

# Prospectus

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# Table of Contents

Executive Summary	3
Working Students Need a Path to Graduation	6
PelotonU's Industry-Leading Outcomes	7
The Pandemic Pivot: an Unexpected Opportunity	8
National Strategy: Expanding Access Through Virtual Coaching	10
Local Strategy: Increasing Insights Through Our Innovation Lab	14
Operational Plan: Budget & Opportunity	17
Conclusion & Long-Term Vision	19



# Executive Summary

## Postsecondary Education Has Failed Working Adults

While popular imagination holds that the typical college student is a recent high school graduate at a public university, those days are long gone. Today's student is a parent with two elementary-aged kids, a grocery store clerk supporting her family, or a city employee with a mortgage.

Called post-traditional students, they represent 74%<sup>1</sup> of all college students and are five times less likely to graduate than their peers, because their varying responsibilities don't fit within the fixed structure of college - leading to 36 million Americans with some college and no degree.

These students enroll in college because they see first-hand what research shows: a degree is necessary for upward mobility in America. Employers increasingly require skills beyond high school and use the degree as a filter to identify talent, leading to a \$30,000 wage premium for bachelor's degree holders<sup>2</sup> and critical resilience against economic downturns.

Family income has become the best predictor of postsecondary success, and college continues to reinforce economic inequality; COVID calcified these inequities and made upward mobility even more difficult.

## Hybrid Colleges Offer a New Solution

In 2012, PelotonU began developing an approach to ensure working adults have the flexibility and support to fit college around their commitments to family and career. This model - called a hybrid college - redesigns postsecondary education from the ground up by pairing affordable, self-paced degree programs with a trained coach who forges a deep relationship with students through weekly meetings to ensure they graduate.

We have served more than 350 students, of whom 52% have tried college before and 80% will be the first in their family to graduate from college. Our students range in age from 18 to 64 and average earnings of \$18,000 per year when they start, with \$19,304 in wage increases six months after earning a bachelor's degree.

	PELTONU	PUBLIC 2-YEAR	PUBLIC 4-YEAR	FOR PROFIT 4-YEAR
Completion Rate	57%	18%	59%	13%
Net Price	\$1,795	\$7,609	\$14,876	\$16,354
Time to 1st Credential	1.2 yrs	3.1 yrs	4 yrs	1.6 yrs
Median Debt	\$5,121	\$12,000	\$24,500	\$17,875
Median Earnings	\$37,400	\$25,600	\$30,000	\$23,000

SOURCE: [HTTPS://WWW.POSTSECONDARYVALUE.ORG/REPORTS](https://www.postsecondaryvalue.org/reports)

Notably, our 150% time completion rate above is only for associate degrees; our completion rate for bachelor's degrees is on track to be 71%. This means our students are out-performing the first-time, full-time students that traditional postsecondary programs report on above.

These results attracted interest from other cities, and in 2016, PelotonU began training organizations to launch their own hybrid colleges. Since then, the field has grown from three sites to 15 that serve over 3,000 students nationwide.

<sup>1</sup><https://nces.ed.gov/pubs2015/2015025.pdf>

<sup>2</sup>[https://www.brookings.edu/wp-content/uploads/2016/07/02\\_economic\\_mobility\\_sawhill\\_ch8.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/02_economic_mobility_sawhill_ch8.pdf)



Because of our conviction that in-person support was critical to the model's success, our impact strategy focused on training others to launch new hybrid colleges. When COVID forced a shift to remote support, we saw virtual coaching replicate our industry-leading outcomes.

So, when Harlem Children's Zone and Citylink approached us in September 2020 about a virtual coaching pilot, we agreed to enroll students from outside Central Texas for the first time. Once again, we saw results that proved the model was as effective remote as it had been in-person.

## The New Path to Impact: National Virtual Coaching

In light of this insight and the need for better degree pathways for working adults, we are introducing a new impact strategy - PelotonU is expanding our virtual coaching nationally, adding 2,400 students while increasing annual enrollment from 100 to 1,250 by 2024.

Virtual coaching is a natural extension of our Austin model. We will recruit nonprofit and corporate partners from around the country who have a shared interest in college completion, rely on them for student referrals and community knowledge, and then provide relational coaching and academic support. Without an in-person requirement, virtual coaching can facilitate access for students in rural communities and education deserts in addition to closing equity gaps in persistence and completion for black and brown students.

Our growth strategy is sequential so that if quality falters or recruitment proves complex, we can get the foundation right before adding more weight. While our focus will be national expansion, the Central Texas team will serve as an innovation lab to pilot efficiencies and allow co-creation of career and financial supports alongside students. With local and national strategies woven together, here are the growth numbers we can confidently reach.

	2022	2023	2024	TOTAL
PU Total	425 new starts	700 new starts	1,275 new starts	2,300
National	300 new starts	500 new starts	1,000 new starts	1,800
Austin	125 new starts	200 new starts	275 new starts	500
Budget	\$2.8M	\$5.2M	\$7.8M	\$15.8M
Philanthropy	\$2M	\$3M	\$4M	\$9M

COVID disrupted learning for millions of learners, upturned family finances, and reinforced the existing inequities in postsecondary education. It made clear the importance of skills and credentials in securing durable careers and the need for lifelong access to a degree - all made possible through the hybrid college model.

