

# Market Entry Analysis

Saint Paul's College

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# THE TEAM



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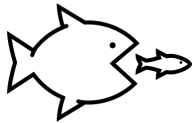
## THE CUSTOMER PROBLEM



## MARKET ANALYSIS



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# THE CUSTOMER PROBLEM

UNDERSTANDING THE  
CUSTOMER



**The customer wants access to  
an affordable, high-quality  
education with excellent  
career outcomes**

# WHO IS OUR CUSTOMER?



- African-American
- Lower- to mid-income
- Average to below-average high school grades
- Average to below-average standardized test scores (SAT, ACT, etc.)
- Virginian

**Kayla**

# TO SATISFY THE CUSTOMER PROBLEM, WE MUST UNDERSTAND...

Higher Education Is Necessary  
for Socio-Economic  
Advancement



Not All Higher Education Is  
Created Equal



The Customer Expects an  
Excellent ROI



Degree Completion Is Most  
Important and Much At-Risk at  
HBCUs



The Problem of the Future



**Skills of today vs skills of tomorrow: technological, social and emotional skills will become even more important.**

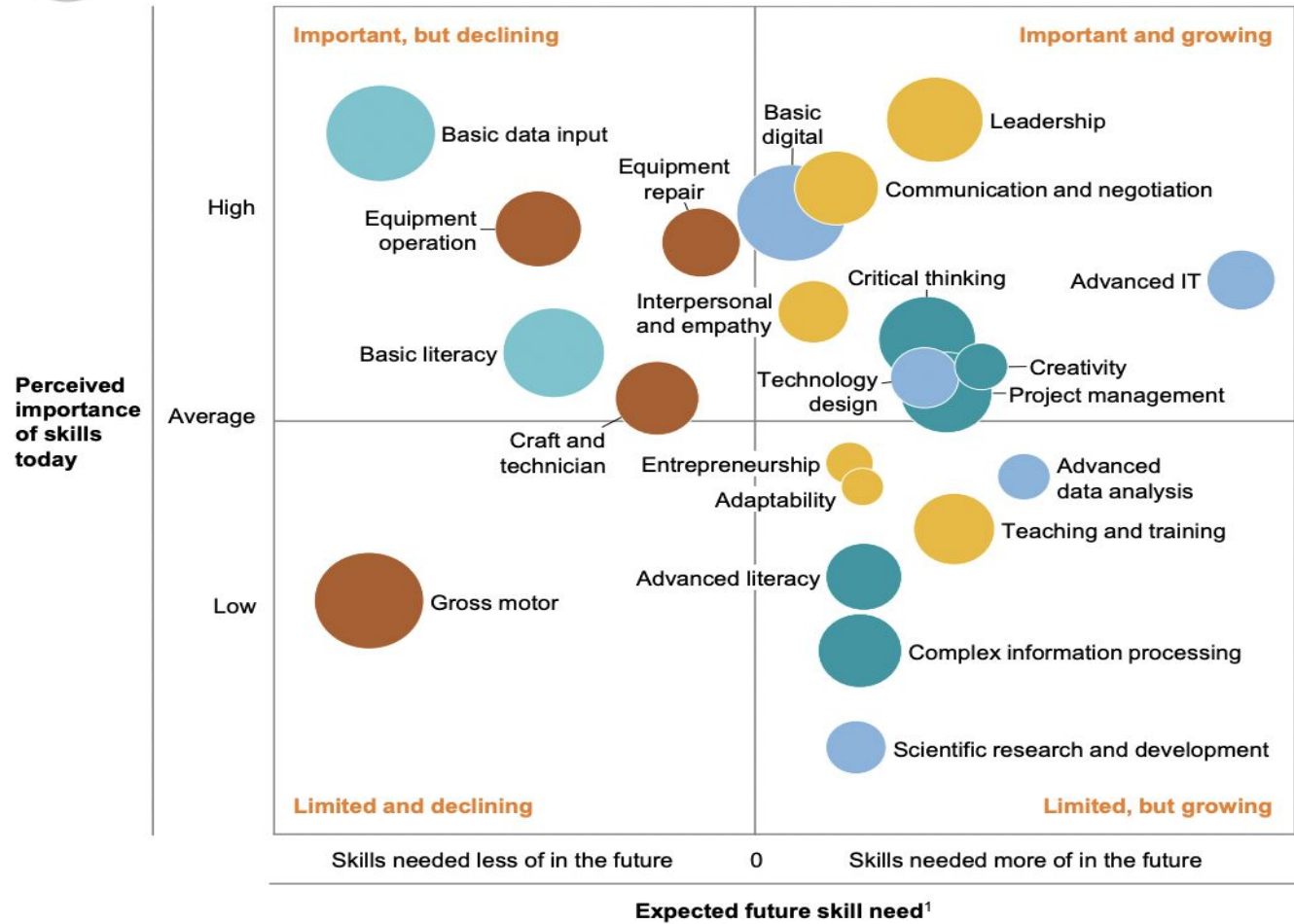
Based on McKinsey Global Institute workforce skills executive survey, March 2018

