

Sparkroom

2015 YEAR-END HIGHER EDUCATION INQUIRY GENERATION REVIEW

Prepared by the Sparkroom Marketing Analytics Team



About the Data in this Report

The data in this report is derived from the Sparkroom Marketing Software higher education industry global inquiry data. All conversion data is based on last-click attribution. Data has been normalized to account for changes that do not reflect inquiry generation trends, altering previously published statistics in some cases. For additional details, please see the disclosure at the end of this report.

Objective of the 2015 Year-End Review

This review covers overall trends in the inquiry and student acquisition activities of higher education institutions for the period of January-December 2015. The following topics are featured:

- ▶ Inquiry volume
- ▶ Conversion rates
- ▶ Channels
- ▶ Costs per inquiry
- ▶ Program distribution
- ▶ Degree-level distribution
- ▶ Conclusions with expectations for 2016

The objective of the 2015 Year-End Review is to provide a snapshot of education-specific marketing evolution and highlight trends that will help marketers better adapt to the continually changing landscape.

Definitions & Acronyms

- ▶ **Affiliate inquiry:** An inquiry generated by a publisher/website or network of publishers/websites that generates inquiries on behalf of numerous brands, typically on a pay-per-inquiry basis.
- ▶ **Conversions:** Inquiries that achieved an application, enrollment or start milestone are considered conversions. All conversions are measured as part of their original inquiry cohort. For example, an inquiry received in September and converted in October counts within September's total conversions and not within October's conversion total.
- ▶ **CPC:** Cost per click
- ▶ **CPI:** Cost per inquiry (synonymous with CPL, or cost per lead)
- ▶ **CVR:** Conversion rate
- ▶ **First-party inquiries:** Inquiries generated using a school's brand directly, whether via a school's own website, display advertising, social media, offline channel or other branded source. Unless otherwise noted, pay-per-click inquiries are also in this category.

- ▶ **GE:** Gainful employment
- ▶ **Hybrid program:** A program format that includes both campus-based and online coursework.
- ▶ **Inquiry:** A request for information from a student prospect. Used interchangeably with “lead.”
- ▶ **MOM:** Month over month
- ▶ **PPC:** Pay per click
- ▶ **PPI:** Pay per inquiry
- ▶ **QOQ:** Quarter over quarter
- ▶ **Referrals:** Inquiries generated by student or staff referrals or other sources of personally developed inquiries.
- ▶ **SOV:** Share of volume
- ▶ **Third-party inquiries:** Inquiries generated by third-party advertisers. Pay-per-inquiry vendors/affiliates fall within this definition. This many include multiple channels that inquiries are generated from, including paid and organic search, email, display, social media and so on. The main difference between third-party and first-party inquiries is that, for third-party inquiries, vendors are controlling the media spread and message.
- ▶ **YOY:** Year over year
- ▶ **YTD:** Year to date

Executive Summary

In the period surrounding the release of the final gainful employment rules by the Department of Education, institutions have been actively shifting their inquiry allocations into programs with sound student success metrics. Resulting changes in enrollment growth are most evident in GE-compliant programs such as nursing, MBAs and HVAC.

Following employment trends, health and skilled trade programs did well throughout 2015. Conversely, business programs declined, though still holding on to their second-place ranking. Associate-level degrees, another group with a second-place ranking, slipped in 2015. Outside of program shifts, there was gradual change in 2015, as compared to the aggressive shifts in inquiry volume we have seen in years prior.

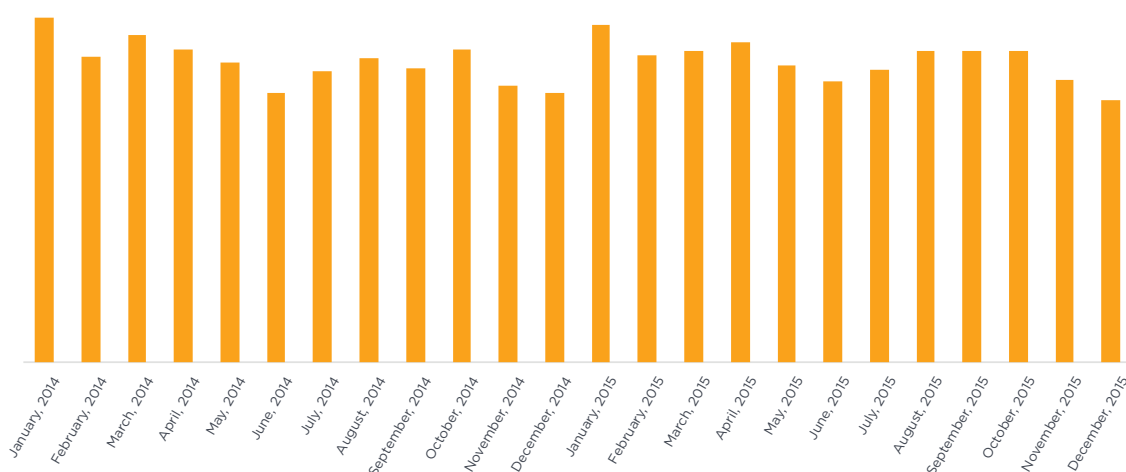
Schools maintained a conservative approach with their media mixes, keeping first-party and third-party source shares at near-equal levels from 2014. This holding pattern emerged as a result of the close scrutiny paid to higher education marketing and the desire by schools to have more control of their inquiry generation processes.

