



# The New Blueprint for Growth

Building a Graduate and Adult Education  
Portfolio Amid Economic Uncertainty

# Meet the Research Team

## Today's presenters:



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# A Turning Point for Graduate Education?

## Then: Anticipating a Market Slowdown



- 2019: almost zero growth expected in yearly master's conferrals
- Growth limited to high-cost fields like computer science, specialized health

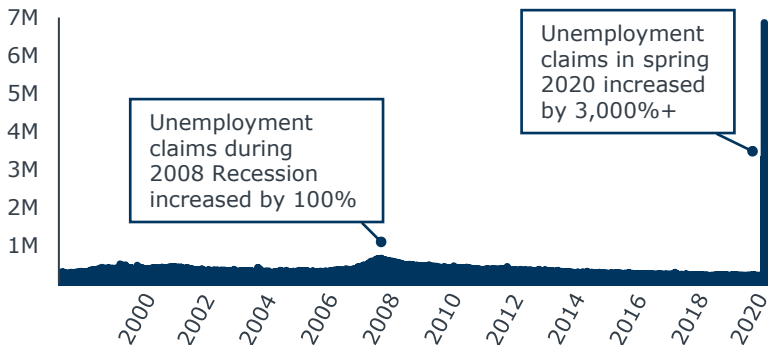
## Now: New Questions About Disruption and Opportunity

- *Do 2008 Recession trends hold in the current crisis?*
- *How countercyclical are graduate enrollments?*
- *What competition do new entrants face in online graduate ed?*
- *Will winner-take-all markets take off?*
- ***What is higher education's role in helping communities recover?***



# The Limits of the 2008 Playbook

## Confronting the “Light Speed” Recession



**38M+** Estimated unemployed Americans (May 2020)

**28%**

Share of newly unemployed with a bachelor's degree vs. 21% during 2008 recession

**-3%**

Predicted 2020 global economic contraction (vs. -0.1% during Great Recession)

**73%**

Average likelihood of a second wave of infection predicted by 18 disease modeling experts

## A Categorically Different Downturn



Sudden-onset, external economic trigger



Simultaneous downturns in supply and demand



Unprecedented global supply chain disruption

# Strategy in the “Cone of Uncertainty”

## The Importance of Acting Even When Data is Scarce

### Entering Uncharted Waters



Must assume a break with past 5-10 years of trend data



Covid-19 first pandemic of its kind in over 100 years



Proxy and indicator data likely directionally correct, if not truly equivalent

### Advantages of Being Bold in Uncertain Times



Pivot from focusing on what's been lost to new mission and margin opportunities



Capture market share early as a first mover



Opportunity to become a model for innovation in the sector

# Blueprint for Growth: Ongoing Research at EAB

*Our Fall 2019-Winter 2020 Research*

## Sizing the Adult and Grad Ed Market

- Master's Degrees
- Credit and Noncredit Certificates
- Low-cost and Free Alternatives
- Adult Degree Completion

*Today's Focus*



### Thriving in a New Normal

- Sizing the Countercyclical Opportunity
- The Growing Threat of National Competition
- Assessing Winner-Take-All Markets

*Coming Next from EAB*



### Maximizing Bottom-Line Impact

- Assessing the Revenue Opportunity
- Avoiding Profitless Growth
- Maximizing Program Margins
- Portfolio Diversification Strategy



### Competitive Infrastructure

- Capabilities, Expertise, Investments Needed to Compete
- Agile Response to Shifting Consumer Behavior
- Market Leader Organizational Profiles



*The Master's Market Slowdown*



*New Labor Market and Regional Economic Needs*



*Certificate Strategies for an Evolving Market*



*Program Margin Calculators*

# Audience Poll

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## **Which of these is your top priority for the year ahead?**

- Identifying the programs most vital to regional recovery
- Innovating on pedagogy for remote instruction
- Focusing on program launch to enter new markets
- Growing programs we already have

*Please answer using the Zoom poll function.*

- 1 Sizing the Countercyclical Opportunity
- 2 The Growing Threat of National Competition
- 3 Assessing Winner-Take-All Markets



# Understanding Our Analysis



## Countercyclical Enrollment and Degree Conferral Trends

### ▶ DATA SOURCES

### ▶ METHODOLOGY

### ▶ DATA LIMITATIONS

#### **NCES IPEDS, 2005-18:**

- Fall undergraduate and graduate **enrollment** by institution sector
- Degree **conferrals** by program (2- and 4-digit CIP<sup>1</sup> code)

#### **Bureau of Labor Statistics, 2005-18**

- US unemployment rate, monthly (seasonally adjusted)

#### **Growth Rates and Unemployment**

- Compares annual growth in fall enrollment with unemployment
- Compares vocational institutions<sup>2</sup>, community colleges, and undergrads and graduates at 4-year institutions

#### **Countercyclical Effect on Fields**

- Compares growth in conferrals from 2008-18 with the recession's impact on conferral growth
- Recession's impact calculated by subtracting average non-recession growth rates from average recession-era growth rates
- Because conferrals lag enrollments by ~2 years, recession-era conferrals are 2011-2013

#### **IPEDS:**

- Graduate enrollments include students pursuing a Ph.D. or graduate certificate
- Countercyclical effect is less pronounced in conferrals data than in enrollment data due to lower completion rates
- Enrollment data does not include program-level data

