Tuition, Pricing & Business Model for Independent Schools
Moving Independent Schools Beyond the Ordinary
Maximizing Independent Schools’ Buying Opportunities
Introductions / What did you come to learn?
Creativity Exercise – 30 Circles
Financial Aid / Affordability Update
Tuition Setting / Net Tuition Model Discussion
Independent School Business Model
Problem Solving Exercise
Competition / Trends
Wrap-up / Questions
Did You Know That in 2028?
Creativity Exercise
30 Circles
The New Financial Aid
Family
"I found $3.29 under the sofa cushions this week. If we get 5,000 more sofas, we can pay for a year of school!"

With special thanks to Kristen Power, SSS by NAIS
Dynamics of The Evolving Applicant Pool

Source: SSS By NAIS PFS Filer Pool. Reflects total income from all sources, before taxes or allowances, as reported by families on the PFS submitted.
# Dynamics of The Evolving Applicant Pool

<table>
<thead>
<tr>
<th>Quintile</th>
<th>US Families</th>
<th>SSS Filers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>$0 - $27,794</td>
<td>10.1%</td>
</tr>
<tr>
<td>Second</td>
<td>$27,795 - $49,788</td>
<td>13.2%</td>
</tr>
<tr>
<td>Third</td>
<td>$49,789 - $76,538</td>
<td>17.0%</td>
</tr>
<tr>
<td>Fourth</td>
<td>$76,539 - $119,001</td>
<td>23.6%</td>
</tr>
<tr>
<td>Highest</td>
<td>$119,002 and greater</td>
<td>36.2%</td>
</tr>
<tr>
<td>Top 5%</td>
<td>$210,000 and above</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Source: SSS By NAIS PFS Filer Pool. Reflects total income from all sources, before taxes or allowances, as reported by families on the PFS submitted.
The Affordability Landscape

Median Tuition: 5.70%
Median Family Income: 1.16%

Tuition data: NAIS DASL
Income data: US Census Bureau
## Who Can Afford It?

<table>
<thead>
<tr>
<th></th>
<th>Median Tuition 2014-15</th>
<th>Full-Pay Income</th>
<th>% of US Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day, First Grade</td>
<td>$18,040</td>
<td>$141,195</td>
<td>14.5</td>
</tr>
<tr>
<td>Day, Sixth Grade</td>
<td>$20,310</td>
<td>$150,068</td>
<td>12.5</td>
</tr>
<tr>
<td>Day, Ninth Grade</td>
<td>$24,520</td>
<td>$166,528</td>
<td>9.6</td>
</tr>
<tr>
<td>7-Day Boarding, Ninth Grade</td>
<td>$50,886</td>
<td>$257,275</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: NAIS DASL

Source: SSS EFC Simulator

Source: Politicalblogspot.com
Dynamics of the Evolving Applicant Pool

What are these new applicants like?

Characteristics of the “New Financial Aid Family”

- Higher income, higher net worth
- More assertive, less of a sense of “shame”
- More entrepreneurial, savvy investors
- Access to better choices or alternatives
- More accustomed to having influence over decisions
Dynamics of The Evolving Applicant Pool

How important is receiving aid?

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 2/Favorable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely important</td>
<td>87%</td>
<td>88%</td>
</tr>
<tr>
<td>Very important</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Not very important</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: 2013 SSS by NAIS/NAIS Study: How Parents Finance Private School Education, Pt. 1
Enrollment Decision

Ability to Pay

Value Differential

Competing Values

Enrollment Decision
113 Million Markets of One / NEO vs. Traditional
A Tour Guide to the two Planets: NEO and Traditional
NEO vs. Traditional

1. As you are watching this video, consider your customers and whether they are NEO or Traditional. The answer may or may not be obvious.

2. Think about your customers (families) and their attributes – how do they compare to one or both of these groups.

3. How is your current marketing plan (program) designed to take advantage of the type of customer that is most likely to be attracted to your school?

4. What can you do different?
Tuition Setting
Net Tuition Discounting

Tuition

Revenue
Net Tuition

Gross Tuition

Financial Aid

Tuition Remission

Other Discounts

Net Tuition
Essential Components

Have Space (in the right places)
Consistent Application
Detailed Models
Marginal Cost
Strategic
Net Tuition + Annual Fund + Other Revenue = Total Revenue

Enrollment

Mind the Gap

Non-Tuition Revenue
Non-Tuition Revenue

The Independent School Financial Model is Broken: Here’s How We Fix It
Non-Tuition Revenue

- The Business Model is Broken!
- We have focused on the non-compensation expense side.
- Non-Tuition Revenue is only one piece of a complex puzzle.
- 75% or more of expense is compensation – surely we need to look in this direction!
- Increasing compensation / increasing FTEs / increasing facilities costs / concept of small class size / faculty work loads
- “The goal should be profitability.” – 99% of our schools are non-profit institutions – clear risks with this strategy.
- MISSION – we are mission driven – much of this strategy is a distraction for the school’s leadership.
- HOS as a CEO of a multi-million dollar organization.
Other Sources of Revenue
School Budget / Financial Model
The long and winding road . . .
School Budget

Revenue Drivers:

Tuition and Fees / Financial Aid
Annual Giving
Endowment and Other
Other Revenue
School Budget

Expense Drivers:

Compensation:
  Salaries
  Benefits (payroll taxes)
Financial Aid / Tuition Remission
Facilities (rent, utilities, etc.)
Debt Service
Program Expenses
Marketing / Advertising
Financial Model

What Holds Together The House Of Cards?