## A Compelling Equity Investment

PelotonU is uniquely positioned to bring this model to working adults around the country. We have the capacity and systems to grow quickly and the expertise, from eighteen months of virtual coaching, to ensure that a trusted relationship remains at the center of our approach.

Rapid growth requires financial support from partners with a shared vision for ensuring any student with the will and drive has a pathway to earn their degree. Earned income will fund 42% of our budget through 2024, leaving \$9 million in needed philanthropy to reach our goals. This includes \$5.8 million in operating capital and \$3.2 million for student supports, capacity investments, and maintaining our cash reserves.

An investment will change the career trajectory of 2,400 learners and build the foundation for PelotonU to serve tens of thousands more students, all while laying the groundwork for broader systems change within postsecondary education so that any student with the will and drive to earn a degree as an option designed for her.







“Yet, in this time of crisis and ambiguity, it’s uplifting to see organizations like PelotonU rise up to support students and families, quickly adapt their program to the new normal and undertake deep reflection to ensure long-term impact and sustainability themselves. PelotonU swiftly responded to this crisis with empathy, efficiency and foresight.”

IMAGINABLE FUTURES

# Working Students Need a Path to Graduation

## College Hasn't Served the Students Who Need it Most

Over thirty-six million Americans, roughly 20%<sup>3</sup> of the national workforce, have begun college without yet graduating. These students were forced to choose between school and their commitments to work and family, all because the college system was never designed for them - the fixed nature of school didn't fit alongside their key responsibilities.

Called post-traditional students, these working learners now represent 74% of college enrollment<sup>4</sup>, and feel stuck, wrongly assuming the American Dream no longer applies to them. **While post-traditional students stand to benefit immensely from the economic mobility a college degree affords, they too often find themselves attending community college part-time and facing a less than 10% chance of graduating.**

Nonetheless, a college degree remains a necessary condition for economic mobility in America. In Texas, 60% of jobs will require some level of higher education by 2030, and yet only 42% of working adults under age 34 have any degree.<sup>5</sup> The problem is not that every American needs a degree, but that those who want one and would benefit the most so rarely graduate - especially at an affordable cost and with skills that lead to good jobs.

Students have long needed a new degree path - a path free from the structural challenges of credit hours, semesters, and rapidly rising costs of attendance. This option should enable today's student to balance responsibilities and education on her own terms, because a degree is not simply a learning certificate: it's a way for her to gain 21st-century skills, meaningfully prepare for the workforce, and secure a career that supports her family.

There may be a future where a degree isn't the coin of the workforce realm, but that's not yet the case. Even when degrees are not the primary path to good careers, the quickly changing economy will require a flexible and responsive provider for teaching skills and ensuring their mastery. **That's PelotonU.**

## The Hybrid College Model

Since 2012, we have piloted, validated, and grown a program that offers working adults the flexibility and support to earn

their degree while fitting school around their commitments to family and career. Called a hybrid college, **the model blends affordable, flexible degree programs** designed for adults **with a full-time coach who builds trusting relationships with their students** through frequent meetings that offer encouragement and accountability on the road to graduation.

**Competency-Based Education.** We partner with universities offering affordable, regionally accredited, high-quality CBE pathways.

FLEXIBILITY



**Coaching.** We match each student with a trained educator who meets with them regularly to support their path to graduation.

SUPPORT

Community

Care

## An Emerging Field

This model, built alongside similar programs in Boston and Los Angeles, proved effective and led to interest from other cities, with 15 organizations now serving 3,000 students.

Our long-term vision is a vibrant ecosystem of hybrid colleges surrounded by supporting institutions that provide funding, invest in research, build industry-informed credentials, and convene leaders to ensure student-centric values and emerging best practices are at the heart of our ongoing work. While the current focus is bachelor's degree attainment, hybrid colleges are well positioned to shift towards new curriculum providers as skills-based hiring and alternative credentials become more widespread.

Within ten years, the field is poised to serve 50,000 students in hundreds of communities, ensuring college keeps its promise of providing access to those who need it most while helping individuals acquire the skills that lead to good jobs.

<sup>3</sup><https://nscresearchcenter.org/some-college-no-degree-2019/>

<sup>4</sup><https://nces.ed.gov/pubs2015/2015025.pdf>

<sup>5</sup><http://60x30tx.com>



# PelotonU's Industry-Leading Outcomes

## Students & Outcome Metrics

We have served more than 350 students and celebrated over 110 degrees, including 23 bachelor's degrees and 87 associate degrees. While their stories and starting points vary, on average, here's who we serve:

**\$18,096** average starting income

**80%** first in their family to graduate

**52%** have tried college before

**26** average age at start

**86%** students of color

**48%** are parents

These students report that their coach, who meets with them regularly to focus on emotional, logistical and academic obstacles, is the key factor in their astonishing results. 100% believe their coach is invested in their success, 99% trust their coach, and 96% believe their coach holds them accountable to their goals.

We route students through an associate degree on their way to a bachelor's, and for both credentials we see some of the best outcomes in the postsecondary field.

