

DE-FENSE!



Marketing smarts can give traditional colleges an edge in the head-to-head battle with for-profit schools

The signs of a new school year are unmistakable. A chill is in the air. The leaves on the trees begin to yellow. Students exude the excitement of the coming head-to-head contest to open the season.

The contest, however, does not involve a pig skin spiraling to a receiver at the goal line, marching bands, or tailgating. Judging recent higher education trends, the big college game anymore is between the traditional college or university and its for-profit counterparts. Depending on whom you ask, who's winning is a toss-up.

USA Today cited a report by the National Center for Education Statistics which confirms the rapid growth of the for-profit higher education industry. According to the report, for-profit colleges enrolled 9 percent of all undergraduates in 2009, up from 3 percent in 2000. A boost from the federal government didn't hurt, either. For-profit college enrollment shot up after Congress deregulated online education in 2006, according to a profile of the industry published in the *Huffington Post*. And industry lobbyists are not resting on their laurels. In fact, they've intensified their efforts to gain legislative favor. Last year, one for-profit education group alone spent \$850,000 dollars to push for friendly

legislation—after having spent nothing just a decade ago, according to yet another article profiling the industry—this time the *Pittsburgh Post-Gazette*.

That growth has not come without controversy. Lawmakers in Maryland, Kentucky, California, Michigan and other states have passed legislation to address, or are investigating, reported heavy-handed and misleading recruitment tactics and the federal loan monies received for enrollees who either don't graduate or graduate with huge debt and slim employment prospects. Speaking of federal aid regulations, the for-profit schools are applying what marketers call competitive analysis of the regulations to identify loopholes. The GI Bill, for example, has helped them to usurp the so-called 90/10 rule and aggressively recruit military veterans. Under the 90/10 rule, schools cannot derive more than 90 percent of revenue from federal financial aid dollars. However, GI Bill education funding doesn't count as federal revenue. Therefore, schools are free to admit as many GI Bill recipients as they can while still pursuing other students who do qualify for federal financial aid.

The marketing experts of Dorsey & Company weigh in on this very "academic" question of whether a marketing response is the way for the

traditional, nonprofit schools to address the for-profit competition. Dorsey & Company President Julius C. Dorsey and Senior Associate Dr. Jim Gard offer their educated opinions.

Q: *For-profit colleges are growing competitors to nonprofit public and private 2- and 4-year colleges and universities. Should the nonprofits treat the for-profits as competitive threats or embrace the good parts of the for-profit model, i.e. accessible alternatives for adult and nontraditional students, aggressive advertising and regulatory lobbying, to list a few competitive methods employed?*

Dorsey: I don't see how they can do anything but both. The for-profit schools have introduced new names that have achieved awareness and recognition of their principle services. There's every reason for the traditional schools to learn from competitors that are, quite frankly, using marketing more effectively. This doesn't mean, however, that the nonprofits abandon their missions or their standards.

Gard: It is true that for-profit business models build considerable advertising budgets—funds not so allocated by nonprofits, further exacerbating the trends we are seeing. On the other hand, nonprofits can make better use of less expensive existing channels to reach the nontraditional student segments and build programs around their educational needs.

Q: *The marketing communications of the for-profit colleges are touting their benefits over their nonprofit counterparts: improved student access to higher education; alternatives for working-class adults and other non-traditional students; financing and opportunities for students who may not have followed a college-prep track in high school. Should traditional schools target these segments, too? Why or why not?*

Dorsey: Marketers love to cite the benefits; in this case, the improved access that many for-profits promote is achieved in part by having lower standards for admission, and access to government loans. High costs, questionable accreditation (which results in nonprofit schools rejecting credits from for-profit transfer students), dismal graduation

rates and subsequent under-employment compared to traditional schools are naturally omitted from the messages. Rather than change the standards for admission, I'd rather see the traditional schools demonstrate the value of these college-prep requirements and tout their solutions that help applicants gain access. One solution is better promotion of remedial courses offered to cover the requirements, tied to retention-enhancing pricing schedules.

Gard: As implied above, yes. At a minimum, nonprofits should research the needs, values and learning and communication habits of the non-traditional, working class and less prepared student to build an approach to them. Granted, the tuition challenges may seem a significant barrier, but building more online and atypical classroom formats may be the wave of the future.

Q: *The traditional school appears to have a compelling story: lower tuition, "better" education, the unique college experience, lower loan defaults on comparison, etc. Should these attributes be amplified in the claims and positions of traditional schools?*

Dorsey: Yes, but only to the extent that we know they will be meaningful to people making the decisions about education: students, parents, counselors, employers, etc. They can't be considered as just a bunch of attributes; each one has to be considered on its own merit and with regard to the target market. This requires a segmented approach to speak to a more discreet group of candidates. Whatever the case, the unique characteristics will need to be reflected in the traditional school's offerings, delivery systems and market communications.

Gard: Absolutely. It is important to understand what channels reach the student who would be drawn to the for-profits to determine which attributes are most important and how each is defined. For instance, the "unique college experience" might be different for different student segments reached by wireless smart phones vs. a high school guidance counselor.

Q: *Is the current economic environment something which requires a marketing response from the nonprofit school? Characteristics include: a poor economy which tends to send people back to school; meeting needs of an increased (more diverse) student population (partly because of a decrease in vocational education); and disproportionate job opportunities vs. graduates.*

Dorsey: Most of the conditions cited are very timely for the emergence of the for-profit schools, making their messages more relevant than they might be were those conditions not present. There have always been other schools; we now have the convergence of the economy, regulatory change, new channels of communication and teaching, and new competitors exploiting them.

Gard: Generally speaking, a marketing response would be useful in establishing the USP of the nonprofit school, especially in today's fast and furious communication environment. For-profits practically own the Internet and nonprofits seem to rarely use similar public vehicles to tout their advantages. Additionally, many modern trends (e.g., failing economy, job market) work against both approaches to higher education. Nonprofits should identify those trends that speak to their strengths—for example, practicum courses which allow students to work and learn.

Q: *What are other competitive threats to the traditional institution today or expected to come in the future?*

Dorsey: One threat is this pressure that our society places on education. Source after source says the college graduate is going to have multiple career changes during his or her working life. Such a volatile environment requires better fundamental understanding that a comprehensive education delivers. I believe this type of education would prepare students for career changes better than a concentration that's immediately focused on what they'll do after school. Otherwise, I fear many traditional, nonprofit institutions may steadily eliminate the long-standing so-called "liberal education" requirements. This could have a devastating consequence on us as a nation.

Gard: I believe the most significant trend in our culture is the move to a more technical service economy which emphasizes the importance of non-traditional media in communication and information. To the extent that the nonprofits fail to base their futures on these trends, other institutions (e.g., military, civic, family) will render the traditional institution of higher learning archaic.

The bottom line from the experts? A combination of traditional academic smarts—something the nonprofit schools have perfected, and aggressive marketing strategies—something they are only tepidly beginning to embrace—is the path to winning the head-to-head match with the for-profit schools.

Julius C. Dorsey, Jr. is the founder, President and Chief Executive Officer of Dorsey & Company, Strategic Consultants to Management. The company has served some of the nation's largest, most well-known firms, organizations and higher education institutions, including the Thurgood Marshall College Fund, Oberlin College, Cleveland State University, Verizon, New York Life, and Fifth Third Bank.

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