

# student POLL

Volume 1 / Number 4

Indian Summer 1996

*While parents of college-bound students are outraged about the high price of a college education, judgments about quality and value still have far greater influence on college choice than cost.*

## PUBLISHER'S NOTE

For at least the last decade, as increases in the cost of attending college have outstripped growth in median family income, the high price of a college degree has come under increasing public attack. The most strident voices have described higher education as a "rip off" and even the most temperate critics have thought the increases excessive.

Senior college administrators, faculty, and boards of trustees have been concerned about the impact of these criticisms on public perceptions and wondered how rising costs have affected the attitudes and behaviors of prospective students and their parents. But most of the measures made to date have been not-so-useful surveys of the general public. To provide more salient insights, we decided to gauge the attitudes of the public that matters the most: the people who will be paying the tuition bills — parents of college-bound seniors.

We have unsettling news to report. A strong undercurrent of dissatisfaction strongly characterizes parents' attitudes about the rising cost of college. Most think the cost of college is an "outrage" and surprising numbers believe that it has risen even more rapidly than the cost of health care. Other signs of discontent suggest that the cost of college could become an explosive and decisive issue for parents.

But it hasn't yet. Clearly, parents are willing to pay for quality. Price, they told us, is less important in college selection than other criteria such as quality of facilities and institutional reputation. They support the notion that a well-paid faculty sustains quality, and they would be reluctant to swap face-to-face contact with faculty for their children with teaching technologies that would reduce the cost of college.

For those inclined to see a silver lining in these clouds, our forecast points to a brewing storm, one requiring well-prepared institutions to pay far more careful attention to the market consequences of pricing

decisions than ever before. The management of price setting, largely a finger-in-the-wind exercise for many institutions, will need to be made on a more sound empirical basis than the "charge what we need" or "charge what our competitors are charging" basis often practiced in higher education. Finally, colleges will need to do a far better job of explaining the reasons for cost increases in terms that relate to quality. "Inflation made us do it" won't fly.

A final note. Because price has become a volatile and urgent issue for many institutions, we decided to field a special study on the topic, which required us to delay the publication of this "summer" issue. We apologize to our readers for the delay and hope you conclude it was worth the wait. Our next issue, on financial aid, will follow in a month, and put us back on schedule.

Richard A. Hesel  
*Publisher*

# 1. A majority of parents of college-bound seniors believe that the cost of college is an "outrage" and that "something should be done about it."

**W**e examined general feelings about cost from several perspectives. First, we presented parents with paired statements representing opposite attitudes about the cost of college, and asked them to

choose the statement that best represented their own views. When asked whether "the cost of college is an outrage" or "the cost of college is fair," 53 percent chose "an outrage." Sixty-one percent of parents in the Northeast and 63 percent of African-American parents chose "an outrage."

However, parents from the South and West, where college costs are typically lower, tend to view these costs as "fair" (Table 1).

At another point in the survey, when asked the extent to which they agreed or disagreed that "the cost of college is outrageous and something needs to be done about it," 81 percent of the parents surveyed "completely" or "mostly" agreed, with 53 percent "completely" agreeing and 28 percent mostly agreeing (Table 2). Here, the variations across key respondent segments were insignificant, with the exception of income. Over 90 percent of parents with incomes of \$50,000 or less completely or mostly agreed. Surprisingly, nearly 70 percent of those with incomes over \$100,000 also agreed.

