Tuition Reset

An Analysis of Eight Colleges That Addressed the Escalating Price of Higher Education

By Lucie Lapovsky

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Introduction

Few issues in American higher education today are less well understood yet subject to greater controversy than the price of a college education. In recent years, state legislatures, Congress and even the president have taken on the higher education establishment over the high price of college. The press has jumped on the bandwagon with feature articles, television stories and op-ed pieces. As a result of this rather negative publicity, colleges and universities are being put on the defensive and are being asked to act.

Over the last 20 years, the average published price for a year of tuition and fees at a private four-year college has increased from $11,719 to $31,231, an increase of 166%, an increase two and a half times the 61% rise in the Consumer Price Index. Adjusting for inflation, the price of tuition and fees has escalated by 67% at four-year private colleges and by 60 percent at two-year public colleges. Reflecting decreased government funding, the price has more than doubled at four- year public colleges. (*Trends in College Pricing 2014 p.16*) During this same period, the median family income in the U.S., also adjusted for inflation, has increased 5.2% from $51,006 to $53,657, but it has actually declined by more than 7% since 1999 when it peaked at $57,843.
(https://research.stlouisfed.org/fred2/series/MEHOINUSA672N)

The implications are clear—list price has made a college education appear unattainable to an ever-increasing proportion of the population, as indicated by several recent studies. A survey by Sallie Mae reported that 63% of students eliminate colleges solely on the basis of price and 56% of families eliminate a school without any research beyond its price (*How America Pays for College: 2015* Sallie Mae and Ipsos, Table 31). Another study, by Longmire and Company, reports that 32% of students and parents say they did not consider a private college on the basis of its published sticker price alone, and 60% say that they are unaware that most private colleges discount their sticker price so that freshmen pay less than the published tuition. (*Higher Education Value Proposition Study*, Longmire and Company p. 9, 2013)

In reality, though, few students pay the published list price to attend college. Scholarships, institutional grants and government assistance provide the average student a significant discount to the published price of a college education. Of particular relevance to institutional pricing decisions is the amount of grant aid provided by the institution.

This paper looks at the current situation and explores the experiences of eight colleges and universities that decided to reduce their tuition. There is considerable variation in each college's approach to deciding, implementing and publicizing their new price point. Some studied a number of alternatives and reviewed them broadly with the campus community, while at others, the president decided and decreed the change. The governing boards were heavily involved in the decision at some colleges, while at others their involvement was minimal. Most colleges elected to have the new tuition apply to all students, both new and returning, while two of the institutions maintained the tuition for returning students at the old, higher rate. Some implemented the tuition reduction as part of a package of changes, while others reduced tuition without changing anything else. Some universities had elaborate communication plans, even briefing their Washington elected officials, while others simply made the move without publicizing it broadly. Some hired consultants to do price studies, model enrollment results, help develop financial aid strategies and develop marketing and public relations campaigns. Others depended primarily on their own staff and resources. At most, enrollment and net total tuition revenue increased. In many cases, though, these colleges made other changes at or around the time of the reset, making it difficult to attribute these results to the reset alone.

Tuition and Net Tuition

At the same time as the list price of tuition and fees has been increasing far in excess of inflation, net tuition and fees, which is the average price actually paid by families, has increased at much lower rates and has actually declined at public two-year institutions. The net price has only increased 17% at the private four-year institutions during these twenty years. The net price as shown here is the published price minus grant aid which is provided by the institution as well as governmental and private sources of aid including calculated tax benefits.

List Price Compared to Net Tuition

Type of Institution	Published Tuition and Fees		Net Tuition and Fees		Percent Change	
	1994-1995	2014-2015	1994-1995	2014-2015	Published Price	Net Price
Private 4-Year	$18,810	$31,320	$10,590	$12,360	67%	17%
Public 4-Year	$4,340	$9,140	$2,020	$3,030	111%	50%
Public 2-Year	$2,100	$3,350	$590	($1,740)	60%	-395%

All figures are 2014 dollars

Note: Net Price = published price - institutional grants - federal and state aid - private aid-tax benefits

Source: *College Board Trends in College Pricing 2014,* Tables 2 and 7

This significant difference between the net price paid by students and the published price is rarely discussed or recognized. The dilemma with discussing net price is that it varies significantly among students at the same institution and for the same student at different institutions.

Of particular relevance to institutional pricing decisions is the amount of grant aid provided by the institution. The National Association of College and University Business Officers (NACUBO) has been doing a tuition discounting survey of private institutions since 1990. The average tuition discount rate at these institutions has increased from 33% in 1994–95 to an estimated 48% in 2014–15. In addition, private institutions during this period went from providing aid to 72% of their freshmen to 89%. Today there are few "full pay" students at independent institutions. Almost no one pays the sticker price.

Despite the fact that only a small minority of students actually pay the sticker price for a college education, it is that very sticker price that has generated the barrage of negative publicity. In all the handwringing over the price of college, this significant difference between the net price paid by students and the published or list price is rarely recognized or discussed.

Twenty-Year Tuition Trends

				% Increase	
Private 4 Year Institutions	**1994-95**	**2004-05**	**2014-15**	**1994-2004**	**2004-2014**
Published Tuition	$18,810	$25,215	$31,320	34%	24%
Average Institutional Freshman Grant	$6,207	$8,573	$15,034	38%	75%
Net Freshmen Tuition	$12,603	$16,642	$16,286	32%	-2%
Institutional Discount Rate (Freshmen)	33%	34%	48%	3%	41%
% of Freshmen Aided	72%	82%	89%	14%	9%

All figures are in 2014 dollars
Sources: Trends in College Pricing: 2014, NACUBO Tuition Discounting Studies

Why do institutions perpetuate a system where the list price of their service is so different from what a consumer actually pays? Institutions find the discounting strategy helpful in shaping their class. Discounting heavily lets them provide aid in varying amounts to meet different priorities, e.g., to subsidize low-income students, to attract high-ability students who do not think the college is worth the published price and, in many cases, just to fill up their class if few if any students are willing or able to pay the institution's published price. Having a high discount rate gives higher education institutions the flexibility to "design" the class they want. In addition, many colleges believe that having a high price makes them appear to be of higher quality—the "Chivas Regal" effect. This is in part based on the assumption that the price charged to students and the cost to operate the school are related in the consumer's mind and thus colleges that charge a higher price must spend more on the students. Conversely, some in higher education assume that if a university is priced lower than its peers, consumers will perceive that the quality of the education it provides is not as good as that of its peers. In reality, there is little relationship between the price a college charges and the cost of operations as institutions often have several other sources of revenue that are used to support full-time undergraduates. The revenue may come from other populations of students and/or from gifts and endowment income.

At the same time that tuition has been increasing, the calls for increased access to college among lower-income households have increased. Currently, there is a large disparity in the college-going rates of recent high school completers by income. While 81% of high-income students attend college, 65% of middle-income students do so and only about half (51%) of low-income students go on to college. (*Digest of Education Statistics*: Table 302.20) The rates of college completion among different income groups are even more disparate: the rate of college completion among dependent students who are 24 years or younger in 2014 was 77% among those with family income in the top quartile, compared with 9% among those from the lowest quartile. (*Indicators of Higher Education Equity in the United States: 45 Year Trend Report* by the Pell Institute and PennAHEAD*)* These data have motivated calls by President Obama as well as the Lumina and Gates Foundations to greatly increase college completion rates in the next several years.

Concerns about the significant disparity in these college-going and college-completion rates have focused on a number of factors of which price is one of the more significant. Because the intricacies of college pricing are so poorly understood, many families are unaware that independent institutions generously aid low-income students and thus they reject colleges solely based on the published price.

Tuition Discounting

As colleges and universities have different philosophies regarding how to distribute financial aid, it is difficult for a student and her or his family to predict what they will actually pay for their education. Some colleges primarily provide aid to those with financial need, while others distribute most of their aid based on student ability. Many use a combination of these factors as well as others. In addition, institutions use complex algorithms to decide how to distribute their aid, and these algorithms can change from year to year and even during an awarding cycle.

To demonstrate the process, look at the two very simple 4X3 matrices below. Student abilities are listed in the columns and student financial need in the rows. Assume that both colleges charge $20,000 in tuition and both attract a similar applicant pool.

School Y will provide an institutional grant to all of its incoming students, which is not unusual today among moderately competitive private institutions. School X will not provide any aid to those students that it classifies as low ability who have no, low or medium need. Thus the same student who applies to both School X and School Y will receive a different award at each college and thus will pay a different net price at each institution. For example, a medium need, high ability student will pay $4,000 to School X and $8,000 to School Y while a medium need, low ability student will pay the full price, $20,000 at School X and only $14,000 at School Y. Many colleges will have matrices that contain many more rows and columns, and there may be different matrices for students from different geographic areas or with other distinguishing characteristics such as racial identification. There is little way for a student to predict the different net price they will pay at these two colleges as well as all the other institutions to which they have applied.

Institutional Financial Aid Distribution Approaches

Net Tuition Price

College X

Need/Ability	High Ability	Medium Ability	Low Ability
High Need	$2,000	$5,000	$16,000
Medium Need	$4,000	$10,000	$20,000
Low Need	$8,000	$14,000	$20,000
No Need	$10,000	$16000	$20,000

College Y

Need/Ability	High Ability	Medium Ability	Low Ability
High Need	$6,000	$8,000	$11,000
Medium Need	$8,000	$8,000	$14,000
Low Need	$10,000	$13,000	$17,000
No Need	$12,000	$16,000	$18,000

Because most institutions inform students of their financial aid award only after they have been accepted, prospective students have little or no idea about what they will pay prior to applying to the college. The federal government has mandated that each institution provide a net price calculator on its website to let students calculate what they will pay before they even apply. Unfortunately, in many cases the calculators are hard to locate on institutional websites and are not current. Some universities have worked on strategies to guarantee awards to students with certain characteristics before they apply, but this practice is not widespread and is often found in the fine print on the institution's financial aid information. The figure that most students and their families know is the published price.

Adding to this complexity is the pressure to improve access along with the need to grow enrollment. As a result many institutions, especially those with high discount rates and excess capacity, are having serious conversations about their pricing and discounting practices. This paper examines eight institutions that have had these dialogues and chose to lower their published price.

Methodology

The institutions in this study were selected from among more than 30 private colleges and universities that have reduced their price in the last 20 years. Conversations were held with 12 institutions, and eight provided data. At the eight institutions that provided data, conversations were held with the president or sometimes the former president as well as many other people involved in the institution to get various perspectives on the price reset. At the four institutions that chose not to provide data, the reasons usually related to lack of personnel at the institution who had been involved when the price change was made as well as personnel transitions that made it difficult to participate at the time.

The eight institutions in the study are private and have full-time undergraduate enrollment of fewer than 3,000 students with freshman classes ranging from 42 students to 600. The tuition at these institutions in fall 2015 ranges from $16,500 to $38,428. The institutions are identified by letter in order to maintain confidentiality, as they were generous in providing data and very candid in their observations.

Snapshot of Eight Colleges Analyzed

Enrollment and Tuition

Institution	Fall 2015 Freshman Tuition	Fall 2015 Full-time Freshmen
A	$19,500	42
B	$20,750	229
C	$16,500	217
D	$24,720	265
E	$25,080	360
F	$28,810	600
G	$38,428	469
H	$25,650	239

Motivation for Price Reduction

While the motivations for reducing the published price varied by institution, two closely related central themes emerged: a desire to increase enrollment and to appear more affordable by having a more attractive price. There was a perception, often confirmed by pricing studies, that students did not believe that they would be able to afford these high-priced institutions and that they would be better off at a public college or university. The challenges of getting information on financial aid out to students early enough in the decision process and the inability of students to easily predict what they would actually pay makes it difficult to attract students who are very price sensitive and uninformed about the complexities of the financial aid process. In addition, many middle-income students incorrectly assume that they would not qualify for aid and thus choose a public four-year institution with a much lower published price.

Beyond the expectation that the institution would be more attractive to more students with a lower published price, many colleges and universities believed that "it was the right thing to do." Several of the institutions rejected the high price/high aid strategy that many private institutions are using. Other institutions believed that the level of sticker price increases could not be sustained as the price at so many institutions was approaching the median family income of just over $50,000. Finally, schools felt that they were being unfairly criticized for their high prices unnecessarily because many were actually receiving less than half of their published price in net revenue and had not experienced increases in the net price in years.

Concerns with Reducing Price

Concerns about reducing price have revolved around three main themes: the perception of a price reduction's effect on the institution's reputation, concerns that a lower price will lead to a loss of revenue and concerns that students and their families who place value on receiving a scholarship might be turned off when the discount rate, and so the apparent size of the scholarship, is reduced. Research by Lapovsky (*On Access, Tuition Discounting and Pricing, 2008*) indicates the ambivalence of students and parents about price and aid.

