

**2013**

# **Your Value Proposition:**

## **How prospective students and parents perceive value and select colleges**

A Co-Sponsored Study Conducted By



Enrollment Management  
Product Solutions

In Association With



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## Introduction

The current economy and the rising cost of higher education have fueled debate over the cost and value of a traditional college education. At a minimum, prospective students and parents are ever more conscious of finding the greatest value among the colleges available to them.

The key questions are: How do they define value? How do they form their value perceptions about specific institutions? Is it now all about outcomes? Getting a good job soon after graduating? Maximizing earnings as soon as possible? Has there been a paradigm shift in the criteria students and parents use to select a college? This study sought to answer these questions.

## A Co-Sponsored Study

Joining in this nationally co-sponsored study were four-year public and private not-for-profit institutions, as well as community colleges.

Thirty four institutions throughout the United States joined in the study by providing names of students and parents to be surveyed from their Fall 2013 pool of inquiries, applicants, and admits.

## Methodology

Email invitations to complete an online survey were sent to the targeted students and parents in the months of June, July and August of 2013. The project yielded 7,482 survey responses (6,198 from students and 1,284 from parents).

Responses from public institution pools accounted for 4,452 of the total and 3,030 came from private institution pools.

The margin of error on the total sample is +/- 1.13 at the 95% confidence level.

The survey instrument contained 40 questions and captured 164 data points ranging from how students and parents react to a college's "sticker price" and perceive the value of a college education to the relative importance of various factors in college selection, including anticipated outcomes.

In addition to quantitative data, the survey captured qualitative data relating to topics such as how colleges can provide greater value to students and parents, why students and parents may lack confidence in value delivery, and ways in which colleges can better communicate their value propositions.

The data was analyzed by Longmire and Company and Analytic Marketing Innovations.

## About Longmire and Company

Longmire and Company, formed in 1986, has worked with over 400 public and private four-year institutions throughout the United States.

The company's work centers on yield and conversion by providing enrollment managers and higher education marketing professionals with the tools, information and products they need to grow and control enrollment.

## About Analytic Marketing Innovations

AMI is an experienced team of data scientists that has been analyzing data since before "big data" was an industry buzzword. AMI's specialty is finding the story in its clients' data and turning information into insights. These insights help AMI's clients reach the best potential prospects with greater efficiency and the right message.

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# What is value?

This study is about value perception and the value proposition of higher education and of specific institutions. Decades of research has been conducted to understand how people formulate a sense of value when making a purchase or deciding to invest in something long-term. Research on this topic continues because people are complex and things change.

One thing is certain. The determination of value is highly personal. Two people may see the exact same thing and hold wildly different perceptions of its value.

We subscribe to a commonly held belief – founded on much research and testing – that people arrive at a perception of overall value through a mix of three components: their perception of the quality of the product or service, the cost to buy and use it, and their excitement in having and using it.

The weight of each component is inherently equal. It only changes when put through the blender of the human decision-making process. When the blending is complete any one of these components may have dominated the value perception and driven the ultimate decision.

In our 25-plus year history of working in higher education recruiting and enrollment management, we believe this process of value perception formation and decision-making applies perfectly to higher education. It is what students and parents experience during the complex process of evaluating their college options – from assessing the quality of faculty and programs, to projecting cost, to stepping on campus and feeling the atmosphere and energy of other students.

## Statistical differences in groups

Data and charts in this report are segmented by whether the student is bound for a four-year public, private or community college. In addition, a thorough statistical analysis was performed to uncover possible differences in subgroups such as students and parents, males and females, GPA, standardized test scores, household income, geography, and other segments that were available in the record level data provided by co-sponsoring institutions.

While statistical differences in groups were found, in most cases they did not signal a difference that would be meaningful. Where meaningful, they are noted in this report.

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# Major Findings

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## Opportunity

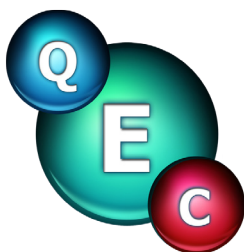
The higher education industry has much room for improvement in communicating to students and parents how their investment in college will pay off. Nationwide, just one-half of students and parents in the 2013 freshmen class have high confidence that the money they will spend on college in the first year will be worth it. Room for improvement? Yes. But also a tremendous opportunity for any college to stand out by addressing the issue of value directly, completely and to the satisfaction of the student and parent.



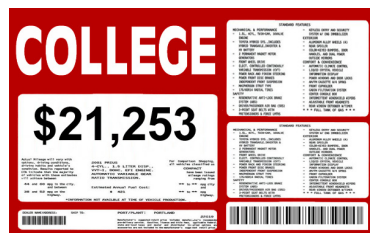
Students and parents need help understanding the true cost of college, how to pay for it, how to manage expenses, and what to expect after graduating. Information and counsel is valuable to them and they assign greater value to the colleges that provide it. Unfortunately, only 20% of students and parents say that colleges specifically addressed how they would maximize their time and investment as a student.



Even with the pressure brought about by the rising cost of college and current economic environment, students and parents continue to focus on three key components in the process of selecting a college: the institution's quality, cost, and the student's excitement about attending. These components, taken together, add up to the overall value perception (a score for the purposes of this study's analysis) that the student or parent assigns to a college.



An analysis of overall value score and likelihood of enrollment shows that the two are positively correlated. Of the three components that make up the overall value score, the component that is most strongly correlated to likelihood of enrollment is the student's excitement about attending. This single component is more strongly correlated to enrollment – by a factor of two – than either cost or perceived quality.



Students and parents take a college's published tuition at face value. Approximately 4 in 10 students and parents say they rejected colleges on the basis of their published sticker price alone. Six in ten say they are unaware that "colleges discount their published price so that incoming freshmen pay less than what is published."

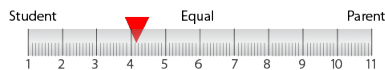
Of course, many consumers are aware that scholarships and financial aid exist to lower the cost. However, they are not aware of all the options used by colleges to reduce the published price.



Even though a student or parent may initially view a college as being “too expensive,” 70% would be likely (25% very likely) to reconsider the college if it can demonstrate greater value. When asked to identify the added value that would be required, numerous students and parents mentioned a scholarship or other financial incentive. However, the majority mentioned added values that are non-monetary such as “greater opportunities,” “job placement,” “better internships”, and “superior academics.”

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### Primary Decision Influencer



Parents often play a large role in influencing college selection yet the student is the primary influencer. When asked to rate the relative influence of parent and student, both groups gave the edge to the student and agreed on the relative amount of the student’s influence.



Students and parents are in close agreement on virtually all issues relating to value perception formation and college selection. The only areas in which they diverge relate to salary after graduation and length of time to land a good job associated with their major. Parents expect their child will earn slightly more than what the student anticipates and become employed in their field sooner than the student expects.



