

# How and Why Colleges Can Learn From Their For-Profit Competitors



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Boston • London • Mumbai • San Francisco

## Perspectives From The Industry

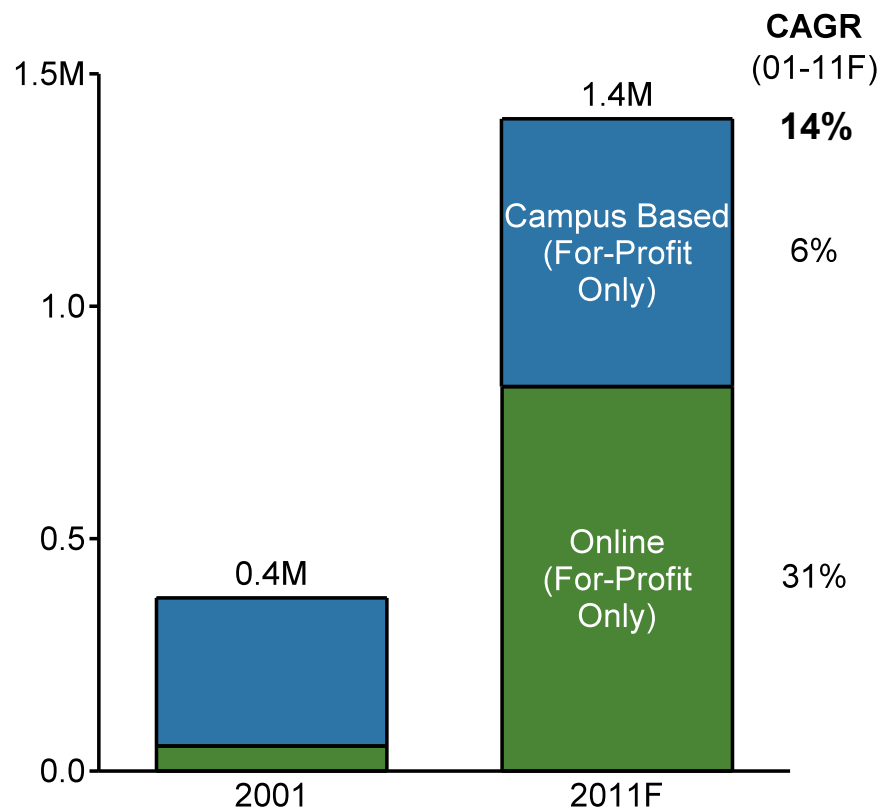
October 4, 2010

# For profit post-secondary schools have grown at double digit rates for over a decade by serving traditionally overlooked student segments



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## Enrolment in For-Profit Institutions in the U.S., 2000 – 2011F