#### **Unemployment:**

- Does not include discouraged workers or students

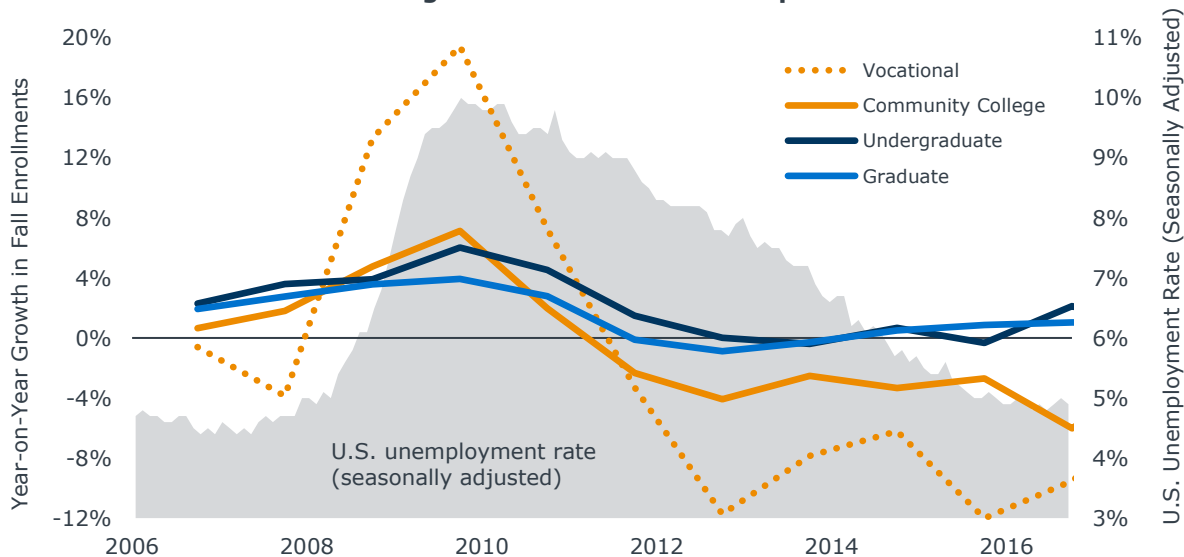
1) Classification of Instructional Programs, the taxonomic scheme for fields of study developed and used by NCES.

2) Includes all less-than-2-year institutions and all private nonprofit and for-profit 2-year institutions.

# How Countercyclical are Grad Enrollments?



## Grad Enrollment Increase During Last Recession Low Compared to Sub-Baccalaureate



Percentage point growth in enrollment during high unemployment:

Graduate

**+2.3%**

Undergraduate

**+3.6%**

Community College<sup>1</sup>

**+6.9%**

Vocational<sup>2</sup>

**+20.2%**

1) Includes all public 2-year institutions.

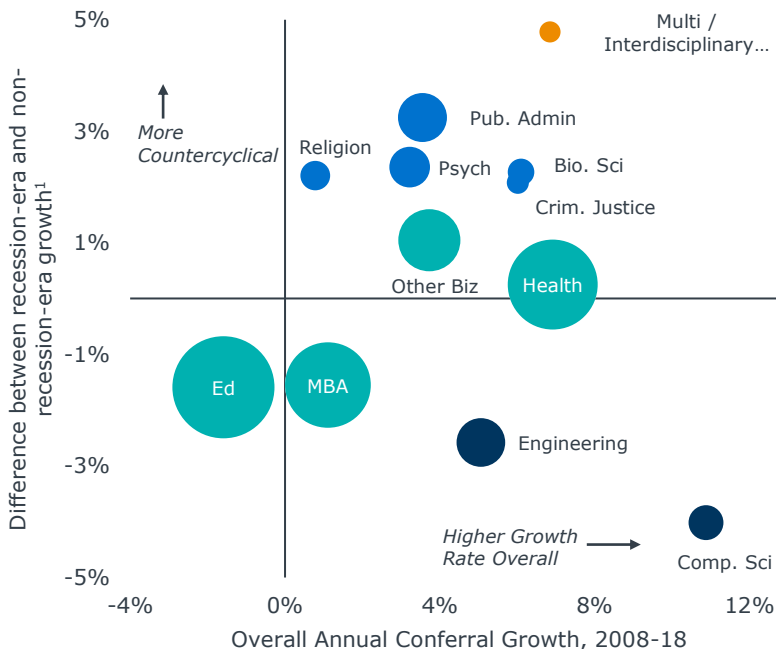
2) Includes all less-than-2-year institutions and all private nonprofit and for-profit 2-year institutions.

# Countercyclical Boost Uneven Across Fields



## Fields Best Positioned to Grow are Mostly Small, Few in STEM

Overall 10-year Growth Trend and Countercyclical Growth in Master's and Professional Doctorate Conferrals



### The Multidisciplinary Moment?

Interdisciplinary grad degrees fast-growing and among most countercyclical

### A Turn Toward Stable Careers

Growth in fields related to government and nonprofit jobs, but will these remain stable in current crisis?

### No Boost for Big Fields

Education, MBA growth slowed. Almost no recession impact on health, non-MBA business.

### Slowdown in STEM?

Engineering, computer science fast-growing overall but grew more slowly during 2008 recession

1) Difference in conferral growth rate in 2011-13 (recession-era) and the average of 2008-10 and 2014-2016 (non-recession-era)  
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- 1 Sizing the Countercyclical Opportunity
- 2 **The Growing Threat of National Competition**
- 3 Assessing Winner-Take-All Markets

# Understanding Our Analysis



## Sizing the Online Graduate Education Market

### ▶ DATA SOURCES

#### **NCES IPEDS**, 2004-18:

- **Enrollments** by students' academic level, and distance education status

#### **IRS Form 990**, 2018:

- 2017 advertising spend for nonprofit institutions

### ▶ METHODOLOGY

#### **Online Enrollments**

- Reported to IPEDS as 'exclusively distance' enrollments
- Includes **all graduate** enrollments due to IPEDS reporting methodology

