Competing with Free

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Enrollment & Financial Aid | Article by Cecily Garber and James Palmieri

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Many independent schools pride themselves on their beautiful facilities. Soundview School in Lynnwood, Washington, is not one of them. Not that anyone in the community is ashamed of the campus; it’s well maintained and supports the mission. Rather, surrounding public schools recently completed capital projects, and with an affluent taxpayer base, their new buildings are breathtaking. Soundview can’t hope to replicate them with its smaller student body and more limited resources. But it finds other ways to differentiate itself and attract mission-fit students.

The Bottom Line

- 90% of families choose public schools, and enrollments in charter schools, magnet schools and homeschooling are on the rise, complicating educational markets.
- To remain attractive to prospective families, independent schools can’t simply be smaller versions of public schools. Differentiators will vary by context but may include program, community, personal attention and more supportive environments.
- When implementing strategic changes, the business model will likely need to adjust. This may include altering staffing levels, facilities use, and marketing approaches.
- The defining freedoms of independent schools provide programmatic and operational advantages that can be utilized to demonstrate value. The in-house business office in particular allows for greater nimbleness than larger bureaucratic systems.

A K–8 school that specializes in International Baccalaureate curriculum, Soundview sends most of its graduates on to the public high school, which is also an IB school. But the value proposition is about more than the IB program or even about choice. Local public elementary options include a multi-age classroom model; a brand new, purpose-built kindergarten building; and a homeschool hybrid center.

What those schools don’t have is Soundview’s close-knit community, which a recent school survey revealed was the school’s most attractive feature. “We’re smaller, so we know
everybody,” explained Chris Watson, head of school. “Families partner with the school, and so do students. They have agency in their own educations.”

That closeness is to some extent the hard-won outcome of intentional rightsizing and careful strategic planning, which has doubled this year’s enrollment funnel numbers. The transformation has taken several years, and the results are still unfolding.

**Nimble Competition**

Soundview is far from alone in facing its stiffest competition not from other independent schools but free educational options, be they well-funded publics, selective public or magnet schools, homeschooling or charter schools.

“I’m seeing public schools, which operate with all the traditional burdens of the public sector, offering the kinds of tremendously innovative and successful learning experiences that families are asking for,” said educational consultant and author Grant Lichtman. “Ten years ago, there were just a handful of public schools that were truly structured around a more student-centric, personalized, deeper learning operating system. Today I can’t even keep track of all the schools and districts that have shifted away from that less ‘industrial’ model of learning.” He has seen public schools shift their focus and approach systematically in as few as five years.
The most important lesson that independent schools can learn from innovative public schools, “is that learning is NOT a function solely of financial resources,” Lichtman said. Because 70% of most school operating budgets are personnel-based, he urged independent schools to reconsider class size in addition to programmatic changes. “Great public and charter schools are creating the same and better learning outcomes with ratios of 25:1,” he said.

Lichtman sees business officers as the leaders “best positioned” to lead large-scale changes. “They have to advocate for school leaders to think differently and be willing to make uncomfortable decisions,” he explained. “They have to help lead discussions about alternatives [to traditional models] that will BOTH create a differentiated value proposition AND reduce the rate of cost increases.”

Both Sides of the Coin
Soundview engaged in precisely these kinds of conversations when seeking to reverse an enrollment drop that followed the Great Recession and departure of the school’s founding head a few years later. To more clearly differentiate the school’s offerings, senior leaders decided to double-down on its multi-age classroom approach, which allows students of different ages to participate in classes that best suit their needs regardless of grade level. It had been common practice but became policy and a key point in marketing.

Soundview also adjusted its business model. In 2014, when Watson became the interim head, Soundview employed 35 full-time employees for a student body of 112. With clear messaging and ample advanced warning, nine FTEs retired or left the school, leaving the full count at 22, where it stands today.

Furthermore, the campus had a capacity for 275–325 students at that time, but a feasibility study suggested 175 students was optimal. Despite the best recruiting efforts, however, even that number wasn’t attainable. When a new director of advancement came on board, he identified the problem. Using a wealth screening tool, he gathered data about families within a five-mile radius, where 90% of current families lived. There weren’t enough who could reasonably afford the tuition.