**Public Sector Growth ('04-'08)**

**For Profit Growth ('04-'08)**

+/- 0%

**Adult Learners (25yr +)**

+ 17%

+ 1%

**High-Risk Student (low income, independent, minority)**

+ 14%

26%

**Career-Focused (high growth fields)**

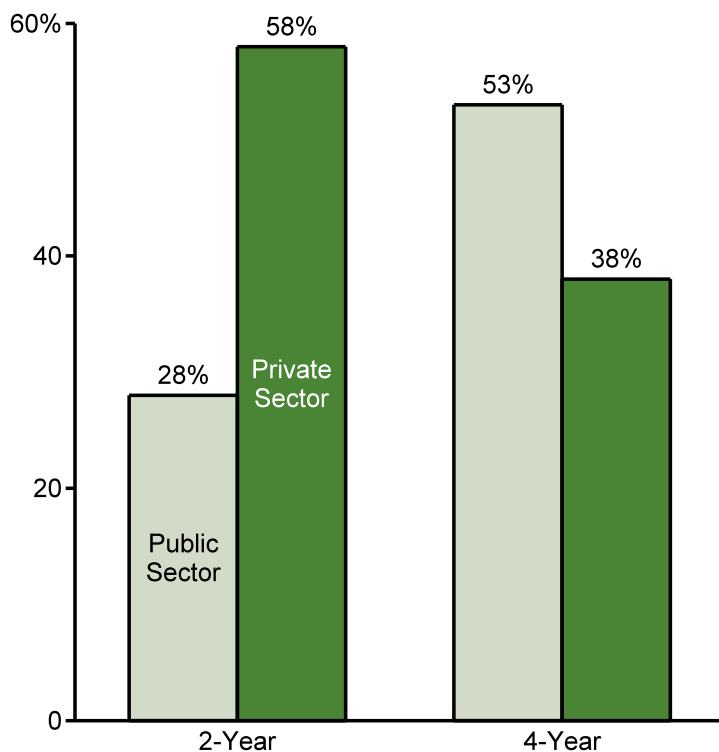
62%

# The for-profit sector delivers strong graduation rates—particularly accounting for the population they serve

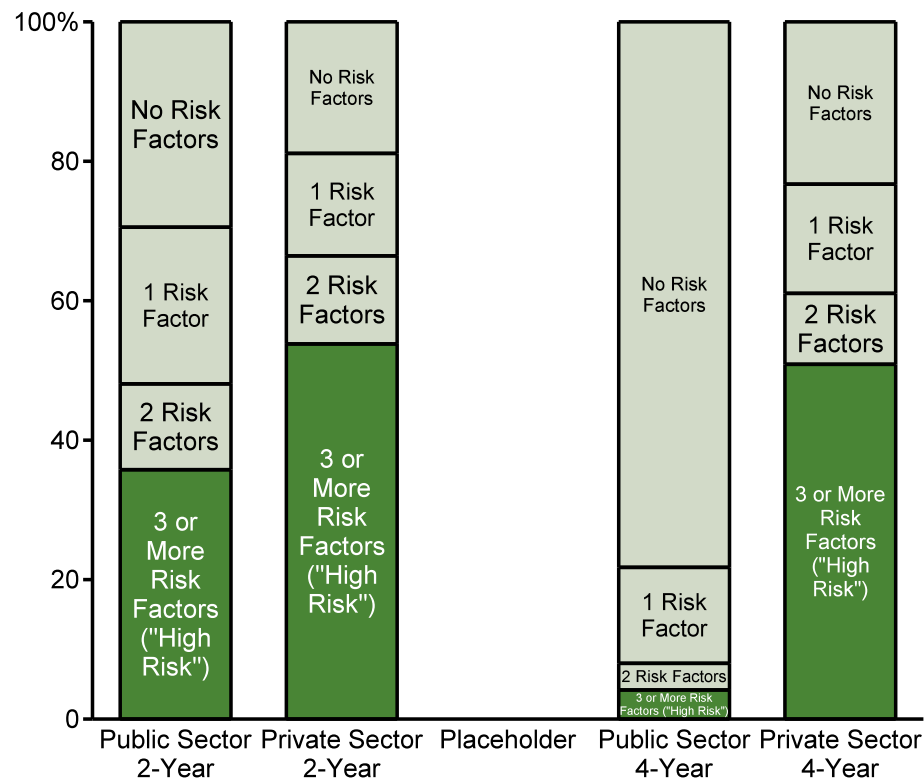


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## Completion Rate at 2-Year (2001) and 4-Year (2008) Institutions



## Persistence Risk at 2- and 4-Year Institutions, 2004



Note: Completion rates are calculated 5 years post-enrollment for 2-year institutions and 6 years post-enrollment for 4-year institutions, and exclude transfers; "2-Year" category includes 2-year and less-than-2-year institutions; "Private Sector" category excludes private not-for-profit institutions; "High risk" defined as 3 or more of the following factors: Delayed enrollment, No high school diploma, Part-time enrollment, Financially independent, Have dependents, Single parent status, Working-full time while enrolled

## What Can and Should Be Emulated?

For-profit schools orient decision-making to serve the student as a customer



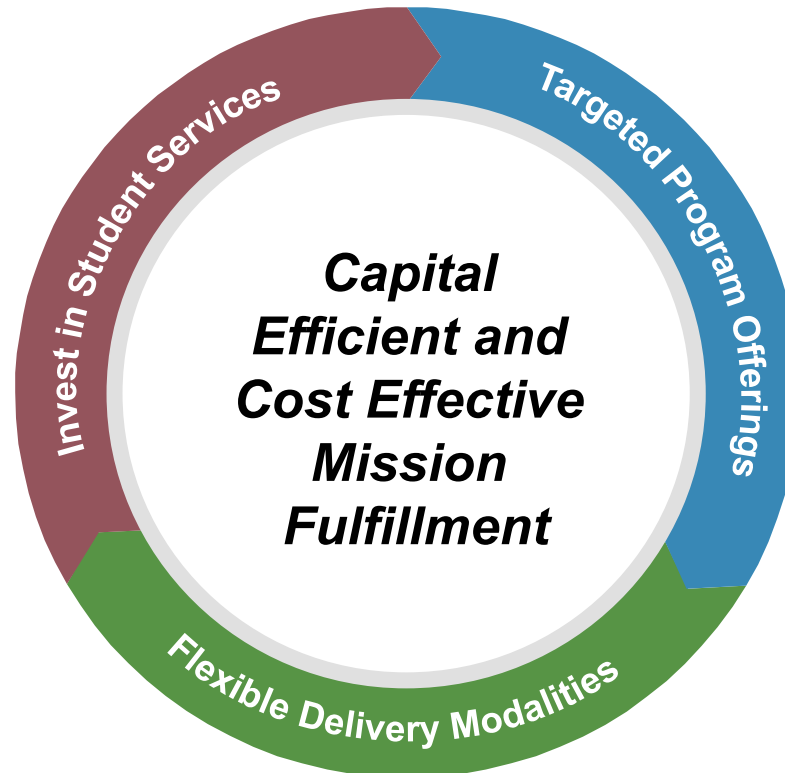
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### High-Risk Student (low income, minority)