Bubble size =  
Hours worked in 2016, billion



**Skills**

- Physical and manual
- Basic cognitive
- Higher cognitive
- Social and emotional
- Technological



<sup>1</sup> Difference between % of survey respondents that expect to need a skill more and % of survey respondents that expect to need it less.  
NOTE: Based on results of March 2018 survey of 3,031 business leaders in Canada, France, Germany, Italy, Spain, the United Kingdom, and the United States. Chart based on % of survey respondents. Skills descriptions were shortened. Chart does not include fine motor skills, inspecting and monitoring, and quantitative and statistical skills. Bubble sizes are based on number of hours worked.

SOURCE: McKinsey Global Institute workforce skills executive survey, March 2018; McKinsey Global Institute analysis





# PAIN POINTS OF PURSUING HIGHER EDUCATION

College Affordability



Opportunity Costs  
of Attending College



The Imposter Syndrome



# MARKET ANALYSIS

MARKET SIZING THE NEW  
SAINT PAUL'S COLLEGE



# MARKET SIZING THE PROSPECTIVE STUDENTS



2,071 public school seniors

+

113 private school students

=

**2,184 Virginian students likely to attend an HBCU in Virginia**



242 in-state students

+



869 in-state students

+



614 in-state students

+



176 in-state students

**1,901 total in-state students**

**Bottom Line: the new Saint Paul's College must look beyond the Commonwealth of Virginia to make up its student population.**




# LOOKING AT BRUNSWICK HIGH

Brunswick High typically has “Accreditation *with Conditions*.” Schools performing at Level One or Level Two on all school quality indicators are rated as “Accredited.”

Academic Achievement		
English	Level One	
Mathematics	Level Two	
Science	Level One	

