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College Coach

Michael London and Stephen Kramer sat in front of the television at Stephen's apartment in Brookline, Massachusetts, which served as the corporate offices of College Coach, the college admissions advisory service they had started up seven months earlier. Feedback from their pilot retail classes and from a corporate workshop had been encouraging. The partners had identified three distinct business models: retail classes for students, corporate workshops, and high school guidance consulting. They now needed to consider which models to pursue, and related to that strategic plan was a decision on the type of facility they would require to run their operations. The partners had recently secured the services of a public relations firm, and Michael slipped one of the products of that relationship into the VCR. They smiled as a well-known local network news reporter began:

In the locker room and on the field of play, coaches are there to make sure every player lives up to his or her potential. So how about a hired gun to help make sure your teenager gets his or her best shot at the college admissions game?... Michael London and Stephen Kramer fancy themselves the Knute Rockney and Vince Lombardi of the college-bound crowd...

Friends and partners

Stephen and Michael met as freshmen at Babson College in Wellesley, Massachusetts. Back in high school, Michael had become intrigued by the intricacies of applying to college, and he found Stephen to be an effective and interested brainstormer on the idea of starting a business to help students through the process. In their second year they created Waterboys, an on-campus water cooler sales and delivery service. This venture proved successful and the partners were voted runners-up for the school's annual business initiative award.

After college Michael joined the Marketing Development Program at Digital Equipment Corporation, and attended the evening MBA program at Boston University. He later worked as a Senior Consultant at Harte-Hanks Direct Marketing in Philadelphia, but continued to research the college admissions advisory opportunity. In fact, in the years following his undergraduate education, he had served as an independent consultant to over 100 college-bound students.

Stephen initially worked at Arthur D. Little, where he assisted clients in developing strategic plans, creating market entry strategies, and improving operations. After graduating from the Harvard Business School, he joined Fidelity Ventures in Boston. He kept in touch with Michael and they continued to develop a plan for their college advisory business. Stephen commented:

At Fidelity I was in charge of starting up and running their for-profit education [venture capital] practice. We looked at companies that were providing service in the education space: tutorial in nature, preparation in nature, software, and long distance learning businesses. Michael and I had a lot of interesting conversations about the various business models that I was being exposed to, and we applied this to what we were thinking about within our opportunity.

By the spring of 1998 they were meeting every weekend, either in Boston or in the Philadelphia area, to work on their business plan. As their commitment to the opportunity increased, interest in their jobs began to wane. Fall is a critical time for seniors preparing to apply to colleges, and the pair realized that if they wanted to offer pilot classes by that time, they would have to devote their full energies to College Coach. They gave their employers their notices, and by July they had become partners in the field of college admissions advising.

The demand for college advisory services

Applying to college had become a demanding and stressful process that included transcripts, SAT scores, essays, short answer questions, interviews and the securing of letters of recommendation. Competition to attend the best schools was evidenced by the fact that in 1998 the University of Pennsylvania rejected 300 high school valedictorians, Stanford turned away 10,000 straight-A students with high SATs, and Berkeley rejected 5,000 applicants with similar achievements.

In 1995, 62% of the 1.7 million high school seniors in the U.S. applied to college. This percentage tended to be higher in states with large white-collar populations. In Massachusetts, for example, 71% of the 49,681 public school graduates and nearly 100% of the 10,281 private school graduates continued on to college. Nationally, 3% had used the services of independent educational consultants in 1995, which was up from 1% in 1991. The average expense for these services was between \$1,000 and \$1,500. It was expected that college advisory services would eventually achieve a market demand on par with the 375,000 students that currently enroll each year in SAT test preparation classes.

The overall population of college-bound students was expected to rise dramatically over the next 10-20 years for two reasons:

- The ever-widening disparity between high school and college graduate pay scales was forcing more and more families to conclude that college was no longer an option but a requirement, and
- The “baby boom echo”, as it had been called, was expected to increase high school populations by twenty percent over the next 10-20 years.

The market was being served primarily by earnest, well-meaning parents, overworked high-school counselors, and independent advisors (usually former high school counselors or former college admissions officers), who typically worked out of their home. Parents were often ineffective not only because of their lack of expertise but because this task fell at a time when parent-child relationships could be somewhat strained. The average high school counselor in the U.S. was responsible for over 300 students, and in addition to college advising, their tasks included dealing with issues such as drugs, general discipline and teenage pregnancy. As a result, guidance counselors spent little time with the majority of the student body, and with regard to college advising, tended to work with the most talented students and with students with special needs. The best were exciting to work with, and the challenged students often had active parents who advocated on their behalf. Effective independent counselors were hard to locate and the best could cost thousands of dollars.

