

Exorbitant Costs, Little Benefit: \$5,000 Marketing Cost Per Student at UAGC with Low Academic Success

The Grand Canyon Institute (GCI) reviewed the analysis of online education at the University of Arizona commissioned by the University and Board of Regents and [completed by Ernst and Young](#) (E&Y). The report was only available via a public information request. University of Arizona CFO John Arnold's presentation to the Board of Regent on Friday, June 20 focused on this report. While this paper examines the same report, the information focused on here was not part of that presentation. Whether the Board had access to the full report is unknown, but the Board had no questions after the presentation (the presentation runs from the 3 hour mark to 3 hours and 12 minutes at the [YouTube link](#)).

A careful reading of the [E&Y report](#), as well as what it fails to focus on, reveals serious shortcomings in online education at University of Arizona Global Campus (UAGC).

The University has two online programs. Arizona Online is the pre-existing online program. It has been gradually growing and currently has more than 9,000 students. The online offerings from for-profit Ashford University that was acquired and rebranded as UAGC in November 2020 run separately from Arizona Online.

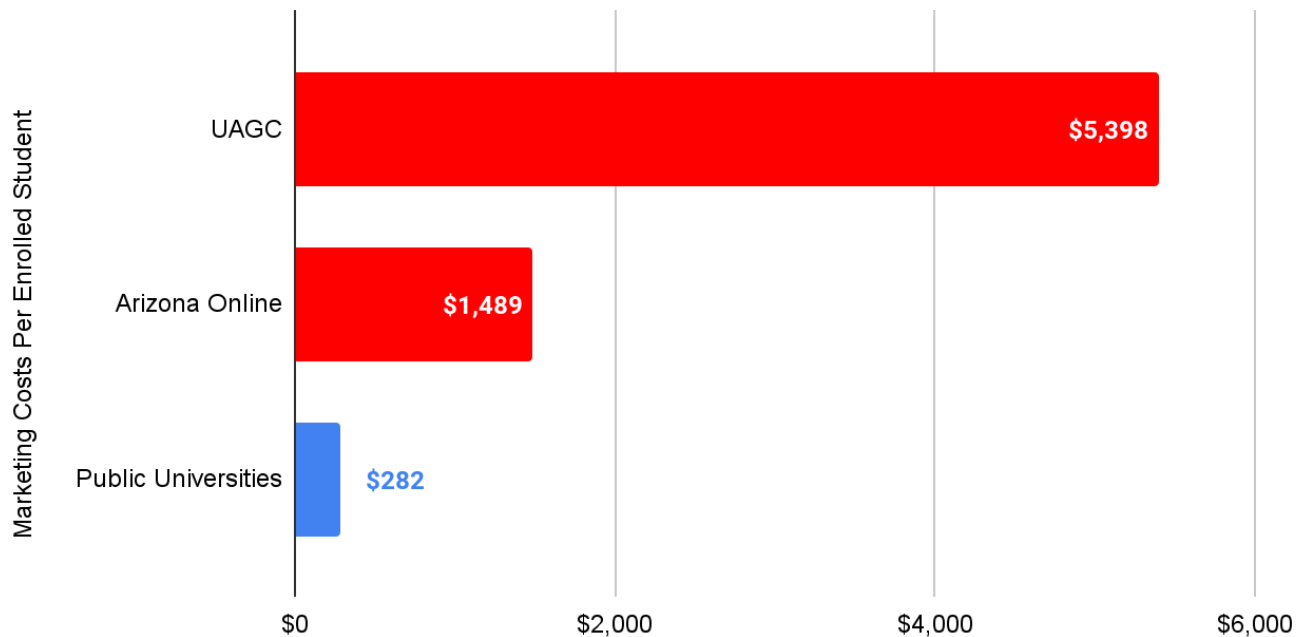
Key Findings:

- UAGC relies substantially on paid leads to recruit students and its marketing costs are more than \$5,000 for each undergraduate student who enrolls.
- Arizona Online pays \$1,500 in marketing costs for each undergraduate student who enrolls.
- By contrast, public institutions typically pay less than \$300 in marketing costs to enroll a student, making online marketing costs for Arizona Online 5 times greater and UAGC more than 15 times greater.
- For first-time, first-year students, the six-year completion rate is about one-fourth of the rate for on-campus students for both Arizona Online and UAGC
- The Ernst & Young report fails to flag the dramatic drop in enrollment at UAGC (14% per year) since the takeover as an area of concern.
- While UAGC has broken even, it does so because it relies almost exclusively on low paid adjunct faculty who are usually paid less than \$2,000 per course.

- Investigative research by the *Arizona Republic* based on former students interviewed raises concerns about the integrity of UAGC since the University of Arizona took over.

Huge Marketing Costs with Low Degree Completion

Estimated Marketing Costs Per Enrolled Undergraduate Student

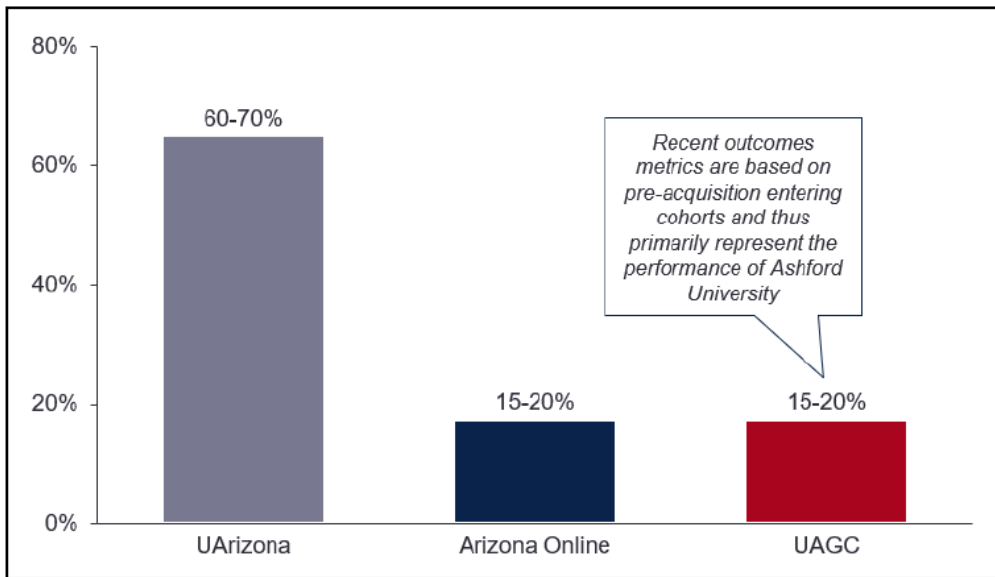


The E&Y report indicates that 85% of enrollment leads at UAGC are paid as opposed to organic, while for Arizona Online 50% of enrollment leads are paid. Excluding personnel costs, estimated marketing costs are more than \$5,000 per enrolled student for UAGC and about \$850 for Arizona Online. These numbers stand in sharp contrast to the reported marketing costs of public universities who responded to Ruffalo, Noel and Levitz’s (RNL) [survey of public universities for 2022](#) which reported marketing costs per enrolled student of less than \$300. Details on the estimation are found in the Appendix (graph updated from initial release).

Arizona Online is paying five times as much as a typical public university to enroll a student and UAGC is paying more than 15 times as much to do so.