There is a large disparity in the perceptions of students bound for 4-year and 2-year schools regarding the qualities present in community colleges. For example, over half of students bound for 2-year schools believe that community colleges offer academic excellence. Less than one-third of students bound for 4-year schools believe this to be true about community colleges. A sizeable disparity in student perception is found in numerous other comparisons of 4-year and 2-year institutions.



Students and parents are making their college selection decisions based less on outcomes four or five years down the line and more on what they will experience immediately when they step on campus. Job placement after graduation, for example, ranks fifth on the list of things most important to students and parents in selecting a college. It ranks behind academic quality, availability of specific programs and majors, cost of attending, and their feelings about the campus and students.

Only about one-quarter of students indicate that salary after graduation plays an “extremely important” role in their college selection decision. This attitude is pervasive among all students, regardless of intended course of study.

## The value equation.

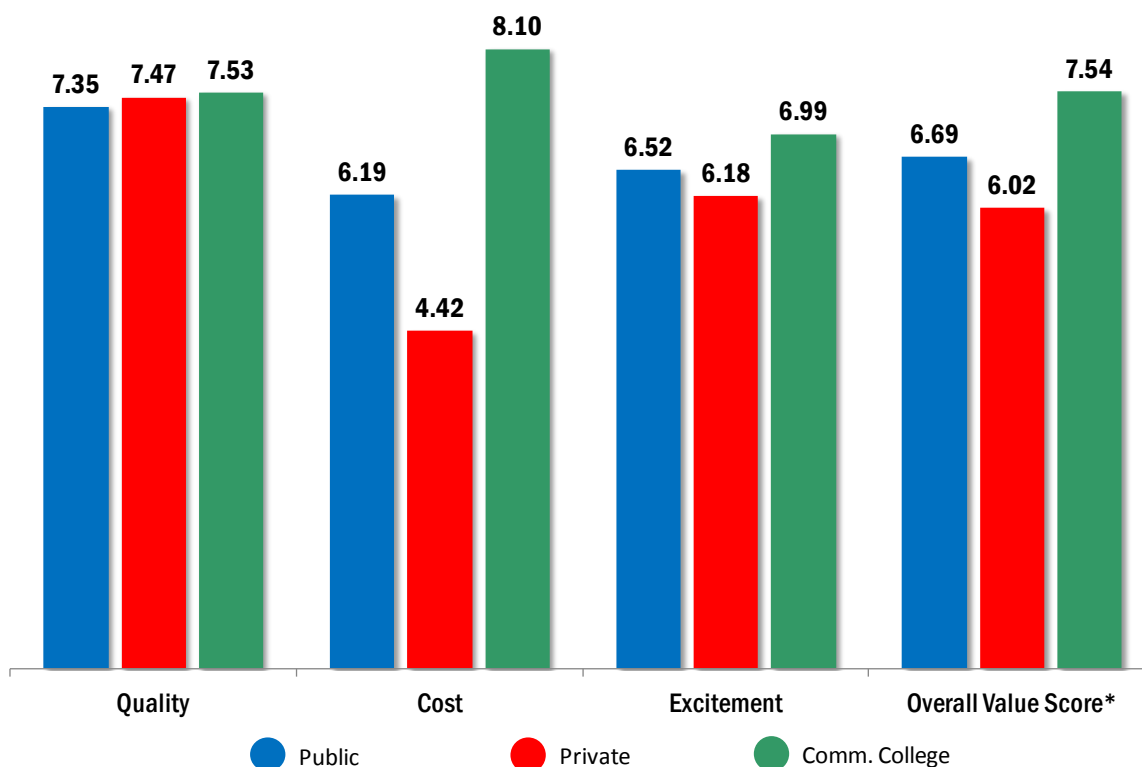
Students and parents bound for each type of college rated the institution they most seriously considered on **overall quality** (i.e. academics, faculty, buildings, facilities, amenities, administration, rankings, etc.), **cost** (i.e. all the out-of-pocket costs associated with attending, such as tuition, fees, living expenses, housing, travel, student loans, etc.), and their **level of excitement about attending** (i.e. the campus environment, the size of the campus, current students, proximity to home, outlook

for the future, fitting in, level of pride and affinity, etc.)

Students bound for publics, privates and community colleges rate their respective institutions almost equally on quality and excitement about attending. Sizeable differences exist on the cost factor. The overall value score for each institution type is the mean of the quality, cost and excitement scores.

Research has shown that individuals determine the value of any product or service by evaluating quality, cost, and how they feel about using the product or service.

Applying this to colleges, how do you rate the colleges you most seriously considered in the following areas?

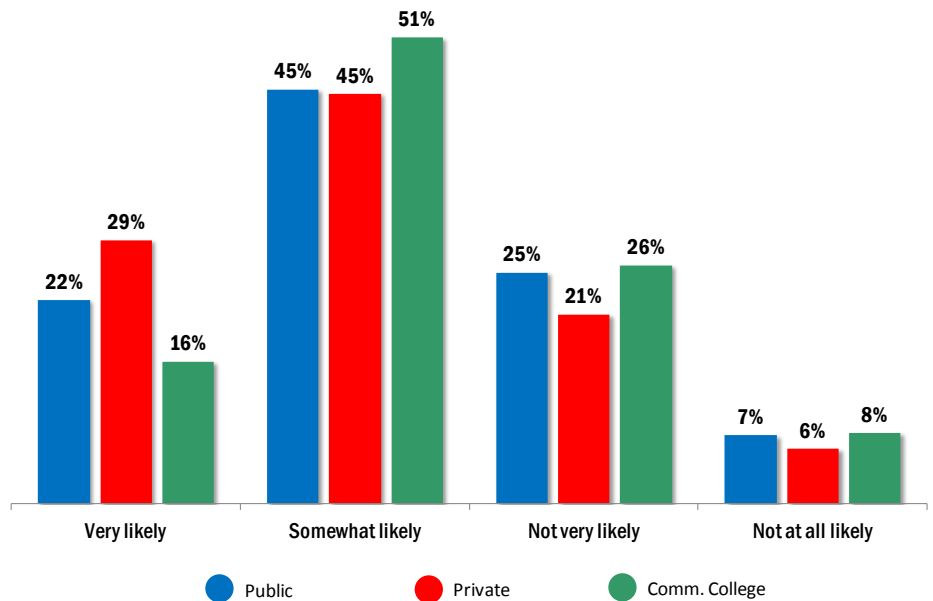


\* Calculated based on average of equally weighted quality, cost and excitement scores

## From “too expensive” to “totally worth it!”

Most students and parents will reconsider a college they initially believe to be too expensive if it can demonstrate greater value. When asked to define the extra value that would be needed for reconsideration, many respondents suggested a monetary incentive such as higher scholarships or lower tuition. However, this was not the majority. As the word cloud below illustrates, most respondents suggested something non-monetary such as the promise of a better job after graduation, greater opportunities while attending college, internships, and other factors that would make their time at college more enriching, rewarding and enjoyable.

