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2012 HIGHER EDUCATION MARKETING: A Benchmarking Report for For-Profit Schools



2012 HIGHER EDUCATION MARKETING BENCHMARKING REPORT: For-Profit Colleges & Universities

If last year's theme for the state of for-profit education marketing was change, this year's is innovation. In a world of declining budgets, lower enrollments, and a series of recent regulatory changes, it is clear that schools are looking for ways to do things differently—and fast.

Both schools and their affiliate vendors are under a lot of pressure to innovate in order to remain competitive, but for many, the question remains—what is the best way to adjust?

In an effort to uncover how schools are responding to these challenges, and to identify trends, best practices, and issues facing the education sector, LeadsCouncil and CUnet conducted the Third Annual Benchmarking Survey for Higher Education Marketing. Here's what we found:

1. COST PER ENROLLMENT (CPE) FOR AFFILIATE INQUIRIES IS ESCALATING.

Gone are the days when third-party affiliates were the de facto source of inquiries for the for-profit market. With two years of consistent data pointing to CPE going up for third-party affiliate inquiries, schools are actively hunting for alternatives.

2. SCHOOLS ARE TAKING INQUIRY GENERATION INTO THEIR OWN HANDS.

Digital marketing efforts are clearly ramping up as schools look for ways to take more control over their inquiry generation. As two years of data indicate, this shift from schools buying inquiries to directly generating them through investments in digital marketing is not a fleeting trend. Regardless of school size, marketing budget, or program type, the majority of schools are reporting an increased budget for channels like SEO, paid search, and social media.

3. MARKETERS ARE GETTING MORE ANALYTICAL.

Buying inquiries can be costly, and in a highly competitive market filled with sophisticated affiliate marketers, taking on that additional risk means becoming equally sophisticated. The role of inquiry buyer seems to be shifting from an art to a science—and vendors must be prepared to support that change with greater transparency, improved performance metrics, and innovative offerings.

4. COMPETITION FOR ONLINE STUDENTS IS HEATING UP.

As schools look for ways to diversify their revenue streams, many are increasing their investments in online programs to capture more students. As more schools create online programs, the competition for online students heats up, driving up the overall cost of acquiring these students.

The following report explores these trends in more detail, along with other key findings, providing both the survey results and our take on what those numbers mean for the industry as a whole.

COST PER ENROLLMENT (CPE) FOR THIRD-PARTY AFFILIATE INQUIRIES IS UP.

LAST YEAR: 58% reported that CPE for third-party affiliate inquiries was going up.

THIS YEAR: 57% reported that CPE for third-party affiliates was going up, while 72% reported that CPE for direct/organic inquiries was steady or decreasing.

For most school marketers in the for-profit space, the one metric that looms above all is Cost Per Enrollment (CPE). Historically, third-party inquiry providers were a consistent source of high-volume, low-cost inquiries that delivered a competitive CPE, making them the primary source of inquiries for the for-profit market. In fact, in 2010, 50% of survey respondents indicated that CPE for third-party inquiries was decreasing or staying the same (Fig. 1).

Today, it's clear that there has been a reversal. Two years of data point to CPE going up for third-party affiliate inquiries. This is the result of a number of possible factors, including a decline in the number of overall prospects, higher bad inquiry rates, and increased regulatory compliance. It's, therefore, not surprising that our survey points to a number of related trends that we'll explore in this report—from a growing focus on direct/organic inquiries (notably, 72% of respondents reported that CPE was steady or down for organic inquiries, as seen in Fig. 2), to an increasing interest in technology solutions for inquiry management.

Figure 1: How does your current cost per enrollment for third party affiliate inquiries compare with last year?

