Conducting Market Analysis for New Programs

Developing Financially Viable Programs and Meeting Market Demand
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Centralized support services for market research at contact institutions are limited; the majority of market research for new programs takes place in academic units. To ensure financial viability for a new program, academic planning offices provide proposal templates to academic units. Faculty members then complete the proposals which include information about enrollment projections, tuition revenue, potential competitor programs, faculty salaries, equipment costs, and classroom space. Planning offices then evaluate proposals to ensure the data is accurate and approve or deny the proposed program based on whether they agree the program is financially viable.

Contacts report that new program enrollment projections are the most difficult data for academic units to collect and predict accurately. The differences between academic programs (e.g., target demographic) make it difficult to establish a uniform methodology to evaluate student demand for proposed programs. Methods for predicting potential enrollments include consulting industry advisory boards, presenting academic research or news articles about industry trends, evaluating popular programs at peer institutions, and interviewing alumni who are leaders in their fields.

Most profiled institutions do not dedicate sizeable resources or time to financial viability analysis for new programs. While institutions typically require between one and two years to develop a program, academic planning offices only spend two to three weeks of this time evaluating the program’s financial viability. An exception among profiled institutions is Institution D, where the provost dedicates up to $10,000 for external consultants to conduct market research for proposed programs.

Distance education divisions conduct more advanced market research during new program development than traditional academic units. Contacts recommend that administrators hoping to expand centralized services for financial viability analysis should consult with extension schools or distance education administrators. Distance education administrators often employ external consultants to conduct market research and can provide traditional academic units with contact information for the appropriate external consultant for their program.
2) New Program Development Process

Institutions Require Between One and Two Years to Develop a New Program

Institutions spend the majority of the new program approval process reviewing a proposed program’s academic curriculum and mission; academic planning offices only spend two to three weeks evaluating the financial viability of a new program. However, contacts note that academic units may spend additional time on financial viability analysis and market research when gathering information for the new program proposal.

Academic planning offices at profiled institutions do not generate ideas for new programs. Contacts note that faculty members lack enthusiasm for and are resistant to these “top down” initiatives for new programs. Instead, academic planning offices provide academic units with guidelines about considerations (e.g., student demand, required institutional resources) for developing new programs.

New Graduate Program Approval Process at Institution H

- A faculty member generates the idea for a new program.
- The academic unit completes a new program proposal with information about program curricula, resources, and faculty.
- The Faculty Senate Subcommittee on Program Review (SUPR) appoints two external consultants (i.e., faculty members from other institutions) to review the proposal.
- The Supr and Senate Committee on Academic Policy and Awards review the program proposal and external consultants’ recommendations.
- The faculty senate reviews and approves or denies the new program proposal.
- The academic unit receives approval to implement the new program.
- The program undergoes a review within eight years of implementation.
- The Provost submits the proposal to the Ontario Universities Council on Quality Assurance.
Roadblocks That May Impede New Program Development

<table>
<thead>
<tr>
<th>Potential Roadblocks</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic unit does not perform adequate market research</td>
<td>Provide templates for new program proposals that require rigorous and thorough data analysis</td>
</tr>
<tr>
<td>Faculty members from other academic units express concerns the new program will compete for students</td>
<td>Require academic unit to provide enrollment projections for only new students (i.e., those that would otherwise not enroll at the institution)</td>
</tr>
<tr>
<td>Faculty senate meets infrequently</td>
<td>Form faculty senate sub-committees for preliminary new program approval that meet more frequently</td>
</tr>
</tbody>
</table>

Expediting Development

Conduct Academic Review and Financial Viability Approval Processes Concurrently Rather than Consecutively

Contacts note the importance of expediting new program development to remain competitive with offerings at peer institutions and keep pace with current industry trends. However, contacts also warn that approving programs without adequate analysis and curriculum development can lead to offerings that are not financially viable or do not meet the academic standards of the institution. Administrators at Institution E note that a potential strategy for expediting new program approval is to conduct academic review processes and financial viability analyses concurrently rather than consecutively. During a concurrent program approval process, responsibility for academic approval remains with the faculty senate and responsibility for financial viability approval remains with budget and planning offices.

