

# Macro Trends Shaping Higher Education

March 12, 2017

# AGB Institutional Strategies

- AGB Institutional Strategies focuses exclusively on issues affecting the economic model and competitive position of colleges and universities
- AGBIS has the capacity to diagnose challenges and opportunities through collaboration, consensus and innovation to develop prosperous economic models
- A proven collaborative approach that includes:
  - Diagnostics
  - Exploration
  - Implementation

# Presentation Overview

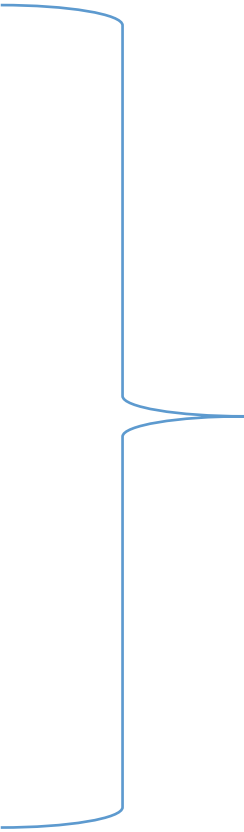
- Situational Assessment of Higher Education
- Macro Trends Shaping Higher Education

# Situational Assessment of Higher Education

- **The changing competitive landscape presents a serious challenge for colleges and universities across the country**
- **Institutions are struggling to match revenues with expenditures, while simultaneously trying to cope with**
  - lower net revenue per student,
  - rising costs,
  - evolving consumer behaviors,
  - shifting student demographics
- **As a result, institutions are forced to address their business models**
  - Institutional will and resolve will be greatly tested

# Migration of Industries

- Publishing
- Automotive
- Textile
- Music
- Steel
- Trucking and Logistics
- Telecommunications



Higher Education  
will be the next  
industry to  
experience a hard  
fall – with many  
failures

# Situational Assessment of Higher Education

- **Demographic shift**
- **Technology migration**
- **State appropriations (public)**
- **Lower net tuition revenue per student**
- **Changing consumer behaviors**
- **Cost cutting**
- **Mergers and Consolidations**
- **Revenue and cost alignment challenges**



# Technology Migration

- **More than 7.1 million students, 33 percent of total higher education enrollment, have taken at least one online class.** <http://chronicle.com/blogs/wiredcampus/exactly-how-many-students-take-online-courses/49455>.
  - In 2014, there were 3.4 million college students engaged in fully online programs.
- **Technology will play a growing role as part of the delivery methodology.**
  - Digital delivery, interactive video, mobile learning...
    - Beyond the demographic shift, students are migrating towards technology for convenience.

# State Appropriations

- State appropriations have been in decline for 23 states, since the recession of 2007-2008.
- Forty-eight states — all except Alaska and North Dakota — are spending less per student than they did before the recession of 2007-2008 (AK and ND now reducing appropriations)
- The average state is spending \$2,026, 23 percent, less per student than before the recession. These appropriation cuts have resulted in a 28 percent rise in tuition prices at state institutions across the country.
- <https://www.insidehighered.com/news/2016/01/25/state-support-higher-education-rises-41-percent-2016>  
<http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels>

# Trend - Lower Net Tuition

- **The average tuition price published at four-year private colleges is \$32,405**
  - The average freshman discount in 2015 was 48% (new students)
    - Net tuition revenue of \$14,809
- **The average in-state tuition \$9,400**
  - Range of \$6,700 to \$16,000
- **Median household income for the USA is \$56,506**
  - Discounting pressures will continue



# Changing Consumer Behaviors

- **Consumers are becoming more astute with their college selection**
  - Price and value are critically important
  - In the eyes of the consumer, student loans are no longer considered “financial aid”
- **For consumers, lower cost of education means lower tuition prices**
  - Institutions are cutting costs, which is required for survival, but cut costs do not necessarily lower consumer price

# Student Expectations

- **Jobs - Reason students attend college**
  - Consumers are trending towards certifications and credentials as a means towards job creation
    - Bypassing college to focus on jobs
    - Reduces the available student market
- **Cost - Student debt is now at the consciousness level of consumers**
  - \$1.6 trillion of student debt
  - Average debt \$29,400 (requires \$440 per month of gross income over ten years)

