



# The Differentiated University

THE PARTHENON GROUP



## RECOGNIZING THE DIVERSE NEEDS OF TODAY'S STUDENTS

by Haven Ladd, Seth Reynolds, Jeffrey J. Selingo

**PART I** of a two-part series

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**For the first decade of the new millennium**, American higher education witnessed almost unprecedented growth. Undergraduate enrollment jumped by 41% percent while tuition steadily climbed, resulting in significant investments in every corner of campus, from trendy academic programs to enhanced student amenities. With students and families secure in the lifetime value of a college degree, colleges and universities planned for continuing price increases to support the institutions.

But the crash of the housing market in late 2008 and the subsequent economic recession exposed cracks in that confidence. The number of 18-year-old high-school graduates—particularly the more affluent and academically well-prepared who drove the revenue growth of previous decades—leveled off. Many colleges and universities that had borrowed heavily to pay for their expansion saw their net tuition revenue decline. Students and parents began to question the value of a degree, in specific fields and from certain schools. And government officials in Washington and the states were demanding more accountability from the billions of dollars they spent annually on student aid.

Before the recession hit, most campus leaders suspected a day of reckoning would eventually come. But that didn't mean they were prepared for it or for the great demographic shift that followed. Children under 18, who accounted for 36 percent of the U.S. population at the end of the baby boom, today make up just 24 percent. By 2050, they will be 21 percent of the country. Coming at a time of stagnant family incomes, these changes demand colleges think differently about their student market.

As colleges have seen a slowing in demand among traditional-aged students, many public and nonprofit colleges have shifted their strategies to focus on a broader swath of the population. These schools are taking a page from the playbook of for-profit schools which use online classes and flexible degree programs to reach non-traditional students, often working adults who are seeking bachelor's degrees. However, even these early innovators are under pressure as the landscape of offerings for non-traditional students is becoming increasingly saturated.

**This traditional process of 'segmenting' the student market by demographics—traditional vs. non-traditional students—is no longer sufficient in providing college leaders with the strategic understanding they need.** Leaders need a more nuanced understanding of what drives the enrollment decisions of prospective students, and of what products and offerings meet these students' needs.

As flexible and online offerings have become closer to the norm, the institutions that will thrive must differentiate themselves in a competitive and national market. They will do this by tailoring their recruitment and offerings to the specific motivations of distinct student segments instead of providing a one-size-fits-all education that is fast becoming financially unsustainable for most institutions and their students.

The results of a **new national survey conducted by The Parthenon Group of some 3,200 Americans in college or considering enrolling** provides the foundation for a fresh approach of how to view the increasingly diversified student market in



higher education. It separates students into **six distinct and defined segments based on their motivations and mindsets rather than just demographics**, allowing college and university leaders to develop more sophisticated strategies for reaching the next generation of students with offerings and operating models to most effectively and efficiently serve them.

## Why Segment?

College and universities historically defined their students the same way corporate America long described their consumers, by their demographic attributes. But in recent years, many companies adopted a new way of segmenting their customers, based on the “jobs to be done” theory.

The framework, outlined in the 2002 book *The Innovator's Solution*, described a far more precise way to identify what problems customers wanted solved when they bought something. It argued that customers rarely purchased a product because someone else who looked liked them did. By effectively delivering a solution to a problem, companies could better tailor their products to the needs of consumers. In the last decade, the model revolutionized how businesses shaped and marketed their products.

But higher education remained trapped in the conventional mindset. By thinking of students based on attributes—in particular traditional 18- to 24-year-olds and non-traditional adult learners—**colleges and universities end up serving students in ways that are convenient for the institutions rather than meeting the needs of today's students**. Because of this stale approach, many colleges are struggling to maintain market share, open up new markets in an increasingly competitive admissions world, and improve their student satisfaction, retention, and post-college success.

In a global and online market for education, colleges can no longer trade on their prestige even in their own backyard. In previous generations, students attended a local college regardless of their abilities and its characteristics, according to research by Stanford University's Caroline M. Hoxby<sup>1</sup>. But a “re-sorting” of students in recent decades, thanks to better technology and less expensive methods of communication and transportation, means “their choices now are driven far less by distance and far more by a college's resources and student body.” As a result, Hoxby found that half of the colleges and universities in the United States have become *less* selective over the last fifty years.

<sup>1</sup> Caroline M. Hoxby, *The Changing Selectivity of American Colleges*, NBER Working Paper No. 15446, October 2009.

It is critical for college leaders to better understand the students they want to enroll and then determine how best to serve them, especially as the price of college rises and prospective students and their parents increasingly question the value of going to any college, at any cost. Too often students are enrolling at schools not ready to assist them with their particular needs—not equipped to meet the “jobs that need to be done.” In today's increasingly transparent and flexible higher education market, students who feel their demands are not being met will go elsewhere.