- Intervention and academic support enhanced in online delivery modality
- Enhanced targeting based on rich data set of student performance
- Lower cost to serve

### Adult Learners (25yr +)

- Asynchronous learning
- Flexible scheduling
- Blending learning



### Career-Focused Students (high growth field)

- Ability to scale offerings beyond limited geographic demand
- Increased speed to market
- Flexible course combinations to create new programs
- Strong employer connections

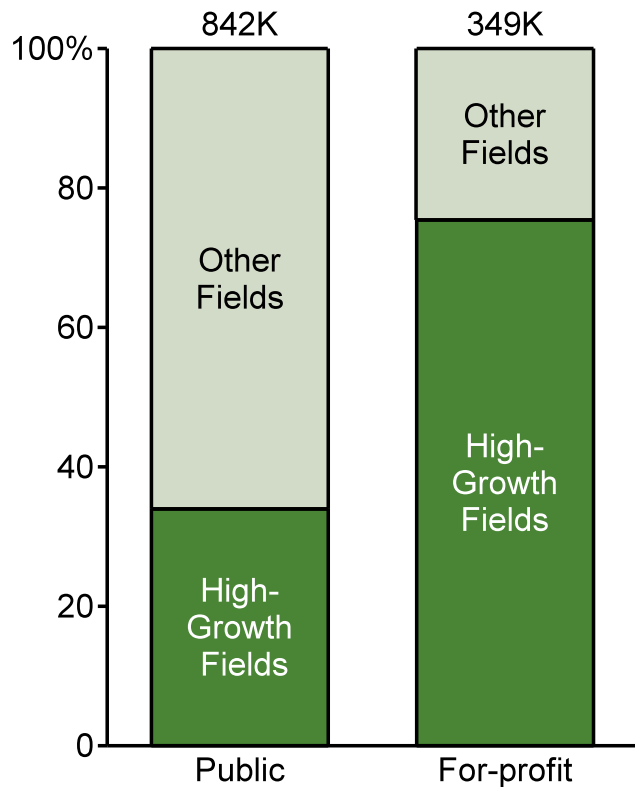
# Targeted Program Offerings

Private sector graduates are prepared for job fields with greater employment needs



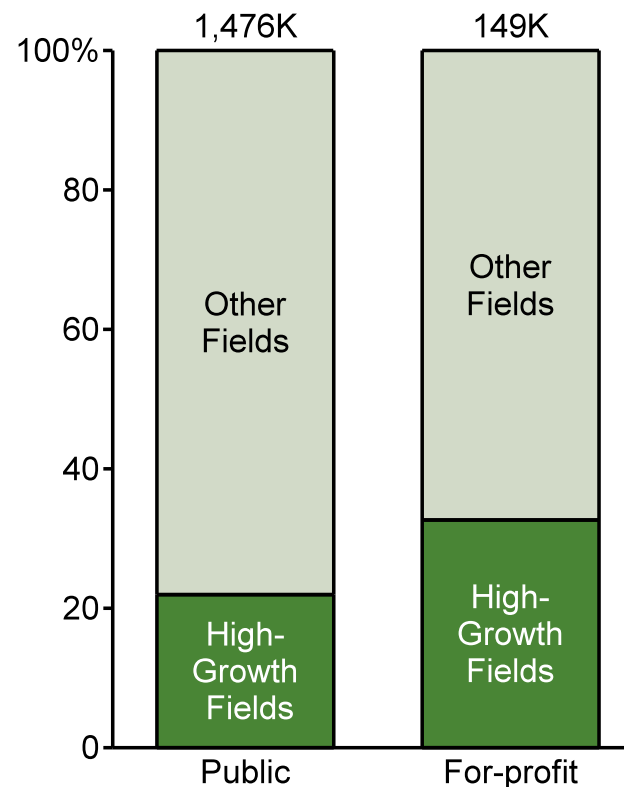
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**Degrees/Certificates/Diplomas Conferred by Field of Study, 2-Year Institutions, 2008**



% High Growth	Public	For-profit
	34%	75%

**Degrees Conferred by Field of Study, 4-Year Institutions, 2008**



% High Growth	Public	For-profit
	22%	33%

**High-growth fields, 2008-2018E (avg. growth rate: 1.9%)**

- Computer and IT Services
- Public Administration
- Health Professions
- Physical Sciences
- Personal and Culinary Services
- Mathematics
- Biological Sciences

