



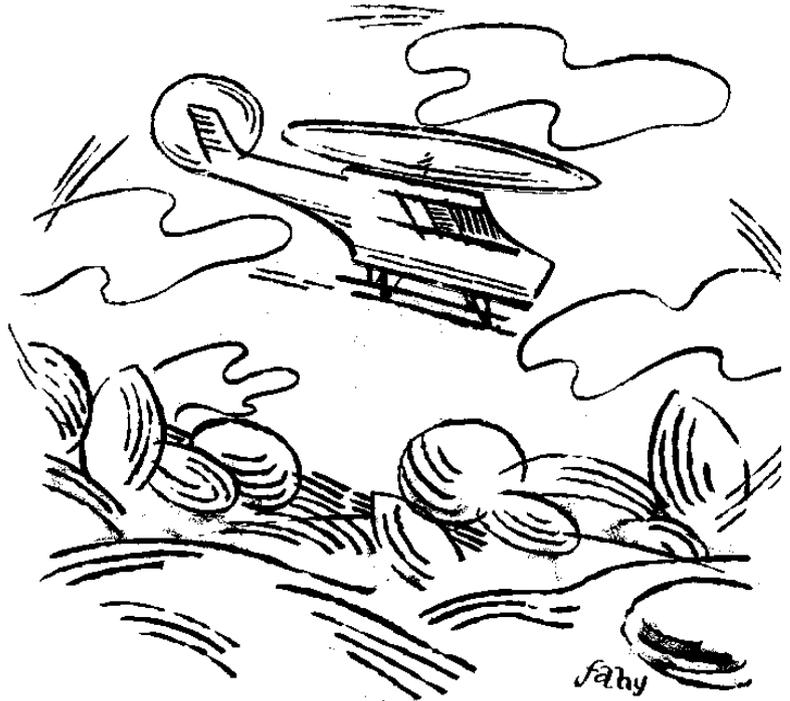
The User-Friendly Terrain Defining the Market Taxonomy for Two-Year Institutions

They are higher education's "superstores"—two-year colleges and technical institutes offering a wide range of educational services to an even wider range of students: full- and part-time, young and old, degree- and skill-seeking. For many, two-year colleges are a first stop in the search for educational credentials; and, for an increasing number of baccalaureate degree-holders, they are a last stop in the search for job-specific technical skills. They are also the institutions that all but invented the notion of a "convenience/user-friendly" market, establishing themselves as schools and colleges that are both low-cost and nearby.

Having previously described the structure of the market for baccalaureate education (November/December 1997), this *Landscape* asks: "Is there a similarly segmented structure to the market for two-year programs?" The answer, in a nutshell, is yes—although the differences between market segments are more muted than in the market for baccalaureate education.

Mapping the Contours of the Market

The universe of two-year institutions is best characterized by its diversity—of programs, degrees, certificates, even names. The largest block of two-year institutions consists of public community colleges, but there are also city colleges, just plain colleges, technical institutes, business schools, junior colleges (public, as well as private), and a dizzying array of agricultural, art, nursing, military, culinary, and other vocational institutes. In 1995, 1,094 of these institutions submitted sufficient data to the National Center for Educational Statistics' (NCES) Integrated Postsecondary Education Data Systems (IPEDS) to be included in the market taxonomy developed by the National Center for Postsecondary Improvement (NCPI). Collectively, these institutions enrolled



5.4 million students, of whom roughly one-third were full-time students and two-thirds were part-time students.

For baccalaureate education, two characteristics defined the market's principal segments: market position, or the number of students applying versus the number of places available; and the extent to which students seek a full-time, four-year undergraduate education from a single institution versus taking one or two courses at a time, often from several institutions.

For two-year colleges and institutes—which, as an integral part of their missions, are more inclusive than exclusive—market position has little relevance. In this regard, most two-year institutions resemble baccalaureate institutions serving the *convenience/user-friendly* part of the market. What distinguishes institutions within the two-year market from one another is the extent to which they focus on providing degrees and certificates, principally the associate's degree, and the extent to which their focus is more a matter of providing a broad range of courses to what is increas-

The National Center for Postsecondary Improvement is supported under the Educational Research and Development Center program, agreement number R309A60001, CFDA 84.309A, as administered by the Office of Educational Research and Improvement (OERI), U.S. Department of Education. The findings and opinions expressed by NCPI do not necessarily reflect the position or policies of OERI or the U.S. Department of Education.

