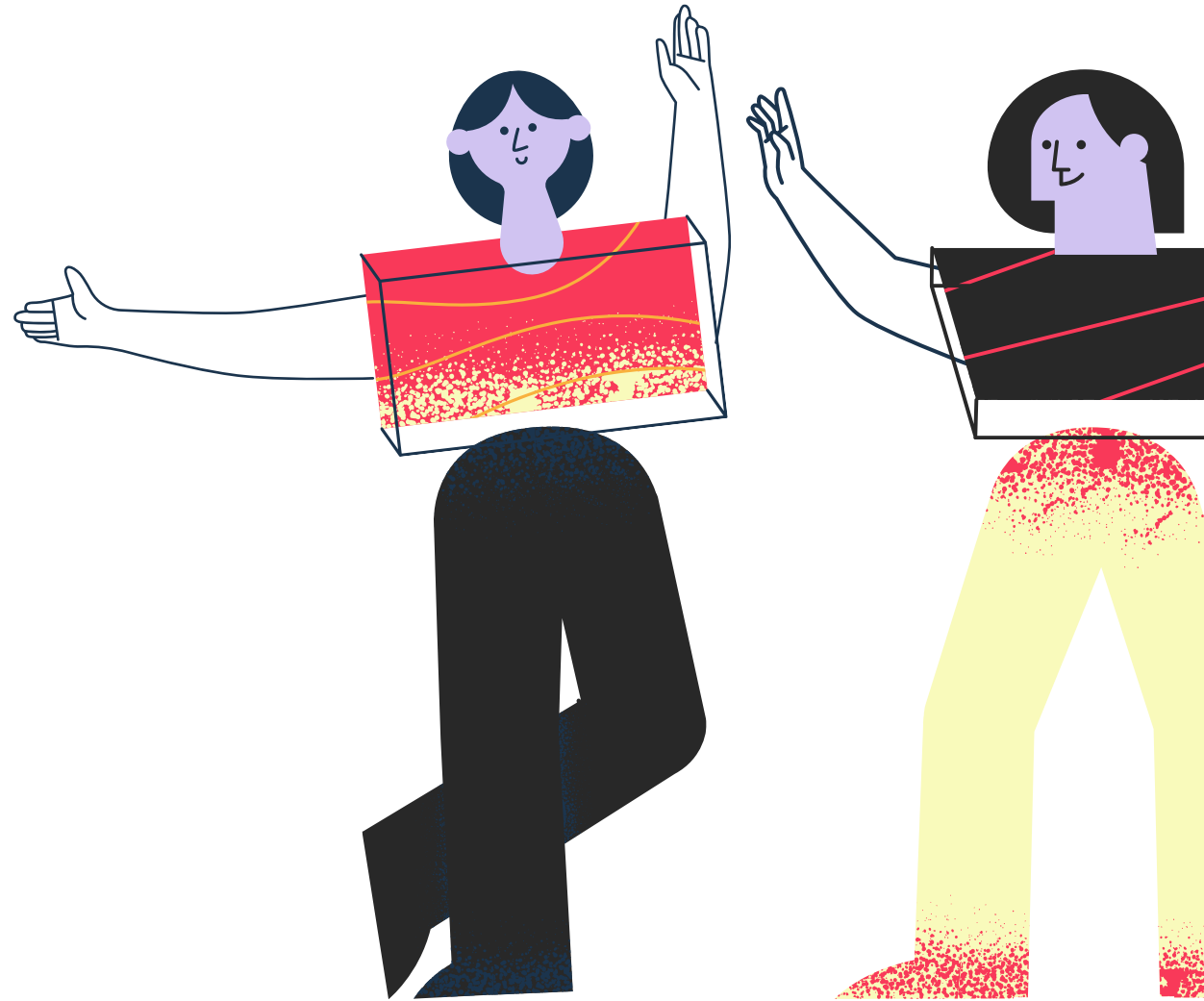




# Is Tuition **Really** a Huge Factor for Students?

Pricing for Higher Education





# Is Tuition Really a Huge Factor for Students?

## Background

Our client, a prestigious university in the **United Kingdom**, was re-examining the pricing of their graduate tuition programs. Over the past two decades, the U.K. post-secondary system has undergone a series of drastic changes, including the 1992 Further and Higher Education Act, which changed funding and administration regulations. In addition to expanding the types of institutions that could grant degrees, tuition limits were also changed. These changes made it difficult to determine how to best establish a pricing system that would produce maximum benefit, leading to the **key question**: How can universities harness the power of pricing to attract prospective students and satisfy those already enrolled?