**Low-growth fields, 2008-2018E (avg. growth rate: 0.7%)**

- Agriculture
- Construction
- Theology
- Architecture

## Flexible Delivery Modalities

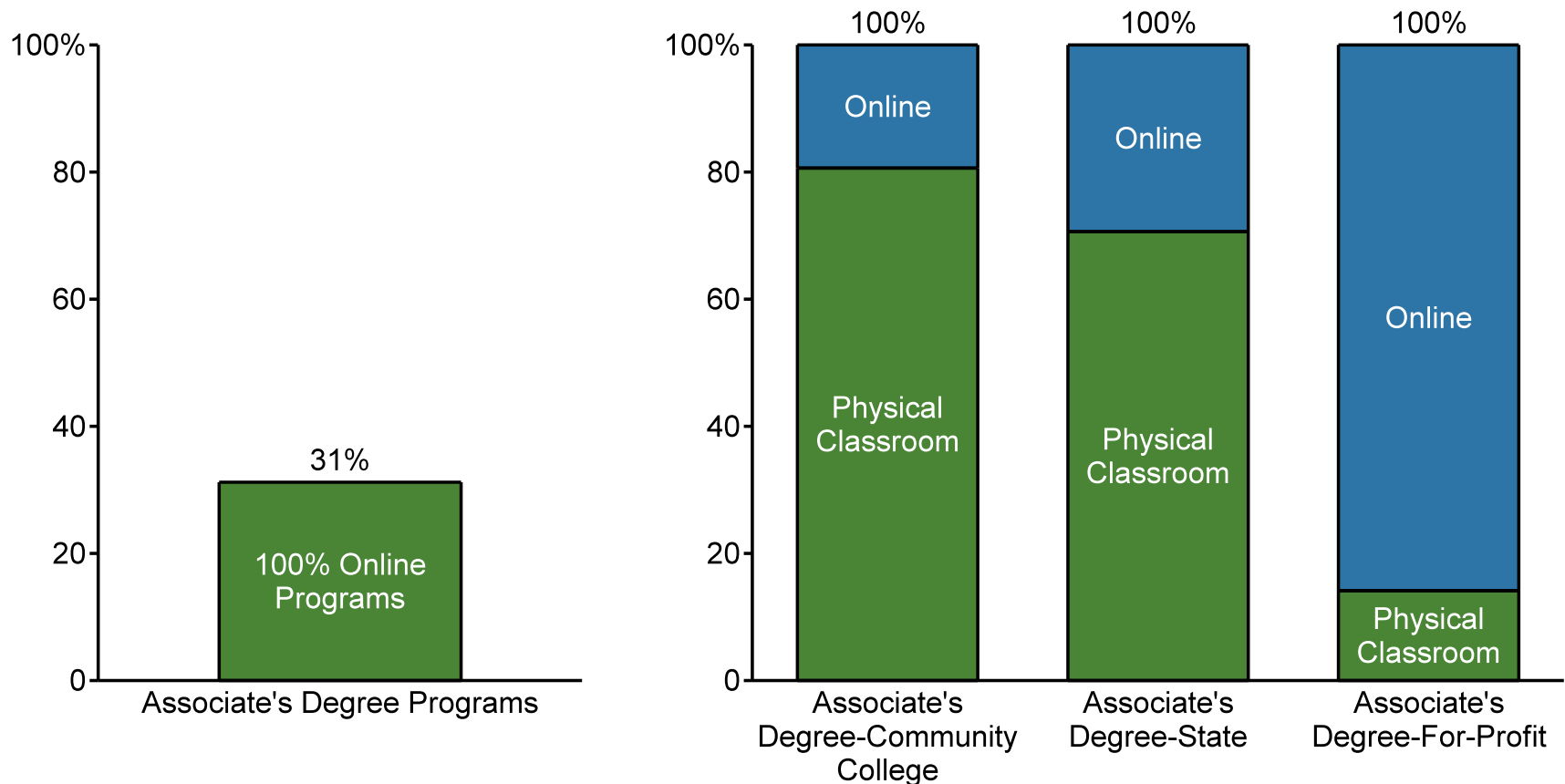
Students at for-profit schools report that a significant portion of class is delivered online



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### Penetration of Online Learning in Post-Secondary Degree Programs, 2 Year Colleges

Q: What portion of classes you took were  
online vs. in a physical classroom?