Lapovsky surveyed 750 students and parents on issues concerning college choice, revealing a great deal of ambivalence about the relationship of price and quality in a college education. More than half the students indicated that given a choice between attending a college that costs $30,000 and gave them a $10,000 scholarship and one that costs $20,000, they would prefer to attend the higher-priced institution even though the out-of-pocket price would be the same—43% percent of parents preferred the higher-priced institution. More than half of students and parents surveyed agreed that the adage "you get what you pay for" is generally true and that you will always have to pay a bit more for the best. Only 29% of students and parents believe that the price of a college is a good indicator of its quality.

Student Perceptions

	Students			Parents		
	Disagree	Neither Agree nor Disagree	Agree	Disagree	Neither Agree nor Disagree	Agree
Generally speaking, if a college that costs $30,000 a year offered me a $10,000 scholarship, I would prefer this college over a college that costs $20,000 that offers me no scholarships	12%	34%	53%	22%	36%	43%
The old saying "you get what you pay for" is generally true	21%	26%	53%	27%	17%	56%
The price of a college is a good indicator of its quality	42%	29%	29%	51%	20%	29%
You will always have to pay a bit more for the best	24%	25%	51%	30%	17%	53%

Source: On Access, Tuition Discounting and Pricing, Lapovsky, 2008

The fact that more than half of parents reject the concept that the price of a college is a good indicator of its quality would seem to be a rejection of the Chivas Regal effect, indicating that there may not be a strong perception that the quality of an institution is related to its price. Of course the relationship between the published price of an institution and the quality of education at that institution is mitigated by a large number of factors. There is no direct relationship between published price and institution expenditures—as tuition is so heavily discounted at many institutions, there is little relationship between the published price and the net tuition revenue the school has available to educate its students.

Many also believe that only colleges and universities with large endowments are able to discount their tuition significantly. In reality, endowments only fund 10.5% of institutional financial aid. (NACUBO Tuition Discounting Study 2014 p. 49). Furthermore, there is no correlation between endowment size and discount rate (Lapovsky and Hubbell, NACUBO Tuition Discounting Study 2005). Because most institutional aid is funded by general institutional revenues, it is very difficult for the public to know how much of the price is actually available to support the education of students. It would appear, in general, that concerns that prospective students and their parents have that low price is associated with low quality are overblown.

A second concern of institutions is that if they lower their price, their net revenue will fall. As many of the colleges in this study demonstrated, that need not occur. Most institutions modeled the impact of their tuition reduction and were able to simulate revised aid strategies that reduced the discount rate and kept the net tuition per student the same. The table below shows the actual results of the net tuition revenue per freshman at the colleges in this study. In the year before the price reduction, the net tuition revenue at these institutions ranged from $6,233 to $20,357, while the next year the net tuition revenue ranged from $5,368 to $20,461. Three of the colleges experienced increases in their net tuition revenue per student after the price reset ranging from 0.5% to 4.3%, while four of the colleges experienced declines in their net tuition per student ranging from 2.6% to 16.4%.

Net Tuition Revenue per New Freshman Student

Institution	Year of Price Reset	Year before Price Reset	% Change Price Reset Year to Year Before Reset
A	N/A	$16,602	
B	$13,849	$13,276	4.3%
C	$12,144	$11,650	4.2%
D	$15,984	$16,416	-2.6%
E	$5,368	$6,233	-13.9%
F	$11,000	$12,400	-11.3%
G	$20,461	$20,357	0.5%
H	$11,376	$13,614	-16.4%

Modeling is challenging as most models are based on the past. When price is changed significantly, there is no history on which an enrollment model can be based thus it is very difficult to predict the yield of various types of students with differing discount rates. Institution H, which ended up with a net tuition 16.4% lower than before the reset attributed the result to higher than expected yield on those who were given large financial aid awards and a lower than expected yield on those who had been awarded small grants.

In the case of continuing students, for those who were paying a net price less than the new lower price, the net tuition could be maintained. In the cases of the small minority of students who were paying full price or a net price greater than the new, lower published price, there was a loss of revenue at those colleges that lowered the price for continuing students. As most of the schools in the study were discounting to most of their students and their discount rates are fairly high, there are few enrolled students who were paying more than the reset price; thus the amount of revenue to be forfeited from continuing students was negligible in most cases. Equally important, most of the colleges in the current study pursued a strategy of reducing tuition in order to increase their enrollment. In most cases these colleges had excess capacity, so the additional students only added to expenses on the margin and were expected to more than compensate for any loss in net average tuition revenue. All of the study participants had some continuing students who objected to the reduction in their aid even if their net tuition was lower after the price reset.

The institutions' projections all showed that they would be able to maintain their net tuition revenue after their price reduction for new freshmen. This did not occur in all cases; sometimes administrators misprojected the net tuition per student and in other cases the expected enrollment growth did not occur. The preconditions for success, defined as maintaining or increasing total net tuition revenue, require that the institution has a relatively high discount rate, is discounting to most of its students and has excess capacity available. At three of the institutions, the net tuition per freshman was higher after the price reset than before. This resulted from a decrease in the discount rate greater than the decrease in the tuition.

Highlights of Results

As these eight institutions focused on increasing enrollment, they packaged a number of other changes along with the price reset. These included a four-year price guarantee, a guarantee that a student would graduate in four years, rebranding, new academic programs, change in a mission statement and, in one case, going co-educational. In addition, the focus on pricing, discounting and enrollment resulted in greater resources being devoted to recruiting and discounting strategies, often including the hiring of one or more consultants, as well as to advertising and marketing. It is impossible, therefore, to attribute any observed changes exclusively to the tuition reset. In addition, in several cases, the reset generated substantial publicity for the institution, which may have led to increased interest in the institution.

Among the eight colleges, the reduction in the published tuition price resulted in increased freshman enrollment the year it went into effect at seven institutions, with the increases ranging from just 1% up to 50%. The freshman enrollment in the eighth university declined by 42%. Administrators at the university that experienced the enrollment decline admit that they did not give sufficient attention to the price reset and had poor execution.

The year of the reset, three of the seven colleges for which the data are available saw an increase in net tuition revenue (NTR) per student while four experienced a decrease as compared with the year prior to the reset. While each of the colleges adjusted its financial aid awards down significantly, at four of the institutions, then, the reduction in aid was not sufficient to compensate for the decrease in the published tuition on a per student basis. However, taking into account the increases in enrollment experienced by the colleges, the net total tuition revenue (NTTR) increased in five of the seven.

Change from Year Prior to Reset

	Percent Change in Tuition	Percent Change in Net Tuition Revenue	Percent Change in Net Total Tuition Revenue	Percent Change in Freshmen
A	-34%	N/A	N/A	-42%
B	-34%	4%	57%	50%
C	-43%	4%	11%	6%
D	-25%	-3%	-1%	1%
E	-29%	-14%	19%	38%
F	-25%	-11%	-9%	2%
G	-10%	1%	8%	8%
H	-8%	-16%	43%	71%

Many have speculated that a price reduction might work for a year or two, if at all. By looking at the four schools for which several years have passed since the reset, it's clear that the improvements are long-lasting. For these four institutions, freshmen enrollment is significantly greater than it was in the year prior to the price change and at three of these colleges it has grown even since the year of the price change.

Freshmen Enrollment

School	Year of Price Change	Fall 2015	Fall 2014	Price Change Year	Year prior to Price Change
B	2013	229	242	272	181
E	1996	404	424	391	284
G	2011	469	466	432	401
H	2012	239	243	232	136

At all four of these colleges, tuition is greater than it was the year the price was reset because each has again been gradually increasing their sticker price. While the discount rate has remained below what it was prior to the price reduction at all of the colleges, at three of the four, it is above the level it was the year of the price change.

Freshman Tuition Discount Rate

College	Fall, 2014	Price Change Year	Year prior to Price Change
B	32%	30%	55%
E	51%	45%	55%
G	39%	36%	43%
H	44%	52%	47%

Tuition Resets

Among these eight institutions, four reduced tuition in fall 2014, one in 2013, one in 2012, one in 2011 and one in 1996. The percent that they reduced tuition ranges from a low of 8% to a high of 43%.

College	Year Tuition Reduced	% Tuition Reduced
A	2014	-34%
B	2013	-34%
C	2014	-43%
D	2014	-25%
E	1996	-29%
F	2014	-25%
G	2011	-10%
H	2012	-8%

Since reducing their tuition, the colleges have pursued different policies regarding increases to tuition. Three of the institutions, A, C and H, froze tuition at the price of the reset the following year, while the rest of the colleges immediately began increasing their tuition. College G is considering another tuition reset as its tuition is now $3,000 higher than when it did its first reset in 2012.

Demand and Enrollment Changes with the Price Change

All of the institutions in this study sought to increase their enrollment in order to utilize excess capacity. At most of the institutions, the price reset was part of a package of changes, including alterations in curriculum, marketing and recruitment strategies and financial aid award approach as well as new facilities and co-education. Detailed case studies for each college are provided in Appendix A.

The year the price was reduced, the number of applicants increased at all of the colleges. At four of the institutions, the increase in applicants was less than 10% while at the other four, the increase was 20% or greater. Freshman enrollment increased at six of the eight colleges, with the increases ranging from 1% to 71% and decreases of 3% and 42%. Six institutions increased the number of transfer students after the reset, and the college that had a large decrease in transfer students had only lowered the price for new freshmen. Five of the colleges experienced an increase in freshman yield, indicating that the school was more attractive to new students.

Percentage Change – Year of Price Change vs. Prior Year

College	Number of Applicants	Number of Freshmen	Number of Transfers	Freshman Yield
A	292%	-42%	15%	-78%
B	44%	50%	78%	37%
C	4%	6%	114%	-3%
D	9%	1%	-3%	-12%
E	36%	38%	67%	1%
F	1%	2%	2%	1%
G	6%	8%	-47%	3%
H	20%	71%	93%	26%

One indicator of change in socioeconomic status of the student body is the proportion of students with Pell Grants. At four of the seven colleges for which there is data, the percent of students with Pell grants fell the year of the price reset; at one institution it remained unchanged and at two it increased. Based on this measure, then, the price reset did not significantly increase enrollment of low-income students at these institutions, and there was minimal change the year after the price reset.

Pell Recipients as % of Freshmen

College	Year After Price Change	Price Change Year	Year Before Price Change
A	38%	N/A	N/A
B	44%	43%	49%
C	43%	46%	44%
D	N/A	23%	28%
E	24%	25%	28%
F	N/A	23%	23%
G	20%	19%	17%
H	39%	39%	42%

Note: For Colleges E and H the numbers are for all full-time students.

Financial Aid – Tuition Discounting

Most of the institutions made significant reductions in their discount rate in order to keep their net tuition revenue at a level consistent with that prior to the tuition reduction. At each of the colleges in the study except one, the freshman discount rate fell in the year that the school lowered its tuition. In the year before the price change, the discount rates at these colleges ranged from 43% to 66%, compared to 26% to 60% in the year of the price change. At four colleges, the discount rate increased modestly the year after the price reset and at one institution it declined.

Freshman Discount Rate

College	Year After Price Change	Year of Price Change	Year Before Price Change	% Change in Discount Rate from Year Prior to Reset to Reset year
A	37%	N/A	44%	N/A
B	33%	30%	55%	-45%
C	27%	26%	60%	-57%
D		33%	49%	-33%
E	42%	46%	55%	-16%
F		60%	66%	-9%
G	38%	36%	43%	-16%
H	55%	52%	47%	10%

In terms of the percent of students who are awarded institutional financial aid, in the year prior to the price change, six of the colleges awarded aid to more than 90% of their freshmen. In the price change year, five of the schools reduced the percent of the students to whom they gave awards, but most only reduced this number slightly and one institution began awarding 100% of the students. The colleges followed their own unique awarding strategies, and there was no single approach either before the price change or in the year the price was reset.

% of Full-time Freshmen Receiving Institutional Aid

College	Year After Price Change	Price Change Year	Year Before Price Change
A	92.0%	N/A	93.8%
B	92.0%	87.0%	99.0%
C	92.0%	69.9%	99.6%
D		97.3%	98.6%
E	92.7%	92.1%	93.7%
F		97.0%	96.0%
G	70.0%	68.7%	72.4%
H	100.0%	100.0%	74.0%

Continuing Students

One of the considerations in a price reduction is what to do about the tuition of continuing students and when to inform them about what they will be paying. All but one of the colleges in the current study, School E, elected to reduce the published tuition for continuing students to the same price as entering students. Those institutions that did so had to perform a painstaking, case-by-base analysis of each individual student's financial aid package to be sure that the student would be paying no more, and in some cases, less, net tuition with the new lower published tuition. Because this approach reduces a student's financial aid, it also means that some parents were offended because they see the reduction in aid as taking something away from their student.

