

The Best Class Money Can Buy

The rise of the "enrollment manager" and the cutthroat quest for competitive advantage. The secret weapon: financial-aid leveraging

By [Matthew Quirk](#)

I asked Bob Bontrager what he thought about eating other people's lunches.

"I personally prefer kicking their ass," he replied. "It's a zero-sum game. There's a finite number of prospective students out there. Are you going to get them, or is your competitor going to get them? You face the pressure and say, 'That feels burdensome to me; I don't want to deal with that.' Or you say, 'That's a pretty interesting challenge; I'm going to go out there and try to eat their lunch. I'm going to try to kick their ass.' That defines people who are more or less successful and those who stay in the position."

Bontrager, who works at Oregon State University, is the school's head of enrollment management—a relatively new but increasingly essential post in higher education. Three quarters of four-year colleges and universities employ an enrollment manager to oversee admissions and financial aid. The position is standard at private schools, and is spreading quickly across public institutions.

Eating the other guy's lunch is one of several turns of phrase (most involving some sort of predatory snacking) used to evoke the competition for prestige and revenue that has led to the rise of the enrollment manager. If you've snatched up another school's top prospects or leapfrogged it in the *U.S. News* rankings, you've eaten its lunch.

Over the past twenty years, often under cover of the euphemisms with which the industry abounds, enrollment management has transformed admissions and financial aid, and in some cases the entire mission of a college or a university. At its most advanced it has a hand in every interaction between a student and a school, from the crafting of a school's image all the way through to the student's successful graduation. Any aspect of university life that bears on a school's place in the collegiate pecking order is fair game: academic advising, student services, even the curriculum itself. Borrowing the most sophisticated techniques of business strategy, enrollment managers have installed market-driven competition at the heart of the university.

With their ever-expanding reach, enrollment managers are inevitably dogged by controversy. But it's the way they have changed financial aid—from a tool to help low-income students into a strategic weapon to entice wealthy and high-scoring students—that has placed them in the crosshairs of those who champion equal access to higher education. Adopting data-mining and pricing techniques from the airline and marketing industries, they have developed a practice called financial-aid leveraging that allows a school to buy, within certain limits, whatever class it wants. Often under orders from a president and trustees, enrollment managers direct financial aid to students who will increase a school's revenues and rankings. They have a host of ugly tactics to deter low-income students and to extract as much money as possible from each entering class.

All this, understandably, has given the enrollment-management industry a black eye. "It's a brilliantly analytical process of screwing the poor kids," says Gordon Winston, an economist at Williams, and an article last year in *The Chronicle of Higher Education* included a warning that "enrollment managers are ruining American higher education." But some in the industry use its techniques responsibly—to guarantee enough revenue to support the academic mission, or even to

expand low-income access to higher education. Indeed, the sophisticated methods of enrollment management may be the only way for schools to hang on to their principles while surviving in a cutthroat marketplace.

Bob Bontrager offered his paean to ass-kicking over drinks at the annual meeting of the American Association of Collegiate Registrars and Admissions Officers, which over the past ten years has made itself the center of the enrollment-management industry. AACRAO publishes how-to guides for enrollment managers, and hosts national conferences at which they plot strategy, while consulting firms offer promises of greater profits and prestige.

I had met Bontrager the day before, at a session of his Enrollment Management 101: The Basics in Best Practices, where the industry's troubled conscience was very much in evidence. The first person I spoke with was there because her school was considering "being more strategic with institutional aid"—a euphemism for financial-aid leveraging. When I asked for her name, she flipped over her badge and hid it against her chest.

At another session Cliff Sjogren, a well-respected former director of admissions at the University of Michigan and the University of Southern California, had packed a room for a presentation in which he called for an end to financial aid that isn't based on a student's need—merit aid, as it is called, which goes largely to higher-income families. It's wrong to give money to people who don't need it, he said, if that means turning away students who do.

Then the audience started pushing back.

"A lot of us would agree with most if not all of the things you said," said Rob Seltzer, the director of admissions at the University of Wisconsin at Madison. "But as a director of admissions I have a hard time with unilateral disarmament. I'm really concerned, even if I could talk my institution into doing these items, that I can't do it without losing serious competitive advantage."

Roger Thompson, the associate vice-president for enrollment management at the University of Alabama, which has jumped twelve spots in the *U.S. News* rankings of public universities over the past four years, stood up. "Merit scholarships," he said. "I hate it. It's almost like buying a car. But the rankings are driving so much of that. You have to have X number of National Merit Scholars and all that. The rankings thing is out of the barn."

