Michigan Education Trust
Focus Group Study

Executive Summary

Prepared for
ZimmerFish
And
The Michigan Education Trust

"Daddy made six hours of your tuition today."

Prepared by:

Public Policy Associates, Incorporated

119 Pere Marquette Drive

Lansing, MI 48912-1231

(517) 485-4477

Fax: 485-4488

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Introduction

ZimmerFish Inc. is the advertising agency for the Michigan Education Trust (MET), a state agency that operates Michigan's prepaid tuition plan. Each year, thousands of individuals contact MET to inquire about how the program operates and how it might provide a vehicle for funding the college tuition costs of their children. Together, ZimmerFish Inc. and MET seek to increase the rate of "conversion" from inquiries to purchased contracts. Public Policy Associates, Incorporated (PPA), a national research firm based in Lansing, Michigan, was retained to help them find ways to do so.

Specifically, PPA was asked to conduct a study to determine the reasons why individuals who inquire about MET choose or do not choose to purchase a contract. PPA was also asked to examine why individuals chose particular approaches to save for their children's college education, including MET, competing plans, and no plan at all. The results may be used to better inform the strategic direction of MET, including the design of the program and the ongoing MET advertising campaign—both of which could lead to improved conversion rates.

To achieve this goal, PPA conducted a series of focus groups that targeted inquirers who had purchased MET contracts, those who had invested in the Michigan Education Savings Plan (MESP) or other plans referred to as "Section 529 plans," and those who have not chosen to invest in any plan or who may not be saving at all. This work complements previous survey research that gathered valuable quantitative data about the MET, providing a deeper analysis of how and why parents make decisions regarding saving for their children's college education than was possible with the survey alone.

This is an executive summary of findings from the focus groups, which were conducted in March 2006 in the cities of East Lansing and Livonia. For more detailed information on the project, please refer to the full report.

Objectives

The focus groups were designed to answer a series of research questions that sought to determine what strategies might be employed to increase the conversion rate between those people who inquire about the MET and those who purchase MET contracts. The research questions are shown below.

1. What is the level of awareness of various college savings programs? MET (including awareness of features)? MESP? Other? How did they learn about them?
2. Do parents plan to pay for all or part of their children's education? Are there others who will contribute?
3. What are the primary reasons that parents invest in MET, MESP, or some other savings designed to fund their children's postsecondary education?
4. Of those who chose an alternative to MET and other 529 programs, what form of savings did they choose? Why?
5. What are the reasons that parents choose not to invest in their children's education?

6. What are the perceived barriers to purchasing a MET contract? If participants see cost as a primary barrier to purchasing a MET contract, how do they plan to pay for their children's education? What would it take to overcome those barriers?
7. What features of MET and MESP do parents like the most? Dislike the most?
8. Of the features that the MET Board may consider adding, which are most attractive and least attractive? What other features could be implemented to increase the purchase of MET contracts?

Research Methods

Focus group methodology combines elements of guided individual interviewing techniques with the spontaneity of group discussion. The methodology is commonly used in marketing research to determine how consumers think about a particular product or service.

Participant Selection

For this project, PPA conducted six focus groups: three in Livonia on March 21, 2006, and three in East Lansing on March 23, 2006. Each group consisted of 7–10 people who had inquired about MET since December 31, 2002. To recruit for the focus groups, MET provided PPA with lists of purchasers and inquirers from both MET and MESP. The MET inquirers list was cross-referenced with the MET purchasers list and the MESP purchasers list to identify three different groups: those who had inquired about MET and decided to purchase a MET contract; those who had inquired about MET and chosen to invest in MESP or another 529 program; and those who had inquired about MET but had neither purchased a MET contract nor invested in MESP or another 529 program.

The lists were then narrowed based on geography. Only those people who lived within a reasonable distance of the focus group facilities in Livonia and East Lansing were invited to attend. Invitation letters were mailed approximately two weeks before the focus groups.[1] Many participants contacted PPA directly using a telephone number provided in the invitation; the rest were contacted by PPA via telephone and e-mail.