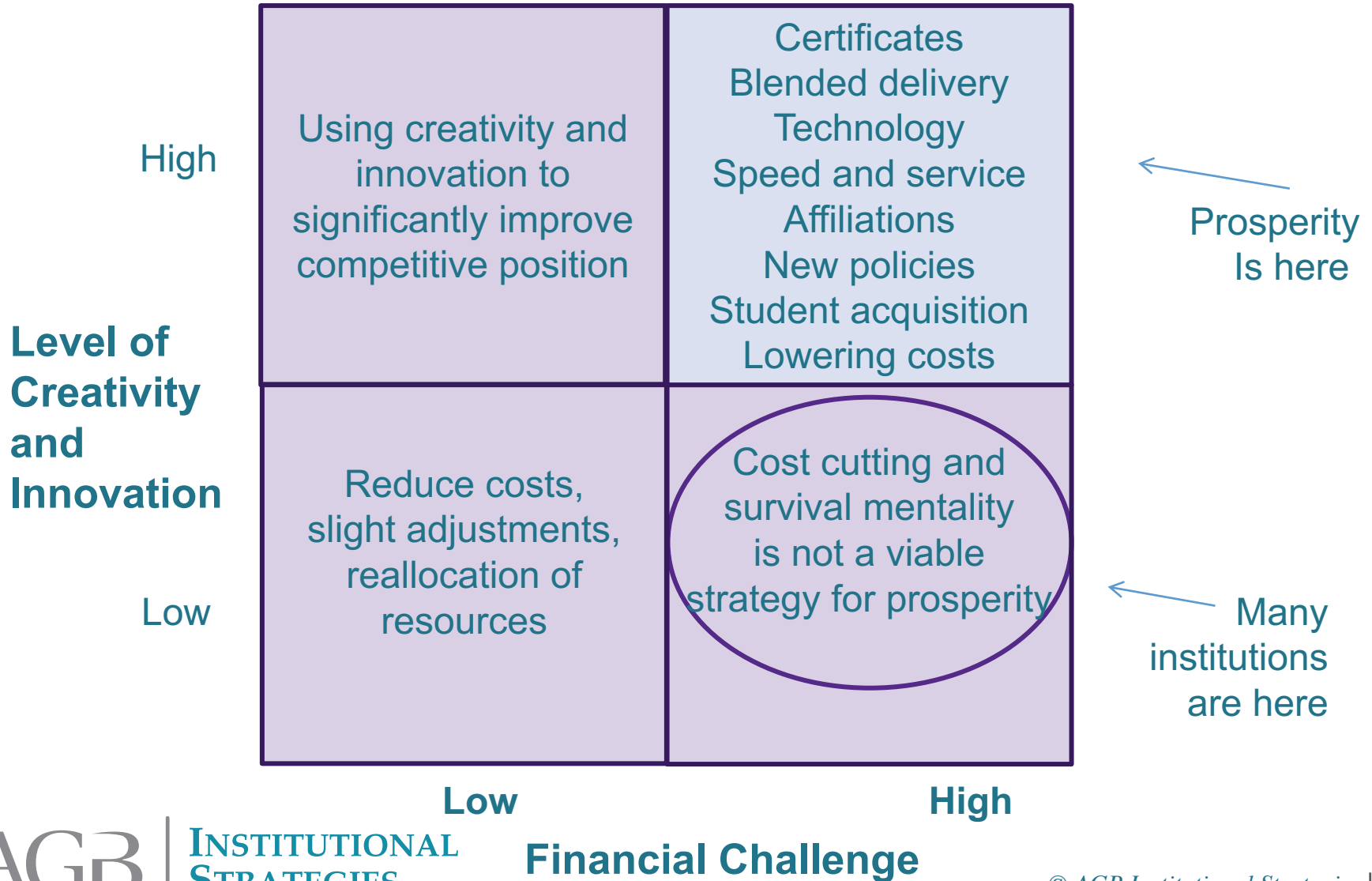
# Cost Cutting is the Norm

- **Across the country, institutions are focusing on expense reduction**
  - Consolidation of institutions with a single administration
  - Program cuts
  - Faculty layoffs in the absence of financial exigency, including tenure track
  - Deep cost cuts across the board
  - Pay cuts, elimination of 403-b contributions

# Slow Operating Rhythms

- Self inflicted wounds - Operating procedures which no longer align to the market place, prevent revenue growth
  - Processing student applications
  - Processing transfer students
  - Collaboration without accountability
  - Applying campus based policies to the adult market
  - Old policies that no longer serve the market
  - Core requirements which no longer align to the market
  - Out dated pricing strategies
  - Decision making – that could take an hour, takes weeks and months
  - The institutional will to make operating changes is usually in shorter supply than financial resources