For more information about reducing the timeline to develop new programs, see the Education Advisory Board’s report on Expediting New Program Development.¹

Concurrent and Consecutive Processes for New Program Approval

Timeline to Develop New Program

3) Financial Viability Analysis

Division of Responsibilities

*Responsibilities for Financial Viability Analysis are Primarily Decentralized*

Academic planning offices at profiled institutions report that they do not play a major role during the market research phase of new program development. Contacts cite the following as reasons why the responsibility for market research lies predominately with academic units:

- **The lack of commonalities** between academic programs makes it difficult to establish a uniform system relevant to all potential new programs (e.g., market research for an undergraduate engineering degree must be conducted differently than market research for a master’s in liberal studies). The differences between academic programs impede an institution’s ability to realize the economies of scale associated with providing centralized services.

- **Fluctuating demand** for market research services makes it difficult to determine appropriate staffing and resource levels for centralized market research support. For example, an academic planning office may receive five proposals for new academic programs in one year and none the next year.

- **Faculty members are often the most appropriate authorities** on industry trends and student demand for a proposed program within their fields.

Considerations for Developing New Programs

- Does this program equip students with skills relevant to current industry trends?
- Does employer demand for graduates of this program exist?
- Does this program align with the institution’s mission statement and strategic plan?
- Does the institution have adequate resources (e.g., faculty expertise, facilities, materials) to launch this program?
- How many new enrollments will this program attract to the institution?
- Are there existing programs at competitor institutions that already serve the market for this program?
Require Academic Units to Complete Templates for Financial Viability Analysis with New Program Proposals

Centralized offices provide standardized templates to academic units that require rigorous financial viability analysis to submit new program proposals. Standardized templates ensure that new program proposals are uniform across academic units and that faculty members account for all of the costs (e.g., program administration, classroom space) associated with launching a new program. In the example below, the proposed new program is expected to be financially self-sustaining in its fourth year.

Sample Template for New Program Viability Analysis

Table 1: Projected Enrollments

<table>
<thead>
<tr>
<th>Year</th>
<th>New Domestic Student Enrollments</th>
<th>New International Student Enrollments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>Year 2</td>
<td>40</td>
<td>4</td>
</tr>
<tr>
<td>Year 3</td>
<td>60</td>
<td>6</td>
</tr>
<tr>
<td>Year 4</td>
<td>80</td>
<td>8</td>
</tr>
<tr>
<td>Year 5</td>
<td>100</td>
<td>10</td>
</tr>
</tbody>
</table>