[1] Because the contact information for those inquiring about MET was provided by the program, the invitation letter disclosed the identity of the client to explain the source of the contact information. While disclosure of the identity of the client can cause response bias during a focus group, this risk was considered minor for this study because the respondents had no financial or other stake in responding a particular way. If anything, their interests were aligned with those of MET in the sense that they seemed highly motivated to share their honest ideas for improvements in the program. Prospective participants are often concerned that focus group recruitment may be a subterfuge for a marketing effort. By disclosing that the State was the client, this concern was eliminated. It was the judgment of the PPA research team, therefore, that disclosure was less a risk than the recruitment barriers that would have been experienced had the invitation letters not disclosed that MET was the client.

To ensure that the participants matched the target audiences for the MET advertising campaign, the PPA team asked three screening questions of those who expressed interest in participating. Prospective participants were asked if they:

- Had purchased a MET contract, invested in MESP or another 529 program, or only inquired about MET.
- Were a parent aged 25 to 45 years with children aged zero to 17 or still in high school.
- Had a household income greater than $45,000 per year.

Midway through the recruiting process, PPA requested and received permission to relax the age requirement in order to facilitate recruiting, as many individuals who otherwise fit the eligibility criteria were above 45 years of age.

Each focus group lasted approximately 90 minutes. Each participant received a cash incentive of $75 for participating, with an additional incentive of $75 provided to one participant in each group through a drawing for prompt attendance. During the focus groups, participants were asked a series of questions to elicit their opinions on the research questions above. Each focus group was audio recorded, and detailed notes were taken during the focus group by a PPA staff observer. The recording and notes were analyzed, paying particular attention to responses that addressed the research questions.

Participant Profiles

Prior to the start of each focus group, each participant filled out a profile sheet requesting the following information:

- Age
- Total annual household income
- Whether they were a parent and, if so, the number and ages of their children
- Whether they were a grandparent and, if so, the number and ages of their grandchildren

A summary of participant-reported ages and incomes is shown in Table 1 below.

Table 1: Participant Ages and Incomes		
Characteristic	**Range**	**Mean**
Age	29–58 years	42 years
Income – All	$40,000–$250,000	$97,698
Income – Livonia/All	$45,000–$250,000	$106,367
Income – Livonia/Inquiries	$58,000–$150,000	$84,333
Income – Livonia/MESP	$45,000–$250,000	$124,500
Income – Livonia/MET	$55,000–$175,000	$118,700
Income – Lansing/All	$40,000–$140,000	$82,792
Income – Lansing/Inquiries	$45,000–$130,000	$59,600
Income – Lansing/MESP	$65,000–$130,500	$92,929
Income – Lansing/MET	$40,000–$140,000	$100,000

As shown in Table 1, the participants' ages ranged from 29 to 58, with a mean age of 42. Their total annual incomes varied from $40,000 (reported by a retired postal worker in Lansing who had purchased a MET contract for his daughter) to $250,000. In both Lansing and Livonia, MET and MESP account holders reported higher mean incomes than inquirers. Lansing incomes, overall, were lower than those in Livonia.

All participants were parents; only two were grandparents. Across the groups, about half (50.9%) reported having two children; one in four (24.5%) reported having three children. The ages of participants' children varied widely, but each participant reported having at least one child aged 17 or younger.

The profile sheet also asked participants to list in what ways parents and grandparents can save for their children's education, in what ways the participants themselves have been saving for their children's or grandchildren's education, and where participants would go to get information about saving for college. Most participants were able to list several methods of saving, and nearly all indicated that they themselves were saving. Two participants in the Livonia inquirers group and three in the Lansing inquirers group indicated that they had not saved any money at all; all other participants indicated that they were saving for their children's education.

In general, the MET purchasers were the ones who most often reported using more than one vehicle to save for their children's education. In the Livonia MET group, three participants reported having MESP accounts in addition to MET contracts, and one had a 529; in the Lansing group, one participant had both MET and MESP. In the Livonia MESP group, five participants indicated that they had MET contracts, although one later indicated that she had misunderstood the question; two of these indicated that they also had MESP accounts. None of the MESP participants in Lansing had MET contracts.

As for their sources of information, numerous participants indicated that they used the Internet. Other popular responses included schools, financial advisors and institutions, libraries, and other parents. All of the open-ended responses to the participant profiles are included in Appendix C.

