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How to Get a Big Break on the Cost of College: Just Ask

The pandemic has accelerated a years-long shift in financial power toward families, away from schools

By Josh Mitchell
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INSTRUCTIONS: What industry is presented in this article? Analyze the general and competitive environments of this industry.

The coronavirus pandemic has accelerated a years-long shift in bargaining power away from colleges and toward families, which are quite prepared to treat tuition as they would a car's price: something to haggle over.

When a college accepted Frances Marcel's second child several years ago, she pleaded for a discount. It wouldn't budge, she said, so she dipped deeper into her savings. After her third child Ian was accepted by his top three choices for this fall, she urged him to write them in early March asking that they go lower. In April, each offered him further discounts. One offered about 41% off. Ms. Marcel, of Rockland, Mass., told Ian to appeal again to the other two. "Mom, that sounds too aggressive," Ian told her. She answered: "Really, you have nothing to lose." Ian, 18, emailed appeals to the two schools and waited.

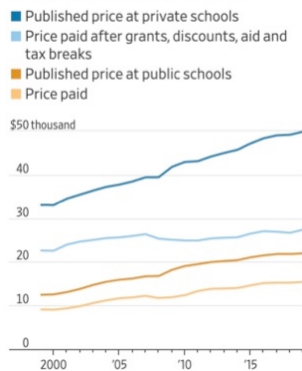
Such negotiating is part of what has become a technological arms race. Many colleges customize tuition-and-aid offers to extract the maximum from each prospect without driving the student to a rival campus. An industry of enrollment-management consultants uses computer algorithms to advise administrators on each prospect's "price sensitivity."

Families, in turn, are turning to consultants who, using their own algorithms, specialize in coaching them on strategies to squeeze more money out of colleges. One such consultant, Massachusetts-based Shannon Vasconcelos, said she expects bargaining between many families and schools to go through summer: "This is a big, big year for asking for more money and receiving."

Sticker Shock

Tuition rates colleges publish often differ from what students pay, because schools use discounts to lure desirable students.

Sticker prices and actual prices at four-year undergraduate colleges, 2019 dollars



Notes: Public-school price for in-state students.
Excludes military and veteran aid. 2019-20 prices
forecast based on 2018-19 financial information.
Source: College Board

Much more is riding on the negotiating this year for both sides. The American Council on Education, a university trade group, in April said it expected college enrollment to drop by up to 15% nationwide this fall. Moody's Investors Service this month projected that enrollment will rise but that families will seek lower-cost options, reducing by 5% to 13% what colleges earn from tuition, room and board in the year beginning July 1. That would subtract billions of revenue dollars on top of shrunken endowments, fewer international students and public-funding cuts.

On the families' side, many are questioning whether to spend heavily on tuition, with unemployment near the highest since the 1930s.

The pandemic is prolonging the haggling. About 400 colleges and universities moved their traditional May 1 deadlines to accept offers to June 1, and some have stretched them to Sept. 1. And under a consent decree with the Justice Department last year, colleges are no longer barred from recruiting students beyond May 1 who have put deposits on other schools: Schools can dangle bigger discounts in front of a student who has accepted a rival's offer.

Christopher Lydon, vice president for enrollment management and marketing at Catholic University, said 20% to 30% more families than last year are appealing for bigger tuition discounts. The school refunded existing students for room and board this spring and has offered nearly \$500,000 more in discounts to this fall's incoming freshmen compared with last year's freshman class.

As of mid-June, Mr. Lydon said, about 1,800 of the 5,100 admitted freshmen—for a fall class of 850—hadn't alerted the school to their decisions, an unusually high number so late in the year. The university campus will reopen this fall, he said, but freshman enrollment may

fail expectations—among other unexpected factors dropping on the school this year, he said: “There are about 37 dominoes that have fallen already.”

Schools were already losing leverage. College and university enrollment was down 5% in the 2019-20 year from a peak of about 21 million in 2011, Education Department estimates show, because of demographics and competition from a strong labor market. And students often have more choices: Those applying to at least three colleges rose to 82% in 2016 from 61% in 1995, according to the National Association for College Admission Counseling.