### ▶ DATA LIMITATIONS

#### **IPEDS:**

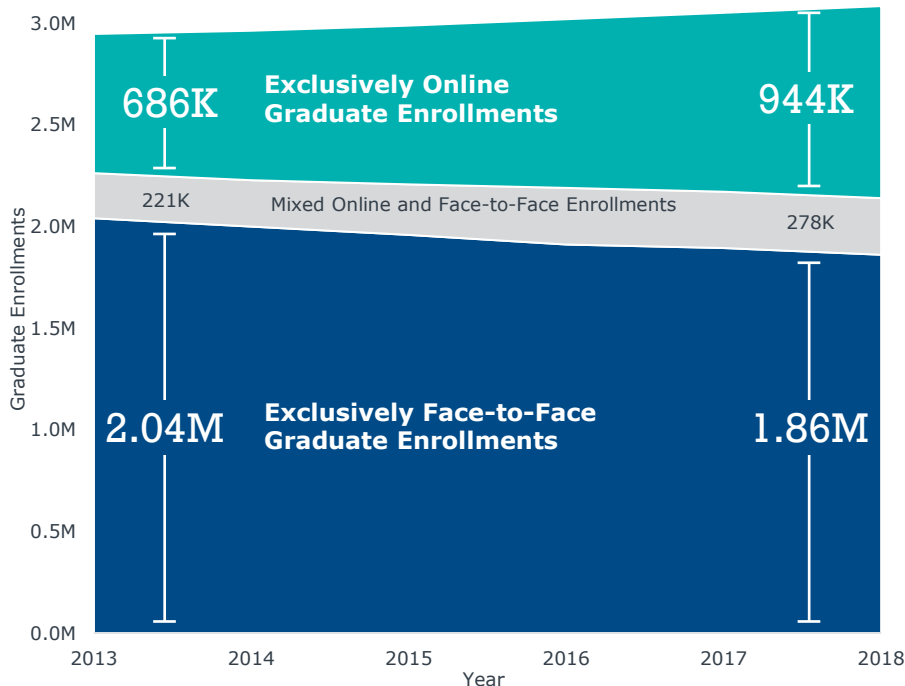
- Most recent data is from 2018
- All data is self-report
- Online enrollment data does not include program-level data
- IPEDS does not collect data on students at local/ZIP code level

1) One conferral represents approximately 2-3 enrollments.



# Grad Market Growth Was Already All Online

Graduate<sup>1</sup> Enrollments 2013-2018: Exclusively, Some, and No Online<sup>2</sup> Courses



**+258K**

Total Increase in  
Online Graduate  
Students 2013-2018

**+6.6%**

Avg. Annual Growth

**-179K**

Total Decrease in Face-  
to-Face Graduate  
Students 2013-2018

**-1.8%**

Avg. Annual Decline

1) Graduate students include both master's and doctoral students.

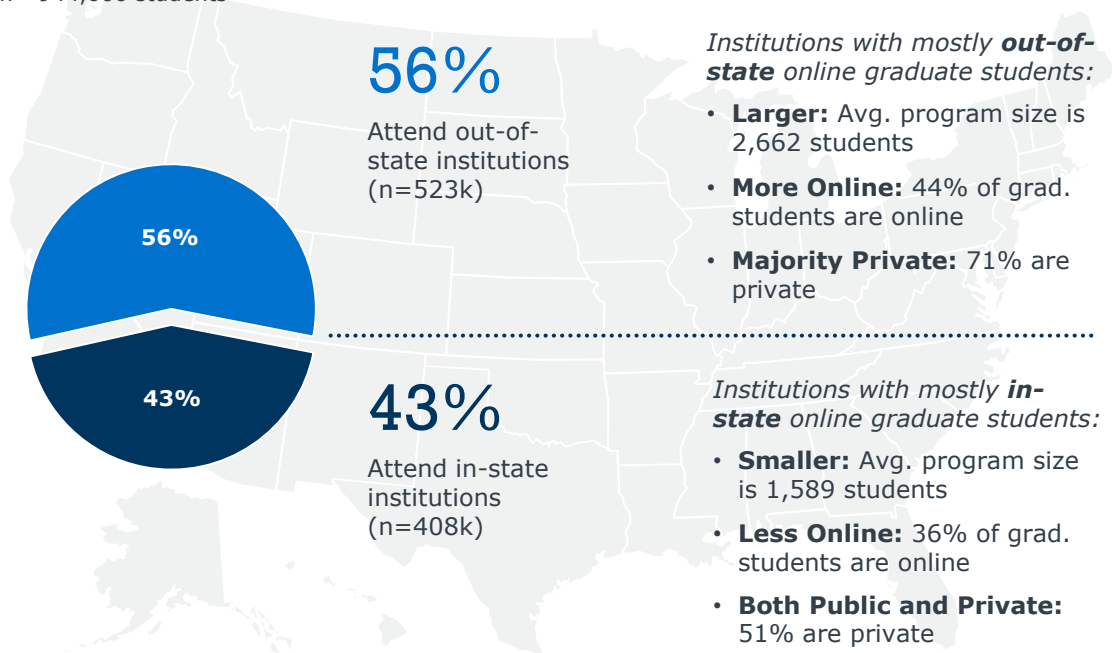
2) Recorded as 'Distance Education' in IPEDS data