**“Without explicit attention to racial, socioeconomic, and gender equity, postsecondary education will continue to sustain and exacerbate inequalities, but a more equitable postsecondary education system can build a more just society.”**

POSTSECONDARY VALUE COMMISSION

<sup>6</sup><https://completecollege.org/data-dashboard>

**1.2** years is how long the average PelotonU associate degree takes, compared to 5 years for part-time associate students

**71%** of all bachelor's students are on track to graduate in six years or less, compared to 14% for part-time bachelor's degree students<sup>6</sup>

**92%** first to second semester retention, with 82% retention from year one to year two

**\$17,278** more earned per year by bachelor's graduates after graduation

Comparative data tells an incomplete story because most universities only report outcomes for first-time, full-time students. We use part-time outcomes as a proxy because our students all work more than thirty hours and could not attend full-time successfully anywhere else.

While industry metrics like completion and retention percent are meaningful, they're also lagging data. To give coaches real-time insights into student progress and areas of focus, we focus on weekly engagement, projected pace, and trailing twelve-month persistence instead.

## Resilient Financial Model

A key component of the hybrid college model is earned income from universities paying to receive wrap-around coaching for their students. Rates vary by school and average \$3,000 per student per year.

This began for PelotonU with \$17,000 in coaching revenue in 2016 and has grown to \$440,000 in 2021, representing 25% of the operating budget. Payments occur for completed terms when students make full-time status and pay their tuition, often with a Pell grant. This means that in seasons of growth or capacity investment the model is less efficient than when funding consistent operations.

At scale, we anticipate revenue covering core advising and coaching expenses with durable philanthropy to invest in student supports and one-time charitable investments to provide working capital for growth.





# The Pandemic Pivot: an Unexpected Opportunity

## Our COVID Insight

PelotonU's focus on impact through a federation of hybrid colleges was rooted in a conviction that this model could only be delivered effectively through physical study spaces and in-person coaching. **When COVID began, we were forced to redesign each part of the model to reflect our values in a fully virtual context.**

This offered our team a window to collect valuable data on which elements of our model can be delivered more effectively online and led to two key insights about our program:

**Virtual Coaching Works.** While academic outcomes fluctuated from March to August of 2020 due to COVID and curriculum shifts at our partner university, the majority of students saw time-to-graduation hold steady while reporting the same levels of trust and support with their coach, even with a virtual relationship.

**Students Prefer Studying From Home.** Study spaces were a required part of our model, and when we asked students who studied there prior to COVID if they would return, 70% indicated they would rather study from home. Academic outcomes for these students have also been consistent with their in-person progress.

These insights gave us confidence that virtual support was not mere triage during a pandemic but an emerging practice with broad applicability to solve long-standing and newly emerging inequities in postsecondary education.

## A National Pilot

That's why, in September 2020, we launched a pilot to coach students in other cities who were referred by non-profits with regionally-contextualized resources. This test began with partners in Cincinnati and New York City and offered a new path to serving thousands of students while still preserving local support.

National expansion grows our existing advising and coaching programs, with the only change being the expansion of

referral partnerships across the country. In addition, the complexity of matching coaches with student availability gets simpler without the need for meeting in person, making our unit economics more efficient as well.

## Additional External Factors

Even though hybrid colleges are seeing increasing momentum and attention, sites are difficult to grow quickly, with a launch requiring 12 months, three employees, and \$500,000. Given the urgent need, that growth strategy is both too slow and too resource intensive to be the only path to impact.

Two external factors also changed our strategy away from consulting as the best way to grow the field.

**1 A NEW ENTRANT** Historically, PelotonU was the only organization focused on training new hybrid colleges. A new organization has launched to focus only on that goal. They plan to hire entrepreneurs in residence, provide intensive training, and support them with staff and budget to start hybrid colleges in new cities, and we're hopeful they will see quick traction and rapid growth.

**2 LIMITED CONTRACTS** A critical factor for a new hybrid college is a revenue contract. As SNHU gained clarity on their growth strategy, they are prioritizing a small number of high-growth partners. This constrains our ability to recruit from areas with smaller populations, including hard-to-reach and diverse student groups.

## National Virtual Coaching

The field needs to continue to grow - and to do so quickly. PelotonU's national virtual coaching is faster to scale, requires less startup capital, and provides greater certainty for quality outcomes.

Our role is now to rapidly grow enrollment through national virtual coaching to both serve more students and address the clear equity gaps in postsecondary education access. Our success will prove the viability of the field while attracting capital, new degree options, and partners who want a better college option for their communities.





“Go to school. Be financially responsible. Work hard. These are the tenets we teach our children about the responsible pursuit of the American Dream. Yet for some of the hardest-working students from low-income families, following these tenets has not led to the success they have been promised. These low-income working learners are going to school more and working more hours, yet struggling to make it. They have been failed by: (1) an education system that perpetuates intergenerational inequality; (2) a labor market that offers them fewer high-quality job opportunities with career-building work experience while they are in school; (3) skyrocketing college prices that make it practically impossible to work one’s way through college anymore; (4) poor information about education and career pathways and their outcomes; (5) and a lack of sufficient support mechanisms and financial and social safety nets.”