**How likely is it that you might reconsider a college that you initially believed to be “too expensive” if it could demonstrate greater value?**



**What extra value could the college offer to make your additional investment worthwhile?**

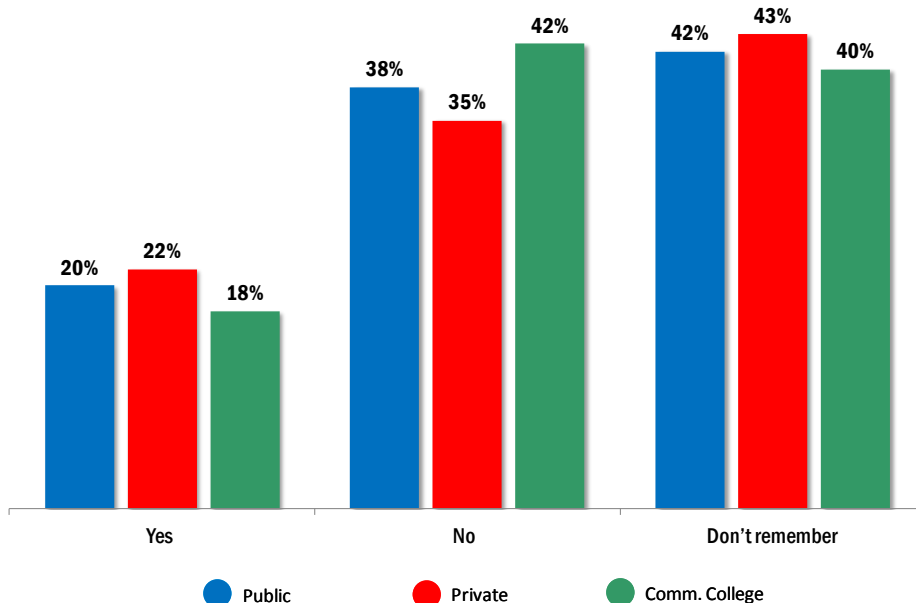




# The important conversation colleges are not having.

For most students and parents colleges are not engaging in a conversation with them prior to enrollment in which the value received is explicitly discussed. Only 2 in 10 respondents recall having a discussion about obtaining the highest value from their time and investment in college. When asked how colleges can best communicate their value students and parents give widely varying suggestions, indicating that a highly personalized approach is necessary.

**Was there a point in your college selection process where the colleges you most seriously considered addressed how they will maximize the value you will receive from your time and investment as a student?**



**In your opinion, what are the most effective ways for any college to help prospective students and parents better understand the value of attending the college?**





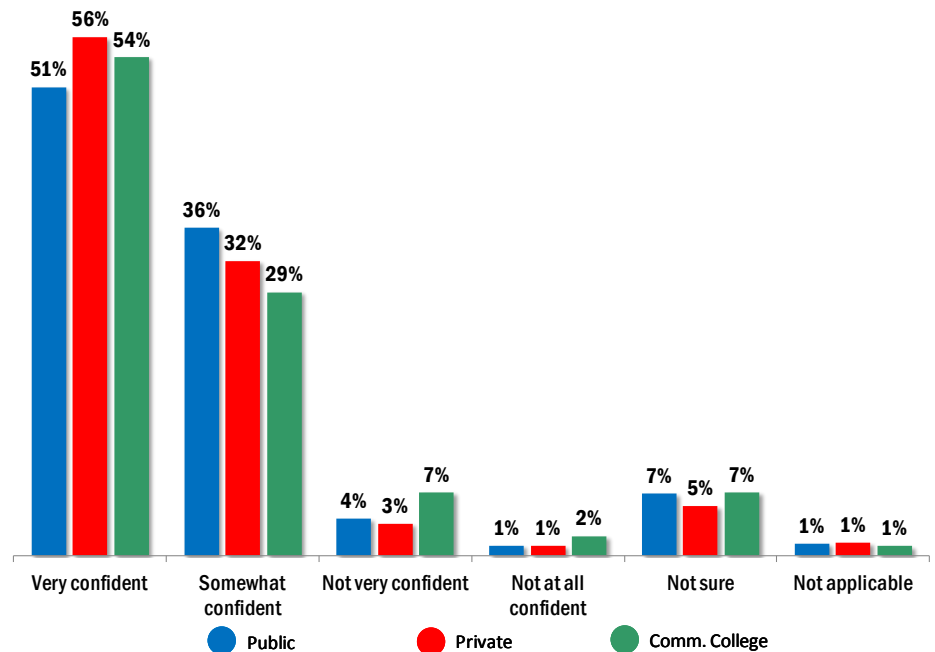
## Build greater confidence in your delivery of value.

When asked about their level of confidence that the money they will spend in the first year of college will be worth it only about half indicate that they are “very confident” it will.

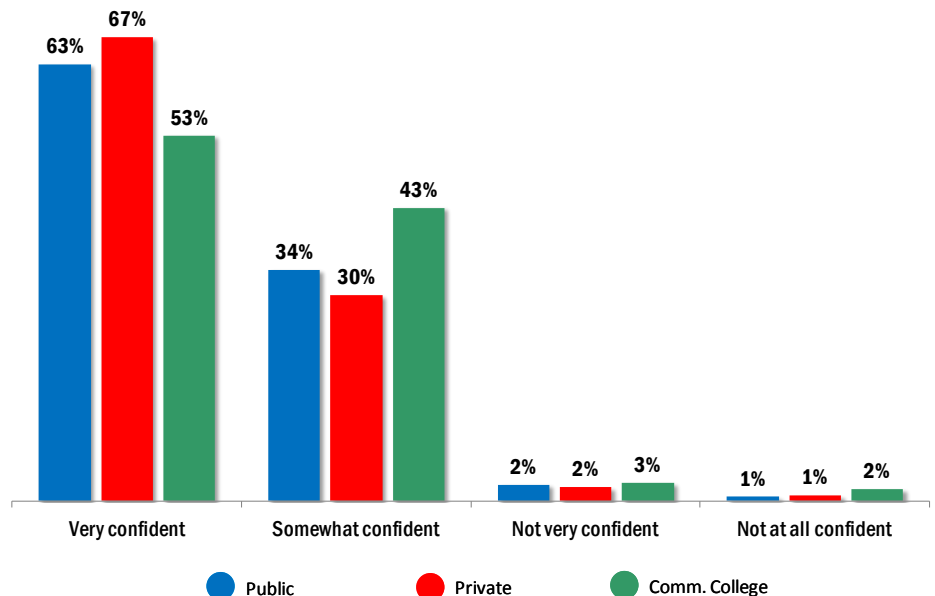
About two thirds of students and parents bound for four-year universities feel very confident that they have gathered all of the information needed to believe that the college they have chosen will deliver on the value they expect. About half of community college bound students feel this way.

This poses questions for the higher education industry. Given the substantial investment in time and money, shouldn’t student and parent confidence be significantly higher? And what can be done to instill higher confidence in a larger percentage of the college bound population?

At this point, how confident are you that the money you will spend in the first year college will be worth it?