After years of significant fluctuation, both inquiry volume and conversion rates were relatively flat in 2015. While we saw overall growth in enrollment, it was campus-based programs that led to these positive changes. Meanwhile, online schools and specific programs declined across all metrics: inquiry volume, conversions and conversion rates.

1. Inquiry Volume Sneaks Up Slightly

After a 20% volume decline from 2013 to 2014, the 0.4% volume increase from 2014 to 2015 feels significant. Comparing YOY changes, volume was up and down throughout the year. September had the strongest growth (up 5.8% YOY) and March experienced the biggest loss (down 5.1% YOY). September and March were also the only months that did not follow typical seasonality trends. March, the second strongest month in 2014, only experienced a 1.5% boost over February. Due to a late Thanksgiving weekend, which kept overall demand at non-holiday levels until late in the month, November did better in 2015 than the year prior — down only 9.1% YOY.

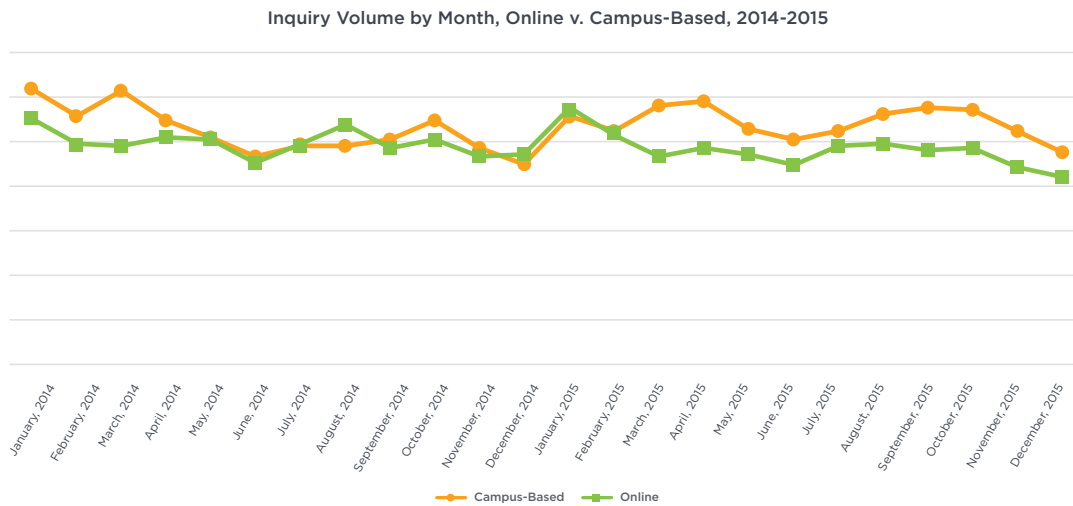
Inquiry Volume by Month, All Programs, 2014-2015



Campus-based volume was weak at the start of the year — down 7.2% YOY in Q1. But volume picked up throughout the rest of the year, with YOY growth of 6.4% in Q2, 11.9% in Q3 and 6.2% in Q4. For the full year, campus-based volume was up 3.8% YOY. Schools continue to shift dollars to target their next starts, which we saw previously in Q3 2015. Specifically, August's inquiry volume increased 7.9% MOM. This differs dramatically from August of 2014, which saw volume growth of only 0.3%. Overall, the trend line in Q3 represents more effective media planning as schools better understand their inquiry-to-enroll timelines for campus student prospects.