BALANCING WORK AND LEARNING: IMPLICATIONS FOR LOW-INCOME STUDENTS  
GEORGETOWN CENTER ON EDUCATION AND THE WORKFORCE



# National Strategy: Expanding Access Through Virtual Coaching

## Overview

When we closed in-person study spaces due to COVID, we hoped it was possible to build transformative coaching relationships with students in a virtual-only context. We quickly learned that it was not only possible, but that we could do so without negatively impacting academic or quality-of-relationship outcomes.

Simultaneously, organizations in our consulting pipeline realized a place-based model was not practical during the pandemic, and they asked for our help: would we coach their students remotely?

We agreed to a national coaching pilot in September 2020 and saw these first students make similar progress as our virtual students in Austin. With existing inequities in post-secondary education made abundantly clear by COVID, more organizations approached us looking to provide our college pathway to their local communities.

This became our new impact strategy - meeting this demand while expanding quickly and with quality nationwide. We intend to double our enrollment in the national coaching program each year with the goal of adding 1,000 new students in 2024. This lays the groundwork for our 2030 vision of serving more than 20,000 students nationwide.

While growth is important, we are equally focused on building the talent and operational infrastructure to effectively serve this volume of students without losing our healthy and equitable staff culture. Too many nonprofits chase scale at the expense of their team's sustainability, and we are committed to preserving our healthy and safe work culture while we grow.

## Evidence of Opportunity

Through Q1 2021, we interviewed 22 potential referral partners, 11 of whom want to launch a national virtual coaching partnership within the next year, and another nine want to work together in the future. The final two organizations were not good fits and instead made five introductions for us to other potential partners.

Those 11 organizations already represent nearly 275,000 eligible students, and we are confident we will be able to enroll 1,800 new students over the next three years and lay the groundwork for enrolling far more students in 2025.

Much of this interest is rooted in the success of our national coaching pilot, where we worked with 4 organizations - CityLink in Cincinnati, OH; CityWorks in Washington, D.C.; Phase4 in Pittsburgh, PA; and the Harlem Children's Zone in New York, NY. While learner profiles differ by partner and region, our pilot cohorts replicated results we see in Austin.

	ONBOARDING PERSISTENCE	ENROLLED PERSISTENCE	WILL GRADUATE ON TIME
National Students	71%	90%	80%
Austin Students	69%	86%	70%

## Priority Partners

Recruitment has been the achilles heel of the hybrid college movement thus far. With so many people stopping out of college, interested students are still hard to find. Some of the difficulty is due to a crowded market, the nascence of the hybrid college model, and skepticism regarding online education, but the biggest barrier is that most potential students have tried college and left once before - they're not looking to return because they don't think college is for them.

That means marketing is ineffective and the only proven source for students is referrals from trusted partners. With that insight, we will focus on partnering with organizations that have both reach and relationships with students facing equity gaps in postsecondary education. Specifically, we are targeting three key markets: college persistence organizations, parent-serving 2-Gen programs, and opportunity-youth serving nonprofits.



To help us prioritize potential partners, we will balance *impact* - *does this organization serve people with limited access to quality college options?* - and *reach* - *how many students can this partner enroll?*

	LESS IMPACT	MORE IMPACT
CLEAR REACH	Employers who want to Upskill Front-Line Staff	College Access + Opp Youth Nonprofits 2-Generation Programs
COMPLEX REACH	Traditional Colleges and Universities	Rural Communities; Puerto Rico + US Virgin Islands

**While ideal partners are high reach and high impact, we will prioritize impact over reach** because it both serves students with fewer options first and increases our insights for the rest of the field. This includes organizations or employers operating in rural areas, groups serving underserved populations like system-involved youth, migrant and seasonal agricultural workers, those aging out of foster care, and communities like Puerto Rico and the US Virgin Islands.

We expect partners to refer the vast majority of students, and we will also test direct-to-consumer outreach, particularly in rural markets, where geography makes recruitment through partnerships particularly complex.

### Sourcing & Vetting Partners

The primary source of partner organizations is referrals from intermediary networks - including funders, accelerators, and research organizations. We work with intermediaries to determine best fits in their network across several factors including: mission, values alignment, market size, budget, and level of need.

Intermediaries send potential partners key information on PelotonU's virtual coaching and its value for students to see if there is interest in an exploratory conversation. For these partners, there are four key criteria we're looking for.

**Sense of Urgency.** College completion is a critical issue, but not to every organization. If they agree with us on the importance of that goal then there's a strong chance we can work effectively together.

**Collaborative.** Partnering is hard - we're looking for organizations who have a history of working alongside others to maximize the quality and depth of their impact.

**Local Trust.** We're curious if students and the community trust the partner to support their goals and growth. This tells us if students will respond and engage when contacted.

**Capacity.** Specifically, the strength of the staff. We're looking for partners who know how to persuade students to try worthy new things, even when it feels risky.

Of these, we need to see at least two before we move forward with a preliminary conversation.

### Partnership Process

Once we are introduced, there are six steps in the partnership process.

**1 DISCOVERY** This is an exploratory conversation with a key decision maker at the partner organization to determine existing college options, current barriers, and value of a college degree for their community.