Business model

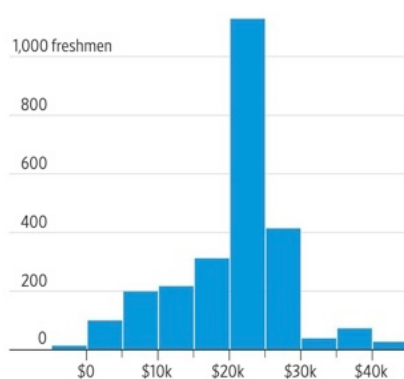
College tuition through the 1980s, 1990s and aughts rose at double or triple the rate of overall inflation, according to the Labor Department’s consumer-price index. Since 2010, tuition inflation has slowed. One factor, according to a 2017 Wall Street Journal poll, is that students and their parents have become skeptical of the value of college.

Posted tuition numbers are increasingly meaningless. A college posts a high sticker price in order to offer varying discounts, in the form of aid, to applicants based on how price-sensitive they are. The industry of enrollment-management consultants has helped colleges emulate for-profit companies. One consultant told attendees at an admissions-officers conference last year to be more like Starbucks and Amazon, improving customers’ experiences and maximizing net revenue and “yield,” the percentage of accepted students who enroll.

Offering Price

Freshmen at the same college often pay vastly different amounts in tuition after discounts. One school’s distribution:

Students by net tuition paid



Note: Based on 2018-19 school year
Source: EAB

To tailor discounts, colleges tap personal data much as companies do, said David Hawkins, an executive director at the admissions-counseling association. “Colleges are picking up the same information that Coca-Cola or, you name it, Forever 21, all of these entities are picking up.” Colleges have particularly valuable data from the Free Application for Federal

Student Aid, or Fafsa, which is submitted to apply for federal aid, and from apps, websites and information prospects provide.

The task is to determine who has more leverage, the school or student, said Nathan Mueller, an enrollment-management consultant with EAB, a firm in Washington, D.C. When one client, a midsize Catholic college, raised its sticker price 4% for the 2019-20 year, he used an algorithm weighing 253 characteristics—such as gender, race, parental income, addresses, frequency of contact with recruiters—among students admitted there the prior school year to determine what it should charge each new applicant.

Based on his calculations, the school offered a \$31,000 discount to a female Asian-American from a well-off Wisconsin family with a grade-point average of 3.96. It offered a \$27,914 discount to a female Hispanic from a low-income Oregon family with a 3.22 GPA. The first accepted; the second declined.

In predicting how much revenue colleges will garner, Mr. Mueller said, the algorithms have been “strikingly accurate.” The pandemic has undermined the models, he said. One reason: Prospects this spring couldn’t visit campuses, one factor suggesting a student truly wants to attend and thus is less price-sensitive. Some students are taking gap years because of the pandemic, and others are awaiting clarity about the economy and campus reopenings. “It is a buyer’s market,” he said. He is updating his algorithm.

Bucknell University in Lewisburg, Pa., raised tuition, room and board 3.5% to \$77,000 for this fall’s freshmen, a decision made before the crisis. Bucknell on March 25 sent varying tuition discounts—the “net price”—to prospects based on a federal formula calculating each family’s financial “need” and an enrollment-management consultant’s pre-pandemic algorithm. In April, university leaders canceled the tuition increase, nodding to concerns that the recession had hurt families’ finances, said Bill Conley vice president for enrollment management.

Some families have pushed for further discounts, particularly those who have lost jobs or have small businesses hurting because of the pandemic, Mr. Conley said. The school is adjudicating each appeal individually. “We’ve already seen as costs of private education are in the mid-\$70,000 range that those with the technical ability to pay are increasingly questioning their willingness,” he said, and Covid-19 “is worsening that.”