How confident are you that you have gathered all of the information you need to feel that the college you have chosen will deliver the value you expect?



## Sticker price leads to early rejection and short circuits discussion of value.

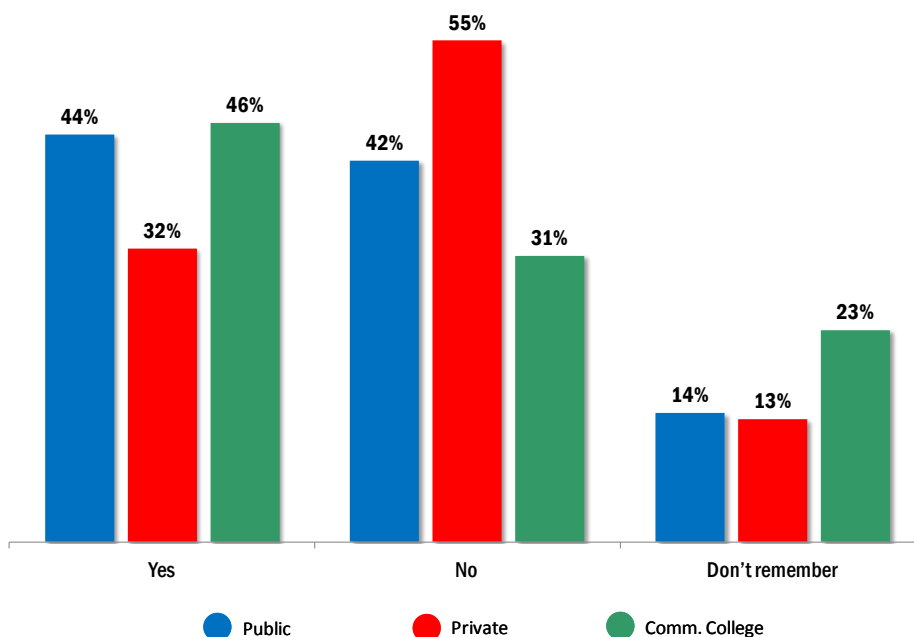
Approximately 4 in 10 students and parents reject colleges solely on the basis of sticker price.

It could be argued that anyone with previous experience in sending a child to college will know that the published price is often not what is ultimately paid.

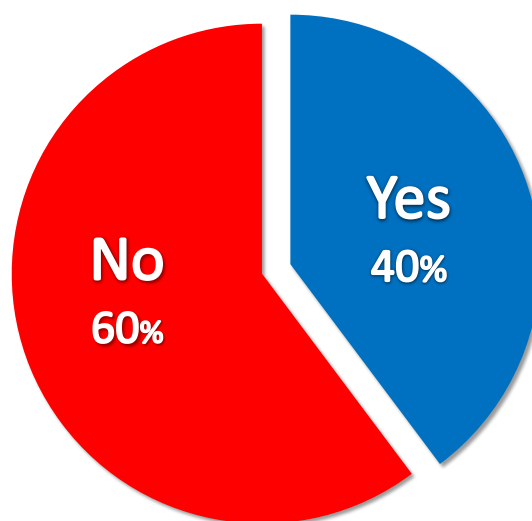
However, there is a large percentage of the population that is completely unaware that discounting exists in the industry. Approximately 60% of students and parents are unaware that private colleges, for example, effectively discount their published tuition.

Nor are they aware of the magnitude of the typical discount.

In the course of evaluating colleges, did you reject any colleges on the basis of their published “sticker price” alone?



Are you aware that most four-year private colleges discount their published price so that incoming freshmen pay less than what is published?



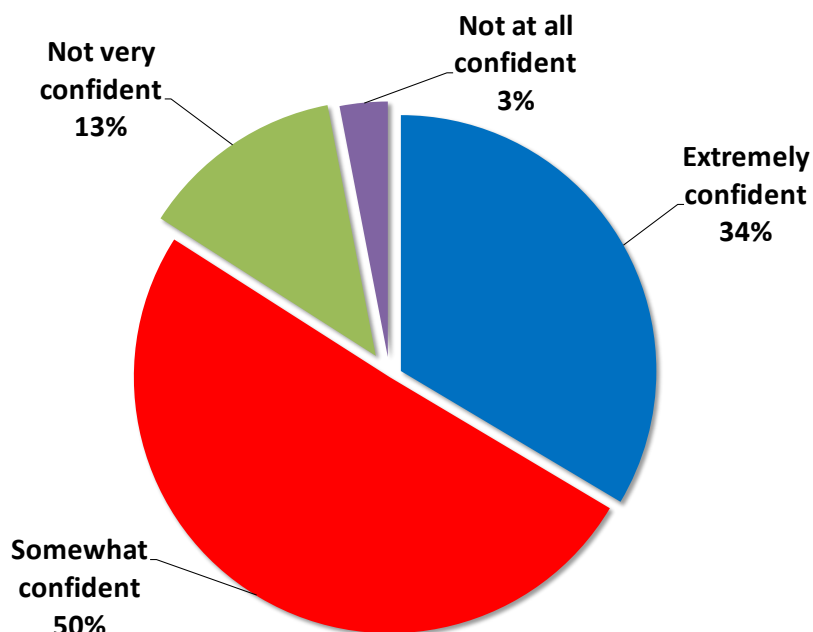
## Help needed in understanding and managing the complete cost of college.

Only 3 in 10 students and parents say they have the highest level of confidence that they have accurately estimated the true and complete cost of their first year in college including tuition, books, fees, living expenses, travel and all other associated expenses.

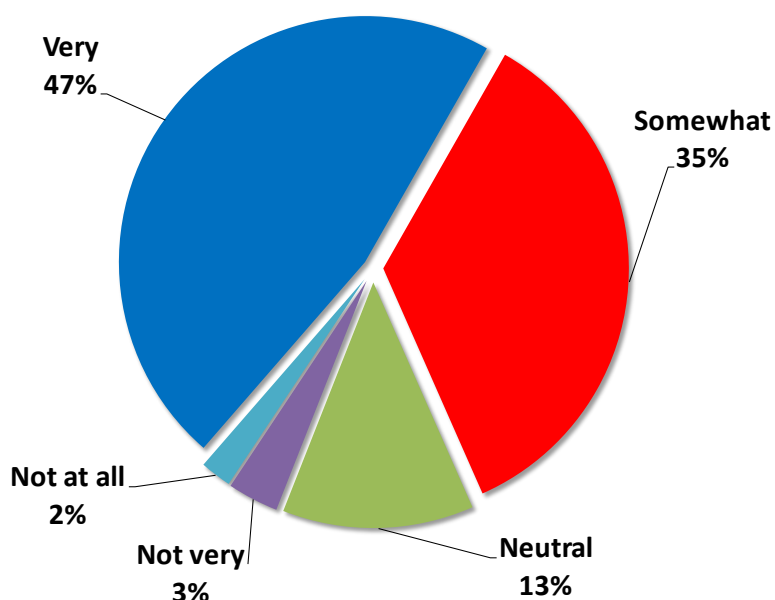
It is clear, though, that nearly all want help from colleges not only to estimate their costs but also to manage their expenses while attending.

