THE AMERICAN COLLEGE OF FINANCIAL SERVICES

THE RICP EXPERIMENT

January 2022

Greg S Bonner – Product Strategist
Sathish Deevi – Assistant Vice President, Data and Analytics
Alex Greene – Chief of Staff, Data and Analytics

Section 1: Introduction to the RICP Experiment

The intent of this project – the **RICP Experiment** – was to synthesize data and information related to general product metrics, market intelligence, student journeys, and financial analysis to lay a foundation for experimentation and fine-tuned product strategy for the RICP product. The genesis for this work was a hypothesis formulated by The American College for Financial Services (TAC) that there may be significant opportunity in the following areas:

- Growing the RICP program by exploiting untapped market opportunities, especially with licensed financial advisors and broker dealers
- Capturing the student perspective about the product journey which would lead to improvements in the delivery experience and program completion rates (henceforth: graduation rates)
- Improving data-informed decision-making and understanding how proposed process and product improvements, strategic moves, and product growth affect the financials.

Beyond RICP, TAC is considering transformational moves in terms of the size and scope of TAC's vision. Highlights include increasing annual revenue to $100M, doubling the size of the college in terms of staff, and becoming a Top 20 online higher education provider (per a 2018 sizing benchmark, that metric is at least 50,000 students). These aspirations are significant multiples of today's current state.

While accomplishing these transformational goals will require significant strategic undertakings beyond the scope of the RICP Experiment, this process of building up organizational capability to experiment on product development, product management and improvement as well as understanding the financial impacts of proposals could yield benefits beyond one product. Potential exists to apply this process to all products and future development. That view is a macro level. At a lesser level, yet with more immediate potential, TAC lost $38M from 2016-2019[1] – much of that attributable to a decline in product revenue. Addressing the current products could help support the organization while it works on its transformation.

To lay the groundwork for the ability to improve the RICP product through experimentation and refined product strategy, TAC proposed the following undertakings:

- **Perform a comprehensive market analysis:** quantitative and qualitative assessments to find opportunity beyond the current RICP student targets
- **Complete journey maps:** capture the prospect/student goals, sentiment, and touchpoints along the RICP student journey and then bolster that with data measures
- **Build a customer lifetime value model:** show the effects of proposed operational or strategic changes using levers (a changeable measure) if an experiment proved a lever could have positive impact

The thinking was that synthesizing these complete tasks would set the stage for leadership to start discussing product experiments and strategic moves to increase the RICP revenue stream, enhance the student experience, and provide a proof of concept – once experiments proved that levers could

[1] ProPublica 990 filing database via projects.propublica.org/nonprofits/organizations/231352008

positively impact revenue and student experience together – that this work may apply to all products as well as product development at TAC.

To facilitate completion of the project, TAC contracted with an outside consultant with experience in all the aspects of the proposed experiment. The aim was for the consultant to deliver as many components of the project as possible within a set timeframe based on their ability to leverage data, personnel, and technology TAC would provide. At the end, the consultant would summarize the work in a white paper – this document – describing the individual elements of the project including:

- The approach undertaken, including any impediments or 'foundational gaps'
- A discussion of the results
- Opportunity identified
- Recommendations

In an ideal state, the opportunity and recommendations would evolve from a product with all components complete. However, constraints in time and TAC's ability to provide full capability limited the level of completeness to some of the components. That does not diminish the value of the learnings and opportunity to move forward with some actionable tasks. This document will provide leadership with significant recommendations on which to act. In addition, there is some benefit to pressure-testing the capability of the organization to fully support work like this project, and any gaps in task completion present themselves as opportunities and potential recommendations as well. As such, the discussion includes these items.

Following are the results of the market analytics, journey work, and lifetime value modeling done to support the RICP experiment. At the end is a summary and discussion of recommendations as they apply to the opportunities identified.

Section 2: Product and Market Overview

2.1: Market Sizing

The first effort in the RICP Experiment focused on attempting to complete a comprehensive market analysis. Combining qualitative and quantitative information addresses and sizes market opportunity.

TAC already contracts with organizations like FUSE and Hanover to provide market research. In exploring their products, they address aspects of the competitive landscape and posit areas of opportunity to explore. For example, FUSE notes significant opportunity to expand beyond insurance into the independent BD marketplace for multiple products. They also cover competitor product overviews.[2]

One area not covered by outside research is the size of the market opportunity backed by concrete data. Contextualizing concepts like RICP market share – broadly and specifically (within advisor types, company types, and demographic details) – helps determine if the current strategy is effective and provides a roadmap toward new opportunities. This area of the market overview was where TAC and the consultant determined they could add the most value.

Not long after attempting to work through market sizing information we realized that it would be a challenging task with the information to which TAC has access. Triangulating data with independent data firms – all of whom use different methodologies which often require some reconciliation – takes significant study and data engineering as well as time and resources, especially when starting from nothing. We know that the RICP product has targeted appeal to the insurance industry as well as some financial advisors. Ideally TAC would acquire data from multiple organizations that specialize in each as overlap is not frequent.

Financial advisor examples of data disparity:

- TAC possesses Cerulli reports – a gold standard organization when it comes to sizing the advisor market. But the reports on hand do not grant access to the databases which have additional costs. That said, we can determine from one recent report there are ~291,000 financial advisors across RIA and BD channels.[3]
- TAC also has access to Discovery data, another renowned organization when it comes to sizing the advisor space. Using their online database, we determined that combined BD and RIA financial advisors total ~462,000 – a 59% difference from Cerulli.[4]

Neither organization is "wrong" despite the disparities. But reconciling what is appropriate and the real opportunity takes time, money to purchase detail and expertise from the providing organizations, and internal data expertise and engineering resources to clean and package data for TAC use.

[2] FUSE Research Network, *The American College Expansion Opportunities*, March 2021
[3] The Cerulli Report, *U.S. Advisor Metrics 2020 Dimensions of Diversity*
[4] Data extracted from data.discoveryco.com, November 2021 [filtered to exclude 'Known Non-Advisors' and deduplicated dual-registered RIA/BD advisors]

The insurance market itself is an even larger mystery. TAC's data team theorizes that LIMRA might be able to provide the ability to thoroughly understand the insurance data space. However, TAC has yet to purchase any LIMRA data or consulting.

Cursory work shows there are examples of insurance industry size disparity as well:

- Cerulli does not cover the insurance market, but Discovery does. However, Discovery shows over 2M agents who cover all aspects of the insurance marketplace from life to casualty, annuities, retirement products, and beyond. The analyses to get to the agents that matter for RICP purposes are not intuitive or easy to discern.[4]
- Additional efforts to get a general sense of the market vary greatly. For example, the Bureau of Labor Statistics (BLS) says there are 410,000 insurance sales agents in the US.[5] DataUSA from Deloitte reports 547,000 in the same category.[6]

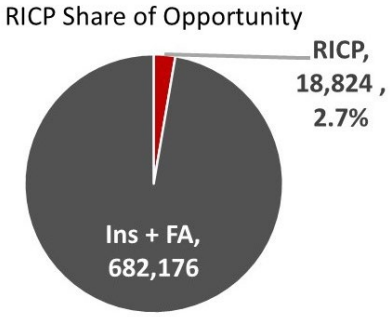
Like the financial advisor examples, it is necessary to spend time and resources on building out a knowledge base and database to accommodate market sizing for the insurance market.

When TAC and the consultant realized they were short of the necessary information, it was determined hold off on building out the market overview. TAC will need to decide going forward whether it is worth the effort and resources to move forward on market discovery work, and, if so, what that will look like.

With the inability to move further on data analytics and sizing the market with the time and resources available, it is better to focus on what is known.

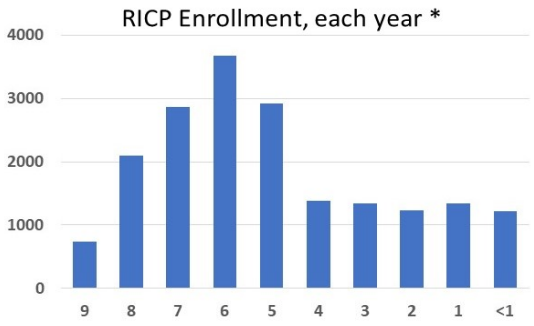
2.2: Product Overview and Context

TAC introduced the RICP program in 2012 (after product development). In the nearly ten years the certificate has been available, **18,824 students** (as of October 2021) have started the program. When considered in the context outlined in the basic market sensing, a conservative estimate puts the addressable RICP market at **701,000 potential students** when Cerulli's Financial Advisor totals are added to BLS's Insurance Agent totals. What does that yield? **A share of no more than 2.7%.** In the setting of TAC, RICP is a sizeable program and considered an important contributor to the bottom line. In the market? It appears to have gone almost unnoticed.



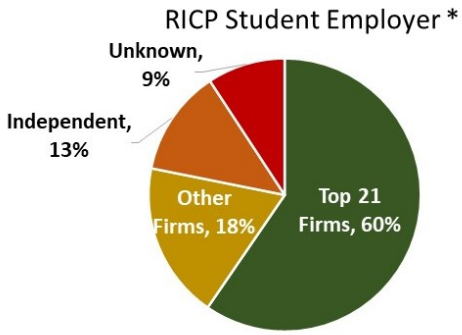
[4] Data extracted from data.discoveryco.com, November 2021 [filtered to exclude 'Known Non-Advisors' and deduplicated dual-registered RIA/BD advisors]
[5] US Bureau of Labor Statistics via www.bls.gov/oes/current/oes413021.htm
[6] DataUSA (Deloitte) via datausa.io/profile/soc/insurance-sales-agents

In addition, annual growth is stagnant. Ignoring the startup phase of the first eight months, over the first four years the RICP program averaged 2,900 new students a year. For the last five years RICP averaged 1,300 new students a year. Enrollment is steady but reflects a steep 1,600 student drop in annual average (55%) from a few years ago. About one-third of the drop is State Farm's agent base which averaged ~480 new students a year over the four years and less than 60 the next five.



- Moving from left to right, the first bar is eight months of data (think of it as Year 9 to 9.65), then each year moving forward is precisely one year
- Each bar represents how many years back from present

The State Farm anecdote also brings up a key point about the RICP business as it relates to the market. A sizable portion of the students who enroll are employees of insurance and advisory firms with whom TAC partners in terms of business development and product development. The firms play an active role in encouraging students to apply for the RICP designation.