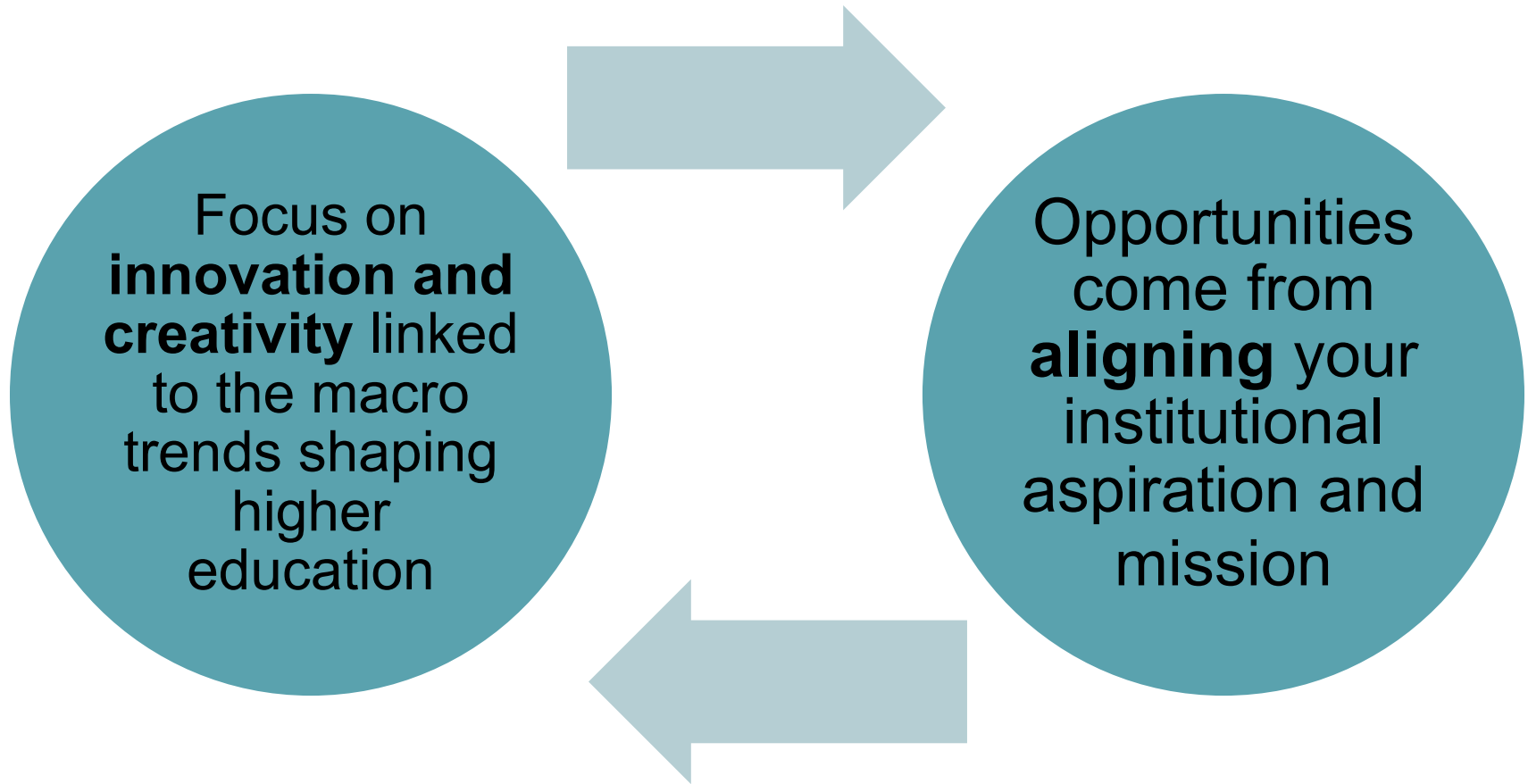
# Creativity and Innovation Requirements



# Revenue and Expenses

- While cost alignment is an important element in fostering a sustainable economic model, revenue growth and diversification is critical.
- Growing and diversifying revenue is usually more difficult than reducing expenses, but it is critically important in developing a prosperous and sustainable economic model.