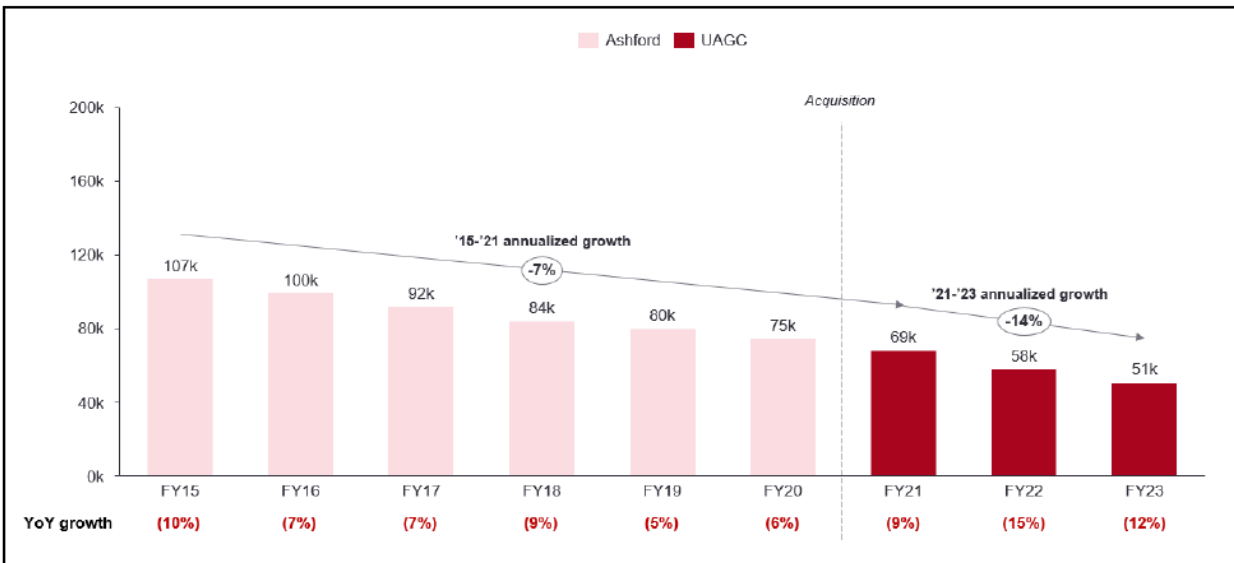
Unfortunately, these institutions fail in their ability to graduate students. The E&Y report says the six-year graduation rate for first-time, first-year students is between 15% and 20% for both UAGC and Arizona Online, whereas on campus UArizona is about 4 times higher as noted in Figure 7 from p. 15 of the E&Y report.

Figure 7: Percent of students receiving an award in 6 years, UArizona vs. Arizona Online and UAGC^{20,21}



UAGC Enrollment Dropped 14% Annually Since Acquisition

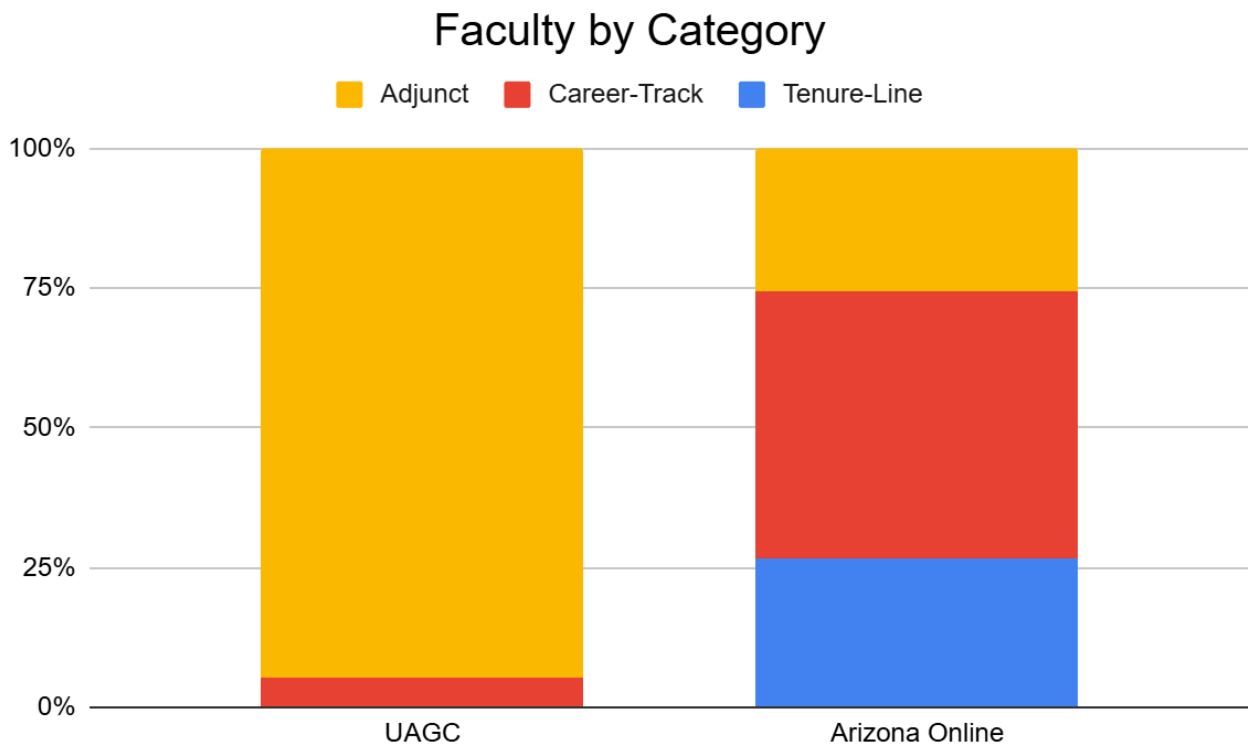
Figure 5: UAGC / Ashford 12-month unduplicated headcount, FY15 - FY23¹⁸