College testing prep centers like Kaplan and Princeton Review had certainly been watching the growing demand for college admission advising, and Kaplan’s website [www.l.kaplan.com] offered a range of helpful advice and services on the subject. Until recently, however, the college advisory market had attracted no growth-oriented corporate entrants. In February of 1997, Carlos Watson left a lucrative position with McKinsey & Co. and founded Achieva, a venture-backed company based in Palo Alto, California. Achieva charges fees ranging from a few hundred dollars to as much as \$3,000 for full-service college admissions counseling that includes test preparation and tutoring. Significant start-up capital enabled the company to open eight centers in the first year, with twenty-two more West Coast centers planned for 1999. By the year 2002 Watson expected to have gone public and opened 250 Achieva centers across the U.S. On the opposite coast, Stephen Kramer and Michael London had plans of their own.

College Coach

The partners had completed the business plan by early summer of 1998, and had left their jobs without having any commitment other than to spend their own money to get the operations up and running, and to build a successful college advisory business. College Coach would assist families in determining an appropriate mix of target schools for each student. Developing compelling applications and interview strategies for those

choices would be the cornerstone of the business, but they also planned to assist parents and students in the difficult task of applying for and securing financial aid.

Michael and Stephen immediately set out to raise the \$500,000 they would need to fund the first eighteen months of operations. They contacted family members, who initially provided the requisite hand-wringing admonishments about the opportunity costs of leaving two great jobs and about how little actual experience Michael and Stephen had in the education field.

The founders broadened their search for capital. Stephen was adept at dealing with investor issues and Michael could sell the model in his sleep. In less than two months they closed on \$575,000 from seven investors that included family friends, personal friends and colleagues. Five investors held straight equity and two held debt with warrants. These were relatively inexpensive start-up funds, and preserved a good portion of the equity for the substantial venture capital infusion they were planning to seek early in 2001. This second round would help them achieve their five-year goal of operating in 17 markets with yearly revenues of \$15 million.

Raising funds was a critical component in being able to hold trial classes in the fall, but developing a compelling, professional curriculum for College Coach was their number one priority. The partners conducted surveys with students, parents, guidance counselors and others to determine the relative importance of each of the key elements of the college admissions process. They contracted with experts in the field of designing curriculum, and partnered them with content experts such as essay writers, leading admissions officers and college financial aid officers. As with the surveys, parent and student input was crucial to insure that the College Coach program would resonate with the target audience. The project, along with copyrighting expenses, cost just under \$30,000. The result was an elaborate 1,000-page manual that included group exercises, games, and role-playing interviews (See Exhibit 1 for a College Coach promotional piece that provides an overview of the course offerings). The partners were very satisfied with the curriculum, but they also understood that even the best program would fail unless it was properly presented to the students.

Staffing

The College Coach plan emphasized that the partners would manage the business, and the classes would be executed—based on the curriculum—by people who had an ability to teach. This would be part-time work paying between \$15 and \$20 per hour. For the trial classes the previous fall, they had worked hard to secure individuals with impressive, relevant backgrounds. Michael indicated that he and Stephen were surprised by the results:

We had a director of admissions. We also had an essay writer with an undergrad from Tufts and a Masters and a PhD from Brandeis, who had taught five years of freshman English at Brandeis. We found that credentials did not make them great at what we do. I think the students

were somewhat more forgiving than we were; they may have had mediocre teachers in high school. But we need great teachers. Those are the people the students are going to talk about when they go home.

The partners turned to the schools of education at Harvard and Boston College, where they found an interested pool of graduate students who had some high school classroom experience. They also invited potential candidates to present a piece of the College Coach curriculum and be critiqued by an educator from Harvard. This exercise revealed that the best teachers were motivational types who have taught high school English, and who have some experience in college admissions. Stephen and Michael were satisfied that they could successfully staff their classes. It was evident, however, that turnover would be high, and that, as they expanded operations, access to teaching colleges would be an important site-selection criteria.

Full-time personnel at the corporate level would be minimal. Stephen and Michael would serve respectively as Chief Operating Officer and Chief Marketing Officer. A third key individual was the Director of Education, for which they chose a former superintendent of the Needham (Massachusetts) public school system. His task was primarily to help forge relationships with area high schools. In addition, an operations manager would be brought on to support the activities of the College Coach offices. In-bound calls during peak direct marketing periods would be handled either by an in-house telemarketing group or by contracting with an independent telemarketing firm.