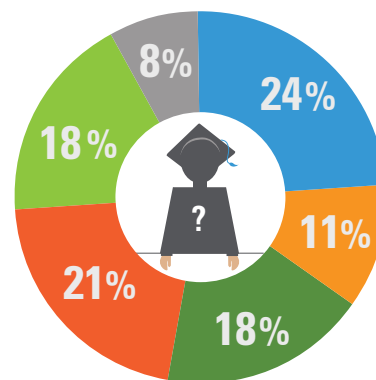
This confluence of pressures now demands a different and more useful strategy around market segmentation in higher education.

## What Are the Differentiated Segments?

Ask nearly anyone who works at a college or university to identify major categories of students in higher education, and they'll likely answer traditional and non-traditional. While age remains an important differentiator, it fails to capture many differences in students' higher education preferences.

The Parthenon analysis of an extensive survey of students reveals segments based on what they hoped their bachelor's degrees enabled them to do, rather than on traditional descriptors such as age or enrollment status. Segments created by these motivations ultimately resulted in six unique groups of students. While demographic differences do still emerge, **it is important to understand the deeper motivations of students to better meet their needs and compete in an evolving higher education market**.

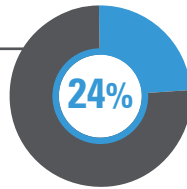
## Six Major Student Segments



- **Aspiring Academics**
- **Coming of Age**
- **Career Starter**
- **Career Accelerator**
- **Industry Switcher**
- **Academic Wanderer**

## Aspiring Academics

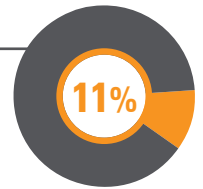
### (Achieving)



The Aspiring Academics are the segment most similar to the picture of the “traditional student” that most colleges are so aggressively seeking to serve. They are 18-to-24-year-olds with impressive academic profiles, and often come from wealthier families. They are academically driven with plans to go to graduate school, so the availability of a specific major and the presence of top-notch research faculty are valued by this group. While this segment is the largest of the segments found in the survey, it remains only a quarter of the market.

## Coming of Age

### (Transitioning)



A second, smaller group of traditional-aged students, the Coming of Age segment, is not yet sure what they want to focus on when they “grow up,” but have the luxury of taking the time to figure it out. These students are less academically driven than Young Academics and place little value on research opportunities, research faculty, or graduate school offerings. For them, college is about broad academic offerings, an active social culture, and trying a variety of activities without knowing exactly where it will lead.

### “ Rachel's Story – An Aspiring Academic

Rachel has always been academically driven. She ranked near the top of her class at a suburban high school. When she enrolled at George Washington University, she planned to follow the path of her parents and go to law school.

But the Washington, DC campus opened her eyes to so many other possibilities. “I was kind of pushed maybe societally to focus on a profession,” she said. “As soon as I relinquished that, I realized I was in college to expand my knowledge and learn a lot more.”

Now as a 22-year-old senior at George Washington University, Rachel is a double major in history and political science, and a theatre minor. She values the research and extra-curricular opportunities she has been afforded. Instead of law school, she is planning to go on for a master's degree. For this Aspiring Academic, the choice of a large urban research university was a perfect fit.



### “ Zach's Story – A Coming of Age

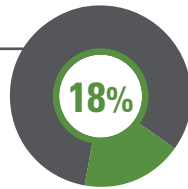
Zach grew up rooting for the University of Kansas men's basketball team, so he always knew that he wanted to go to Kansas, about 30 miles from his home, but was never sure why. “When I graduated from high school, I didn't really think about not going,” he said. “I know how the economy is and you can't get a job without a college degree.”



To save money, he took his first two years of classes at a local community college. “The first year I probably had no idea what I wanted to do,” he said. “The second year I had decided I liked econ-business after a couple classes.”

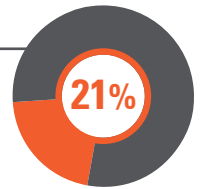
Then he transferred to Kansas, where he's now living on campus and finishing up his last few classes before graduating. College has given him the direction he was seeking. He plans on becoming a personal trainer when he graduates and has dreams of opening up his own gym someday.

## Career Starter (Thinking Practically)



The Parthenon survey revealed a third and distinct group of largely traditional age-students. These Career Starters are extremely job oriented and use college to advance their specific career prospects. These students are focused on life after college, and are looking for a college that enables them to reach their ideal career position in the shortest amount of time. Career Starters are one of the more price-sensitive segments and value job placement rate and career placement services in making their college selection.

## Career Accelerators (Advancing)



Typically older, Career Accelerators are going to college with the aim of advancing their career at their company or within their current industry. These are primarily working adults with some prior college experience and are likely to be most interested in institutions that award credit for their previous academic experience, as well as their job experience. These students value non-traditional delivery methods, particularly online courses. Career counseling and career placement services are strongly desired by this group.