Bargaining tactics

The pandemic has empowered people like Laura Boothroyd and her son Lars, of Boston. Ms. Boothroyd does sales and consulting for an education-technology company. Her husband is a chef, out of work since the outbreak.

Lars Boothroyd, 18, said he wants to be a physical therapist. His top choice was Ithaca College in New York; its opening offer was to drop its \$66,000 sticker price by \$11,000 for a six-year program. His second choice, the University of Rhode Island, offered \$11,500 off the \$46,000 out-of-state sticker price. Ms. Boothroyd said that, after lockdowns began, she called Ithaca’s financial-aid office, saying: “Look, we’re not going to swing that.” Ithaca

emailed several days later offering another \$3,000 discount. The family put a deposit on URI anyway. Ithaca offered another discount, but Lars stuck with URI.

Laurie Koehler, vice president for enrollment strategy at Ithaca—it uses an enrollment-management consultant—said the school has offered more discounts this year because of the pandemic to address parents' concerns about cost and to meet enrollment targets.

Consultants like Todd Fothergill advise families on how to press colleges to maximize discounts. From home in Austin, Texas, he gathers data on schools—mainly the net tuition they charge families in different income groups—then plugs it into software that helps determine which schools a student will have the most leverage over. His firm, Strategies for College, typically charges about \$6,000 to \$7,000 to clients along with smaller fees for hourly advice. Its clients include the Boothroyds.

In the early 2000s, he noticed a shift: Many clients were suddenly getting much smaller discounts than similar applicants several years earlier. He saw no consistency in who paid what. He discovered universities were using discounts more strategically, raising tuitions and then offering more-desirable applicants bigger discounts. Mr. Fothergill concluded a big reason people paid so much for college is they applied to “reach schools” for which they were barely qualified—giving the college leverage. A marginal student would get less aid, but “if you’re a highly valued student for that school they’re going to be more flexible.”

His client families enter financial, academic, employment and other information into his software. It computes an “academic FICO score,” listing schools where the family will have maximum bargaining power and what they should expect to pay. He helps them bargain after acceptances arrive. He believes the pandemic will lead to more discounts.

Ms. Vasconcelos of Massachusetts, a consultant with the firm Bright Horizons College Coach, said half of her clients in a typical spring won bigger discounts—an average of \$3,000—after asking for money. Since the pandemic, “we have seen almost no schools saying no,” she said, and the discounts they are offering are bigger—often \$5,000 and up.

For Ms. Marcel, bargaining was a priority this year for Ian, who said he wants to be a psychiatrist. Strategies for College advised her to negotiate but be careful not to appear demanding: That could send the message that her child didn’t want to attend but wanted a counteroffer for another school. Better to tell the school that it’s the top choice and you simply need more money.

When the acceptances arrived and Ian pushed for more, one college cut its price by \$10,000 and another by \$16,500, Ms. Marcel said. The third cut \$26,000 off its \$63,262 sticker price. Ian emailed the first two asking for more. “Drafting those letters took forever,” he said. The two eventually declined, he said, and he accepted the low offer, from a small Catholic liberal-arts school.

When Sanjana Shriram, 17, of Winchester, Mass., won admission in March to the University of Miami for this fall—her top choice, she said—it offered no discount off the \$73,000 annual cost. Her parents earn too much to qualify for need-based aid, said her father,

Shriram Venkataraman. The family worked with Bright Horizons consultants. In late March, he pressed the school for merit aid. It responded on April 17 with a \$5,000 discount for each of four years.

Knowing private colleges like Miami might be struggling to enroll enough students because of the pandemic, he replied: “This is great. I really appreciate it. It would really help us make the numbers work over four years if we could get another \$5,000 from you guys” for each year. Miami declined his second request, he said; his daughter plans to attend anyway. The university didn’t respond to requests for comment.

Not all families will succeed at negotiating. Many schools—particularly the most selective—retain considerable leverage, Mr. Mueller and other consultants said. Mr. Mueller in the past usually advised schools not to negotiate. But the game has changed, he said. His new advice: Match competing offers if you must, but don’t go lower.

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