# Revenue Growth and Diversification



# Macro Trends Setting Context

MACRO TRENDS SHAPING HIGHER EDUCATION

MEGA TRENDS

MARKET SEGMENTS

SKILLS GAP

IBM CEO STUDY ON SKILLSETS

MCKINSEY STUDY ON SKILLSETS

ASSOCIATION OF AMERICAN COLLEGES AND UNIVERSITIES EXPECTATION GAPS

MARKET SEGMENTS

NEW ENTRANTS

EXPLOSION OF LOW COST ACADEMIC CONTENT

OPERATING COSTS OF CAMPUS VS ONLINE PROGRAMS

UNBUNDLING THE DEGREE

TRANSFER STUDENTS

JOB RELATED OFFERINGS

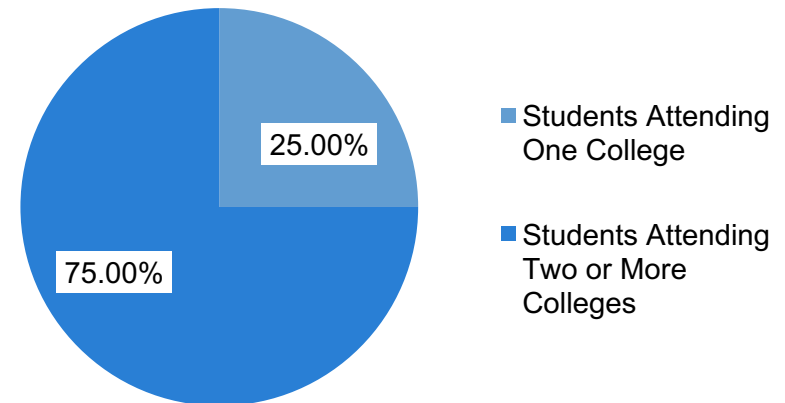
# Two Macro Trends Shaping Higher Education

## UNBUNDLING OF THE DEGREE

The trend of unbundling classes and credits from the institution's core has already begun

- Similar to purchasing individual songs (94%) vs. albums (6%)
- Allows students to obtain college credits from many sources; the world will become the classroom
- There is an explosion of education content, allowing students to more easily obtain credits for transfer towards their degree

## TRANSFER STUDENTS 75%



# Transfer Students

- **Transfer students represent a major opportunity for institutions**
- **Requires speed and service to maximize competitiveness**
- **Many old paradigms around serving and processing transfer students (tactical)**
- **Transfer student entry class should be as large as your freshman class – great diversification opportunity**

# Comparing Market Segments

- **The market segment for adult degree completion is larger than the traditional high school segment.**
  - 40 million adults with college credit and no degree
    - National market
    - Necessitates speed and service
  - 3.3 million high school students graduating
    - Local and regional market
    - Demographic shift
    - Changing consumer buying habits

# Expectation Gap

## What External Constituents are Saying



### Forbes on Education

"No field operates more inefficiently than education. A new breed of disruptors is finally going to fix it."



### 1,500 CEO's on Education

"#1 CEO challenge is hyper-complexity. Higher Ed is not equipping graduates with the right mindset or skills."