**2 DETERMINATION** If discovery reveals both an opportunity and the ability for virtual coaching to be an effective solution, then a second meeting with the same leader(s) is scheduled to decide the type of partnership.

*A passive partnership* is when the timing is not right for concentrated outreach. This includes scheduling a future meeting and sharing PelotonU with staff as a resource for their community.



*An active partnership* - the primary partnership route - involves a shared commitment to student outreach, data sharing, and shared support for matriculated students.

**3 DESIGN** For active partners, we plan a phase of staff education, typically through training calls and webinars, and targeted outreach, where we identify a priority subgroup of students to recruit first.

**4 PROPOSAL** While each partner is unique, their primary role is referring students. Some partners may also equip students with tech resources or provide additional non-academic support. We then write an MOU outlining PelotonU’s responsibilities, regional resources offered by the partner, shared goals for recruitment and academic success, and FERPA-compliant data sharing.

**5 LAUNCH** PelotonU equips the partner with marketing collateral for outreach via email, text, and calls. We lead training sessions for staff, including information about our target student and how to explain our model, and then then hold info sessions for interested students to share more about PelotonU and answer questions.

**6 ITERATION** PelotonU works with the partner to identify future recruitment opportunities, areas to improve support for students, and any new data-sharing needs as the partnership grows.

Of potential partners we meet with, we are seeing sixty percent interested in launching a pilot within twelve months, with another twenty-five percent committed to passive promotion and a future exploratory conversation.

**PelotonU’s Role**

The partner’s responsibility is finding students who will schedule a short, first call with PelotonU. Once that happens, our advising team shepherds uses the same funnel we have refined in Austin.

**1 NEUTRAL ADVISING** Through an initial call, pre-enrollment meeting, and orientation, we work through financial aid, credit transfer, and degree selection before students start academic onboarding.

**2 ACADEMIC ONBOARDING** This is a free six-week trial where students begin their studies and decide if this is the right timing and learning modality to pursue their college goals.

**3 RELATIONAL COACHING** Once students enroll, their coach meets with them weekly to celebrate their progress, anticipate potential obstacles, and determine the right pace based on their other responsibilities.

**4 COMMUNITY & CARE** Students join a self-organizing space where they can ask questions about school or life, participate in events to learn strategies for growth and self-care, and receive financial support to navigate common obstacles.

We also intend to offer financial support for students, starting with scholarships, that are designed to cost less than the future revenue they create;we will also expand our local career support in 2024 to serve national virtual coaching students.

**Opportunity**

This plan, while ambitious, is feasible and realistic. To increase the health of our growth and likelihood that we reach our goals, our team has integrated annual milestones to examine what we’re learning and to design future tests around demand, quality and operations that keep promises to students and promote staff sustainability.

	2022	2023	2024
New Students Enrolled	300	500	1,000
Active Student Body	336	691	1,410
Total Partners	10	18	25
Leads Per Partner	150	140	200

We will closely watch academic outcomes, student recruitment, and our unit economics to confirm that our coaching and operations improve in quality and effectiveness as we grow.

By 2025, we will have incubated a model that prioritizes education deserts and equity gaps for hard-to-serve populations while also allowing for the rapid expansion of this model through national organizational partnerships.





# 21/100



low-income and first-generation students entering college have obtained a bachelor's degree within 6 years as compared with 66/100 of students who are not low-income and first-generation.

Source: *2020 Indicators of Higher Education Equity in the United States*

## Financial Costs & Competing Work Demands

were the most cited reasons for having to change or cancel education plans, followed by a lack of viable in-person learning options.

Source: *Back to Class: Will Pandemic Disrupted Learners Return to School?*

# 22/100



undergraduates are parents according to new analysis of data from the National Postsecondary Student Aid Study.

Source: *Parents in College By the Numbers*

# \$30,900

are the average annual costs beyond tuition for older students.

Source: *Obstacles to Opportunity* (Georgetown Law, Center on Poverty & Inequity)

# 56%



of "good jobs" require at least a bachelor's degree as defined by the Georgetown University Center on Education and the Workforce (CEW) as those that pay a family-sustaining wage.

Source: *Equitable Value: Promoting Economic Mobility and Social Justice Through Postsecondary Education*

# 67%

of individuals born into the lowest income quintile who attend college reach the middle class or above. ~20 percent of those individuals reach the top income quintile, compared with only 4 percent of those not attending college.

# <15%

of students out of the nearly 20 million American college students go to school full-time and live on campus.



# Local Strategy: Increasing Insights Through Our Innovation Lab

## History as an Innovation Lab

Our historical approach to direct service valued learning over quantitative growth. Each year, we asked key questions about expanding access and improving quality to refine a model that best served the Central Texas community. That allowed us to build a 2-Gen program for working parents, co-locate with an employer, launch a student staffing strategy, and codify key coaching elements to share with the field.

A local focus on innovation remains essential and will serve as an anchor for the quality and effectiveness of the hybrid college model. While we intend to increase our annual enrollment by 50 students each year - growing to 250 new enrollments by 2024 - our primary focus remains testing strategies to expand access and identify efficiencies while codifying key insights to share with the field.

This continued emphasis on learning allows us to ensure an ongoing focus on equitable access to education, build a model that's tailored to the Central Texas community, and design tools that will strengthen the hybrid college field. Specifically, we are focused on four key questions.

