

REALISTIC AND PRODUCTIVE ENROLLMENT FORECASTING

STEVE STEINHILBER

EXECUTIVE VICE PRESIDENT

LUTHER RICE COLLEGE AND SEMINARY

WHY REVENUE FORECASTING?

- Realistic and accurate revenue forecasting is crucial in a day of tight operating budgets.
- Just a 2% to 5% miss in tuition and fee revenue can cause real problems for your bottom line.
- It's easy to be overly optimistic (unrealistic) with revenue forecasting to avoid having to make the hard decisions with expenses, personnel, and other areas of the institution.
- Establishing a repeatable forecasting model forces you to better understand your enrollment management (including yields, trends, market impacts, internal impacts).
- You know the magnitude of accurate forecasting...let's dive in and try to solve it.

KEY AREAS OF ENROLLMENT FORECASTING

- Know your rates and recruiting targets to build your model
- Know your pricing structure and strategy
- Know your mix
- Integrate your forecast into your Financial Budget

This is not earthshattering stuff. You probably already have much (if not all) of this information. It's just a matter of putting it together to tell a story.



KNOW YOUR RATES AND RECRUITING TARGETS

The dreaded funnel!

- Prospects (by program if you have it)
- Applicants (by program)
- Acceptances and Acceptance Rate % (by program)
- Enrollment Rate % (by program)

KNOW YOUR RATES AND RECRUITING TARGETS

The dreaded funnel example:

- 1,500 Prospects yield... 500 Applications
- 500 Applications yield... 375 Acceptances (*75% acceptance rate*)
- 375 Acceptances yield... 244 Students Enrolled in class the first eligible semester (*65% enrollment rate of acceptances*)
- 244 Enrolled students yield... 159 Students retained the following year (*65% retention rate year-over-year*)

BUILD YOUR FORECASTING MODEL

Step 1

1. Start with prior year semester headcount numbers by program
2. Subtract out graduates by program since the prior year
3. Apply year-over-year retention rates (%'s) by program

** This will give you an estimate of retained headcount by program for the forecasted semester.

BUILD YOUR FORECASTING MODEL

Step II

1. **Add** the “Students Enrolled in class the first eligible semester by program” you calculated from the funnel **to** the estimate of retained headcount by program from the previous slide.

** This will give you an estimated headcount by program for the forecasted semester

2. Apply the average course count per student taken per semester by program to the estimated headcount by program for the forecasted semester (above).

** This will give you an estimated course count by program for the forecasted semester

BUILD YOUR FORECASTING MODEL

Step III

1. Multiply your tuition and fees by program by the estimated course count by program for the estimated semester calculated in *Step II*.
2. Apply any tuition and fee discounts (scholarships, etc.) by program for the estimated semester.

** This will give you an estimated tuition and fee revenue by program for the current semester.

NOTABLE ASSUMPTIONS

- I normally calculate all enrollment and revenue forecasts “prior to drops”
 - After I have the estimated headcount and course count by program, I apply a historical “drop %” to produce a net headcount and course count.
 - This is very helpful for future analysis to see how you ended up “gross” and “net” or “prior to drops” and “net of drops” vs. your forecast.
- Our school does not have many programs and underlying variables in the programs.
- We publish a schedule that offers a majority of classes each semester and each class at least once during the year.
- You will need to assess your individual situation and address any additional variables in your model.

KNOW YOUR PRICING STRUCTURE AND STRATEGY

- Ensure that you are applying the most accurate tuition, fees, and discounts in the model.
- If you are increasing the cost of tuition and/or fees in the coming semester, calculate the cost increase you have built into tuition and fee revenue for future analysis purposes.
- Have a pricing strategy
 - Do you know how you compare to your peers? Not just in tuition, but total cost of a class?
 - Where do you want to be in relation to your peers?
 - Do you know how many of your students are Financial Aid vs. Self Pay?
 - What is your discount strategy? Is it sustainable?

KNOW YOUR MIX

- Program mix can have a tremendous impact on your tuition and fee revenue and future forecasting.
- For example:
 - Undergraduate students take on average 3 classes per semester
 - M.Div. students take on average 2.2 classes per semester
 - Master of Arts students take on average 1.8 classes per semester

KNOW YOUR MIX

- If you over estimate the # of Undergraduate students and underestimate the # of Master of Arts students...you may be O.K. in total with your forecasted headcount. However, when you extrapolate this out into course count, you can get way off real quick because of the disparity in # of classes taken per student on average per program.
- **Example:** The difference between Undergraduate and Master of Arts classes per student is 1.2 classes from our previous slide. Seems minimal, right? Not quite!
 - 1.2 classes @ 200 students @ \$1,000 per class = (\$240,000) revenue miss due to a program mix forecasting error.

INTEGRATE YOUR FORECAST INTO YOUR FINANCIAL BUDGET

- A realistic and productive enrollment forecasting model is just another “paper exercise” if you do not utilize it in your Financial Budget.
- A realistic and productive enrollment forecasting model helps prepare a realistic and productive Financial Budget.
- Continually measure your actual results compared to your forecasting estimates. This allows you to assess (and change if necessary in the future) your rates and other estimates.

CONCLUSION

- Realistic forecasting can provide:
 - Greater clarity to the current state of your institution
 - Groundwork for you to build on moving forward
 - Realization that tough cost cutting decisions may need to be made
 - Realization that new initiatives/strategic goals can be implemented

Called to be good stewards of the financial resources of our institutions, we are required to realistically budget and forecast. Inflated or unrealistic budgeting and forecasting only kicks the can or “tough decisions” down the road.