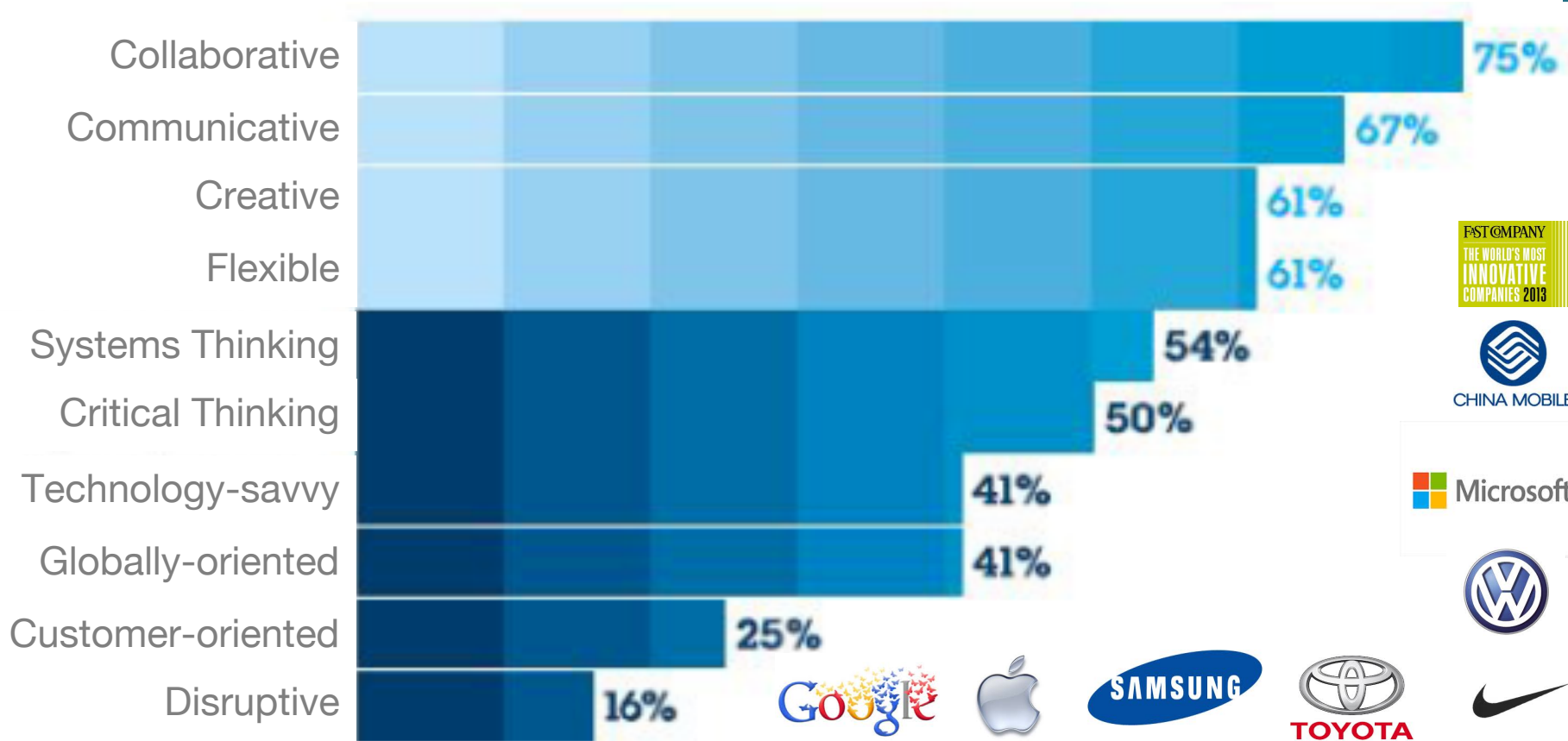
### McKinsey on Education

"Students don't believe traditional education drives job skills. Bottom line. Skills matter. Hard to get them."

# IBM Global CEO Study

## Top Ten Global Skills Needed

IBM CEO Study



CHINA MOBILE



## Top 10 skills

### in 2020

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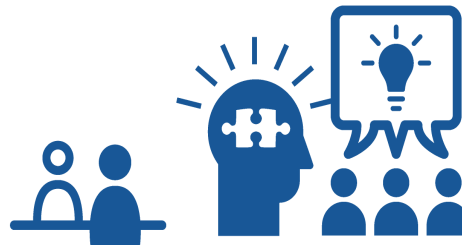
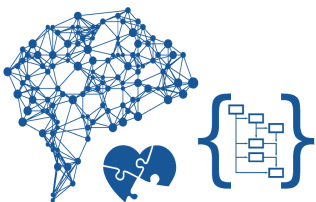
1. Complex Problem Solving
2. Critical Thinking
3. Creativity
4. People Management
5. Coordinating with Others
6. Emotional Intelligence
7. Judgment and Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility

### in 2015

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1. Complex Problem Solving
2. Coordinating with Others
3. People Management
4. Critical Thinking
5. Negotiation
6. Quality Control
7. Service Orientation
8. Judgment and Decision Making
9. Active Listening
10. Creativity

Given the apparent abundance of available talent, why do many industry leaders and other employers continue to complain about a “skills gap” ?