Over 80% say they would find it appealing (47% say “very appealing”) if colleges were to offer a service to help them estimate and manage all of their educational and personal expenses associated with college.

At this point, how confident are you that you have accurately estimated the complete cost associated with attending your first year of college, including tuition, books, fees, grants, scholarships, loans, living expenses, travel, and all other associated expenses.



If a college were to offer an annual service to help you estimate and manage all education and personal expenses associated with attending college during your time there, how appealing would you find such a service?



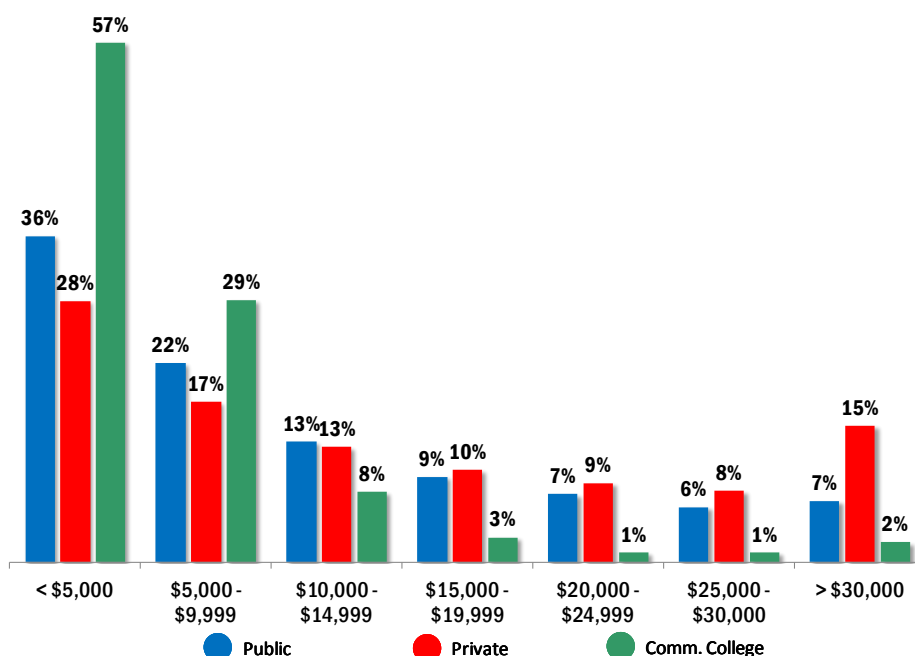
## Affordability and debt tolerance.

Out-of-pocket affordability is a larger issue for students bound for community colleges. Over 50% in this group say that the annual maximum affordable out of pocket expense is less than \$5,000. This compares to 36% and 28% for students bound for public and private colleges, respectively.

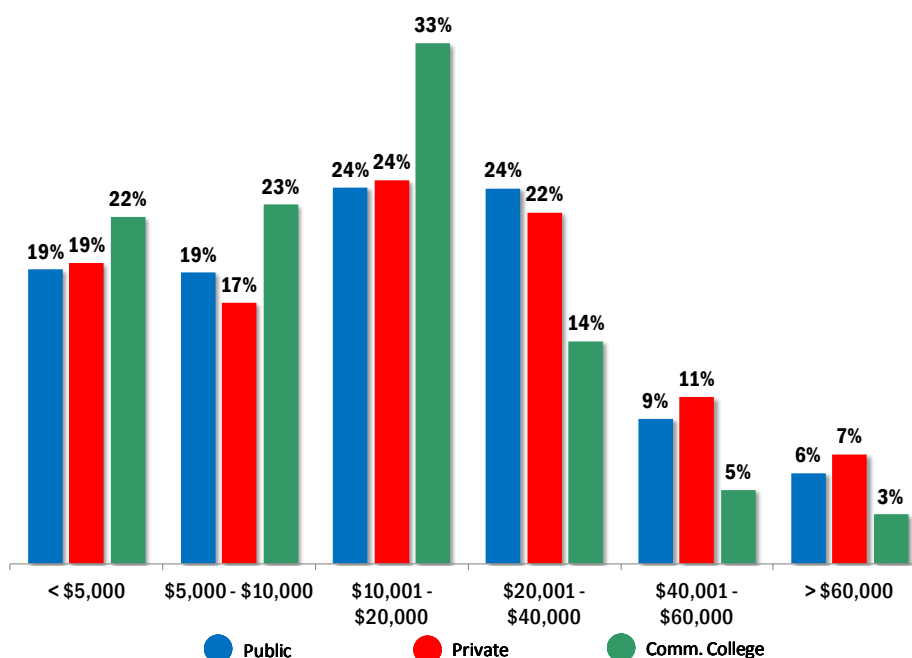
Nationally, approximately 54% of all students and parents indicate that their maximum affordable annual out of pocket expense is less than \$10,000.

Students bound for public and private colleges share similar views with regard to the maximum amount of debt they are willing to accumulate at the time they graduate.

After all loans, scholarships, grants and discounts, what is the maximum annual out-of-pocket expense you and/or your family can afford for tuition, fees and living expenses?



If you plan to obtain a college loan what is the maximum amount of debt you are willing to accumulate by the time you graduate?