Table 1.  
Choice of paired statements about college cost

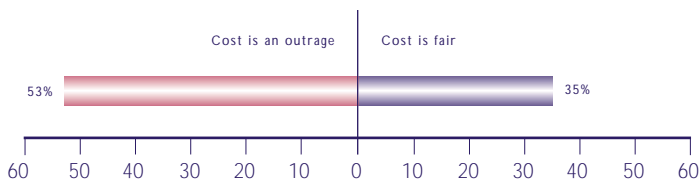
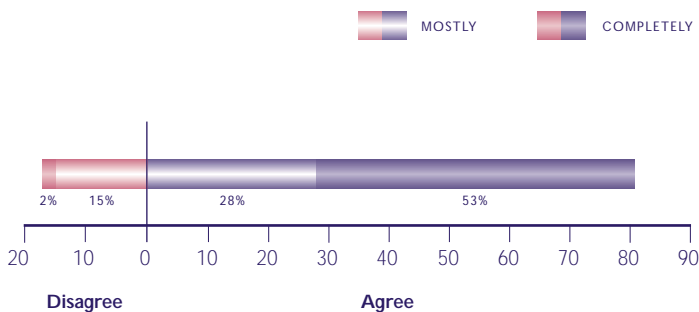


Table 2.  
Agreement that cost is outrageous



**A D V I S O R Y**

**GIVEN PARENTS' DISCONTENT OVER PRICE, IT IS VITAL THAT COLLEGES AND UNIVERSITIES DO A BETTER JOB OF EXPLAINING AND DOCUMENTING WHAT IT COSTS TO SUPPORT AND SUSTAIN QUALITY.**

Claims about quality should rely on fact and example, not the empty hyperbole about "excellence" endemic to higher education.

## 2. Parents believe the cost of college has increased more rapidly than their incomes and the cost of many other goods and services.

A majority of the parents we interviewed believe that college cost has increased at a much higher or somewhat higher rate than many other costs faced by a typical family, including a house, vacation, and food. These perceptions, in fact, are accurate. Nearly half believe that college costs have outpaced the price of an automobile. And more than a

third believe it has grown more rapidly than the cost of health care. Most notably, three quarters of the parents surveyed said that college cost has grown more rapidly than

their own incomes, a perception borne out by actual trend data on median family income and the cost of attendance at public and private colleges and universities (Table 3).

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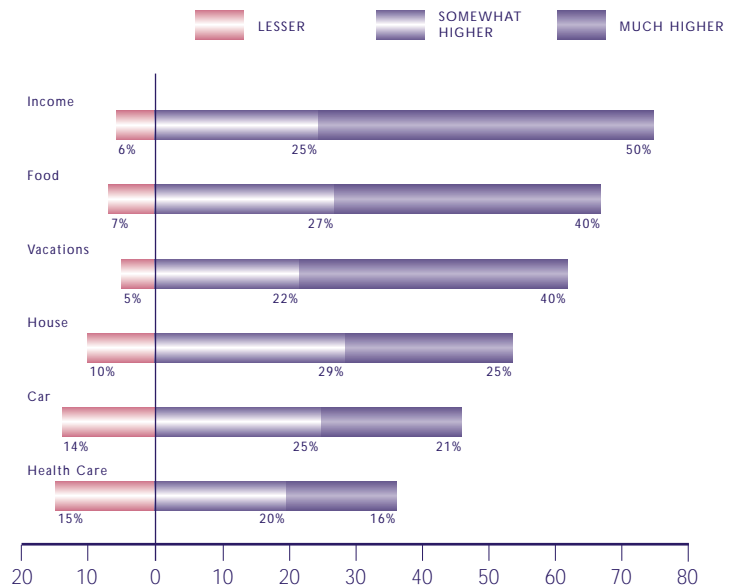
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Table 3.  
Perception of college cost increase vs. other family expenses



### ABOUT *student*POLL

*student*POLL is an authoritative national survey that measures the opinions, perceptions, and behavior of high-ability, college-bound high school students and their parents. Available only by subscription, it is published quarterly by Art & Science Group, Inc., leading institutional marketing consultants to higher education and the non-profit sector. Information about Art & Science Group and how to order subscriptions to *student*POLL can be found on pages 6 and 7 of this report. ©1996 Art & Science Group, Inc. *Not to be photocopied or otherwise reproduced without permission.*

### A D V I S O R Y

**THE SETTING OF TUITION PRICE MUST BE MARKET-AWARE:**

Senior administrators and board members should have reliable evidence about how various pricing options are likely to effect enrollment, net tuition revenue, and the character and composition of the entering class.