# Will More Students Enroll Close to Home?

## Online Graduate Market More Regional and National

Exclusively online graduate<sup>1</sup> students by state of origin<sup>2</sup>, fall 2018

n= 944,000 students



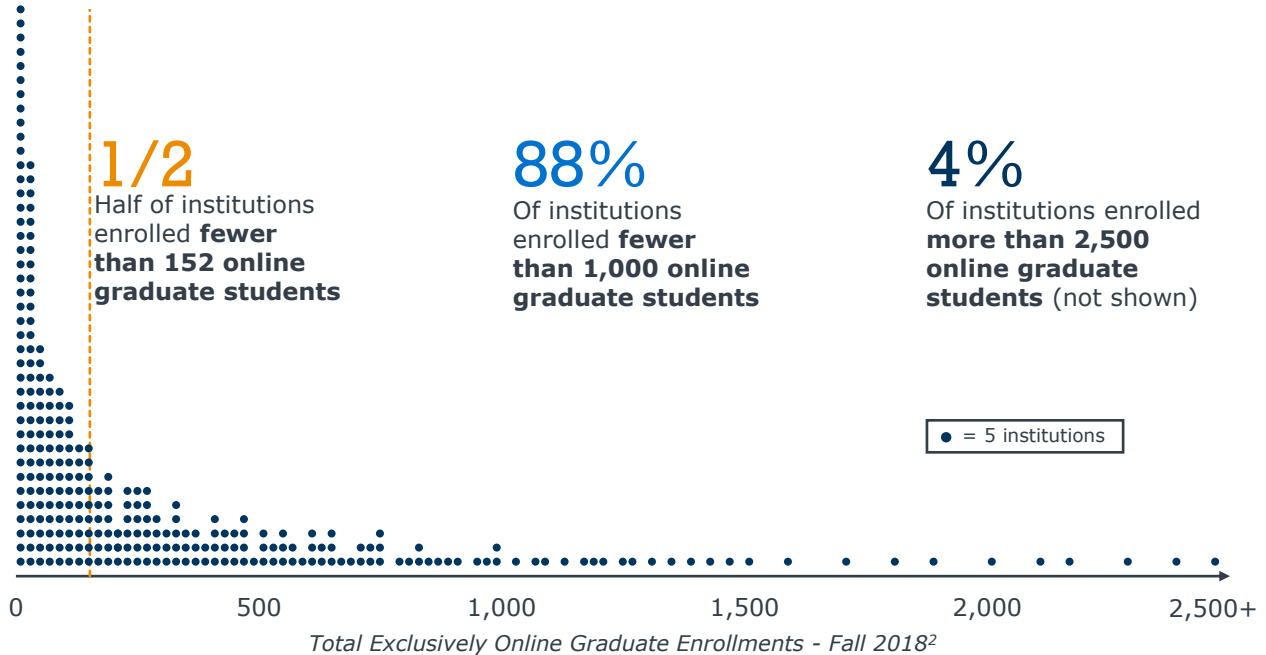
1) Includes master's and doctoral degrees.

2) The remaining 1% of students' states of origin were unknown.

# Even More Will Play—Few Will Get Big

## Few Institutions Poised to Become Online Giants (Or Even Online Mediums)

Institutions by Total Exclusively Online<sup>1</sup> Graduate Enrollments, Fall 2018



1) Recorded by IPEDS as exclusively distance enrollments.

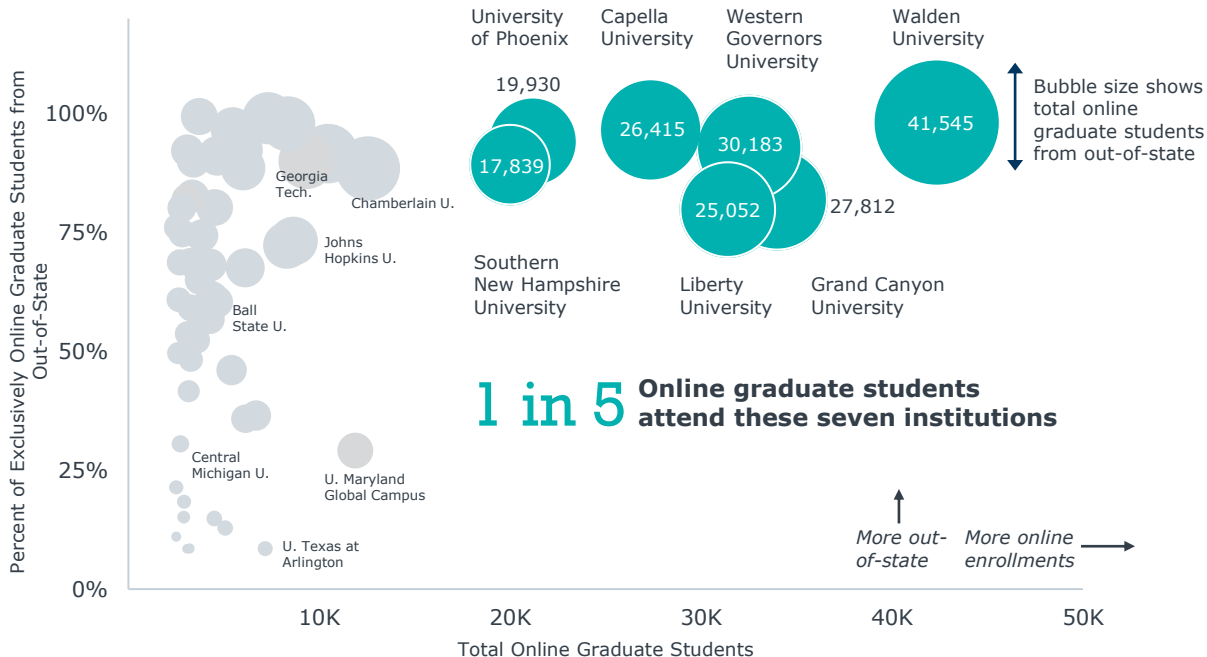
2) Bin widths equal 20 enrollments.