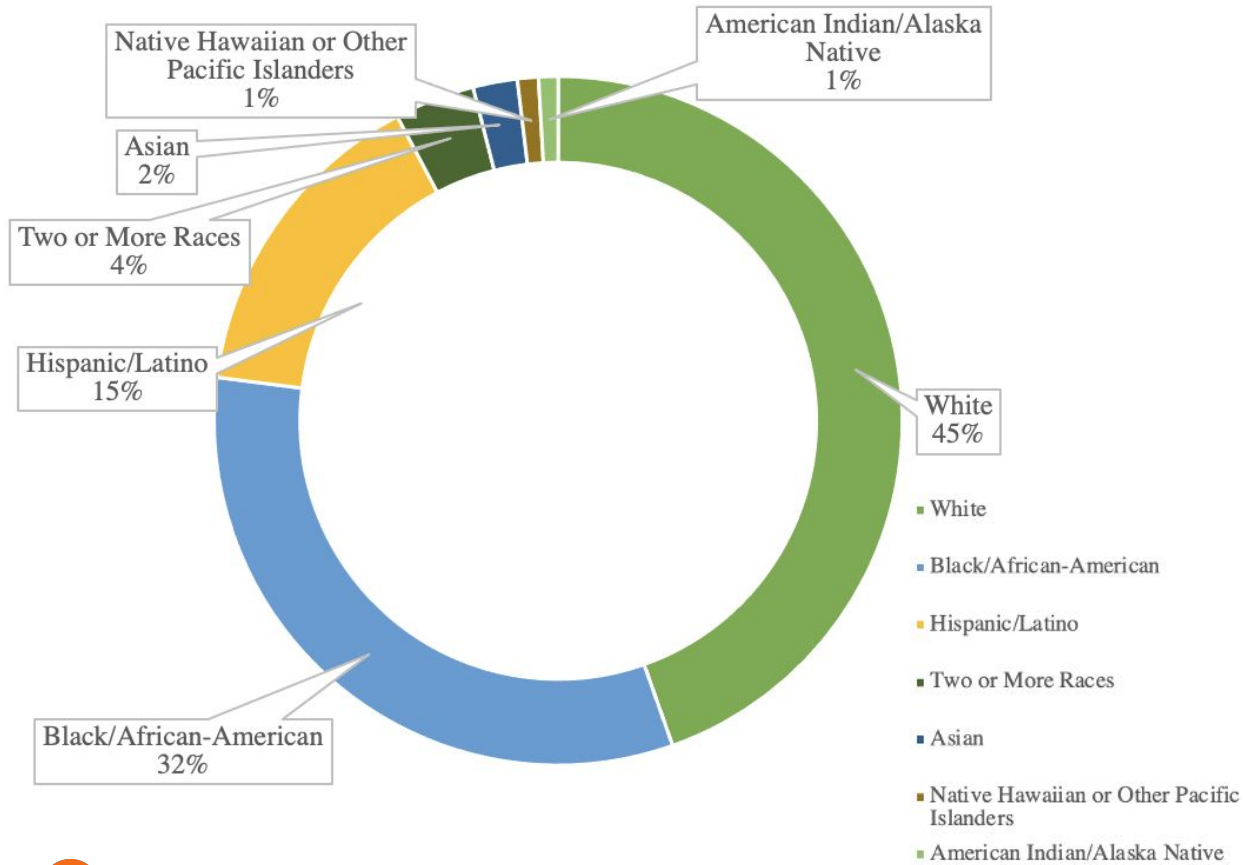
Achievement Gaps		
English	Level Two	
Mathematics	Level Three	

Student engagement & Outcomes		
Chronic Absenteeism	Level One	
Dropout Rate	Level Three	
Graduation and Completion	Level Two	