### 3. Many parents are making judgments about college costs on the basis of “sticker” price, without regard for the impact of financial aid.

When we set out to measure whether cost forced parents to rule out certain colleges in each of the three major stages of the admissions process — inquiry, application, and matriculation, we also wanted to gauge whether they took financial aid into account when making judgments about the affordability of the colleges their children were considering.

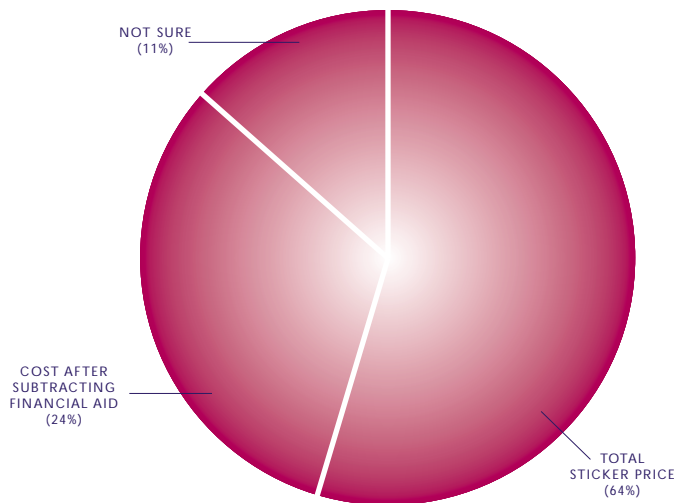
Clearly, cost is a factor leading parents to rule out certain colleges in each stage: 50 percent when making inquiry; 43 percent when applying; and 45 percent when deciding where their child would go.

But for a high majority of parents who are price sensitive during the selection process (64%), cost is sticker price, not the actual out-of-pocket cost to the family after financial aid is taken into account. Nearly 60 percent or more of the parents we interviewed in every respondent group — geographic region, income, SAT score, race, and gender — indicated that they ruled out colleges in any one of the three stages on the basis of “sticker” price alone (Table 4).

What explains this behavior? The findings point to three patterns. About a third of the parents who ruled out certain colleges on the basis of cost believe that some colleges “are just too expensive.”

For them, high price, by itself, appears to be a turnoff. Another quarter believe that financial aid would not have made the college affordable. This suggests a lack of faith that financial aid can answer parental concerns about affordability, a hypothesis we will explore in the next issue of *student*POLL, which will focus on financial aid. Another quarter simply does not want to be saddled with debt, which reflects an assumption that financial aid requires the accumulation of large loan obligations.

Table 4.  
“Cost” used to rule out colleges  
(among those who ruled out any institution on the basis of cost)



SURVEY METHODOLOGY

The findings reported in this issue of *student*POLL are based on in-depth telephone interviews with a random national sample of 400 parents of high school seniors who enrolled in four-year colleges in the fall of 1996. To qualify for an interview, respondents’ sons or daughters must have achieved a combined, re-centered SAT score of 1,050 or higher. The study sample was drawn and weighted to represent the national distribution of students with qualifying SAT scores by geography, gender, intended major, and income. The study included an oversample of 100 African-American parents whose children had qualifying SAT scores. Questions about survey methods, findings, and other matters should be addressed to Art & Science Group, Inc.

## 4. *Despite discontent about the cost of college, parents are sympathetic to the need for colleges to invest in quality and do not equate high cost with institutional greed.*

To understand whether concerns about the price of college are reflected in disparaging impressions about colleges themselves, we presented parents with several pairs of opposing statements and asked them to choose the statement that best represented their own views. While we found an undercurrent of cynicism among a minority of parents, high majorities expressed what could be described as a sympathetic view, one supportive of the need to invest in quality. For example, when we asked respondents whether “colleges need the income they receive from charging higher tuition” or are “profiting unfairly by charging high tuition,”

60 percent chose the former and only 23 percent the latter. Likewise 73 percent chose “if you don’t pay college administrators and faculty well, the quality of education will not be as good,” with only 16 percent choosing “college is expensive because college administrators and faculty are overpaid.”

