



WHITEPAPER

Competitive Marketplace Pricing Report: A Case for Change

Colleges and universities are grappling with a rapidly changing landscape as overall enrollments are declining, students have more higher education options, and trends in escalating prices are unsustainable.

In this competitive environment, institutions are considering new strategies:

Should we increase our published price?

Should we increase our discount rate?

What is the prognosis if we don't change?

Published prices, net prices, and discount rates reached all-time highs leading up to the COVID-19 pandemic. Many institutions were discussing tuition changes and new financial aid award strategies in the past.

The pandemic disruption has accelerated the need to create new strategies to better serve students while increasing institutional sustainability. Unfortunately, internal pricing data is not enough to understand the potential costs and benefits of strategic changes.

Competitive Marketplace Pricing Report

At SightLine, we have focused on assessing the overall higher education marketplace to help colleges and universities optimize their **student yield rates, retention rates** and **net tuition revenue**.

This assessment is based on each institution's top competitors and the overall marketplace from the given institution's region, as well as general and university specific trends over time.

Our report will provide a baseline for your institution to create a long-term tuition and discounting award strategy with a holistic view.

Many institutions have made significant changes to their tuition and discount rates in response to the COVID pandemic.¹

Some colleges and universities have been more conservative by simply canceling their planned tuition increases. Others are offering more significant tuition discounts to students seeking education after losing their jobs as a result of the pandemic.

PROBLEM: The pandemic accelerated the need for new pricing strategies.

Enrollment and admission data generated from these strategic changes in strategy provide new opportunities to understand how students may respond to the changes universities have been contemplating.

To make these decisions, it is critical to assess the data we already have to drive new discounting or even tuition reset strategies moving forward.

For four year universities, public and private, median student enrollment yield rates have decreased by 9 percentage points over the past 10 years—a 24% decline in yields.

Generally, universities have held median discount rates relatively steady, increasing by just 4 points, while nationally, median published prices have increased by 40%² over the same 10 year period (Table 1).

TABLE 1

Median Enrollment Yield Rates Tuition Discount Rates & Published Tuition in 2009 & 2018

	ALL 4 YEAR (2009 vs. 2018)	PUBLIC 4 YEAR (2009 vs. 2018)	PRIVATE 4 YEAR (2009 vs. 2018)
Yield Rates	37% - 28%	45% - 33%	34% - 26%
Discount ³	34% - 38%	30% - 32%	36% - 41%
Published Price ⁴	\$26,670 - \$37,385	\$18,029 - \$24,450	\$33,061 - \$46,368

¹ <https://www.insidehighered.com/news/2020/06/01/colleges-counter-looming-enrollment-declines-tuition-bargains>

² IPEDS: <https://nces.ed.gov/ipeds/use-the-data>

³ Discount is the percentage difference between net price and published price.

⁴ Published Price is total advertised cost of attendance including tuition and fees, room and board, books as well as some additional expenses.

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Changes in pricing and discount rates are likely to impact yields and revenue differently at each institution, depending on socioeconomics of the student body, the pricing and discount strategies of close competitors and the current price and discounting strategy.

We use findings from our evaluation of national and regional data to help institutions understand how they are positioned relative to national and regional norms and even their specific direct competitors.

SOLUTION: SightLine's Strategic Pricing and Competitive Marketplace Reports—tailored specifically for you!

Your institution's tailored Strategic Pricing and Competitive Marketplace Report will help you to determine where your college or university sits in the current marketplace. This includes understanding how the net price to the student, published price, and discount rates impact yield rates in your region.

OUR CUSTOM STRATEGIC PRICING & COMPETITIVE MARKETPLACE REPORT WILL HELP YOU ANSWER THE FOLLOWING QUESTIONS:

How do our prices, discounts, and yields compare to distributions for national, regional norms and the direct competition?

Does published price or net price to the student have a stronger impact on student enrollment decisions? (i.e. which is more beneficial to adjust?)

Is increasing published tuition and discount rates a sustainable strategy? And if not, how long do we have to develop a new strategy?

How much do we need to adjust our published or net prices to make an impact on yield rates?

