



Future Higher Education Economics

What Every College and University Needs to Know

It's almost become old hat to say that the higher education economic model is "broken." Unstable future revenues. Ballooning costs. For some, it's survival at risk. But even the most fortunate are concerned that there won't be sufficient budget to sustain excellence, much less fund new ambitions. Yet despite all the talk about an economic model that fundamentally needs to change, college and university executives note a dearth of critical information, worrying that:



Institutions have been too reliant on straight-line forecasts—not taking into account that future economic drivers may be very different.



The threat of a fiscal cliff is looming—but it's unclear when that will occur, what are the best inflection points, and how fast we need to act.



Stakeholders keep hearing that the "sky is falling"—but don't believe it or think "it won't happen here" absent credible data.

What are the supply vs. demand forecasts for my state and region? How much further can we realistically grow demand? How does this differ based on segment and institutional mission?

Within states, what are the greatest threats based on regional variation—urban vs. rural, education-dense areas vs. deserts?

What factors could influence the college-going rate among my current and future student base (either positively or negatively)?

What major changes in supply should we anticipate (e.g., large publics expanding class size, impact of online)?

We're all going after the same "new" markets (e.g., online, graduate, transfers, degree completion, international)—which ones are already saturated?

What are the hidden costs of serving new markets—how many different new audiences is it economically and organizationally feasible to pursue at once?

How much of a diversified portfolio is needed to sustain growth given economic cycles and greater volatility of many new markets?

Given most markets are now crowded, what are the greatest opportunities to create new demand for my institutional strengths?

SUPPLY OUTPACING DEMAND

How Big Is My Institution's Risk?

HIGHER EDUCATION ECOSYSTEM 2025

How Much Consolidation to Expect?

What are the greatest "risk factors"—both expected and not—for closure or consolidation, by institution type?

How has past M&A activity stacked up (and not) against goals—saving costs and growing revenues? How do we assess future M&A decisions on likelihood of financial success?

Mission differentiation vs. comprehensiveness to serve regional need—how do states weigh the need for fiscal viability and benefits of system-wide specialization against the roles that more comprehensive institutions can play in elevating their regions?

Many state systems and private consortia benefit from shared services—is radical cost restructuring possible through these arrangements?

"NONTRADITIONAL" EDUCATIONAL REVENUES

A Different Kind of Business Planning?

COSTS OUTPACING REVENUES

How Much, and Can We, Reverse the Trend?

What is the true incremental cost and revenue associated with each additional student (e.g., undergraduate vs. graduate, full vs. part-time, resident vs. commuter vs. online)? Where are our greatest inflection points to use excess capacity to grow enrollments?

What future cost trends must we anticipate (e.g., health care, compliance, benefits, salaries, fixed/variable, direct/indirect, retention)? Will we need to reach for-profit levels of marketing spend?

Historical cross-subsidies are no longer holding (i.e., fewer students in less-expensive-to-offer majors)—what's the current and forecasted cost impact?

Looking to shifts in the economy, demographics, and purchasing behaviors, how bad do we expect downward price pressure to get, and/or how much higher can we raise tuition?