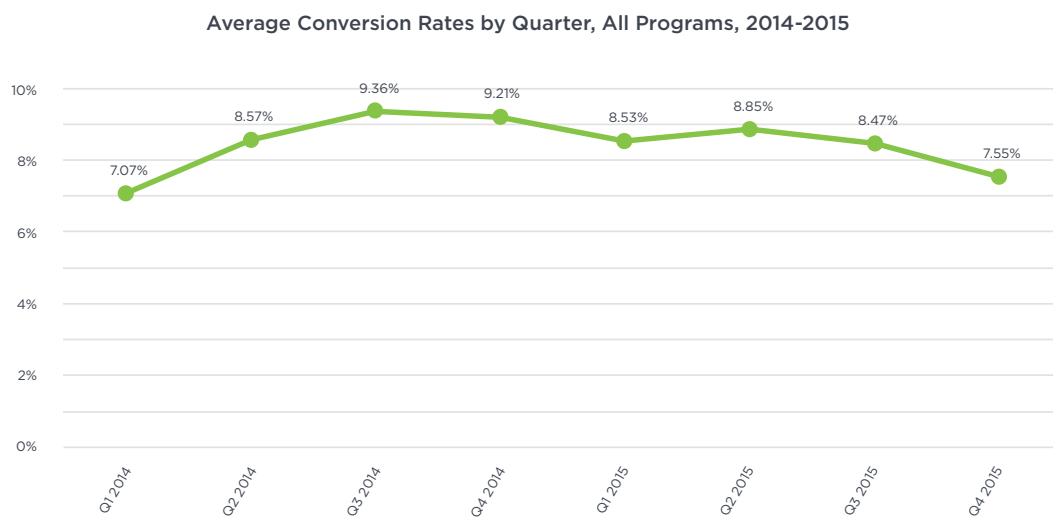
Online inquiry volume fell 3.3% in 2015 (compared to 13.5% in 2014), with consistent QOQ declines after a nearly flat Q1. January was the best month for online inquiry volume — up 4.7% over January of 2014. Meanwhile, December was the worst month, with a 10.5% YOY decline. These declines came as many schools removed online programs due to gainful employment regulations or greatly reduced inquiry volume needs as a result of more sophisticated audience targeting.

The drastic dips and valleys in the trend lines from 2014 have changed to more gradual bell curves for 2015. While both campus-based and online volume started strong in January, they did not follow the same seasonal shifts throughout the year. The most notable exceptions were in the spring and the fall. During both of those periods, campus-based volume climbed while online volume fell.



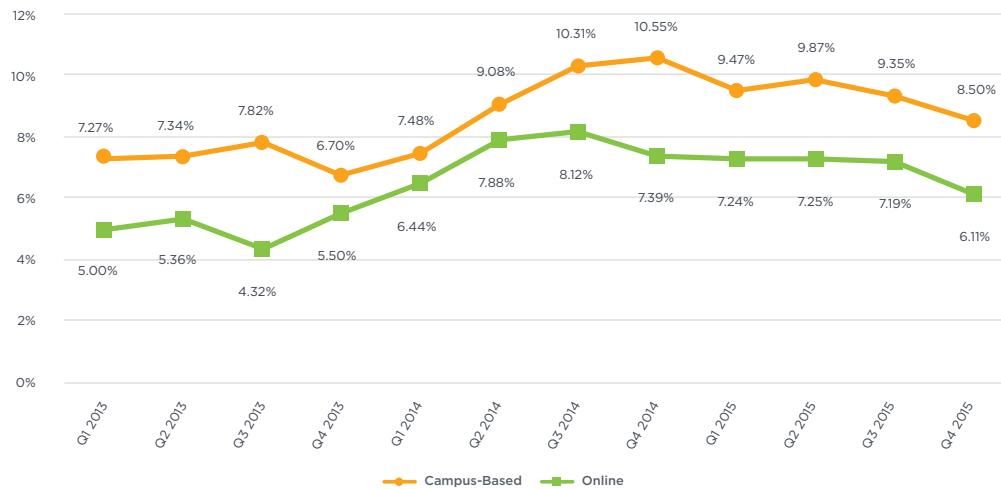
2. Conversion Rates Stayed Relatively Consistent

Conversion rates climbed in late 2014 due to a growing share of first-party inquiry volume, as schools worked to find the balance between first-party and third-party generated inquiries. In 2015, rates remained relatively stable. Overall, 2015 averaged 8.4% lead conversion, compared to 8.5% in 2014 (a significant increase from the 6.3% rate in 2013). But inquiries from the later part of 2015 have not yet fully matured, so we expect the final conversion rate to be slightly above the 2014 results.



Campus-based programs continued to yield more conversions than online programs in 2015. However, conversion rates for both program types were fairly level in 2015 after experiencing growth throughout the first three quarters of 2014. At the time of this report, Q4 2015 conversion data is still immature and is expected to increase a few tenths of a percentage when final.