# Handful of Giants Loom Over Online Grad Market

Institutions With More Than 2,500 Exclusively Online<sup>1</sup> Graduate Enrollments, Fall 2018  
 Total Exclusively Online Graduate Enrollments and Percent From Out-of-State



1) Recorded by IPEDS as exclusively distance enrollments.

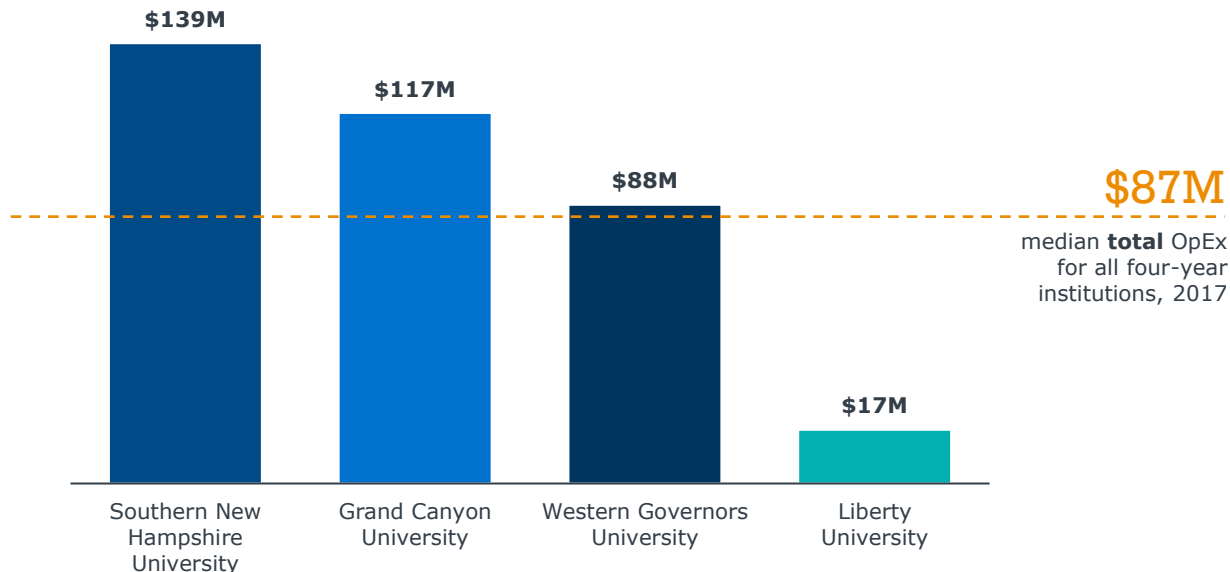
# What It Takes to Become a Giant



## Marketing Spend Just One Part of the Equation

### Large Players Spending More Annually on Marketing than Most Institutions' OpEx

*Dollar amount each institution spent on advertising and promotion<sup>1</sup>, 2017*



1) Part IX, line 12 of IRS Form 990.

# Audience Poll

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## **To what extent does your institution compete for enrollments with large national online institutions?**

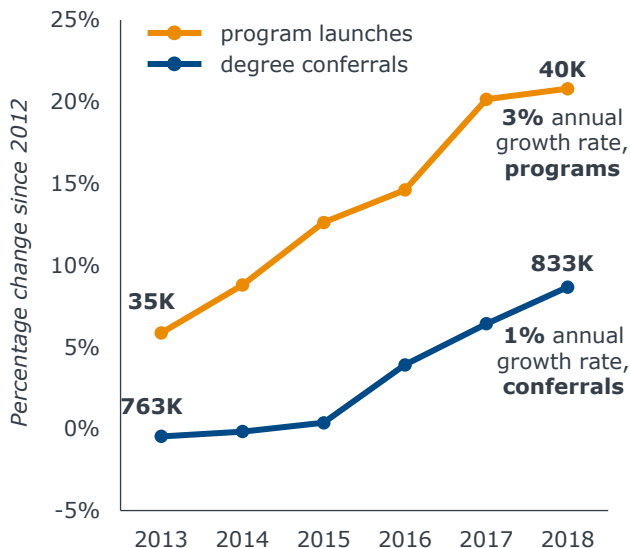
- Significantly. These are our main competitors
- Somewhat. It varies from program to program
- Not much. Our markets are highly regional
- Not sure

*Please answer using the Zoom poll function.*

- 1 Sizing the Countercyclical Opportunity
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- 3 **Assessing Winner-Take-All Markets**

# New Programs Face Highly Competitive Market

## New Master's Program Launches<sup>1</sup> Growing Faster than Conferrals



## Growth Goals Were Already Aggressive and Widespread

15%

Average gross annual revenue growth goal for Deans of Professional and Adult Education

75%

Of university strategic plans list graduate enrollment or adult education as priority initiatives<sup>2</sup>

56%

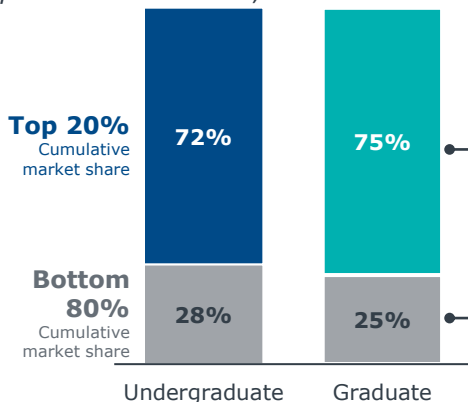
Of small private and regional public EAB partners list graduate enrollment growth among their top three priorities<sup>3</sup>

- 1) A program was considered 'launched' the first year it appeared in an institution's IPEDS data.
- 2) Based on EAB review of 36 randomly selected strategic plans representative of different institutional types.
- 3) Based on interviews with 70 of EAB's 100 Global Research Partnership partners. Public partners have less than \$200M OpEx; Private partners have less than \$150M OpEx.