So the board developed a strategic plan to define the school’s market position. “Our strategy was that if we properly positioned the school in our market, we could reduce financial aid and increase enrollment,” he said.

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Chris Watson

Soundview School
Major donors agreed to provide transitional funding for three years while Soundview froze and then lowered tuition while honing its marketing efforts. “We tripled the marketing budget and went for it,” Watson said. “We had a whole marketing campaign that was about being a neighborhood school and about access. We backed way off on the marketing of our financial aid program.” Positive messaging was key, said Watson. “We didn’t want to appear that we were having a fire sale. It couldn’t appear that this was about the survival of the school, but rather the future of the school.”

Simultaneously, Soundview launched a capital campaign for a new middle school building. A financial study showed that compared to renting, investing in its own building would save the school $250,000 over five years. “That was also part of the communication, that we are reinvesting in the growth of our school,” said Watson. This school year, the first year of the tuition drop, numbers at every step of the enrollment funnel have doubled, and financial aid is down from 36% of gross tuition to 20%.

With a nearby light rail station to open in 2024, the area is being rezoned and redeveloped, which may promise more opportunities. The strategy is to stick with current enrollment goals — what the data shows is feasible — while strengthening the student body. “We’re going to continue a strategy that is market-based, not budget-based,” said Watson. “I love the current data,” added Hazel Estrella, director of finance and operations, “but we need to make sure to keep our excitement at bay and stick to real numbers as we make decisions that will impact the next several years.”

**Trends in Public and Private Enrollment**

50.6 million students attend the 98,160 public elementary and secondary schools in the U.S., according to the latest data from the National Center for Education Statistics (2016–17). From fall 2016 to fall 2028, NCES predicts total public-school enrollment will increase by 2%, to 51.4 million students.
In comparison, 5.8 million students or 10.2% of all elementary and secondary students were enrolled in private elementary and secondary schools in 2015 (the latest data). Private school enrollment peaked in 2001, with 6.3 million students and then fell to 5.3 million in 2011. Numbers for most types of private schools have increased since then.


**Shifting Visions**

On the opposite side of the country, Catholic Memorial School in West Roxbury, Massachusetts, is also learning to embrace nimbleness in the face of stiff competition from, in its case, selective public schools. The most formidable competitor of the all-boys grades 7–12 day school is the oldest public school in the U.S., Boston Latin, which was founded in 1635. Highly prestigious, the secondary school is one of several selective publics in the city.

When CFO Joe MacDonald attended CM himself, graduating in 2002, the school was known as an athletics powerhouse. Following the Great Recession, applications to independent schools around the Boston area fell about 40%, and CM was not immune to the
shift. A Christian Brothers school, CM’s cost structure also changed, due to fewer religious faculty entering the field and increased numbers of lay faculty that required higher salaries.

The school initially shifted its focus to global education to attract international students and provide exchange and service opportunities abroad. But its prospective families still saw CM’s strengths in athletics rather than academics, and its high price-point limited the number of families who could afford it.

In the past five years, the school has shifted gears again, to better connect what it offers and how it offers it with what the marketplace is seeking. “We’ve made a very intentional effort to look at our curriculum, our teachers, their talent level and how we compensate them, and how we teach boys, which is very different now than it was 10 or 15 years ago,” MacDonald said.

Like Soundview, CM has invested significantly in marketing, and markets differently to different segments, because diversity of backgrounds, strengths and interests is a major selling point of the school. “If you drive into our parking lot, you’ll see a pick-up truck next to a Mercedes. That’s a big part of the experience,” said MacDonald. “For us it’s not a matter of having one value proposition for an entire admissions class; it’s having very targeted and direct appeals to different families and students.

With around 630 students, CM is the smallest school in Boston’s Catholic conference, and as such, touts its personalized pathways for each student. In contrast to the larger publics, “you’re going to be known and have a plan of engagement all the way through from seventh or ninth grade through your senior year,” MacDonald explained. CM pairs its enrollment team and college counseling office to create a “360-degree path” for each student. With increased communication about student success from entry point to graduation, admissions officers can share authentic messages about outcomes. And
counselors have an increased understanding about students entering the school and how their experience might be tailored to their strengths and interests.