Average Conversion Rates by Quarter, Online v. Campus-Based Programs, 2013-2015

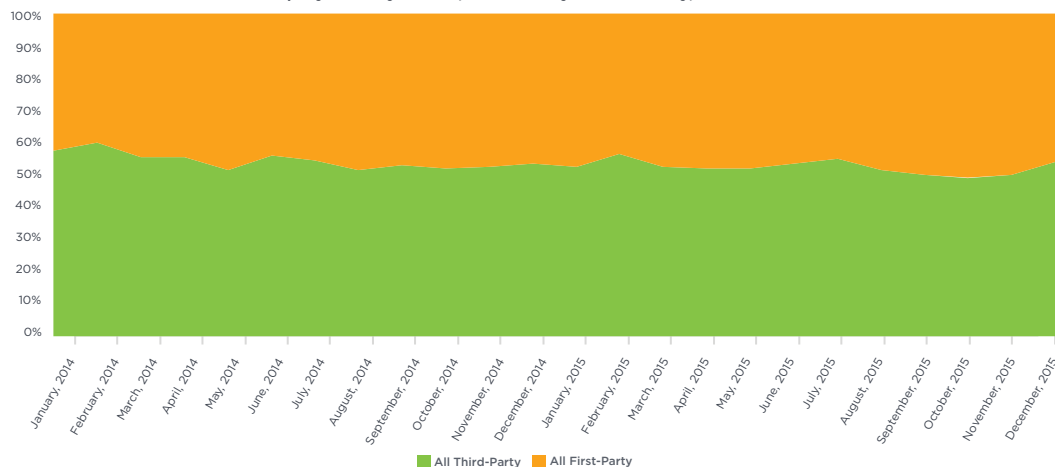


Total conversions are up YOY by 4.7%. Campus-based inquiry volume and conversions rose, contributing to an 11.0% YOY increase in overall conversions. This is a dramatic change to the 4.7% YOY drop in campus-based conversions from 2013 to 2014. Just the opposite, the boom in online conversions from 2013 to 2014 (17.4% increase) has flipped to a 5.6% YOY decline in 2015.

3. Schools Strike Balance between First-Party and Third-Party Media Sources

As noted previously, schools have been seeking more volume from first-party sources, leading to an almost even split between first-party and third-party inquiries. Overall, there was minimal change YOY. For 2015 as a whole, third-party inquiries comprised 52.4%. First-party inquiry volume overtook third-party volume during the month of October, but slipped back down below 50% immediately after. Both first-party and third-party channels are slowly shifting media sources, finding success in paid search, display and social media, but not necessarily capturing enough volume to move the SOV needle.

Inquiry SOV by Month, Third-Party v. First-Party, 2014-2015



4. Channel Optimization Slows as Schools Find Points of Diminishing Returns

The channel volume media mix also varied little from 2014 to 2015. The affiliate PPC leads were the only group of third-party leads to grow in SOV (up 45.8%), but this group still represents less than 1% of total leads in 2015. SOV will continue to grow into 2016 as affiliate vendors launch more cost-per-click programs based on high adoption rates from the schools. As a result, affiliate data leads will likely drop SOV as budgets are shifted, not increased, in the third-party channels.

For first-party leads, we saw SOV increases for display, event, internal website, offline media, PPC and social media channels. Interestingly, with the exception of display and social media, each of those channels experienced a slip in conversion rates. The display conversion rate climbed 8% YOY and social media climbed 4.3%. Slow and steady growth is expected with these two channels.

Schools are looking to capture awareness and intent higher in the funnel with other key performance indexes (KPIs) in place to understand campaign impact. Changes in the digital landscape, including social sites now offering more lead generation campaigns, have also afforded more schools the opportunity to test and track their media spend within channels previously considered to be exclusively top of the funnel.

SOV and Conversion Rate by Channel, 2014 v. 2015

Lead Channel Type	%Delivered Inquiries		Average Conversion Rate	
	2014	2015	2014	2015
All Third-Party	53.76%	52.20%	2.62%	2.45%
Affiliate – Data Lead	51.97%	50.45%	2.60%	2.40%
Affiliate – Hot Transfer	1.13%	0.79%	3.53%	5.72%
Affiliate – PPC	0.66%	0.96%	2.50%	2.47%
All First-Party	46.24%	48.50%	12.91%	12.42%
Display	0.67%	0.95%	6.01%	9.25%
Email	1.32%	1.00%	11.29%	6.93%
Event	0.82%	1.34%	17.77%	13.77%
Inbound Phone	0.06%	0.05%	16.67%	16.27%
Internal Website	18.34%	18.78%	16.08%	11.63%
Offline Media	1.54%	2.25%	9.80%	9.67%
PPC	15.36%	15.49%	15.02%	20.43%
PPC – Inbound Phone	0.13%	0.12%	17.31%	19.43%
Referral	2.14%	2.05%	5.24%	5.47%
Social Media	1.17%	2.76%	10.93%	11.30%
All Other Internal	4.67%	3.70%	2.34%	2.53%