### Michelle's Story – A Career Starter

Michelle is a 22-year-old senior at Cornell University majoring in industrial and labor relations. She ranked in the top 20 percent of her high school class and went to Cornell with her major already in mind. During the application process, she avoided liberal arts schools. "If it was too liberal artsy," she said, "I wasn't interested."

For Michelle, college is the means to an end: a job. She said she places less emphasis on using college to develop "a whole toolset for life." Now, with a job offer already in hand from a human resources technology firm, Michelle wishes she could skip her last semester at Cornell and start work. "I would rather be working and not paying to go to school for no reason," she said. Alternative ways of earning a degree more quickly would appeal to her at this point. "What is this last semester getting me that the other seven did not?"

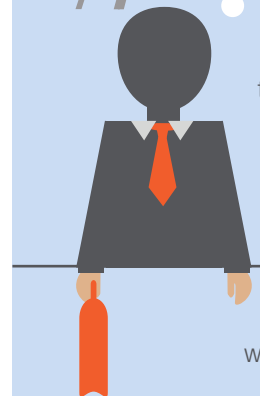


### Mike's Story— A Career Accelerator

Mike was stuck in his factory job near Fort Wayne, Indiana.

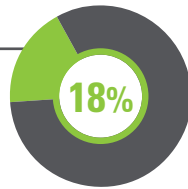
He was passed over for promotion in the past because he lacked a bachelor's degree. At 35 years old, he knew he had to do something to advance in his career, so he enrolled part-time at Indiana Tech.

"I am hoping that being one of a few people with a bachelor's degree in my department, that I will be considered for higher paying jobs ahead of others who do not have a degree," he said.



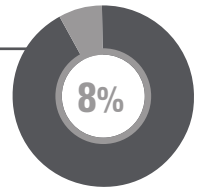
With some credits from a previous attempt at college, Mike already had a head start. Now he works the day shift at the factory and takes courses online and on campus two to three days a week. In two years, he'll have his bachelor's degree. "I don't want to be overlooked for advancement again," he said.

## Industry Switchers (Changing Career)



While in many ways similar to Career Accelerators, Industry Switchers have a different motivation for going back to school to earn their bachelor's degree. Often in more precarious financial positions or unemployed, this segment is looking to start a career in a completely different field. Industry Switchers place a high value on an institution's link to labor markets and its ability to put them in touch with relevant employers and prepare them for their career transition.

## Academic Wanderers (Seeking Degree)



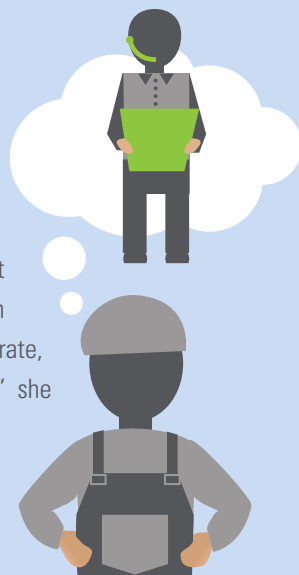
Students attending college later in life, Academic Wanderers don't know exactly what they want out of college, but believe that obtaining a college credential will open doors for them. They are more likely to be unemployed and potentially have lower incomes. Academic Wanderers are the most "at risk" of the student segments. They are the least satisfied with their college experience, do not place high importance on their academic performance, and are the least likely to believe they will complete their degree.

### Nischelle's Story – An Industry Switcher

Nischelle always thought she had a secure job working for the U.S. Postal Service. But then post offices around her started to shut down and she began to think about what was next for her. Now the 35-year-old mother is looking to start over with a new career that has better long-term prospects.

"If I'm going to go through school, I'm going to make sure I get a job at the end, otherwise it is a waste," she said.

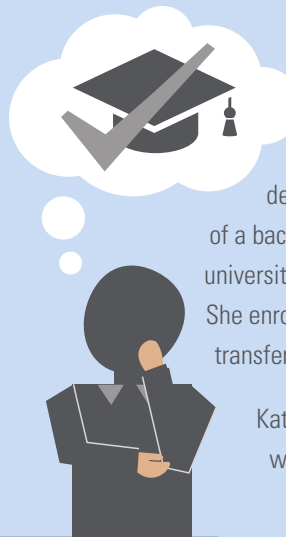
She landed at Piedmont Community College, where she is enrolled part-time in its criminal justice program. For Nischelle, it was all about the college's ability to prepare her for a career transition. "I looked at the cost first, then the graduation percentage, the job placement rate, and the student-to-teacher ratio," she said.



### Kathleen's Story – An Academic Wanderer

Kathleen earned an associate's degree in her twenties but dropped out of a bachelor's degree program at a big state university when she ran into family problems. She enrolled again a few years ago, and then transferred to Metropolitan State University.