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Joe MacDonald
Catholic Memorial School

Another strong point which CM highlights to prospective families is its Beyond CM program, a college counseling process that starts in the ninth grade. Students go through “a three-and-a-half-year discernment process about who they want to be, whether and where they want to pursue college and who they want to be as a man,” said MacDonald. Counselors have also established relationships with colleges around the country. “It’s really helped us build our brand... It’s not an experience that many public schools have, simply because there are so many kids you have to care for.” CM’s college list “has improved profoundly in the past five years,” reported MacDonald. “We’ve seen a 300% increase in acceptances into the most selective colleges listed in ‘Barron’s Profile of American Colleges.’ Also, we've seen a 33% increase in students attending Catholic colleges, which is very important to us.”

In addition to reworking its staffing model, CM is building a new facility with nimbleness in mind. The plan emphasizes flexible spaces that can be used in multiple ways, rather than specialized spaces used for just a few hours a day. And the emphasis is on
the student experience, not physical space. “If you don’t have the product, something that’s truly different, the physical plant isn’t going to get you where you want to be,” MacDonald said.

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**Trends in Charter Schools**

Most often operated independently from a traditional school district, charter schools are public, tuition-free schools that are open to all students. Most are nonprofit entities free from many state educational standards, including requirements for teacher accreditation.

Just over 3 million students attend a total of 7,000 charter schools throughout the U.S. The focus of each school may be unique, ranging from college prep to Montessori to specific subjects. Most but not all charter schools are urban, and because they do not have traditional school boundaries like district schools, many attract a diverse student body.

Charter school enrollment grew rapidly from 2000–2016, increasing 571%, according to the National Center for Education Statistics. While parents report being more satisfied at charters than traditional public schools, NCES did not find any meaningful difference in academic achievement between the groups.

Charter schools also have a high rate of failure. More than 35% of charter schools that received federal funding between 2006 and 2014 either never opened or were shut down, costing taxpayers more than half a billion dollars, according to a 2019 report from the advocacy group Network for Public Education.

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**Outside the Pressure Cooker**

Beacon Academy, an independent high school in Evanston, Illinois, faces competition similar to CM’s — Chicago’s selective public high schools. Those schools “represent a certain level of status, prestige, name recognition,” said Head of School Jeff Bell. “They are also academically rigorous, and a specific population of student matriculates,” due to a testing requirement, which makes them “very attractive to some families.”
What may be less attractive are “early starts and factory-like schedules,” and a larger enrollment of 1,200–1,500 students as opposed to Beacon’s 213. However, “Just trying to create a smaller version of the free public option is not going to be attractive to many families or students,” said Bell. The school’s Montessori-based IB program is a “significant differentiator,” reported Bell. “None of the free options offer this kind of education.” And Beacon draws on its location, in a college town and close to a metropolitan area with easy access to mass transit; the commute is easier for many families.

Perhaps most importantly, Beacon provides an alternative to the “pressure cooker” environment of the selective publics, “in which achievement is valued most by teachers and administrators alike,” said Bell. “Students fit into a certain track, and only the very best are able to participate in activities like athletics and the arts.” In contrast, Beacon emphasizes to its prospective families how “every student voice is heard and valued, and every student known and cared for.”

A strong selling point to prospective families is Beacon’s student-developed-and-led tours. “We want them to represent the school for what it is, and that’s very refreshing,” said Bell. The goal is not to be uniform or highly polished but authentic and engaged. "A lot of parents come in and say, ‘I want my kid to be like that.’"
primary differentiator for Trinity Hall, an all-girls high school in the Catholic tradition, is also a nurturing environment. When the northern New Jersey school opened in 2013, leaders expected the primary competition to be local parochial schools and potentially other independent schools, and so strove to keep tuition relatively low. But within two admissions cycles, staff discovered that many mission-fit students were attracted to the “highly academic but very specific vocational [public] schools in our market,” said Theresa Kiernan, director of advancement and admissions. Low tuition was still more than free.