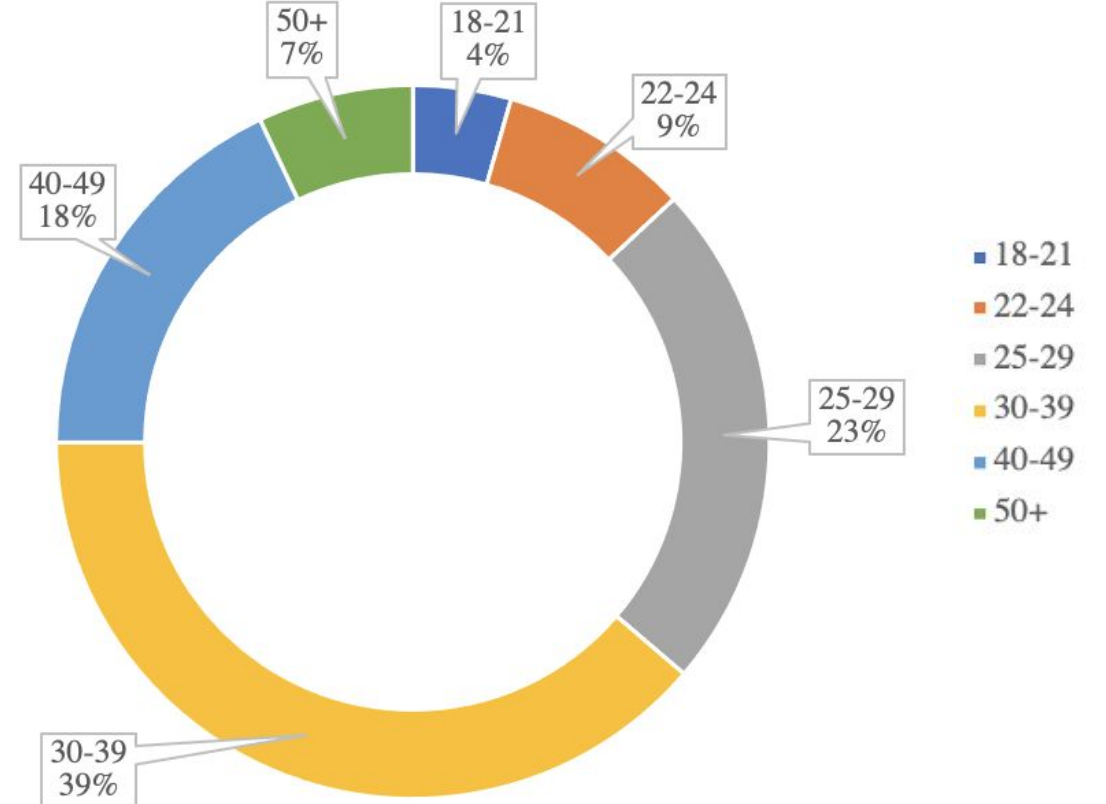
-  Level One indicates the school is performing at or above the state standard
-  Level Two means the school is performing near the state standard
-  Level Three denotes the school is performing below the state standard

# ASSESSING THE UNIVERSITY OF PHOENIX-ARIZONA

## Race Demographics



## Age Demographics



# KEY TAKEAWAYS FROM ADDING AN ONLINE COMPONENT

1. With a **27% retention rate** and **10.8% graduation rate**, for each student that graduates, two or three students may be **saddled with debt**.

2. **Generational differences** amongst students from adding an online component could pose challenges to **community cohesion** but can be **leveraged**.

3. High school seniors and adults have **opposing motivations** of choosing a college, creating a challenge of marketing and outreach.



# OPPORTUNITY ANALYSIS

ENTERING THE COLLEGE  
MARKET



# ANALYZING THE OPPORTUNITY

## Comparable Colleges

- Analyzed the successes and failures of other HBCU's with recent accreditation issues:



## Capturing the Market

- Analyzed key growth factors and their timings
- Ex. Vast drop in enrolled population after loss of accreditation
- No financial aid
- Less certainty

## Factors for Success

- Differentiated Programming
- High levels of alumni involvement
- Successful partnerships with businesses, community, etc.



# INCREASING ROI THROUGH DIFFERENTIATED OFFERINGS

By Incentivizing Students, we draw them away from other options and towards the new Saint Paul's College

**PARTNERSHIPS FOR JOB  
MATCHINGS AND SPECIALIZED  
TRAINING**

**KEEPING AFFORDABILITY  
TOP OF MIND**



**PAUL QUINN  
COLLEGE**

THE WORK  
COLLEGE MODEL  
ALLOWS PAUL  
QUINN TO KEEP  
TUITION LOW,  
WHILE PROVIDING  
VALUABLE WORK  
EXPERIENCE TO  
STUDENT