## 1 | Career

### How can we support any graduate in finding a long-term career?

While a college degree remains a critical credential on the path to economic mobility, many first generation college graduates, regardless of age, need additional support; the last mile from graduation to a satisfying career is complex and relies on informal networks, subtle signals, and middle class norms that often confuse job seekers.

PelotonU's hope for our students is agency - both to pursue a higher salary, if that's their goal, or to leverage their degree to provide personal freedom and build non-financial assets. The traditional path of career support focuses

on resumes, interview prep, and job search while missing the unspoken rules of employment that too often hinder job seekers. We intend to pilot a new strategy - one based on research in network theory, social capital and emerging practices from a new vanguard of social entrepreneurs.

## Hypothesis

We will hire a career manager in Q2 2022 to build relationships with Central Texas employers and train students with the knowledge and skills to secure long-term careers. The gap between the culture embedded in employers that hire college graduates and the class context anchoring the life experience of our graduates will require a human bridge, in the form of the career manager, to successfully navigate.

There are implicit and explicit norms traditional college students have learned since they were children that our graduates will lean on our career manager to navigate. The career manager will spend their first three months studying national best practices - like Basta's career diagnostic and technical assistance - then focus on supporting PelotonU alumni while developing a curriculum for all PelotonU students in Central Texas.

Our pilot will start with bachelor's degree alumni, expand to serve associate earners and students within six months of degree completion, and then codify our insights into practices that will inform an opt-in curriculum for students at every step of their academic journey.

**"The narrative that the skills gap holds back our economy is outdated. The new narrative is that our economy is constrained by an opportunity gap: systematic social exclusion of diverse talent from access to education, economic security, quality jobs, and career mobility over a lifetime."**

**BROOKINGS: IT'S NOT A SKILLS GAP, IT'S AN OPPORTUNITY GAP**



## Success Measure

We will measure the effectiveness of this pilot across three indicators. First, we'll use a quantitative measure of wage increases over our historical baseline at six, 18 and 36 months after graduation. We will then use two qualitative indicators - alumni satisfaction over historical norms and repeat employer hires of alumni to determine traction for future investment. If successful, we'll expand this program to support national students in 2024.

## 2 | Financial Supports

### What is the right mix of financial supports to promote student success?

To date, PelotonU's primary financial investment in students has been tuition scholarships. We raise an annual fund and allocate resources as broadly as possible while knowing that there are not enough dollars available to meet the growing and evolving need.

After nine years of offering scholarships and observing student finances, we now see the opportunity for a wider set of student support investments and are confident we can quantify the capital that positively impacts persistence at levels greater than the initial expense.

### Hypothesis

In Q1 2022, we will expand the variety of student supports we offer to include mental health subsidies, childcare stipends, technology, emergency grants, and first-year scholarships to de-risk debt. At the same time, we will quantify the impact on term-to-term retention for each intervention and compare the results to the baseline of students who previously utilized scholarships.

This will allow us to identify supports with the highest ROI, share our findings with the postsecondary field, and integrate ongoing financial commitments into our unit economics so that they are not dependent on philanthropic funding as enrollment grows.

### Success Measure

We will measure the impact of these financial supports on academic outcomes every term and compare the results to students in the three prior years who did and did not receive scholarships.

A successful result will also allow us to give more freedom to coaches to deploy flexible capital immediately at key points in the academic journey while expanding the available funds for students who are not eligible to receive federal financial aid.

## 3 | Coaching Menu

### What is the right blend of supports and how do we provide them in the right order for students?

One metaphor we use for our coaching is that of a primary care physician. We are committed to preventative health, identifying risks early, and focusing on the whole student, not only their academics.

There is a wealth of training, expertise, and resources our coaches rely on, and at times it becomes necessary for them to make a referral to a specialist. In the past, we wanted coaches to be specialists in all domains, and as we now prioritize the critical importance of relational coaching, we are becoming more strategic with the team and referral networks we build.

Virtual support offers new opportunities for students to have greater access and more frequent touch points with members of the PelotonU team. We're reimagining this support matrix to ensure that coaches have the training, networks, and a team of student staff members who can provide targeted interventions for students.

### Hypothesis

In 2023, we will map the referral resources available to coaches, add support coordinators to focus on academic and tech support, and build a library of training modules for coaches to use in specific circumstances.

This will include expanding our referral network outside financial aid to include mental health and social services. We will hire staff to provide tutoring, writing, technology training, and career support.

### Success Measure

We believe this will increase persistence, build employment pathways for alumni, and clarify the cost of per student coaching support.



Historically, we used time with PelotonU, pace, and student preference to determine mentor meeting frequency. With the new data architecture deployed in Salesforce and insights from this test we will have the capacity to expand support across a wider variety of indicators and to better differentiate dosage.

#### **4 | New Credentials**

### **How can we expand credential pathways to good jobs for the hybrid college field?**

This field has grown on the strength of competency-based education and the commitment of SNHU as a close partner. At the same time, many students choose not to enroll because of the limited degree options and inability to transfer credits into existing degree programs. To reach its full potential, the field needs to both attract new CBE providers and to explore support for traditional, semester-based colleges and non-credentialed workforce programs.