Overall Findings

Several themes rippled throughout the six focus groups, which, when taken together, communicate important perspectives of MET's current and prospective customers. In some cases, these themes reflect on what was actually said; in others, what was not said. While consensus can be a powerful indicator of what to do, surprising disagreement on themes of importance merits close attention as well.

1. ***Even MET contract owners are uncertain about the nature of the guarantee.*** In two of the focus groups, MET purchasers disputed the validity of MET's tuition guarantee. "Guaranteed by the Michigan Education Trust" is not the same as "guaranteed by the full faith and credit of the State of Michigan." MET has never made the latter claim, and the former is actually a very powerful and reliable commitment. In more than 18 years of operation, MET has never defaulted on an obligation. Nevertheless, confusion about the nature of the guarantee can undermine MET's principal market advantage: the tuition guarantee. That said, it must also be noted that, despite repeated communications from MET, despite contractual language, despite the program's track record, an assertion from one focus group participant that "MET is not really guaranteed" was sufficient to raise serious doubts in the minds of other MET customers in the group. This is quite stunning, since none of the other participants had ever met the individual who raised the doubt. Ultimately, this indicates that the depth of belief MET customers have in MET and in their contracts is shallower than the MET leadership would hope.

2. ***Parents think about the total cost of college, not just tuition and fees.*** Over and over, parents across the groups reflected on how they need to worry about more than just tuition and fees, which is what MET covers. Some pair MET with MESP or another savings vehicle, but many MET customers appear open to a simpler, more comprehensive way of paying for college for their children.

3. ***MET is often one of several methods of dealing with college tuition.*** The focus groups demonstrated that many MET contract holders prepay only part of tuition costs with MET and use other devices to pay for the rest. These include MESP, standard savings accounts, 401(k) accounts, and others. The use of these methods is not always related to financial wherewithal. It appears to be related also to the flexibility of some of the other savings options, particularly with regard to their equal applicability to in-state, out-of-state, and private schools; the payment options available; and their accessibility in the event of an emergency.

4. ***Clearly, MET is beyond the financial reach of most families.*** The difference in income levels among participants reinforced the fact that, for most parents below a certain income level, MET is simply out of reach. For those experiencing or worrying about layoffs or living paycheck to paycheck, it is unlikely that they will ever be able to accumulate the resources to purchase a MET contract or even to absorb the payments for financing a MET. Even families that have some funds available are often hesitant to commit substantial amounts of money to MET due to the prohibition on termination of MET contracts by parents and purchasers. It is beyond the scope of this research to determine the appropriate income level for MET's target market, but it was quite clear that even a household income of

$45,000—the level the research team was told was the bottom end of the current target—was far too low for most families.

5. ***Misinformation about MET exists even among MET contract holders.*** Several MET purchasers showed a surprising level of misunderstanding about key elements of MET including the tuition guarantee, tuition coverage for out-of-state schools and community colleges, payment plans, payroll deduction, and mandatory fees. It would not be surprising if MET customers simply did not know the answers, but it is surprising that some believed they knew, but were wrong. As communications experts know, word-of-mouth advertising is often the most powerful. In this case, customers may be misinforming others about MET, rather than serving as a helpful communications conduit.

6. ***Nearly all families worry about whether they will be able to cover the costs of college.*** Even among the MET and MESP focus groups with their comparatively high income levels, many participants worried that their savings efforts might not keep up with the spiraling costs of college education. This concern may make them highly receptive to marketing that urges them to seek out the most cost-effective savings options for their children—the sooner, the better.

Recommendations

In this section, recommendations are presented that deal with two categories of issues: the MET product features and MET marketing. The two categories intersect in important ways—product improvements give fodder to the marketing effort—but they also have independent value. Product improvements alone will likely increase sales somewhat, and so will marketing improvements. Overall, it is the observation of the research team that opportunities abound to increase the conversion rate from MET inquiries to MET sales, and the current and prospective customers who participated in the focus groups gave clear guidance on exactly what they are.