Financial-aid leveraging is the enrollment manager's secret weapon. It has become highly sophisticated since it was first developed, in the 1980s, but the underlying logic remains simple: targeting financial aid will further the interests of a school, typically by bringing in more net revenue or higher-scoring students. Take a \$20,000 scholarship—the full tuition for a needy student at some schools. Break it into four scholarships of \$5,000 each for wealthier students who would probably go elsewhere without the discounts but will pay the outstanding tuition if they can be lured to your school. Over four years the school will reap an extra \$240,000, which can be used to buy more rich students—or gifted students who will improve the school's profile and thus its desirability and revenue.

In the early 1990s, when merit aid first began to flourish, the rule of thumb was that \$1,000 could tip the decision for a student on the fence between two institutions; \$4,000 would get him to accept his second choice, and \$6,000 his third choice. (Colleges can determine students' preferences from the questionnaires that all students fill out before taking a College Board or ACT test.) Armed with this knowledge, private schools went on a spending spree, buying up "meritorious" students (defined as gifted or rich, but ideally both). And public schools jumped at the technique as well: from 1992 to 2000 the proportion of state aid based on merit rose from just under 10 percent, where it had hovered throughout the 1980s, to 25 percent. Since 1990 the average discount on "sticker-price" tuition has risen from 26.5 percent to just under 40 percent, and the proportion of students not paying full price has grown from 62.5 percent to 80 percent. The resulting confusion about the actual cost of college gives the enrollment manager a free hand to manipulate prices for individuals.

To decide how to parcel out financial aid, the enrollment manager puts admitted students onto a grid with need on one axis and academic ability on the other. This is called "segmenting the class" or "table analysis." The school then adjusts financial aid for students by group, with the goal of increasing the "yield rate" for the most desirable prospects—typically academic stars and those willing to pay most or all of the tuition ("full-pays"). A school with a revenue problem

puts its money toward rich students; a school that's going after prestige pushes it toward students with high SAT scores. Where the school might be paying more than is necessary to attract a candidate (for a wealthy student with low grades, for instance, or an in-state student with few other options), aid is cut accordingly. Some schools are content to fine-tune their financial-aid packages for different groups by trial and error from year to year. But more-advanced enrollment managers, and all the major consulting companies, use a statistical method called logistical regression to determine how each group will respond to a different award, based on how students have behaved in the past.

One of the basic texts of enrollment management recommends a book about pricing techniques developed by the airlines: *Revenue Management: Hard-Core Tactics for Market Domination*. Using the logic of the Saturday-night stay and the fourteen-day advance purchase, advanced financial-aid leveraging goes beyond general categories to forecast how much each student is willing to pay, and guarantee the best class at the lowest price. Schools and consultants combine test scores, grades, and class rankings from the testing services and students' high schools with demographic and financial data purchased from a credit-reporting agency such as Equifax. All this information is eventually reduced to the seven or eight variables that best predict a student's responsiveness to price.

In the least desirable categories (usually poor students with lower test scores) accepted students are often "gapped"—given a fraction of what they would need to attend, even after the maximum possible contribution from their families. (A school interested mainly in revenue might even give more money to a wealthy student with lousy scores than to a better-qualified poor student.) Some schools leave gaps as high as \$34,000 a year. From 1995 to 1999 the average unmet need for families earning over \$60,000 either stayed constant or narrowed slightly; for families earning \$40,000 to \$60,000 it grew by three percent; and for families earning under \$40,000 it grew by 27 percent. Some schools have no choice but to gap students once they've exhausted their aid budgets. Others will intentionally gap poor students so severely that they decide not to attend in the first place—or, if they enroll, the long hours of work-study and mounting debts eventually force them to drop out. Called "admit-deny," this practice allows a college to keep poor students out while publicly claiming that it doesn't consider a student's finances when making admissions decisions.

"Admit-deny is when you give someone a financial-aid package that is so rotten that you hope they get the message: 'Don't come,'" says Mark Heffron, a senior vice-president at Noel-Levitz, one of the largest enrollment-management consulting companies. (His financial-aid division currently has 140 clients.) Unfortunately, "they don't always get the message." When consulting for a school that gaps students to a point where they are likely to drop out, Heffron encourages schools to call students and tell them that unless they can find an additional source of money—such as a generous relative—they should decline the offer of admission.

However nasty, admit-deny allows schools to avoid the controversy associated with publicly abandoning need-blind admissions. That students are rejected on the basis of income is one of the most closely held secrets in admissions; enrollment managers say the practice is far more prevalent than most schools let on.