#### **Hypothesis**

PelotonU will identify a new credential path that aligns to student interest and Central Texas careers. We will debut that option in 2024 with a two year pilot to measure employer interest and learning outcomes.

#### **Success Measure**

The pilot will be successful if we see evidence of student demand that exceeds ten percent of a calendar year enrollment, outcomes comparable with our existing programs, and signals of employability from career partners for the credentials students pursue.

Hybrid colleges are building a relational learning modality designed around the priorities of today's students. Education beyond high school will only become more important as the labor market evolves, and hybrid colleges are well positioned to offer leading pathways to lifelong careers - including data science, sales, and web development. Our desire is to be content agnostic, so that any quality, flexible, affordable curriculum, credentialed or not, can be swapped in and strengthened by our coaching to ensure PelotonU reaches our long-term equity goals.

**“Financial challenges in 2020 were uneven, and frequently left those who entered the year with fewer resources further behind. Many laid-off workers had limited financial buffers before the pandemic and exhibited substantial declines in their financial wellbeing in the past year. Gaps in financial wellbeing by race and ethnicity persisted in 2020, and adults with less than a high school degree fell further behind those with higher levels of education.”**

**FEDERAL RESERVE BOARD OF GOVERNORS,  
ECONOMIC WELL-BEING OF US HOUSEHOLDS IN 2020**

#### **Costs & Outcomes**

As we strengthen our expertise in identifying opportunities, running pilots, and sharing insights with the field, the Central Texas team will be well-positioned to chart its long-term future while deciding to either stay small and focus on revenue sustainability or accelerate their growth with new insights from national virtual coaching.

The local and national work will share resources and provide mutual support through synergies that emerge from demand validation, process implementation and continuous improvement.





# Operational Plan: Budget & Opportunity

This plan is ambitious. We intend to increase our annual enrollment by 10x - from 120 to 1,200 - while growing active students 6x, headcount 4x, and more than tripling the budget. The forecast driving our projections is deliberately conservative on case ratios, persistence, revenue discounting, and hiring timelines to ensure we have the team and funding to reach our goals if demand rapidly increases.

Our priority is to build a team that not only meets our three year targets, but also has the leadership and capacity to accelerate our impact beyond 2024. That led to two priorities in our growth forecasting:

**1 FOUNDATION FOR IMPACT** While our long-term goal is for earned income to fund operations, the focus for this round of funding is leadership and capacity. Instead of running lean, we want to invest in coaches who can provide quality outcomes, managers who can ensure we learn as we grow, leaders who can accelerate our impact, and a support staff to ensure we anticipate and preempt the common pain points from growth.

**2 DISTINCT TEAMS** Our roots are in Austin, and we plan to operate the Central Texas team distinctly from our national program staff. While culture, strategy, and resources will be shared, the Austin team will continue to serve its critical role as an innovation lab to test new strategies and efficiencies that strengthen the field.

To get there, we plan to add 61 student-serving staff, eight managers, eight support personnel, and three new senior leaders. Specific milestones are indicated in the table below.

What gives us confidence in the rate of growth is the replicability of hiring, training, and managing coaches who comprise 70% of our hires. For our supporting functions,

especially recruitment and talent, we're making robust investments in both staff and one-time capital allocations to ensure they can support a rapidly growing venture.

## Key Assumptions

Revenue assumes \$1,100 per term with 80% collection and historical persistence rates. While we foresee opportunities to outperform these estimates, we conservatively held them flat through 2024.

For expenses, the key assumption is a 50:1 case ratio with well-compensated coaches, the linchpin role in our model. While we intend to test which parts of the coaching role can be unbundled, the weekly student relationship requires a depth and frequency of support that warrants this caseload as we grow

Term-to-term retention projections are modeled from five years of historical data with a five percent discount. Compensation is pegged to the top 25% of market, and our manager ratios are pegged to best practices, averaging six coaches per supervisor. We deliberately prioritized our team because our students are too important to commoditize and work is too hard to risk burning out our team.

As we grow, we believe our deepening expertise, ongoing capacity investments, and insights from the field will help maintain quality while finding ways to redeploy capital towards more student support investments.

## Our Unit Economics

As enrollment grows, monthly cost per student will be cut nearly in half, to \$267 per month, or \$3,209 per year. With \$3,300 in per student revenue, that's close to a break-even model.

	DEC 2021	JULY 2022	DEC 2022	JULY 2023	DEC 2023	JULY 2024	DEC 2024
Headcount	23	32	43	48	53	75	80
Active Students	325	572	671	985	1,107	1,766	1,937



Earned income supporting the budget grows from 40% in 2022 to 58% in 2024, when \$3.6 million in earned income will fully fund the coaching program for both Austin and national students. When the national program enrollment holds steady, it will require just a 14% annual philanthropic investment to continue operations and enroll 1,000 new students per year.

## Forecast

Based on our enrollment targets, key assumptions, and necessary investments, this is our forecast for expenses and needed philanthropic support.