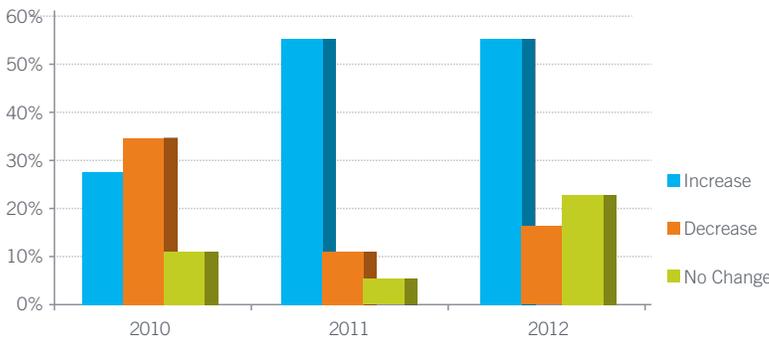
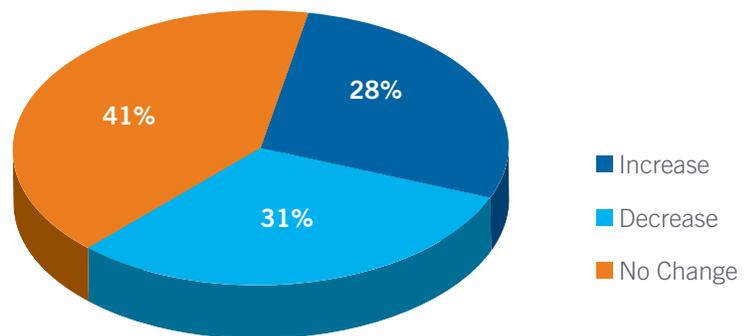


Figure 2: CPE for direct/organic change vs. 2011.



SCHOOLS ARE CUTTING THEIR THIRD-PARTY AFFILIATES.

With CPE on its way up for third-party affiliate inquiries, it is not surprising to see marketers slowly moving budget away from that channel (Fig. 3). However, it is unlikely that cost is the only factor involved; increased concerns over inquiry quality, bad lead rates, and regulatory compliance over the past few years have likely also played a role in this slow decline. Notably, as seen in Fig. 4, spending on third-party affiliate generation (33%) is now almost equal to spending on direct/organic inquiry generation (31%) and is followed closely by offline marketing spending (26%).

LAST YEAR: Nearly one-third (29%) of schools were planning to decrease their third-party affiliate budgets.

THIS YEAR: Nearly half (44%) of schools plan to decrease third-party affiliate budgets.

Figure 3: We are reducing our budget for third-party affiliates.

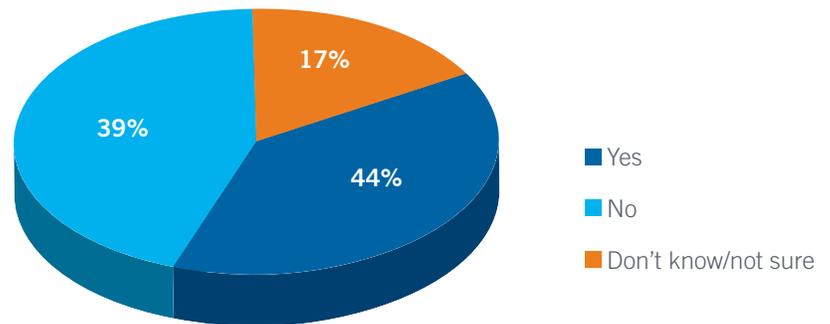
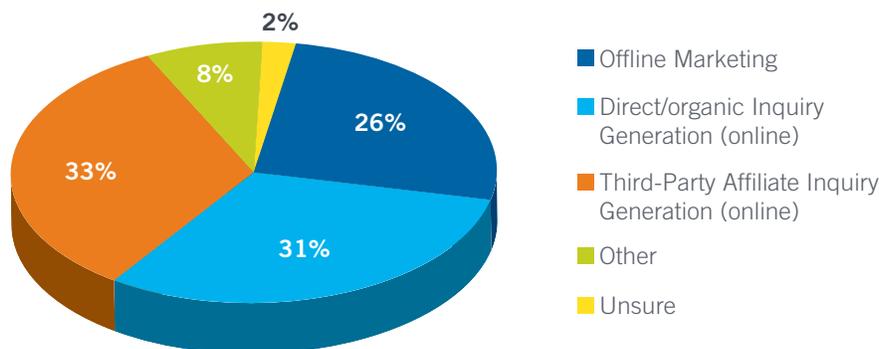


Figure 4: Budget allocation by source.