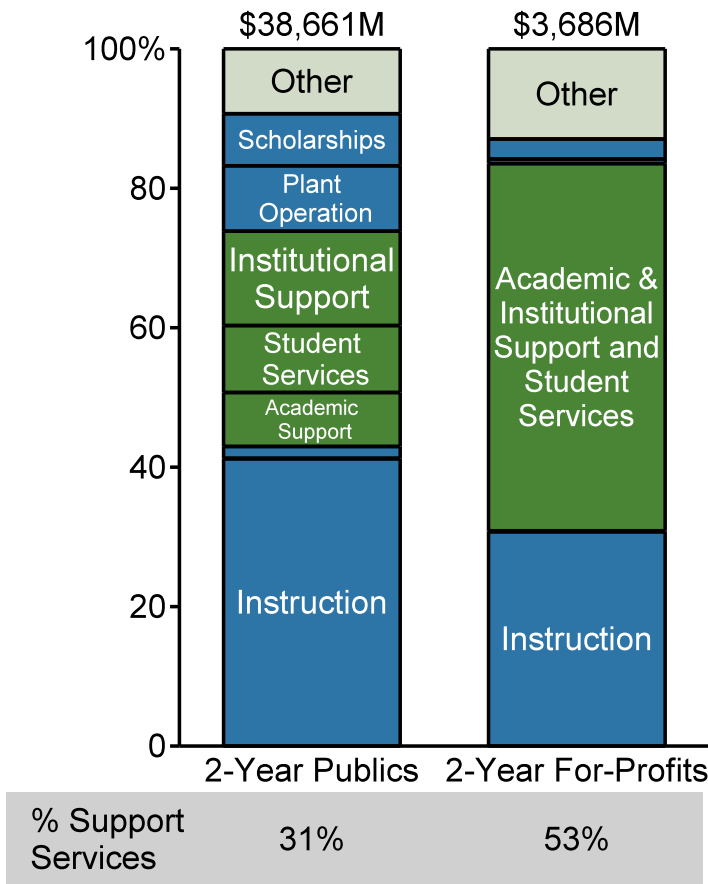
# Investments in Student Services

A significant investment in Student Services is needed to support student outcomes for their target customer



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## Total Costs by Type of Spending, 2-Year Public and 2-Year For-Profits



### Typical Services

- Enrollment teams
- Financial aid counselors
- Tutoring services available by phone, email, or live chat
- Graduation teams with academic and personal counselors and financial aid specialists
- One-stop centers for advising and counseling services
- Job placement and career services
- Emails and phone calls to students about attendance and performance

“Do Expenditures Other Than Instructional Expenditures Affect Graduation and Persistence Rates in American Higher Education?”

“Our most important finding is that **student service expenditures** influence **graduation and persistence rates**...their marginal effects are higher for students at institutions with lower entrance test scores and higher Pell Grant expenditures per student. Their effects are largest at institutions that have lower current graduation and first year persistence rates.”

– Webber and Ehrenberg  
National Bureau of Economic Research  
August 2009

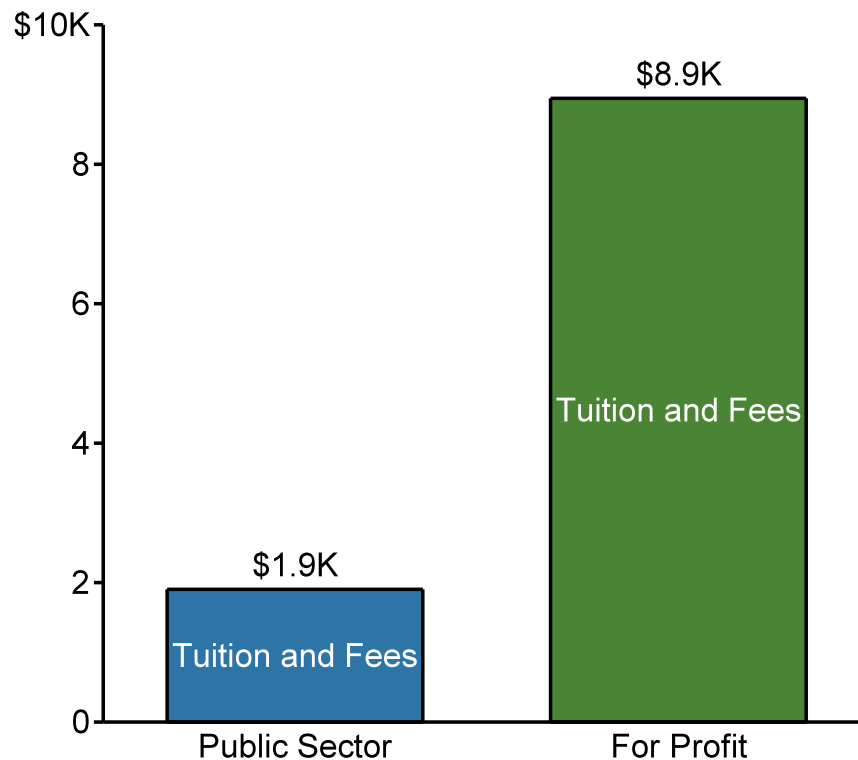
## Efficient Use of Capital

Despite significant differences in tuition levels, total cost per positive outcome is similar