## Relative importance of various factors in college selection.

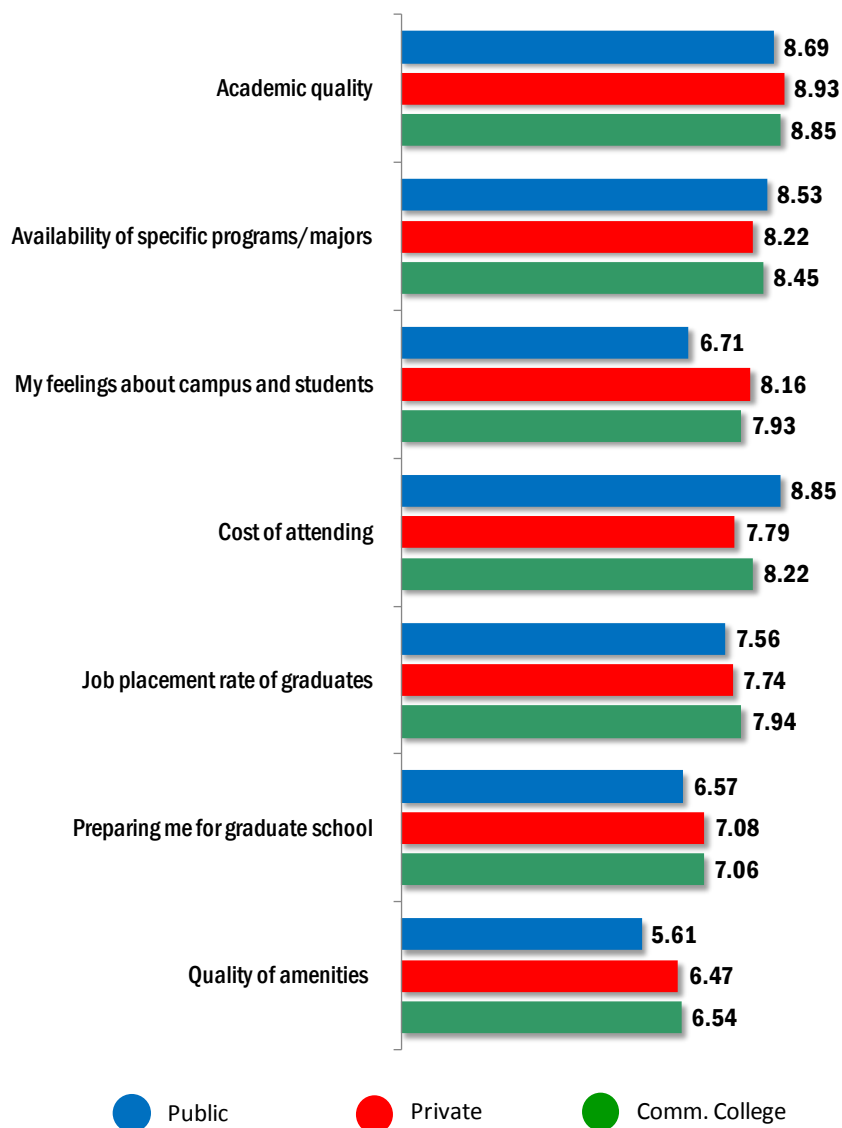
The factors that have always been most important to students and parents in college selection remain so today.

These include academic quality, availability of desired majors and programs, cost, and the comfort and feelings students experience on the college campus.

While job placement may rank fairly high for those bound for private colleges, their feeling about the campus and other students ranks higher.

For public bound students cost ranks higher than job placement.

On a scale of 0 to 10 (with 0 being not at all important and 10 being extremely important) please rate each item below in terms of its importance in your college selection decision.



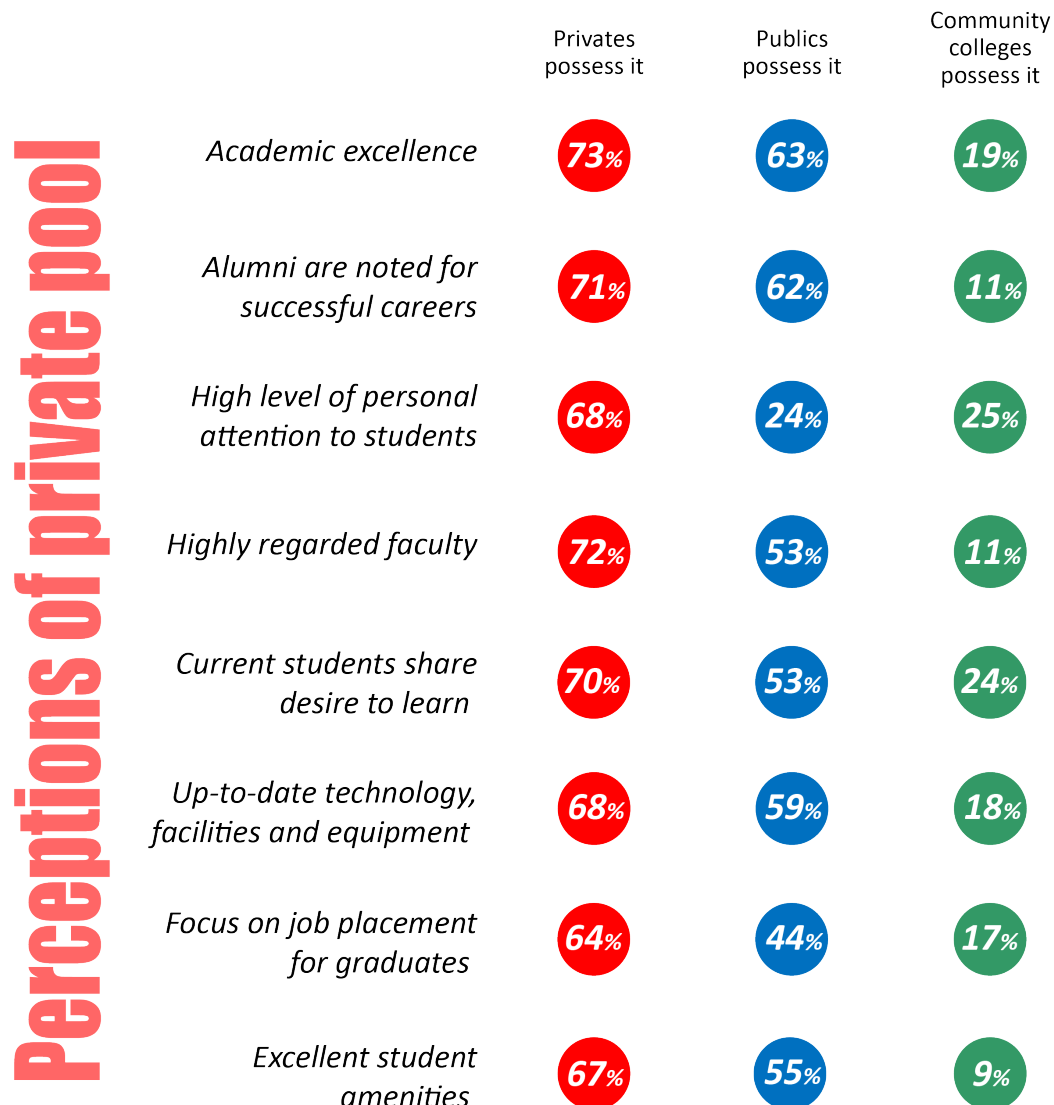
## Perceptions of private bound students.

Students bound for private institutions view privates as being superior to publics on all qualities measured. The most sizable differences in perception relate to the level of personal attention paid to students, regard for faculty, students sharing a desire to learn, the institution's focus on job placement, and

amenities offered on campus.

While this group's view of the difference between privates and publics is notable, their view of the qualities possessed by community colleges relative to privates is dramatically different. The very legitimate question of perception not reflecting reality can be raised here, of course, but it is their perception all the same.

***From the following list of qualities, please indicate which types of institutions you believe possess the quality.***





## Perceptions of public bound students.

Students bound for public institutions see publics as being superior to privates in all but one area measured. This single area relates to the level of personal attention paid to students. 33% of this group believes that publics possess the quality and 53% believe privates possess it. Across all other areas measured, this group

perceives the gap between publics and privates to be narrow, whereas the opposite is true in the perceptions of private bound students toward publics.

This group also perceives the qualities possessed by community colleges as being dramatically different from those provided by four-year public and private institutions.