	2022	2023	2024	TOTAL
<b>REVENUE</b>				
Earned Income	\$912,560	\$1,971,860	\$3,588,200	\$6,472,620
Philanthropy	\$1,722,465	\$3,132,936	\$4,124,560	\$8,970,960
<b>Total</b>	<b>\$2,635,025</b>	<b>\$5,104,796</b>	<b>\$7,712,760</b>	<b>\$15,443,580</b>
<b>EXPENSES</b>				
Coaching	\$1,036,583	\$2,067,168	\$3,487,146	\$6,590,898
Advising	\$529,921	\$775,122	\$1,080,461	\$2,358,504
Ops & Fundraising	\$724,580	\$1,075,186	\$1,635,692	\$3,435,458
<b>Org Expenses</b>	<b>\$2,329,923</b>	<b>\$3,929,914</b>	<b>\$6,214,964</b>	<b>\$12,411,860</b>
National Expenses	\$1,380,466	\$2,724,250	\$4,654,186	\$8,758,903
Local Expenses	\$910,618	\$1,193,225	\$1,549,114	\$3,652,957
<b>STRATEGIC EXPENSES</b>				
Student Supports	\$246,940	\$336,320	\$444,460	\$1,027,720
Capacity Investments	\$142,000	\$218,000	\$140,000	\$500,000
Cash Reserves	-	\$680,000	\$950,000	\$1,630,000
<b>Total Expenses</b>	<b>\$388,940</b>	<b>\$1,232,320</b>	<b>\$1,534,460</b>	<b>\$3,155,720</b>
New Enrollments	425	700	1,275	2,400
Earned Income %	40%	50%	58%	-
Cost Per Student	\$3,825	\$3,720	\$3,229	-

## Uses of Capital

The three year budget is \$15.6 million, growing from \$2.7 million in 2022 to \$7.8 in 2024. Of that, \$6.5 million is coaching revenue, leaving \$9 million in needed philanthropy. There are the four uses of funds:

**\$5,842,280 IN GROWTH CAPITAL** The majority of this raise provides the working capital to recruit students, hire staff, and grow our leadership team.

**\$1,027,720 IN STUDENT SUPPORTS** Some students need financial support to pay tuition or overcome a short-term crisis. These funds allow us to both support students and test new efficiencies in student supports.

**\$500,000 IN CAPACITY INVESTMENTS** These investments in talent, sales, and tech will accelerate our impact, strengthen our team, and increase our likelihood for hitting our goals.

**\$1,630,000 IN FINANCIAL RESILIENCE** Our board set a five month cash reserve target, which becomes especially critical as we grow. This raise includes an investment in reserves to offset our growing budget.

This investment will allow 2,400 students to enroll in college with more than 1,500 degrees at a cost per graduate of \$3,000, before counting future enrollments made possible by this investment.



# Conclusion & Long-Term Vision

## Gratefulness

Our namesake, a peloton, reflects our deep commitment to community and our conviction that no one can undertake a hard journey alone. We are deeply grateful to the many friends in our peloton who have been instrumental in enabling us to do this important work alongside our students.

This includes nonprofits who trust us with their students, the universities where they enroll, hybrid colleges we work alongside, and funders who saw this model's potential before we fully realized it ourselves. Early editors - including Jessica, Sara, Tristan, Jeff, Mark, Vinice, Andy, Virginia, Dulari, and Jenny - helped us better craft our vision into this document.

Our board and staff repeatedly center the relationships that are at the core of our work, and our students have built a model with us that will make graduation a reality for people around the country they may never meet.

## National Legacy of Innovation

In many ways, America's colleges are one of the marvels of our country's history. Seeking to emulate the early European universities, we built our own and then went further. Public postsecondary education became a cherished ideal as America established land-grant universities, taught agriculture and technology to students from rural communities, and saw the GI Bill expand access further than had been considered possible.

Our country built a system of community colleges, catalyzed world-changing research, saw students fight for integration and racial justice on our campuses, and invited learners from around the world to study on our shores. At each step, it's been the courage of students, the votes of taxpayers, and the conviction of public servants who dreamed about how to make postsecondary education more equitable and made these advances possible.

## The Next Step Towards Equity

While we have come far, there's more work to be done. The importance of degree attainment for working students cannot be solved with an incremental solution. Thirty-six million Americans started college but have not yet graduated because American colleges do not yet design for them- no amount of investment or innovation on the margins will address the structural mismatch between today's average college student and the antiquated university model that's been their only path to a degree.

PelotonU's national virtual coaching strategy offers these learners a flexible and supportive path to reach their academic and professional goals. By 2024, we will serve 2,400 additional students while building the systems, strategy, and team to reach tens of thousands more. Not only will we quickly grow enrollment, but we will test and refine insights with broader applicability for two and four-year institutions. By 2030, PelotonU, alongside our sister hybrid colleges, will reach 50,000 students in over a hundred communities, ensuring that college keeps its promise of providing access to those who need it most while also offering the skills that lead to good jobs. Our north star will be the students and their wisdom; if, as has happened before, the model needs to change to better serve them, then it will.

We envision a future where education is accessible, worth the student's investment, and a proven tool for economic mobility for students and their families. It's time the American dream came true for the millions of working adults who desire education to change not only their own lives, but also their families, communities and our country.

*Students first,*

**Sarah & Hudson**



# Contact Us For More Information

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