough times. Adding to the angst is an increasing uncertainty on how students and their families will respond to a struggling economy. To help provide insight and direction, we wanted to make a handful of observations and suggestions about today's marketplace drawn from recent reports in the media and conversations with dozens of clients, students, and families. We will organize our comments into three broad sweeps:

- What you can expect from students (and parents)
- What colleges should not do
- What colleges should do

Before we move into our discussion, we want to describe the type of school that will be most impacted by the changing economy. Of course, having one or two of these attributes does not mean that you are in trouble. At the same time, if several of these attributes queue up at your institution, then there is every likelihood that there is a difficult road ahead. The institutions most likely to be affected by the economy are schools that:

- Are rural
- Have a high discount rate (unclear value)
- Have small endowment (less than three times the annual budget)
- Have chronic debt
- Have a few unallocated dollars (little liquidity or ability to invest in a new initiative)
- Lack differentiation from competitors
- Are profoundly tuition-driven
- Have current students that are disproportionately on loan-based aid
- Have academic programs that are too similar to those of major competitors and have a price point that is higher than major competitors

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## WHAT YOU CAN EXPECT FROM STUDENTS (AND PARENTS)

In many respects, these are continuations and accelerations of existing trends. It is the confluence of these trends, however, that is problematic.

First, students will apply to more and more schools. This is partly driven by technology (it is so much easier to apply) and a keen interest in shopping for aid. This trend began a couple of years ago, but it is getting worse. More and more, the number of applications you receive is a poor indicator of final enrollment. You can also expect a greater “melt” from deposits to enrolled students.

Second, because the downturn in the stock market and a general decline in home values have impacted parents’ ability to pay for college in general, and private higher education in particular, the number of students opting for two- and four-year public institutions and proprietary and for-profit schools will increase at a faster rate. We can also expect more students to attend part-time and to commute rather than live in dorms.

Third, students will transfer more often. Many will begin at two-year public schools and transfer to four-year institutions. Others will begin at four-year public schools and transfer to four-year private institutions.

Fourth, though the aid picture is very cloudy right now, current and prospective students will expect more aid (including gifts, grants, and loans) because family contributions will be down. They will

have more questions about financial aid and they will likely appeal their initial aid package. Be prepared to negotiate.

Fifth, students will be very wary of aid packages that are predominantly loan-based. If loans comprise the bulk of their first-year’s financial aid package, then there is a strong likelihood that they will seek a less expensive option for their second year.

Sixth, more students will need to work while attending school. In choosing a school, they will be sensitive to institutions that are flexible and accommodating to their schedule. Expect graduation and retention rates to stay flat or decline.

Seventh, students will flock to majors with clear job prospects. Job security will be more important than high salary. Career planning and placement will be pivotal.

Eighth, students will attend school closer to home. The high cost of airfare and travel, and the fact that families tend to stick closer together in challenging times, means fewer students will be going out of state and across the country.

Finally, parents will be even more involved in the college choice process.

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## WHAT COLLEGES SHOULD NOT DO

There is a great danger in overreacting to the marketplace. To help head off some mis-steps, we offer a short list of things that a college should not do in these challenging times:

First, do not panic. We have been through this before (remember the early ‘90s), and we will likely go through it again.

Second, do not dramatically increase tuition. Ideally, your increase should not be any greater than the average tuition increase of your cohort group. At the same time, resist the temptation to raise fees or enact new fees.

Third, avoid any knee-jerk changes in your pricing or financial aid strategies. We are already hearing about schools “locking in tuition,” offering “tuition rebates,” and even lowering tuition. Solid pricing and financial aid strategies are one thing, gimmicks are another.

Fourth, do not implement new academic programs with the idea that more programs will attract more students. “More” is almost never the answer. If dollars are tight, in fact, doing and offering “more” actually diminishes quality.

Fifth, do not expand student search. There will be a temptation to buy more names. What you will do is generate more false positives—students who have no real interest in your school. It is much better to swarm fewer students than to have a nominal relationship with more.

Sixth, do not lower your academic quality. It is better to marginally miss a class than to lower quality in a search of more bodies.

Seventh, do not invest in a new secondary recruiting market with the hopes that you will attract students for ‘09. There simply isn’t time. Remember, it is always easier and less expensive to get more students from your primary market than to recruit students from a secondary market.

Eighth, do not proceed without research. Now more than ever, you need clear data on how you are perceived and compared, students’ majors of interest and motivations, and their channel preferences.

Finally, do not retrench, especially in recruiting, marketing, and fundraising. Wise investments in these areas will generate solid returns. It makes no sense to reduce expenditures in the areas that attract the most resources to an institution.

## WHAT COLLEGES SHOULD DO

We just outlined a handful of things not to do. Let's take a look at some activities you should initiate. After addressing a couple of strategic issues, we want to focus on recruiting, marketing, and fundraising. Most of these recommendations fall into a category of "back to the basics." We will begin with strategies that will impact the near-term and conclude with some longer-term strategies:

### Near-term

First, identify the key metrics that really reveal how you are performing in key areas. Insist on a clear definition of what that number means and what it will take to move it. Focus on those metrics, and ignore the detail that often gets in the way.