The one college that did not reduce the published price for returning students dealt with a different problem—maintaining different payment and aid schemes for different classes for the three years until the last class of students who had enrolled as freshmen under the old tuition had graduated. Administrators at this college were able to show all of the students who were paying a net price less than the new, lower tuition that they were not disadvantaged by not having their price reduced from what they would have paid under the price structure that was in place when they enrolled. For the continuing students who were not receiving any institutional aid or were paying a net price that was greater than the new, lower tuition, college leaders had planned on doing nothing. In the end, they reduced students' net tuition by half the difference of what they were currently paying and what they would have paid if they were newly enrolled freshmen.

All but one of the colleges decided to wait to announce the tuition reset until the students were back on campus in the fall of the year before the reset was to take place so that they could tell the continuing students in person about the change. In dealing with the particulars of student aid packages of continuing students, institutions made different decisions that affected their net tuition revenue. College G, which lowered its price 10%, let each continuing student keep the same aid package that he or she had prior to the reset. Thus all continuing students paid less in net tuition after the price reset than before by the amount of the reset. This college received less in net tuition revenue from all of these students and planned to cover this loss in net tuition from reserves that it had built up. None of the other institutions could afford to follow this approach, and they reduced continuing students' financial aid to compensate for the loss in tuition revenue from the reset. Of course, the minority of students who were not receiving aid before the reset got the full benefit of the price reduction and represented a revenue loss to the college. Students whose net tuition price prior to the reset was greater than the new price, got the benefit of the difference between the net price they paid prior to the reset and the new, lower tuition. In College G's case, this was about 30% of the full-time enrollment.

In most cases, letters were sent to each continuing student and to her or his parents explaining the tuition reset and showing what it meant for their child. Relatively few complaints were received by the colleges. Some parents and students felt that they should be able to keep their original award, and one institution did give students who complained a choice of keeping their old award and paying the higher price or moving to the new tuition structure even though it usually meant paying a higher net price. One college that was in a Division II athletic conference where athletes can receive scholarships fielded complaints from the athletes who felt that it was not worth playing for the reduced award.

The Message

All of the colleges talked about a price reset rather than a price reduction because they did not plan, in most cases, to reduce the net price. For all of the institutions, the central message was that they were now more affordable. Many made explicit reference to the public institutions with which they compete to show how their price was now much more competitive. Some showed tuition comparisons on their website's home page. Beyond affordability, many talked about it being the "right thing to do." Most also wrapped the tuition reset message with other initiatives that they had undertaken: new programs, new facilities and other initiatives. The colleges generally agreed that their messaging needed to clearly promote affordability and access and that the reduction in the published price would not in any way diminish the quality of the education offered by the institution.

Marketing

All the colleges except University A paid considerable attention to marketing and communications, with several hiring a consultant to aid them. Announcements were made on the steps of state houses and at on-campus press conferences. Some informed their senators and congressmen, and most did their best to get national press for their announcement. Given the amount of attention being paid to college affordability and the fact that, as of yet, only a handful of colleges has taken the step of reducing their published tuition, most garnered excellent publicity from their announcement.

An effective announcement required coordination: the website needed to be updated as the announcement was made, financial aid awards had to be revised, new materials had to be provided to the admissions staff and all members of the community—faculty, administrative employees, alumni, elected officials, donors, good friends of the college—had to be informed almost simultaneously. At one college the website crashed because there was so much activity the day the announcement was made. Another university kept the decision to lower tuition among a very few people until the announcement was made as it felt that there would be greater impact in terms of publicity if it were unexpected. The college did get a lot of publicity but not necessarily more than others.

Other Pricing Strategies

Beyond reducing price, a number of other pricing strategies are being tried and implemented, by the colleges in this study and others as well. For example, in addition to the price reduction, University G also implemented a four-year guarantee that the published tuition would stay the same for all four years. Today, University G has four different tuition prices, one for each class. Other colleges are also guaranteeing constant tuition for four years. University F guaranteed that students would be able to graduate in four years or any additional time was free. Universities A, C and H did not raise their tuition in the year following their price reset.

Other colleges are experimenting with novel pricing strategies. For example, Grace College has reduced its price 9% for fall 2015, and has committed to lowering the price for continuing students by $500 each year to aid retention. In addition, the institution is including free textbook rentals and promoting college completion in three years with moving directly into one of its graduate programs in the fourth year. The college has an innovative video on its home page which touts that a student can save $45,000 from these changes. Other colleges, while not guaranteeing that tuition will remain unchanged, are guaranteeing that increases in the published tuition price will not exceed a certain level, while still others are guaranteeing that a student's net tuition will not increase once enrolled.

For years, many private colleges have pursued a strategy of offering older undergraduate students—those over a certain age or in a program specifically for older, nontraditional students--a different, significantly lower price than the typical residential student. There is usually little or no scholarship aid provided by the institution for these students, and the price is usually set close to the average discounted price for full-time traditional-age undergraduates. While the rationale often is that these students do not use all the services of the traditional-age students, the reality is that a high price/high aid strategy simply is not appealing to students of this age group as they are usually commuter students who live in the area and who want to know what they will be paying before they apply. Why does this pricing strategy work for this population of students, many of whom are parents of traditional age students, and not for the full-time18-24 year old student?

Not surprisingly, law schools, which are facing serious enrollment declines, are conducting some of the most innovative experiments in pricing and making some of the most drastic price reductions at both public and private schools. The number of applicants for law schools fell from 90,000 in 2010 to 59,000 in 2014 (What Law Schools Can Teach Colleges about Lowering Tuition, *New York Times* April 21, 2014). Like the colleges in this study, many law schools have cut tuition substantially while significantly increasing their discount rates, a practice that is relatively new to law schools. For example, http://www.brooklaw.edu has cut its tuition 15%, increased its discounting and implemented a program called "Bridge to Success" that will return 15% of the total out-of-pocket tuition costs that a graduate has paid if they don't have a job within 9 months of graduation. LaVerne College of Law slashed its sticker price from $39,000 to $25,000, guaranteed the price for three years and gave up all discounting. Previously, it was awarding a lot of merit aid so that the net price was actually about $25,000 (California Law School Ends Discount, *Inside Higher Ed* March 31, 2014) Many public law schools are significantly reducing their price to both in-state and out-of-state students. These are examples we should all watch.

Implications for the Future

The colleges in this study embarked on a price reduction strategy to grow their enrollment. The strategy has proven successful to varying degrees: it's clear from the data that these colleges experienced an increase in number of applicants and in the size of the freshman class the year of the price change. The results appear long-lasting for the four colleges for which several years of data are available; the freshmen class at these colleges has remained significantly above that of the year before the price change.

The data also indicate that net total tuition revenue need not decrease, and can actually increase, with a reduction in published price. In some cases, while net tuition revenue per student decreased, it was compensated for by the increase in enrollment. The net revenue per student can, of course, be adjusted by judicious strategies around the awarding of financial aid. The colleges and universities in the study have continued to provide financial aid awards to most of their students although at a lower discount rate than prior to the price reset. Most of the colleges have experienced increases in total net tuition revenue as a result of the enrollment growth and little, if any, change in the net tuition revenue per student.

The sample of schools studied is too small to draw sweeping conclusions about the efficacy of a price reduction. In addition, the impact of the price reduction cannot be separated from changes in other strategies, including the public promotion of the change and the positioning of the school in general. Each of these institutions devoted considerable time and effort in focusing on the issues of price, financial aid and enrollment marketing and realized the interconnectedness of all of them. Each of the colleges put more focus on its enrollment management area and many added consulting expertise to the mix of talent that was already in place. In and of itself, this increased attention by a broad cross-section of the institution, including the Board, may have improved the institutions' performance. Overall, most of the leaders at these colleges believe that the concern about the relationship between price and quality are overblown. They believe that their comparative price position vis-à-vis their competitors and the public institutions in their area are of significant importance to students and their families in deciding which colleges to consider.

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Appendix: Case Studies

University A

This is a very small regional, relatively isolated institution that is categorized by *U.S. News & World Report* as a regional university. It has both undergraduate and graduate programs with 215 and 212 full-time undergraduates in fall 2014 and 2015, respectively. Although it has the capacity to handle more students, it has been plagued with low enrollment in its traditional residential full-time undergraduate program for many years, and the university leaders believe that with a larger enrollment, the university would be stronger. The published price the year before the reset was $29,700, slightly above average for private colleges, with a discount rate for all full-time undergraduates of just under 50%, which is several percent above average.

The Process

For a number of years, University A had been considering ways to generate enrollment growth as the senior staff, faculty, board and marketing consultants discussed what would make the school distinctive. Among the alternatives considered were becoming low price/low aid or high price/high aid as well as promoting one of its sports teams that had an excellent national reputation. The university's marketing committee was urging some action. Many faculty felt strongly that price was viewed by prospective students as an indicator of quality and were thus loathe to discuss a low price strategy. In addition, despite its very small size and excess capacity, there were many faculty who thought that growth would have a negative effect on the institution.

Any change would be complicated by a number of factors. The university had a tangle of specific scholarships and recognized that its scholarship program needed to be redesigned as a part of any change. The university had housing scholarships that were particularly vexing to deal with. While the housing scholarship program encouraged students to live in the underutilized residence halls, the housing grant was debited against tuition. Protection of turf and resources entered into these discussions, complicating achievement of the desired result. While reducing the scholarship would increase net tuition, it might deter students from living in the residence halls. In addition, the undiscounted revenue from housing was credited to the auxiliaries and the owner of that budget was not inclined to see a reduction in his revenue stream that was likely to result from a new pricing and aid strategy.

An extensive market study done a few years prior to these discussions indicated that prospective applicants and their families may not have seen the value in attending the institution. That led the university to consider lowering its price. Administrators decided on net revenue that it needed from students and then modeled how it could achieve that net with a lower price and a redesigned scholarship program.

The Decision

Ultimately, the board and senior staff team concluded that there was little for the university to lose in lowering its price. They decided to reduce tuition by about a third, or $10,200; from $29,700 to $19,500, effective fall 2014. There was some discussion about how the price reset would be received and whether it would it be viewed as an act of desperation; in the end the Board agreed that the university was known by so few people that it didn't matter. It was felt that a lower price might position the university better and encourage more students, especially those from distant places, to attend, while it did not seem that going to a higher price would do much to improve perceptions among prospective students about the quality of the university's education. As the board had been concerned about price for many years, this proposal sailed through. No additional research was requested before the decision was made. As part of the reset, the university decided to include a free travel course in the students' junior year at no additional expense in order to further improve the university's value proposition. The school dealt with the housing scholarship issue by opting to replace the scholarship with a simple $2,000 reduction in the room and board price, from $9,000 to $7,000.

It was decided that the tuition reduction would apply to continuing as well as new students. The plan was to reduce the aid of continuing students to compensate for the price reduction so that the net tuition, room and board of each student would be unaffected by the change.

The Message and the Announcement

By the university's own admission, implementation of the announcement was poorly done and therefore minimally effective. The tuition reduction was announced in March 2013, more than a year before the price reset took effect. The university did not have a public relations staff at the time that the decision was made and minimal thought was given to the message and announcement. Despite the lack of fanfare about the tuition change, the news was picked up in the local press and trade publications. The university did not use the web or social media as a marketing tool for the price change.

Staff met with continuing students individually to explain the price change and to show them that there would be no change in the net they would pay. While adjusting the financial aid packages of returning students was a burdensome task, the size of which the staff acknowledges they underestimated, the university believes that having all students at the same price made it worth the effort.

The Impact and Outcome

Enrollment of new freshmen fell significantly in fall 2014 compared with fall 2013; from 31 to 18 new students, while new transfer enrollment increased from 33 to 38 students. Data on the applicant pool is poor for the years prior to 2014 so no valid comparisons can be made. The enrollment results for fall 2014 are attributed in large part to the university's minimal marketing efforts in general and of the price change specifically. Freshman and transfer enrollment in fall 2015 has increased significantly to 42 new freshmen and 86 new transfers.

The university was unable to provide all the data necessary to make an independent analysis of what happened. According to staff, the net revenue per student came in lower than anticipated in part because of the reduction in the housing price as well as some miscues in how the awarding was done for continuing students. Although the university is very small, there is often very poor communications among offices and a lack of coordination on a variety of issues.

It is hoped that the tuition reset will help the institution attract more in-state students as the new tuition price is much more competitive with the major state university's tuition for in-state students. In addition, University A's tuition is now lower than out-of-state tuition at the state university. The university plans to hold the tuition at the current level for a few years.

One small benefit of the price reduction is that many fewer students and parents are calling to negotiate their aid offers, allowing the admissions and financial aid staff to focus on other responsibilities. The lower price has led to less "wheeling and dealing;" and more honest conversations with students and their families about price.

There has not been any impact on fundraising or retention.

The price reset process forced university staff to simplify and make consistent a number of areas in their pricing policies that had been in need of change. For example, it has let them reconsider their housing and food charges and their fees relative to peers. They can now be more rational in setting their prices and discounts.