Opinion about the management of colleges appears to be divided. When we asked parents to choose whether “colleges are well-managed” or “because they are poorly managed, colleges cost more than they need to,” the response was about equally divided, reflecting, we think, doubts about the quality of management in higher education.

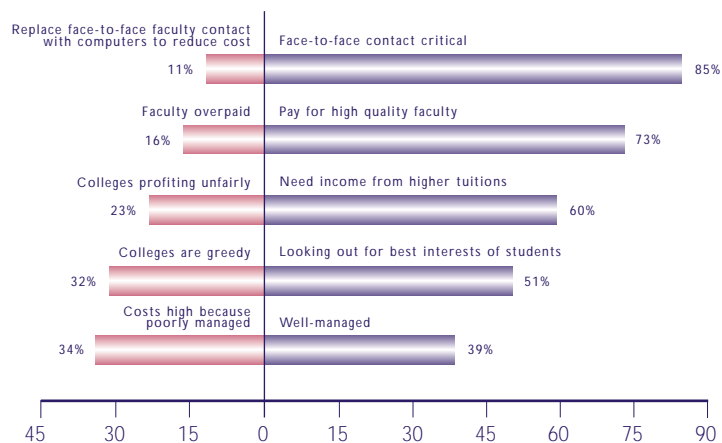
A final, and perhaps more interesting finding relates to the trade-offs parents seem willing to make between quality, cost, and efficiency. Asked to choose whether “face-to-face contact is critical to the learning process” or “if it would significantly reduce the cost of college, I would be happy to have my child learn using computer technologies in place of face-to-face contact with faculty,” parents overwhelmingly preferred faculty contact (Table 5). Apparently, parents want to have their cake and eat it too — behavior that will pose a problem for higher education as it seeks to find ways to use technology to improve teaching productivity and deploy faculty resources more cost-effectively.

### ADVISORY

**COLLEGES MUST PROVIDE PARENTS WITH INFORMATION ABOUT FINANCIAL AID AND COST EARLIER IN THE ADMISSIONS CYCLE, SO THAT PARENTS CAN ESTIMATE HOW MUCH IT WOULD ACTUALLY COST TO SEND THEIR CHILD TO A PARTICULAR INSTITUTION BEFORE THEY RULE IT OUT.**

Many institutions make excuses about why early estimations are impossible. Others make aid offers to inquirers blindly, without regard to ability or willingness to pay. Both practices are self-defeating.

Table 5.  
Agreement with statements about college cost



## 5. While cost is a significant consideration in college selection, a majority of parents say other factors are more important.

If cost is a source of great dissatisfaction, it is not the primary basis on which parents say they and their children selected a college. Almost two-thirds of parents ranked the prestige and academic reputation of an institution and the safety of its campus as very important when deciding where their child would attend college. In comparison, only 25 percent of parents surveyed indicated that low cost was a very

important factor in college selection. Not surprisingly, the reported importance of cost in choice rises as parental income falls. Conversely, as SAT scores rise, the importance of cost falls, a pattern that is at least partially explained by the well-known correlation between SAT scores and income. Interestingly, there were no significant differences between Caucasian and African-American parents on the role of cost in choice (Table 6).

ADVISORY

TUITION INCREASES SHOULD ALWAYS BE THOROUGHLY EXPLAINED, IN TERMS THAT EMPHASIZE SUBSTANTIVE IMPROVEMENTS, INNOVATIONS, INVESTMENTS, OR CHANGES THAT PRODUCE BENEFITS FOR STUDENTS.

HIGHLIGHTS OF UPCOMING ISSUES

Fall 1996: Financial Aid.