SCHOOLS ARE CLEARLY FOCUSED ON DIRECT/ORGANIC INQUIRY GENERATION.

LAST YEAR: 66% of inquiries were from third-party vendors, with the balance generated in-house.

THIS YEAR: 44% of inquiries are generated by third-party vendors, while nearly all schools (99%) are focused on increasing direct inquiry generation.

Last year, over two-thirds of our survey respondents said they planned to increase investments in self-generated inquiries. This year, it's clear that schools have followed through on those plans.

In fact, this year, the survey showed that just 44% of inquiries come from third-party affiliates (down from 66% last year), with the remaining 56% coming from self-generated leads.

With 99% of schools reporting that they are focusing on ways to increase their direct/organic inquiry generation in 2012, we don't expect this trend to change anytime soon (Fig. 5). This is not surprising, as CPE is consistently lower for direct/organic inquiries (almost 40% of direct/organic inquiries have a CPE of \$500 or less, as seen in Fig. 6), and it is also easier to control and manage inquiries generated through direct/organic methods from a compliance perspective.

Figure 5: Which of the following statements apply to your organization?

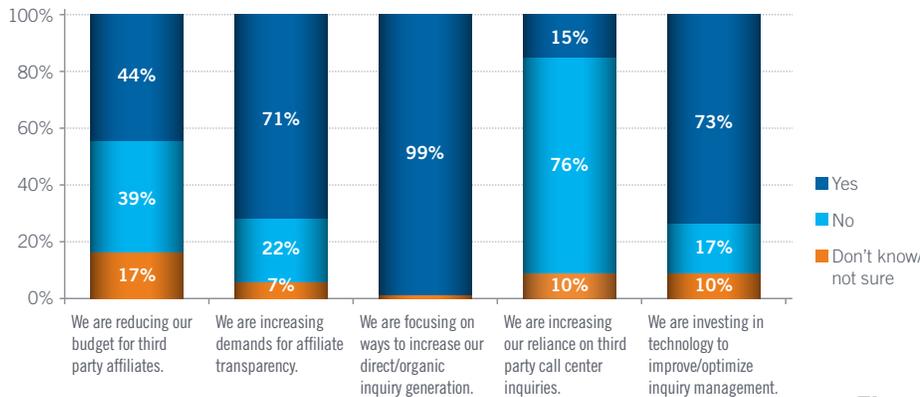
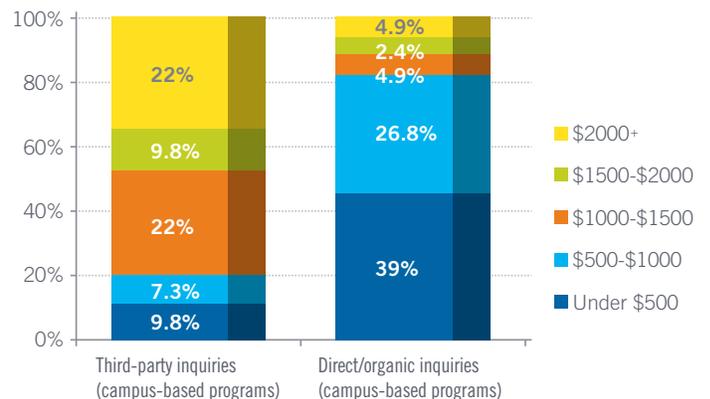


Figure 6: CPE by source.



DIGITAL MARKETING STRATEGIES—INCLUDING PAID SEARCH, MOBILE INQUIRIES, SOCIAL MEDIA, AND SEO—ARE GAINING BUDGET SHARE.