# COMPETITION

EVALUATING THE COMPETITIVE  
LANDSCAPE



# PORTER'S FIVE FORCES ANALYSIS



## COMPETITION

**Threat of New Entrants:** *“How easy is it for new players to enter the industry?”*

Accreditation

Terminal Degree Requirements

Reputation

Costs

**Bargaining Power of Buyers:** *“How much power do buyers have over the business?”*

Students Have Optionality

Optionality Constrained by Admissions

**Bargaining Power of Suppliers:** *“How much power do suppliers have over the business?”*

Labor Supply of Qualified Professors

Professors Unions

**Threat of Substitutes:** *“Are there similar products that could replace ours?”*

Employment

MOOCs

Other Sources of Knowledge

**Rivalry Among Existing Competitors:** *“What is the current level of intensity among competitors?”*

Marginal Value-Add Per Student High for HBCUs

Lobbying from Public Universities



## COMPETITION

Institution	Fortis College (Richmond)	Hampton University	Norfolk State University	Southside Virginia Community College	Virginia State University	Virginia Union University
Public or Private	Private	Private	Public	Public	Public	Private
In-State Tuition	\$14,552	\$26,198	\$9,622	\$4,695	\$9,056	\$13,530 (all students)
Out-of-State Tuition	N/A	N/A	\$20,790	\$10,623	\$19,576	N/A
% Receiving Financial Aid	94%	62%	78%	38%	92%	59%
Avg. Amount of Financial Aid	\$2,841	\$7,315	\$24,312	\$3,681	\$9,263	\$12,065
Acceptance Rate	100%	36%	91.7%	100%	95%	63%
Graduation Rate	53.6%	59.84%	37.8%	32%	36.2%	32.2%
Accrediting Body	ACCSC	SACS	SACS	SACS	SACS	SACS
Online Component?	Yes	Yes	Yes	Yes	Yes	Yes
Size of Endowment	N/A	\$280.6m	\$24.4m	\$3.04m	\$46m	\$29m
Student-to-Faculty Ratio	30 to 1	12 to 1	16 to 1	21 to 1	13 to 1	16 to 1
% Women	60%	66%	67%	66.1%	57%	52%
City Population Size	226,622	135,041	244,601	344	31,362	226,622





# FINANCIAL ANALYSIS

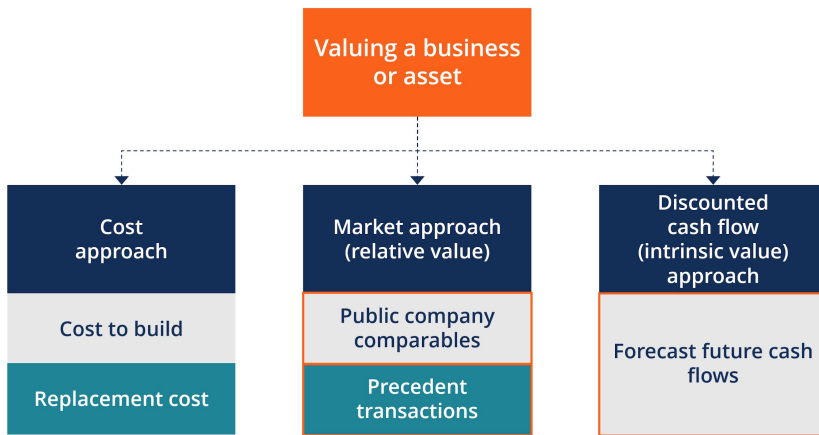
MAKING IT HAPPEN



# WHAT IS A MODEL?

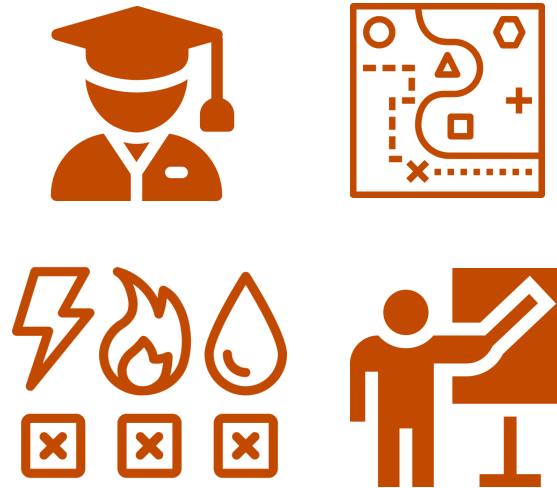
## A Type of Valuation

- A method of calculating the value of a project



## Built on Assumptions

- Such as...