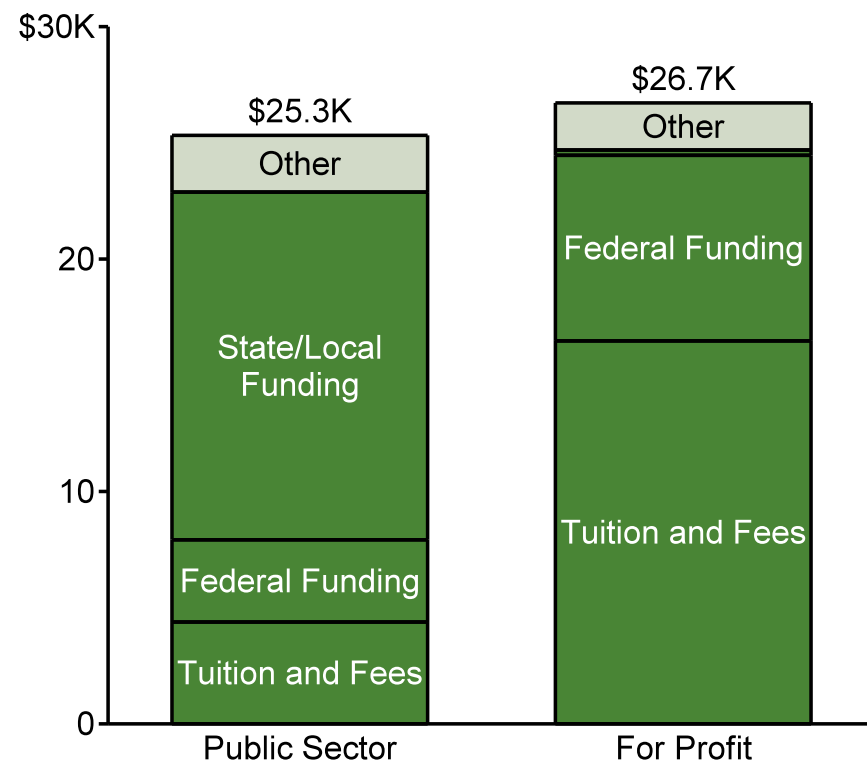


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### Average Tuition and Fees per FTE, 2-Year Institutions, 2007



### Cost Per Positive Outcome, 2-Year Institutions, 2007



Note: Federal and state/local grants include grants, contracts, and tax revenue; "Private Sector" category excludes private not-for-profit institutions; Data includes 2-year and less-than-2-year institutions

# Myth of Online – “Online Is the Opposite of Onsite”

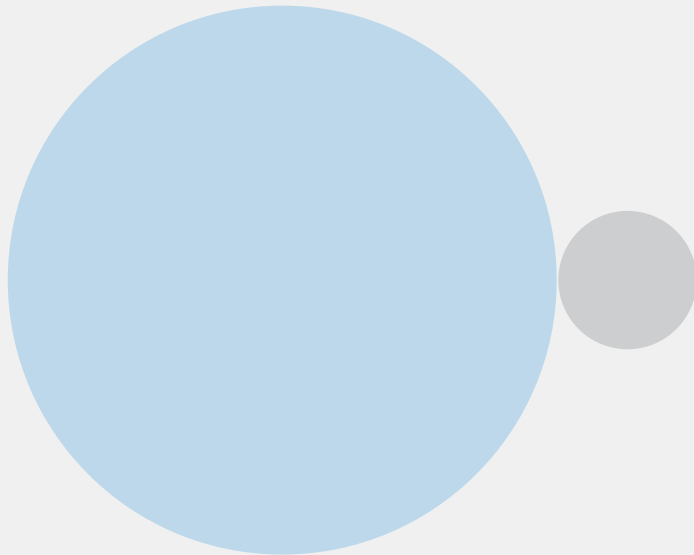
Public and non-profit schools should have a clear advantage with hybrid offerings (on-campus and on-line)