- Top 21 firms all had more than 100 employees start the RICP program from 2012 through today

When you look at the data, over 11,000 of the ~19,000 RICP students come from just 21 firms. That is 60% of all the program's students. The top three – State Farm, Northwestern Mutual, and New York Life – make up 28% alone. Metrics like this demonstrate the potential of scaling for growth with large partners if TAC can partner with the largest insurance and advisory firms in the industry.

The other implication of this data, though, is that outside of some large company-driven processes fostering enrollment: many advisors may not be aware of the RICP designation or are aware and otherwise not choosing the RICP for themselves. Without a full picture of the size of the firms and professionals it is difficult to assess if this is a natural function of the financial advisory and insurance industries in general being consolidated similarly to the top RICP firms, or if the proportions are truly misaligned and reflective of a missing large opportunity.

2.3: Summary of Market Sizing Effort

Ideally, given resources and time, we would scope out a clear perspective on where we think RICP fits into the overall market. Despite the constraints, we can point to data that allows us to hypothesize that RICP possesses significant untapped potential in terms of market share. In contrast, enrollment by year fell and growth languished in the last few years after a robust start. It seems the opportunity to scale quickly is present depending on an ability to execute an effective growth strategy. This could include clarifying product-market fit, targeted distribution, and crucially: TAC business development fostering growth with the aid of additional large firms (through Key-Account relationships) who would champion the RICP designation and professional development for their employees.

"What if I was a product manager?"

- *Could I get a clear developed database of the RICP opportunity in terms of its product-market fit? How do we identify the target market for various offers? How big are the insurance and advisory spaces? What do we think we could grow share to within each?*
- *How can we better understand the needs, preferences, and value propositions of various sub-segments (i.e. individuals transitioning to be independent)?*
- *For competing designations, how fast are they growing in the marketplace? What share do they have?*
- *What other firms would align with us to grow the product? How big are they? What market share do we have within each firm? Why are we successful in some firms and not in others? Are there best practices we can share?*
- *Outside of partnering with firms, what is the opportunity to grow through independent or small company advisors and agents? Is it even worth pursuing?*

Opportunity

Without doing any more market sensing, some opportunities stand out. Even as a 'need to believe,' with a 2.7% or less total share of the addressable market, the RICP program has significant room to grow. TAC has developed the ability to leverage partnerships to foster that growth too. Whether it is an effort to improve metrics within firms TAC is already working with or an effort to find large new partnerships – or both – this is the fastest way to move above the stagnant 1,300 students per year currently enrolling.

Outside of those prospects, additional chances to positively impact the RICP product come from filling in more information about the insurance and advisory landscape in which it competes. With resources, it is possible to build robust databases allowing TAC to move more thoroughly, quickly, and with enhanced precision through market analytics. This data would help drive strategy, set and refine OKRs, develop and monitor KPIs, and enhance reporting. More broadly, it would be leverageable across several products and aid with new product development.

Section 3: The Student Journey

Understanding the student journey relies heavily on qualitative data and quantitative data. As part of the RICP Experiment we explore both data types. TAC's Data & Analytics organization and Marketing Analytics already track metrics today that address some of the quantitative journey data, and they are in the process of adding more. Therefore, when focusing on Student Journeys—the qualitative component and touchpoints were a primary focus – specifically targeting the creation of journey maps. Journey maps are comprehensive visual representations of a customer's (here, a student's) experience with an organization (independent of internal silos)—calling out goals, needs, perceptions, engagements, process metrics and which internal groups have responsibility.

After reviewing the journey maps, we can then explore and layer in how the quantitative metrics tell and track the journey narrative. This is particularly useful in surfacing up comparisons and setting up ways to investigate what levers impact student – and ultimately TAC financial – success.

3.1 Exploring Qualitative Journey Data: Why Journey Maps?

So far, we've focused on mostly quantitative analytics but mapping out the student journey through RICP will center primarily on qualitative analysis. Journey mapping is a common part of company marketing efforts. It focuses on the customer – or, in TAC's case, the student – experience by mapping all their touchpoints with the organization and capturing their sentiment along the way. For this project, the intent to incorporate journey mapping is to also provide a foundation for TAC to engage in experimentation (an industry typical function of D&A).

Why do companies engage in journey mapping? The process helps visualize all the steps a customer needs to take to get through a product journey and – most importantly – captures how they feel at each step along the way. Building empathy with the customer – or student – helps determine where a strategy or process needs improvement. In turn, that should bring more customers into a product journey, increase retention through the process, and discover key details and metrics to help the business make decisions that positively impact the bottom line.

Journey mapping does not have rules about every task to be performed, but there are common guidelines followed. Aligned with the guidelines of all mapping exercises, TAC sought to do the following:

- Map all the touchpoints between student and TAC as well as the activities the student performs at those points
- Capture the student's goals at each step
- Understand the student's sentiment at each step
- Align the map with data capturing metrics about the journey

Beyond those four items, maps are flexible enough that an organization can add additional enhancements to tell the story. They are not limited in any way, but some common ones include: the business's activity at each touchpoint or step, the technology or channel involved, department or team within the organization responsible for the step, and any existing dashboard or KPI metrics. Supplemental supporting details can be unlimited and it's not unusual to have supporting documentation beyond a one-page map. There are boundless examples of maps, and as organizations

decide what they want to understand from their own journey work familiarity with these options clarifies the deliverable format.

Outside of the four guidelines, one component common to all journey mapping is persona development. Personas are useful for helping build empathy with the students going through a process so when employees or leaders are discussing product improvements, they are doing so from the mind of the individual. The personas can be quite specific and are usually done by combining demographic data, internal subject matter expertise, and discussions with customers to come up with one, a few, or many representations of customers who all share a common goal set. There is no limit beyond keeping it manageable. And each persona would have their own journey map.

3.2: Journey Map Planned Tasks

TAC had intended to follow a typical path to journey mapping (outlined below). Upfront, it is important to call out that not all steps were possible in TAC's current state in the time allotted for the RICP Experiment. A checkmark next to the steps below indicate significant achievement:

- **Talk to students:** one-on-one, focus groups, targeted *specific* surveys about the process to map the journey they undertook, capture their sentiment, understand their goals, discover barriers, and discuss improvements
- ✓ **Talk to the business:** work primarily with leaders, key stakeholders, and SMEs to map the process as it is understood and join that with the student discussions
- ✓ **Analyze data:** compile the data story using all sources that track the student journey to compile descriptive statistics about all the phases, look for common demographic and result data to be able to compare and find best practices
- **Build personas:** Combine the student and business discussions with the data analysis to define who the customers are
- ✓ **Build journey maps:** Combine all the above steps to build complete journey maps for each persona

Once those steps are complete, a business has the results needed to work toward journey improvement making the experience better for the student, refine strategy, improve retention, and positively impact the bottom line. To facilitate the kickoff of this body of work, these final steps would happen:

- **Talk to the business again:** Work with the same leaders, stakeholders, and SMEs – as a group – to review the results of the journey maps and, as part of that review, develop customer-centric product and strategic improvements, institute KPIs and OKRs, and assign responsibilities for task completion
- **Discuss experimentation:** specific to TAC, this step was intended to pilot and discuss whether an experimental lab would be set up to prove whether proposed product improvements worked in test environments or on a small scale before implementation

3.3: Journey Map Achievements

Early in the process, we realized we would not be able to complete all the steps above. We pivoted to the idea of at least producing wireframes that include a fully developed touchpoint map, a list of activities performed by both student and TAC (though without the students' voices, for now), and some identification of responsibility centers in the organization. While not complete journey maps, the wireframes serve as a proxy for what the journeys should or could contain when complete so TAC will

have something to use as a guide if the institution determines there is value in the work and wants to proceed. There is something to anchor the project to moving forward.

To build out the wireframes, as mentioned in the prior section, the consultant did speak with seven individuals from various parts of the organization, notably: data and analytics, operations, marketing, academics, and business development. They each had years of experience with TAC as a whole and a deep familiarity with the RICP product as part of their past and present roles and were able to address most aspects of the program across all phases of the journey. In fact, the overlap of much of their descriptions of tasks, actions, and touchpoints reassured us that while the maps are not refined to perfection, they are nonetheless reasonably accurate to start. Working in this fashion also kept the process nimble. Going beyond this number of individuals – with the facilitation issues – may have taken much longer.

Included as part of the deliverables along with this whitepaper are the three wireframes that serve as the beginnings of the RICP journey mapping process. Please refer to them for specifics and visuals of the final inclusions from this project.

As a result, these items were able to be produced:

- Three wireframes representing the start of a journey map that include:
    - A "persona" for a B2B (business development led) journey and two "personas" for B2C (marketing led) journeys – one with a proactive marketing list component and one with a passive discovery process
    - Five distinct parts of the journey: Stranger, MQL, SQL, Enrolled Student, Alumni
    - A thorough vetting of the touchpoint activities between prospect/student/alumni and TAC
    - Student and TAC activities at each step
    - An outline of the organizational responsibilities
    - Placeholders for future mandatory components: Student Goals, Thoughts/Feelings, Experience (in green), as well as optional components (in grey), should TAC decide to proceed

The journey maps themselves include the learnings about the process for RICP. A quick summary of highlights include:

- There are over 70 potential touchpoints in the RICP journey
- There are at least 50 tasks TAC performs in the journey
- Those 50 steps address the 30+ steps the students take through the entire lifespan

This provides a lot of opportunity for the organization to improve the process and possibly design experiments. It will be up to TAC if the process is worth continuing to get to the next steps.

3.4: Journey Map Impediments

Once we planned the work involved, facilitation of many of the above steps proved difficult.

Talking to students…

The biggest barrier to success, by far, was the inability to talk to prospects, students, and alumni of the RICP program in a methodically rigorous way. Ideas were pitched with the hope TAC was small and/or

nimble enough that we could move in a “skunkworks” or “startup” style and, for lack of a better way to say it, just go do it. No short-term solution was enacted.

TAC does have a robust survey system related to course reviews and that data was investigated to see if it could serve as a workaround and gather information from work already done for RICP. The surveys are useful in addressing instructional design, course material, and overall RICP value, but they do not focus on the journey itself nor do they capture the true sentiment of the process. The responses also indicate the focus was more on students who finished the program or classes which would be an unbalanced sample for journey purposes. The surveys are appropriate and valuable for their intended purpose but building journey maps was not what they were designed for.