Note: 12-month unduplicated headcount is considered for UAGC as a non-term institution that continuously enrolls students across the year. 12-month unduplicated headcount exceeds headcount captured in a fall-only snapshot.

Despite the extensive marketing expenses by UAGC, in the increasingly competitive online higher education market, UAGC has continued to lose students. Figure 5 above from p. 13 of the E&Y report does not differentiate between full-time and part-time and includes students who have enrolled for any part of the last 12 months, even if they subsequently dropped out. It shows dramatic drops in unduplicated headcount. The Fall 2024 headcount of 24,000 students for UAGC in the E&Y Report, which is substantially less than the FY23 12-month unduplicated headcount of 51,000, suggests enrollment has continued to decline and that many students withdraw after enrolling in UAGC. GCI anticipates these enrollment declines will continue.

Questionable UAGC Business Model



The questionable UAGC Business Model includes almost exclusive reliance on part-time adjunct faculty.

Adjunct UAGC faculty according to the E&Y report are paid \$19.25 per hour for undergraduate courses and \$24-\$25 per hour for graduate classes. According to the [UAGC pay schedule](#), faculty pay is adjusted for teaching experience, but for undergraduates appears to cap at \$23.75 per hour or about 20% mor. Pay varies based on enrollment in the course, with an adjunct instructor at the entry level receiving \$1,001 for teaching 10 students, \$1,579 for 30 enrolled students and \$1,810 for 50 enrolled students. By comparison a similar adjunct position at the University of Arizona pays at least \$5,000 per course as noted in its [adjunct Journalism](#) posting

and its [adjunct East Asian Studies](#) posting. So while the E&Y report indicates that UAGC is breaking even, that occurs because 95% of its faculty are poorly paid adjunct faculty. The E&Y report makes no effort to reconcile these serious pay differences or consider aligning the faculty model to be more in line with Arizona Online. **Either of these changes to make UAGC more equitable would move UAGC from breaking even to a financial drain on the university.**

The *Arizona Republic* provided additional concerns about the quality and transferability of the education at UAGC in its piece entitled, "[Duped': Students of UA's new online college can't get jobs, say school misled them on value of degrees.](#)"

The article indicates that the Republic interviewed two dozen students "who said they felt misled by officials at the school, known as UAGC, about the value and cost of their degrees. They described aggressive recruitment by school enrollment counselors, with promises that a UAGC degree would put them on a path to career success."

