

EXECUTIVE SUMMARY

- **Looking forward, the corridor for success for many private colleges (perhaps most) will be increasingly narrow.** How will we align our values with the marketplace and in relation to our competitors? Our challenge as institutions will be to create distinction in a crowded marketplace and to be more transparent and compelling in the way we convey that distinction.
- **College affordability—both real and perceived—is among the most pressing issues today in higher education.** Affordability and “access-to-the-education-I-want-for-my-child” are generally interchangeable public concerns. As both price and the economic and social return on education rise, higher education finds itself in a conundrum similar to the one the health industry has faced for years: the experience is lionized as valuable and a necessity while the producer is demonized for poor price management. Though often examined only in relation to sticker price and family income, college affordability is influenced both by ability to pay (the family resources required after consideration of all sources of assistance) and willingness to pay (a judgment about value independent of income). Increasingly, not only families but also institutions must address the same questions. Can my institution *afford* to enroll this student? Is my institution *willing to invest* in this student? In other words, in the new economics of higher education, the question of affordability not only has implications for demand but also for supply.
- **Your future prospects depend, in part, on where you live—which makes deep knowledge of the local and regional market an imperative.** In spite of media reports forecasting a tidal wave of higher education enrollment in the next decade, prospects for growth, or even maintenance of current enrollment, are not evenly distributed across the country. Many regions of the country (most notably the Northeast and Midwest) will experience nearly continuous declines in the traditional-age college population over the next decade. For any individual institution, demography is not destiny. It does, however, provide a particularly powerful and important lens through which we can view and define our opportunities and imperatives.
- **While college students often are characterized as footloose travelers crisscrossing the country to pursue their educational dreams, most of American higher education operates locally or regionally, not nationally.** Fewer than one in five private college students travels a long distance to college, and nearly half of all new students in the United States travel less than 100 miles from home to college. In other words, they buy what they know, and what they know best is local. The local environment (however understood geographically) defines both the challenges and the opportunities for the vast majority of private and public colleges in the country. Though we might like to believe otherwise, most higher education brands are local. And the local area defines not only our primary enrollment market but most often also includes all of our primary competitors.
- **Money matters more than it ever has—both in relation to meeting demonstrated financial need and as an enrollment inducement independent of need.** In just the last five years, institutional grant aid

awarded by members of the Council of Independent Colleges increased by more than \$1 billion—an increase of more than 50 percent in just half a decade, and a rate of growth twice as fast as the rate of increase in average tuition and five times faster than growth in undergraduate enrollment. Though data detailing how that aid was distributed often are scarce, strong anecdotal evidence suggests that a very significant portion of the increase was awarded in the form of characteristic-based grants—merit aid offered independent of ability to pay. In the race to enroll students—particularly high-achieving students, who often come from families in upper-income brackets—we almost surely have created a marketplace where nearly everyone perceives himself or herself as “needy,” or at least “deserving.” As a result, today the enrollment marketplace bears an increasingly disturbing resemblance to “Let’s Make a Deal.” We have conditioned families of all types and means to seek and demand a sale price.

- **Higher education is an intensely competitive industry, and the combination of demographic change and an increasing desire to enroll high-achieving students will up the competitive ante even further.** Though circumstances vary greatly by region or locale, taken as a whole, there may simply be too many seats chasing too few students, or, more accurately, too many seats chasing too few students of a particular type or characteristic. The stakes associated with meeting enrollment goals are particularly high since we are not, by and large, a “repeat customer” industry. An undergraduate education is most often a once-in-a-lifetime purchase—meaning we either enroll you now at whatever price or do not enroll you at all, ever. The binary nature of the transaction intensifies the competitive engagement among colleges and places enormous pressure on price competition. While a great deal of attention is paid to the seemingly endless enrollment demand for a handful of prestigious private colleges (described recently in the *Atlantic Monthly* as the “gotta get ins”), most of the more than 1,600 private colleges in the country operate along the continuum of respectability and survivability, and must simultaneously worry about making and shaping their classes.
- **We enter our future having invested heavily in our past and present.** As the expectations, needs and demands for higher education change, our relevance—and even our survival—demand that we better understand how values and value creation integrate mission and market. Too many strategic plans begin with a simplistic affirmation of mission and values, and then follow with an environmental assessment—as if mission and environment operate independently of one another. They do not. Mission and market assessment must be conducted simultaneously to ensure a two-way value connection.
- **Money and rankings matter more than they should today because too many colleges have not identified nor clearly articulated distinguishing purposes, experiences or outcomes.** We must define for ourselves and our students clear and compelling value markers beyond price and units of input that make it clear why the education we each provide is worth pursuing and purchasing in the first place. In a post-discounting world, the lure of money cannot be the primary tool for differentiation, because it will forever expose us to those who are wealthier than we are or more foolish than we are, or, heaven forbid, both.