For specific projects, the partners planned to hire temporary workers or utilize student interns from area colleges. For example, during the spring of 1999, four Babson College students were working on a variety of tasks, including setting up a prospect/client database, and researching the competition, benefit-friendly corporations, and on-line college application services. In addition, at the end of the semester two of the students were planning to collaborate on the design and implementation of a College Coach PR event at a local high school.

The fund-raising agreement stipulated that the investors had the right to elect an individual to join the founders on a three-person Board of Directors. This person had not been chosen as yet. A Board of Advisors was also planned. The partners hoped to attract respected professionals from leading universities and the business community who could offer their expertise in such functional areas as business scaling, corporate benefits, and retail consumer marketing.

Retail classes

In selling their retail program, the partners found that many of the students they were targeting lead busy lives with sporting commitments, extra-curricular activities at school, and other private lessons like music and SAT preparation. College Coach students could expect to spend 14 hours in class and in addition be assigned a few hours of homework. So, while the company was virtually alone in offering this type of classroom advisory instruction, they were competing heavily for the student's available time.

Initially parents had expressed concern as to whether group instruction would adequately satisfy the needs of a range of students. This did not appear to be a problem since the curriculum presented the material clearly enough to enable everyone to achieve at their own level. In fact, Michael felt that in many ways group instruction was a more valuable experience than a one-on-one session:

It was interesting in our first class because in a classroom setting someone with a 900 SAT and a C-Average can say to a bright kid, “Your essay doesn’t make sense; it’s confusing. You are trying to use big words and it doesn’t mean anything.” They are less threatened than in a normal class. People who may not be great students feel very comfortable voicing their opinions in a classroom like ours because it’s not real school.

In the fall they provided two classes for 15 students who paid \$500 each. In the spring they expected to have a second round of pilot classes with 50 students paying a more realistic fee of \$700. These clients were mostly juniors hoping to get an early jump on the process by visiting potential schools during their spring break. This would end the pilot sessions. By the following year their goal was to scale the business to support a target enrollment of 250, with an average class size of 15 students.

Despite some challenges with the teaching staff, overall the partners were pleased with how their test classes had been received. They had some early-decision application successes and deferrals, but the real test of the College Coach program would come after April 1st when the colleges released their regular decisions.

Throughout the fall of 1998, most of the focus had been on building an effective program for classroom instruction. At the same time, the partners had been investigating and developing what they felt were two other equally viable markets—high schools and “benefit friendly” corporations.

High school consulting

One direct result of the heightened competition for spots at top schools was that high school administrators were under increasing pressure to provide their students with adequate college guidance. This pressure was certainly felt in average school systems with low admissions ratios to good schools, but it was most acute at public schools in affluent communities and in private schools. The difference was that private schools, with tuitions often exceeding \$15,000 a year, were less inclined to acknowledge their weakness in this area by seeking or accepting assistance from an outside organization.

Since College Coach was an outside contractor and not part of the union, selling to schools frequently involved quite a bit of political wrangling. Guidance counselors were often defensive, and school committees tended to have a wide range of opinions on almost any issue. The best approach was to first sell the superintendent on the idea from a

value-cost-benefit perspective, and then have that person move it down the chain of command to the principal and finally to the guidance counselors. The partners felt that having the various school officials on board would go a long way in tempering possible objections from the school committees and union groups.

Their Director of Education proved to be an effective prospector, and their program had been presented to a number of school systems in the Boston area. By February of 1999, however, the partners had become a bit disappointed with the inability of this “hired gun” to close sales. So far they had secured just one deal, but Stephen and Michael were optimistic about signing up a few local high schools by the end of the spring semester.

Stephen and Michael adopted a consultative approach with schools since no two administrations seemed to be dealing with their guidance challenges in the same way. Some expressed interest in having College Coach provide one-day student workshops. Others were considering summer training programs for their guidance counselors, and one school involved in an administrative turnover was looking at the possibility of transferring the entire college advising function to College Coach. The partners were confident that they had the flexibility to service these potential accounts, each of which would represent a unique allocation of administrative and teaching resources.

Corporations

Michael and Stephen discovered that selling to corporations involved a difficult process similar to that of selling to school systems; they needed to target senior management and have them advocate the idea down the line. Early on Stephen had decided to approach Fidelity, where he had contacts in all levels of the company. He contacted the director of the company’s Work-Life department, but soon realized that this individual was “more of an executer than a buyer.” It became clear that the decision to adopt a discretionary benefit such as College Coach would have to come from the senior staff.