Chart 1
Educational Attainment 10 Years After High School, by Market Segment of Two-Year Institution First Attended

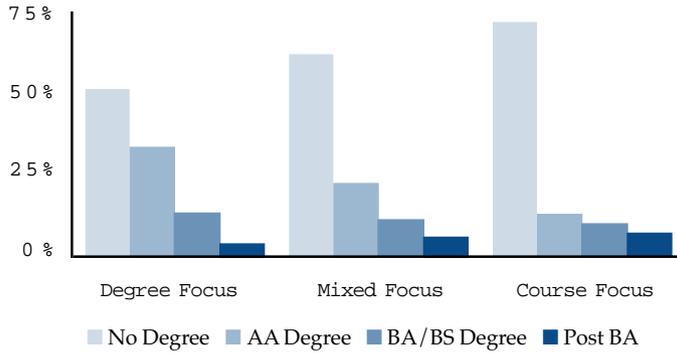
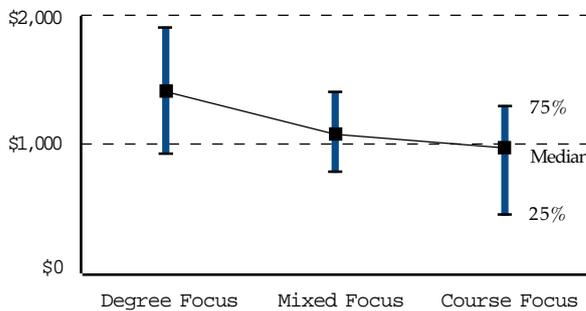


Chart 2
In-District Tuitions: Public Community, City, and Junior Colleges



ingly becoming a “spot market” for educational services.

To capture this distinction between institutions that focus on degrees versus courses, the NCPI research team used two measures derived from the data that institutions themselves annually report to NCES: numbers of full- and part-time students, and the number of two-year degrees and certificates granted each year. To the extent an institution taught more full-time than part-time students and awarded degrees and certificates to a substantial proportion of its students, it was said to focus on degree programs. Conversely, when less than a quarter of an institution’s students were enrolled full-time and relatively few were awarded degrees and certificates, it was said to focus more on the offering of

courses. Institutions in the middle were seen as having a mixed focus. More formally, the extended market taxonomy used the following “nested” definitions:

- *Degree Focus*: Full-time enrollment is at least 50 percent of an institution’s total enrollment, and more than 15 percent of students are awarded two-year degrees and certificates each year.

- *Mixed Focus*: Full-time enrollment is at least 25 percent of total enrollment, and more than 10 percent of students are awarded two-year degrees and certificates each year.

- *Course Focus*: All remaining institutions.

Twenty percent of the 1,094 institutions for whom sufficient data were publicly available were classified as having a *Degree Focus*, with the balance split nearly evenly between the classifications of *Mixed Focus* and *Course Focus*. (A worksheet is provided at the end of this article for two-year institutions to determine their own market segments.)

Describing the Segments

As in the market for baccalaureate education, what best describes the segments—as well as orders them in a left-to-right fashion—are the subsequent educational careers of students according to the segment in which they first enrolled. The data in Chart 1 are from the national survey *High School and Beyond* and report the highest degrees earned by a representative sample of 1982 high school seniors during their first 10 years after high school graduation. Two characteristics summarize the subsequent educational attainment of these students by market segment. First, the enrollment and degree production data used to segment the market do reflect important differences in educational program and focus. Second, these data also confirm that the three segments defining the market for two-year programs and institutions are an extension of the *convenience/user-friendly* wing of the market for baccalaureate institutions.

The detailed analysis underlying the market taxonomy presented in the November/December issue of *The Landscape* can also be extended to include the 757 public two-year community, city, and junior colleges for which sufficient public data are available. The analysis presented here focuses on public institutions because of their dominant position in the two-year market.

For this group of institutions, average tuitions differed by program focus (*Degree*, *Mixed*, or *Course*), thus validating the notion that even among community colleges, market segments are associated with price differences. Chart 2 uses the same conventions as in the previous *Landscape*, presenting the inter-quartile ranges for in-district tuitions. The center of each bar represents the tuition charged by the median institution; the top of each bar, the tuition charged by the institution at the 75th percentile; the bottom of each bar, the institution at the 25th percentile. As with the baccalaureate market, tuitions scale left to right—although in this part of the market, the differences between segments are less pronounced than in the baccalaureate market.

Similar scales characterize distributions of both student-faculty ratios (Chart 3) and the percentage of part-time faculty (Chart 4). That the use of part-time faculty parallels program focus in Chart 4—programs with more of a degree focus are less likely to use part-time faculty—is an additional indication of how the market scales by segment. What is striking is the broad use of part-time faculty across all three segments. Even in the institutions in the *Degree Focus* segment of the market, more than half reported that 50 percent or more of their faculty were part-time; in the *Course Focus* segment of the market, this figure rises to two-thirds or more.

The most intriguing aspect of the link between market segment and institutional finance and practice involves the distribution of public subsidies to these institutions. Most public institutions received both a state and a

local appropriation, a handful only a state appropriation, and just over one-quarter only a local appropriation or tax levy. Chart 5 displays the average local, state, and total subsidy per full-time equivalent (FTE) student. Note that the total subsidy per student is relatively constant across the three segments. What differs are the components. In general, local subsidies—while smaller—seem to encourage a focus on courses more than degrees; state subsidies seem to have exactly the opposite effect.