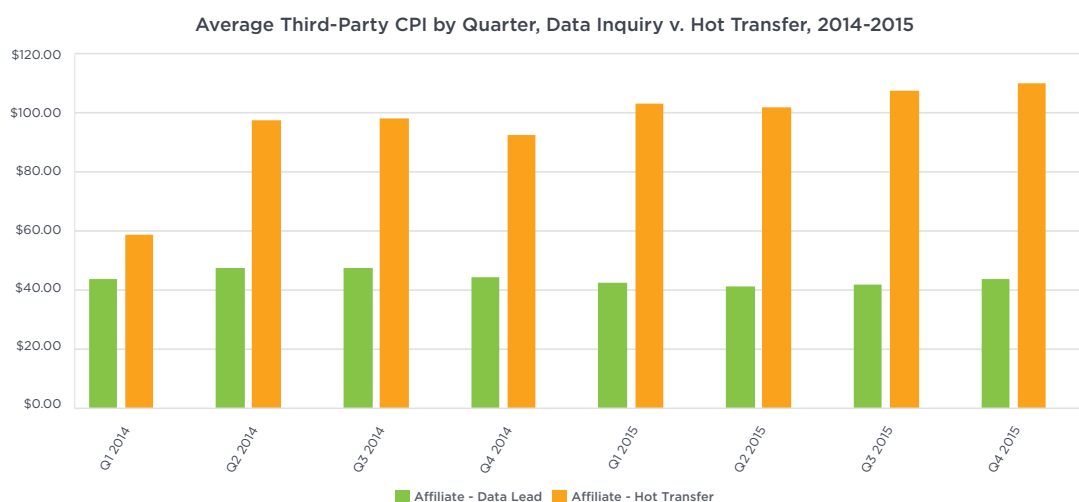
SOV has been gradually boosted for school websites which converted at a rate of 11.6% in 2015. Many schools spent more time and attention on their .edu sites, understanding the impact they can have

on conversions and branding. Content marketing, social advertising and SEO efforts all contributed to increase site traffic and conversion volume. Also, more and more third-party affiliates launched campaigns that directed traffic to these .edu sites, using cookie-based or pixel tracking to measure traffic and performance. On the flip side, capturing more traffic year after year may have led to the overall decline in conversions from this channel.

The PPC channel continues to be a strong performer year after year, 2015 being no different. While SOV only increased slightly, conversion rates climbed to 20.4%.

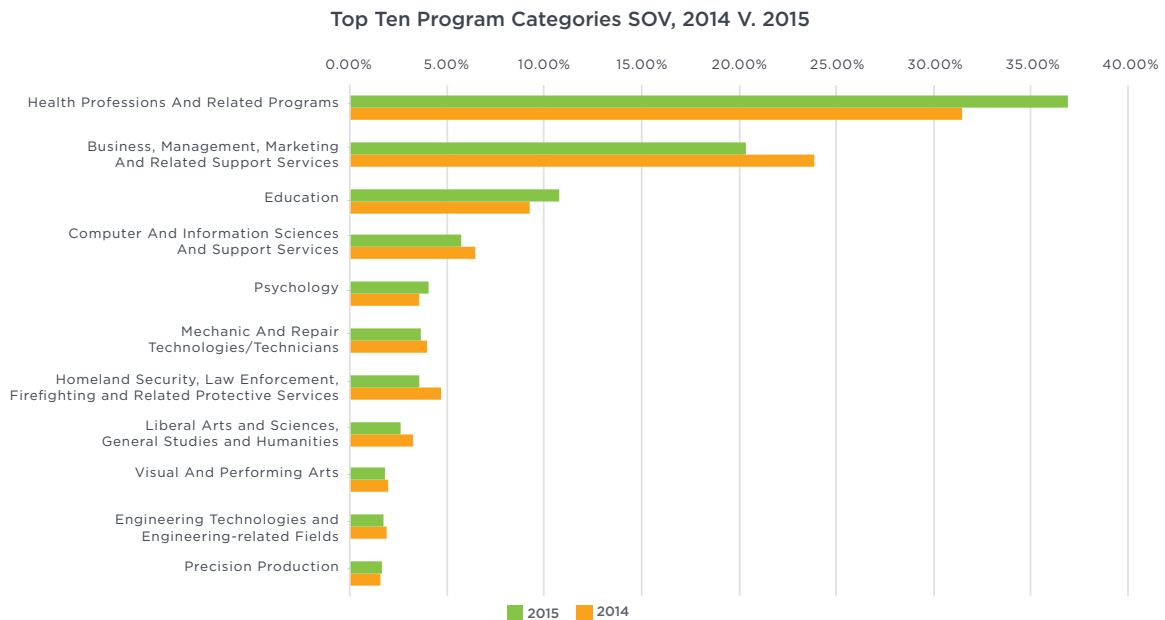
5. Average CPI Down in 2015 While Hot Transfer CPIs Continue to Climb