Tuition Revenue
Compensation Costs
School Finances

Annual Giving, Endowment Draw, Invest, Other

7.7% + 4.0% + 2.9% + 7.2% = 21.8%

Small Classes
St:Fac = 8.6:1
St:Admin = 27:1
Note – could not determine Student / Adult ratio – had been about 5:1

Compensation Costs
64.9%

Facility Costs (with debt)
14.3%

Financial Aid / Remission
16.2%

Data: NAIS DASL – October 2015 – All NAIS Member Schools

Tuition
Net = 76%
Think Small to Solve Big Problems

Stephen J. Dubner
Co-author: “Freakonomics”
Design Thinking

1. Empathize
   - Learn about the audience for whom you are designing

2. Define
   - Construct a point of view that is based on user needs and insights
   - Brainstorm and come up with creative solutions

3. Ideate
   - Build a representation of one or more of your ideas to show to others

4. Prototype
   - Return to your original user group and testing your ideas for feedback

MISBO
We power independent schools.
In your groups, first consider with your school partner a small change / fix / solution for a challenge at your school which will eventually have long term and impactful change. Then, discuss this change with the other schools at your table. Ultimately, your full group will present ONE idea to the entire group. This could be an idea from one school or more likely it is the result of sharing your ideas and coming up with a new idea that may be more broadly accepted by a larger number of schools.
Price Becomes the Driver in Some Markets

- Too expensive: 75%
- Location was too far from home: 20%
- Didn't receive enough financial aid: 20%
- Too exclusive of an environment: 17%
- Not enough diversity of families: 12%
- Not a faith-based school: 9%
- Not a good value for the money: 8%
- Child didn’t feel comfortable in the environment: 5%
- Didn’t feel my child would be successful academically: 3%
- Didn’t feel the school could address my child’s learning style: 3%
- Decided to homeschool the child: 3%
- Curriculum/academic standards didn’t meet my expectations: 2%
- Did not consider schools outside of the public school system: 2%
- Didn’t have extracurricular activities of interest to my child: 1%
- Does not have a solid reputation: 1%
- Other: 23%
Charter School Growth

**Figure 1: Total Number of Charter Schools in the U.S.**

Technology Drives Personalized Education

Why Choose AltSchool

Rigorous Curriculum
Our standards-based learning objectives cover all core subjects. We also give students ample opportunity to explore their interests and cultivate unique strengths.

Research and Innovation
We use educational best practices and build innovative learning tools to continuously improve the AltSchool experience for students, parents, and teachers.

Social and Emotional Development
Our educational approach encourages the grit, resilience, confidence and social engagement necessary for happiness and success in the 21st century.

Community Connection
Our schools are supported by active use of the best people and places that local areas have to offer.

Hear From AltSchool's Students

At AltSchool, we believe all children should have access to an exceptional, personalized education that enables them to live a happy and successful life.

"Parents say childhood goes really fast. One reason why I like AltSchool is the promise of being more connected to my daughter's development."

David, AltSchool Parent
How to Contain Costs of School Offerings amid the Demand for Personalization

by Roza, Marguerite on 1/27/2016 11:12 AM
Category: School Finance and Budget | Data & Decisions

STRATEGY 1
Offset small classes with larger ones.

STRATEGY 2
Rethink frequency of classes.

STRATEGY 3
Consider non-traditional providers or partnerships.

STRATEGY 4
Leverage learning labs.

STRATEGY 5
Allow students to opt out of redundant requirements.

Source: Edumomics Lab
Future Trends: No more cursive!

a b c d e f g h i j k
l m n o p q r s t
u v w x y z , . ? “ ” !
A B C D E F G H I
J K L M N O P Q R
S T U V W X Y Z
1 2 3 4 5 6 7 8 9 10
Future Trends: No more backpacks!
Future Trends: Adult Coloring!
Under Pressure: How Independent Schools Can Handle Rising Costs and Competition
(This is the first of the series)

Under Pressure: What’s Eating Your Cash? Getting Granular About per-Student Costs
(This is the second of the series)

Under Pressure: How to Pay Well for Good People and Keep Costs in Check
(This is the third of the series)

Under Pressure: How to Contain Costs of School Offerings Amid the Demand for Personalization (This is the fourth of the series)

New Competitors in a Fast-Changing Educational Landscape — And How Independent Schools Can Confront Them
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