# Job Related Curriculum

**AUGMENTED VIRTUAL REALITY**

**3-D PRINTING**

**JOB BOOT CAMPS**

**SOFTWARE CODING**

**CREDENTIALS**

**CERTIFICATES**

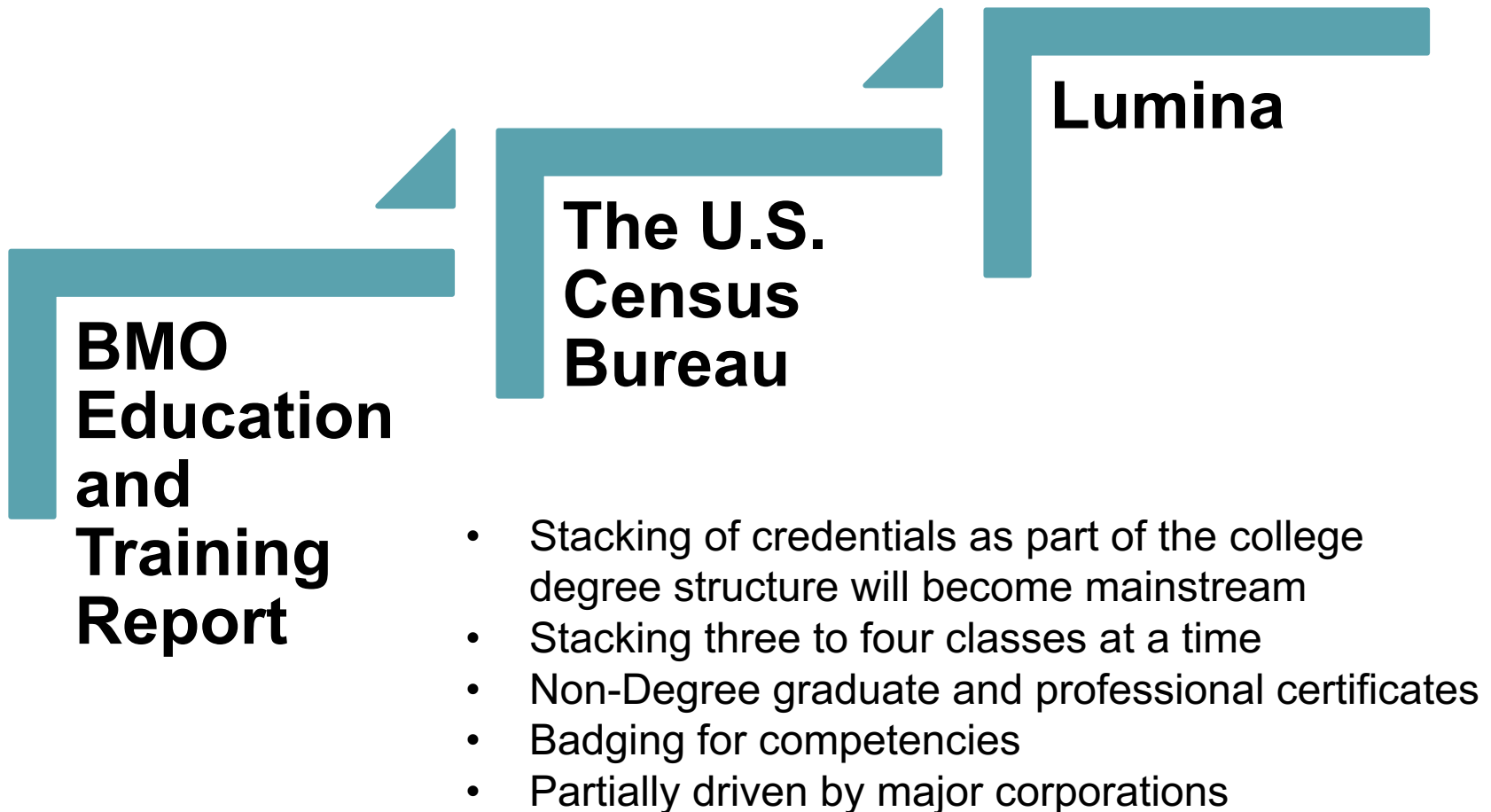
# Students Reason for Attending Career Focused

- **82% said they considered career options when selecting a major**
- **62% said they considered average salary when considering a major**
- **75% said they expect to save more money and live better than their friends/peers do**
- **60% consider recent job placement statistics when selecting an institution**
- **89.7% said going to college to “get a better job” was of their highest importance (67% in 1976).**

# Top Jobs of the Future

- Drone Applications
- Augmented Virtual Reality
- 3D Print Design
- Health Care
- Information Technology
- Alternative Energy
- Content Creation
- Robotics
- Cyber Security
- Computer Game Design
- Biometrics

# Certificates and Credentials



# Job Boot Camps

Koru and Fulbridge offer college seniors and recent college graduates accelerated job preparation boot camps.

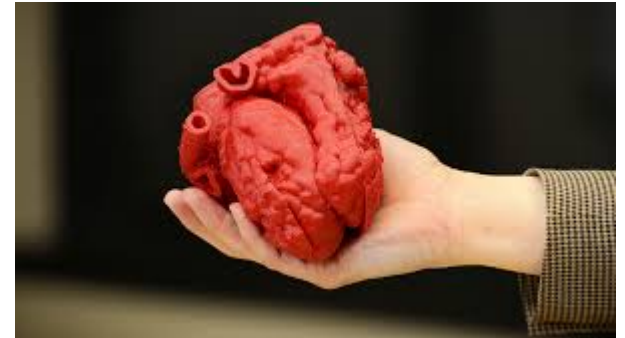
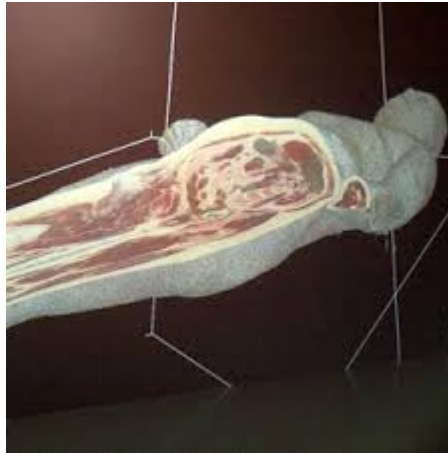
Boot camps usually last four to six weeks.

Tuition ranges from \$6,000 to \$9,000 per student.

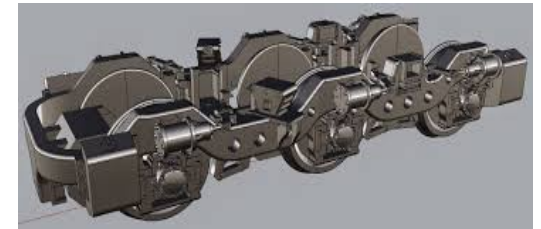
# Sample program curriculum

- Workplace Communication Skills
- Project & Time Management
- Professional Development & Leadership Skills
- Design Thinking and Iteration
- Program Management
- Excel, PowerPoint, Web-based Collaboration Tools
- Customer Service, Sales, and Marketing

# From Manufacturing to 3D Printing



Xavier University has opened a MakerBot Innovation Center on its campus. The University has become the first private institution in the US and the first university in the Midwest to take part in this initiative.



