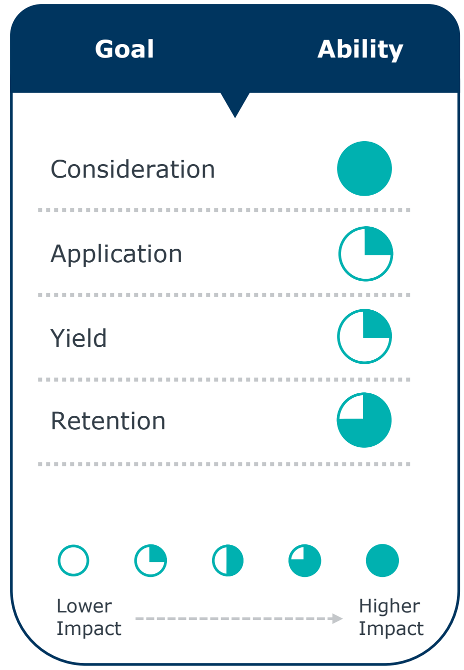
Tuition Resets

Lowering List Tuition Price to Get Into More Consideration Sets

A tuition reset lowers published list price, shifting an institution's pricing model away from the traditional high-price, high-discount. Institutions generally use this strategy to attempt to grow tuition revenue by increasing headcount. The biggest boost a tuition reset can provide, however, is limited to the top of the funnel: getting into the consideration sets of more students, especially those dissuaded by sticker price.

While resets seem like a fairly straightforward solution, they are more complex in practice. Institutions might see gains in retention and applications in the year following a reset, but mixed enrollment and revenue results in the long-term often mitigate those impacts.

Under the right circumstances, a tuition reset can work. But institutions must develop a comprehensive long-term strategy to stave off the large revenue losses that can ensue if headcount doesn't grow as anticipated and navigate a new market identity and competition pool. They must also acknowledge that a reset does little more than get the school into more consideration sets—all the work along the rest of the funnel remains the same.



Realities of a Tuition Reset: Despite Appeal, Not Consistently Effective

RETENTION ↑

In the year after a reset, most institutions experience an increase in retention.

ENROLLMENT ↓

By five years after the reset, few schools can sustain even small percentage increases in FT-FT or transfer enrollment.

TUITION REVENUE ↓

Few schools see NTR per capita gains of 3% (Moody's sustainability target), and revenue is almost always lost on returning students.

What's Not Working?

1. **PR Gains Fade Fast**
The marketing push for a tuition reset only works in the first year. After that point, the college is low-tuition but without the exciting new initiative of a reset

2. **Psychology of Big Discount is Real**
Resetting tuition reduces the size of scholarships, which students and families see as communicating the college's estimation of the student's value

3. **Revenue Loss from Returning Students**
Returning students tend to be a revenue pillar, and they bring less revenue in the year of the reset and beyond

Source: EAB interviews and analysis.

With Planning, Resets Inflect Inquiry and Retention

What Tuition Resets Can Achieve When Things Go Right

Increase consideration from students eliminating institutions on sticker price

Many low- and middle-income students rule out certain institutions or going to college altogether due to high list prices. A tuition reset has the potential get these prospects to reconsider these institutions, particularly if new list prices better align with competition or stand the institution apart.

Get a second look from affluent families ruling out private institutions

Rather than using resets to expand access, some institutions have seen success in recruiting a wealthier student body. While highly dependent on specific local market dynamics, resets can communicate affordability to more affluent students who might otherwise have opted for public institutions.

Increase retention among students experiencing outer-year price shock

Many families don’t anticipate the reality of annual tuition rate increases. This may result in stop-outs due to unexpected increases in cost of attendance. High attrition rates, in turn, deter prospective students from enrolling. A tuition reset can help improve retention, but institutions must be prepared to absorb lost revenue from returning students.

Source: EAB interviews and analysis.

Pre-Implementation Analyses

Determining the Need for and Feasibility of a Tuition Reset

1 Need/Right Fit

	Yes	No
Students that we would like to recruit often don't consider us because of our sticker price	☐	☐
We are priced higher than our competitors (i.e., schools our admitted students often choose over us)	☐	☐
We want to standout among our competitors through a lower list price	☐	☐
We are already a low list price institution but want to standout even more	☐	☐
We are a private institution consistently losing prospects to lower-cost public universities	☐	☐
We have very few or no full-pay students	☐	☐
We have considered other elements (e.g., programmatic, modality) to expand the market we serve	☐	☐
We have capacity to matriculate more students	☐	☐

Feasibility

	Yes	No
We are at least 18 months from the date we hope to rollout a reset	☐	☐
We understand that a tuition reset may result in lost revenue, particularly from returning students	☐	☐
We are capable through alternate revenue streams (e.g., graduate programs) to absorb potential losses in tuition revenue	☐	☐
We have assessed and can mitigate the potential reputational risks of lowering tuition, including questions about whether lower tuition means lower quality	☐	☐
We can assess how students, faculty, staff, and alumni will react to the change and we have systems in place for communicating with each stakeholder group	☐	☐
Our recruitment leadership, staff, and systems can successfully serve potential increases in student inquiries	☐	☐

Source: EAB interviews and analysis.