In conclusion, the Regents need to have a far more serious discussion of UAGC than occurred on June 20, 2024.

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Appendix

Exhibit G: Arizona Online and UAGC marketing efficiency by lead source^{38,39}

		Arizona Online				UAGC					
Undergraduate		Lead source (top 5 by volume)	Lead to start conversion (enroll / leads)	Cost per lead	Cost per enrollment		Lead source (top 5 by volume)	Lead to start conversion (enroll / leads)	Cost per lead	Cost per enrollment	
		Total (top 5 average)	1.6%	\$114	\$7,072		Total (top 5 average)	0.7%	\$76	\$11,521	
		Google	2.7%	\$162	\$5,978		Aggregators / PPL	0.4%	\$49	\$13,630	
		LinkedIn	0.2%	\$71	\$31,759		Google Search	3.3%	\$247	\$7,551	
		Bing	1.4%	\$81	\$5,693		Partner Display	0.5%	\$60	\$12,961	
		Google Lead Gen	0.2%	\$18	\$10,017		Google Discovery / Display	<0.1%	\$79	\$204,483	
	Youtube	<0.1%	\$80	\$175,200		Facebook	0.5%	\$171	\$34,430		
Graduate		Lead source (top 3 by volume)	Lead to admit conversion (admits / leads)	Cost per lead	Cost per admit	All leads	Aggregators / PPL detail				
		Total (top 3 average)	1.3%	\$136	\$10,427		Ventrix Advertising	0.2%	\$32	\$16,193	
		Google	1.6%	\$162	\$10,253		Banner Edge Media	0.4%	\$47	\$12,321	
		LinkedIn	0.2%	\$71	\$33,772		Cygnus MarCom	0.5%	\$60	\$11,403	
		Bing	1.2%	\$81	\$6,947		Zeta Global	0.2%	\$47	\$21,917	
							Digital Media Solutions	0.2%	\$22	\$21,550	
					Quinstreet		0.2%	\$45	\$20,978		
					Archer Education		0.1%	\$35	\$30,095		
					Other / Unknown (July)		0.5%	\$68	\$13,788		
<p>UAGC may be over-exposed to paid leads from aggregators / PPL sources given low conversion rates</p>											

The E&Y report indicated that 50% of leads for Arizona Online were paid and 50% were organic. For UAGC the portion was 85% and 15%, respectively. The lead to enrollment conversion rate for paid leads is reported in Exhibit G (Appendix A, p. 36 in the E&Y report). The lead to enrollment conversion rate for organic leads was not reported.

Organic conversion rates should be higher. An article from Volt: [Affiliate Marketing: Boon or Bane](#), placed the organic higher education conversion rate at between 3% and 5%. Outside the context of higher education, organic conversions often range from 2% to 5% according to an article in databox: [What Percentage of Organic Search Should be Converting into Leads?](#) The 3% to 5% range also seems plausible from the industry-based conversion rate analysis provided by Ruler Analytics: [Updated 2023: Average Conversion Rate by Industry and Marketing Source](#), though that source indicated that organic conversion rates were not higher than paid conversion rates. GCI used higher end assumptions and presumed the organic conversion rate for Arizona Online was 6% and for UAGC 4.5%, given the stronger brand connection and direct tie to the University of Arizona for the former. This assumption matches the higher paid conversion rate of Arizona Online compared to UAGC. GCI made generous assumptions due to limited information. If these assumptions are too generous, then the marketing costs per enrolled student will be higher.

Based on that assumption and the data in Exhibit G along with the proportion of organic versus paid leads, GCI was able to estimate the enrollment at Arizona Online and UAGC that was a result of organic versus paid leads. Organic leads have zero marketing costs (excluding the

marketing that would be placed on a university’s website), though have added personnel costs. So these percentages were multiplied by the amount for paid leads in Exhibit G to provide the estimated marketing cost per enrolled student.

	paid lead enrollment	organic lead enrollment
UAGC	47%	53%
Arizona Online	21%	79%