In the late fall, Stephen managed to get a referral to the president and COO of American International Group (AIG), the largest insurance company in the world, with 17,000 employees in the U.S. In the five minutes they were given to present their program, the partners successfully generated enough interest to be referred to the vice president of human resources. He happened to have a child in high school, as did the next in line, the director of worldwide training. These two championed the project within AIG and in December, College Coach presented a lunchtime workshop on Wall Street that was video-conferenced to 30 AIG centers around the world.

The partners were also retained to provide one-on-one counseling to every interested AIG employee, either in New York City or over the phone. Financially the project just broke even, but they felt it had been a huge success in terms of understanding the corporate market. Stephen commented on the experience:

AIG looks for benefits that permeate all levels of the organization, and the group we presented to was very diverse. We had VP kids and kids of the people who load the trucks all night. Management saw 150 families get involved in one benefit, and this was one of their primary success indicators. They also perceived that somehow we relieved stress and increased productivity because these employees were not spending time on the Internet looking at colleges. College Coach helped them through the process in a much more time-efficient way.

AIG expressed an interest in having College Coach return each year, and provided a referral to another multinational company based in New York. The partners began to develop a strategy for selling their services to a number of firms in Manhattan. Their plan was to organize a tight schedule of classes that would maximize their time spent on this annual visit to New York City. Although this past workshop had been held during the busy season for college advisory work, the goal was to concentrate corporate sessions in the summer months. They were also looking into the possibility of increasing sales by partnering with a well-established company that provided benefits to corporations, such as Cerridian and Workplace Connections.

Marketing

The two primary marketing objectives of the College Coach plan were to create name/brand recognition and to sell their admissions advisory services. At present the industry had no organized competition, and it was likely that many consumers were unaware of the availability of professional advisory classes. Therefore, in this and in subsequent markets that they entered, a large percentage of their promotional budget would be allocated to public relations efforts such as event sponsorship, media interviews, and speaking engagements. Following the second year of operations, the mix would include radio and newspaper advertising, with an ongoing emphasis on direct marketing.

Direct mail was viewed as the most cost-effective means of acquiring new clients. To reach potential retail customers, the partners planned to purchase lists from companies such as American Student Lists. A mailing in late 1998 to local upscale families with high school seniors generated enough interest to fill the pilot classes, but Stephen and Michael felt that the lists were not comprehensive enough. Their current database contained referrals and prospects pulled in from advertising and promotions, but eventually they hoped to increase the quality and depth of the lists by developing relationships with local high schools and community groups.

The company's promotional materials emphasized that the College Coach program worked well because each of the challenges of the application process were broken out and dealt with individually. They asserted that this strategy lowered stress and maximized the student's ability to pinpoint their relative strengths and weaknesses. In terms of addressing the competition, College Coach pointed out that private counselors were limited by their own bias and personal experience, and that guidance counselors simply

had too many students to work with to be effective. Michael thought that a campaign dealing specifically with the failings of school guidance departments would be particularly successful, but he was hesitant to jeopardize the high school relationships they were trying to build.

Facility strategies

The fall retail classes had been well received, and emails of praise were arriving from AIG participants. The curriculum had worked well, and it was now time to move operations out of Stephen's apartment. In the Boston area, general office space ranged from \$15 to \$25 a square foot in outlying towns, and from \$25 to \$40 downtown and in certain hot-market suburbs. Their business plan called for a leased 2,500 square foot facility in a densely populated town with high drive-by visibility. At an estimated cost of \$80,000, the build-out was to include two classrooms with state-of-the-art technology, breakout rooms for one-on-one sessions, and a resource library store. Monthly lease expense for the first center was estimated at \$5,000, which would include corporate office space. As operations grew, high volume towns more than twenty miles from the center would be served by satellites located in college/high school classrooms, synagogues, churches and community centers. These teaching centers would be operated only in the peak activity months each fall, and often charged as little as \$25 a night for the space.

This "center-based" strategy had been modeled on what Kaplan had done with their educational centers. Building brand equity was a key element of the College Coach plan, and it was felt that having storefronts with high-impact signage would be an effective way to achieve an established and credible image.

The opposite end of the branding/location strategy spectrum was represented by Kaplan competitor Princeton Review. From a central office in New Jersey, this company had successfully built their brand equity almost entirely through advertising. Princeton Review avoided expensive storefront locations and conducted their classes in community centers close to their target markets. Both models had worked in building large businesses with tremendous brand equity, and advisors to College Coach seemed split as to which would be the most appropriate course to follow. Michael commented,

Marketing people think we need to have a high-profile location to build the brand. Operations/finance people would say, "What do you need [a center] for? Spend the real estate money on ads and hold classes at area community space." Do we do first-floor retail with signage and draw them in, or do we attract customers with aggressive advertising? There is a trade-off.

