

NEWS RELEASE

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Private-Independent School Study Finds Tuition Does Not Affect Enrollment Even During Recession Years

On Sunday September 26, 2010, at the National Business Officers Association (NBOA) conference in St. Louis, two of the nation's leading private-independent school research and consulting firms Measuring Success and Independent School Management (jointly referred to as MS/ISM) released their latest analysis answering the question many schools and parents have wondered since the recession first struck three years ago: *"Have private schools of all types hit a price breakpoint in which further tuition increases will drive enrollment declines?"*

The findings reconfirm prior studies conducted by both firms: Parent decisions to send their children to private schools are not based on tuition increases or decreases, but rather on the perceived value they receive.

The MS/ISM price elasticity study analyzed self-reported tuition and enrollment data from a sample of 140 schools representing the broad private school market including tuition sensitive schools, elite day schools, boarding schools, and religious schools. The study controlled for factors driving enrollment outside of a school's control, such as region of the country, locale (urban, suburban, rural), average income, and changes in median home values.

To test the hypothesis, the MS/ISM statistical team used time-series regressions to examine the effects of change in tuition on changes in enrollment. MS/ISM ran nearly 20 different regressions to test by division (lower, middle, upper, and whole school), by enrollment type (total, new students, entry point, and students that have left), by permutations of years between 2006-2010 (non-recession years, recession years, consecutive pairs of years), analyzing changes on a percentage and raw basis, as well as by type of school. No regression showed any statistically significant relationship between tuition changes and enrollment.

This study also concluded:

- Increasing the percentage of students on financial aid is positively associated with increases in new student enrollment.
- A marginal finding indicated that for schools that do not compete primarily on price (tuitions above \$11,100 annually), those that raised tuition faster experienced a slightly faster rate of enrollment growth.
- Decreasing home values has a negative impact on private school enrollment

MS/ISM concluded that for private schools to thrive, even in a recession, they must redouble their efforts to focus on improving perceived quality while raising tuition to invest in quality and financial sustainability. They must also encourage families who cannot afford the higher tuitions to apply for financial aid rather than leaving the school.

A complete research report will be published by MS/ISM in October 2010.

MS/ISM is a newly formed partnership between Measuring Success, a quantitative strategy-consulting firm for private schools and non-profits based in Washington, DC and Boston, MA, and Independent School Management, a comprehensive management-support firm for private-independent school administrators based in Wilmington, DE.

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