Perspective

The presentation of the market taxonomy developed by the NCPI research team is now complete. What emerges is a portrait of a remarkably segmented, as well as ordered, market

Chart 3
Ratio of Students to Full-Time Faculty: Public Community, City, and Junior Colleges

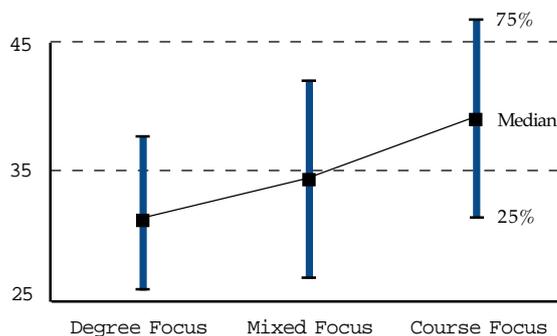


Chart 4
Percentage of Part-Time Faculty: Public Community, City, and Junior Colleges

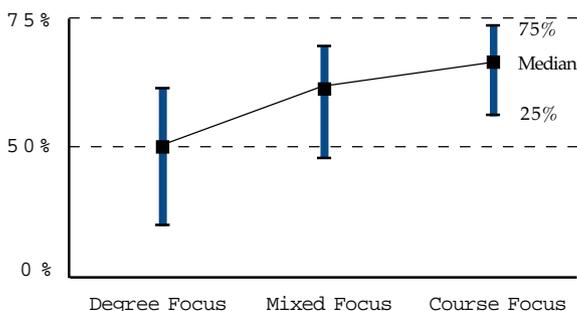
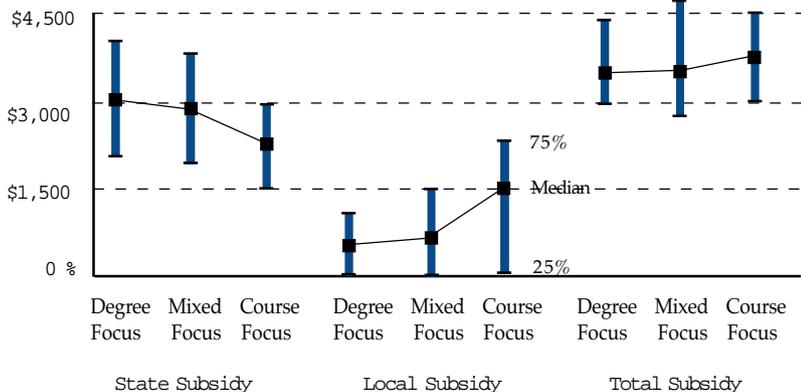


Chart 5
Public Subsidy per Full-Time Equivalent (FTE) Student:
Public Community, City, and Junior Colleges



for both two- and four-year institutions. What also becomes clear in these analyses is the extent to which *markets* rather than institutional priorities set prices and structure institutional programs. The picture is of a market

that is more horizontal than vertical, more about a variety of “best institutions” rather than a single ordering—as rankings mania would have us believe—of “win, place, and show,” followed by a nearly endless list of “also rans.”

For institutions, the principal question to ask themselves is: “Are we where we want to be?” And, if the answer is no, “What can we do to succeed in a different—for us more competitive—market segment?” Students and their parents have their own set of questions to ask: “Given my ambitions, credentials, and comfort (or discomfort) with full-time learning, what is the best institution for me? What price ought I pay? What can I reasonably expect regarding post-education earnings?” The fact that questions like these are being asked with increasing intensity has already changed higher education—making it more responsive to the market. □

Market Segment Worksheet

You can use this worksheet to determine your market segment. To compare your institution’s financial and student information with the charts in this article, use data from the 1994-95 academic year. Enter or compute the required values in the boxes below. Use data from your IPEDS reports to complete Boxes A, B, E, and F.

- A Full-time Fall Enrollment (IPEDS Enrollment)
- B Part-time Fall Enrollment
- C Total Fall Enrollment
- D Percent Enrolled Full-time

$$\boxed{A} + \boxed{B} = \boxed{C} \quad \boxed{D} = \frac{A}{C} \times 100$$

- E Associate’s Degrees Awarded 1994-95 (IPEDS Completions)
- F Certificates/Degrees of Less than 2 Years Awarded 1994-95
- G Total Degrees Awarded 1994-95
- H Ratio of Degrees Awarded to Total Enrollment

$$\boxed{E} + \boxed{F} = \boxed{G} \quad \boxed{H} = \frac{G}{C} \times 100$$

Compare the computed values in Boxes D and H with the criteria listed below to determine your segment.

Criteria

- 1) If D is 50% or greater, and H is greater than 15%, then your segment is Degree Focus.
If condition 1 is not satisfied and
- 2) If D is 25% or greater, and H is greater than 10%, then your segment is Mixed Focus.
- 3) If neither condition 1 nor condition 2 is satisfied, then your segment is Course Focus.