Preparing for growth

The news piece concluded with a Newton (Massachusetts) student commenting on his high school's guidance program;

“ I don’t think I’ve ever received a bad comment from my guidance counselor, and that’s not bad, but you want to get some constructive criticism.” The reporter then continued; “Jake Cohen is waiting to hear from eight schools he applied to from UMass to Princeton, but with the help of College Coaches, Cohen says he’s got the confidence, that whatever happens, he’s given it his best shot...”

The partners felt that with continued publicity of that kind they could expect to grow quickly throughout the Boston area. Reflecting on their first few months in business, they agreed that three discoveries had been particularly encouraging.

1. Stephen and Michael’s skill sets complemented each other and they worked well together as partners.
2. They were able to execute a successful program using a curriculum that they were at least 80% satisfied with.
3. Corporations and high schools would buy, and these represented two additional markets.

The decision as to what type of facility to create was closely linked to promotional activities. Investing in a high-profile retail site with full-service teaching facilities was in part a marketing strategy to gain exposure and credibility. On the other hand, they could rent simple offices, steer clients to classes at community centers, and allocate the lease and build-out savings to further bolster their marketing campaign.

Given their limited resources, the partners determined that it would be difficult to pursue more than two of the three business models they had been developing. In making their choice, they needed to consider which models would work best together.

A recent call from the Kaplan Educational Centers indicated that word was spreading about College Coach activities. Stephen and Michael knew from their research that Kaplan was owned by The Washington Post, was well-capitalized, and had in the past acquired a number of smaller businesses in their industry. The partners were intrigued by Kaplan’s interest and met with the corporate director of pre-college programs and his regional vice president. Although no offers were made, it was clear that the Kaplan people were impressed and would continue to monitor the progress of College Coach.

Preparation questions

The partners were finding it difficult to service all three business models they had identified. If they chose to pursue two markets, which would be most complementary? What are the advantages and disadvantages of each business model? Consider lead generation potential, public relations opportunities, and account servicing logistics.

What type of location should they choose, and how will their choice affect their marketing strategy? If the partners feel that there is a real possibility that a large potential partner such as Kaplan will continue to show interest, should this have an impact on their location and marketing decisions?

Exhibit 1: Promotional piece; course outline

The College Coach Workshop

College Selection- College Coach knows the right questions to ask students and parents to create a personalized college list. Once the list is complete, College Coach uses its knowledge about the admissions process and past applicants to determine a student's likelihood of getting into each school. College Coach maintains a near-flawless record at predicting admission outcomes.

Student Marketing- College Coach lets students understand what it is like to be an admissions officer. Using this intelligence as a weapon, each student works with College Coach to discover what makes him/her special and to sell that "special something" to colleges-gaining an admissions edge.

Organization- Students have a lot to think about and College Coach has a proven way of assisting students to get their hands around all of it. Should I do early decision? How many schools should I apply to? Is on-line easier? What do schools think of the common application? Do I really have to write so many essays? Can I read my recommendations? Does the school need to receive my application by the 15th or does it just have to be postmarked by that day? College Coach gives students control over the college admissions process by arming them with organizational tools and answering any college questions that arise.

Essay Writing- Essay specialists work with students to complete their main essay. Unlike their English teacher or tutor, College Coach goes far beyond structure and grammar. Utilizing its proprietary essay writing techniques and individualized marketing themes, College Coach ensures students create memorable, powerful, award-winning essays that gain college acceptances. Students say that College Coach is the best cure for writer's block.

Interviewing- There is only one way for your student to become a strong interviewer—practice, practice, practice. Students sharpen their interviewing skills by preparing with real college admissions interviewers from the nation's top universities. Dressed for success, students are interviewed and critiqued by a series of admissions officers of differing styles. Students graduate College Coach with confidence and improved interview techniques that will never be forgotten.

Recommendations- Colleges expect students to receive strong teacher recommendations. Students fail to realize they can influence a teacher's recommendation with coaching. College Coach helps students maximize their chances of impressing admissions officers with standout letters of recommendation.

Paying for College- Financial Aid Experts teach parents how the financial aid process works and how it can benefit any family, regardless of income. Designed specifically for the parents of College Coach students, this session explains all the options available to finance their child's education. Parents leave with greater knowledge and in many cases more money for the future.