

The End of Higher Education Enrollment As We Know It

What colleges and universities need to understand before it's too late

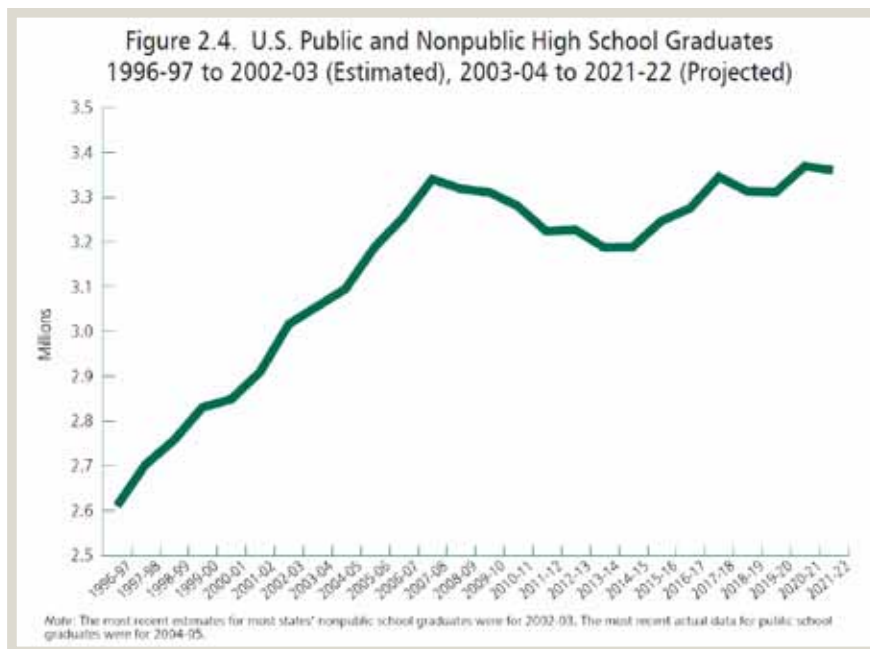
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We all know that significant demographic changes are occurring in the U.S. population. The country is becoming older and more diverse—both racially and in terms of the percentage of people who are foreign born. In fact, this percentage is expected to reach a modern high, exceeding the 14.8% peak reached in the early 1900's, by 2020.¹

The nature of the prospective college student population is also changing rapidly in significant and fundamental ways. Colleges that are able to respond by adapting their recruitment, marketing, and enrollment management strategies will continue to prosper. But recruiting prospective students is rapidly becoming a challenging profession where simply being a competent recruiter who offers the promise of a quality education is no guarantee of full classrooms, or job security.

Some professionals in the education world have been more acutely aware of the consequences of this impending demographic and cultural shift because, at the primary and secondary level, they are already feeling its effects. Frequently, population-driven demographic shifts are initially felt in areas that serve young people, such as healthcare, social services, and primary and secondary education. Indeed, many school

systems are being forced to close schools in the face of large infrastructure costs combined with declining enrollments and a declining tax base. Yet, these population trends inevitably work their way up through the educational system and are eventually felt in higher education. That time is rapidly approaching and it should come as no surprise. But for many college administrators, it unfortunately will.



Higher education is coming off the greatest "bull market" that it has ever experienced. The Western Interstate Commission for Higher Education (WICHE) has been tracking the number of future high school graduates by race and region for decades and the statistical trends are striking (<http://www.wiche.edu/knocking/data>). Between 1990 and

2009, the number of high school graduates increased by more than 35%, from 2.4 million to 3.3 million. Many colleges and universities, fueled by rising enrollments, rising endowments, and access to cheap capital markets, responded by increasing capacity, adding permanent (tenured) faculty, building more and more buildings, expanding and improving dorm space, and adding various on-campus amenities to attract better qualified and more affluent students. All in anticipation of ever growing demand. (A former Chancellor of mine once commented that a university with less than three construction cranes visible on campus simply wasn't a player.) But like the boom in the stock market, the bull market in higher education is ending. The 2009