## Provides Details on the Financials of a Project

- Cost to develop the new Saint Paul's College?
- How many students are needed to be sustainable?
- Present Value of Future Cash Flow

# KEY ASSUMPTIONS

## Revenue

- Tuition
- Grants
- Private Gifts

## Costs

- Buying Property
- Updating Buildings
- Personnel
- Utilities
- Scholarships
- Interest Payments

## “Cost of Capital”

- How much does it cost us to get \$1?





Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenue</b>										
Tuition (Inperson)	\$-	\$-	\$747,938	\$1,042,944	\$1,454,310	\$2,027,929	\$2,827,800	\$3,943,161	\$5,498,451	\$7,667,189
Private Gifts, Grants, Contracts	-	-	387,515	544,417	764,963	1,075,016	1,510,969	2,124,045	2,986,343	4,199,372
Federal, State, and Local	-	-	273,540	384,295	539,974	758,835	1,066,567	1,499,326	2,108,007	2,964,263
Auxiliary Income	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,686,829</b>	<b>\$2,369,817</b>	<b>\$3,329,840</b>	<b>\$4,679,481</b>	<b>\$6,577,161</b>	<b>\$9,245,842</b>	<b>\$12,999,375</b>	<b>\$18,279,620</b>
<b>Costs</b>										
<b>Hard Assets</b>										
General Maintenance	0	0	0	-15000	-15000	-15000	-15000	-15000	-15000	-15000
Power, Gas, Wifi	-	-	(661,500)	(661,500)	(661,500)	(661,500)	(661,500)	(661,500)	(661,500)	(661,500)
Land	(287,383)	(195,883)	(195,883)	(195,883)	(195,883)	(195,883)	(195,883)	(195,883)	(195,883)	(195,883)
<b>Total Hard Assets</b>	<b>(287,383)</b>	<b>(195,883)</b>	<b>(866,683)</b>	<b>(881,683)</b>	<b>(881,683)</b>	<b>(881,683)</b>	<b>(881,683)</b>	<b>(881,683)</b>	<b>(881,683)</b>	<b>(881,683)</b>
<b>Personnel</b>										
Professor Compensation	\$-	\$-	(\$200,493)	(\$204,503)	(\$278,124)	(\$354,608)	(\$506,380)	(\$664,081)	(\$903,151)	(\$1,228,285)
TA Compensation	-	-	(2,741)	(2,741)	(3,654)	(4,568)	(6,395)	(8,222)	(10,962)	(14,616)
<b>Total Professor/TA Compensation</b>	<b>\$-</b>	<b>\$-</b>	<b>(\$203,234)</b>	<b>(\$207,243)</b>	<b>(\$281,778)</b>	<b>(\$359,175)</b>	<b>(\$512,775)</b>	<b>(\$672,303)</b>	<b>(\$914,113)</b>	<b>(\$1,242,901)</b>
<b>Institutional Operating Expenses</b>										
<b>Program Services</b>										
Scholarships	\$-	\$-	(\$176,874)	(\$240,609)	(\$267,347)	(\$272,694)	(\$278,148)	(\$283,711)	(\$289,385)	(\$295,173)
Instructional	-	-	(740)	(1,007)	(1,369)	(1,863)	(2,534)	(3,447)	(4,690)	(6,379)
Academic Support	-	-	(1,151)	(1,565)	(2,130)	(2,897)	(3,941)	(5,361)	(7,292)	(9,920)
Student Services	-	-	(32,308)	(34,572)	(37,464)	(41,207)	(46,103)	(52,565)	(61,152)	(72,626)
Auxiliary Enterprises	-	-	-	-	-	-	-	-	-	-