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## 1990s Myth

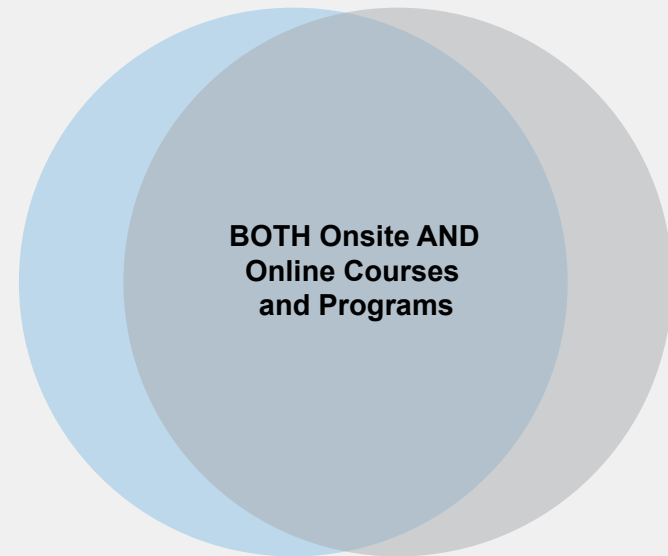
“Traditional Onsite” vs. “New”  
100% Online



- Low growth
- High cost/student
- Uncompetitive
- High growth
- Low cost/student
- Marketing cache

## Current and Future Reality

Core Offering is Blended



- Student’s Preference
- Improved Offerings
- Improved Outcomes

# Measuring the Value of Blended Offerings

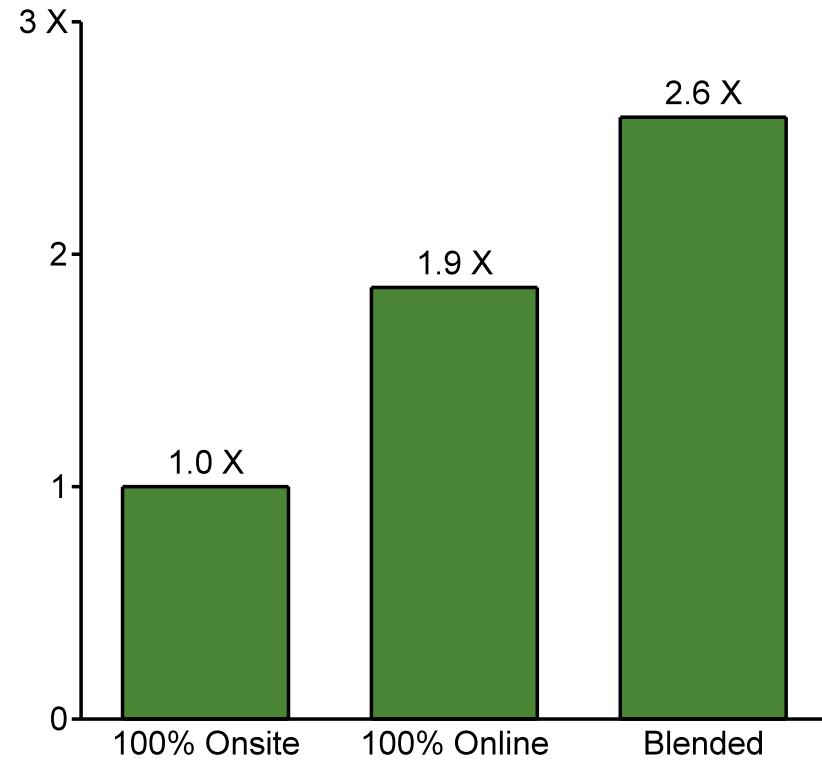
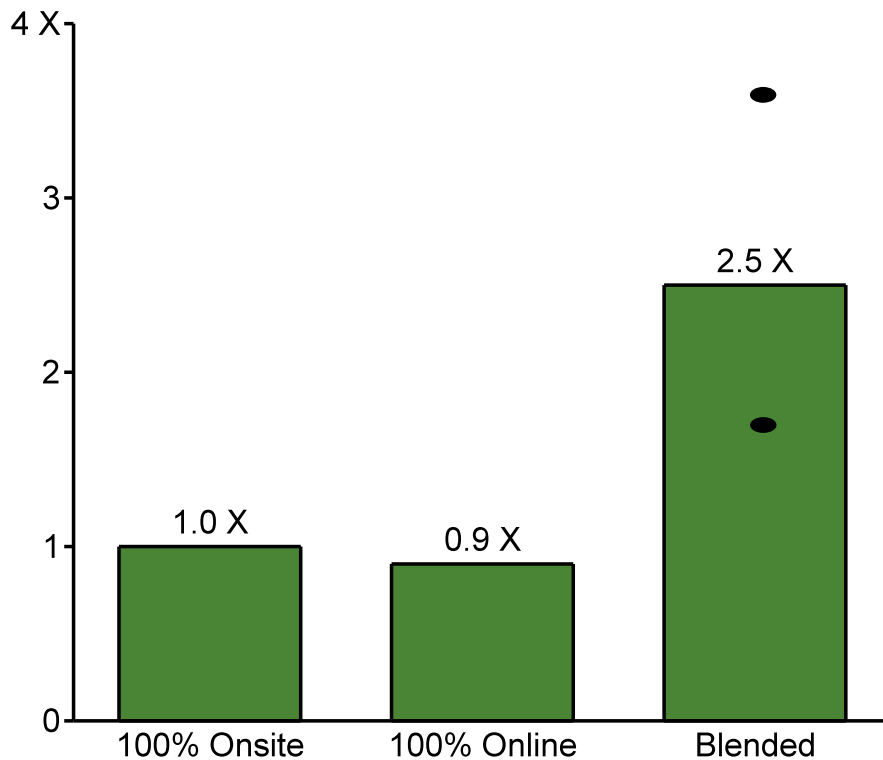
Students served with blended offerings typically have better outcomes