The average CPI for all leads fell 6.8% YOY to \$44.30 in 2015. Meanwhile, schools rewarded quality hot transfer campaigns with higher CPIs, boosting the average CPI for hot transfers up 18.8% YOY to \$110.12 for Q4 2015. This increase is in line with the higher YOY conversion rate, but lower SOV, as schools continued to seek out higher-quality inquiries. CPIs for data leads, the bulk of third-party inquiry volume, remained relatively flat throughout the year, varying by less than \$2.50 across the quarters.



6. Large Gains in Health Professions and Education Programs; Business and Criminal Justice Programs Still in Decline

Continuing the trends we witnessed the year prior, SOV dramatically increased in 2015 for both the *Health Professions and Related Programs* category (up 17.4% YOY) and the *Education* category (up 17.0% YOY). Meanwhile SOV slipped for the *Business, Management, Marketing and Related Support Services* category (down 14.5% YOY) and the *Homeland Security, Law Enforcement, Firefighting and Related Protective Services* category (down 24.4% YOY).



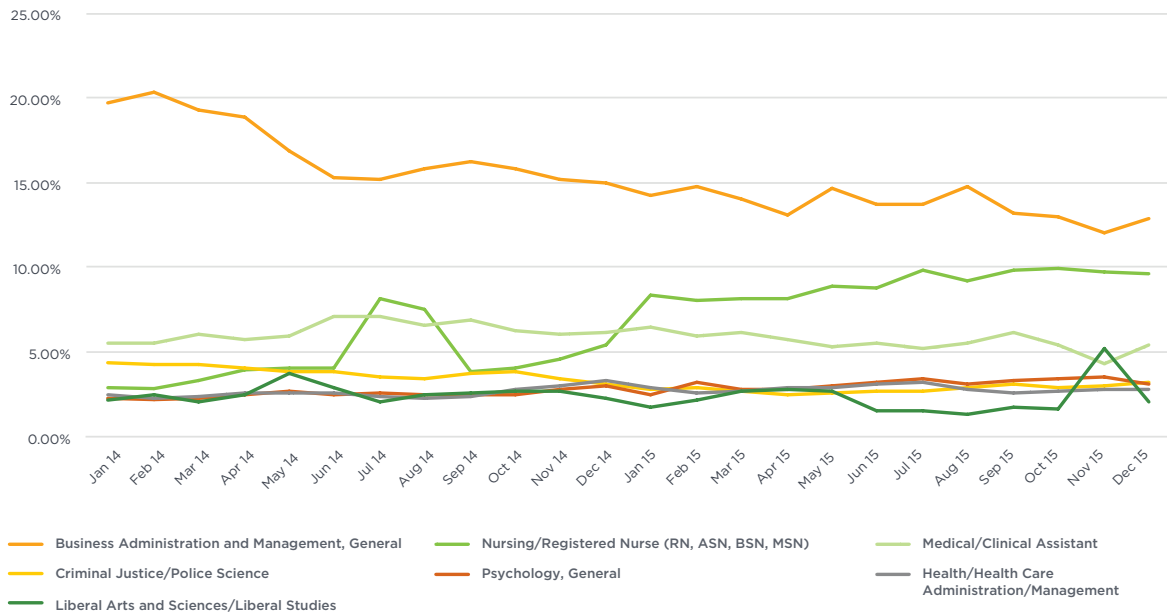
The Continued Rise of Health and Nursing Programs

- ▶ Though down just over one point YOY, *Medical/Clinical Assistant* remains the health program subject with the greatest SOV, bringing in 18.8% of all inquiry volume. The *Nursing/Registered Nurse* program kept its second-place ranking by staying relatively flat at 15.2% SOV in 2015. Demand and job placement continue to be strong for graduates from these programs, so we anticipate both programs to hold their rankings for some time to come.
- ▶ The *Medical Insurance Coding Specialist/Coder* program had dramatic growth in 2015, with a YOY increase of 23.2% to result in 6.6% SOV for the year. Changes in coding formats will continue to support the demand for education in this program.
- ▶ Though much smaller in size, we also saw strong growth for *Medical Office Assistant/Specialist* (up 106.9% to 3.09% SOV) and *Medical Office Management/Administration* (up 438.8% to 1.26% SOV).