DATA FOR UNIVERSITY A

	2015	2014	2013	2012
Full-time Undergraduates	212	215	245	277
New Students				
Freshman	42	18	31	28
Transfers	86	38	33	69
Continuing Students	84	159	181	180
Tuition				
New Freshmen	$19,500	$19,500	$29,700	$29,700
New Transfers	$19,500	$19,500	$29,700	$29,700
Continuing Students	$19,500	$19,500	$29,700	$29,700
Discount Rate				
All Full-time Students			49.68%	42.20%
New Freshmen	37%		44.09%	53.87%
New Transfers				
Continuing Students				
% of Students Receiving Institutional Aid				
All Full-time Students	86%		69.79%	70.39%
New Freshmen	92%		93.75%	96.42%
New Transfers				
Continuing Students				
Freshmen				
Applications		541	138*	199*
Accepted		217	81*	127*
Retention Rate				
Overall		73.8	74.57	68
Freshman to Sophomore Year		Not Tracked	Not Tracked	Not Tracked
Graduation Rate				
4 Year		53%	23%	N/A
6 Year		58%	46%	N/A

University B

University B is categorized by *U.S. News and World Report* as a regional university. In 2012, it had enjoyed 10 years of enrollment growth and had 828 full-time undergraduate students and a full-time published tuition of $29,700. Yet even with this enrollment growth, the university was not at capacity. This university has three classes of students: traditional full-time undergraduates, adult undergraduates and a graduate program. It offers degree programs both in person and online. In 2012, the year before the price reset, 99% of the freshmen received institutional grants and the discount rate for this class was 55%.

The Process

The issue of a tuition price reduction had been discussed for many years at University B. Each year, the decision was made to increase the price and, in order to continue to grow enrollment, the discount rate also was increased. As a result, the net tuition per student had stayed fairly constant over the last several years. When the current president came on board in 2011, he was briefed on the issue and began to pursue it actively after listening to presentations by Muskingum University and Sewanee: The University of the South, two institutions that had lowered their published tuition, at a Council of Independent Colleges meeting conference. The president brought the idea specifically back to the regents and to the president's advisory council, a group of significant donors and others who have a passion for the university. As the president was concerned that the conversation could prove confusing to enrolled and prospective students, only a limited number of people were brought into the discussions.

The University considered tuition reductions of $5,000 and $10,000 from its tuition of $29,700. After consideration, it felt that a $5,000 tuition reduction would be too small. It hired Noel Levitz, an enrollment management consulting company, to do some research for them on the potential impact of a $10,000 tuition reduction. They also did financial and enrollment modeling of the $10,000 reduction.

The Decision

The decision was made to reduce the list tuition price by $10,000, or about a third, for new and continuing full-time undergraduate students, from $29,700 to $19,700 beginning with fall 2013. In order to maintain financial equilibrium, the university also reduced its discount rate. For new freshmen, the discount rate was reduced from 55.3% to 29.7% and for transfers from 35.7% to 18.3%. The percent of students receiving aid decreased from 99% to 87% of freshmen and from 95% to 82% of transfers.

Each continuing student’s grant was evaluated to make certain that he or she paid no more than under the old model.

Published prices for adult undergraduate and graduate student charges were not much lower relative to the full-time undergraduate price and thus no reduction was made to their prices.

The Message and the Announcement

University leaders were concerned that there would be a perception that the institution must be in desperate straits to be cutting tuition so radically and that reduced tuition revenue would negatively affect the quality of education. The messaging was designed in part to clarify that the university was resetting tuition from a position of strength and that nothing was being cut from the University's education.

The university retained the Lawlor Group, a higher education marketing research and consulting firm, to assist with communications. The primary message was, and continues to be, that with stagnating incomes, families are demanding more action on college affordability and the University responded. The university also talks about how its tuition compares with other institutions, including public four-year universities. The tuition reset created transparency in the sticker price and was shown to create real savings for students going forward given what they would have paid if the tuition had continued to increase from the $29,700 level. Among the items in the plan were a press conference and the prominent mention of the tuition reset on the university's website, where it is still featured two years later.

Each continuing student received a personalized letter explaining his or her payment under both the new and old prices. The letter showed the students what they would have paid after a 3% tuition increase in the old system vs. their net price under the new, lower tuition.

The Impact and Outcomes

Compared with fall 2012, the year before the reset, the number of applications for fall 2013 increased by 44%, from 934 to 1349, and they rose further to 1456 for fall 2014 and to 1483 for fall 2015. The freshman class size the year of the reset increased by half, from 181 to 272, and the number of transfer students increased by more than three-quarters, from 89 to 158. Two years after the reset, in fall 2015, enrollment declined slightly, to 229 for freshman and 144 for transfers, nut these enrollment numbers are still significantly above what they had been before the reset and associated communications.

In fall 2013, the year of the tuition reset, the net tuition revenue per freshman actually increased by about 5%, from $13,200 to $13,800 per student, while the net tuition revenue per transfer student fell by about 15% from $19,000 to $16,000 per student.

The percent of freshmen who were Pell recipients declined from 49% in 2012 to 43% in 2013, although the actual number of Pell recipients in the freshman class increased from 89 students to 117. The growth in applicants as well as new students, along with the decline in the percent of the class who were from low-income homes, indicated that more middle- and upper-income students were now looking at the school as a viable alternative to public institutions. Since the reset, the university's sticker price is now only about $6,000 higher than that of the area public colleges and universities.

The freshman-to-sophomore retention rate has held fairly steady: 71% in 2012, 73% in 2013, 71% in 2014 and 70% in 2015. Since the reset, exit interviews have shown that, among those who depart, the most common reason given is that they were pursuing an academic program not available at the university; prior to the reset, financial concerns were most often cited.

In 2014, the year after the reset, the university increased tuition by 2.8% and the average discount rate for freshmen increased from 29.7% to 32.5% and from 18.3% to19.7% for transfer students. In 2015, tuition was held at the 2014 level, and the freshman discount rate declined slightly to 32% while the transfer discount rate fell to 17%. Prior to the tuition reset, 99% of freshmen and 95% of transfer students received institutional aid. After the reset, the university increased the percent of freshmen to whom it awarded aid from 87% to 92% in fall 2014 and then to 96% in fall 2015. The percent of transfer students aided fell from 82% the year of the reset to 77% in 2014 and has now increased to 81% in fall 2015.

The university has raised its tuition again in 2015 by 2.5% and expects to continue to have modest price increases for about the next decade, at which point it will reevaluate the situation. University leaders are now convinced that there is a growing number of students who do not relate price and quality and that, while students and their families do want some financial aid, the absolute size of the grant is less critical than receiving a grant of any size. As a result, the university continues to discount to most students but at much lower rates than before the price reset.

In terms of fundraising, University B believes that there has been no impact on giving to date.

DATA FOR UNIVERSITY B

Campus-based Enrollment	2015	2014	2013	2012
Full-time Undergraduates	1144	1087	997	828
New Students				
Freshman	229	242	272	181
Transfers	144	156	158	89
Continuing Students	756	689	567	558
Tuition (Full-time Undergraduate)				
New Freshmen	$20,750	$20,250	$19,700	$29,700
New Transfers	$20,750	$20,250	$19,700	$29,700
Continuing Students	$20,750	$20,250	$19,700	$29,700
Institutional Discount Rate				
All Full-time Students				
New Freshmen	32.00%	32.5%	29.7%	55.3%
New Transfers	17.20%	19.7%	18.3%	35.7%
Continuing Students				
% of Students Receiving Institutional Aid				
All Full-time Students	89%	81%	82%	95%
New Freshmen	96%	92%	87%	99%
New Transfers	81%	77%	82%	95%
Continuing Students		77%	80%	94%
# of Pell Grants Recipients				
All Full-time Students	389	411	454	392
New Freshmen		107	117	89
New Transfers		66	82	44
Continuing Students		238	255	259
% of Pell Recipients				
All Full-time Students	30%	37.8%	45.5%	47.3%
New Freshmen		44.2%	43.0%	49.2%
New Transfers		42.3%	51.9%	49.4%
Continuing Students		34.5%	45.0%	46.4%

DATA FOR UNIVERSITY B (continued)

	2015	2014	2013	2012
Freshmen				
Applications	1483	1456	1349	934
Accepted	822	771	702	516
Retention Rates				
Overall		76%	79%	79%
Freshman to Sophomore Year	70%	71%	73%	71%
Graduation Rates				
4 Year	40%	38%	27%	27%
6 Year	46%	46%	46%	46%
Other Undergraduate Tuition Rates				
Credit Hour Charge				
On-campus 1-5 Credits				
On-campus 6-11 Credits		$450	$450	$625
Online		$845	$820	$1,250
Other (list)		n/a	n/a	n/a

College C

College C is a residential undergraduate women's college that is part of a larger private liberal arts university. It is classified by *U.S. News and World Report* as a regional university. The college's tuition reached $29,124 for full-time undergraduates in fall 2013 before the price reset. The college had been on a growth trajectory in the last five years; since 2012, full-time undergraduate enrollment has grown from 572 to 718 students. The college had added facilities, programs and other capital improvements to accommodate the growth. Despite the growth in enrollment, the institution was financially stressed because of the cost increases as well as a very high discount rate. It was providing aid to almost 100% of its students, and its freshmen discount rate had increased from 54% in fall 2012 to 60% in fall 2013. With the annual price increases that the college had been implementing, leaders felt that there were many students who were not applying because they assumed that they would not be able to attend the college due to its high sticker price. In addition, the administration felt challenged by the public institutions in their state and surrounding states, feeling that students from middle-income families were losing interest in their college and similar private colleges at their price level and were opting to go to the lower-priced public colleges.

The Process

With a very high discount rate (over 55%, with almost all students receiving aid), the College was finding it difficult to predict what the net tuition of an incoming class would be because it depended on which of the accepted students chose to attend. It found this prevented good fiscal planning as administrators often didn't know what the college's net tuition revenue was until September. The significant jump in the discount rate from 54% to 60% for new freshmen between fall 2012 and fall 2013 was an unpleasant surprise for the college.

Leaders felt that it was becoming more and more difficult to communicate College C's mission over noise about the high price. For example, faculty complained that when they attended admissions events, parents were much less interested in learning about academic programs and the other activities of the college than in discussing how they would be able to pay for the education.

The college was also concerned about retention: in their tracking of student attrition, staff found that, while most of the reasons for transferring out were remaining at a constant level, financial reasons were increasingly mentioned. In looking at transcript requests, it was apparent that many were transferring to public institutions.

As the college embarked on a strategic planning process that involved all major campus constituents, the question of price was one of the major issues on the table. The college hired Noel Levitz to do a market study to understand how its market considered price and value. Noel Levitz surveyed 200 students and parents from the college's applicant pool, asking about familiarity with several institutions and providing several scenario questions: high tuition/high discount, medium tuition/medium discount and low tuition/low discount. The study yielded confounding results: people liked the idea of receiving a high discount, even when it resulted in a higher net cost than the other alternatives, yet when lower price points were presented, potential students resonated more to the college if the price were between $12,000 and $20,000 rather than the then-current $29,000. Beyond doing the market study, Noel Levitz also modeled various price and discount alternatives for the college. The governing board was involved early in the strategic planning process and in the conversations about the college's price and net price. There were some strong advocates on the Board for a price reset.

The college appointed a small group to work with Noel Levitz on the issue. The board gave this group some very specific parameters. If the college were to lower the price, there should be no more unfunded aid. All financial aid was to be funded by endowment and annual gift funds, and costs had to be controlled to permit financial equilibrium at the lower price point. The group looked at a wide variety of strategies, including price freezes, a four-year tuition guarantee, providing a fifth year free and small versus large price reductions. The conversation took almost two years before the board voted on the tuition reset along with several new academic programs that were part of the strategic plan.

Before making the recommendation to reset tuition, the institution studied many of the other colleges that had lowered their tuition in order to understand best practices. College C also hired the Lawlor Group to handle the public relations aspects of the upcoming reset and significantly increased the marketing and advertising budget. The number of people involved was reduced as the decision approached so that word of the college's plans didn't leak out.

The Decision

The college finally decided on a large price reduction as the best strategy and the price for the 2014-15 academic year was reduced by 43%, to $16,500 from the $29,124 that was charged in 2013-14. The reset would apply to all students, new and continuing.

Although it was hoped that the price decrease would lead to an increase in enrollment, the board wanted to make sure that the lower price would be sustainable without enrollment growth and so the college adopted a new financial aid awarding strategy. This motivated the college to concurrently seriously analyze its operating budget and to do budget projections at the new price point with a revised discounting strategy.

The college made significant changes to its awarding strategy along with the price reset. It greatly reduced the size of its awards, and it decided to base almost all of its awards on merit with very little awarded based on need. It also decided to limit the merit awards to more academically talented students; thus it went from providing awards to 100% of new freshmen and transfer students to only 70% of new freshmen and 84% of the new transfers. In fall 2015, it increased its financial aid awards to 92% of all new freshmen.