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## Initial Conversion Rates

## Ultimate Persistence Rates *(percent of starting cohort enrolled after 7 terms, excluding graduates)*

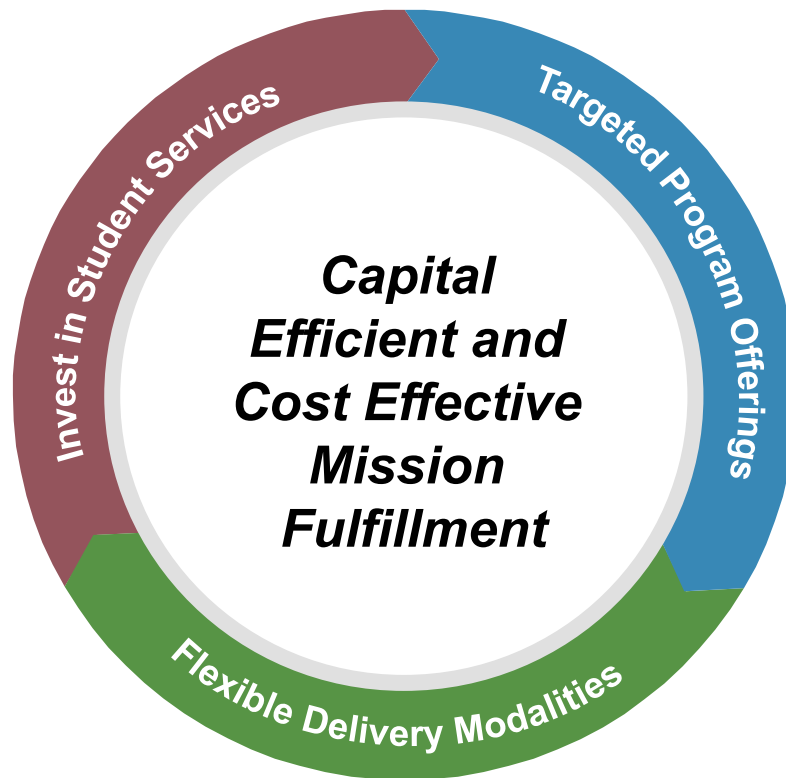


Delivery Method Preference

## Public and non-profit universities and colleges possess key resources to compete with for-profit providers



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- Brands
- Mission Orientation
- Governmental Support (lower tuition levels)
- Employer Relationships
- Political Tailwind
- Physical Infrastructure

# The Parthenon Group – Education Center of Excellence

Parthenon's perspective has been developed through work across the education landscape



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## Districts, Government and Foundations



NYC Department of Education  
Joel L. Klein, Chancellor



University of the State of New York



Boston Public Schools



Austin Independent School District



the broad foundations



Michael & Susan Dell FOUNDATION

## School Networks and Intermediaries



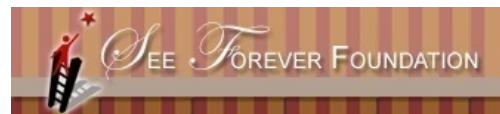
NOBLE NETWORK OF CHARTER SCHOOLS  
OPERATING NOBLE STREET CHARTER SCHOOL



Harlem Children's ZONE



INSPIRED BY LIFE



## For-Profit Education Companies



Baring Private Equity Asia

Houghton Mifflin Company



The McGraw-Hill Companies

# About The Parthenon Group

## Background and contact information



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### About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting with offices in Boston, London, Mumbai, and San Francisco. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services; long-term client relationships, a willingness to share risk with our clients, an entrepreneurial spirit, and customized insights are the hallmarks for which The Parthenon Group has become recognized in the industry. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

### About The Parthenon Group's Education Center of Excellence

Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education Center of Excellence (ECE) – the first of its kind across management consulting firms – has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors.

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