# Capturing Share in Competitive Markets

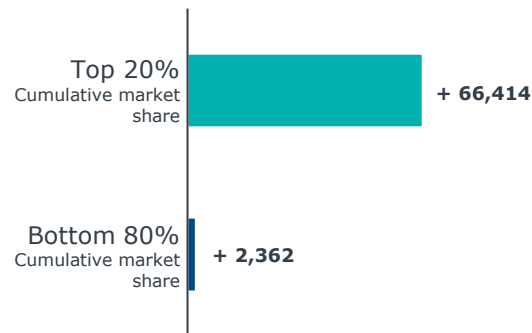
## Institutions with Highest Conferrals Control Most of the Market

Percentage of total degrees<sup>1</sup> conferred by top 20% of institutions, 2018



## And for Graduate Degrees, the Biggest Have Only Gotten Bigger

Net change in number of graduate degrees conferred, 2013-2018



## What Does the Top 20% of the Graduate Market Look Like?



- 419 institutions
- 26% are R1 institutions
- 36% are in large cities

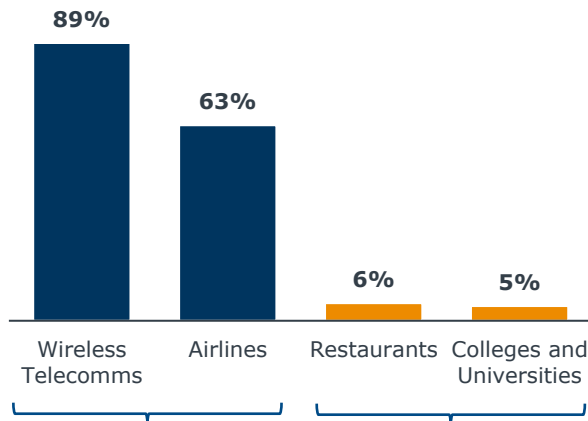


- 54% are public
- 41% are private, non-profit
- 5% are private, for-profit

# Not a Simple Local vs. National Divide

## Higher Ed is not an Oligopoly, but Still Faces Dominant Market Leaders

Market Share of Top 4 Competitors by Industry (Revenue)



### Oligopolies

- National competition
- Large competitors dominate market
- Little room for new entrants

### Competitive Markets

- Regional and national competition
- Room for new entrants
- Still competition from market leaders

## Mass Market Leaders Limit Potential for National Growth

Regional Player

Market Leader



Regional Players

- Strong regional brand affinity
- Large online and on-ground presence
- Low cost or elite brand

Market Leaders

- National marketing reach
- Massive online scale
- Low cost

# Understanding Our Analysis



## Competition and Market Concentration

### ▶ DATA SOURCES

#### **NCES IPEDS, 2013-18:**

- Degree **conferrals** by program (6-digit CIP code)

### ▶ METHODOLOGY

#### **Selecting Programs to Analyze**

- EAB researchers grouped 6-digit CIP codes by commonly-used institutional program title
- Top 88 professional master's and doctoral programs
- Together, these 88 programs account for 81% of the market
- Analysis does not include PhDs

#### **Four Types of Competition**

- 20 was used as the cutoff for high median conferrals; overall median conferrals per program was 11
- 66% market share is high for an individual program—not an institution