Business Programs Give Ground to Other Categories

- ▶ *Business Administration* programs fell to 13.7% SOV in 2015, but the shift differed for degree levels. The SOV for bachelor's degrees fell considerably (down 27.6% YOY), for associate degrees fell moderately (down 11.9% YOY) and for master's degrees rose (up 22.7% YOY). Job placement and gainful employment were large factors in the shifts in overall change and degree-level shifts.

Top Program Categories SOV by Month, 2014-2015



Though Relatively Low in SOV, Skilled Trades Remain a Popular Choice

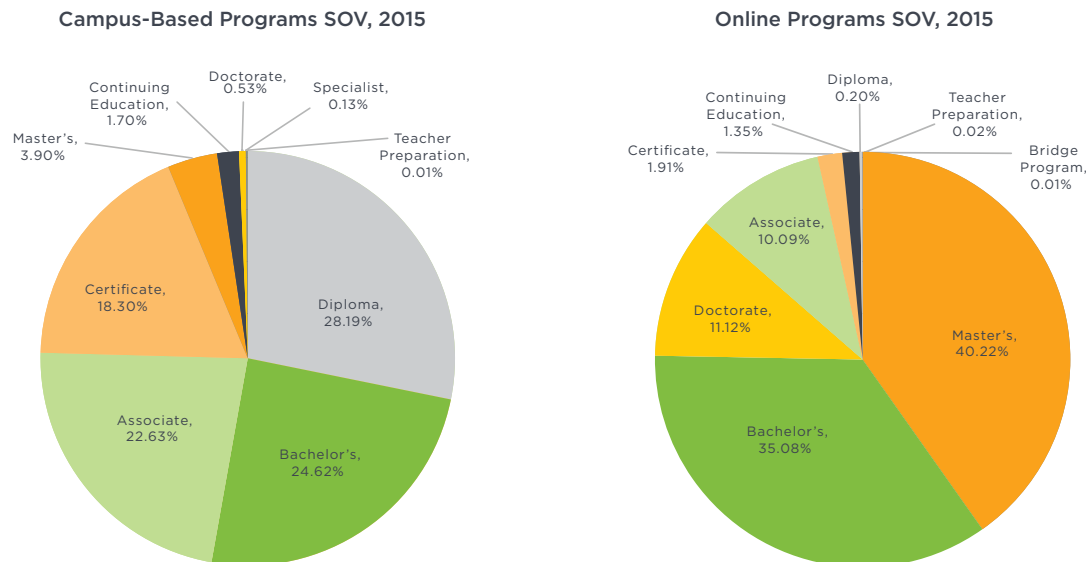
- Certificate-level *Welding Technology/Welder* programs increased to 1.2% of total inquiry volume, up 17.1% from 2014.
- *Heating, Air Conditioning, Ventilation, and Refrigeration Maintenance Technology/Technician* (HVAC) programs saw a 13.1% increase in SOV, rising to 1.9% in 2015.
- The *Precision Production* program category was up 5.7% YOY to result in a 1.6% SOV.

Additional Noteworthy Program Category SOV Changes

- *Education* programs saw a 17.0% YOY boost in SOV, increasing to 10.8% SOV in 2015. The master's program in *Curriculum and Instruction* impacted this growth the most, as it was up 5.6% in SOV to comprise 2.1% of total volume in 2015.
- SOV for *Psychology* programs climbed 15.5% YOY to 4.1% in 2015. The subcategory of *Psychology/General* bachelor's programs experienced an even greater SOV increase — up 30.4% YOY to yield 1.6% of volume in 2015.
- *Computer Information Sciences and Support Services*, the fourth-largest subject, fell to 5.7% SOV in 2015, a loss of 10.9% YOY.
- *Homeland Security, Law Enforcement, Firefighting and Related Protective Services*, the umbrella subject for all *Criminal Justice* programs, saw another year of decreases, falling 24.4% to 3.5% SOV in 2015.

7. Associate-Level Programs and Graduate Certificates Take the Hits

In 2015, we saw SOV increases across all but two degree levels. Associate programs experienced a decline of 6.4% SOV YOY to land at 17.0% for the year. Graduate certificates, a much smaller category, dropped 21.5% YOY.



Doctorate Degrees: Doctorate-level programs saw a noticeable increase in 2015, with a 27.5% growth in inquiry volume, to increase their share of volume to 5.3% in 2015. This increase was driven by the 28.1% growth in volume for online doctoral programs. Online doctorate degree programs now account for 11.1% of overall online volume, but only 0.5% of campus-based volume. Programs that helped drive the growth of doctorate programs include *Doctorate of Business Administration* (volume +30.57% YOY), *Educational Leadership and Administration* (+22.8%) and *Psychology* (+25.8%).