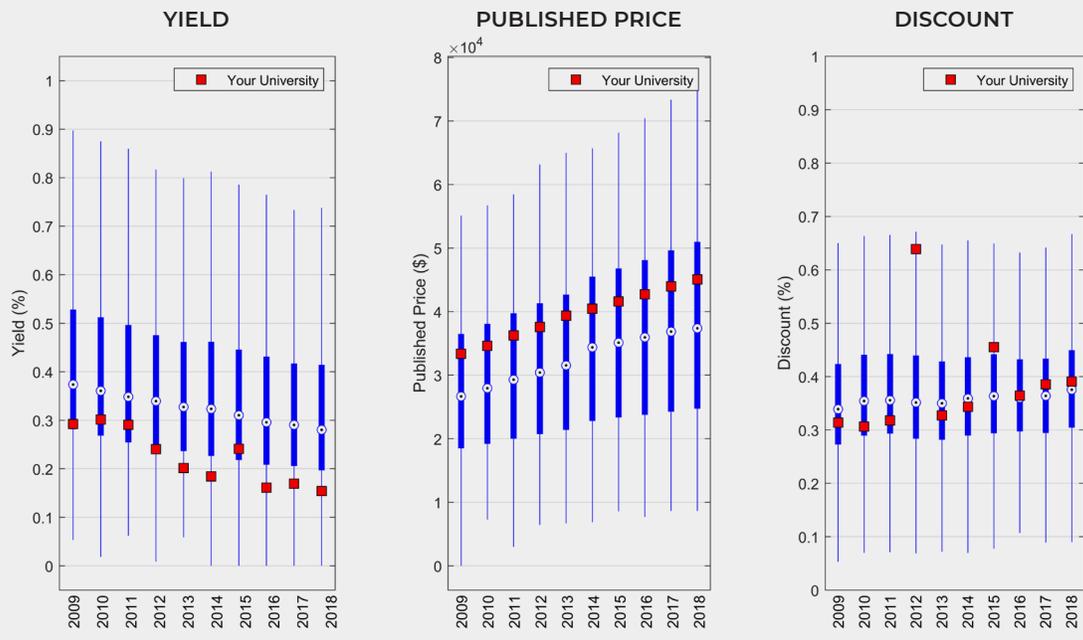
How will these changes impact our average tuition revenue per student?

Within our region and among our top competitors, will a small adjustment differentiate us enough to drive enrollment or is a more significant change needed?

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FIGURE 1

Yield, Published Price, & Discount for Four Year Institutions



National trends in yield, published price and discount rates for four year institutions with comparison to “Your” institution.

COMPARISON TO NATIONAL NORMS

Ten-year trends in yield, published price and discount rates are evident in Figure 1 showing declining yields, increasing prices and only modest changes in discount rates.

This plot also provides the actual rates for an individual (“Your”) institution as an example for comparison.

In this example, yields are consistently in the lower 25th percentile nationally and prices are correspondingly near the upper 25th percentile.

Discount rates appear to be more similar to national norms. This apparent inverse association between yield and published price suggests students are price averse, and potentially losing interest even before learning of the actual offers.

In our customized reports, we provide additional analyses and results comparing your institution with regional norms as well as your specific top competitors.