In not having access to students, two of the larger components of journey mapping were left out of the scope for now: capturing student sentiment and student goals. Also missing could be thoughts, steps, or processes they go through as part of the journey TAC is unaware of. Lastly, without talking to students it was impossible to use qualitative inputs for persona work.

Talking to TAC stakeholders…

Another barrier to success was – in the consultant’s view – a lack of an internal process or ability to facilitate many of the parts of the **“talk to the business”** steps. In fairness, almost all workplaces are still adapting to remote work brought on by COVID-19, and the remote nature of communication is something many – including the consultant – are still adapting to, especially when it comes to gathering groups, facilitating large discussions – or even small one-on-ones. The lack of traditional collaborative tools and settings like white boards and conference rooms may have an effect as well.

Regardless of the current workplace conditions, the consultant found it difficult to get support identifying all the RICP stakeholders and facilitating meetings with them. This was coupled with a persistent lack of awareness of the work despite call outs in meetings. TAC decided that we would use six individuals as a mix of stakeholders, SMEs, and proxies for those in active RICP roles so we could deliver a reasonably close, if not perfect, RICP touchpoint component of the journey. In the end, employees from key areas of the RICP process were left out of the discussions, but the consultant was assured the SMEs with whom he did meet could fill in most of the components of the journey. After working with those individuals, the consultant agreed they served well as experts. The estimation is that the touchpoint portion of the maps are 80% correct.

Data…

The final impediment to journey completion was a lack of robust data in some key areas – and even if we did have it – the time to analyze it thoroughly to build out good personas and a complete journey data story.

The lack of thorough demographic detail around the RICP students led us to pend analyzing for personas. That decision, coupled with the lack of access to students’ qualitative information, ended any opportunity to arrive at clear RICP student personas. As a substitute, the maps that were created were based on the three methods a student discovers and enrolls in the RICP program as that was determined to be the biggest differentiator:

- Business development driven through their employer (B2B, with Partner persona)

- Marketing driven through their employer B2C, with Partner persona)
- Direct to consumer (B2C, no Partner persona).

For journey metrics, the consultant was able to produce results for certain phases of the journey such as the enrolled student portion or the recertifying alumni portion. However, as TAC is in the middle of standing up a marketing analytics program, there is little data in existence yet that discusses the metrics prior to one becoming a student. Some data exists in MQL and SQL systems but the time to understand, engineer, and analyze results exceeded the timeframe of the project. Other journey data, in theory, lives within market sensing. But for reasons covered, that had to be left out for now too.

Anything else?...

A final, and probably now obvious step that had to be skipped was coming back to the business and stakeholders a second time to facilitate discussion around improvements, KPIs, and responsibility assignment. Along with that, talking through specific experiments would be left out for now.

To summarize the impediments, we lacked:

- Access to students
- Access to all stakeholders (identification, and engagement)
- A full complement of demographic and journey data

As a result, these items were de-scoped for now:

- Persona work
- The student goals and sentiment portion of the journey
- Many components of the supporting data story for the journey
- Final discussions with the business as a team to hypothesize improvements, KPIs, responsibility
- Discussions about specific experiments to test improvements

3.5: Exploring Quantitative Journey Metrics

The data behind the student journey lends valuable quantitative support to the qualitative understanding of the student journey. It is useful for measuring the process as it exists today as well as results from any changes made to the process. The data is also a primary input into setting KPIs and OKRs. Finally, it is often a representation of the process levers where changes enacted will flow through to financial results.

The following data was mined from TAC's systems with a focus on the journey work and financial impacts. Therefore, this review will set-up subsequent financial discussion as well. The focus is on student counts, graduating rates, and whether classes are sold as packages or single class since all of these are macro drivers of revenue.

As noted, 18,824 students have entered the RICP program since inception in early 2012.[7] Of that number, 8,701 have graduated – a rate of 46%. Since this includes a significant number of students still active in the program, an adjustment factors in how long it takes students to obtain certification from the point of program entry to find a true graduation rate.

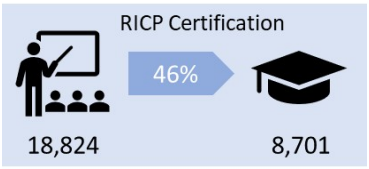
The average time to graduate is 1.6 years. Half (the median) get it done in 1.2 years or less. 80% graduate within 2.1 years. 90% do within 3.1 years. Therefore, it is reasonable to consider most students finish the program in two years or less. So, leaving out the most recent two years' cohorts, the graduation rate is 49%.

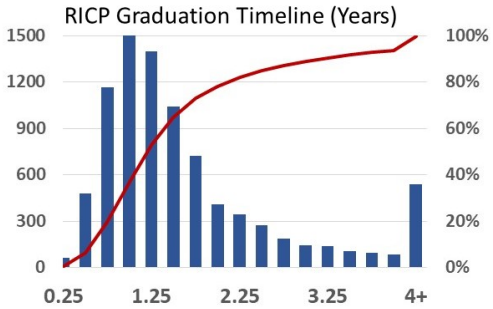
Students can purchase the three-class RICP program as a package – where revenue is collected upfront – or as single classes. Since inception, 55% of all students have purchased a package. That percentage has shifted over time though, nearly inverting. In the first 1.65 years, 77% of the students purchased packages. That rate has declined to 30% for the most recent year.

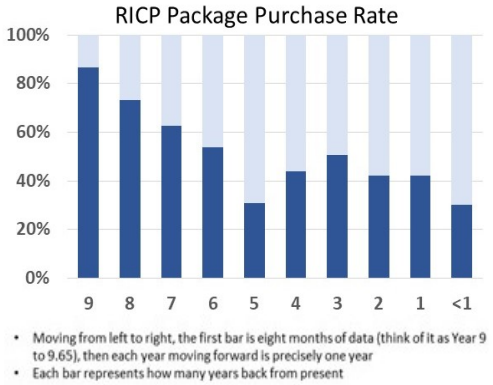
It is at this point we start to merge the graduation and purchase data to form cohorts. The merged data looks at package purchase rates and graduation rates as notable distinctions were found in behavior.

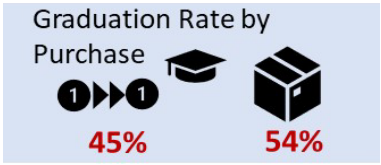
Those who purchased a package of RICP courses graduated at an adjusted rate of 54% (excluding the most recent two years as described above, including those years the rate is 52%). Those who pay by the course graduate at an adjusted rate of 45% (current unadjusted rate is 41%). Thus, those who purchase packages graduate at a higher rate.

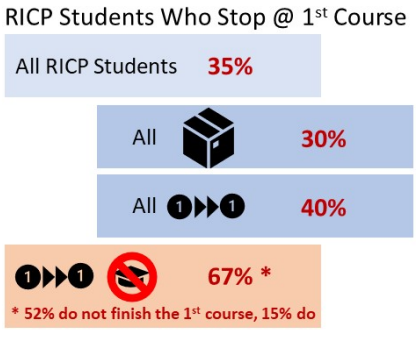
Diving deeper into journey data allows us to start to think about areas of opportunity to address student program completion. For example, we break down the journey into course movement and see that 35% of all students stop at one course (whether they finish it or not). Package students stop at that point 30% of the time; students who pay by the course stop 40% of the time. We learn that single course students do not persist as far. Now what if we remove those who graduate (there is nothing to address there; they succeeded in journey completion)? We find that two-thirds of all single course non-graduates stopped at one class. In fact, 52% of these students didn't even finish the course. If the Journey Mapping exercise was











[7] This excludes the subset of students who were "Single/Package"

completed to include all qualitative and quantitative inputs, and TAC was at the point where stakeholders are in a room discussing improvements, does this metric not flag an opportunity to figure out what can be done to encourage students to move forward?

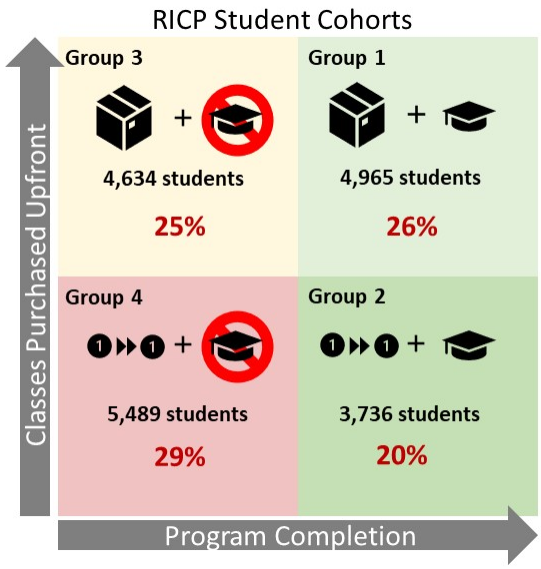
Metrics provide an important layer into the student journey story by:

- Measuring the success of the program
- Helping focus on areas of improvement
- Establishing a baseline through which proposed product improvements can be measured
- Informing KPIs

3.6: Using Journey Metrics to Set Up Deeper Exploration

Four distinct cohorts of students were built by applying graduation rate to course purchase type; they are relatively evenly distributed among the four. They map as follows:

- **Group 1:** students who have purchased a package and graduated
- **Group 2:** students who purchased single classes and graduated (the smallest group)
- **Group 3:** students who purchased packages but never finished
- **Group 4:** students who purchased single classes and never finished (the largest group)



This grouping is one way to subdivide the RICP student population. It was chosen to allow a deeper exploration into the financial metrics and understand some of the impact levers to product strategy changes and improvement. Why do these groupings matter? How a student purchases the program – especially when coupled with how far they go – provides more than just a corollary to graduation rate. It is a key factor – with very different results – of the amount of revenue TAC receives. Whether or not the student graduates is an additional revenue lever as it impacts recertification opportunity. These groupings will be critical in establishing drivers of student lifetime value to TAC.

When additional analyses are done in the future, there may be different lenses that call for different groupings. For example, it's possible to divide the student experience by how they become aware of and enroll in programs at TAC – 1) business development driven through their employer or 2) marketing driven through their employer or 3) direct to consumer. When we did Journey Mapping, this method was deployed. Why? It was the most distinct identifier of a change in process.

