

Redacted

----- Forwarded Message

From: VP - Student Operations

Date: Sat, 5 Dec 2009 19:00:05 -0500

To: Gregory Marino; Redacted

Subject: To answer you email

In addition to the below, John is giving me the three variations for graduate on Monday which if received Monday can happen for Jan 2 (feb tuition increase). Longer term is broken down below. Bottom line: we will have graduate variation for feb, hard code by program for q2, and ui built for go forward flex when made priority (5 month) project in go forward.

Thanks,

VP - Student Operations

Begin forwarded message:

From: John Staten; Redacted

Date: December 3, 2009 4:50:07 PM CST

To: Redacted; VP - Marketing; VP - Student Operations; Gregory Marino

Cc: Sophie Vlessing; Redacted

Subject: RE: Tuition Increase - What we do today, are building for Feb and options for pricing by program

Just so we are all clear:

- 1) We are doing a price increase ASAP (aka Feb)
- 2) We would like to see if we could adjust some of Masters courses with a different price increase (such as none, 5%, 7%, etc.). Today we have some form of a differential pricing in place at the Master's level and we could either adjust them all by some % (which could be greater than 5%) or pick and chose for each.
- 3) Long Term (by end of Q2 – in time for the new packaging year 7/1/10) we need to be in a position to price our products by degree and school; Therefore we need to understand what it will take to accomplish that. By having this flexibility, it is very conceivable that some programs could have actually have a price decrease.

I would suggest that VP-Stud. Ops and P-Mktg and I discuss this next week.

John

From: VP - Marketing

Sent: Wednesday, December 02, 2009 7:24 PM

To: VP - Stud. Ops; John Staten; Gregory Marino

Cc: Sophie Vlessing

Confidential

KHE 272465

Subject: Re: Tuition Increase - What we do today, are building for Feb and options for pricing by program

Thank [VP - Stud. Ops] in line with my understanding as well. My vote goes to scenario 2, ie 4 to 5 months of development which positions us for future differentiation and flexibility. It really boils down to 90/10 and OI expectation for 2010. Without those 2 important constraints, one would not do the blanket price increase on February 3. Note that if we were to not do the Feb price increase, but do a July or August one instead, the net average increase could be more than 5% (eg 10% A&S, 0% Nursing, 20% MS IT grad, 5% LS undergrad etc.) and more aligned with individual 90/10 requirements. The reason we chose the current low 5% is because it is the lowest common denominator (therefore reducing overall opportunity).

Kind regards

VP - Marketing

From: [VP - Student Operations]

To: [VP - Marketing] John Staten; Gregory Marino

Cc: Sophie Vlessing

Sent: Wed Dec 02 12:33:17 2009

Subject: Tuition Increase - What we do today, are building for Feb and options for pricing by program

I think to answer your questions we first need to clarify what we do today, what we are currently working on for the scheduled increase in Feb and then offer two different solutions for pricing by program for the go forward.

How the pricing is set-up today:

- Undergrad: the pricing is hard coded around starts and tuition amounts, because some tiers of students (based on start days) were grandfathered in at a certain price.
- Graduate: same concept.

For any tuition increase in the current state of our technology, development work is required.

For the Feb Tuition Increase: what has been decided for February is a blanket percentage increase of 5% for both graduate and undergraduate. The development work needed for this change is development that is routine for our price increases and is scheduled to be done for the February tuition increase – the go live is January 2nd. So, any enrollments received prior to Jan 2nd for the February start or beyond will have the old tuition amount. Anyone enrolled post Jan 2 will have the new tuition amount.

Pricing by Program:

The ability to have different tuition rates by program is absolutely possible, but will need development work.

There are two ways to develop this:

1. Continue as we do it today, just adding in the program level – which means hard coding the tuition amounts to the program to the starts. In order to develop this, we need the tuition amounts attached to each program and the start we are looking to apply this pricing strategy. The timeline to hard code this information varies, depending on how many variations of program to costs are asked for. To offer some frame of reference, if there were 10 variation offered, from start to finish (meaning BA to deployment) we are looking at 2 months. Is this a feasible options for the February tuition increase? We are cutting it close just to complete Scenario One (which is already in motion and common practice from the past), so this option would not be possible for implementation by early January to meet the scheduled February price

increase.

2. Build a UI, where all of this can be done by "us" the business and we are not hard coding. Since we are looking to make cost by program a strategy, this would be the route to go down. This would be a medium to high effort in development, from start to finish a 4 to 5 month project.

Does this offer the information you are seeking?

Thanks.

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VP, Student Operations

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From:

VP - Marketing

Sent: Wednesday, December 02, 2009 11:57 AM

To: John Staten; Gregory Marino

Cc: **VP - Student Ops** Sophie Vlessing

Subject: FW: <no subject>

From what I understood on the price increase:

- Technologically/operationally, only a vanilla undergraduate price increase feasible by February 3
- Strategically, it is understood that this is suboptimal, especially since many of our competitors have differentiated pricing at the undergrad level, and therefore, we are over/underpriced depending on school.
- If I understood well, short-term concerns with 90/10 outweighs our aspiration to do ONE more sophisticated price increase at the end of Q2, 2010. So instead, we opted for a phased approach, i.e. a vanilla 5% increase early 2010 to offset the OI / cash flow loss by not having implemented a price increase in 2009, followed by a more sophisticated and differentiated price "re-balance" later on in 2010 (requiring external research data as well as technology/IT changes).
- There is concern to implement two price increases in one year ... (both strategically/marketing-wise, as well as technologically as it adds multiple layers of price levels in the system, with an exponential amount of students being grandfathered at different layers of pricing)
- Historic "elasticity" data shows 5% increase in price leads to 12% decrease in volume (analysis performed by **Fin. E'ee's** after last price change, but methodology was not meant to be predictive for future price changes, and thus, we need to be careful with I

I want to re-iterate that in the ideal (non 90/10) world, purely from a marketing perspective, we would

have been better off to do only one differentiated price increase at the end of Q2, with a solid technological as well as in-depth research and yield management backing, as uncertainty around the pricing power in the market place, our current price premium in undergrad, aggressive 2010 start goals and vertical differentiation result in pricing adding another layer of complexity to reaching 2010 volume goals.

Obviously, I understand that 90/10 concerns supersede all of the above. Key question is if we have the ability to hold on to being below 90/10 thresholds until end of Q2, 2010 If we have that ability, I really think we should only do one price increase, and do it "all the way" by end of Q2.

Kind regards

VP - Marketing

From: Sophie Vlessing
Sent: Wednesday, December 02, 2009 11:30 AM
To: VP - Marketing
Subject: FW: <no subject>

FYI



Sophie Vlessing
Senior Vice President,
Strategic Marketing and Student Experience

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Building Futures

From: John Staten
Sent: Wednesday, December 02, 2009 11:20 AM
To: Gregory Marino
Cc: VP - Student Ops Sophie Vlessing
Subject: Re: <no subject>

VP - Student Ops

Confidential

KHE 272468

To be more specific, what functionality exist today (for the Feb price change). I understood that we don't have that ability for undergrad but we do have the ability for graduate programs.

If I am correct, can you let us know what it would take and how soon could we have that functionality for the undergrad programs. I see us implementing a differential pricing model at the undergrad level by the end of Q2.

Thanks,

John

Sent from my iPhone

On Dec 2, 2009, at 10:10 AM, "Gregory Marino" wrote:

Redacted

Do we have the system-capability to set our price by program? There is clearly room to increase certain programs more than others. We can use all the 90/10 cover we can take.

----- End of Forwarded Message