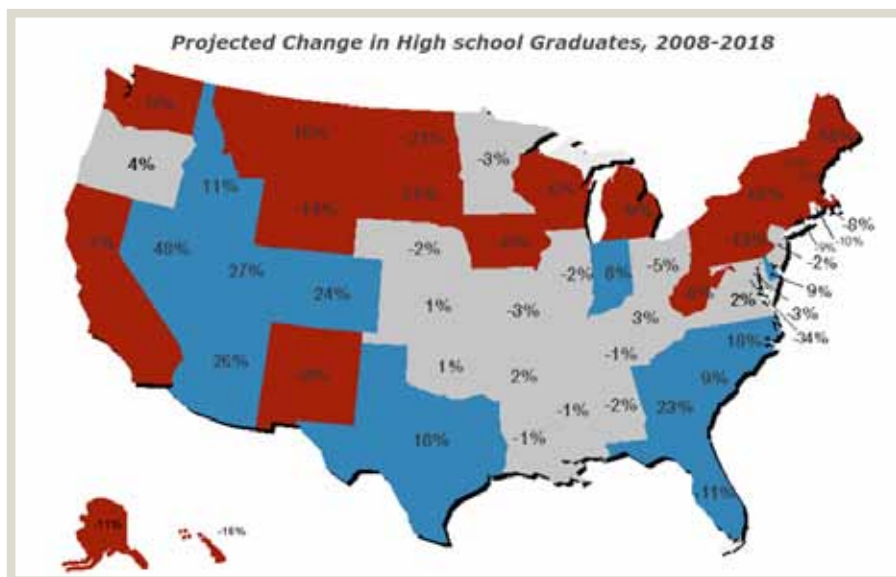
¹ Pew Foundation, 2008: <http://pewhispanic.org/files/reports/85.pdf>

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peak of 3.3 million high school graduates is not likely to be seen again until 2020.

While the overall trend is striking, digging a little deeper into the numbers suggests that the overall trend varies widely by region. Colleges in the North, the Northeast and much of the West can anticipate significant enrollment declines over the next decade, while those in the Midwest should see essentially flat enrollment numbers. The Southwest and coastal Southeast would seem to be insulated from the national trend, showing continued healthy enrollment gains.



But, as I will discuss shortly, the challenges for colleges in the "growth" states, while different from those in states anticipating enrollment declines, might not be any less challenging. The regional patterns are significant, because as another mentor of mine once told me, "all college recruitment, like all politics, is local." A recent study by the College Board, using data from SAT records and the National Student Clearinghouse found that the median distance students traveled to attend college was 94 miles, with surprisingly little variability across region, race, gender or test score². More to the point, 72.1 % of students enrolled in a college in their home state, with another 11.9 % attending college in a bordering state, leaving just 16% traveling more than one state away to attend college. Indeed, all college recruitment truly is local.

I suggested that the growth in the Southwest and coastal Southeast might present its own challenges. The overall national and regional trends mask subtleties in the rapidly changing racial and ethnic demographics of future college students. Significantly, to the extent that certain areas experience some enrollment some degree of growth, all of this growth will come from racial and ethnic minorities.

² Mattern & Wyatt, 2009: http://findarticles.com/p/articles/mi_qa3955/is_200904/ai_n31666009/?tag=content;col1

For example, in Florida the percentage of high school graduates who are white is expected to decline from 53% in 2009 to 49% in 2014, while the percentage that are Hispanic is projected to increase from 10% to 28%. In Nevada, the state projected to have the largest overall increase, the proportion of white high school graduates is expected to decline from 46% in 2009 to 33% in 2014, while the percentage of Hispanics is slated to grow from 30% to 39%.

Considered in a broader context, the changing composition of the college-going population has potentially more far-reaching implications than the enrollment numbers alone would suggest.