Data and analytics show how TAC can measure results of the RICP program. From the measures highlighted so far that walk through the RICP Journey, obvious areas of improvement start to come into focus. In addition, by making some comparison groupings, we can set up the ability to measure differences – and proposed improvements – financially.

3.7: Summary of the Student Journey Work

There are two distinct outcomes to the student journey work for the RICP Experiment. On one side there are solid accomplishments. There are three wireframes for the RICP program that map out the student journey thoroughly enough to reflect 70 student touchpoints and 50 TAC tasks. In addition, exploration of journey data layers in quantitative metrics to enhance the understanding of the student journey. From those two items, we have uncovered a breadth of opportunity in terms of places to think through and influence product improvement.

On the other hand, we also uncovered an opportunity to address some foundational and facilitation gaps that can be addressed to complete the understanding of the student journey. The output provides a proof of concept that this work can be done at TAC and there is an outline for moving forward. But this is also a good place for TAC leadership to discuss if they perceive a benefit in going forward with completing the task. Talking to students, prospective students, alumni, etc. on a regular basis to learn about them -- their needs, their goals, their sentiment – is necessary. Continuing to build out a robust understanding of the program through data – scorecards, KPIs, and analyses – will also aid the process. Finally, stakeholders coming together to discuss the results, generate ideas, and assign responsibility for product improvement fills in the remaining gap in successful completion of the journey process.

One question leadership may ask is, "is it worth it?" Perhaps a discussion of student lifetime value and financial impacts will help answer that question.

"What if I was a product manager?"

- *Are these good or bad graduation rates?*
- *Should we sell more packages? Less? Does it matter?*
- *Can we start to investigate more comparisons between other groupings? For example, do some students from some large firms graduate at a higher rate than others [hint: yes, they do] and either leverage best practices from the better firms or generate more business from them or from similar firms?*
- *Can we incorporate more demographic profiling into the work to understand our students?*
- *Let's use data to match and compare as many best practice correlations as possible to expand upon!*
- *Why do so many students walk away before even completing the first class? Is that even a bad thing or is it just a common occurrence that we should assume is a fixed assumption? If it is a bad thing, can we experiment with simple fixes to see if we can change behavior?*
- *What other opportunities to improve are there along the journey?*
- *What can we learn about the marketing funnel and how many people go from prospect to student?*
- *We know a lot from students who graduate but what more can we learn about those that reject us before or during the process?*

Opportunity

Despite not completing all the proposed work in the journey portion of the project, opportunity presents itself. There are distinct student cohorts that can be investigated to find out why some are more successful than others. One key distinction – class completion – stands out as an obvious avenue to explore even if nothing else is done from this work beyond that. **The fact that 35% of TAC's RICP**

students walk away after one class, up to 67% in one grouping, is something to either understand, address, or both.

There are 70+ specific student touchpoints, some of which certainly need improving, along with the more than 50 TAC processes involved in that journey. There exists an entire metrics story before a student enrolls – the marketing funnel – that we need more data to understand. Other groupings and comparisons need to be made so TAC can understand what practices lead to student success in retention.

And backing all of this up is the prospect of incorporating an entirely new way of thinking about student sentiment and goals, product improvement, and data into TAC's product development and management. Facilitation, foundational, and timing issues were impediments to this project in the short-term. But they represent long-term opportunity to incorporate a process that will improve the student experience, improve KPIs, enable knowledge management of journeys across the organization, and establish ways to move nimbly – perhaps experiment – because all the learnings are constant and part of the everyday process.

Section 4: Customer Lifetime Value (CLV)

4.1: What is it and How Does it Apply to RICP?

Customer lifetime value (CLV) is the gross profit (revenue less direct cost to serve) one individual customer (here, student) delivers to an organization over an average lifetime. Developing a CLV model for the RICP program will enable leaders to understand the profit drivers and the levers they can engage to improve results. The model should be flexible enough to enable changing levers to model proposed product or strategy improvements. Improvements often involve cost. The ability to determine the potential impact to revenue helps resolve whether an investment is worth it to an organization. CLV models also enable comparisons between proposals to help with prioritization, or they can show layered effects to the bottom line of multiple proposals.

There are three revenue sources from RICP students:

1. **Course Revenue**
2. **Recertification Revenue**
3. **Donor Revenue (attributable alumni)**[8]

Each of these revenue sources has an associated marginal expense (direct cost to serve, excluding overhead). The basic equation is simple. Getting to the inputs for each variable takes more effort.

Course revenue and recertification revenue are the primary drivers in the CLV model—these are the levers TAC can directly influence and are the key focus of the model. Some components also have secondary drivers—these are factors that influence the model outcomes, were useful in calculations, and typically change over time—but TAC wouldn't necessarily act on strategies to influence their results (i.e. % client facing students). Think of them more like behavioral characteristics that were useful in modeling inputs.

The following subsections introduce individual components of the CLV for RICP (Course revenue, Recertification revenue, and Donor revenue—individually attributable alumni gifts), as well as examples of how to conduct scenario planning with each of those components; these are followed by the full CLV. This is followed by a discussion on how to apply the RICP CLV to product strategy levers (including a sensitivity table), a short extension to ChFC/CLU to facilitate discussion, and then wraps up with core learnings.

4.2.1: Course Revenue

Course revenue is affected by three primary drivers:

- What is the cost of the courses?
- When enrolling, does the student utilize the single course or package course payment method?

[8] See Appendix: (section 4) for an expanded discussion on the data available for modeling the Donor Revenue. There are known gaps, but this is the best that can be achieved. Only a small proportion of the total $1.64M in RICP alumni Donor Revenue could be attributed for modeling purposes.

- Do they obtain the RICP certification?

Here are the inputs used for the course revenue component. Note all these drivers tie back to the four cohorts identified earlier from the journey metrics section:

- **Number of students:** since inception
- **Package purchase rates:** proportion of students enrolled using package and single payment options since inception
- **Graduation rates:** proportion of students for each purchase method who have graduated since inception
- **Revenue:** the average of all students in those cohorts since inception
    - Package revenue only has one entry as all revenue flowed similarly regardless of outcome; it is much less than single revenue for graduates due to frequent discounts
    - Single revenue for graduates reflects paying for all courses
    - Single revenue for non-graduates reflects paying for one to three courses and is a blended average since inception
- **Gross margin:** supplied by finance, inclusive of all direct service costs

Inputs

S	Number of students	18,824
P1	Package %	51.0%
P2	Single % (1-P1%)	49.0%
G1	Package Grad %	51.7%
G2	Single Grad %	40.5%
R1	Package Revenue	$1,765
R2	Single Revenue, Grad	$2,260
R3	Single Rev, Non-Grad	$1,265
E1	Gross Margin	60%

Please see Appendix (1) for Course Revenue equation

Here are the results:

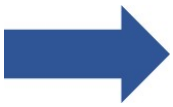
Total Revenue: $32.3M | **Gross Profit: $19.4M** | **Course CLV: $1,030**

Since inception, the average CLV of all RICP students who have entered the program is $1,030 per student from course revenue. The total course revenue of $32.3M spread over 9.65 years yielded about $3.3M per year from course payments. After adjusting for expenses those figures drop to $19.4M total and $2.0M per year for gross profit. These results are reflective of where all students stand as of now.

To demonstrate how the model is flexible for scenario and lever adjustments, we will adjust the graduation rates to what they are expected to ultimately be (recall that the most recent two years of students are still working toward their certification).

Inputs

S	Number of students	1
G1	Package Grad %	54.0%
G2	Single Grad %	45.0%



Course CLV: $1,043

Final result: course CLV for RICP students is $1,043 per student. Total revenue over time will climb to $32.7M, gross profit will increase to $19.6M.

4.2.2: Exploring Journey Data Using the Course Revenue Portion of the CLV

While we used averages for the course revenue figures, for scenario planning or investigating opportunity, the model allows those figures to be modified to reflect whatever course completion and type rates (i.e. group) TAC wants to measure. For example, if we want to go back and look at the 67% of the **Group 4**[9] population who never go beyond one class, we could make the following changes to see what their course CLV is (in fact, it represents their entire CLV as there is no further revenue opportunity for RICP):

- Number of students is 67% of Cohort 4
- Course revenue averages about $775 for single classes over the RICP timeframe
- Other changes noted below, if not noted inputs were left the same as before

This is the real result of what the cohort of RICP students who completed one class or less provided in gross profit to TAC. By itself it does not say much. But what about if it is framed in the context of lost opportunity?

Change the inputs to 100% graduation and full revenue (see below) and note the profit yield.

The bottom line from 2012 through today would have improved by $3.3M in additional course revenue ($4.99M - $1.71M gross profit). That reflects nearly $900 per student in course CLV. That does not include the benefits of recertification revenue that we will cover next, but it is millions of dollars more.

[9] **Group 4**: students who purchased single classes and never finished (the largest group)

Granted, no matter what TAC did, a lot of those ~3,700 students still would have walked away after the first course. Here is a direct quote from Hanover Research in a study TAC commissioned (though note that the statistical rigor and survey sampling is in question): **"respondents do not want to commit to more than one course at a time (50%) and/or want to take one course and later decide if they want to complete the remaining courses (42%)."**[10] It would be fair to conclude a significant number of that cohort fits that profile. But what if TAC could influence behavior to improve persistence even a fraction of the time? These are the type of questions that start to arise when combining research, market analysis, journey work, and a CLV model.

4.3.1: Recertification Revenue

Recertification revenue shares some drivers with course revenue. Obtaining the designation/certification is a mandatory step for recertification, so by default the graduation rates must be included. Also included are number of students and which method they used to pay for courses.

From there, the following additional inputs are added:

In yellow are the inputs TAC would choose to influence; they are the primary drivers.

- **Recertification revenue:** fees cover both client facing and non-client facing roles
- **Recertification retention**: can be calculated one of two ways in this model
    - Retention rate is the projected annual percentage rate of retained recertification revenue each year
    - Flat retention in years is a simplified flat estimate of the duration of the average length of the customer's lifetime during which recertification revenue is captured

Inputs

T1	Rec Rev, Client Face	$125
T2	Rec Rev, Non-Client F	$50
C1	Client Face %, Pack	80.0%
C2	Client Face %, Single	78.0%
A1	Attrib, Pack, CF	83.0%
A2	Attrib, Pack, NCF	78.0%
A3	Attrib, Single, CF	63.0%
A4	Attrib, Single, NCF	63.0%
E2	Gross Margin	90%
N1	Retention Rate (%)	93.75%
	OR	
N2	Flat Total Ret'n (Yrs)	15

Please see Appendix (2) for Expanded Retention Discussion

- **Gross margin:** supplied by finance, inclusive of all direct service costs

In orange are the inputs TAC would not choose to influence; they are secondary factors. There were distinctions among the factors from the cohort modeling, they influence the results, and they may change over time.