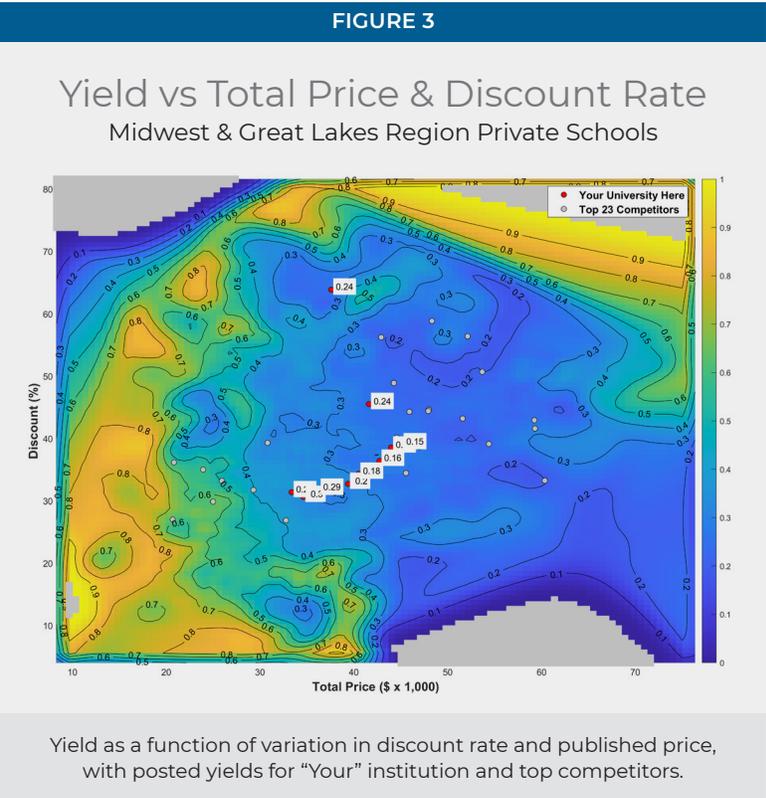
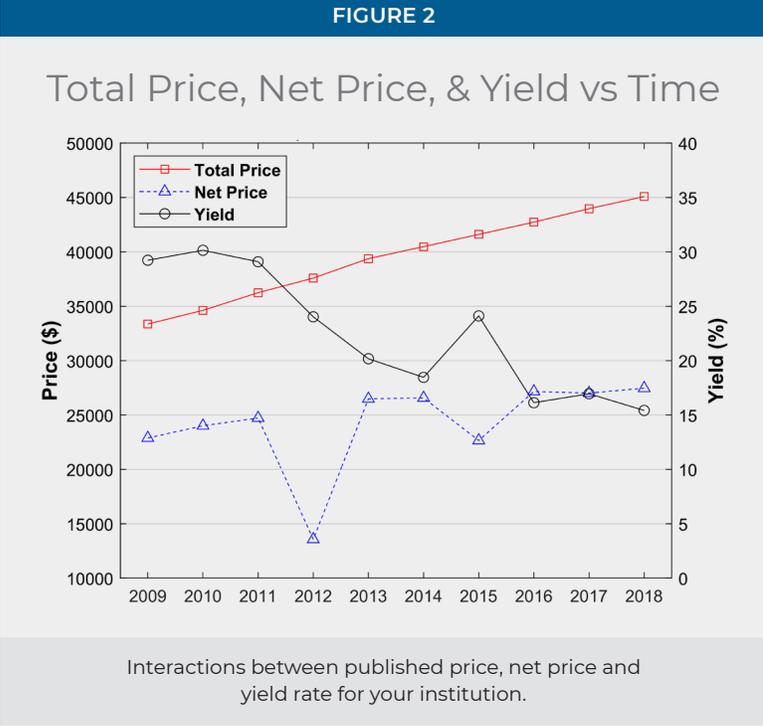
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UNIVERSITY SPECIFIC RELATIONSHIPS

Interactions between price, yield and discount rates or net-prices can be observed within an individual institution by examining trends in these metrics with time. For “Your” institution, it can be seen that published price increases strongly over the recent 10 years, but that net price has only grown modestly, indicative of an increasing effective discount rate through the same period.

Additionally, yields have declined dramatically from 30% to just under 15% indicating much greater effort necessary to attract each student and at only modestly higher net prices.

With additional data from “Your” institution, this chart can be expanded to look at trends in net revenue as it relates to these key and actionable performance indicators.



We are also providing a selection of “heat-maps” relating yield and other metrics to yield rates that can be changed to improve yield, applications and accordingly revenue.