The Further and Higher Education Act caused rapid growth to the market, as the number of educational institutions more than doubled, bringing about additional challenges and higher competition; amplifying the importance of developing strategic pricing that is well-researched and effective.

When legislation allowed an increase in tuition, **prices tripled**. Although legislators had assumed that universities would vary

their pricing based on prestige and perceived quality of education, in reality all institutions opted to charge the maximum tuition allowable for bachelor's degrees. Master's degrees, however, are not subject to a government price cap. This means that institutions have more flexibility in their pricing strategies for graduate degrees, allowing them the freedom to better compete within their market.

When this particular institution realized it was time to upgrade their pricing system and adopt a more **strategic approach to post-graduate pricing**, they called upon Pricing Solutions as an expert resource. Our team helped them to understand the factors considered by prospective students and based on that knowledge, how to price their offerings accordingly. Tuition fees certainly do play a role in many students' decision-making processes and understanding how best to price tuition and position it amongst other offerings is crucial to an educational institution's growth and success.

As pricing specialists, we began by determining the motivations of potential post-graduate students and produced solid pricing recommendations that could be applied to future decisions on fees and other key aspects of pricing.



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## Challenge

The institution we worked with had minimal methodology surrounding their pricing strategy, requiring us to essentially build a custom strategy from scratch. Pricing was traditionally done on an ad hoc basis. A committee would review and approve any fee change requests, though there was little science behind the decisions.

The school's existing pricing practice was to use a small number of price points at relatively large increments (of £1000), which sometimes prompted nervousness to implement pricing changes. The institution also assumed that because they had a strong reputation they could charge more for their programs.

As an educational institution in a competitive market, our client's target audience is composed of students whose academic qualifications give them plenty of options. In reality, the school was vying with many other institutions, but wasn't quite clear on the role that tuition fees played in a prospective graduate student's decision. As a result, in the hope of attracting new students, the university showcased various benefits with little thought as to the perceived value of each.

In addition to relying on their reputation to justify pricing, the institution also employed a discount technique to encourage registration – alumni who had completed their bachelor's degree benefitted from a **20% decrease** in post-grad tuition fees (although this policy excluded part-time students). Offering scholarships was another discounting technique employed to encourage registration.







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## Building a Data-Driven Solution

To begin, the Pricing Solutions team focused on developing a thorough understanding of what the university offered and how those offerings were perceived by prospective students. Our **goals** were to determine:

- If some courses are more **price sensitive** than others
- If a course's **perceived value** to a student's career impacts their willingness to pay more
- The role **competition** plays in developing a pricing strategy
- The role that **location** and other factors play in students' choices.

Since we were developing an entirely new pricing strategy for this client, our approach began with data collection. Our goal was to identify areas of true value to prospective students, and to do so we proposed a multi-modal approach involving an internal review of any already-available research and reports, combined with our own research designed to fill any knowledge gaps.

We acquired data through a mix of **qualitative** and **quantitative research**, including:

1. Face to face interviews with internal stakeholders to understand context and current pricing strategies.
2. Research, including reviewing national post-graduate research, produced annually by **YouthSight**.
3. Face to face interviews with students to determine their decision-making criteria.
4. Quantitative online surveying among potential students who made enquiries or attended an open house day.
5. Quantitative online surveying among current students at the institution.

Our team consulted with marketing, research, recruitment, finance, and operations professionals within the institution to gain insight into the university's established practices. Those findings were then combined with as much existing research and data as possible and leveraged with new insights and information.