We know from the WICHE data that the absolute number of non-minority high school graduates declines in every region of the country from now through 2018. What is not demonstrated by the data, but quite likely to be true, is that the numbers of affluent, second-generation and beyond-high school-graduates (be they white or minority) will also decline in nearly every region and locality over the next ten years. Future college students will not simply be more diverse, but as suggested by the Pew study, will in many ways also resemble the great immigrant influx of the early 20th century:

- They will have different educational aspirations and different expectations of what a college education should provide.
- They will be more employment-oriented, and their choices of majors are likely to reflect their career goals.
- While they are likely to be equally, if not more, academically motivated compared to the typical college student of the past decade, they will likely be less prepared academically, with many coming from first-generation households in which English is a second language.

The well-prepared, affluent, college student that has helped fuel

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the expansion of higher education of over the past 20 years will not disappear, but will not spur additional growth either. Colleges that fail to adapt, both in terms of their approach to recruitment and in the educational programs they offer, do so at substantial risk.

Percentage Growth in Public High School Graduates by Race/Ethnicity (2009-2021)

American Indian/Alaska Native	Asian/Pacific Islander	Black non-Hispanic	Hispanic	White non-Hispanic
10.2%	60.5%	-2.4%	88.0%	-15.2%

Source: WICHE 2008

Another major concern, as illustrated above, which will certainly be exacerbated by these changing and complex demographics, is the ability of future students and their families to afford a modern college education, and by extension, the inevitable increased demand/need for ever more-limited financial aid resources. This concern is likely to be even further exacerbated by the well-documented hyper-inflationary growth in college costs relative to income.

Recently, we have seen increased interest in how future demographic trends will affect higher education from parties outside the profession. This interest is frequently driven by concerns related to the sustainability of college pricing and the means of funding of higher education, in both the private and public arena.

For example, Moody's (2008) recently released a comprehensive report on the long-term economic outlook for higher education, including commentary on bond ratings, financial strength, demographics, enrollment trends, and future challenges. In addition to commenting on some of the same demographic

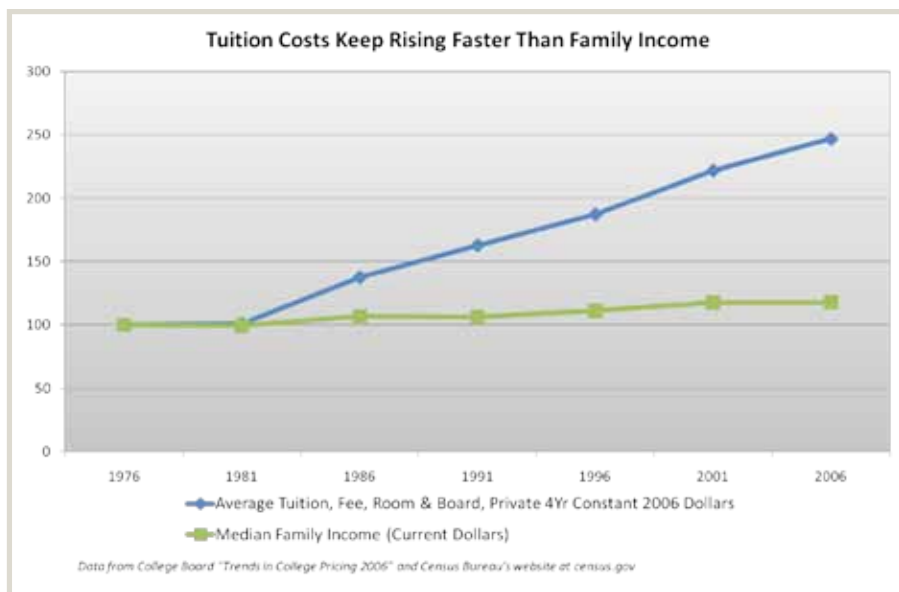
projections discussed above, the Moody's report notes that borrowing in the higher education sector reached an all-time high of \$21 billion in 2007, with annual capital expenditures exceeding depreciation by a factor of 1.6 for several years running. This growth spurt is clearly coming to an end, as many colleges are scaling back or even canceling capital projects in the aftermath of the credit crisis and substantial endowment losses. But the accumulated debt burden will need to be paid back in the coming years, or refinanced at even higher rates.