Continuing students were guaranteed a reduction of at least $1,000 in out-of-pocket tuition costs when compared to the old pricing system that would have included a 3.5% tuition increase. Thus, most continuing students had their financial aid reduced significantly to compensate for the lower tuition. Even though they were paying no more in net tuition, some students and their parents had a strong negative reaction to a reduction in the amount of their aid; they felt that they had earned the high scholarship award. Some parents believed that something was being taken away from their child, even though their total out-of-pocket costs would be lower. The college did permit students who were upset by the new financial aid package that went along with the new price to keep their old package and continue with the old/higher price. In some few cases students elected to do so, even though it meant that they might pay a higher net price!

The strongest resistance came from student athletes. The school is in Division II which allows the awarding of athletic scholarships. Some of the athletes did not think it was worthwhile to play for a reduced scholarship of only a few thousand dollars.

The college also found that continuing students compared their award letters. This led to unhappiness among some who discovered that those few who had paid the full tuition prior to the price cut received a price reduction of more than $12,000, while students who had generous aid packages when tuition was high received only a slight reduction in their net price.

The Message and the Announcement

The college was very aware of the need to present the tuition reset in a way that didn't lead people to think that the school was in trouble and that this was an act of desperation. The announcement emphasized that the college was in a strong position: enrollment had increased by 24% over the prior four years and new buildings and programs had been added during that time. They also made it clear that nothing was being eliminated from the student experience.

The college positioned the change as a tuition reset rather than a reduction so that it was clear that students should not expect a reduction in the net price. While the institution still planned to give many students scholarships, they would be at significantly lower amounts.

The website was redesigned to highlight the reduction in the list price; it showed the price for 2013-14 and the significantly lower price for 2014-15. It also compared the new price with the prices of surrounding public and private colleges and made the case that the college is now priced competitively with many of the neighboring public institutions.

In making the announcement about the tuition reset, the college discussed the fact that the new price was more closely aligned with what it actually cost to provide an education at the college. College leaders made the point that the upward spiral of increases in tuition and discounting that it and most of its peers had been putting forward was not healthy. The college spent considerable time educating key stakeholders, including alumnae and others, about the plan and why it was in the best interest of the students and the college. The focus of these discussions was always on net revenue. They explained that they intended to hold net revenue constant while significantly decreasing tuition because there would be a lot less financial aid. Price and cost to the student would be much closer than they had previously been.

When talking with donors, the school's representatives were able to explain that their contributions would go farther with the new lower price. The college did this by showing that the same contribution could be used to aid more students as the average scholarship was now about $4,500 compared with $17,500 previously. Thus a contribution of $35,000 could aid 16 students when, with the higher tuition rate, it might only have helped two students.

College leaders spent considerable time carefully planning the announcement of the tuition reset and worked hard to keep it a secret until the announcement was made. The timing of the announcement was a challenge. Because the college wanted to wait until students were back on campus from their summer vacation, they didn't make the announcement until September 2012, a little less than a year before the scheduled reset. This timing meant that coaches and admissions staff were already out on the road recruiting for the following year's incoming class. Staff were not privy to information about the change before the announcement, so they had to be retrained with the revised messaging and receive new marketing materials while they were already in the admissions cycle and on the road.

Working with the Lawlor Group, the college developed a plan for all aspects of the announcement. They timed in-person meetings for all students and faculty back-to-back on campus immediately prior to the public announcement. There was a personalized letter for each continuing student that included the details of her tuition package and clearly showed the net price that she would pay under the old and the new system. Simultaneously, an email blast was sent to alumnae. In addition, there was a long list of stakeholders, such as donors and elected officials, who were called as soon as the announcement was made. These calls were assigned to senior administrators so that each stakeholder could be informed personally and have their questions answered directly.

In addition, a press conference was held immediately after the campus was told and there was a response team in place on campus to answer any questions. Local guidance counselors and media were invited to the campus. The reset received considerable local media coverage and eventually national coverage. In addition the college advertised the change on billboards and even on a Pandora radio campaign. The college's president wrote a letter to President Obama stating that College C was "answering your call," and wrote an op-ed that was published. The publicity generated so much web traffic that the college's website crashed on the day of the announcement.

Anticipating questions on social media about how the college could cut its price without reducing the quality of education, the institution established a social media team composed of alumnae and students. This team was taught how to respond to questions and issues. Using Hootsuite, a social media tool that monitors social media issues, problems were identified and responded to quickly.

In order to ensure that the college maintained the excitement level of the announcement, the institution greatly increased its advertising expenditures. In addition, the college incorporated the tuition reset into its rebranding, focusing messaging on value and outcomes and the offering of a private college education at the same price as a public institution.

The Impact and Outcomes

The college had a freshman discount rate of 60% in fall 2013. After the price reset, the discount rate came down to 26.4% in fall 2014, which resulted in a slight increase in the net revenue per freshman from $11,650 to $12,048. In fall 2015, the discount rate rose 1 percentage point to 27.4% for freshmen, and the net tuition revenue per freshmen fell to $11,979, which is still more than $300 above the net tuition revenue per student before the price reset. The college experienced a 9% increase in freshmen applicants and a 6% rise in new freshmen the year of the price reset, but experienced a decline in applications of more than 20% in fall 2015 and a decline in freshmen to a level below that of the year the price was reset. The transfer enrollment more than doubled the year of the price reset and transfer enrollment has continued to increase. The college not only reduced its tuition for transfers but also significantly changed its financial aid awarding strategy. The net tuition for transfer students fell from $16,659 in fall 2013 to $13,959 in fall 2014, but this reduction was more than offset in terms of the total net tuition revenue from transfers by the growth in the transfer population. Overall, the number of new students in fall 2015 is 268, which is above 253 in the year of the price reset but lower than 2014's total of 292.

The reset and resultant publicity seems to have led to an increase in annual giving. Alumnae seem to feel that the college has done the right thing, and they are very pleased with all of the national attention that the college has received.

The tuition reset has led the board to think differently about tuition moving forward, and they have asked that future tuition increases be justified based on cost increases rather than on what other colleges do, thus breaking the cycle of peer competition. If enrollment goals are not met, the board will now attempt to improve the perceived value proposition rather than simply allocating more scholarship aid.

The college has decided to keep full-time undergraduate tuition at the fall 2014 level for fall 2015. In terms of applicant pool, the college believes that they are getting more students who previously would only have applied to the public colleges in the state, a group that they were targeting. The number of students with Pell Grants has increased in absolute numbers for both freshmen and transfer students. College leaders are hopeful that enrollment will continue to grow.

College C has maintained the pricing for it older undergraduate student program for the last several years at $875 per credit hour. It did not reset this price. It does not discount these programs as the price is quite close to the cost of education.

DATA FOR COLLEGE C

(Campus-based Students)	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Full-time undergraduates	754	718	633	572
New Students	268	292	253	203
Freshman	217	245	231	186
Transfers	51	47	22	17
Continuing Students	498	426	380	369
Tuition (Full-time Undergraduate)				
New Freshmen	$16,500	$16,500	$29,124	$28,276
New Transfers	$16,500	$16,500	$29,124	$28,276
Continuing Students	$16,500	$16,500	$29,124	$28,276
Institutional Discount Rate				
All Full-time Students		27.1%	56.3%	55.6%
New Freshmen	27.4%	26.4%	60.0%	54.2%
New Transfers		15.4%	42.8%	37.6%
Continuing Students		27.3%	54.1%	56.2%
% of Students Receiving Institutional Aid				
All Full-time Students	89%	71.7%	94.3%	93.1%
New Freshmen	92%	69.9%	99.6%	98.9%
New Transfers		83.8%	100.0%	100.0%
Continuing Students		71.6%	90.9%	90.2%
# of Pell Grants Recipients				
All Full-time Students		43.7%	44.6%	45.2%
New Freshmen	43%	45.7%	46.5%	43.3%
New Transfers		39.5%	45.5%	64.7%
Continuing Students		43.2%	43.5%	45.1%
Freshmen				
Applications	1355	1,697	1,626	1,387
Accepted		909	835	714

DATA FOR COLLEGE C (continued)

(Campus-based Students)	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Retention Rate				
Overall		82%	82%	84%
Freshman to Sophomore Year		71%	74%	75%
Graduation Rate				
4 Year		52.0%	56.0%	52.5%
6 Year		58.0%	64.0%	54.0%
Other Undergraduate Tuition Rates				
Credit Hour Charge		$875	$875	$875
Older Student Program	$370			
Online	$400			

University D

University D is classified as a regional university by *U.S. News and World Report*. In fall 2014, it had a full-time undergraduate population of 1,323 students from two distinct schools, one with 383 full-time undergraduate students, and the other with 940. These two undergraduate schools represent a declining part of the university's total enrollment as the university's graduate enrollments grow.

The Process

The motivation for the price reduction was driven in part by the president's view of the future. The university already had considerable unused academic capacity. With tuition increasing at 3% to 4% a year, the price of tuition, room and board would soon approach $50,000. With middle class incomes stagnating, how would the university's target population be able to afford education at this moderately selective university?

In reviewing studies about price sensitivity in college decisions, staff found a study that reported that 50% of students don't apply to institutions because of sticker shock; that is, they look at the list price for tuition and feel that they can't possibly afford to attend. Staff also talked with peers at institutions that had recently lowered their tuition and got information about their experiences.

The board was involved in these conversations. At one board meeting two consultants presented, one of whom argued in favor of a price reduction and the other against. The argument against the price reduction was basically the 'Chivas Regal' argument: high price is associated with high quality. The argument for reducing the price dealt with the sticker shock theory. After listening to both consultants, the board unanimously voted to lower the price.

The Decision

The university reduced tuition at the two undergraduate schools by about 25% in fall 2014 from about $32,000 (the tuition had been slightly different in the two undergraduate schools) to $24,000. With the tuition reduction, the same tuition rate and discounting policies were put in place for both of the undergraduate schools. Prior to the tuition reset, both schools were aiding most of their students, but one of the schools had a discount rate of 49% for its fall 2013 freshman class while the other had a discount rate of 38%. While almost all students at the two schools continued to receive a discount after the reset, the discount rate for freshmen fell to 33% in one school and to 34% in the other, with an average undergraduate award of about $8,000.

The tuition for returning students was also lowered to $24,000 with a dollar-for-dollar reduction in scholarships. To assist in positioning the tuition change for continuing students, the schools framed the actual new tuition as $23,300, against which a 3% increase was applied to reflect the historical level of tuition increases. This was done to help make the case to the continuing students that, because there would have been an increase in tuition if there had not been a reset, their new award was the same as what they would have received under the old tuition rates.

The Message and the Announcement

The university handled the communication internally, without the assistance of an outside firm. The message was not solely about lowering tuition but was framed in terms of a decrease in tuition accompanied by a reduction in the tuition discount rate. Beyond the price change, the university rebranded the institution to make clear the relationship between the two schools, made a change to the name to better align the two schools, redid all of the schools' literature and creative information, and is building a new facility for one of the schools.

Each returning student was given a personalized explanation of her or his new and old costs, showing that they were identical.

The Impact and Outcomes

Applications for the incoming class in fall 2014 increased 8% while yield fell 11% from 11.9% to 10.6%, resulting in a decrease of 10 students or 3% in the full-time freshmen enrollment. The lower enrollment was entirely attributable to one of the two colleges despite the fact that the net freshman tuition fell from $18,111 in fall 2013 to $15,888 in fall 2014 in that school, which was significantly more than the decrease in net freshman tuition in the other school. Net total freshmen tuition revenue also fell by about 10%. Thus, the results have not been good so far from a financial point of view. Because of the number of changes made, it is difficult to tell how much of the enrollment decline was due to the price change. It will be important to see the results for 2015 before fully evaluating the success or failure of this strategy.

The 25% reduction in published tuition is expected to keep the university's published tuition below what the tuition would have been for about 10 years as the institution is only expecting modest tuition increases for the foreseeable future. It was hoped that the lower price would position the schools to better attract lower middle-income students who would have faced sticker shock had the increases gone unchecked. This did not happen in the first year of the reset as the number of Pell Grant recipients declined between fall 2013 and 2014.

There was no impact on retention of continuing students. The parents of two returning students who had fixed price scholarships of $10,000 threatened to sue when the university reduced their scholarships in line with the price reduction. The parents claimed that the university was breaking a contractual agreement with the family even though their out-of-pocket costs would be unchanged.

Contributions to the two colleges have not increased to date.

The two colleges each implemented a 3% increase for fall 2015.