**Growth rates:** calculated as compound annual growth rate (CAGR) unless otherwise specified

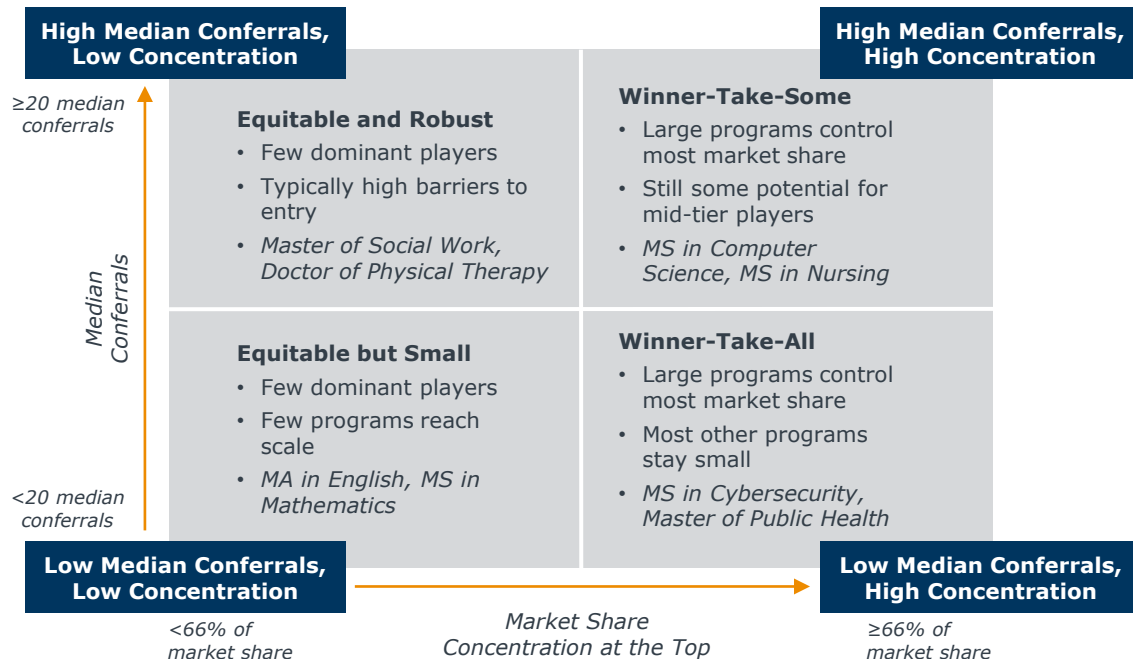
### ▶ DATA LIMITATIONS

#### **IPEDS:**

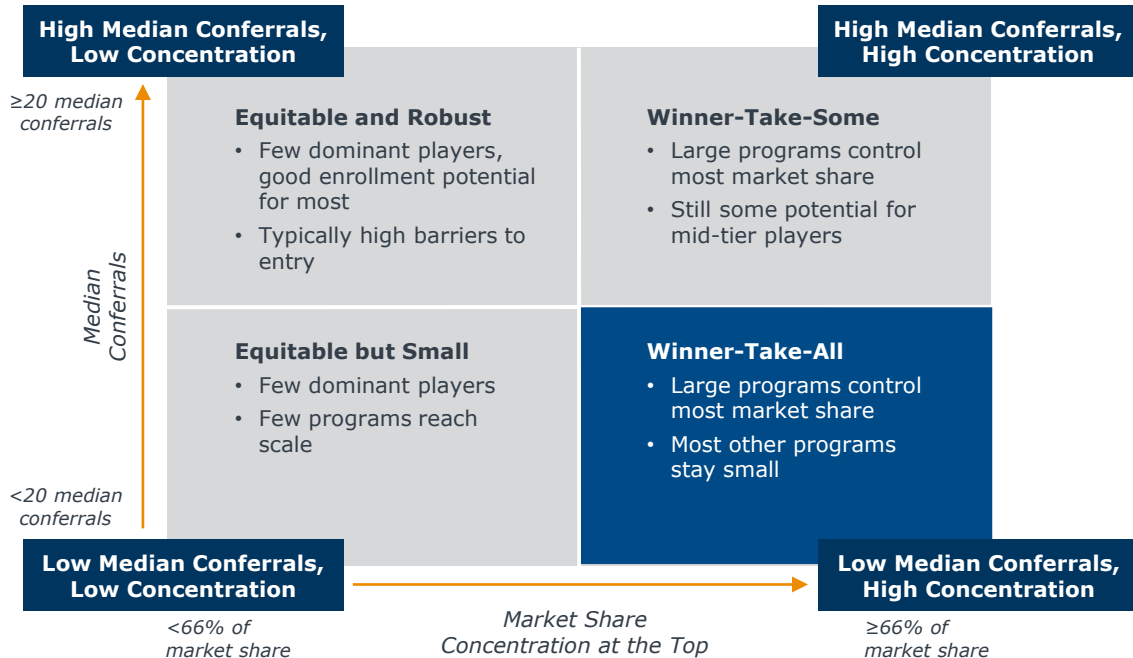
- Most recent data is from 2018
- All data is self-report
- Some institutions may still vary in how CIP codes are matched to program titles



# Assessing the Threat of Market Concentration



# Assessing the Threat of Market Concentration



# Most Won't Benefit from Countercyclical Growth

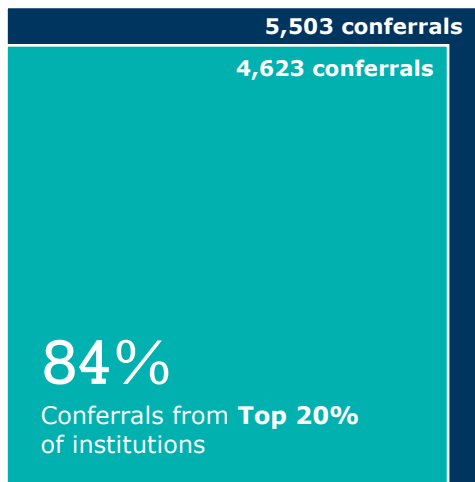
## Representative Program Snapshot

MS in Cybersecurity	2018 Overview
Total U.S. programs	164
Total conferrals	5,503
Median conferrals per program	7
Conferrals in largest program	1,175 (UMGC)
Overall growth from 2013-2018	+3,899 conferrals (28% annual growth)
Top 20% of Market Share in 2018	<b>84% of all degrees</b>

### Other Example Programs:

- Master of Public Health
- MS in Criminal Justice
- MEd in Instr. Design
- MS in HR Management