The center is established with an aim to enlighten the students and faculty on generating prototypes, small-scale creative and manufacturing projects, and model making processes. The program allows space for networking and start-ups, attracting researchers, innovators, and other local entrepreneurs.

# Software Programming

- There is a growing demand in the job market for software programmers and subsequent potential to combine a campus-based tutorial program with an online programming curriculum.
- Coding boot camps have proliferated over the past few years. They offer a rapid, relatively inexpensive path to a career change into the software development. In a matter of weeks, a successful graduate can entertain programming job offers with high salaries (five- or even six-figure). When aligned with a liberal arts degree, the concept could be powerful.



Learn to Code the Fun way

**CODE AVENGERS**

CSS lessons available August 31<sup>st</sup>

JavaScript level 1   JavaScript level 2   HTML/CSS level 1

The advertisement features four stylized superhero characters: Iron Man (top left), Wasp (bottom left), Iron Man (bottom right), and Black Widow (top right). The central text 'CODE AVENGERS' is rendered in a large, metallic, glowing font. Below it, the text 'CSS lessons available August 31<sup>st</sup>' is displayed. At the bottom, three teal buttons are labeled 'JavaScript level 1', 'JavaScript level 2', and 'HTML/CSS level 1'. The background is dark with a blue glow emanating from the central text.

# Coding Boot Camps





Concordia  
UNIVERSITY • SAINT PAUL

# Concordia University – Saint Paul

- **41 Liberal Arts Majors**
- **1,421 Traditional Undergraduate Students**
- **1,146 Adult Undergraduate and Continuing Studies**
- **1,624 Graduate Students**



## Concordia Coding Bootcamp St. Paul

**This bootcamp is a product of a partnership between Concordia University – Saint Paul, the Software Craftmanship Guild and The Learning House. Students of Concordia can now take a slightly modified version of the Software Craftmanship Guild’s program as part of their education. The program is also available for those who are not enrolled at the university. The bootcamp focuses on Java and .NET, which isn’t as prevalent amongst bootcamps as other technologies.**

Format	In-person
Cost	\$10,000
Required Experience	No programming experience required
Languages	Java, C#, .NET, ASP.NET, SQL, HTML/CSS, JavaScript, jQuery, AngularJS, Bootstrap, Git, Visual Studio
Class Size	Info not available
Course Length	12 weeks
Hours/Week	40+
Sessions/Year	4
Application Process	Standard application + Interview + Programming assessment
Job Assistance	Available
Tuition Reimbursement	None
Financial Aid	Available if you take it for college credits
Payment Plan	None
Description	.NET coding bootcamp
Contact	<a href="mailto:bootcamp@csp.edu">bootcamp@csp.edu</a>

# Other New Developments

**NEW ENTRANTS AND EXPECTATIONS**

**TECHNOLOGY**

**ONLINE PROGRAMING**

# New Entrants and Expectations

Innovation is taking place outside of the walls of our campuses.

Students, parents, and employers are starting to consider alternative approaches to degree completion that address both cost and job preparation issues.

## Minerva Project - San Francisco, CA

- World class degree – Raised \$100 Million
- To compete against most elite institutions

## New College of the Humanities - London, UK

- Oxford and Cambridge faculty
- Business and Liberal arts
- Plans to enter the USA market

## MOOCS – Massive Open Online Courses - Accreditation

### StraighterLine, Baltimore, MD

- Has served 15,000 students with alternative blended content

### Lumerit Scholar – Global digital classroom

### Flat World Education – Competency based digital content

### Echo 360 – Active Learning Technology

### Promethean – Interactive video learning platform

### Koru – Job Boot Camp – Seattle, WA

### Fullbridge Program – Job Boot Camp – Boston, MA

### Competency Based Programs (Partnership Opportunities)



AR technology is quickly coming into the mainstream. It is used to display score overlays on telecasted sports games and pop out 3D emails, photos or text messages on mobile devices. Leaders of the tech industry are also using AR to do amazing and revolutionary things with holograms and motion activated commands.