DATA FOR UNIVERSITY D

	College 1				College 2			
	Proj. 2015	**2014**	**2013**	**2012**	**Proj. 2015**	**2014**	**2013**	**2012**
Full-time Undergraduates		940	954	954		383	409	440
Freshmen	265	221	218	229		79	92	97
Transfers		66	68	73		23	20	31
Continuing Students		653	668	652		281	297	312
Tuition								
New Freshmen	$24,720	$24,000	$32,000	$31,200	$24,720	$24,000	$30,600	$29,250
New Transfers	$24,720	$24,000	$32,000	$31,200	$24,720	$24,000	$30,600	$29,250
Continuing Students	$24,720	$24,000	$32,000	$31,200	24,720	$24,000	$30,600	$29,250
Discount Rate								
All Full-time Students		26.8%	42.2%	42.2%		20.0%	33.8%	32.3%
New Freshmen		33.4%	48.7%	45.6%		33.8%	38.2%	37.0%
New Transfers		23.3%	41.6%	39.9%		25.6%	31.8%	29.9%
Continuing Students		24.9%	40.1%	41.3%		15.7%	32.6%	31.1%
% of Students Receiving Institutional Aid								
All Full-time Students		93.4%	94.1%	93.6%		82.2%	94.9%	91.4%
New Freshmen		97.3%	98.6%	95.2%		97.5%	98.9%	97.9%
New Transfers		97.0%	97.1%	98.6%		95.7%	95.0%	96.8%

DATA FOR UNIVERSITY D (continued)

Continuing Students	91.7%	92.4%	92.5%		76.9%	93.6%	88.8%

	College 1				College 2			
	Proj. 2015	**2014**	**2013**	**2012**	**Proj. 2015**	**2014**	**2013**	**2012**
% Pell Recipients								
All Full-time Students		27.1%	26.5%	29.2%		29.0%	31.1%	30.2%
New Freshmen		23.1%	27.5%	25.3%		32.9%	34.8%	37.1%
New Transfers		36.4%	32.4%	35.6%		34.8%	50.0%	45.2%
Continuing Students		27.6%	25.6%	29.9%		27.4%	28.6%	26.6%

Both Colleges (sum/average)

Retention Rate	Proj. 2015	2014	2013	2012
Freshman to Sophomore Year		N/A	79%	79%
Graduation Rate				
4 Year		45%	34%	33%
6 Year		58%	46%	46%

Other Undergraduate Tuition Rates

DATA FOR UNIVERSITY D (continued)

Credit Hour	$510	$525	$540
Online Charge	$410	$420	$430
Freshmen			
Applications	2837	2605	2718
Accepted	2025	1758	1737

College E

This is a coeducational liberal arts and sciences residential college that has an enrollment of 1,347 full-time undergraduate students in fall 2015. *U.S. News and World Reports* categorizes this college as a regional university.

The Process

This college's concerns about enrollment date back to the early 1990s. As early as 1991, a task force considered three strategies to increase enrollment: lower tuition, freeze tuition or increase scholarships and leave tuition alone. At the time, the college chose to increase scholarships and the discount rate rose to more than 55%. After two years of growth, however, enrollment again began to decline. In 1994, the college again put on the table the question of how to grow enrollment and increase its net revenue.

The college appointed a task force composed of trustees, faculty and staff to again look at alternatives for growing revenue, including reducing tuition. Unlike many institutions, this college had internal expertise to do its own financial modeling, and they modeled several different levels of tuition reduction from its then-current level of $13,850 and concluded that getting below $10,000 would be important for the college to be considered affordable by many more students. The modeling also showed that in order to break even with a tuition slightly below $10,000, the college would need to reduce its discount rate for all students from 55% to 45% and would only need to enroll an additional 28 students. There was general agreement among the task force that the college should move forward with the tuition reduction. They did consider having a campus vote on the issue but decided that was unnecessary. According to a senior staff member, the attitude of the faculty to the proposed tuition reduction was "we're behind you if it works."

The governing board was kept apprised of the discussions on campus regarding the tuition reduction. The formal proposal to reduce the tuition was brought by the administration to the board in April 1994. The board was supportive because the college had excess capacity so that it could handle the projected increased enrollment without additional cost. Since 94% of the then-current students were receiving institutional financial aid, the board felt that there would be minimal impact on net revenue from the proposal. The goal was to grow the total enrollment from the then current 1,091 students to 1,200 students over the next five years.

In order to address the board's major concern about how the public would perceive the tuition reduction, they charged the administration with doing market research on the perception and reporting back. The College hired Gallup, with whom it had worked before, to do a telephone survey to determine how guidance counselors and parents of college-bound students would respond to a reduction in tuition at a hypothetical college. The overall response from prospective students was seen as very positive; only 15% of the respondents indicated that a price reduction would be viewed as a desperate move by a college. Among the 40 guidance counselors surveyed, very few had any concerns about a tuition reduction.

The question of reducing the tuition came back to the board in October 1995 with the results of the market research. At that time, the board felt there would be an advantage to being among the first to reduce the published price and that there appeared to be more risk in maintaining the status quo than in the price reduction. The board approved the price reduction in concept but agreed to hold a fin al vote a month later after the marketing plan was completed. The board in a teleconference in November unanimously approved the proposal to reduce tuition beginning in the fall of 1996. Thus, the decision was made less than a year before the reset was to take place. The board included many CEOs who became advocates of the tuition reset.

The Decision

The college reduced tuition only for new students by $4,000, or about 30%, from $13,850 in the fall of 1995 to $9,850 in the fall of 1996, with a reduction in aid levels. For continuing students, it increased tuition 4.7% from $13,850 to $14,500. The school felt that it would be an unnecessary complication to apply the reduced tuition and aid levels to returning students. The college maintained its discounting strategy after the price reset although at a lower percent. It continued to aid almost all of its students.

The Message and the Announcement

The college's message was clear: with its new lower price, the college was now more affordable.

The college devoted a lot of thought and time to the public relations aspect of the tuition reduction. College representatives went to all the major educational groups and their congresspersons in D.C. to inform them of their plan. The news was well received, and a buzz began to build. A chance meeting between the college's president and two editors of *U.S. News and World Report* led to interest on the part of that publication.

On December 4, 1995, the college announced the tuition reduction, set to take effect in the fall of 1996. The announcement date was timed to coincide with an article on the college's actions coming out the same day in *U.S. News and World Report*. Word got to President

Clinton, who mentioned the college by name in a speech to a large group of educators. This publicity was invaluable to the college and significantly increased the institution's name recognition throughout the country. The college also had meetings with alumni nationwide, and administrators believe that alumni increased their giving because of the positive publicity and concomitant name recognition for their alma mater.

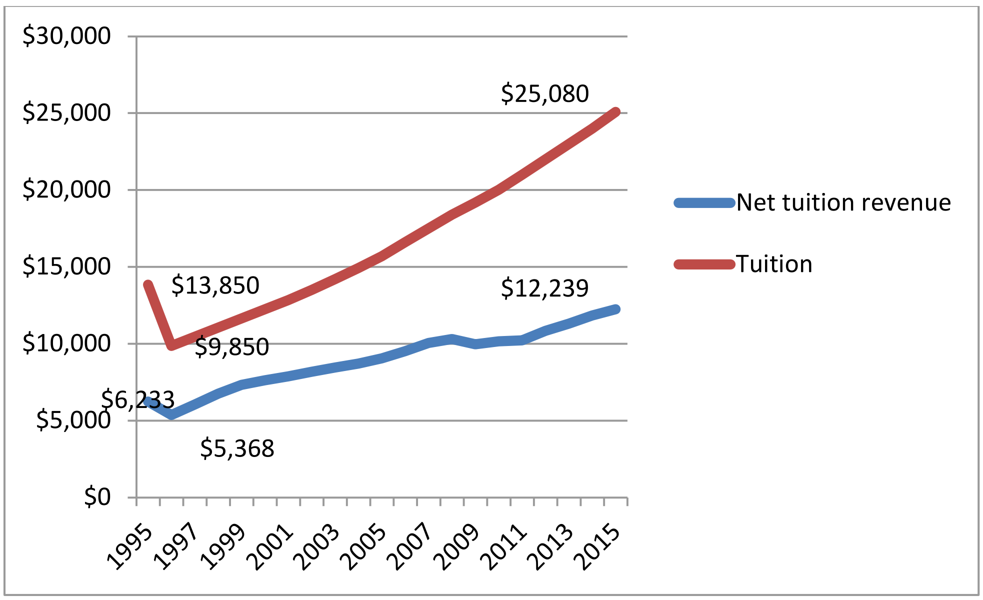
Because the tuition of returning students was not being reduced, the communication with them was somewhat complex. The college sent letters to the parents of all continuing students explaining the tuition change. For the 94% of students who had been receiving aid, the letter included a dollar-for-dollar comparison between what the student would be paying the next year compared to the net price they would be paying if they, like entering freshman, were being charged the new, lower tuition under the new financial aid criteria. In all cases the college demonstrated that the net price the continuing students would pay would be the same as the net price that they would pay if they were entering as a freshmen with similar characteristics.

The challenge was with the 6% of returning students who were not receiving any institutional aid and with those who were receiving aid of less than $4,000, the amount of the reduction. Because these students received less in aid than the amount of the tuition reduction, they would, by definition, be paying more than an entering freshman. Initially, the college planned to do nothing about these students, but this was met with considerable resistance. As a result, a task force member developed a "we'll meet you halfway" plan that gave a transition grant to those students who were either full pay or within $4,000 of being full pay. Full-pay students received a grant of $2,000; others were given a grant of half of their aid. In this way these students paid less than they would have before the tuition reduction but more than if they were just starting as freshmen. This appears to have worked reasonably well; in total the school received only 15 complaints about the reset.

The Impact and Outcomes

Because the announcement was made in December 1995, after many students had made their application decisions for fall of 1996, the expectation was that the real impact would not be felt until fall 1997. To the surprise of the college, there was an enrollment surge in fall 1996: freshman enrollment grew by more than 100 students (38%) from 284 to 391 and transfers increased by 70%, from 33 to 56. The college grew from 1,091 students in fall 1995 to 1,208 students the next fall thus exceeding its Year 2000 enrollment goal of 1,200. The college was able to handle the enrollment because it had excess capacity. Enrollment continued to grow to more than 1,600 students in 2002. Since 2002, the enrollment has slowly declined to 1,347 students, which is still significantly above the pre-price reset level.

Along with the enrollment increase, the tuition discount rate fell from 55.0% to 45.4% in one year and continued to decline as the more heavily aided upperclassmen students graduated. The discount rate fell below 37.2% in 1998 and stayed below that level until 2003 when it again inched up to 40.3%. During this period, the college again began increasing tuition at around 5% a year while continuing to control its discount rate and maintaining its enrollment. As the graph below shows, while both tuition and net tuition revenue fell between 1995 and 1996, both have increased steadily since then with the rate of increase in tuition far outstripping that of net tuition. Since fall 1996, tuition has increased 154% while net tuition has increased 135%, and enrollment today is 23% above fall 1995, the year before the price reset.



In the year following the tuition reduction, there was a drop in the percent of students showing need from 88% to the mid-70s. Contrary to expectations, the college was now appealing to more middle-income students even at its lower price point. Until 2009, the percent of the student body who were Pell Grant recipients remained in the mid 20% range for most of the period and then in 2009, the Pell percent of the population jumped to 40% and today makes up 44% of the student body.

Of course, the impact of the tuition reset itself is intertwined with all of the additional publicity the college received—publicity that was generated by the very fact of the reset.

The college appointed a Planning for Success Group in case the enrollment continue to grow aggressively. If growth continued, the college would soon hit bottlenecks, especially in housing. After a second year of growth in applications and new students, the college decided to build more housing and make other infrastructure improvements. The college had the funds to make improvements, as net tuition revenue grew by more than $6 million over the next few years and there was additional revenue from auxiliary enterprises that also benefitted from the enrollment growth.

College E has benefitted from a very skilled enrollment manager who has been in place through this whole period, although his specific position has changed over this time. He has kept a steady hand to make sure that the college has brought in the required net tuition revenue year after year through adjusting the discounting strategy in various ways.

DATA FOR COLLEGE E

	2015	2014	2013	2002	1997	1996	1995
Full-time Undergraduates	1347	1361	1420	1606	1267	1208	1091
New Students							
Freshman	360	385	403	448	414	391	284
Transfers	62	60	51	50	36	55	33
Continuing Students	925	916	966	1108	817	762	774
Tuition							
New Freshmen	$25,080	$24,000	$23,000	$13,500	$10,450	$9,850	$13,850
New Transfers	$25,080	$24,000	$23,000	$13,500	$10,450	$9,850	$13,850
Continuing Students	$25,080	$24,000	$23,000	$13,500	$15,100	$14,500	$13,850
Discount Rate							
All Full-time Students							
Undergraduate Tuition	51.20%	50.7%	50.8%	39.4%	42.2%	45.5%	55.0%
All Tuition		41.9%	42.0%	37.0%	41.6%	45.0%	54.6%
% of Students Receiving Institutional Aid							
All Full-time Students	96.00%	95.5%	97.4%	94.5%	92.2%	88.2%	94.0%
New Freshmen	97.00%	97.1%	97.8%	94.4%	92.7%	92.1%	93.7%
Freshman to Sophomore Year	74%		70.7%	71.0%	81.0%	71.8%	78.5%

DATA FOR COLLEGE E (continued)

	2015	2014	2013	2002	1997	1996	1995
Graduation Rate							
4 Year	34%			37.5%	46.6%	43.7%	
6 Year	51%			53.3%	63.4%	58.6%	60.0%
Other Undergraduate Tuition Rates							
Credit Hour Charge	$550	$525	$500	$240	$190		180
Other (List)							
First-Year Traditional Students							
Admission Applications Received	1980	2012	2001	1778	1441	1348	991
Accepts	1475	1538	1520	1399	1171	1110	811
Pell Recipients (Full-time Students)	590	599	631	408	300	306	300

DATA FOR COLLEGE E (continued)

% of Full-time Enrollment	44%	44.0%	44.4%	25.4%	23.7%	25.3%	27.5%

Note: Only select years of data are included.