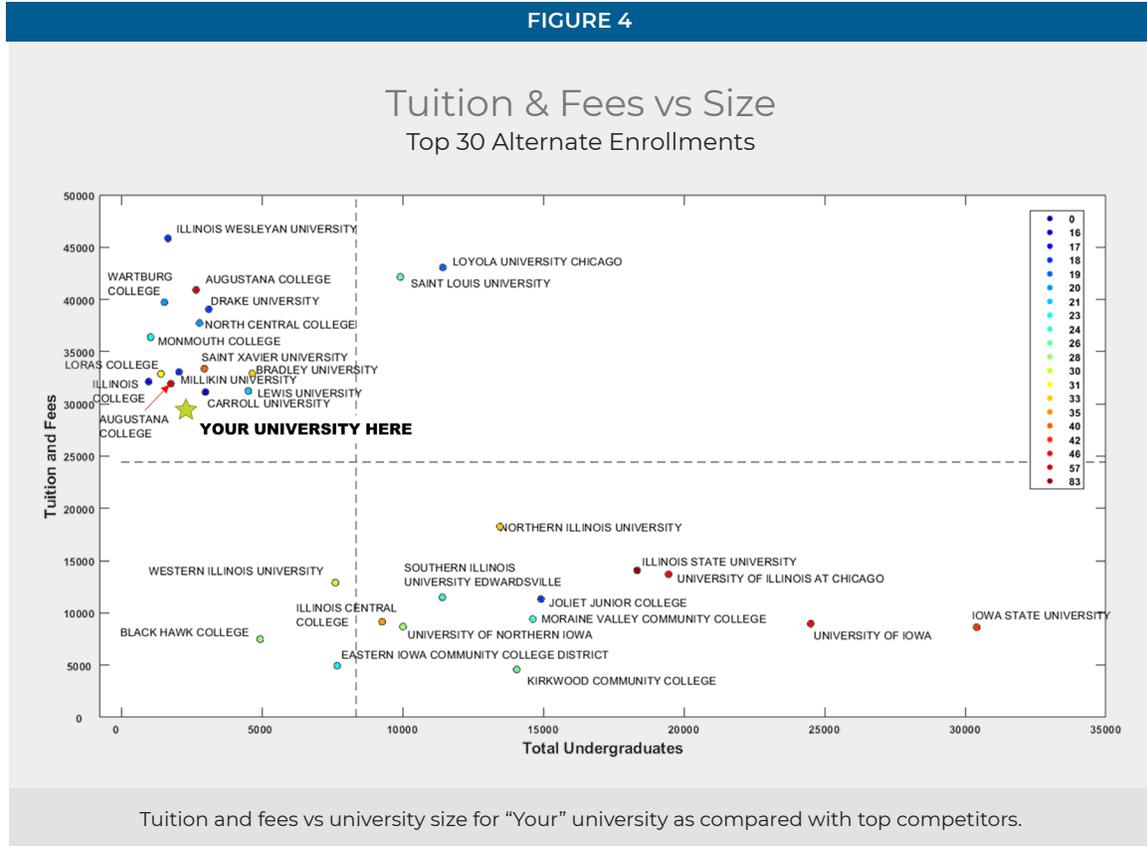
Figure 3 represents the average yield rates dependent on the published price and discount rate for institutions nationally. In our tailored report, we will provide this heatmap for your specific region and institution type with your institution’s data and data from your top competitors overlaid on the figure.

This will help determine where in the landscape your institution stands and how published price and discount rate adjustments may impact student yield.

We see these as invaluable tools for navigating a complex landscape where understanding your competition and your position relative to them provide the basis to move independently of the herd to optimize performance.

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FIGURE 4



Additionally, we will provide various four-quadrant plots describing your institution’s qualities with respect to your top competitors.

A Midwest university marked by a star in Figure 4 is shown at the bottom of the cloud of private universities with respect to published tuition and fees.

This indicates a significant decision point, where decreasing published tuition rates, even by a small amount, could give this university a unique competitive advantage.

WHAT WILL HAPPEN IF WE DO NOTHING?

It has become clear that current trends in increasing tuition and discount rates respectively have become unsustainable. In 2004 it was determined that at public 4-year universities and colleges; for each \$100 increase in tuition and fees, enrollment yield would decrease by 0.25%.⁵

In your customized report, we have updated estimates of this relationship since 2004 and also provide an additional tool to forecast likely yields for your institution and comparisons with national and regional norms and your top competitors.

⁵Hemelt, Steven W., and Dave E. Marcotte. “The Impact of Tuition Increases on Enrollment at Public Colleges and Universities.” Educational Evaluation and Policy Analysis, vol. 33, no. 4, 2011, pp. 435–457. JSTOR, www.jstor.org/stable/41413066. Accessed 11 Sept. 2020.

