
**WHITE PAPER:
A Deeper Look at For-Profit
Marketing Expenditures**

National Debate

The national debate surrounding the value of for-profit (proprietary) higher education institutions has culminated in recent Congressional hearings during which a range of views has been presented. Supporters advocate these institutions as crucial to the Obama Administration's goal of educating five million more Americans by 2020. Critics, on the other hand, ask whether proprietary schools can properly balance student needs with share-holder demands.

Some commentators condemn the proprietary industry for spending more on marketing than public and private not-for-profit (traditional) schools. Ultimately, this argument is founded on the premise that traditional and proprietary schools *should* expend similar quantities and types of resources in marketing. Our commentary in this essay uses our recent research to challenge this fundamental premise of the popular "for-profits spend too much on marketing" argument.

Our Research

In 2009, we (researchers at The Cicero Group) embarked on a rigorous study to evaluate the marketing expenditures of proprietary and traditional colleges and universities in the United States. The study was divided into three parts. Part one included an exhaustive review of scholarly research examining why students choose a particular school. Part two analyzed articles, news, commentary and various media (media impression analysis) for a sample of sixteen higher education institutions, representative of a range of institutional characteristics. Included in this analysis was a thorough review of paid marketing expenditures of the sample schools. The final part of the study involved a randomized, nationwide survey of 1,500 prospective and recently enrolled students of both proprietary and traditional schools.

The results of the study are threefold. (1) Proprietary schools spend more in direct marketing, while traditional schools receive more free media impressions. (2) The history and reputation of traditional schools significantly influences students' decisions to attend these schools. (3) Traditional and proprietary schools serve students that are fundamentally different from one another, and these differences align with distinct types of marketing. Taken together, these three findings call into question the premise that traditional and proprietary schools should be engaging in similar marketing practices.

The Cicero Group

230 West 200 South, Ste. 3000
Salt Lake City, UT 84101
USA

tel: 801.456.6700
email: info@cicerogroup.com
www.cicerogroup.com



Direct, Paid Marketing and Free Media Impressions

A cursory analysis of higher education marketing expenditures reveals that proprietary schools spend 10 to 20 times more than traditional schools, as a percentage of their total expenditures. The difference is worth note, but paid marketing is not the only way that prospective students learn about their college options. Blogs, local and national news, and various publications effectively “market” athletics, research, rankings, alumni, faculty, and community outreach along with a variety of other subjects. While impossible to account for every mention of a university’s name, researchers roughly calculate the coverage of these messages by calculating likely circulation and considering tone and emphasis.

Between September 2008 and September 2009, traditional private schools in the sample received, on average, 45 times more media impressions than proprietary schools. Traditional public schools in the sample received 16 times more media impressions than proprietary schools. These impressions represent what could be quantified as a significant investment in marketing if even a fraction of the resources allocated to athletics, research, and other traditional school expenditures were calculated as part of the marketing spend.

These media impressions make a significant difference. For example, North Carolina State received 40 percent more admissions applications the year after their men’s basketball team won the 1983 NCAA Championship. Cornell reported a 10 percent increase in admissions applications when they jumped from 14th to 6th in school rankings. We cannot ignore the positive externalities that flow from athletics, research, community outreach, and other university activities that generate media impressions, including the impact these impressions have on attracting new students to schools, thereby reducing the importance of traditional, paid marketing channels.

The Role of History and Reputation

The long standing relationships traditional schools have with their communities is another important driver in marketing expenditures. Proprietary schools are comparatively new and, according to our survey, the vast majority of both proprietary and traditional prospective students are not aware of proprietary schools in their communities. By contrast, traditional school students not only cite their chosen school’s history and reputation as the primary reason for their school choices, but also point to the opinions of family, friends and colleagues, many of whom are alumni of traditional schools.

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Many proprietary schools, formerly technical and trade schools, also must overcome past perceptions to create a respectable reputation in their communities. These challenges intensify marketing expenditure disparities. Even traditional schools struggle with the costs of improving their reputation. Northeastern University, a traditional private non-profit school in Boston, spent over \$455 million in new construction and other expenditures aimed explicitly at improving their reputation and rankings. Northeastern's efforts eventually resulted in top rankings in Forbes and the Princeton Review.

This example shows how costly it is for a higher education institution to create a reputation with which its history does not perfectly align. Many proprietary schools, formerly technical and trade schools, must overcome past perceptions to create a respectable reputation in their communities. These challenges intensify marketing spend disparities.

Fundamentally Different Students

Some proprietary critics suggest that these schools may be more respected if they invest marketing dollars in athletics teams or research programs to generate free media impressions like traditional schools. This suggestion ignores a key learning from our research: The types of media impressions that traditional schools elicit do not align with the fundamentally different educational experience that proprietary students value. Additionally, proprietary students must overcome larger barriers to be convinced of the value of receiving higher education, which requires a different type of message than free media impressions provide.

Data from our study and the US Department of Education show that proprietary students are more likely to be older, work full-time, and support dependents while attending school than are traditional students. These demographic differences result in the need for a very different educational experience that offers convenience, schedule flexibility and online classes over athletics, research and rankings.

The unique needs of proprietary students also influence recruiting costs, which are often lumped into proprietary schools' marketing calculations. While traditional students often report choosing among multiple schools, proprietary students frequently report being initially unconvinced of the need to receive higher education. According to our survey, proprietary school counselors and recruiters play a vital role in helping proprietary students appreciate the value of receiving higher education. The hectic lives and many challenges proprietary students face require several points of contact with counselors to answer questions, help with applications, assist with financial aid forms and provide academic direction.

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Proprietary and traditional schools attract and serve fundamentally different student bodies and in so doing must use distinct marketing models that induce different paid marketing expenditures. In fact, in light of our research, we find the argument against proprietary institutions' marketing practices less poignant than other current policy topics. These topics include the need to better understand the debt load and attrition rates among proprietary students as well as the economic value proprietary institutions provide to their communities and students.

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Authors:

Trent Kaufman, Ed.D. (Harvard University), Executive Vice President, The Cicero Group

Randy Shumway, M.B.A. (Harvard University), President, The Cicero Group

Samuel Wright, B.S. (Brigham Young University) Senior Analyst, The Cicero Group

About The Cicero Group:

The Cicero Group (www.CiceroGroup.com) is a research and economic analysis firm located in Salt Lake City. The majority of findings reported in this commentary came from an independent research project commissioned by DeVry Incorporated, the parent company of several proprietary colleges and universities.