University F

University F is a small Midwestern university with about 2,100 undergraduate students. While the university has a strong academic reputation, it is also known as being high-priced, particularly since the recession. This has led to an increase in financial aid and student debt as well as declining enrollment and flat revenue. University leaders believed that a different economic model was needed in order to counteract recent downward trends in enrollment and net tuition revenue and to fill excess capacity.

The Process

In considering a new economic model, several alternatives were considered, including freezing tuition, reducing the size of annual tuition increases, and reducing the sticker price along with the amount of student aid.

In exploring which path to follow, university leaders were aware that surveys indicate that two-thirds of families nationally eliminate institutions from consideration based on the list price. Admissions staff felt that prospective students stayed away from the university's tables at college fairs because of the perceived high price. When asked, guidance counselors reported discouraging students from applying to the university due to the high price.

The university did a considerable amount of research before making the decision, collecting data on inquiry, application and enrollment trends. Among other studies, including one conducted by an interested board member, the university commissioned Stamats to conduct a study of pricing elasticity and brand value. That study concluded, among other things, that University F was priced 20%-25% higher than the market would accept.

A broad spectrum of the college's administration was involved in the discussions, including the cabinet, deans, admissions, financial aid and marketing & communications offices. The board was briefed on the discussions at its April 2013 meeting.

All evidence pointed to the fact that the university was overpriced relative to its peers and that, in general, families would rather have a lower sticker price even if it meant a smaller student aid grant so long as their net price would stay the same. It was clear that the published price should be lowered.

The board was presented with a proposal to reduce the university's published price at its October 2013 meeting, and the proposal was approved.

The Decision

Immediately following that October 2013 board meeting, the university announced a reset of its published tuition price that would lower the price of tuition at all of its schools effective with the start of the 2014-2015 academic year. Tuition at the two largest schools in the university was reduced by one quarter, from $36,470 to $27,500 while at the two specialized professional schools, the reduction was about 20%. The reset would apply to all students, both new and continuing.

The tuition reset was announced as part of a larger program that included promises that a student in a four-year program would graduate in four years or pay no tuition for subsequent courses, would experience high impact learning and would be able to find a job or be admitted to graduate school after graduation.

The Message and the Announcement

This total package of changes was announced by the president at the state house. University leaders believed that it was important that the change in tuition be positioned as a "reset" rather than a "cut" and that the new price was only one element of the large program that the school was implementing to ensure that the student experience at University F is of high value at a reasonable cost.

In addition to a media campaign, prospective students were notified via mail and email. Current students were informed at campus meetings as well as by mail and email. In addition, each current student received an individual cost estimate that showed her or his previous cost, the cost if the university had increased its price by 3% and the cost based on the tuition reset. Although the focus was on net cost, some parents were disappointed that a scholarship that had been earned by their student was being reduced, even though their cost was no more, and in some cases less, than the year before.

In addition to students and parents, university leaders reached out to the entire college community including deans, faculty and alumni.

The announcement was made in October, less than one year before the reset was to take effect. In hindsight, university staff believes that the decision and announcement should have been made earlier in order to be able to communicate the news during the full cycle of recruiting.

The Impact and Outcomes

After the reset, each of the colleges became much more price competitive with other comparable private colleges.

Applications were up a very modest 1 percent, from 2,010 applications for the 2013-2014 academic year to 2,033 for the 2014-2015 academic year, the first year of the reset. Freshman enrollment increased by 2.5% in fall 2014, from 613 to 628 and is expected to decline to 600 freshmen in fall 2015. The decline in freshmen enrollment is in large part due to the decrease in enrollment in one of the professional schools. The university reports an increase in the number of inquiries and campus visitors.

While tuition was reduced 32%, the effect of continuing to aid almost all students and only modest reductions in financial aid awards resulted in a decrease in the discount rate of 9% for freshmen and 11% for continuing students, along with an increase of 11% in the discount rate for transfer students. The net tuition for freshmen fell from $12,400 in 2013 to $11,000 in fall 2014, while the net tuition for continuing students fell from $16,776 to $14,300. The average discount rate for all full-time students decreased modestly from 56% to 51%. This was not a planned result but occurred in large part because more high-award students enrolled and, among continuing students, many of those with low discount rates did not return while those with large awards were retained.

As a result of the large decrease in tuition combined with the modest reductions in net tuition and little enrollment increase, significantly less net revenue was generated after the reset. The university's modeling had projected a reduction in net revenue per student from the tuition reset, so it countered this decrease somewhat by increasing room and board charges by 2.5% and implementing a technology fee to offset the cost of improved wireless access. Ultimately, more substantial enrollment gains will be required to return to financial equilibrium. There was little change in the number of Pell Grant recipients.

At this writing it is too early to know whether there was an impact on fundraising.

Although enrollment has not increased, the university remains optimistic that it will take a while for the expected impact of the total package of changes to result in desired enrollment growth.

DATA FOR UNIVERSITY F

	Projected Fall 2015 as of 7/15/15	2014	2013	2012
Full-time Undergraduates		2161	2141	2201
New Students	650	687	686	694
Freshman	600	628	613	630
Transfers	50	59	58	63
Continuing Students		1474	1455	1507
Tuition (Not Specialized Schools)				
New Freshmen	$28,810	$27,500	$36,470	$35,438
New Transfers	$28,810	$27,500	$36,470	$35,438
Continuing Students	$28,810	$27,500	$36,470	$35,438
Institutional Discount Rate				
All Full-time Students		51%	56%	53%
New Freshmen		60%	66%	63%
New Transfers		48%	43%	59%
Continuing Students		48%	54%	51%
% of Students Receiving Institutional Aid				
All Full-time Students		91%	92%	92%
New Freshmen		97%	96%	97%
New Transfers		75%	73%	96%
Continuing Students		89%	91%	91%
# of Pell Recipients				
All Full-time Students		619	568	638
New Freshmen		156	157	173
New Transfers		25	17	22
Continuing Students		438	394	443
Freshmen				
Applications		2033	2010	1732
Accepted		1392	1374	1423

DATA FOR UNIVERSITY F (continued)

	Projected Fall 2015 as of 7/15/15	2014	2013	2012
Retention Rate				
Overall				
Freshman to Sophomore Year			88	84
Graduation Rate				
4 Year		51%	53%	51%
6 Year		65%	69%	67%
Other Undergraduate Tuition Rates				
Credit Hour Charge	$1,180	$1,145	$1,520	$1,477

College G

College G is a competitive private coeducational liberal arts college that had 1,746 full-time undergraduate students in fall 2015. *U.S. News & World Report* ranks it as a national liberal arts college. In 2000, the college was priced below, and had a lower discount rate than, its peers. Believing that it should catch up with the list price of its competitors, the college had been increasing its tuition price and merit aid quite significantly so that by 2010, its tuition was $35,590 compared with the average private college tuition of $26,766. In 2010, its freshman discount rate was 43%, which was about average.

In 2010, the college welcomed a new president. He arrived with a significant agenda: increase the name recognition of the college, grow the college's enrollment from 1,480 to more than 1,700 students and reposition the college relative to the surrounding public institutions. He also was concerned about the affordability of higher education and the impact that high sticker prices were having on students' perception of their ability to afford a college education. The president decided that the college should take a leadership position on the issue of tuition pricing. He also believed that taking a leadership position on this issue would garner good publicity and improve the college's name recognition.

The Process

Although the president wanted to roll back tuition by 20%, after modeling various financial scenarios with its enrollment management consultant, Human Capital Research, the president concluded that the college could not afford to reduce tuition by more than 10%. The consultant recommended against any tuition reduction. The president also was convinced that a tuition decrease of any less than 10% would not have any impact. More than 30% of the college's students were full-pay, i.e. they received no institutional financial aid; thus any tuition reduction would result in a revenue loss from all of the full-pay students. Any deficit resulting from the changes to pricing would be covered by accumulated operating surpluses until enrollment grew enough to offset the revenue decrease. The board readily went along with the decision to reduce tuition by 10% for fall 2011 as a tuition reduction had been a part of the president's plan from the day he came to the college.

The Decision

In addition to rolling back tuition for fall 2011 by 10% from $35,590 to $32,020, the College also reduced room and board by 10%. With the price reduction, they lowered the freshman discount rate from 43% to 36%; this resulted in the net tuition revenue per freshman increasing slightly from $20,359 to $20,461.

Along with the tuition reduction, the college also gave a four-year tuition, room and board price guarantee for all classes. The college is still making this guarantee. Thus, it runs with four different prices, one for each of its classes, as the price is adjusted only for the new entering students.

The tuition reset applied to all students. Because the president felt strongly that the college had a responsibility to ease the financial burden on students and their parents, it was decided to reduce financial aid by less than the reduction in tuition for continuing students—all returning students would pay a lower net tuition. The 30% of continuing students who were paying the full tuition got the full benefit of the 10% price reduction.

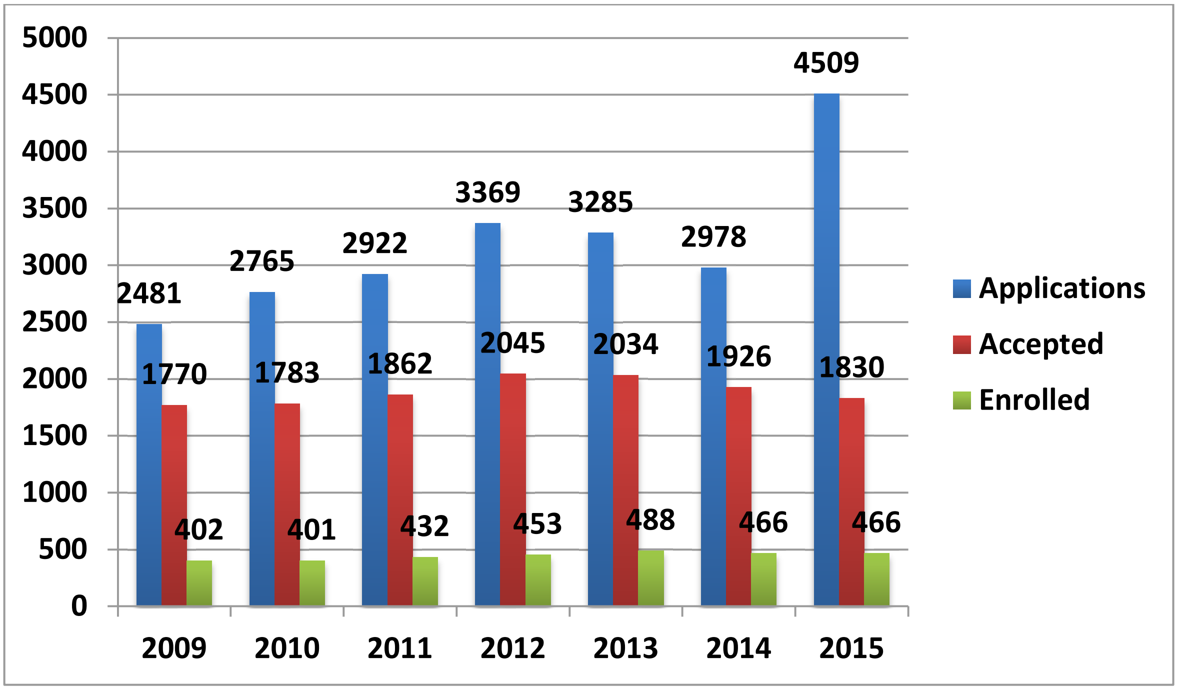
The Message and the Announcement

The college's message was that it was concerned about college affordability. By resetting its price and giving a four-year price guarantee, the college was assuring students and parents that they would not have to worry about the price of college once they enrolled.

The college received a tremendous amount of publicity from its price reduction and its four-year price guarantee. The college announced its new strategy in a video, and the story was carried in major newspapers throughout the country. The coverage generated a lot of excitement and positioned the college nationally as one that was taking a stand on an important issue.

The Impact and Outcomes

The publicity appeared to work. Applications increased by 21% between fall 2010 and fall 2012 and freshman enrollment increased by 8% from 401 students in 2010 to 432 students in 2011, another 5%, to 453 in 2012, and another 8% to 488 in 2013 before dipping back slightly to 466 in fall 2014 and remaining at that level in fall 2015.