"Good luck getting any institution to tell you exactly how they handle ability to pay as a driver in their admit decision," said one enrollment manager who requested anonymity. "What they will say is 'We're need-blind.' That's bullshit. They would never tell you exactly how they do it, but they do it all the time."

Schools also use detailed data to systematically cut aid to students whose behavior shows they are likely to accept admission anyway. A student who lists a school first when asked where to send test scores, files for financial aid with that school, and then visits campus has tipped his hand, and some schools will figure, why waste money to attract a sure thing? Understandably, schools don't publicize this practice: in 1996 Johns Hopkins found itself on the front page of *The Wall Street Journal* for even considering it. The incident remains notorious in enrollment-management circles.

"I think that's self-defeating, and first of all I don't like the morality of it," Heffron told me. "It's one of those things where if anyone finds out you're doing it, you're dead."

The demand for revenue and prestige also increasingly controls the earlier, mass-marketing and recruitment stages of the admissions "funnel," by which a student goes, in the industry lingo, from "suspect" to "prospect" to "admit" to "matric." The ACT and the College Board don't just sell hundreds of thousands of student profiles to schools; they also

offer software and consulting services that can be used to set crude wealth and test-score cutoffs, to target or eliminate students before they apply.

At the AACRAO conference two members of the University of Alabama's enrollment-management team demonstrated how, in their campaign for out-of-state prospects, they overlaid income data from the U.S. Census on maps of high schools in Texas to target wealthy students. (Alabama's data-mining strategies are inspired by the success of the credit-card company Capital One.) After the presentation I sat down with Roger Thompson and asked him how he approached recruiting at rich private secondary schools.

"Oh, if you're in enrollment management, those schools are fantastic!" he said. "There are some kids there that we'll buy. The National Merit kids, they're going to get a full ride. But if you're sitting at a private high school in Florida, where they pay twenty grand to go, we don't even bring financial-aid material. What's the point? You don't even need to talk about cost."

SAT and ACT scores, both because of their importance in determining college rankings and because the testing services are the main sources for "leads," carry special weight in this process, although their value in predicting a student's ultimate success at college is highly questionable. Brian Zucker, the head of Human Capital Research, an enrollment-management consulting firm, measures the correlation between SAT score and freshman GPA for his clients and typically gets results between .03 and .14 on a scale from 0 to 1. ("I might as well measure their shoe size," he says.) Nevertheless, because the enrollment manager pursues hundreds of thousands of purchased leads rather than waiting for students to come to him (the "gatekeeper" model of admissions has been dead for some time), schools make thousands of decisions based largely on test scores long before students even apply, locking some students out of colleges where they might have thrived.

"It's made schools lazy and stupid at the same time," Zucker says of these tactics. "It's a blunt object, a pre-sorting mechanism, and it's a great labor-saving device. What a convenience! I can look and say you're an 1150, you're going to be all right—instead of having to pore over this thing and wring my hands and justify taking a chance because this kid's got an average of X but I'm seeing things that make the case as an individual. That takes work.

"The real opportunity costs are not the billions we're throwing out in marketing. It's the opportunity cost of looking past literally millions of kids who would do a great job."

Enrollment management has spread so quickly across American higher education because it gives many college presidents and trustees exactly what they want. The major enrollment-management consulting firms tout "before" and "after" profiles of satisfied colleges. Maguire Associates, by shifting from need-based aid to merit aid, has bumped up a school's average SAT score from 1350 to 1380 while increasing revenues by 162 percent. Noel-Levitz has increased an average SAT by fifty points, raised an average GPA from 3.48 to 3.62, and dropped the acceptance rate by 13 percent; it has boosted the number of "no-need" students—those who don't even request financial aid—by 60 to 70 percent, and the number of minority students by 20 to 40 percent; it even expanded one college's freshman class by 3,000 students.

The consultants say they never tell schools what to do—they only present options. After they've worked up a model of how students will respond to different aid packages, the next step is to create a menu of sorts, detailing the different entering classes a school could have if it adopted their techniques. One option will almost always maximize net revenue; others might emphasize total enrollment, academic quality, ethnic diversity, or the enrollment in a specific program, such as engineering. Each potential class on the list comes with tradeoffs; generally, academic quality, revenue, or diversity can each be increased, but only at the cost of the other two attributes. In the business these costs are known as "the price of your principles."