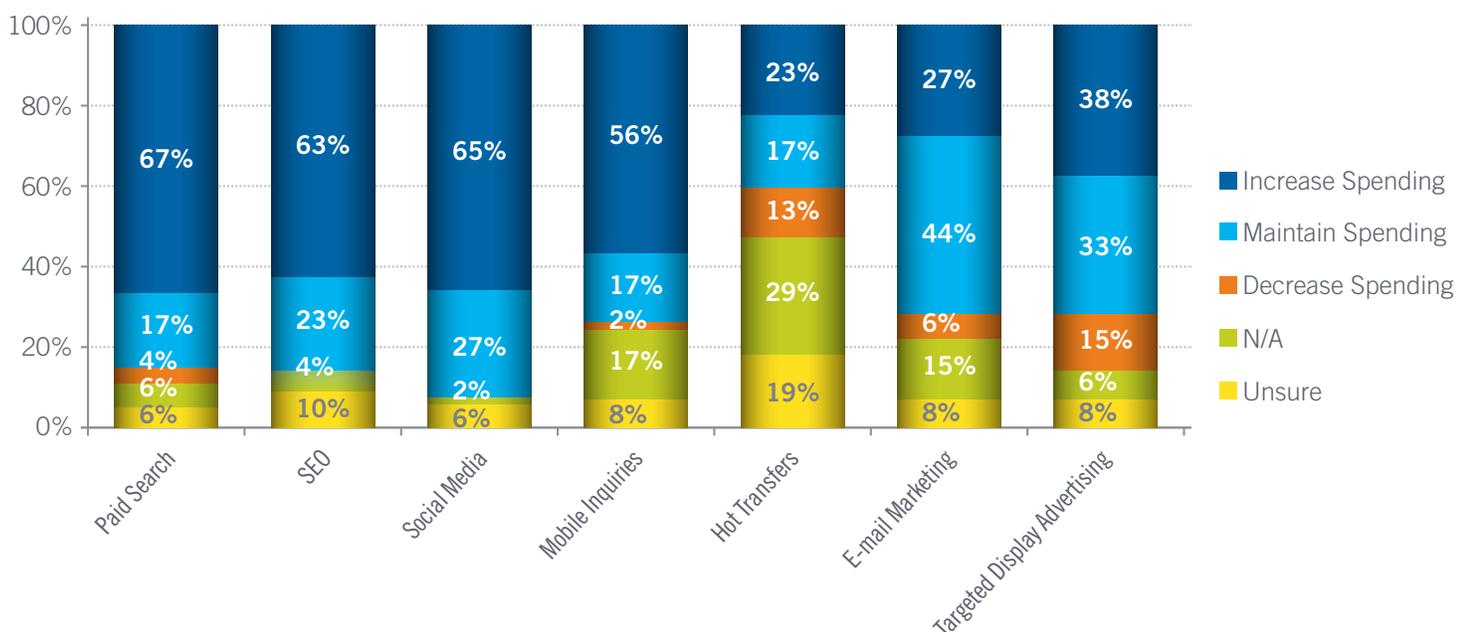
While schools may not be increasing their overall budgets, they are making strategic choices as to how best to use the budgets they have. This includes finding creative ways to diversify their media mix, and generate and manage more of their own inquiries.

Considering that trend, it's not surprising to see that the majority of schools are increasing their investment in channels like paid search, SEO, social media, and mobile (Fig. 7). Interestingly, increased spending on these channels doesn't vary at all by school or budget size; small schools and large schools alike indicate that the three main areas for increased budget are paid search, SEO, and social media.

LAST YEAR: Schools invested more in channels like paid search (64%) and social media (61%).

THIS YEAR: Investment in these channels continues to increase, with areas like mobile and targeted display also gaining traction.

Figure 7: How is your marketing mix changing from last year?



MARKETING PRIORITIES HAVE SHIFTED SLIGHTLY, WITH MORE FOCUS ON ANALYTICS AND LESS ON COMPLIANCE.