***From the following list of qualities, please indicate which types of institutions you believe possess the quality.***

## Perceptions of public pool

	Privates possess it	Publics possess it	Community colleges possess it
<i>Academic excellence</i>	62%	71%	27%
<i>Alumni are noted for successful careers</i>	61%	68%	11%
<i>High level of personal attention to students</i>	53%	33%	35%
<i>Highly regarded faculty</i>	62%	64%	15%
<i>Current students share desire to learn</i>	61%	61%	29%
<i>Up-to-date technology, facilities and equipment</i>	61%	65%	22%
<i>Focus on job placement for graduates</i>	55%	56%	18%
<i>Excellent student amenities</i>	60%	65%	12%

## Perceptions of community college pool students.

Students bound for community colleges see all three types of institutions being generally equal in terms of the qualities they possess. However, in the area of providing a high level of personal attention to students,

they see community colleges as possessing this quality more so than both four-year publics and privates. The largest difference is seen in their perception that alumni from four-year institutions are noted for successful careers.

## Perceptions of community college pool

*From the following list of qualities, please indicate which types of institutions you believe possess the quality.*

	Privates possess it	Publics possess it	Community colleges possess it
<i>Academic excellence</i>	51%	59%	53%
<i>Alumni are noted for successful careers</i>	51%	58%	30%
<i>High level of personal attention to students</i>	34%	21%	54%
<i>Highly regarded faculty</i>	52%	50%	41%
<i>Current students share desire to learn</i>	45%	40%	46%
<i>Up-to-date technology, facilities and equipment</i>	50%	52%	41%
<i>Focus on job placement for graduates</i>	39%	39%	38%
<i>Excellent student amenities</i>	48%	55%	40%

## Influence of published college rankings.

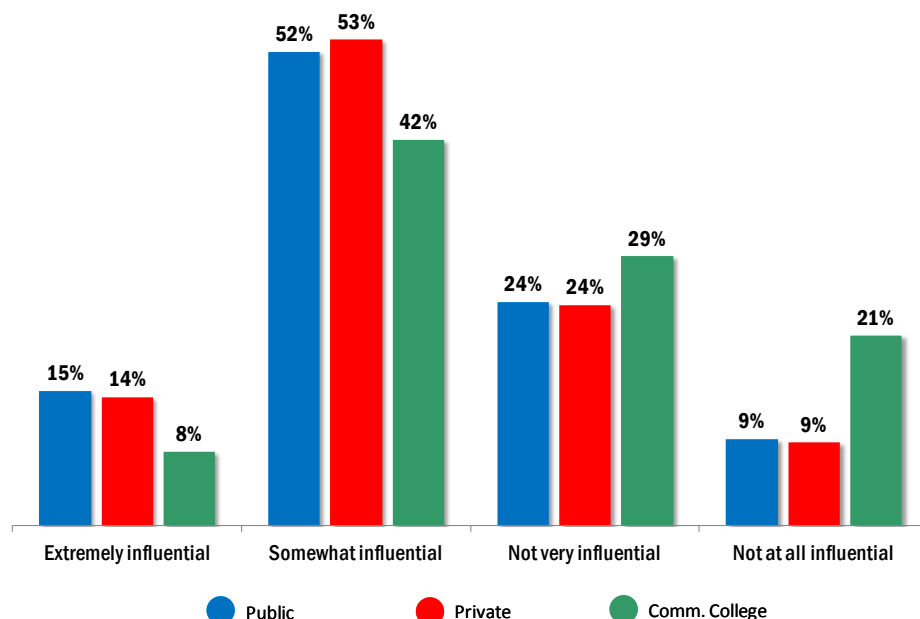
Nearly half of students and parents bound for public and private institutions say that college ranking services (e. g. *US News*) are somewhat influential in shaping their perception of value delivered by the college. About one third say it is not influential in shaping their perception.

## Expectation for getting a job after graduation.

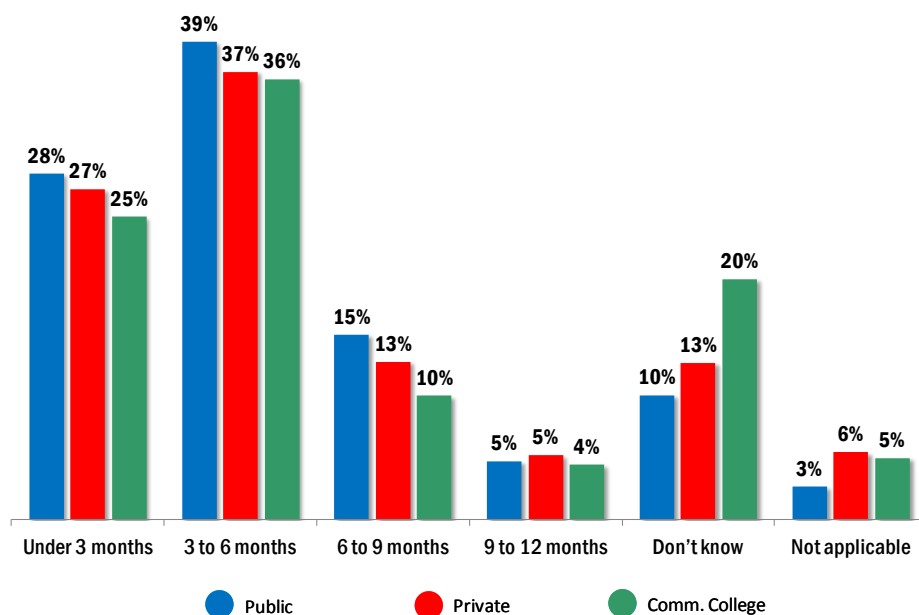
About two-thirds of parents and students bound for public, private and community colleges believe that a reasonable period of time to find a job based on their education is within six months of graduating.

This is one of very few areas in which a statistical difference exists between the views of students and parents. While they generally agree on the time frames, parents expect job placement slightly sooner after graduation than do their children.

How influential are college rankings services (e.g. *US News*) in shaping your perception of the value delivered by specific colleges?



After graduation, what do you believe is a reasonable period of time for you to get a good job based on your college education?