Table 2: Projected Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Credit Units Generated</th>
<th>Domestic Unit Fee</th>
<th>Net Domestic Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>600</td>
<td>$195.90</td>
<td>$117,540.00</td>
</tr>
<tr>
<td>Year 2</td>
<td>1,200</td>
<td>$205.70</td>
<td>$246,834.00</td>
</tr>
<tr>
<td>Year 3</td>
<td>1,800</td>
<td>$215.98</td>
<td>$388,763.55</td>
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<tr>
<td>Year 4</td>
<td>2,400</td>
<td>$226.78</td>
<td>$544,268.97</td>
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<tr>
<td>Year 5</td>
<td>3,000</td>
<td>$238.12</td>
<td>$714,353.02</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>International Credit Units Generated</th>
<th>International Unit Fee</th>
<th>Net International Revenue</th>
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<tr>
<td>Year 1</td>
<td>60</td>
<td>$823.20</td>
<td>$49,392.00</td>
</tr>
<tr>
<td>Year 2</td>
<td>120</td>
<td>$250.00</td>
<td>$24,683.40</td>
</tr>
<tr>
<td>Year 3</td>
<td>180</td>
<td>$250.00</td>
<td>$38,876.36</td>
</tr>
<tr>
<td>Year 4</td>
<td>240</td>
<td>$250.00</td>
<td>$54,426.90</td>
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<td>Year 5</td>
<td>300</td>
<td>$250.00</td>
<td>$71,435.30</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>$166,932.00</td>
</tr>
<tr>
<td>Year 2</td>
<td>$271,517.40</td>
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<tr>
<td>Year 3</td>
<td>$427,639.91</td>
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<tr>
<td>Year 4</td>
<td>$598,695.87</td>
</tr>
<tr>
<td>Year 5</td>
<td>$785,788.33</td>
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Table 3: Projected Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Faculty Salaries</th>
<th>Instructional Materials</th>
<th>Program Administration</th>
<th>Classroom Space</th>
<th>Total Costs</th>
</tr>
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<tbody>
<tr>
<td>Year 1</td>
<td>$350,000.00</td>
<td>$500.00</td>
<td>$100,000</td>
<td>60</td>
<td>$450,560.00</td>
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<tr>
<td>Year 2</td>
<td>$350,000.00</td>
<td>$250.00</td>
<td>$100,000</td>
<td>120</td>
<td>$450,370.00</td>
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<tr>
<td>Year 3</td>
<td>$400,000.00</td>
<td>$250.00</td>
<td>$100,000</td>
<td>180</td>
<td>$500,430.00</td>
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<td>Year 4</td>
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<td>$250.00</td>
<td>$100,000</td>
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<td>$500,490.00</td>
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<td>Year 5</td>
<td>$400,000.00</td>
<td>$250.00</td>
<td>$100,000</td>
<td>300</td>
<td>$500,550.00</td>
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</tbody>
</table>

In this example, projected revenue exceeds costs in the proposed program’s fourth year.
Academic Units Estimate Student Enrollment Through Primary and Secondary Research about Industry Trends and Student Interest

Contacts report that estimated student enrollment is the most difficult portion of new program proposals to complete. Although all profiled institutions require academic units to include enrollment projections in new program proposals, they do not follow a standardized methodology to collect this data. Instead, faculty members determine enrollment projections on an ad-hoc basis. Academic planning offices then ensure the methodology used to determine enrollment projections is accurate.

Sources of Information Faculty Use to Determine Enrollment Projections

Industry Advisory Boards
Industry advisory boards provide faculty with strategic guidance to inform the development of academic programs. For more information about industry advisory boards, see the Education Advisory Board’s report on Recruitment and Management of Industry Advisory Boards for Professional Programs.²

Surveys of Admitted Students Who Do Not Enroll
Contacts at Institution G collect survey data from admitted students who decide not to attend the institution about which programs would have convinced them to enroll.

Secondary Research about Industry Trends
Academic and secondary research (e.g., news articles about industries with increasing demand) suggests a program may be popular among potential students.

Popular Courses among Current Students
When many students enroll in a series of related electives, contacts at Institution B consider offering a program related to the indicated area of student interest.

Expert Advice from Alumni Industry Leaders
Faculty consult with alumni who are leaders in their fields about industry trends and forecasts, and skill sets with high employer demand.

Enrollment Data at Peer Institutions
The popularity of a program at a peer institution is a good indicator the program could be successful elsewhere. However, contacts note that administrators should also consider whether the market for the program is already saturated.

Adapt Strategies for Market Research from Distance Education Divisions
Contacts cite distance education divisions (e.g., extension schools) as leaders for market research during new program development due to their revenue-focused operations. To take advantage of the distance education division’s expertise, the provost at Institution D pays up to $10,000 to the institution’s extension school to conduct market research for new programs.

The extension school then hires external consultants to produce reports about the viability for a proposed program. Contacts note that faculty members respond positively to receiving reports from external consultants because they help validate the importance of a proposed program. Information about employer demand also helps inform the development of the curricula for new programs.