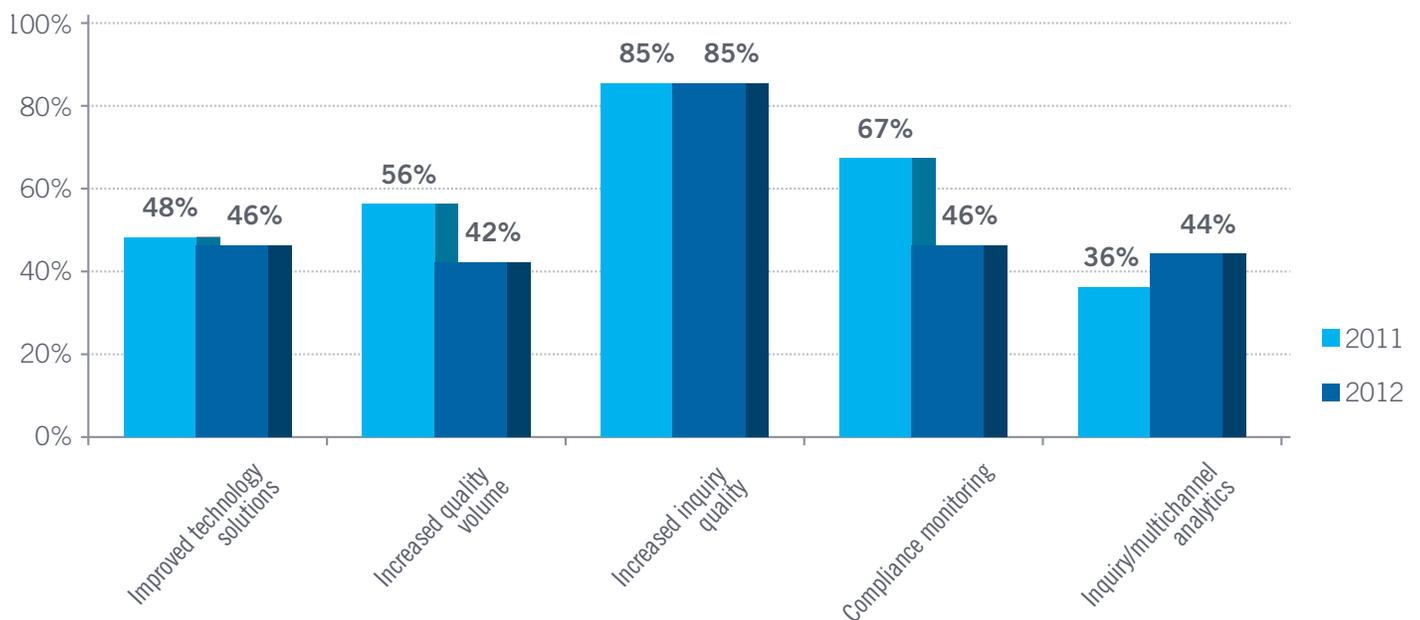
LAST YEAR: Increased inquiry quality was a top priority for most (85%), followed closely by compliance monitoring (67%) and inquiry volume (56%).

THIS YEAR: Increased inquiry quality remains the most common priority for schools (85%), while concern over compliance monitoring and enforcement has dropped significantly for 2012.

With the Department of Education regulations approaching the one-year mark, compliance is, not surprisingly, less of a concern than it was last year. However, it is not off the radar yet, with compliance monitoring and enforcement remaining a priority for nearly half (46%) of schools. Concern with inquiry volume has also decreased from last year, with only 42% of respondents indicating that it is a priority (Fig. 8). It is clear that the trend toward quality over quantity that was apparent last year is poised to continue in 2012.

With an increased focus on inquiry quality, and more investments being made into direct/organic inquiry generation tactics, it comes as no surprise that there is an increasing emphasis being placed on areas like inquiry analytics. According to survey data, a significant portion (44%) of respondents indicated that inquiry/multi channel analytics were a high priority for 2012. The more schools take inquiry generation into their own hands, the more sophisticated and measurement-driven they must become in their approach.

Figure 8: Which of the following are your highest priorities for this year?



COMPETITION FOR ONLINE STUDENTS IS HEATING UP.

It's clear that CPE for third-party affiliate inquiries is on the rise across the board; however, it is rising significantly faster for online programs when compared to campus-based offerings. This is likely due in part to increased competition as the online market grows in both the number of schools offering programs, and the number of programs being offered.