Low-income students often suffer in this process. They drag on both revenue and academic profile, and it's hard for outsiders to tell when their numbers are reduced. Although universities are required to report gender and racial diversity to the Department of Education, their income data can be gauged only through rough proxies—for example, the number of Pell Grant recipients. When David Kalsbeek arrived at DePaul University, where he is the vice-president for enrollment management, he wanted to measure how the school—founded by Vincentian friars—was living up to its

mission of educating poor and first-generation college students. He called all the major consulting firms, and none had a satisfactory response.

Though they may dislike cutting the number of poor students, presidents and trustees are held accountable for a school's place in the pecking order. "There's pressure for rankings," says Tom Green, the associate vice-president for enrollment services at Seton Hall. "There's no doubt about it. Presidents get pressure from board members, from alumni. They'll say, You're number eighty-seven. How are you going to get to be number eighty-five?" Eugene Trani, the president of Virginia Commonwealth University, a Tier III school in the *U.S. News* rankings, carries a laminated card in his pocket to remind him of the school's strategic goal of making it to the next tier. **For every year the school stays in the higher tier he will receive a \$25,000 bonus—a fact first reported by *AGB Priorities*, an industry newsletter.** A vice-president at Hobart and William Smith was fired when she failed to report current data to *U.S. News* and the school's ranking dropped from Tier II to Tier III. The incoming president spent the early part of his tenure repairing the damage.

Trustees also bring their own values to the table. "There are trustees who think that scholarships will make a kid's mind turn to mush—after all, they worked their way through school," Mark Heffron says. "On the other hand, they're incredibly rich and can't understand why anybody would think forty thousand dollars a year is a lot to send your kid to school."

Several of Seton Hall's trustees attended the school in the 1960s, when it served blue-collar "good Catholic families from New Jersey," as Tom Green puts it. The school has since become far more selective, and more expensive. "Today we're a top-tier, national, major Catholic university in the United States," Green says. "They love that. But they hate the fact that we're now too expensive and too selective to serve working-class blue-collar New Jersey families who are first-generation. I'm happy to do either, because I see the benefit of both, but there's not enough money to field both teams."

Stanley Henderson, a former AACRAO president and currently vice-chancellor at the University of Michigan—Dearborn, says that even tempting the leadership with these tradeoff tables is unethical. "It's the charlatans who will present this in a way that says, 'We can give you whatever you want and here are the data that show you what we can do,'" he told me. Instead, Henderson argues, the enrollment manager should balance the demands of the marketplace against the values of the institution and go to the president and trustees as an advocate for the best possible compromise.

But enrollment managers are often effectively ordered to squeeze more money out of poor students—"to nickel and dime these families making \$48,000 a year," as Zucker puts it. Their continued employment depends on meeting specific goals. "You're only as good as your last fall's enrollment," Kalsbeek says. "You're wanting people to take this grand, principled, big-picture perspective on their work, but holy shit, you miss your target and you're gone."

The enrollment managers I spoke with weren't blind to where this was all heading, and the populations they were leaving behind—North Jersey's blue-collar families, Alabama's blacks and rural poor—were very much on their minds. Roger Thompson's university isn't yet so selective that he has to cut off poor but able students—and, he told me, "I don't really want to get there. I still want that kid from Jackson, Alabama. His father's a truck driver making seventeen grand a year, and no one's graduated from high school in the family, and the kid's got a twenty-four, or let's say a twenty, ACT. I want that kid to have a chance."

Only the most ruthless single-mindedly pursue profits or prestige at the expense of low-income and minority students. "It's really up to the institutions," Heffron says. "Many schools will tell us, Even though we can get fewer needy students to come, that's not what we're going to do. We're not cutting everyone until they squeak." Many schools mix the merit and need-based approaches, using the techniques simply to guarantee that they have enough students and revenue to stay afloat. And although competition increasingly threatens a university's principles, the most innovative work in the profession comes from enrollment managers who attempt to align market with mission.

David Kalsbeek, for instance, has an impressive record: DePaul is now the largest Catholic and the eighth largest private school in the country, and it's home to a top-ranked M.B.A. program. But those successes, built by Kalsbeek's formidable corporate tools and overseen from his corner office high above downtown Chicago (his 175-person division resembles a

small consulting firm), allow the Vincentians to underwrite the school's commitment to educating poor first-generation Chicago students, rather than scrambling up the *U.S. News* rankings.

"No margin, no mission" is the watchword at DePaul. By expanding its profitable professional programs and slowly improving its faculty, campus, and marketing to attract more students, especially full-pays, the school has brought in enough revenue to enroll more low-income students. As a result, 26 percent of undergraduates have family incomes below \$36,000, and 38 percent are the first in their families to attend college.