MET Product Features

- ***Don't mess with MET.*** Overall, respondents value the fundamental MET product quite highly. This reinforces the findings of the earlier survey conducted by PPA. The idea of prepaid tuition that locks in tomorrow's tuition at today's prices is seen as enormously important. For those who understand them, the options of transferring MET—including using it to cover out-of-state tuition; getting a refund if a child receives a full or partial scholarship, attends a less expensive school, or chooses not to attend college; or even using it to cover in-state tuition after a child moves out of state—all resonate well with current and prospective customers. Thus, the changes to MET recommended below are intended as incremental adjustments, not fundamental transformations.

- ***Review pricing aggressively.*** As expected, the principal barrier to MET purchases is price. If the Board can find creative means of reducing the price while remaining fiscally responsible, it should certainly do so. Despite this barrier, it is the conclusion of the research team that the opportunity to dramatically increase the conversion rate and boost sales is very real. MET is not yet reaching a substantial fraction of even the prospective purchasers who *can* afford the current price, so, while price is an important barrier, it should not paralyze efforts to sell MET to those with the means to buy it.

- ***Offer MET contracts in smaller increments.*** Most participants believed the MET had value for them, but their ability to fit the cost within their existing finances posed the biggest barrier, especially for those with lower incomes. Even higher-income participants indicated that MET contracts in smaller increments, such as individual credit hours or packages of credit hours, would offer a gift-giving option for relatives and a welcome alternative to savings bonds, cash, and toys. Allowing participants to purchase smaller amounts of credit hours would allow customers the increased flexibility that many focus group participants said they wanted.

- ***Address room and board costs.*** Most participants saw the cost of college as including room and board, not just tuition. Current MET contract holders are a ready and eager market for an add-on vehicle to purchase some sort of prepaid room and board contract to complement the MET tuition contract. This market opportunity for MET should not be overlooked, despite the challenges of developing an appropriate product to address it. If it is not feasible to establish MET contracts to cover room and board, MET and MESP should collaborate in their marketing efforts, with MET covering tuition and MESP covering room, board, and incidentals. It is likely confusing to prospective customers that MET and MESP, both State of Michigan programs that offer potentially complementary services, behave as competitors in the sense that their marketing efforts are developed and conducted completely independently. Anytime an individual inquires about either the MET or the MESP, they could be sent information on both. Together, the two programs can cover all the costs of a college education and could easily be marketed that way. Such an approach would dramatically leverage the marketing dollars of both programs and would reduce confusion among the target market.

- ***Consider offering a five-year MET contract.*** Many participants felt that, as more students take longer to complete college, four years of prepaid tuition is often no longer enough. While the market for a five-year plan may be limited, it may be relatively simple to offer. Possibly, the fifth year could also be applied to graduate school to provide more flexibility for purchasers.

- ***Consider offering some option for early withdrawal.*** Numerous participants in the focus groups of MESP account holders and inquirers indicated that they might have purchased MET contracts if there were some flexibility for withdrawing the funds in case of an emergency. The rigidity of the program's current restriction against termination of a MET contract by parents and purchasers is a clear impediment for some potential MET customers—particularly those with lower incomes—and is a motive for choosing other savings options. MET could alleviate this problem by allowing early withdrawal with a penalty.

- ***Explore the feasibility of offering MET through financial advisors.*** Most focus group participants were unenthusiastic about the prospect of making MET contracts available through financial advisors; they felt that such a move might increase the cost of MET or that financial advisors would be less trustworthy than direct contact with MET officials. On the other hand, the focus group participants already knew about and trusted MET. Additional analysis should be done to assess the feasibility of offering MET through financial advisors. The cost of contracts may rise, but the number of prospects reached and successful conversions may climb as well. A small pilot study using a handful of brokers or financial advisors might provide enough information to determine the long-term viability of this strategy. It is likely that the average MET purchaser has an income that would lead to substantial contact with a financial planner or broker. To fully tap into this market, using these professionals may make sense.