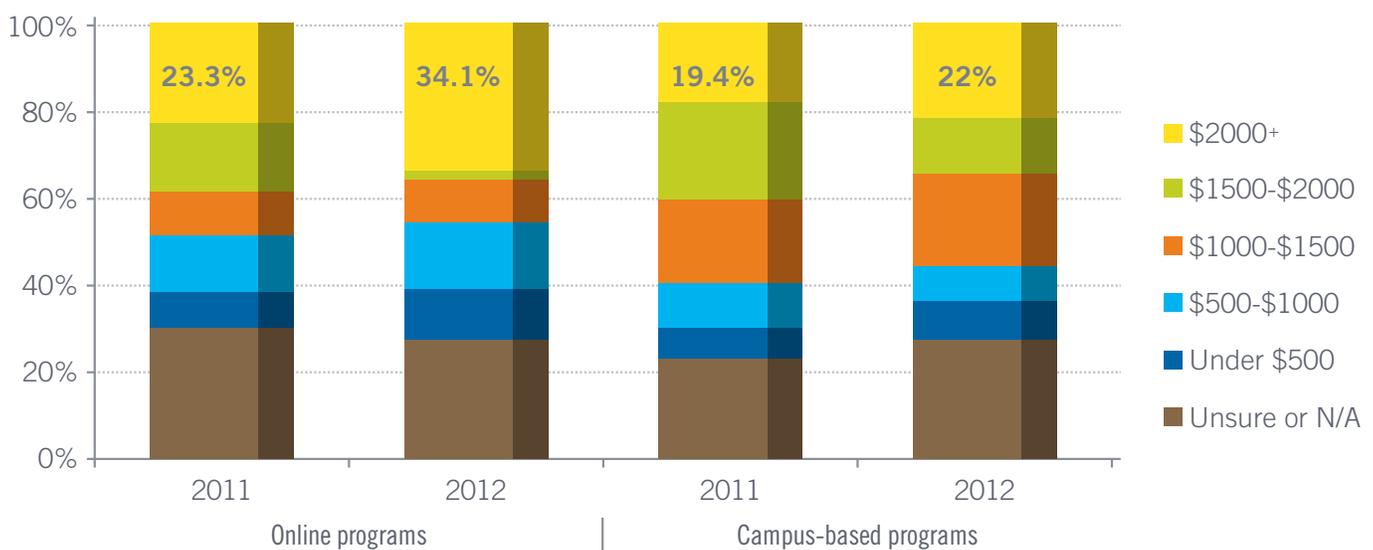
There is a growing trend for schools to try to capture and diversify their revenue streams away from Title IV funding; one way to do this is to increase investments in continuing or graduate education, both of which are well served by online programs.

In addition to the added competition that is driving up costs, we suspect the increase in CPE is also driven by its overall profitability. In general, online programs have much lower costs per student (as they are not affected by factors such as classroom size and ongoing fixed costs associated with bricks and mortar); as a result, schools are willing to pay more to enroll these students.

LAST YEAR: Cost Per Enrollment for online programs was high, with 23.3% of schools indicating an average CPE of over \$2,000 (vs. 19.4% for campus programs).

THIS YEAR: The cost of enrolling a student in an online program has increased even further, with 34% of online programs reporting an average CPE of \$2,000+ (Fig. 9).

Figure 9: Average third-party CPE by program type 2011 vs. 2012.