- **Client facing percentages:** to account for the differences in pricing depending on whether one is client facing or not, calculating the proportion is necessary to adjust the rate to apply to the population. The results are slightly different for package payers and single class payers which is why there are two variables

[10] Hanover Research, *RICP Tuition Sensitivity Survey*, December 2019

- **Attribution percentages:** when the consultant received the data, the consultant noted that a sizeable portion of the population recertifying for RICP hold more than one certification. Therefore, not all the revenue gets attributed to RICP; an adjusted lower portion does. The calculations were done by four cohorts: package and single class payers each with a client facing and a non-client facing portion. The results are the numbers in the model. The simple way to think about the results is single class payers are more likely to have additional certifications, hence their lower attribution of revenue.

Please see Appendix (3) for Recertification Revenue equations

These are the results:

The CLV of all RICP students who have entered the program is $541 from recertification revenue. Total recertification revenue of $11.3M spread over a duration of time starting when the first graduates started paying them (~2014) and lasting until at least 40 years (a career for the youngest graduates) beyond 2024 when about all of those who have entered the program by now will have graduated. One can think of it as a 15-year average, but the reality is it's spread over about 50 years (2014-2064), front loaded, then declining slowly for decades. After adjusting for expenses that drops to a total recertification gross profit of $10.2M over that time.

4.3.2: Exploring Journey Data Using the Recertification Revenue Portion of the CLV

It is time to go back to the example used earlier to show the model flexibility and look at the 67% of the **Group 4** population who never go beyond one class.

Recall that in the course revenue example they had a CLV of $465. And that was the end. They did not complete the program so there is no opportunity for them to recertify. Also recall that had they graduated their course CLV would increase to $1,356. But what would their recertification CLV increase to?

Go back and use all the same inputs in the course example – none of the recertification inputs need to be modified – and the recertification CLV for the cohort of 3,768 students increases to $923.

Now add course and recertification CLV together.

In the end, had that group of students – who walked away either during or just after completing one course – continued to earn their certification they would have been worth $2,279 each to TAC instead of $465 (excluding donor revenue, which was nominal).

That difference of $1,814 per student would have been worth $6.7M in gross profit to TAC. As discussed, it is not likely anything could have been done to change the outcome for many of them. But the opportunity has been identified. And it is a consistent theme so it will continue. Is this an area TAC would want to learn more about and see if change is possible? Section 4.6 will contextualize and expand on what this may mean.

4.4: Donor Revenue

Contrary to the extensive work done for the first two model components, donor revenue does not warrant the same treatment – for now.

The difference between donor revenue and both course and recertification revenue is that no key drivers could be found.

Please see Appendix (4) for Expanded Donor Revenue Discussion

As a result, a simplified equation is used. The equation and results are as follows:

4.5: CLV Results Summary

At this point all that is left to do is combine the results of the three covered components of this RICP CLV model (per student): course, recertification, and donor revenue. Doing so yields the following:

Course CLV: $1,043	+	Recert CLV: $541	+	Donation CLV $5	=	RICP CLV: $1,589

This is the blended result of all students who have enrolled in RICP since 2012 with adjustments based on projected final graduation of the most recent years' enrollees. Unless the inputs change in any meaningful way, it is a good approximation of what one student who enters the program brings TAC in gross profit.

When applied to *all students* who have entered the program so far this is the result:

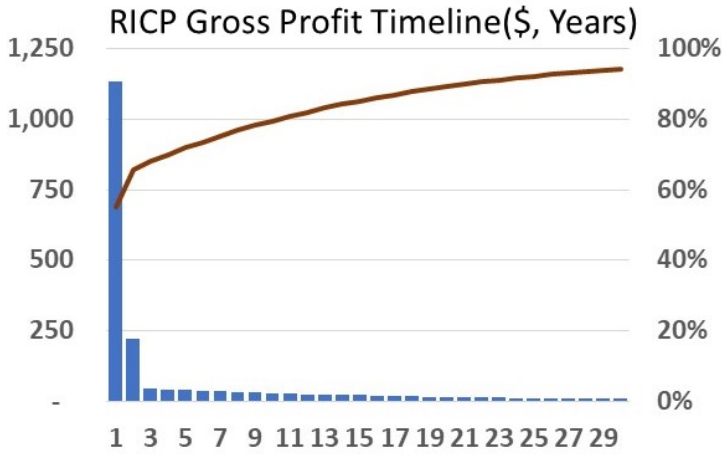
Course CLV: $19.6M	+	Recert CLV: $10.2M	+	Donation CLV $0.1M	=	RICP CLV: $29.9M

As discussed, the $30M which the first 19,000 students will have brought in gross profit is spread over ~50 years. To that point, it is critical to keep in mind what that timeline for gross profit likely looks like.

To provide an example, we will use a cohort of 1,300 students to represent one year of RICP enrollment. Recall that has been the consistent average for the last five years. Using all the CLV model inputs outlined earlier representing the baseline, the gross profit of that cohort is as follows:

Course GP: $1.36M	+	Recert GP: $0.70M	+	Donation GP: $0.01M	=	RICP GP: $2.07M

One year's RICP enrollment is worth $2.07M to TAC in gross profit. 66% of that revenue is for courses and 80-90% of the students will pay for those courses within the first two years. Further, about half pay via package, so much of that is front-loaded. While recertification revenue is a substantial component of RICP's contribution to gross profit, that is spread over decades. The chart at the right shows what the flows may look like.



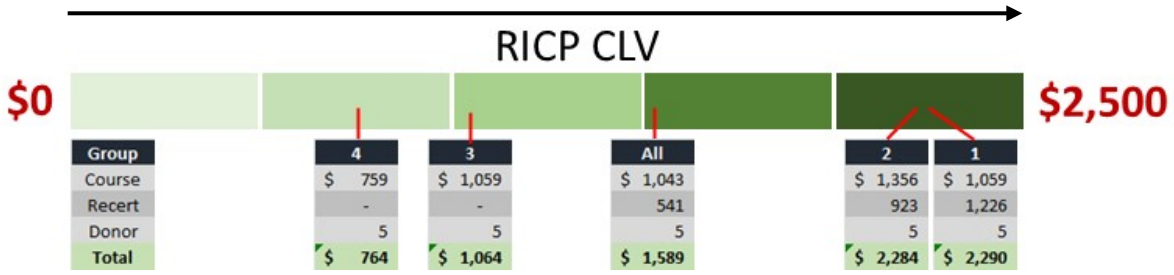
55% of all revenue is projected to come in the first year. Another 11% arrives in the second year. The remaining 34% arrives over a series of time that likely exceeds 30 years, the highest year is the third which starts at ~2.1% of revenue and slowly declines from there based on the recertification retention rate. 80% of gross profit is booked by the decade mark, and 90% hits after 21 years.

It is possible to build annual financial statements into a CLV model to project what years of layered flows would look like from multiple cohorts. Similarly, TAC can customize the inputs to be more specific (for example, instead of blended average revenue for courses, it is possible to incorporate company specific pricing that feed this model to investigate specific business development opportunities or the effects of discounting). For the purposes of the RICP Experiment work, the CLV was kept simple to demonstrate the higher-level concepts and to offer high level scenario analysis.

4.6: Applied CLV Knowledge to Product Improvement Ideas

As we saw, some students are more valuable than others based on various actions they take through the program—recall the **Group 4** cohort example. This is where the value of the CLV is clear when it comes to making comparisons and finding potential areas of product improvement. We can map out the different values of all four of those cohorts on a spectrum. Or set the inputs to model any other type of scenario for RICP.

Compare the four previously identified cohorts. [11]



Group	4	3	All	2	1
Course	$ 759	$ 1,059	$ 1,043	$ 1,356	$ 1,059
Recert	-	-	541	923	1,226
Donor	5	5	5	5	5
Total	$ 764	$ 1,064	$ 1,589	$ 2,284	$ 2,290

Note that Group 1 and Group 2, as previously stated, are the most valuable because they provide not only full course revenue but also recertification revenue. Completing courses and obtaining certification is the biggest influence on student value. **Group 1** has lower course revenue in total than **Group 2** because packages are often discounted. To offset that, students from that group offer higher recertification revenue. This distinction is due to the mix of client facing alumni (slightly more **for Group 1**) and more of the revenue allocation going to RICP (less overlap with other TAC certifications).

Group 3 and **Group 4** provide far lower value. The only difference, however, between **Group 3** and **Group 1** is the recertification revenue. Whether or not they graduate, TAC has already collected all the course revenue from those who pay by package. **Group 4** is the lowest cohort because while their courses cost more, they finish less of them and they pay by the course.

The gap between best and worst is $1,526 in CLV per student. A more important comparison is the difference between the average and the best and that is ~$700 lifetime gross profit per student. What does that mean? *Had all 18,824 students graduated, TAC would have earned an additional $13.2M in gross profit since inception.* At the current run rate of 1,300 students enrolling per year, that would

[11] Aforementioned cohorts, displayed here for ease of understanding.
Group 1: students who have purchased a package and graduated
Group 2: students who purchased single classes and graduated (the smallest group)
Group 3: students who purchased packages but never finished
Group 4: students who purchased single classes and never finished (the largest group)

translate to $910,000 in additional lifetime value from that group's students with 66% of that amount coming in the first two years.

Is it practical to assume every student could be persuaded to move toward graduation? No. About half graduate today, and that's at the top of TAC's course graduation rates (though with fewer courses than other programs). But it may be worth trying to determine if some of that $910,000 could be captured by product improvement.

Product improvement brings additional lifetime value if more students graduate. But what else would achieve the same result? More students enrolling. To compare to the above example, in order to achieve $910,000 in additional gross profit per annual cohort TAC could seek to increase annual enrollment 44%, or 573 students (573 x $1,589 average RICP CLV = $910,497).