Master's Degrees: Master's-level programs increased volume by 26.0% YOY, boosting degree-level SOV to 25.95% and taking over the second-place ranking from associate-level programs. Online master's programs had a very strong year in 2015, growing volume by 27.4% to a total online inquiry SOV of 40.2%. Campus-based master's programs also grew — volume was up 14.81% YOY. The growth for master's programs was in part due to school focus on higher degree-level program offerings through business-to-business corporate partnerships.

Bachelor's Degrees: Volume for bachelor's-level programs grew 14.6% YOY, but SOV changed only 2.1% YOY to a 29.3% SOV in 2015. Bachelor's programs hold the second-place spot for SOV for both online and campus-based formats, with 35.1% SOV and 24.6% SOV respectively.

Associate Degrees: Associate-level programs saw a decrease in 2015, losing 6.4% inquiry volume and dropping SOV by 16.8% to 17.0%. Both campus-based and online programs saw lower inquiry totals from the previous year, along with much smaller shares of total inquiry volume. A combination of community school competition and gainful employment requirements likely led to this drop.

8. Conclusion — Schools Are Adjusting to Address Current and Future Regulations

The combination of heightened marketing scrutiny alongside the superior performance of first-party inquiries has led to school desire to directly control their inquiry flow through self-generation. However, due to a need for volume that normally cannot be met via first-party channels alone, the typical media mix for schools is an almost even split between first-party and third-party volume. In an effort to hold on to their share of the pie, third-party vendors are creating new options utilizing paid search, display, social media and more to respond to school interest in tactics that provide greater transparency and enhanced performance.

Revised gainful employment regulations went into effect on July 1, 2015. In preparation of this event and since, schools adjusted and adapted to the link between higher education programs and employment. As a result, we saw reduced inquiry volume for programs less likely to lead to quick employment or satisfactory wages (like criminal justice) and increased volume for programs with strong career opportunities (including skilled trades and nursing). The shift to higher-level degree programs is also symbolic of these changes. Online graduate-level programs in business administration, education and psychology all did well in 2015, as the pathway to solid employment is an easier prospect with these degrees. As schools continue to shift efforts due to GE regulations, we predict growth in inquiry volume, conversion rates and enrollments for compliant programs.

In 2016, we also expect to see more program and degree-level shifts as schools analyze retention and outcome rates (more now than ever) and better understand the need to act quickly to internal and external changes. There will be increased emphasis in content marketing initiatives and first-party inquiry generation. A number of schools are ahead of the curve, and their successes are making impacts across the industry. As a result, vendors are evolving their product mixes to take advantage of new digital channels, allowing them to advertise and track returns effectively. This changing landscape will boost the importance of data and analysis, from front-end lead validation and scoring to student turnout prediction.

About Sparkroom

Sparkroom is the leader in performance marketing for higher education. We provide fully transparent, analytics-based strategies that are designed to achieve enrollment objectives. Winner of the LeadsCouncil 2016 Silver LEADER Award for Best Marketing Agency for education, Sparkroom knows what it takes to attract the right students while managing recruitment costs. The Sparkroom marketing analytics team, focused on ROI, provides a deep look at how inquiries are performing to allow schools to better understand and optimize their enrollment campaigns while making smarter, performance-based decisions. Their work helped Sparkroom win the 2015 Integrated Marketing + Technology Award for Targeting. Sparkroom Marketing Software helps marketers grow enrollments while controlling the cost of student acquisition and has been awarded with numerous accolades including the LeadsCouncil 2016 Gold LEADER Award for Most Valuable Software in education and multiple *University Business* Readers' Choice Top Product awards. This cloud-based software integrates marketing data, automates marketing processes and provides marketing analytics that drive smarter decisions and a more optimized budget.



Data Disclosure: The data in this report is comprised of a set of inquiries processed by Sparkroom Marketing Software during the period of January 1, 2014 through December 31, 2015, with data normalized to remove school-specific trending. Sparkroom Marketing Software is the most widely deployed performance marketing application in higher education. A Q4 2015 dataset from 40 unique inquiry buyers, more than 1,055 campus locations and approximately 2,594 programs was evaluated for this review. Data was aggregated into standard categories/subjects using the CIP classification system. Inquiries processed by Sparkroom Marketing Software are derived from a variety of sources with approximately one-half coming from third-party channels and one-half from branded marketing efforts, such as school websites, paid search campaigns or social media campaigns. Because school demand plays a factor in inquiry generation, there is the potential for related bias within the report findings.