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FIGURE 5

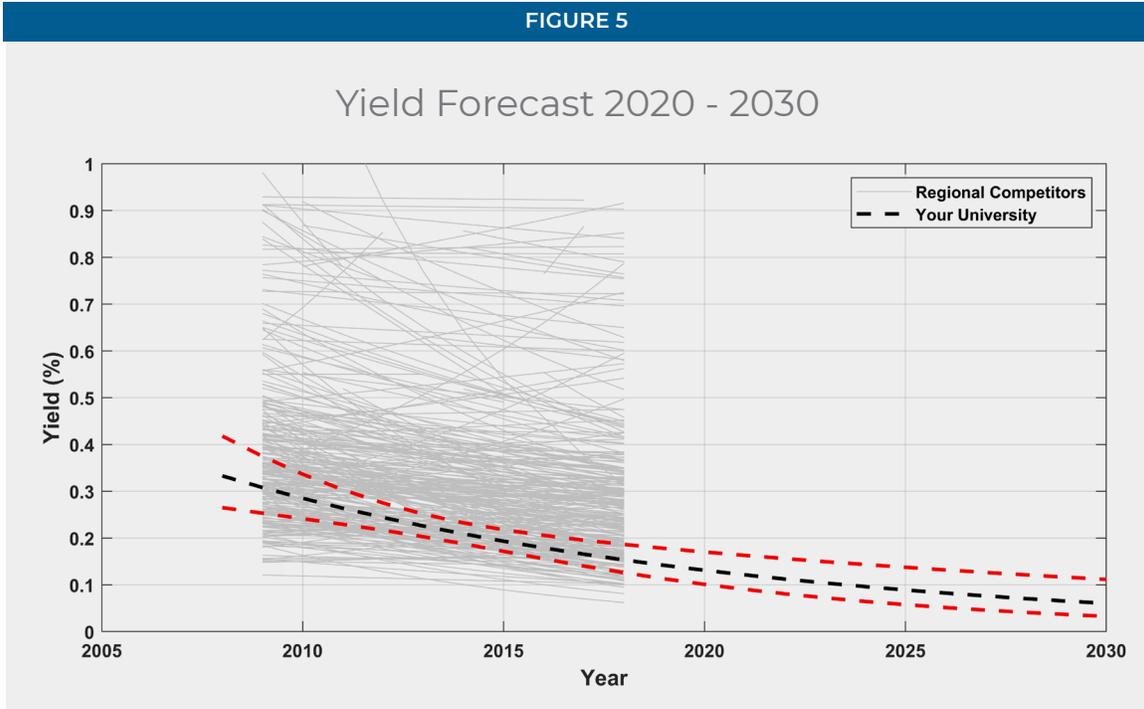


Figure 5 was developed for one private university that we have assessed; **we estimate that their enrollment yield rates will drop below 10% within five years if current trends continue and pricing and award strategies remain the same.**

The gray curves represent trends of the same 10-year period for the population of regional private institutions, and it can be seen that many are on similar trajectories, but importantly **not all.**

Our customized report provides you with key performance metrics for those institutions bucking the trends.

This key evaluation will help you determine which performance metrics separate your institution from those that are performing the best.

Competitive Marketplace Pricing Report

STRATEGIC PRICING & COMPETITIVE MARKETPLACE REPORT: HOW TO USE IT & NEXT STEPS

Based on our market research, we understand pricing is of key concern to institutions and their boards.

Our analysis comparing your institution to national and regional norms plus your direct competitors will help you understand future expectations under current strategies and clarify expected strengths and weaknesses of selected pricing strategies.

Our report will guide your resource allocation during a time of change. We recommend reviewing the information and using it to guide discussions as your institution identifies strategic initiatives to move through the pandemic disruption. This high-level information can be presented to your board of directors to communicate the need to assess these difficult award and pricing decisions.

Once you have received and reviewed your Strategic Pricing and Competitive Marketplace Report, you may schedule a free consultation with a SightLine data science expert. We will help you make sense of this information and be able to present your findings to the rest of your team. **We are here to support you.**

TAKEAWAY: SightLine's custom reports will help you make data-backed decisions based on your unique marketplace scenario.



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