### THE BOTTOM LINE

- Collaborating on research and demographic data analysis helps enrollment directors and business officers develop realistic enrollment projections and budgets.
- Retaining students is critical; attrition has significant operating costs, and enrollment managers need to know when students may not return.
- Sharing information about financial aid awards helps admissions more accurately predict yield.

# What Every Business Officer Needs to Know About Enrollment Management

## –a conversation–

By Chad Tew, Tew & Associates, and Laurel Baker Tew, Viewpoint School

Business officers and admissions directors needn't live together to work together effectively, but the arrangement has worked well for some. A conversation between Chad Tew, a consultant and former independent school CFO, and Laurel Baker Tew, assistant head for enrollment at Viewpoint School and formerly admissions director at the University of Southern California. The married couple also worked together at Viewpoint School.

**CHAD** When I was the CFO at Viewpoint, I taught an annual senior class in economics. Any of my students could tell you that the quantity of sales — enrollment, in the case of a school — cannot be dictated, except to a limited degree in a monopoly market structure. A school's enrollment is a product of supply and demand. Every family makes its educational spending decisions in a dynamic market environment that is governed by available options, the price of those options, the family's resources, and their perception of each option's value proposition.

Reliable enrollment projections need to be a product of market research, demographics, competitive analysis and retention. The last item is critical. The easiest customer to get is the one you already have. Teachers who don't engage and academic programs with perceived deficits will drive students away. You shouldn't be looking to the admissions office to refill a leaky bucket.

**LAUREL** Your retention point is critical. Attrition has significant operational costs, beyond just the obvious costs of attracting a new customer. The easiest student to enroll is the one you already have. When business officers understand that poor retention can also have a subtle but significant impact on the expense side of the budget, they can add their voices to the critical messaging that retention is the job of everyone in the school.

The bottom line is this: The higher the attrition, the deeper and wider the admission director must go into the applicant pool to try to replace students. Meaning, the greater the risk for moving away from selecting "mission-fit" or "mission-benefit" families and moving toward "mission-close-enough" families. These kids are riskier if you aren't prepared as a school to meet their needs. They can increase your costs significantly. You may need to hire more learning specialists, or stipend additional staff for alternative kinds of testing environments, or alter teaching mechanisms — more laptops/tablets, different classroom structures and technology, or entirely new teachers who can meet the kids' needs.

Also, in a school that may charge different tuitions by grade level, attrition and market fluctuations can hit revenue even if the school is fully enrolled. Here are two scenarios — both nightmares for the admissions director — where you could have full enrollment as well as a gross tuition revenue shortfall relative to what was originally budgeted.

- Demand in the marketplace changes significantly in terms of who is buying your product. As the business officer, you could be in a situation where your admissions director has met the enrollment goal, but you'll still have a revenue shortfall because there was more market interest than anticipated for the lower grades (less expensive seats) than for the upper grades (more expensive seats).
- A new 7-12 school opens in your neighborhood and begins siphoning off families. Your school takes a hit on attrition out of the middle grades. Even though your admissions office has worked like crazy to meet the enrollment goal for next year, you still have a gross tuition revenue shortfall relative to budget, because admissions was only able to replace the departing middle schoolers with extra kindergarteners, who pay a lower tuition rate than your older students. You could be several thousand dollars down per family in budgeted revenue.

## As the business officer, you could be in a situation where your admissions director has met the enrollment goal, but you'll still have a revenue shortfall because there was more market interest than anticipated for the lower grades (less expensive seats) than for the upper grades (more expensive seats).

**CHAD** Business officers need to be deeply involved in retention and talk to their admissions team, who in turn should compile notes from across campus about potential attrition risks. Depending on what's happening in a given year, business officers may need to keep adjusting their tuition modeling.

That's also an important point about admissions keeping track of attrition. Forward-thinking schools have expanded the admissions director's scope to management of total school enrollment. A director of enrollment management will have a keen interest in retention, as well as admissions, because they need to know what seats need to be filled across the grades. As Viewpoint School's assistant head for enrollment management, why do you feel this broader definition of the role is important?

**LAUREL** Figuring out how many and whom to admit is inextricably linked to retention. The focus must always be on total school enrollment. The admissions office needs to track — by working with multiple sources — whether the Chavez family in third and fifth might be transferred to Cincinnati, or if the Jones family in kindergarten and sixth is having trouble meeting their payment obligations, or if the Davis boy in seventh is skating on thin ice behaviorally and may not be invited back. Ultimately, the admissions office has to make up for those lost families, regardless of the reason they're lost. Teachers and program administrators can be quite reluctant to reveal this information to the admissions office. A solid partnership between the admissions director and the business officer in this regard is a first step away from the silo-ing of information. Obviously, one or two teachers who aren't delivering on the school's value proposition can also do immense harm.

**CHAD** Clearly the work of enrollment management is getting much more sophisticated. You addressed this in a presentation for the Enrollment Management Association called "Beyond Baking Cookies." Many school stakeholders may not have kept up with changes in the enrollment profession and still picture the admissions director as a graceful host or hostess laying out cookies at the open house and amiably chatting up families. You brought advanced quantitative market analysis skills to Viewpoint from USC. What do business officers and trustees need to know on this front?

**LAUREL** Business officers and trustees can often benefit from a primer on how many applications it actually takes to create one enrollee at a particular grade in your school. This can be included in the format of a larger admissions and enrollment dashboard, like the one my head and CFO get from me every Monday.