Kathleen is taking 12 credits a semester while working full-time, but is still two years from finishing her degree.



"I kind of don't even care what my degree is in, I just need to finish," she said. "Where I'm working now, I don't think they care what your degree is in as long as you have it. It feels like there are some positions that you can't have unless you have a degree."

## Implications of These Differentiated Segments

The Parthenon survey results show there is value in moving beyond grouping college students into the traditional and non-traditional segments. A more nuanced view of the six student segments reveals students' varied motivations for attending college and therefore their different expectations they have from their college. Although adult learners across all segments value flexibility and traditional-aged students have parallel preferences regarding full-time status, face-to-face classes, and proximity to home, **it is now possible to look beyond the ways that students attend classes and more deeply understand how they engage with a university.**

Using these six segments to gain a deeper understanding of their students allows colleges to do a better job recruiting students and shepherding them towards success after graduation. Flexible offerings become only one component of the student's needs, and **students fitting a particular demographic profile can have dramatically different preferences and desires for their college experience and post-college plans.** Understanding the nuance behind motivation, as outlined by the six segments from the Parthenon survey, will help colleges have a direct hand in student success within and beyond their undergraduate experience.

These six segments provide a different lens through which to view the needs of college students and understand similarities and differences between them beyond their age. It becomes clear, for instance, that a small but important portion of undergraduates today are very unsure what they hope to do after college or what they are even hoping to get out of their college experience.

**The Coming of Age and Academic Wanderer segments are surprisingly similar in their attitudes toward college, despite their clear demographic differences.** They believe a college degree, regardless of the major or any real thoughtfulness about connecting their undergraduate learnings to a specific career, will provide them the advantage they need to get a well-paying and satisfying job. This rationale has been increasingly challenged by today's economy with high unemployment and underemployment rates for recent graduates, and both of these segments should pose some concerns for college administrators.

But recognizing these populations as distinct from their traditional and non-traditional customary segments also provides an opportunity to target both groups with the particular kinds of counseling and services that will most benefit them.

At the same time, career-oriented students also span traditional and non-traditional age-based groups. **Career Starters have**

**many of the same motivations and perspectives as Career Accelerators and Industry Switchers.** Schools serving these multiple populations have an opportunity to leverage the offerings and tools they have developed for one type of student across all three. For instance, colleges with online offerings aimed at adult students in career-targeted majors could make those offerings available to this traditional-age segment that may use these courses to supplement their onsite experience and potentially shorten the number of years it takes them to graduate. Similarly, career services, internship and co-op opportunities, and industry relationships could be used to benefit all of these populations.

Colleges and universities need leaders who deeply understand the student segments they serve today. In addition, these leaders should develop an understanding of the opportunities for serving additional segments and of what value proposition is appropriate for each segment they aim to serve.

This survey and this approach to student segmentation should help administrators to actively target the groups that fit best with their operational model or conversely give them the knowledge to adjust their strategy to fit the segments they have.

Colleges can better align themselves with students' longer-term motivations and post-college success. This objective is particularly urgent as debt burdens increase and prospective students and their parents increasingly question the value of going to any college, at any cost. Thinking of students in terms of these six segments, as opposed to traditional and non-traditional, will reinforce this important orientation as well as reveal opportunities to better serve all students.

## Conclusion

**In today's more discerning higher education marketplace, colleges can't be all things to all students and expect to continue to serve up a one-size-fits-all experience.** It's neither financially sustainable nor competitively viable. Institutions need to differentiate themselves, but too many colleges and universities are shaping new strategies without a clear understanding of how to define their student market.

Higher education leaders must stop thinking about the students they serve (or want to serve) only through the prism of their demographic attributes. The six categories of students described above demonstrate that students have vastly different motivations for going to college. Right now, those different segments are choosing the same types of institutions because colleges are failing to appeal to their specific needs and desires.





In part two of “The Differentiated University,” we will outline some of the steps colleges can take to adopt a more focused strategy around serving and recruiting students in the future. Without such approaches, colleges and universities face a difficult future chasing students with an ever growing diversity of needs and failing to adequately serve students in the way they need.

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## About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting, with offices in Boston, London, Mumbai, San Francisco, Shanghai, and Singapore. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services built on long-term client relationships, a willingness to share risk, an entrepreneurial spirit, and customized insights. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

## Parthenon's Education Practice

Parthenon has served as an advisor to the education sector since 1991. Parthenon's Education Practice – the first of its kind across management consulting firms – has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, Parthenon invests significantly in dedicated management and team resources to ensure that our global expertise extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors. Parthenon also has deep experience and a track record of consistent success in working closely with universities, colleges, states, districts, and leading educational reform and service organizations across the globe.





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