Tally Hart, a veteran advocate of need-based aid at the national level, is another enrollment manager who has found that the demands of ethics and the marketplace can pull in the same direction. When she joined the enrollment-management team at Ohio State University, she says, "My friends thought I just checked my morals at the border. I honestly don't think that many people thought about how enrollment management might be used for optimization of other things, like needy students." OSU was one of the first public schools to adopt the financial-aid leveraging (Hart prefers "management") techniques developed for private schools, but it retooled them to improve economic diversity and academic quality, not just revenue. Even merit aid can make college more accessible to the poor, if the additional revenue it generates is funneled back into need-based aid. When I asked which tradeoffs she faced, Hart replied, "None." Precise recruiting lets her find students who will increase socioeconomic diversity and academic quality, and also bring extra revenue in the form of state grants for low-income students. **With those additional funds (which vary enormously from state to state) low-income students can actually bring more net revenue than their richer peers.**

More-advanced enrollment managers also tend to focus as much on retaining admitted students as on deciding whom to recruit and accept. They smooth out administrative hassles, guarantee at-risk students the advising and academic help they need, and ensure that the different parts of the university's bureaucracy work together to get students out the door with a degree. The more schools consider how students will fit in and succeed, the less likely they are to gap them excessively or bribe them to come—practices that tend to hurt graduation rates (and rankings).

Admittedly, using enrollment management responsibly—finding the right students for each school and graduating them successfully—requires more hard work than simply hiring consultants to chase wealthy and high-scoring students. But the challenge is what people like Kalsbeek and Hart find appealing.

"All the acclaim in law goes to the lawyer who wins the unwinnable case, in medicine to the doctor who cures the incurable disease," Kalsbeek says. "In higher education it's the people who enroll the best and the brightest and then manage to graduate them?"

"I had a conversation with an institution not too long ago that was interested in having me come on board, top tier. They wanted a larger share of their freshman class to have them as first choice, rather than as a second choice to an Ivy-caliber competitor. Why would you even get out of bed in the morning?"

"We need places like that—we just don't need any more."

Nevertheless, competition draws a growing number of schools to the ugly side of enrollment management. "If you're sitting out there, you're not Harvard, and your competitors are offering merit-based aid, you've got to compete," Heffron says. "If you don't, you're going to fall on your moral sword."

The process only gets more intense each year. In April, as students are making their decisions, admissions officers grow anxious about whether they will hit their numbers. Kalsbeek relates an anecdote about a colleague, Jim DiRisio, the director of admissions at St. Bonaventure, who was serving in Iraq as a major in the Army Reserves. Being stationed in Baghdad, DiRisio said, provided the first time in ten years he had gotten a good night's sleep in April.

The most elite schools, cushioned by their wealth and the huge number of applications they get each year, have remained somewhat above the fray, maintaining strictly enforced firewalls between admission and financial aid. But they, too, use "preferential packaging" to give larger grants to more-desirable students. And the commitment to meeting need at some of these schools is under threat.

"The dilemma is you have this small number of institutions committed to need-blind admissions and need-based financial aid only," says Ronald Ehrenberg, an economist and a former vice-president at Cornell who studies higher education. "There can't be any more than twenty or thirty. Now we have these institutions that are a little below us in the prestige pecking order aggressively pursuing a merit-aid strategy. And the question is, How long will places like Cornell be able to continue to maintain these sets of principles?"

USC, Carnegie Mellon, Tulane, Washington University in St. Louis, NYU, Syracuse, Boston College, and Boston University are among the highest-profile schools committed to ambitious enrollment-management strategies. Other schools are being forced to adopt enrollment-management practices to hold their position, or just to survive. Gordon Winston receives pleading calls from colleges: A small, well-known liberal arts school finds that its best prospects are being poached by other colleges' enrollment managers, so it parries by adopting the same tools. A Catholic school in Brooklyn also finds that students are being lured away, but it is simply too poor to do anything about it.

More and more, schools are chasing the small number of students who have the money or the test scores that help an institution get ahead. As those students command higher and higher tuition discounts, they leave a smaller and smaller proportion of the financial-aid budget for poor students, who are increasingly at risk of being left out of higher education.

"This '05—'06 cycle, it's brutal," Brian Zucker says. "I can't believe the ridiculous competing offers that I'm seeing out there. The arms race has gone completely unchecked. Institutions are still not getting it. I'm seeing it from all kinds of schools. Schools that really surprise me that they're playing these games, because I thought they were better than that and I thought they had the bigger picture. But I guess not."

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