MET Marketing

- ***Use marketing to address customer concerns directly.*** Besides income limitations, it was obvious that participants had many concerns about MET that could be overcome through effective marketing. For all of these worries or objections, MET has a ready response. By emphasizing the MET guarantee and return on investment through favorable comparisons with the level of security and return on investment offered by the stock market and other savings vehicles, MET can allay concerns that are keeping potential customers away. MET's advertising should also emphasize that the program has never defaulted on its guarantee. One possible ad campaign could feature a parent saying she had invested in the stock market to fund her children's education and had lost nearly everything in the crash of 2001 before diverting her funds to MET. It bears noting that many concerns were based on a lack of knowledge or, worse, on inaccurate information *even among those who had already purchased a MET contract.* MET contract holders should be a very solid source of recommendations for MET, but that may not be the case, given the skittishness revealed by those in the focus groups.

- ***Continue marketing intensively through the schools—and start earlier.*** Many participants indicated that they had found out about MET through their schools and considered them a valuable source of information. Many wished they had found out about the program earlier. Marketing through the schools should continue, starting in the first years of elementary school. It may also make sense to encourage maternity wards in hospitals and other newborn programs to disseminate MET information. Other means, such as direct mail, may also be feasible for reaching parents of newborns.

- ***Market persistently and to parents of children of all ages.*** MET is a significant investment, and several participants indicated that they had waited years to decide whether to purchase a contract. Marketing should be persistent and should stress the need for young parents to start saving early as education costs continue to rise. It should also recognize that many make the decision later, when their financial capacity is sufficient or when they simply reach the point at which they can focus on the issue. While it is much wiser for a parent to begin addressing college costs very early, those who make the decision later also remain an important market for MET.

- ***Get MET contract holders to tell their stories.*** Many focus group participants indicated that they had heard about MET by word of mouth from other MET users, and several indicated that they would be receptive to promotions that provided in-person testimonials from those who have actually benefited from MET. The MET contract holders, not to mention young adults who have gotten their college education thanks to MET, could be a valuable resource for marketing.

- ***Intensify the television campaign.*** The Lansing focus groups revealed strong recall and positive impressions regarding the "Set with MET" television campaign, indicating that the campaign was a remarkable success in this market; however, there is room for improvement in both of the target areas studied, especially Metro Detroit. The advertisements are effective, but not enough people are seeing them. To penetrate these saturated markets, the television campaign should be intensified.

- ***Emphasize the simplicity and safety of the MET investment.*** The issues of simplicity and security emerged repeatedly across the focus groups. While MET can be a complicated program for parents who have many other things to worry about, it is simpler than savings plans in the sense that MET purchasers do not have to monitor or manage their investments, as do investors in 529 plans. Nonetheless, several of the MET purchasers had significant gaps in their knowledge of the program, and others were overwhelmed by the confusing array of "columns and dollar signs" in the MET brochure. Expecting the average person to understand all of the ins and outs of the program is unrealistic. However, all marketing materials sent to prospects should explain the program in as concise and visually appealing a manner as possible. Perhaps a campaign that revolves around themes like "No worries with MET" or "MET: Safe and simple"—illustrating the problems that MET solves, portraying MET as an easy solution to the dilemma of college savings, and favorably comparing MET with other savings options—would have more success in helping MET rise above the competition.

- ***Use the Web site more effectively to address objections.*** The objections mentioned by the focus group participants can be readily addressed in a conversational question-and-answer format that focuses on what parents are most worried about. This must be very easy to find and to use. To help achieve this objective, a new MET "microsite," www.setwithmet.com, was unveiled on April 26, 2006. A new television campaign, launched in mid-March 2006, refers viewers to the new Web site. (Before the new site was launched, they were redirected to the original MET site, www.met4kid.com.) The new Web site has a "Questions and Answers" page that is much easier to access and addresses most of the concerns raised by the focus group participants. However, the page does not directly address the nature of the MET guarantee, arguably the foremost concern of the focus group participants. Although the "What is MET?" page on the new site discusses the guarantee, it does not go into details, saying only that "MET contracts provide peace of mind much like an insurance program" and that "MET guarantees in-state tuition at public four-year colleges and universities in Michigan or in-district tuition at public community colleges in Michigan." As revealed in the focus groups, some MET contract holders were disillusioned by what they felt was a discrepancy between the unambiguous guarantee in the marketing and the more nuanced version in the fine print. To win the trust of potential customers, it is critical that the nature of the guarantee be communicated more clearly. While it is not realistic to communicate every detail of the guarantee in a television commercial, the "fine print" should be readily available on the Web site to those who seek it out.