Also while schools can pull certain control levers related to their admissions rates, they don't actually have much control over how many applications they'll get. I mean, if you're a day school in Southern California, you can't just find a new market in Phoenix. The market is even smaller and tighter for day elementary schools, because parents are typically not willing to drive far with a little one. Many business officers and trustees assume that the admissions

# Blow up the Finance Committee?

## By Chad Tew

Two key duties of independent school finance committees — approving the budget and setting tuition — have not kept up with the realities of the educational market environment.

I've increasingly come to believe that this process, which starts with a focus on internal operating expenses, is slowly killing many independent schools by making them unaffordable.

I think schools should start the budget- and tuition-setting process the way other successful businesses do, with the customer. The head of school and CFO should work with a data-savvy chief enrollment officer to create a deep quantitative picture of the market — for instance, to determine exactly how many families within a five-mile radius have a four-year-old child and an income of $200,000 or more. Tap psychographic profiles to which types of families resonate with private schools in general and your mission in particular. Use this data to quantify and target the right families.

In a customer-centered budget process, you build a profile of the number of potential students, the educational needs and wants of those families, how much they can and may want to pay for private school, and what subset of this group may align with your mission. Armed with this knowledge you turn to the production floor, the internal school operation, and through the lens of your mission make sure you are crafting the product this audience wants at a price they are willing to pay. When you've measured your audience, applied a realistic market penetration percentage, and determined customer-based price, you can then estimate revenue. A calibrated revenue projection from a customer-facing enterprise will tell you how much you have to cover costs. Only after you fully understand the market can you begin the hard process of distributing projected income among the line items of your operational structure.

Finally, here's an idea for your board: Consider forming an enterprise committee to look at budgeting and tuition in a market-focused way. You'll still need a finance/audit committee to provide checks and balances, but that group should only monitor resource allocation. Making the best pricing and resource allocation decisions for the school enterprise needs to start with families and kids, not with last year's expense breakdown.

director can just "get out there" to convince more people to apply.

**See this article on NetAssets.org to learn about two studies by Viewpoint School that illustrate schools' "control levers" regarding admissions.**

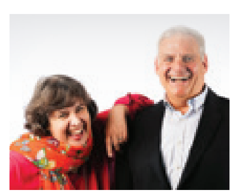
**CHAD** You can't really "set" enrollment. That's a fallacy. I cop to the fact that it took me a while to stop what too many business officers are still doing — coming up with an enrollment number they need to cover expenses and then telling the admissions director to deliver. I recently heard from an enrollment director who used data and sophisticated analytical tools to come up with a prudent estimate for the next year's enrollment that still ensured selectivity in admissions. The school's CFO refused to accept that number, saying, "The Board won't allow it. You have to give me a higher number." An enlightened CFO will collaborate closely with the enrollment director on research and data analysis. A deeper understanding of external market forces is also critical to many of the CFO's core decisions, so this will pay dividends in other areas.

To carry this further, schools also need to understand that they can't really "set tuition" either. Finance committees and boards are delusional in thinking this is one of their most important tasks. Sure, the Motel 6 in Casper, Wyoming, can set a room price at $250/night, but nobody will pay it except on August 21, 2017, when a solar eclipse passed overhead.

To be fair, boards got spoiled because high-end private schools used to operate in an oligopoly market structure, where a limited number of providers were able to monitor each other's pricing moves and pretty much match each other tit-for-tat. Now, public charter and magnet schools, technology-enhanced home schooling, for-profit micro schools and changing customer tastes have created a thriving free market for K-12 education. Boards need to look to the market to set tuition pricing or risk having their school founder like Venezuela, which failed to adjust spending in light of new oil market pricing realities.

**LAUREL** On the subject of pricing, here's something I learned from the CFO in the house. Pricing is one of "the four P's of marketing," along with product/program, place and promotion. Financial aid is the main tool that schools use to customize pricing, and it should never be handled exclusively in the business office or within a committee that excludes admissions. There's no way admissions directors can do their jobs in terms of projecting yield and enrollment if they don't have some kind of a handle on financial aid for new admits. Typically, the yield for financial aid vs. full-pay admits varies quite a bit. Many admissions directors tell me they don't have any idea who out of their new admits is receiving a financial aid award. That's nuts. It makes it impossible to calculate yield and project enrollment.

**CHAD** Here's my final lesson for business officers: Your enrollment director is the school's CRO — chief revenue officer. Although you have many levers to track and control expenses, the tuition revenue that makes everything possible flows through the enrollment office. Heads and boards often lavish praise and high salaries on the advancement team when they hit or exceed their targets. We business officers know that "chopped liver" feeling when by comparison we get little credit for carefully managed auxiliary programs that net a surplus. So imagine how the enrollment folks feel when they get little more than a pat on the back when their work delivers 80 to 90 percent of the school budget. Give due recognition to the people who set the table.



**Chad Tew** founded Tew & Associates in 2013 to provide independent schools with operational, financial, marketing and strategic support. He also works with schools on partnership solutions as a Certified Merger & Acquisition Advisor. Previously, he worked in college admissions and served for 13 years as CFO of Viewpoint School, in Calabasas, California. **Laurel Baker Tew** is assistant head of school for enrollment at Viewpoint School. She is also a trustee at the Enrollment Management Association.
***chad@chadtew.com, Laurel.BakerTew@viewpoint.org***

RELATED CONTENT ON NETASSETS.ORG

**Data-Driven Enrollment Growth (March/April 2017)**

**Admissions Reboot (Nov/Dec 2015)**