**Research Methodology of UC-Irvine’s External Consultants**

- **Analysis of Online Job Postings**
  Mining data (e.g., top job titles in a specific location) from online job postings allows administrators to evaluate labor demand for skill sets associated with a proposed program.

- **Phone Interviews with Peer Institutions**
  Interviews with program directors at peer institutions provide qualitative information about challenges and employment outcomes for students at similar programs.

- **Surveys of the Program’s Target Market**
  Surveys of the proposed program’s potential students (e.g., nurses with master’s degrees for a doctorate in nursing program) evaluate student interest in the program.

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### 4) Outcomes

**Financially Viable Programs**

*Create New Programs that Leverage Existing Institutional Expertise and Resources*

Contacts note that programs which leverage existing resources (e.g., faculty, course content) are more likely to be successful than those built without an institutional foundation. To test student demand for a new program, contacts sometimes launch an experimental “concentration” or minor within an existing program. Repurposing existing resources also reduces the cost and timeline to develop a new program.

Resources to consider when developing new programs include:

- **Faculty**: New programs should take advantage of existing faculty expertise through interdisciplinary options or related fields; selecting, hiring, and on-boarding new faculty members requires more expense and time than reconfiguring existing schedules and workloads.

- **Physical Resources**: Programs that do not require new capital investments in laboratory equipment, physical space, or technology require less time and cost to develop.

- **Course Content**: Curriculum design and approvals for new courses require the most time during new program development; contacts recommend cross-listing existing courses to expedite new program approval.
Review New Programs after Launch to Ensure Financial Viability

At several contact institutions, new programs undergo a review three to eight years after implementation to ensure they are generating revenue for the institution. Program reviews compare estimated cost and revenue from the program proposal to the actual costs and revenue of the program. No contacts at profiled institutions report having to close a new program as a result of this review process. For more information about program review and assessment processes, see the Education Advisory Board’s report on Institution-Wide Program Prioritization Initiatives. 3

Leadership at a member institution approached the Forum with the following questions:

- What support services do institutions have in place to develop cost and revenue projections for potential new programs?
- Do institutions employ a primarily centralized or decentralized support services structure for market research?
- What are the responsibilities of central support services? What are the responsibilities for academic departments? How do administrators decide which services should be centralized?
- To what extent do centralized academic planning services participate in the idea-generation/curriculum development stage of new program development vs. the financial viability analysis stage?
- How do central market research offices facilitate economies of scale for new program
- When and why do institutions hire external consultants to assess the market viability of new programs?
- What variables are included in financial viability analyses?
- How much time does financial viability analysis add to the timeline of new program development?
- What feedback do faculty report about support services for financial viability analysis and new program development? What feedback do administrators report?
- What other recommendations do administrators offer about developing support services for financial viability analysis?

The Forum consulted the following sources for this report:

- Advisory Board’s internal and online research libraries (eab.com):
- National Center for Education Statistics (NCES) (http://nces.ed.gov/)
The Forum interviewed academic planning administrators at research-intensive public institutions.

**A Guide to Institutions Profiled in this Brief**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Location</th>
<th>Approximate Institutional Enrollment (Undergraduate/Total)</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution A</td>
<td>Midwest, US</td>
<td>25,600/30,800</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution B</td>
<td>Midwest, US</td>
<td>37,400/48,783</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution C</td>
<td>Mid-Atlantic, US</td>
<td>39,200/45,800</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution D</td>
<td>Pacific West, US</td>
<td>22,200/27,500</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution E</td>
<td>Pacific West, US</td>
<td>27,900/40,000</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution F</td>
<td>Mountain West, US</td>
<td>30,000/32,000</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution G</td>
<td>Midwest, US</td>
<td>27,000/34,700</td>
<td>Research Universities (very high research activity)</td>
</tr>
<tr>
<td>Institution H</td>
<td>Central, Canada</td>
<td>30,700/35,900</td>
<td>Medical Doctoral University</td>
</tr>
</tbody>
</table>

*Profiled through secondary research

Source: National Center for Education Statistics