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## Introduction

The image of grand, ivy-covered buildings inhabited by tenured professors on sprawling campuses is a version of post-secondary education with a limited future. The world of higher education today and tomorrow, faces enormous economic challenges and technological opportunities. Schools that do not adapt to new channels of learning, new models of pricing, and new types of students will be challenged to survive.

Success in this context comes from balancing profitable operation with the ability to provide students what they need at a price they can afford. To do that, universities need a different, more detailed understanding of what they are, what they can be and what they should be. They need precise information that goes beyond the standard enrollment, attendance, and number of calendar school days model. They need the right data, to make the right decisions, about a near future that looks very different than the recent past.



## Unsustainable pricing

In economic terms, the current pricing model in higher education is unsustainable. Students in the United States owe \$1.3-trillion (U.S.) in education debt, making that the second highest consumer debt category, greater than credit cards and car loans and trailing only mortgage debt.

The student debt crisis is generating some creative responses. For example, the Ivy League school Brown University is replacing student loans with grants that do not need to be repaid. That may be possible for schools like Brown, with large endowment or special purpose funds, but it's not a business model that will work for most schools because the model for service delivery hasn't changed and prices continue to rise.

The service/pricing model for undergraduates has been constant for generations. Credit hours cost the same whether they are for basket weaving or advanced physics. They are the same whether the student is in a lecture hall with 800 other students, whether it's a six-person class, a part-time student or a full-time student.

To be sustainable, universities must adapt their business model to the different ways in which their clients will accumulate credits and earn their degrees. Students of today and tomorrow will accumulate credits and knowledge from many sources: community college, online, traditional lecture hall classes, massive open online courses, and virtual reality courses.

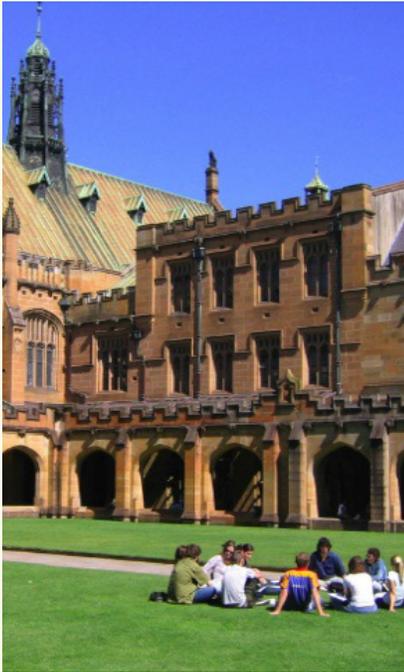
To compete, universities will have to track credits more specifically and may have to change policies on what outside credits they will accept towards a degree. They will have to find more nimble ways to give credit for classes taken in other formats, rather than simply rejecting all credits from sources outside their own walls.

Today's most common practice is that each university establishes degree requirements and builds a catalogue of courses to achieve that discipline. In the new world of higher education, they will have to evaluate each student independently to determine if they have achieved equivalent competency. At present, there is great reluctance to take this approach because it seems to require a manual process that rates each student but as course delivery systems become more diverse and sophisticated, so too must evaluation processes. It's appropriate that universities want to ensure their standards are met but there are ways to measure success and competency beyond recording the class taken and the grade awarded.

The trade-off here is institutional pride. Cost-conscious students may meet the bulk of a university's degree requirements less expensively online or in community colleges, matriculating in a prestigious university only for their final year. The result for the student is a prestigious degree. The challenge for the institution is the loss of income leading up to that degree. But with the right information supporting an appropriate business plan, there are models that will work for the university.

Entrepreneurial institutions will move away from the one-size-fits-all, one-price-fits-all model. Perhaps, they will discover that some disciplines and degrees are more valuable than others. Is a humanities degree worth 10 per cent of the value of an engineering degree? Possibly, at a moment in time, in a specific competitive environment or depending on the expertise of a teacher, or even the reputation of the program.





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**Your brand is what prospects, students and graduates think of first when they hear your school's name or encounter your content online.**  
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▲ Source: [Full Fabric Blog](#)

## Know yourself

Reputation, the bedrock of most institutions' business plan, is simply another word for brand. Colleges must understand their brand. What niche do they occupy? Why do people choose a specific institution? To learn how to think (liberal arts); or to learn a skill (architecture, engineering, science); for quality of life; proximity; faculty; innovation; or for other reasons.

A big part of the rising cost of education is the spending universities do to attract students – essentially their marketing budget. Today, many are focusing on the campus life aspect of their brands. They build new luxury dormitories and student centers with spa-like accommodations, hoping that will draw more students.

But without a clear understanding of where their students come from and why, those big-ticket marketing projects in support of the brand may be misguided. The right data-driven insights help universities do a more effective job marketing to their target students, through events or digital touch points, rather than by building an expensive resort experience.

## Customer satisfaction

With universities becoming increasingly competitive, tracking (and ensuring) student satisfaction is more important than ever.

For example, millennials want more flexibility and control. Many want to choose how they go to school. That requires schools to make informed decisions about how to most profitably invest their increasingly limited resources. Do they invest more in technology for online or virtual reality labs or in physical things like new labs and ritzy dorms?

After adapting facilities to the needs of students, schools need to do a better job in facilitating their graduates' move into the workforce. A transcript alone is old school, revealing very little about the actual expertise and competence of a student. If universities can track more specific things about their students, they can send them into the world with a much more valuable and revealing dossier.

For example, how many classes did the student take that had group presentations or group projects? What specific competencies did they demonstrate in actual projects? At present, this information is only provided anecdotally by individual students. But the university that can state that 67 percent of its graduates ran a major project offers much more insight into the value of its degree.

### Transitioning to an ROI lens requires three fundamental shifts.



▲ Source: [Educause](#)

## Data enables new definitions of ROI

The ability to cull valuable insights from oceans of data is changing the way every industry works, and it will change the way higher education manages itself. Capturing and sifting through a much richer data set in a Corporate Performance Management system (CPM) will give institutions the ability to understand and forecast demand automatically, and to marshal valuable resources where they will create the greatest benefit. Much more than tracking costs, a robust CPM system is a strategic tool that enables universities to recognize and adapt to the rapidly evolving world of higher education, and be the ones that thrive in this new world.

They will be the ones that recognize trends in time to exploit them. They will offer the right classes in the right forms at the right prices. They will use insights from data to become student-centric, and as a result, they will over-deliver on their students' success and satisfaction.

The alternative is to continue delivering higher education through an economically unsustainable model that fails to take advantage of technological developments and cultural changes. Today, that model is in crisis, which makes it no alternative at all.

# About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation and reporting — improving a company's profitability and minimizing its risks. Thousands of forward-looking organizations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

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