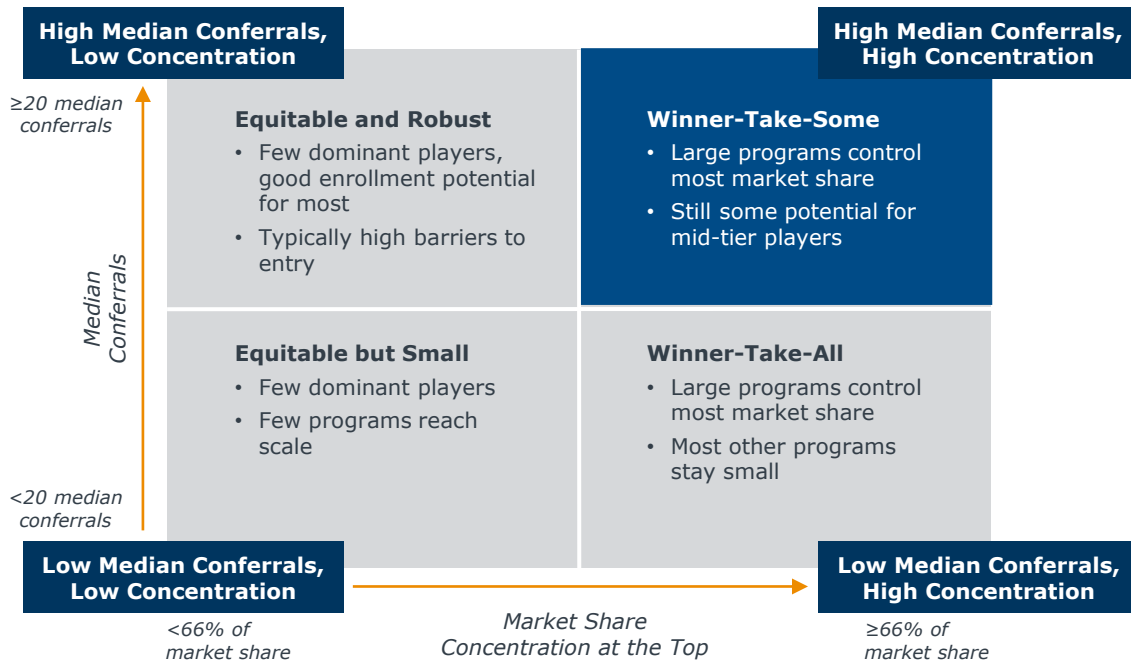
## Market Concentration, 2018



**Low Median Conferrals Reflect Limited Growth Potential Outside of Top 20%**

**7** Median conferrals per program, 2018

# Assessing the Threat of Market Concentration



# Still Potential for Mid-Tier Players to Grow

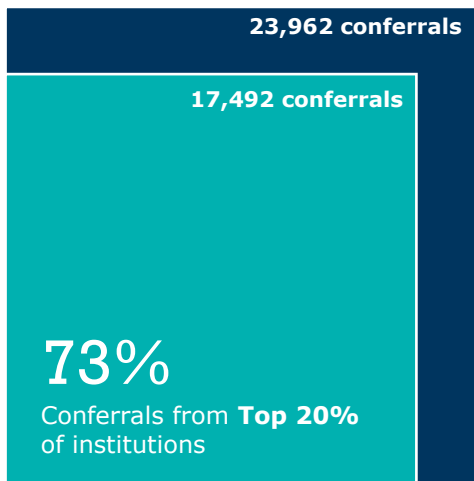
## Representative Program Snapshot

MS Computer Sci.	2018 Overview
Total U.S. programs	429
Total conferrals	23,962
Median conferrals per program	20
Conferrals in largest program	1,084 (Georgia Tech)
Overall growth from 2013-2018	+12,499 conferrals (16% annual growth)
Top 20% of Market Share in 2018	73% of all degrees

### Other Example Programs:

- MS in Nursing
- MS in Data Analytics
- LLM
- MBA

## Market Concentration, 2018



**Relatively High Median Conferrals Show There's Still Room for Mid-Tier Competition**

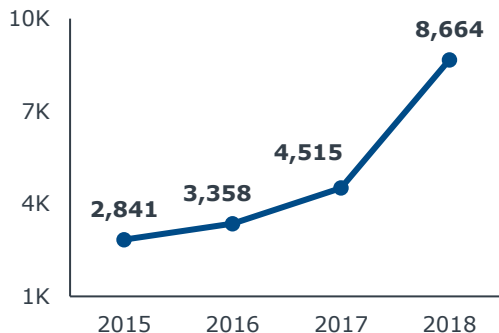
**20** Median conferrals per program, 2018

# Low-Cost May Be Best Chance to Expand Markets

## First Big Experiment in Low-Cost Master's Sees Exponential Growth



Online Master's in Computer Science  
Enrollments, 2015-18



**\$7,000**

Total cost to complete

**3 yrs.**

Typical time to complete<sup>1</sup>

## Not Cannibalizing Traditional Market

**20%**

Share of rejected Georgia Tech **Online Master's in Computer Science** applicants who ultimately enroll in any master's program

**73%**

Share of rejected **traditional** MS in Computer Science applicants who ultimately enroll in any master's program

**2%**

Share of applicants who apply to **both** the online and traditional master's at Georgia Tech

# Lessons from the Direct-to-Consumer Boom



31

## Alternative Providers Experience a Growth Bubble While Learners Stuck at Home...

**codecademy**

*Asynchronous, low-cost coding training*

**200K**

Free memberships for laid-off workers, students impacted by closures

**duolingo**

*Freemium, gamified language lessons*

**100%**

Increase in users in China from February to March

**Udemy**

*Crowdsourced training platform*

**80%**

Increased use among corporate partners

## ...but Set Lasting New Standards for Student Expectations of Online Ed



Digital-first, mobile-friendly course design



Gamified, entertaining learner experience



Low-cost, ad-supported, and free trial options



Agile launch process, new skills added constantly

Source: "Online Education Steps Up," Udemy, accessed May 21, 2020; "Celebrating 100,000 Scholarships for Students Around the World," Codecademy, April 14, 2020; Elizabeth Redden, "Duolingo's Moment," May 19, 2020; EAB interviews and analysis.

# Blueprint for Growth: Ongoing Research at EAB

*Our Fall 2019-Winter  
2020 Research*

## Sizing the Adult and Grad Ed Market

- Master's Degrees
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## Thriving in a New Normal

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*Coming Next from EAB*



## Maximizing Bottom-Line Impact

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## Competitive Infrastructure

- Capabilities, Expertise, Investments Needed to Compete
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*The Master's  
Market Slowdown*



*New Labor Market  
and Regional  
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*Certificate  
Strategies for an  
Evolving Market*



*Program Margin  
Calculators*



# Discussion Question

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Which graduate and adult education trends are you most concerned about in the year ahead? What opportunities in this space are you most optimistic about?

*Please answer using the Chat function.*

# Q&A

## Today's presenters:



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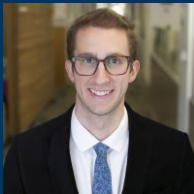


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