# Operational Elements

**SERVICE, SPEED AND STATISTICS**

**MANAGING THE RECRUITMENT CYCLE**

**MAJOR FOR-PROFIT INSTITUTIONS**

**MAJOR NON-PROFIT INSTITUTIONS**

**OPERATING BUDGET COMPARISON**

# Service, Speed, and Statistics

## ADULT AND TRANSFER STUDENTS

Requires speed, service, and convenience

- Processing speed measured in seconds, minutes, hours, days

Multiple enrollment start times

- Instant start times

Colleges that rely upon a traditional selling rhythm are able to get “some students”

Institutions that have separate selling methodologies take the vast majority of market share and have significant growth

## HIGH SCHOOL MATRICULATION

Single entry point for recent high school graduates

- Establishes a rhythm that is slow and predictable
  - Days, weeks, months, years
  - Travel season, campus visits, acceptances, FAFSA, financial packaging, deposits

Slower rhythm compared to requirements of adult and transfer students

# Exploration Process

**ALIGNMENT WITH MACRO TRENDS**

**INSTITUTIONAL MISSION**

**STRATEGIES FOR GROWTH**

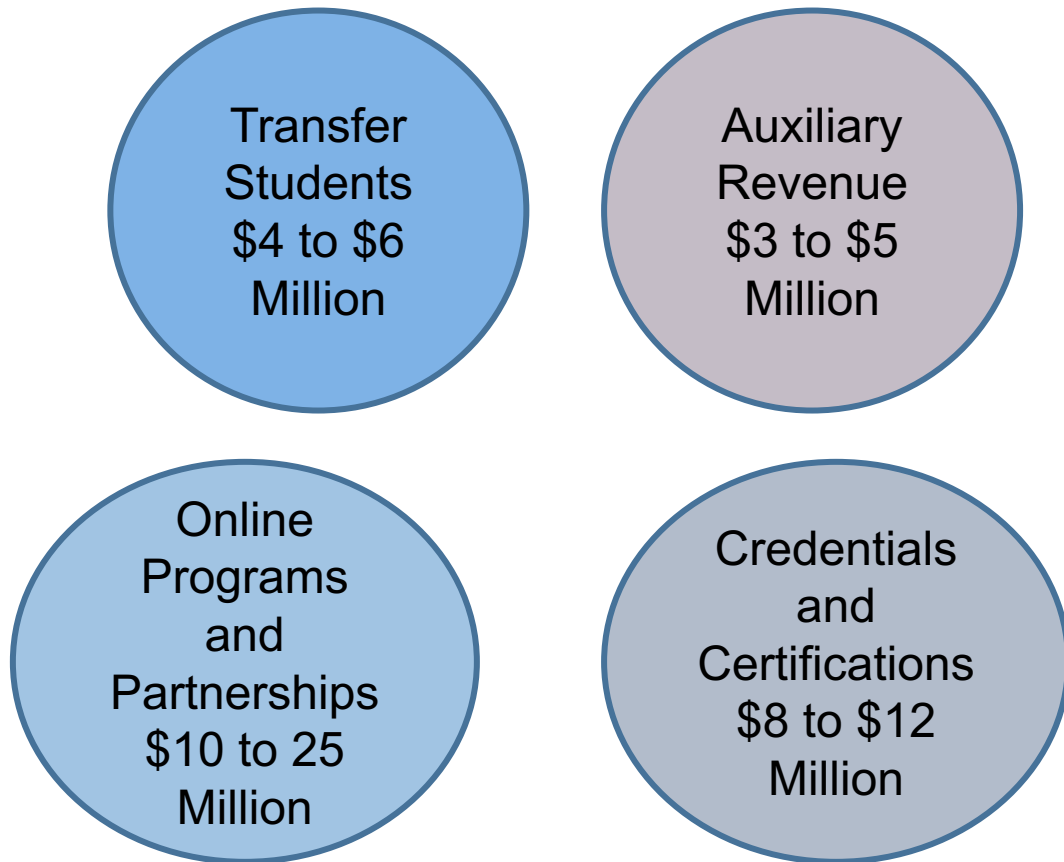
# Macro Trend Opportunities

This graphic shows a sub-set of four major opportunities that was identified with a client

- Quantification of financial need: \$10 million
- Opportunities Identified \$25 to \$48 million in annual revenue
- Incremental financial contribution of \$10 to \$18 million
- The modeling included documentation of assumptions, key indicators of progress, internal constraints, investment requirements, margin contribution, annual projections, risks, and leadership needs.

# Example of Client Exploration Vision

\$25 to \$48 Million



# Prosperity

- **While there are tremendous challenges facing higher education, it is possible to prosper in the current competitive environment**
  - Gain consensus on your institution's situational assessment, which includes quantification of need (Diagnostics and Discovery)
  - Align your strategic initiatives with your institution's strengths, mission, and the macro trends shaping higher education (Exploration)
  - Develop a detailed tactical execution plan that includes key assumptions, leadership accountability, required measurement metrics, financial modeling, risks, milestones, and timelines (Implementation)



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