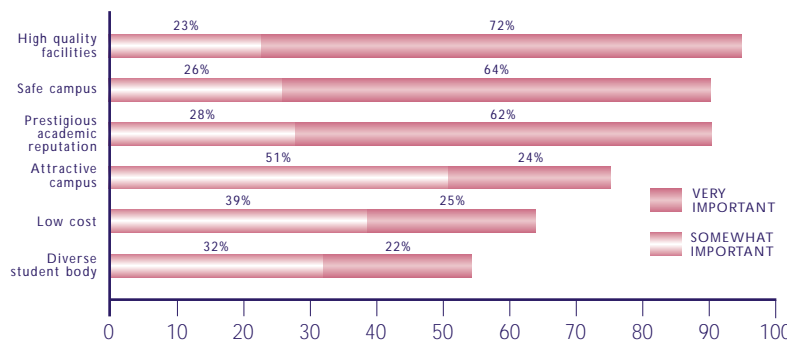
Winter 1997: Update on Communications Technology.

Spring 1997: Student Diversity and Internationalism.

Summer 1997: Crime and Safety.

Fall 1997: Parents update on the *US News & World Report* rankings.

Table 6. Importance of factors in choice



ABOUT ART & SCIENCE GROUP

*student*POLL is published by Art & Science Group, Inc., a national leader in providing market intelligence to higher education and the non-profit sector. The firm provides services in the following areas:

- ▶ Student recruitment marketing and enrollment management
- ▶ Tuition pricing, financial aid, and net tuition revenue management
- ▶ Planning and communications for capital campaigns, other large fundraising efforts, and alumni relations programs
- ▶ Overall institutional advancement and marketing

Within these broad areas, the firm provides a number of supporting services:

- ▶ Strategic marketing and communications planning
- ▶ Quantitative and qualitative market research
- ▶ Econometric analysis of financial aid awards
- ▶ Predictive mathematical modeling of student and prospect behavior
- ▶ Operations assessment and re-engineering
- ▶ Creation of print and electronic communications tools

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190 West Ostend Street, Suite 216  
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Fax 410-962-1315

112 Swift Avenue  
Durham, NC 27705  
919-286-4821  
Fax 919-286-4932

**E-mail:**  
consult@artsci.com

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## 6. If cost were no concern, a high majority of parents *with a preference* would want their children *to attend a private institution.*

**C**ost issues aside, we asked parents, would they prefer that their child enroll in a public or private college? More than one-third of the parents we interviewed had no preference. Among those expressing a choice, however, 84 percent indicated they would choose a private institution. The preference for private institutions was strong across all segments: region of the country, gender, SAT score, income, and race (Table 7).

When asked the extent to which they agreed or disagreed that “the cost to attend private college forces many qualified students to attend public universities,” 83 percent completely or mostly agreed, with no noteworthy variation across region, income, or other key variables.

The comparatively low price of public institutions, on the other hand, is *not* perceived to have unfavorable consequences for quality. Nearly 60 percent of the parents we surveyed completely or mostly disagreed with the statement that “the low cost of public universities forces them to make compromises in the quality of what they can offer” (Table 8).

Table 7.  
Preference for public vs. private  
(among those with preference)

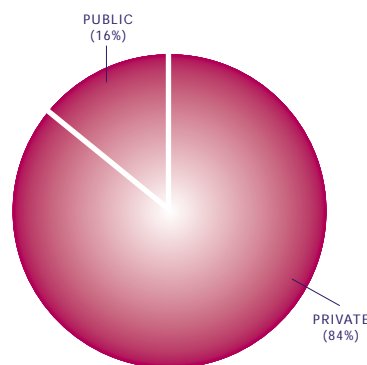
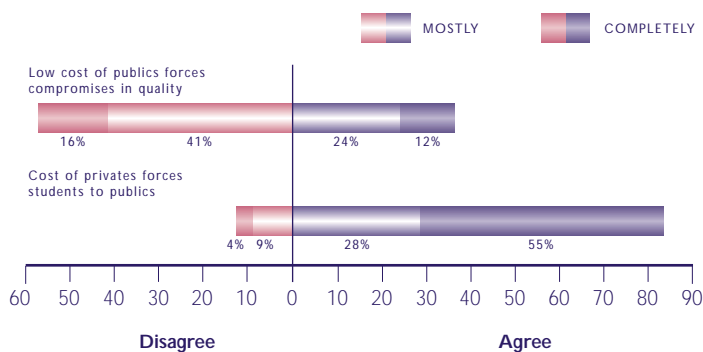