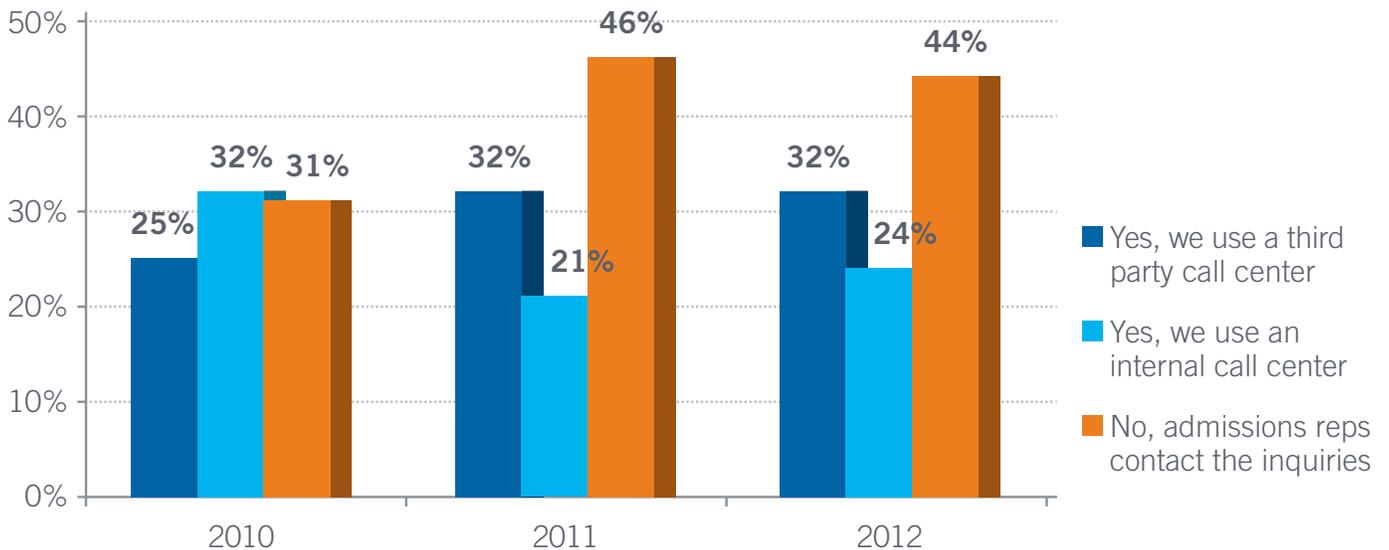
CALL CENTER USAGE REMAINS UNCHANGED, DESPITE CLEAR EVIDENCE THAT IT REDUCES TIME TO CONTACT.

LAST YEAR: Nearly half of schools surveyed were not utilizing call centers, even though the presence of call centers was shown to significantly increase the speed to call.

THIS YEAR: The percentage of schools not using call centers has remained steady, with 44% still not using any type of call center.

Data shows that the use of a call center, either third-party or internal, greatly reduces the average time to contact an Internet inquiry: More than half of the schools that use a call center have response times of under two minutes, compared to only five percent of schools where admissions reps call the inquiries. Given that this is the second year in a row where survey data has indicated that schools are not using call centers (Fig. 10), it seems unlikely that this trend will change anytime soon.

Figure 10: Do you route inquiries through a call center?



ABOUT THE SURVEY METHODOLOGY

In an effort to establish benchmarks and identify current trends and best practices in higher education marketing, LeadsCouncil and CUnet conducted a survey among 300+ marketing professionals in higher education. The online survey was conducted from March 27 to April 13, 2012.

ABOUT LEADSCOUNCIL

LeadsCouncil is the first independent industry organization dedicated strictly to advancing online lead generation. LeadsCouncil members include lead buyers, lead sellers, technology solutions providers, and investment professionals. The group focuses on best practices, research, education, and networking to provide a more transparent and effective marketplace for online lead generation. LeadsCouncil was recently featured in *Harvard Business Review*.

ABOUT CUNET

CUnet delivers industry-leading technology, media, and marketing services to higher education institutions to help recruit and enroll students. Driven by a commitment to technology leadership, compliance, and exceptional customer service, CUnet's higher education experts partner with schools to improve marketing performance and deliver qualified inquiries that meet enrollment and retention goals. CUnet is dedicated to providing the highest standards of transparency and compliance while promoting ethical marketing practices in postsecondary education. Headquartered in Paramus, New Jersey, CUnet is a subsidiary of Nelnet (NYSE: NNI), a leader in education planning and financing for more than 30 years. For more information, visit www.CUnet.com.

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