And going one step further, the path to increase gross profit for TAC does not have to reside within only one option. It is possible to layer the effects of two strategies. We can demonstrate this with a sensitivity table as follows:

Graduation Rate & Corresponding CLV

% Change & Number of Annual Students

		$ 917	$ 1,054	$ 1,191	$ 1,328	$ 1,465	$ 1,602	$ 1,739	$ 1,876	$ 2,013	$ 2,150	$ 2,287
	($M)	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
520	-60%	(1.59)	(1.52)	(1.45)	(1.38)	(1.31)	(1.24)	(1.17)	(1.09)	(1.02)	(0.95)	(0.88)
780	-40%	(1.35)	(1.25)	(1.14)	(1.03)	(0.93)	(0.82)	(0.71)	(0.61)	(0.50)	(0.39)	(0.29)
1,040	-20%	(1.12)	(0.97)	(0.83)	(0.69)	(0.55)	(0.40)	(0.26)	(0.12)	0.02	0.17	0.31
1,300	0%	(0.88)	(0.70)	(0.52)	(0.34)	(0.16)	0.01	0.19	0.37	0.55	0.73	0.90
1,560	20%	(0.64)	(0.43)	(0.21)	0.00	0.22	0.43	0.64	0.86	1.07	1.28	1.50
1,820	40%	(0.40)	(0.15)	0.10	0.35	0.60	0.85	1.10	1.34	1.59	1.84	2.09
2,080	60%	(0.16)	0.12	0.41	0.69	0.98	1.26	1.55	1.83	2.12	2.40	2.69
2,340	80%	0.08	0.40	0.72	1.04	1.36	1.68	2.00	2.32	2.64	2.96	3.28
2,600	100%	0.32	0.67	1.03	1.38	1.74	2.10	2.45	2.81	3.16	3.52	3.88
2,860	120%	0.55	0.95	1.34	1.73	2.12	2.51	2.90	3.30	3.69	4.08	4.47
3,120	140%	0.79	1.22	1.65	2.07	2.50	2.93	3.36	3.78	4.21	4.64	5.07

The current graduation rate and annual student enrollment are about 50% and 1,300 students, respectively. Those are highlighted in the table along with the center result that is close to $0. The move along any axis to find the corresponding improvement or decrease in gross profit (represented in $M). For example, if TAC hypothesized graduation rate could be improved to 70% and annual enrollment could double to 2,600 students, the result would be $2.81M in additional gross profit for each year's new enrollment class (spread over several years as shown previously). The doubling of students represents 75% of that total improvement. One might conclude more focus should go toward improving enrollment over graduation rates in terms of prioritization if both had equal probability of success because the economics improve faster with increased enrollment for the RICP.

4.7: A Brief but Important Diversion Beyond RICP

Once the RICP Experiment components came together, TAC asked if the consultant could take a detour to analyze some of the data in the ChFC and CLU programs in order to understand if similar patterns emerge regarding course enrollment and graduation rates (recertification was left out; while it is important it makes up a much smaller proportion of those products' revenue streams as they have higher course requirements and, thus, total course revenue).

High level context:

- CLU and ChFC have almost no package sales, so most students pay per course
- CLU and ChFC each appear to have graduation rates that approach 22%-23% as each annual cohort goes beyond the approximately three years it takes most students (~80%) to finish either program
- Of those who do not obtain certification, 55%-57% of ChFC students never go beyond one course and that rises to 62%-67% of CLU students
- Over time TAC brought in a total of about 3,000 students per year in the two programs combined (though CLU has fallen significantly lately)

Conclusion: yes, it is similar to RICP in terms of students walking away after one class, and far worse in terms of overall graduation rates.

From that we do some "back of the envelope" math to arrive at some measure of financial impact:

- ~1,700 students per year walked away from both programs without going further than one class
- That's ~12,000 abandoned total classes (7 remaining x 1,700 students per year)
- Those abandoned classes add up to a lost opportunity of **$6.6M in annualized course revenue** (not adjusted to reflect gross profit) – from each year's cohort of the combined two programs

The transition to the Personal Pathways model which incentivizes course engagement (about 30% of course grade is quizzes, discussion posts, etc. as opposed to primarily a high-stakes exam) will hopefully address some of this drop-off. Initial anecdotal evidence and a cursory look at course rates is promising (D&A has an interim analysis slated for H1 2022). However, if the sampling issues of the referenced Hanover study are not problematic and are the findings are representative of ChFC/CLU students: TAC likely will not be able to retain most of these students who leave before a second class. Targeted analyses and information gathering is suggested in order to lay appropriate foundations and detangle these issues (i.e. Voice of Client, what is the value propositions for enrollment, target markets, etc.).

The tools and concepts applied to RICP are relevant to all TAC products. The opportunity to improve the student experience and understand the right product adjustments may yield substantial needed revenue for TAC as it moves toward its next phase as an institution.

As the RICP CLV sensitivity table has shown, the dynamics for RICP may slant towards improving profitability through increased enrollment over graduation rates—however, the ChFC/CLU course CLV analysis shows that this may not hold to be true across all products. The unique dynamics of each product requires CLV models and specific analyses to understand the changeable levers and appropriate investment decisions for product strategy—which then drives revenue and thereby organization profitability.

4.8: Summary of the Customer Lifetime Value Work

The learnings and exploratory work done in the market sizing and journey work set up a thorough exploration of TAC's revenue and costs as they apply to the RICP product. More importantly, they allow us to determine the actual lifetime value of the RICP customer to TAC. We were also able to demonstrate what levers matter most when it comes to impacting financial results. And those high-level levers provide a path of further exploration of ways to improve the product, grow the product – or both – to achieve sought after better financial returns.

"What if I was a product manager?"

- *Can we improve the product enough to increase graduation rates?*
- *Before we roll out improvements is there a way we can test them? If so, can you give me a proxy for what the expected improvement is so I can understand the expected returns?*
- *How can we get more students to enroll?*
- *Is it bad to sell more packages to at least lock in course revenue? What does that do to satisfaction and word of mouth over time?*
- *Can we model the impacts of specific pricing proposals going forward?*
- *Could we increase pricing without losing students or – if we lower it further will we obtain more students and in turn make up for the lower margins with better enrollment?*
- *Can we expand CLV modeling to all products? Can we get to a prioritization of levers that impact the bottom line?*

Opportunity

TAC has good data for modeling student lifetime value. We needed enrollment, course persistence, graduation rates, recertification detail, and revenue from three key sources, and TAC was capable of providing it down to the individual student level for RICP. When this granular data is paired with expense detail from finance, we were able to put together a real CLV for one of TAC's key products. Building comparable student level granular data is in progress, and an analysis of the data is backlogged.

Other than time and resource constraints, there is little keeping the organization from implementing at least basic CLV models for all products. Once in place, mapping out the levers for management will aid in setting up discussions regarding how to best improve the products – including growing product appeal to draw more enrollees – in a way that directly impacts financial results. Models also provide an ability to prioritize investment in improvements. Finally, if TAC chooses to go down the path of experimentation, they enable the bundling of results from that process with impacts from CLVs to better predict financial results going forward which will support decision making.

Section 5: Project Summary: Learnings, Opportunity, and Serving Up Experimentation

The goal at the outset of this project – the RICP Experiment – was to bring together three defined tasks – 1) qualitative and quantitative product learnings from market analysis, 2) student journey mapping, and 3) financial modeling – to provide strategic ideas for RICP product improvement and set the stage to discuss introducing small-scale product experiments into TAC's process.

We started with a product and market overview. Early on it was obvious the data ecosystem is not ready for deep dive analyses. From a foundational perspective, this represents a gap to address. Outside firms have done some work addressing the qualitative and quantitative market including competitor detail, but no one has painted a picture of what the RICP universe truly is and what the product-market fit is in detail. Regardless, even with a shallow pool of data at this time, some things stand out:

- In a decade, RICP has likely accumulated no more than 2.7% share of the market opportunity
- Growth started strong thanks to some business partnerships but has subsequently fallen then stagnated at a consistent 1,300 students per year, down from 2,900 students per year
- 60% of the business comes from ~20 firms, many are already business development partners
- Comparatively little business comes from organic discovery of the opportunity or awareness by potential students

On the surface these numbers speak to large untapped opportunity. Does it really exist? That is unknown. The initial hypotheses were not testable due to foundational gaps. But when you start to think through the other work reviewed – particularly in the CLV section – if TAC is going to improve the financials of the product, this is the most lucrative place to look. However, to do that, TAC must build or buy the capability to provide a real understanding of what the hypothetical maximum potential of RICP is so it can start planning how to get there with focused ideas.

Next, we moved onto journey analytics and mapping. The results of this work were decidedly mixed. As discussed extensively, there were large roadblocks to successfully mapping the student journey, the largest of them being the inability to talk to actual prospects, students, and alumni in a methodologically rigorous way (i.e. Voice of Client/Student). Furthermore, knowledge management was conducted primarily through institutional storytelling and background from the 'old guard' as opposed to a cohesive, tangible narrative and process documents. Getting access to stakeholders was problematic as well. These impediments led to an incomplete process and showed a lack of nimbleness or ability to facilitate processes for outside consulting in the current state. Some detailed data was also an issue, but we were still able to build a useful data journey even if incomplete. Despite issues, there were positive outcomes from the journey mapping process. We were able to:

- Bolster the journey story (post-enrollment only) with data describing product purchases, graduation rates and the success of students completing courses
- Design useful cohorts to make comparisons for the journey and discuss the implications of the differences and how those differences impact profit later in the process
- Build wireframes of the RICP journey that mapped out three different processes, captured 70+ touchpoints, 50+ TAC steps, 30+ student steps, and left a roadmap for completion
- Start TAC down the process of product development with student empathy which yields customer-centric product improvements and ultimately better financials

Finally, we built a customer lifetime value model for RICP. The data was robust. Despite some of the gaps from the earlier processes, the work done for them set us up to be able to model and understand the implications of the student actions and how they impact gross profit. We were able to:

- Demonstrate a functional and flexible RICP CLV model that outlined clear levers management can act upon to improve gross profit
- Walk through scenario options of some proposed improvements that tied back to market sensing and journey work
- Show that the impact beyond RICP is potentially large when looking at ChFC and CLU certification
- Distinguish between larger strategic initiatives (more students) and possible areas of product improvement (better graduation rates) which leads to the idea of experimentation

After all the work – and taking note of the questions from the "What if I was a Product Manager?" sections – it should be clear that each individual step of the three in the RICP Experiment stands on its own as necessary in considering product strategy. But the bigger takeaway, hopefully, is seeing how they are interdependent and stronger when coupled together. Almost all the questions require at least two if not all three functional steps to achieve the most impact.

