

Q&A With Head of U. of Phoenix

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By THE ASSOCIATED PRESS

Bill Pepicello was recently appointed president of the University of Phoenix, the largest accredited private university in the country. Owned by Apollo Group, Inc. -- a Phoenix-based public company -- the for-profit chain of schools enrolls just under 300,000 students and operates in 39 states and online.

The Associated Press sat down with Pepicello while he was in Boston this week to talk about the university's mission, plans and the landscape of for-profit higher education. His responses are excerpted.

AP: The University of Phoenix recently said it would pay \$154.5 million over the next 20 years for naming rights to the Arizona Cardinals' new football stadium. Why?

Pepicello: If you go to any given state, our presence is actually pretty modest. We like to say we got big by being small. Often people locally don't have a real idea about what the University of Phoenix is, what the network is like, what they're really part of in the University of Phoenix system. So the naming rights (are) part of a larger branding initiative.

AP: One of the concerns some people have about for-profit higher education is how much money goes to marketing instead of education. According to its latest annual report, in 2005 Apollo Group spent nearly \$485 million on selling and promotional expenses and \$936 million on instructional costs and services.

Pepicello: When people say, 'You can put some of that money into education,' I guess I'd have to (say), 'Why do they think we're not doing that?' We have a very detailed and robust curriculum development machine that allows us to use our over 20,000 faculty to develop that curriculum and then deliver it. It's a matter of scale, instead of not dedicating the necessary resources to other aspects of it.

We don't spend money on football stadiums -- to build them, at least -- or on brick and mortar libraries, on all sorts of facilities that are the trappings of traditional higher education. So that frees up some money to go in other directions.

AP: Another concern people have with for-profits is that Wall Street demands constant growth, whereas traditional universities can be the size they think best for students.

Pepicello: Our philosophy for serving students is the same as Harvard or Ohio State, and that is we're mission-driven. The mission of, say, Harvard is to serve a certain sector of the population and their mission is not to grow. And that's true of higher education in general. The reason the University of Phoenix exists at all is that is that all of those various (universities) and their missions did not provide access to a large number of students who are capable and wanted access to higher education. And that's our mission.

AP: Can you continue to grow? A big part of your business is online learning, and that business is seeing slower growth and growing competition.

Pepicello: I think there's room to grow. Right now, certainly growth has slowed some across the industry. What we are looking at now is not, 'How can we keep growing with what we've been doing,' but, 'What are we missing?' Are there populations that are not being served as well as they might? We're looking at ways to help address the nursing shortage and the shortage of high school teachers. Most of those people are not necessarily the 18- to 22-year olds, but people who are looking at retooling their careers.

AP: How much does it cost to earn a bachelor's degree at the University of Phoenix?

Pepicello: Students come to us at different parts in their career, plus our tuition varies by geographical region. But if you're looking for a

homogenized number, probably between \$30,000 and \$40,000.

AP: And how many students finish the degree programs they start?

Pepicello: Around 60 percent.

AP: That's a little better than the national average. But that's still a lot of people who pay tuition and don't finish. Why do they drop out?

Pepicello: The two largest reasons they give us are, No. 1, financial and No. 2, life gets in the way. For adult students, obviously that makes sense.

AP: Community colleges often resent the competition from for-profits. Should they refine their missions, and leave the for-profits to focus on what they do best?

Pepicello: I think community colleges have a strong and noble mission. They shouldn't stray from that. Community colleges, especially in the West, are oversubscribed to the point where they simply can't deal with the number of students that come in. The University of Phoenix and other institutions offer another route to access.

AP: You're a university president, but also employed by a shareholder-owned company. Aren't there times when the best academic decision you can make isn't the best business decision?

Pepicello: When people say for-profits don't have as high a quality as traditional higher education, we have to, because our existence depends on delivering a quality education to our students. If we don't, they don't come to us and we go out of business. We have to be sure our students and employers -- because about 40 percent of our students have some sort of employer reimbursement -- see the value.

We've got 250,00 graduates and close to 300,000 enrolled. That says something about the quality of what we do