The mostly STEM-focused magnet schools have highly competitive admissions and an “impressive” college list, reported Kiernan. What sets Trinity Hall apart is its more well-rounded curriculum with strong courses not only in STEM but also humanities, arts and extracurriculars. The high-performing athletic program is also attractive; the magnets don’t have their own teams, so students must travel to their local high school to participate. And Trinity Hall underscores how “the classroom climate is never cut-throat, and the health of our school community is always prioritized,” said Kiernan.
The most effective enrollment strategy has been to reach out to early middle school students well before the admissions cycle to the magnet schools begins in eighth grade, explained Kiernan. “If a student falls in love with Trinity Hall in sixth grade, she enters the eighth-grade admissions process with a deep understanding of our culture and what we have to offer her as a student.”

Trends in Magnet Schools

Magnet schools are free public elementary and secondary schools of choice that are operated by school districts or a consortium of districts and are accountable to state standards. Magnet schools have a focused theme and aligned curricula in areas such as STEM subjects, fine and performing arts, international studies, career and technical education and world languages. Due to high demand, most magnet schools determine student acceptance by a lottery system.

Magnet schools are the single largest form of public school “choice,” with 4,340 schools educating more than 3.5 million students in the U.S., according to Magnet Schools of America. Magnet schools have more than doubled in recent years, increasing from 1,469 schools in 2000 to 3,285 in 2015, according to the most recent data from the National Center for Educational Statistics.

The Business Office Advantage

Kevin Goetz, now head of school at Trinity Lutheran School in Newport News, Virginia, was once the principal of a public preschool–grade 3 school in an affluent district. “Parents would kiddingly say it was like going to a private school without paying the tuition,” said Goetz. “And to a certain extent, I ran it like one, giving tours to families every week.” But having many years of experience in both public and private schools, he fully understands the advantages of independence.

“The biggest difference between public and private, I always say, is that in public, the business side happens away from the school. So much of the budgeting, teacher salaries, that’s
outside of you,” he said. “Even in a smaller division, decisions are made that you have no control over. When you’re in an independent school, the business side is part of your operation every day. It is readily apparent. And now, for better or worse, I have some role or influence in every decision.” Goetz has used his voice to shape an outstanding faculty and staff that have increased enrollment and strengthened school finances.

When Goetz joined Trinity Lutheran, a preschool–grade 8 school, he assumed other independent schools would have a competitive attitude, but was surprised when the head of a local leading independent school reached out to welcome him to the community. That head “has reiterated to me that he appreciates what Trinity does because we are acclimating families to the benefits of a private school,” said Goetz. With a lower price point than other area independent schools, Trinity may be a family’s first experience with private education, and if they have a good experience, they may be willing to pay a higher tuition in later grades.

If Goetz doesn’t see Trinity competing with other independent schools, he doesn’t see the school competing with public schools either. “We’re going to be different things to different families,” he said. “It’s not like there are three pieces of pizza left and the question is who’s going to get the last slice. If you don’t want a slice of pepperoni, you won’t choose to eat it.”
The defining freedoms of independent schools include the ability to construct the academic and cocurricular programs they feel best support the development and social, emotional and physical well-being of their students; the ability to enroll students that will benefit from their program of study; the ability to hire, develop and evaluate faculty who carry out the school’s mission; and the ability to allocate resources outside of government control. With such freedoms, independent schools have numerous opportunities to respond to the shifting demands of the marketplace and develop the kinds of educational experiences that families today seek.

**Trends in Homeschooling**

The percentage of students ages 5–17 that are homeschooled increased from 1.7% or 850,000 students in 1999 to 3.4% or 1.8 million students in 2012. It then declined slightly 2012–16, to 1.7 million, according to the National Center for Education Statistics.

White and rural families saw the largest decline in homeschooling, which is growing more racially diverse. Hispanics showed a statistically significant surge from 15% of total homeschoolers in 2012 to 26% in 2016.

North Carolina may be leading homeschooling growth. A 2019 report from the North Carolina Division of Non-Public Education showed that 13% of K–12 students in the state are homeschooled. By contrast, independent schools enroll just 2% of K–12 students.

“In the end we each have our own mission and our niche in the market. To be honest there’s nothing worse to me than selling my incoming families on a mission and school, but then they get there and it’s a mismatch,” Goetz explained. “It’s more painful and more work, and can carry more hurt feelings than presenting who you are and then allowing families to make their choice.”

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