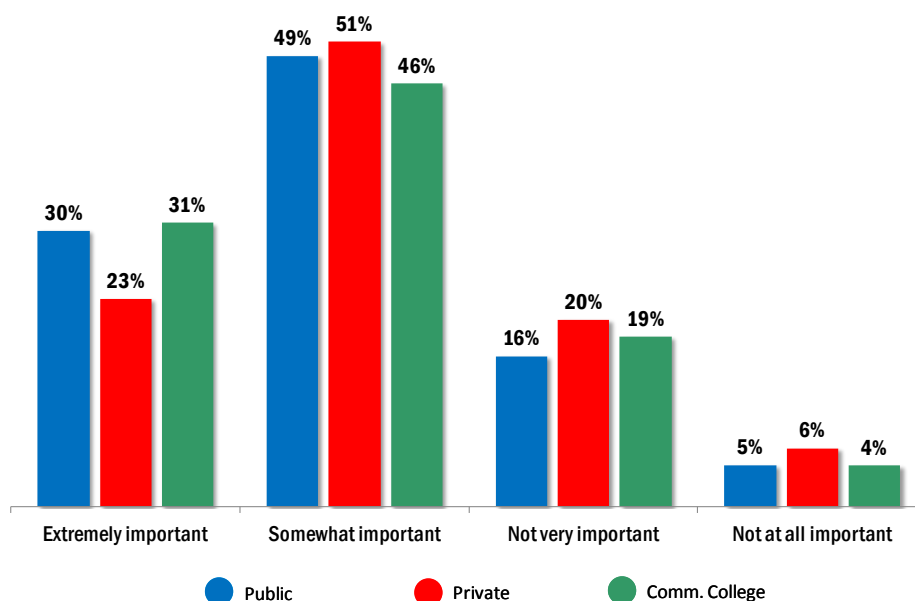


## Importance of salary after graduation.

For nearly one-third of students bound for public and community colleges, the expectation of salary after graduation plays an extremely important role in their college selection decision. This is less so for private university bound students.

About half of students in all three institution types indicate that salary after graduation plays a “somewhat important role” in their college selection decision.

How important a role has salary after graduation played in your selection of a college?



## Salary expectation after graduation.

Students bound for a community college have an annual salary expectation after graduation that is less than that of students bound for four-year public and private institutions.

About one-quarter of all students say they did not have a specific annual salary expectation after graduation.

In the first year after graduating, what is the annual salary you expect to be earning?

	Publics	Privates	Community Colleges
< \$20,000	3.10%	3.54%	5.06%
\$20,000 - \$30,000	10.21%	8.66%	20.79%
\$30,001 - \$40,000	15.60%	12.91%	19.66%
\$40,001 - \$50,000	17.04%	13.96%	10.11%
\$50,001 - \$60,000	13.17%	14.16%	7.87%
> \$60,000	14.86%	12.34%	5.06%
Don't know	22.92%	28.60%	26.40%
Not applicable	3.10%	5.83%	5.06%

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# Recommendations

## ***Know where (and how) to control your perceived value***

Perceived value has three components: perceived quality, cost and excitement about attending. A change in any one will impact a college's total perceived value score which, in turn, impacts enrollment.

Perceived quality of the college may be more or less important from student to student although it may be safely assumed that it is universally important. Cost is also important. These two factors, however, do not have as strong an influence on enrollment as does the student's excitement about attending the college. A student may find a college of higher perceived quality and lower cost than another under consideration but if their level of excitement about attending is low then they are significantly less likely to enroll.

Of the three components, cost is likely to be the hardest for a college to change. Its published sticker price may be flexible through discounting but, if anything, the cost will continue to rise.

Real and perceived quality are changeable. However, both take time, require internal collaboration, and demand adequate resources.

The single component in the value score that is most flexible and impacting on enrollment growth is student excitement about attending. It is more strongly correlated to enrollment – by a factor of two – than either cost or perceived quality.

Generating excitement is a multi-dimensional process and should involve everyone on campus. It may entail building and communicating a brand that attracts individuals with similar interests, putting students in the company of others with similar passions, providing opportunities to work closely with faculty, offering prompt and attentive customer service, having a unique energy and atmosphere on campus, and any number of other attributes that strike an emotional chord with a student and parent.

## ***Engage in a detailed and highly personal discussion of value***

Only 2 in 10 students and parents say that the college they most seriously considered addressed how it plans to maximize the value received over the course of the student's time there.

More explicit discussions of value and value expectation should take place between prospective students, parents and the colleges they are considering. Admissions counselors, financial aid staff, and even faculty should have conversations with students and parents regarding the value they desire and expect to get from the colleges they are considering. Colleges

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can help students and parents uncover factors that may play into their value perception.

### ***Demonstrate how your value delivery outweighs your cost***

Over two-thirds of students and parents will clearly reconsider a college that they initially believe to be too expensive if it can demonstrate greater value.

The objective of any college is to uncover cost sensitivity and attractiveness of specific value propositions. This must be done early in the recruiting cycle while perceptions are being formed. It must be highly personalized with focused and engaging conversations with prospective students and parents to help them fully understand what they want, how to obtain it, and what presents them with the greatest value.

### ***Diffuse sticker shock by communicating affordability early***

With an average of 4 in 10 students rejecting colleges on the basis of their sticker price alone, coupled with the finding that 60% of the college bound population is unaware that colleges discount their tuition, there exists a great opportunity for colleges to educate prospective students on the true cost of college.

If more students and parents understand the many options available to them to effectively lower their price, the more they may open themselves up to considering colleges that they initially believed to be too expensive. For many students and parents the sticker price is a hard barrier that halts further consideration. Colleges have the opportunity to soften that barrier by providing information early in the student's college shopping process.

### ***Add value by helping estimate and manage all costs associated with going to college***

Just 34% of students and parents say they are "extremely confident" that they have accurately estimated the complete cost associated with their first year of college. The ideal would be a much higher percentage given that it may be one of the largest expenses, if not the single largest, incurred by the family in a single year.

Colleges can help. Students and parents want that help. Over 80% say they would find it appealing (50% say "very appealing") if colleges offered an annual service to help them estimate and manage their educational and personal expenses associated with attending college.

Developing this service adds value. It can lower what is viewed as the "cost of college." Some colleges are doing it now. It reflects a high level of service.



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***Continually guide students toward a successful outcome***

The road to graduation is long and has many twists and turns. A sufficient number of checkpoints are needed along the way to ensure that the student stays on path to reach their desired outcomes.

The challenge for any college is to remain fully and continually connected with its students in order to provide the highest level of personal service in all areas that will influence their realization of full value.

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# Conclusion

College bound students share many of the same concerns with regard to issues of cost, location, availability of majors, reputation, and so on. These are the most obvious factors that must be considered as part of the college selection process. All will be important in some measure. They will contribute to the overall perception of value that the student and parent associate with a specific college.

Yet, college selection remains a highly personal pursuit with great variability from person to person. It also involves intangibles (feelings and emotions) that are powerful enough to be the dominant variable in an overall value perception.

Pre-enrollment, students typically articulate what they are looking for in a college using fact-based descriptors (programs, majors, cost, job placement, and so on). These factors are easy for the student and college to focus on because they are obvious.

Post-enrollment, however, students often articulate their reasons behind selecting a college as being rooted in the emotional. “I felt comfortable there,” they say. “It was a good fit for me.” These underlying feelings and emotions are more difficult to address pre-enrollment because students don’t or can’t easily articulate them.

Feelings and emotions equate to the “excitement” component of value defined at the beginning in this report. Of the three components making up the overall value score, the component most strongly correlated to likelihood of enrollment is the student’s excitement about attending.

The results of this study do not suggest that college-bound students have changed dramatically in how they select a college. Rather, the results suggest that colleges have an opportunity to provide a higher level of service to students and parents in helping them understand and maximize the value they will receive while enrolled.



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