Implementation Guidance

Strategic Planning

Allow for Enough Lead Way for Biggest Impact

Planning and announcing a tuition reset requires precise timing. To get the most of one, announce a reset (i) after your incoming class has matriculated and paid their bills and (ii) with as much time as possible to market it toward the *next* incoming class. That means leadership should announce a reset between late August and early October. With at least six months of preparations necessary in the lead-up to the announcement, stakeholders involved would be best served by deciding to move forward with a reset between December and February of the year before.

Conduct Market Research

Engage in a price sensitivity and perception market study to gain a strong empirical understanding of the price and aid sensitivities of your particular market before any change in tuition strategy. This will help reveal how families react to different list prices, as well as whether their perception of quality might change with a change in tuition. Be sure to survey students and parents about their understanding of the availability of aid as part of this process. Ultimately, market research will support decisions on whether to move forward with a reset. For example, it may reveal that target families are more aware that they can receive aid, and therefore the benefit of "transparency" would have less of an impact.

Financial Modeling

Because the statistical model for aid awarding and yield estimation is based on historical data, its predictive power is diminished when foundational conditions change significantly. Most institutions will need a financial aid partner that can successfully model what a reduction in price and a reduction in aid will look like.

Recalibrate Discount Levels

Institutions will need to adjust their discounting strategy to avoid a decrease in net tuition revenue. Keeping per-student net tuition revenue consistent will require rigorous efforts, analysis, and recalibration by your financial aid team to lower financial aid awards.

Examples of recommendation in practice on page 6

Source: EAB interviews and analysis.

Implementation Guidance

Comprehensive Marketing Strategy

Central Message Ownership

Communication of a reset is essential. University leaders should ensure a coordinated, comprehensive approach by establishing a centralized team that controls the messaging around a tuition reset, with ownership over every aspect and decision. Given the expertise needed, consider partnering with a marketing firm to ensure that all communication materials (e.g., announcement, media strategy, institutional marketing, admissions marketing) are aligned.

Message Management

Because tuition resets largely inflect top-of-funnel consideration, marketing messages should clearly signal affordability and simplicity. Additionally, a tuition reset will allow institutions to respond to pushes on affordability and price opacity with a message of empathy about educational costs. Institutions may also consider communicating that a decrease in cost does not equate to a decrease in quality. While the trend is starting to change, some students may devalue the institution because they now perceive it as lower quality. We recommend running at this with proactive messaging about the quality of education and experience your institution offers.

Continuous Investment in Marketing

While the PR benefits of a tuition reset are fleeting, institutions pursuing a reset must invest in marketing to generate awareness and sustain momentum as much as possible. Targeted messaging strategies for a tuition reset campaign could include:

- Visibility campaigns to increase brand recognition ahead of the reset announcement
- Targeted outreach sent to prospective students, families, and high schools announcing the change and assuring recipients of quality. This could include on-the-ground recruiting
- Press announcements to publicize the tuition reset among the media
- Institutional website announcements that illustrate the affordability implications of the reset
- Counselors cross-trained to speak about financial aid and net price

Examples of recommendation in practice on page 6

Source: EAB interviews and analysis.

EAB's Recommendations in Action

How Institutions Implement Key Components of Tuition Resets

The below institutions exemplify various aspects of a successful tuition reset implementation and rollout, in accordance with EAB's recommendations:

LaSalle University | Seattle Pacific | Sewanee The University of the South | Utica College

	Examples	Why it Works
Enhance Impact with Precise Timing	• Decide to pursue a tuition reset in the winter before it is publicly announced • Reset announced between August and October the year before implementation	• A 12 to 18-month lead time allows for ample planning and training • Allows incoming class to matriculate and pay bills while leaving as much time as possible to recruit the next incoming class
Attain an Empirical Understanding of your Market	• Survey audiences about list price impressions and understanding of aid availability • Measure familiarity with aid process among target families • Gauge whether a change in price could result in a change in perceptions of quality	• Reveals disparities in prices and outcomes to help determine applicability of reset strategy • May indicate that perceived benefits of a reset could have less of an impact in your market
Sustain Momentum through Marketing and Recruitment	• LaSalle: Coupled with a new institutional branding campaign • Utica: Recruiters trained and placed in high-priority markets • SPU: Reset messaging coupled with commitment to not raise tuition more than historic rate	• Dispels misconceptions about equating price with quality • Communicates affordability to priority markets • Extends impact through predictability • Elongates PR benefits of a tuition reset

Source: EAB interviews and analysis.