Table 8.  
Agreement with statements about college cost



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## 7. Parents *are willing to pay well for quality.*

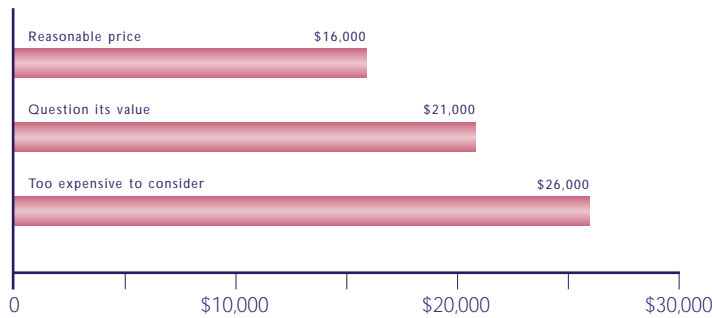
**W**e asked parents what they thought would be a reasonable price for one year of tuition, room, and board if their child were accepted at the highest quality school possible for him or her. The average price respondents considered reasonable was \$16,000; for those with incomes of \$100,000 and above, \$20,000 was considered fair.

When we asked how high the price would have to go before they began to question a college's value, the average cost cited was \$21,000, reaching to \$25,000 for parents with incomes of \$100,000 and above.

Finally, when we asked parents how high a price would be too expensive to consider seriously, the average cost cited was \$26,000, reaching to \$30,000 for those with incomes of \$100,000 and above (Table 9).

These findings indicate that while parents are price-sensitive, most private colleges and universities, excluding a handful of the most expensive private institutions, are close or within striking distance of what many parents seem willing to pay.

Table 9.  
Price points for best school possible (averages)



### ADVISORY

**"GOOD BARGAIN"  
OR "BEST BUY" MARKETING  
STRATEGIES, WHILE PLAYING TO  
PARENTAL CONCERNS ABOUT  
COST, MAY ALSO RAISE DOUBTS  
ABOUT QUALITY.**

Institutions should be extremely careful about using these and related themes as primary positioning strategies.

### HOW TO SET TUITION PRICE

**A** word of caution. The findings on price offered on this page are intended as an indication of broad national patterns. They are not sufficient to inform the pricing decisions of any individual institution.

What kind of information do colleges need to set price? Historically, institutions have used several models:

1. *Finger to the wind* - based largely on anecdotal speculation
2. *Keeping up with the Joneses* - charging what the competitors are charging

3. *To us according to our need* - charging what is required to balance the budget
4. *What the politicians will allow* - the approach most public institutions are forced to follow

While these approaches cannot be completely discarded, an important element is missing: measurements of market consequences.

To meet this need, Art & Science Group has developed a *market-aware* pricing model. We conduct studies for individual institutions that are designed to inform and guide tuition price setting from a market perspective. This approach takes into account a wide variety of factors,

including price sensitivity or demand elasticity in an institution's own markets, its competitive mix, and its drawing power and market position. The advice we give is based on sophisticated survey research methods and mathematical modeling techniques that simulate the enrollment and revenue consequences of various pricing alternatives. Every situation is *sui generis* and no universal rules apply to the setting of any college's price. If you would like more information about our approach to assisting colleges and universities with tuition pricing decisions, please contact us.