Want to find out how to best improve the gross profit of a product? You need:

- Market sensing to understand the possibilities
- CLV models to run scenarios (and calibrate investment decisions)
- Journey mapping to find how to best implement the changes

Once TAC has a good understanding of the overall market sizing, the customer journey, and the financial impact, there is one more component TAC might find useful in terms of product refinement:

- Experimentation

Why experiment? Why not just implement an idea that seems obvious? Proposed solutions can sound obvious – sometimes they are – but in practical application the results often do not pan out as hypothesized. What happens if a significant department redesign, technology investment, or process change was part of that? Then TAC incurred expense – expense in an environment of limited resources – that does not recover its costs or took resources away from a better solution.

Experiments allow you to deploy non-permanent ideas or solutions on a small scale and gather results across a sample of your population. And having a broadly mapped student journey allows TAC to focus on exactly where the product improvement lies, who is responsible, and how it can be tracked.

Through experiments, TAC may discover:

- Did metrics show that the hypothesized process improvement led to better metrics?
- If so, was it meaningful enough that implementing that solution would have enough impact on a financial lever to improve gross profit?
- If so, does it improve it enough to cover the cost of the investment in the change?
- Does the student experience and advocacy improve?
- Are there material differences between students' needs, value propositions, and TAC's offer?

Section 6: Recommendations

Beyond the core insights and analyses delivered herein, the learnings gleaned from this process surfaced some key recommendations. These are grouped below as: 1) bridge core gaps with functions, 2) execute high priority work, 3) culture / skill enhancement. The details for each are below.

From an execution perspective, the path forward is to organize around an Insights Accelerator / Labs framework to make focused progress in concert with the rest of the organization. This framework would allow the enterprise to quickly make much needed strides which, in the current climate, might otherwise take years. This is accomplished through intense, rapid education and skill development achieved by a 'learn-by-doing' approach.

A. Bridge Core Gaps with new functions:

A.1: Establish Product Managers / Owners

One area of opportunity that surfaced in all components of the RICP Experiment was the idea that much of this work should be coordinated by **Product Managers**. They own the business strategy of a product. They would coordinate the work done by many other functions (data and analytics, instructional design, business development, operations, etc.) from development through launch and ultimately during its operational phase. They have a deep understanding of the customer (student), all aspects of their journey, the marketing phase, and their sentiment. They are responsible for financial performance, understanding and setting goals/KPIs, and monitoring all metrics. *Program Directors* exist in the current state, but they focus more on the critical component of developing course material, project management, and liaising with business centers and sponsor firms. There is not the sense that they have time to expand their role to include what is effectively a marketing/strategy function.[12] If TAC intends to bolster its current lineup and transform itself into an institution with triple the revenue in five years, they will serve a critical function toward getting there.

Why do I feel so strongly about this position? It stood out that there was no single point of contact who could walk me through any of the products, the metrics, the student sentiment, or the plans going forward. Much of the work a product manager oversees is occurring at TAC, but is it coordinated? And what of the work not being done? A project manager can implement it. It may be a new way of thinking for an institution steeped in academic tradition, but the world of academia is experiencing rapid change and facing competition in ways it never has before. The guarantees of the past are over.

A.2: Establish Market Intelligence, internal consulting functions[13]

TAC already has market research functions within the college, but some of it falls short when it comes to fulfilling product assessment needs.

[12] However, in line with D&A's Program as a Product workstream a new suite of KPIs are being built with that assumption. D&A has stepped in to articulate what information needs to be measured and managed for product strategy—with the hope that obvious issues coupled with coaching will spark action. This is not a long term or scalable solution.

[13] Market Intelligence (i.e. market analyses, Voice of Client, NPS, etc.) and analytics focused internal consultants are part of D&A plans.

More competitive analysis, market sizing and fit, clear ideas for new directions. I noted when reviewing material TAC partners with good firms (FUSE, Hanover) to do market overviews focused on product, opportunity, etc. but none of those partners – that I could see – provided a scope of the size of the opportunity out there in any of the product-market fit ways. For example, there was no market sizing for RICP, recommendations did not give a sense for what achievements are possible, and competition was acknowledged but the reviews of competitors products were basic and lacked things like growth comparisons or market share. In summary, the information is potentially interesting but not actionable.

More data, a lot more data and actionable insights. TAC has access to industry data and publications (Discovery, Cerulli) that are industry standards. But it needs much more. As an insurance focused college, it does not have enough insurance focused data to be able to scope out opportunity. The combination of demographics, market dynamics, transformational timing, and standing within the industry would hint at TAC being a juggernaut in Retirement Income education. Data and actionable insights can provide broad understanding of the opportunity as well as the specifics of how to develop and execute growth and go-to-market strategies.

With RICP (and other designations) LIMRA/LOMA are hypothesized to be helpful.

Establish internal consultants who work with leaders and product managers. The question for TAC becomes: do you outsource this work, build more internal functionality, or both? That comes down to cost and commitment, but with the probability of needing to develop new products, delivery methods, etc. to grow, some level of internal coordination and ownership is necessary. What if TAC wants to go in new directions? It needs to develop the ability to investigate and grab new data, analyze new competitors, understand the digital delivery landscape more, and do this work quickly. Your competitors are not just other colleges, they're also startups, algorithms, or large firms with lots of capital looking to move into new revenue opportunities. A dedicated person or team can do these functions.

A.3: Establish journey analytics functions (Customer Experience – CX)

The whitepaper covers the functions extensively – facilitation with stakeholders, data mining, talking to customers – but two of those items are covered under other recommendations through product management and market intelligence/data analytics. One stands out as lacking: talking to prospects, students, and alumni regularly and capturing that information for product purposes.

Inaugurate processes to have regular and methodologically rigorous customer/student conversations.[14] Without this information, any time a new product is proposed, or a current product is designated for enhancement, TAC will not have enough information to know if it's really solving a student problem or fulfilling a student/market need. Having an actionable pulse on the students or prospects is a critical input and helps narrow the range of possible outcomes to any investment. A dilemma of some approaches is that they are strife with bias.

Complete journey maps for all products. It is much easier to address product issues, improve metrics, and establish and coordinate responsibility if you have all the product touchpoints and interested-party actions in one place. Without this information it is difficult to facilitate stakeholder discussions,

[14] This may start through Market Intelligence function as part of the research process, but once the organization learns how to do this with rigor, it will likely need to spin out. It can't be a D&A-alone function.

brainstorming, or determine where a limited investment might be deployed with the best results. It also helps establish where data is most useful for monitoring the organization and setting KPIs.

The difficult part of this recommendation is – if enacted – determining how to incorporate it into TAC. Most organizations hire the expertise on a consultative basis. And that expertise can range from "teach TAC how to do this" to "we will do this all for TAC." There are individuals and organizations that specialize in this work. There are others that do it as part a broader range of services (for example, McKinsey). The other option is hiring marketing personnel with the expertise as part of their background. There is no wrong answer, and it often comes down to how fast one wants it, how high quality the work is, and how much one wants to spend.

A.4: Formalize Knowledge Management[15]

One of the areas that slowed down execution during this process was a lack of knowledge management resources in a centralized and actionable way. While many project and process documents exist (often on a single employee's system), the primary mode of knowledge management is institutional storytelling. This is clunky, though achievable for a work stream—it is not scalable.

This is particularly poignant when it comes to baseline information around product knowledge. Despite the relatively modest size of the organization, operating silos and turnover spawn divergent mental frameworks around basic questions (i.e. who are our students/clients/customers, what is our target market per product, what is an active student, are we concerned about graduation rates, etc.). This then inhibits or slows down coordinated execution because we are not aligned on the basics. This does not preclude totally new opportunities, new markets, expansion, etc. but it does place a ceiling on TAC's growth.

B. Execute high priority work

B.1: Continue to invest in data capture, engineering, and product analytics

The establishment of a separate data and analytics team within TAC is a newer undertaking and all its functionality, roles, and responsibilities are still being built out. But data and analytics provide critical support to all phases of a product's lifecycle including:

- Capturing relevant data from various systems
- Data engineering and processing to clean and contextualize the data
- Monitoring product metrics and building dashboards for similar purposes
- Establishing KPIs and scorecards
- Storytelling through a prospect or student journey
- Building and managing tools to store, engineer and analyze external and internal data
- Establishing predictive models

[15] D&A is building the 'Market Intelligence Portal' which has the goal of being a single stop for data and insights which will democratize access to data & insights around:

A. The College (i.e. how many students do we have, program completion, top companies, etc.)
B. The Markets we operate in (i.e. what spaces do we cover, share of wallet, etc.)
C. Basic background and context relevant for distribution (i.e. what is a financial advisor, where do potential students work, basic financial advisory information, etc.).

- Setting up, and managing experiments; unbiased statistical analyses of results
- User profiling and customer (student) segmentation
- Fulfilling ad-hoc report requests and analyses for various departments along the value chain of products (product development, management, M&A)

The team is talented, but it is also very small and still in the foundational phases. Consequently, I had to build and run a lot of my own analytics for the RICP Experiment. Down the line I see a more robust and seasoned variant of this team allowing TAC to move quickly in response to product functions making consultant work unnecessary.

B.2: Build CLV Models

This one is easy. We demonstrated CLV models enable leaders and product managers to make more informed decisions. They help the organization:

- Establish revenue segments for your customers and understand their profitability
- Use established segments with common characteristics to look for best practices or enhancement ideas
- Focus on the most profitable customers and/or work to move the less profitable customers into better segments
- See clearly what levers can be pulled to influence projected, but very realistic, financial results
- Understand the impact of profitability over time; relevant in long-duration relationships
- Pair investment decision making with experimentation outcomes for rapid decision making if TAC opts to incorporate experiments

C. Culture & training

C.1: Address skill gaps through training

Two known but interrelated gaps which were observed are: low maturity in skills related to data and a cultural tendency for anecdotes, hopes, and gut to drive decision making. These are intricately tied because they can create negative feedback loops. Nascent skills breeds mistakes, miscommunications, and generally decreases business confidence in an approach—which then decreases a business partners reliance on the error-prone or misrepresentative data. Often the dichotomy around data-informed / evidence-based decision-making is not “facts vs. no-facts” but instead ‘low-confidence-new process vs. high confidence-familiar process.’