Second, revisit your strategic plan. Reprioritize initiatives. Focus on those initiatives that will have the most immediate impact on recruiting and fundraising.

Third, communicate well and often to both internal and external constituencies. Let them know what is happening and what you are doing in response to what is happening. This is definitely a time to overcommunicate.

Fourth, budget for a smaller class. It is much better to budget for a smaller class now than to cut budgets later.

Fifth, if you need to cut or trim a budget, don't be fair—be strategic. A fair approach means everyone has the same reduction. A strategic approach, however, means that viable programs are spared and marginal programs are eliminated. Use the recouped dollars to invest in other programs with greater market interest.

Sixth, be "high touch" with the students already in your funnel. Work hard to address their concerns and issues. Position yourself as a resource and a partner.

Seventh, conduct a tuition pricing elasticity study. These studies can pinpoint how planned increases in tuition will impact market share. They can also isolate the drivers (attributes) that most significantly impact the perception of value.

Eighth, undertake a student recruiting audit and a financial aid audit. Make sure the recruiting audit includes a communication process map. Mapping your communication flow will squeeze out your waste and increase efficiencies. There is no better time for professional help in these critical areas.

Ninth, focus on recruiting and marketing activities that you know work. Do not invest in new initiatives that will drag resources away from proven strategies. Cut out poorly executed ideas and apply those resources to your tried-and-true.

Tenth, create a profile of persisting students and match that profile to your prospects and inquiring students. Spend more money recruiting these students and less money on students that do not fit your curve.

Eleventh, identify your top four or five competitors and gather competitive intelligence. Understanding your competitor set gives you the opportunity to position yourself against those competitors.

Twelfth, consider expanding an already existing international recruiting strategy. The battered dollar means that a U.S. education has never been more affordable for international students.

Thirteenth, hire and deeply train the best recruiting, marketing, and fundraising staff you can. There is nothing more helpful than talent. Become a talent magnet and don't be afraid to reward those who truly perform well.

Fourteenth, make sure your campus visit program shines. Students seldom attend a school that they don't visit or where they had a poor visit experience. Your visit must be demonstrably better than the visits offered by your competitors. It must "Wow!"

Fifteenth, expand your retention efforts, including the creation of an early warning system or the period between November and the start of the second semester or quarter.

Sixteenth, develop a high school relations strategy that targets your top 50 feeder high schools. Flood these schools.

Finally, conduct your annual fund twice in the next year. Really, no one will notice.

### Longer-term

The strategies presented below will likely not impact fall '09, but they will impact fall '10 and beyond.

First, build a brand on a solid and valued point of differentiation. The more you sound like your competitors, the more students will differentiate you on another variable—like cost. This point of differentiation must clearly answer the question: what makes you worth it? If you can't answer this question, then it is doubtful that your prospects can either. And remember, get your brand out ahead of search.

Second, consider a near-term and long-term capital campaign. If you are well-managed and well-lead, donors will step up to help you with your immediate needs, especially if you have a clear plan of action. However, if you are not well-led and well-managed, then donors will resist your overtures.

Third, develop an effective transfer student policy based on friendly articulation agreements.

Fourth, develop an alumni recruiting network to assist with student recruitment.

### Summary

We hope these ideas are helpful. Please don't hesitate to give me a call if you have questions or comments.

One reminder. We have a number of *White Papers* covering related topics on our Web site. You can download them at:

[www.stamats.com/whitepapers](http://www.stamats.com/whitepapers).

## WISE MOVES IN TOUGH TIMES WEBINAR

**December 4, 2008 1:30-3:00pm (Central Time)**

*An audio CD of this event is available.*

Join experts from two of the nation's most experienced higher education consultancies—Stamats and Scannell & Kurz—in an upcoming Webinar during which we will explore a series of marketing, recruiting, and financial aid strategies that will help your institution maintain traction in today's ever-changing marketplace. During this 90-minute session, we will discuss such issues as:

- How students and parents will respond to today's economic crisis
- The types of institutions that will benefit from, and be hurt by, today's marketplace
- Five recruitment strategies you want to avoid in the months ahead
- How to identify the type of student that is most likely to enroll at your institution
- How to determine, with certainty, how a planned increase in tuition will impact market share
- How to identify the brand drivers that students will pay more for
- Five short-term tactics that will increase the near-term effectiveness of your recruitment program
- How to think about the changing role financial aid needs to play given the changes in the external environment

To register, or for more information, visit

[www.stamats.com/wisemoves](http://www.stamats.com/wisemoves)

## ABOUT STAMATS, INC.

Stamats, Inc. is the nation's leading provider of integrated marketing solutions for higher education institutions. Our legacy of integrated, collaborative work includes publications, research, brand marketing, direct marketing, interactive media, planning, consulting, and advertising. Every year, more than 100 colleges and universities trust the team of integrated marketing professionals at Stamats to help them identify, communicate, and keep their institution's brand promises.



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