Applications trended down after a high of 3,369 in 2012 and by fall 2014, applications were only slightly above their 2011 level, yet the number of new freshmen remained 16% above the level in the year before the price reset. For fall 2015, applications rose to a new high of 4,509. There are several reasons why this happened. Is it that the college's name recognition has increased significantly all of a sudden or more likely, the college made a change in its application process? It eliminated the need for an essay this year so that students could just click on the Common Application without having to add the essay as in prior years. In terms of transfer enrollment, the price reset did not result in an increase in new transfer students despite a rise in the discount rate from 27% in 2010 to 30% the next year. For transfers, the college has been trying different strategies in terms of the percent of transfers that it aids. In fall 2010, it aided 47% of its transfers, 56% in fall 2011 and in fall 2014 71%; yet the College enrolled 21 transfers in fall 2014 compared with 30 in fall 2010. The number of transfer students declined to 16 in fall 2015, and the discount rate was 22%.

The freshman discount rate began to increase again from its starting point of 36% in 2011 to 39.3% in fall 2015, but it is still below the 42.8% rate the year prior to the tuition reset. It was hoped that the price reduction would permit the allocation of more institutional aid based on need and that if more need-based aid was awarded, the retention and graduation rates would increase because fewer of the students would be attending due to financial incentives. It has turned out that significant merit aid is still required to bring in the class although the college continues to have almost 30% of its students who are full pay. In fall 2015, only 18.8% of the freshmen are full-pay, a significant decrease from prior years. The retention and graduation rates have fluctuated annually, but the retention and four-year graduation rates are above the 2010 rate, the year prior to the price reset.

The percent of freshmen on Pell Grants increased from 16% the year before the tuition reduction to 19% in fall 2014 but has dropped to 15% in fall 2015. The student body also increased in terms of national representation during this period. There were concerns that the quality of the student body might fall with the decrease in the price and the discount rate, but this didn't occur.

Even though all continuing students benefited, some students and their families objected, feeling that they were entitled to both the lower tuition and their original financial aid package. The inevitable conversations with families resulted in some negotiations.

As noted, the tuition and room and board reductions resulted in a deficit in the year that the reduction was implemented. The deficit was covered by accumulated reserves from prior years. The following year the budget was very tight but as enrollment has grown in succeeding years, the college has been able to balance its budget.

The college has been increasing tuition gradually since the reset but it has stayed in the lower quartile of its peers. Tuition is now at $38,428 for new freshmen, which is $3,000 above the tuition in 2010, the last year before the reduction.

It was hoped that many of the families of the full-pay students would make a contribution to the college equal to the price reduction but few made this contribution. The annual fund increased about 5% in the year following the price reduction, but this increase has not been sustained. The president is again thinking of a price reset based on his desire to keep the college "affordable" from a price point.

DATA FOR COLLEGE G

	Fall 2015	2014	2013	2012	2011	2010	2009
Full-time Undergraduates	1746	**1697**	**1667**	**1570**	**1522**	**1480**	**1512**
New Students							
Freshman	469	466	488	453	432	401	402
Transfers	16	21	21	25	16	30	25
Continuing Students	1264	1210	1158	1092	1074	1049	1085
Tuition (Full-time Undergraduate)							
New Freshmen	$38,428	$36,828	$35,484	$34,442	$32,020	$35,590	$33,900
New Transfers	$38,428	$36,828	$35,484	$34,442	$32,020	$35,590	$33,900
Continuing Students		varies (see below)	varies (see below)	$32,020	$32,020	$35,590	$33,900
	$36,828 (entered in 2014)	$ 35,484 (entered in 2013)	$ 34,442 (entered in 2012)				
	$ 35,484 (entered in 2013)	$ 34,442 (entered in 2012)	$ 32,020 (entered in 2011 or earlier)				
	$ 34,442 (entered in 2012)	$ 32,020 (entered in 2011 or earlier)					

DATA FOR COLLEGE G (continued)

	Fall 2015	2014	2013	2012	2011	2010	2009
Institutional Discount Rate							
All Full-time Students		38.6%	39.7%	37.9%	37.2%	40.0%	36.7%
New Freshmen	39.3%	39.7%	42.0%	38.0%	36.1%	42.8%	40.8%
New Transfers	22.0%	31.3%	34.0%	36.9%	30.3%	26.7%	28.5%
Continuing Students		38.2%	38.8%	37.9%	37.7%	39.2%	35.2%
% of Students Receiving Institutional Aid							
All Full-time Students	74.0%	71.2%	69.9%	68.9%	67.5%	66.2%	61.9%
New Freshmen	81.2%	82.2%	73.2%	70.0%	68.7%	72.4%	72.1%
New Transfers		71.4%	52.4%	56.0%	56.3%	46.7%	56.0%
Continuing Students		66.9%	68.8%	68.7%	67.1%	64.4%	58.2%
# of Pell Grants Recipients							
All Full-time Students		320	314	277	262	232	208
New Freshmen	70	87	100	92	80	67	62
New Transfers		3	3	5	4	6	5
Continuing Students		230	211	180	178	159	141

DATA FOR COLLEGE G (continued)

	Fall 2015	2014	2013	2012	2011	2010	2009
Freshmen							
Applications	4509	2978	3285	3369	2922	2765	2481
Accepted	1830	1926	2034	2045	1862	1783	1770
Enrolled	469	466	488	453	432	401	402
Retention Rate							
Overall		83.8%	84.5%	82.5%	83.1%	81.7%	83.5%
Freshman to Sophomore Year		88.3%	90.7%	85.6%	90.0%	85.3%	89.7%
Graduation Rate							
4 Year		79.1%	73.8%	75.8%	75.6%	74.0%	80.2%
6 Year		79.2%	78.1%	78.4%	85.7%	81.1%	81.9%
Other Undergraduate Tuition Rates							
Credit Hour Charge (based on entering year)		$1,300	$1,287	$1,250	$1,162	$1,290	$1,230

College H

Today, College H is included among *U.S. News and World Report's* national liberal arts colleges. The college had an enrollment of 836 full-time undergraduates in fall 2014. It was a small women's liberal arts college that had experienced 10 years of declining enrollment and several years of deficits when a new president arrived in 2010. A regional accreditation visit was scheduled for 2011, and without dramatic changes there was concern about receiving a renewal of its accreditation.

The Process

In 2010, the College's tuition of $25,058 placed it in the top third of private colleges in the state in terms of price. There was consensus in the college community, both internally and externally, that the college's price was too high. The new president put together a task force to explore initiatives for a turnaround. Among the options considered were a price reset, turning the college into a commuter institution or becoming coeducational.

The Decision

In fall 2011, the college announced significant changes to be effective for fall 2012. It would become coeducational, change its name, change its mission statement to reflect a greater career orientation while still being rooted in the liberal arts tradition and lower its tuition. Tuition would be reduced 8% from $25,686 to $23,700. The reduced tuition would place the college in the lower part of the middle third in pricing relative to the state's other private colleges. The college kept tuition at $23,700 in fall 2013 and has since been gradually increasing it. The president, in announcing the plan, stated that it would take five years before the college would break even. Fortunately, it had quasi-endowment funds to cover the deficits.

The new price applied to both entering and continuing students. The college moved to providing aid to all of its students. Continuing students were permitted to keep the financial aid package that they had had before the price reset. Thus continuing students paid less in their succeeding years than they paid their freshman year, resulting in a decrease in net revenue per student from the continuing students.

The college took a number of other steps. For example, in order to enhance revenue, the college bought a shopping center across the street to generate net income. College H also dramatically cut expenses, especially in programs that had not been productive in terms of producing graduates. On the other side of the ledger, the college made investments in facilities and in men's sports. The college thoughtfully considered which NCAA league to become a part of and chose Division II as it concluded that it would provide the best "bang for the buck."

The Message and the Announcement

The college positioned the price reduction in terms of helping families deal with economic hardship that resulted from the recession of 2008 and its lingering effects. The college marketed itself as being affordable, accessible and accountable. In fall 2011, only about eight college reduced their price so College H made national news in announcing its tuition reduction. Although the institution made a number of significant changes, a substantial amount of the national publicity came from their tuition reduction rather than from other changes.

The Impact and Outcomes

The many initiatives that occurred nearly simultaneously make it impossible to attribute results to any one of the initiatives. However, the price reduction was among the key points in the repositioning of the college.

With the reset in fall 2012, the college shifted to aiding 100% of its students, compared with 74% the year prior and 98% in fall 2010. Since that time, this strategy has remained in place. The college has concluded that parents appreciate the grants and the bragging rights that go along with them.

The discount rate for new freshmen was 47% in fall 2011 and then increased the year of the reset to 52% and further to 55% in 2013 before dropping to 43% in fall 2014; it increased slightly to 43.8% in fall 2015. The fluctuations in the discount rate were, by the college's own admission, attributable in part to poor execution of discounting policies rather than to intentional changes.

The enrollment of new freshmen grew from 176 freshmen in fall 2011 to 309 with the price change in fall 2012 and then reached a peak of 419 in fall 2013. Freshman enrollment dropped to 312 in fall 2014 and has increased to 326 in fall 2015. The steep decrease in the discount rate may have been in part responsible for this drop but there was also a lot of turmoil on campus with faculty publicly questioning the value of the education being provided. Many faculty were not comfortable with the change in the mission and other changes that had been quickly instituted on a campus that was more than 100 years old.

Prior to the price reduction and the other changes that the college made quickly in the 2010–2012 time frame, its peers/competitors were the state public institutions and the low-ranked private institutions in the state. Since the repositioning, the college's top competitor is a private college with a better academic reputation than the institutions against which it had previously been compared.

The college has continued to run planned deficits, and it was expected that it would take until 2017 for the turnaround to be complete and the college to begin generating surpluses. Today, the college's published tuition is only slightly above where it was in 2010 due to very moderate increases in tuition in the succeeding years.

The college continues to modify its pricing and plans to add additional price points as new programs are introduced. For example, there will be different prices for evening, online and Saturday programs, all of which will be priced lower than the residential undergraduate programs, and with no tuition discount. College leaders also plan to test a lower price with no discounting for commuter day students. The rationale is that these students will not use the residence halls, athletics, and other campus services. Along with the price reduction, the college has changed its recruiting strategy by adding New England, Florida, international locations and private schools to its recruitment territories. The college has also been working to market to more middle- and upper-income students but, to date, the proportion of full-time undergraduate students that are Pell Grant recipients remains about 55%, about what it was prior to the reset.

Because of the myriad changes that occurred simultaneously, including becoming co-educational, it is difficult to attribute the enrollment and net tuition revenue changes to the price change. Nonetheless, enrollment is significantly greater than it was in the year prior to the price change. The national publicity associated with the price reduction is certainly credited with helping to increase the applicant pool.

DATA FOR COLLEGE H

Institution (Campus-based Students)	Fall 2015	Fall 2014	Fall 2013	Fall 2012	Fall 2011	Fall 2010
Full-time Undergraduates*		**836**	**827**	**621**	**530**	**621**
New Students	326	312	419	309	176	180
Freshman	239	243	347	232	136	
Transfers	87	69	72	77	40	
Continuing Students		524	408	312	354	441
Tuition (Full-time Undergraduate)*						
New Freshmen	$25,650	$24,450	$23,700	$23,700	$25,686	$25,058
New Transfers	$25,650	$24,450	$23,700	$23,700	$25,686	$25,058
Continuing Students	$25,650	$24,450	$23,700	$23,700	$25,686	$25,058
Institutional Discount Rate*						
All Full-time Students	45.20%	45.00%	49.00%			
New Freshmen	43.80%	43.00%	55.00%	52.00%	47.00%	46.00%
New Transfers		40.00%	40.00%			
Continuing Students		48.00%	38.00%			
% of Students Receiving Institutional Aid**						
All Full-time Students	100%	100%	100%	100%	74%	98%
New Freshmen	100%	100%	100%	100%		
New Transfers	100%	100%	100%	100%		
Continuing Students	100%	100%	100%	100%		
# of Pell Grant Recipients***						
All Full-time Students	462	468	488	360	297	
New Freshmen	126	127	194			
New Transfers		40	78			
Continuing Students		301	216			

DATA FOR COLLEGE H (continued)

Freshmen*						
Applications	2110	2294	2108	1463	1217	1222
Accepted	1174	1334	1144	866	641	746
Retention Rate**						
Overall						
Freshman to Sophomore Year		67%	65%	56%	72%	65%
Graduation Rate**						
4 Year		28%	23%	23%	22%	
6 Year	55%	36%	35%	35%	29%	
Other Undergraduate Tuition Rates						
Credit Hour Charge	$855	$815.00	$790.00	$790.00	$856.20	$835.27
Other (list)						
Credit Hour Charge - SPS	$275	$275.00	$250.00	$250.00	$300.00	$300.00

* Data from Day Population

**Data taken from IPEDS Reports

*** Data from Day and SPS Population

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