<b>Total Program Services</b>	<b>\$-</b>	<b>\$-</b>	<b>(\$211,074)</b>	<b>(\$277,753)</b>	<b>(\$308,310)</b>	<b>(\$318,661)</b>	<b>(\$330,726)</b>	<b>(\$345,084)</b>	<b>(\$362,519)</b>	<b>(\$384,098)</b>
<b>Supporting Services</b>										
Institutional Support	-	-	(433,001)	(481,305)	(544,859)	(629,117)	(741,494)	(892,079)	(1,094,592)	(1,367,700)
<b>Total Institutional Operating Expenses</b>	<b>\$-</b>	<b>\$-</b>	<b>(\$644,075)</b>	<b>(\$759,058)</b>	<b>(\$853,169)</b>	<b>(\$947,778)</b>	<b>(\$1,072,220)</b>	<b>(\$1,237,163)</b>	<b>(\$1,457,111)</b>	<b>(\$1,751,798)</b>
<b>Total Cost</b>	<b>(287,383)</b>	<b>(195,883)</b>	<b>(1,713,992)</b>	<b>(1,847,984)</b>	<b>(2,016,631)</b>	<b>(2,188,636)</b>	<b>(2,466,678)</b>	<b>(2,791,149)</b>	<b>(3,252,907)</b>	<b>(3,876,382)</b>
<b>EBITDA</b>	<b>(287,383)</b>	<b>(195,883)</b>	<b>(27,163)</b>	<b>521,833</b>	<b>1,313,210</b>	<b>2,490,845</b>	<b>4,110,483</b>	<b>6,454,694</b>	<b>9,746,468</b>	<b>14,403,238</b>
Depreciation	\$-	(\$118,203)	(\$188,173)	(\$256,742)	(\$251,608)	(\$246,575)	(\$241,644)	(\$236,811)	(\$232,075)	(\$227,433)
<b>EBIT</b>	<b>(287,383)</b>	<b>(314,087)</b>	<b>(215,335)</b>	<b>265,090</b>	<b>1,061,602</b>	<b>2,244,270</b>	<b>3,868,839</b>	<b>6,217,882</b>	<b>9,514,393</b>	<b>14,175,804</b>
Interest Expense--TL B & Revolver		\$0.00	\$0.00	(\$190,670.21)	(\$331,018.48)	(\$416,870.10)	(\$410,903.70)	(\$267,950.17)	\$0.00	\$0.00
Interest Expense--Subordinated	\$0.00	(\$1,920,000.00)	(\$1,920,000.00)	(\$1,920,000.00)	(\$1,920,000.00)	(\$1,920,000.00)	(\$1,920,000.00)	(\$1,920,000.00)	(\$1,800,378.93)	(\$864,308.00)
<b>Total Interest Expense</b>	<b>0</b>	<b>(\$1,920,000.00)</b>	<b>(\$1,920,000.00)</b>	<b>(\$2,110,670.21)</b>	<b>(\$2,251,018.48)</b>	<b>(\$2,336,870.10)</b>	<b>(\$2,330,903.70)</b>	<b>(\$2,187,950.17)</b>	<b>(\$1,800,378.93)</b>	<b>(\$864,308.00)</b>
Amortization of Debt Financing Fees	\$-	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)
<b>Net Income</b>	<b>(287,383)</b>	<b>(2,282,087)</b>	<b>(2,183,335)</b>	<b>(1,893,580)</b>	<b>(1,237,416)</b>	<b>(\$140,601)</b>	<b>1,489,935</b>	<b>3,981,932</b>	<b>7,666,014</b>	<b>13,263,496</b>
<b>10-Year NPV</b>	<b>\$6,248,501</b>									
<b>5-Year NPV</b>	<b>(\$14,386,004)</b>									



# WE MUST RAISE FUNDS, GRANTS, DONATIONS, AND CREATE PARTNERSHIPS

Think about it like a mortgage...

EACH \$ SAVED UPFRONT SAVES  
MORE MONEY DOWN THE LINE

MAKES IT EASIER TO FIND  
FINANCING

RECEIVED  
\$1,000,000 FROM  
THE NATIONAL  
PARK SERVICE TO  
RESTORE THEIR  
CLOCK TOWER