The financial pinch in higher education occurs just as the decades long growth in tuition-paying enrollment numbers is ending. Colleges, with high fixed cost structures and tenured faculty, have always had a difficult time downsizing or reeling in expenses - expenses that inevitably get passed on in the form of higher tuition. But now, colleges are facing a much more competitive recruitment environment and a customer base that is likely to be increasingly price-sensitive.

Colleges and universities have traditionally operated in a very unique marketplace environment where "buying" decisions are influenced less by near-term price elasticity, and more by the perceived long-term value of the education being purchased. But that too is likely to

change as a more diverse and less affluent college-going population comes of age.

At the same time, the recruitment process in higher education is becoming increasingly complex and compressed. Students are waiting longer to reveal their interest to colleges and submitting



applications to more colleges than ever before, shopping around for the "best offer." There exists only a brief window, between the point at which a prospect becomes "known" to a college and the actual matriculation decision, when the opportunity exists for targeted communications to simultaneously inform and influence each student's decision-making process.

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The stakes are very high for both parties. Students are making the largest investment decision of their lives to-date. Colleges are attempting to balance their financial well-being and their market position by shaping the size and profile of their incoming classes. As competition for students increases over the next decade in the face of rising attendance costs, dwindling endowments, changing demographics, and a decline in the number of college-bound students, each college's ability to survive, much less prosper, will depend directly on its ability to identify, qualify, and communicate with prospective students in a more technologically efficient and cost-effective manner.

The traditional model of filling a recruitment funnel with large numbers of "prospects", without regard to their potential interest, mailing out expensive printed view books, followed by an occasional letter or "recruitment piece" (or more recently an endless stream of undifferentiated and untargeted emails), combined with sending recruiters out to visit high schools and make a pitch to any prospects who show up, will not work in this new environment. Such strategies are both overly expensive and increasingly ineffective. The traditional funnel approach to college marketing is based on the notion that prospective students are passive recipients of information that is controlled by the college and designed to present each college's particular educational experience in a unique and favorable light. The future college prospect, however, will have a very different orientation toward technology, information, and most of all, credibility.

According to the Pew Internet and American Life Project, 73% of American teens now actively use social networking sites, up from 65% in February of 2008 and 65% in November 2006³. But how teens use this technology is also changing. The percentage that maintain their own blogs has dropped from 28% in 2006 to 14% as of February 2010. In contrast, 27% of 18-24 year olds now use Twitter, the fastest growing communication channel, and 66% rely heavily on texting to stay in touch. Internet and cell phone use is now ubiquitous (93% for each). In terms of the future college prospects, 58% of 12-year-olds now have an internet-enabled cell phone, compared to just 18% in 2004.

³ <http://pewresearch.org/pubs/1484/social-media-mobile-internet-use-teens-millennials-fewer-blog>



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ISV/Software Solution

The seamless integration of ever-present wireless communication and trusted social media contacts into their lives has fundamentally changed the way that today's college prospects approach the college search process. No longer do they passively rely on information provided to them by an admissions office, college recruiter, or guidance counselor. Current prospects, and even more so, future prospects, are active and independent gatherers of information, using all of the technological tools at their disposal to inform each other about what different colleges have to offer and to find the best "fit" for their particular vision of what college should be like. They rely primarily on social media outlets and assign the most credibility to information obtained from peers.

In a recent analysis of data on behalf of several of our Enrollment Manager™ clients, we determined that among a group of selective colleges, for about 20% of all applicants, the arrival of a completed application was the first contact that the college had with the student, meaning that that college-initiated contacts had absolutely no role in the decision to apply. Furthermore, 75% of all first contacts were student-initiated, meaning that the student sought out the college. Perhaps the biggest shift in the future of college recruitment is that from a college-centered process where colleges search out and recruit "qualified" students, to one in which prospective students gather information independently and then choose a small number of colleges to interact with and explore in more detail. This shift has significant implications, both in terms of how colleges approach the recruitment process and with regard to the tools and strategies they will need to employ in order to be successful.

In Part 2 of this series, we'll explore a new recruitment paradigm, designed to meet the challenges of recruiting post-millennial students on their own terms and in an environment where social media branding and being "easily found" is more important than the number of search names a college buys.

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