Given the low data-maturity of the organization, there is an element of basic training and upskilling to catalyze the transformation of individual employees and managers.

C.2: Incorporate experimentation

This recommendation is a natural ending to the conclusions from the RICP Experiment. Experimentation is something modern organizations do to enable the ability to move quickly with ideas and see if they produce expected results BEFORE an organization invests heavily and scales an idea. It can be run out of the data and analytics organization and is typically done with CX and product manager oversight. It is a part of the culture of organizations large (Amazon, Google, Microsoft, Apple, BlackRock, Vanguard,

Tesla, and Toyota run thousands of experiments each at any given time) and small (startups thrive when they can experiment and move quickly).

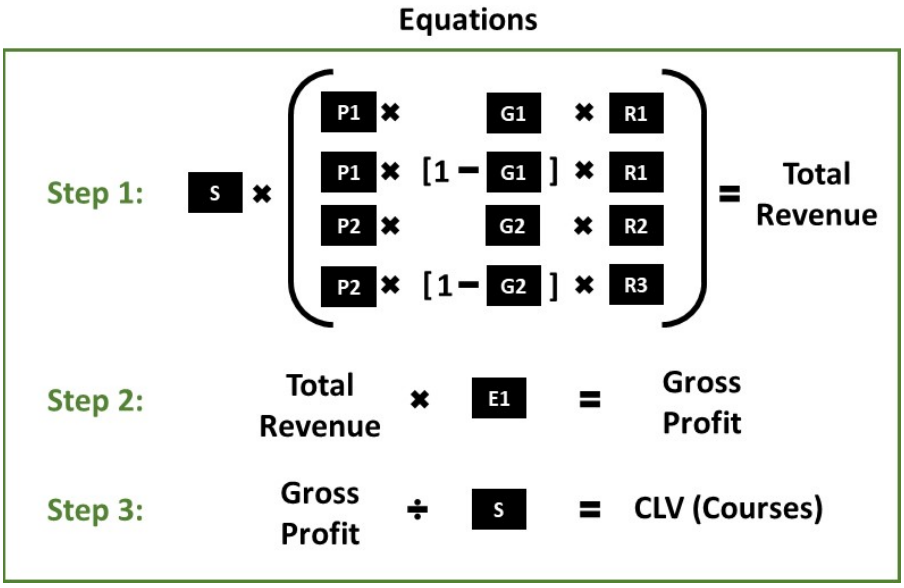
TAC has products that – depending on insights learned through customer journey work – likely need improvement. Experiments pair perfectly with CX and CLV modeling to help leaders and product managers determine if an investment is worth it. In an organization with limited financial resources, it can be particularly beneficial as it addresses time and monetary concerns with one function.

Insights Accelerator / Labs framework:

Given the combination of a goal of addressing a basic business hypothesis, the insights gained (and questions unanswered), the learnings from the attempted execution, and a host of complex issues to address – it is clear that D&A must approach its mandate in a novel way. As such, it is proposed that an Insights Accelerator / Labs framework be utilized to accelerate the value generation from both D&A and TAC as an organization. This framework allows D&A to provide focused transformation along the data and analytics maturity curve through a fixed-term, cohort-based program which provides education, skill development and exposure to employees with the expectation of making significant strides against foundational gaps within short timeframes. Crucially, this addresses many of the issues D&A is facing by upskilling D&A Satellites (individuals/groups outside of the Center of Excellence) and business partners in an exciting, novel, and impactful way, before spinning back out to focus on the home organization.

Appendix

(1) CLV Course Revenue Equation



(2) CLV Recertification Revenue: Expanded Retention Discussion

- **Retention**: can be calculated one of two ways in this model
    - Retention rate is the projected annual percentage rate of retention each year
    - Flat retention in years is a simplified flat estimate of the duration of the average length of the customer's lifetime
    - Both methods are "correct" – it comes down to how each individual thinks about retention
        - Note, however, if one also wants to eventually incorporate a factor reflecting net present value (NPV) of the cash flows, the percentage formula is better as the discount rate chosen is simply a new variable inserted as an addition step into the denominator (**Step 5** of the equation is where it would go)
        - NPV was not used here to keep the model concepts simple to start
    - We opted to use 15 years in this case
    - 15 years is the equivalent of a 93.75% retention rate – the result is identical for either factor in the model equations
    - Note: so far, actual retention since 2012 appears to be hovering at 97%. This would translate to an average duration for all graduates of 32 years of recertification. Is this reasonable? In practical terms, with the average advisor starting RICP in their mid-40s (actual data), TAC would effectively have to retain **all** of them, for a 30-year career, lasting into their late-70s
    - That said, it is easy to recalculate in the model using the higher retention to see the effects

(3) CLV Recertification Revenue Equations

Equations, part 1

From Course Portion of the CLV Model

Step 1:

$$S \times P1 \times G1 = X1$$

$$S \times P2 \times G2 = X2$$

Convert to Variables X1 & X2 & Use Below

Equations, part 2

Step 2:

$$\left(X1 \times C1 \times A1 \times T1 + X1 \times [1 - C1] \times A2 \times T2\right) + \left(X2 \times C2 \times A3 \times T1 + X2 \times [1 - C2] \times A4 \times T2\right) = 1^{st}\text{ Year Total Revenue}$$

Step 3:

$$1^{st}\text{ Year Total Revenue} \times E2 = 1^{st}\text{ Year Gross Profit}$$

Step 4:

$$1^{st}\text{ Year Gross Profit} \div S = 1^{st}\text{ Year Gross Profit per Student}$$

Step 5:

$$1^{st}\text{ Year Gross Profit per Student} \times N1 \div [1 - N1] = \text{CLV (Recertification)}$$

OR

$$1^{st}\text{ year Gross Profit per Student} \times N2 = \text{CLV (Recertification)}$$

(4) CLV Donor Revenue: Expanded Discussion

No key drivers for donor revenue could be found. The data file when matched to individuals who started RICP shows $1.64M donated since 2012. However, that data needed to be engineered to fit a set of rules (similar to how the consultant adjusted recertification revenue to apply only what was believed to be attributable to RICP in that process).

The donation concept when related to college programs broadly is usually focused on alumni. Thus, the individuals who never obtained the RICP certification were scrubbed out of the data. In addition, all the donor money from those who did obtain certification, but had donated prior to that date, was removed as well. That left only $270,000 of the original $1.64M that could be construed as RICP alumni donations. Why were people who had not yet obtained a degree donating? As we saw with recertifications before, many individuals hold multiple certifications. That was found to be the case here too. As a result of the multi-certifications, the donations had to be allocated correctly to RICP (if someone holds three certifications, RICP gets one third of the credit for the donation). That left $114,000 total attributable to RICP graduates and the program itself.

As far as the $114,000 in donor revenue goes, the difficulty in modeling it is not worth it. Donor revenue varies from year to year very randomly. There are no trends other than the cumulative total of graduates and donations each increase every year. Therefore, for the time being, and since it's such a small amount -- $105,000 out of $44.1M total so far – a simple equation to show the effect of all donations and students so far is deployed. It is not adjustable.

Greg S Bonner is an independent consultant working as a product strategist. He specializes in advising senior leaders on identifying and acting on opportunities in product and corporate strategy. He does this by bringing together quantitative and qualitative analytics, customer journey experiences, and financial modeling in clear and compelling fashion.

Prior to his recent move to consulting, he spent 12 years at Vanguard in a variety of roles, most recently as a product strategist in their new digital client experience (CX) group where he was responsible for advising IT teams on new product development. The role he held the longest at Vanguard was as a strategy analyst in their Financial Advisory Services division where he did extensive work redesigning the highest margin sales channel; built out their data, metrics, and experimentation plans; engaged in product development; and advised senior leaders on overall divisional strategy related to marketing, finance, and client engagement.

Before his time at Vanguard, Greg gained experience working for large firms as a Big Six accountant and a Big Four strategy consultant. He also worked for a startup and had prior stints in independent consulting.

He graduated from Villanova University with a Bachelor of Science in Accounting with a minor in History.

Contact information: gsbonner@gmail.com 206.705.3764

Sathish Deevi is the Assistant Vice President of Data and Analytics at The American College of Financial Services. He oversees the data and analytics operations, the use of data as a strategic asset, and the College's culture and technology transformation to support data-informed scale and growth.

He specializes in analyzing highly complex data to understand and predict market dynamics for enterprise growth, strategy development, and innovation. His applied research and execution strategies are informed by a decade of experience in advanced analytics, quantitative research, enterprise data science, and as an investment professional at a top-three investment management firm. His research includes AI and statistics research on trade execution, computational neuroimaging, and stochastic processes. He is an expert in machine learning, statistical modeling, and data visualization.

Sathish has served as an adjunct professor of Graduate Statistics at Temple University, Fox School of Business. He is committed to expanding the data science community as co-founder of the Vanguard Analyst Community, an employee group with over 800+ members globally, and mentoring early-stage analysts.

Sathish graduated with a Master's Degree in Statistics from Virginia Commonwealth University and a Bachelor's Degree in Economics with minors in Engineering Physics, Political Science, and Math at Virginia Tech. He is certified as a SAS Statistical Business Analyst and a SCRUM Master with professional certificates in Cloud Computing and Risk Management.

Contact information: Sathish.Deevi@theamericancollege.edu 804.683.6793

Alex Greene is a freelance Office and Project Manager with additional experience in bookkeeping, web-design, and social media management. Her "jack-of-all-trades" mentality stems from a constant desire to learn and grow in order to help other businesses thrive.

For the last 7 years, she's served a foundational role in developing financial and organizational systems for new small businesses. She's worked closely with executive leadership to develop internal financial structures while simultaneously maintaining positive external relationships with vendors and customers. Alex also has experience in establishing strong company branding and social media presences.

Alex graduated from James Madison University with a Bachelor of Arts Degree in Creative Writing. She continues to pursue her passion for the written word by developing her copywriting and copyediting skills as well as indulging in her love for poetry, creative non-fiction, and the works of Stephen King.

Contact information: Agreene0990@gmail.com 804.501.8640