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## Building a Data-Driven Solution

Each year, YouthSight - experts in student research – undertake a syndicated survey which explores the decision-making process for those considering post-graduate studies. Based on approximately **2000 interviews** per annum, the survey yields information regarding:

- Motivations and obstacles when undertaking a post-grad course
- The most important aspects when choosing an institution
- Changing trends
- A number of other insightful topics.

In addition to examining this syndicated survey, we employed qualitative research to gather information on interest into topics like reputation, type of course, and part-time availability. This research set a foundation to ensure we were focused on the right pricing areas in our quantitative research.

Then, based on our findings, we designed our own survey to fill in any gaps in information. We surveyed the client's own student base rather than U.K. students as a whole, homing in on students who had already made their decision and enrolled. Additionally, we carried out surveys targeted at prospective students who had expressed interest in the institution, but who had not yet made their final decision.

In order to limit our research to a manageable quantity, we focused on **U.K. post-graduates only**, not including international students. We examined **two key faculties**, including a mix of part-time and full-time students in various stages of life, and we limited our research to MA/MSc degrees. Doing so allowed us to develop a thorough and effective pricing strategy that could then be expanded to other disciplines and demographics as needed.



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## Analyzing the Data

We used the **Van Westendorp method** for measuring price sensitivity, which asks students at which price a course becomes so affordable that they begin to question its quality, as well as the point at which a course becomes so expensive that the student rules it out.

We utilized the same approach in our internal surveys, allowing us to accurately compare our client's position in relation to the national average, facilitating benchmarking against national data to guide our pricing recommendations.

As a second price testing method we applied discrete **choice conjoint modelling** of various scenarios, which involved having participants decide between three different unnamed universities with slightly different offerings, as a repeated exercise . This method allowed us to:

- Establish the impact of tuition fees on demand and revenue
- Test different payment structures and how they impacted a prospective student's choice
- Understand the impact of other factors (location, national rankings, etc.) compared to that of tuition fees.

We sorted our survey participants into various segments in order to filter results by demographic and determine which factors were most important to which potential students. This yielded important insights into an effective pricing strategy, as different prospective students valued different elements of an institution. For example, **respondents who graduated over five years prior were the most price sensitive**, whereas the option for a work placement was valued the highest by applicants based in certain geographic locations (London, for example).





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### Results

When recommending overall fee levels, our priority was to consider the most typical student as defined by our research. **This typical student** lived within an hour of the university, had graduated within the last five years, and was only considering one or two institutions. As such, the pricing decision process factored in aspects deemed to be of major importance to this group:

- Distance
- Quality of resources
- Study support
- Reputation
- Employment prospects.

Adopting this approach allowed us to direct any discounts or incentives toward the most price sensitive segments, where they're most needed. For instance, **our research revealed** that the client's original discount offering for returning students did not yield positive results, since that demographic did not consider tuition fees to be of high importance when considering a post-graduate institution and instead valued the school's location and familiarity.



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## Results

Location was determined to be the largest advantage for local students, and the largest disadvantage for those living at a distance. Offering a bursary to offset parking and travel costs proved to be beneficial to the institution, helping to bridge the gap and differentiate the university from its competitors. Offering discounts as vouchers to be used on campus offered the school a simple and cost-effective way to tangibly aid students with daily costs, therefore incentivizing prospective students to choose their courses while successfully funneling funds back into the university.

Ultimately, our results showed that most students valued other factors to be more important than tuition fees alone, leading us to advise the school against lowering their fees to align with their closest competitor. We recommended employing more price points at smaller increments to bypass any internal anxiety that hindered positive pricing changes.

Recognizing the elements that are deemed most important to prospective students is imperative to developing effective marketing strategies and appropriate prices. Tight alignment of fees to competing universities is not the most effective strategy. Our research showed that students weigh other costs and benefits more heavily than tuition fees when making their decision.





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## Pricing Solutions Difference

Pricing Solutions has experience with a **diverse range of professional institutions** across a variety of industries, giving us the experience and breadth required to tackle unique pricing situations. Our team uses a focused and personalized approach to research, considering existing assumptions alongside gathered information to create a data-driven, custom pricing strategy that works. We help institutions realize their true value and potential within their respective markets, providing them with insider insights and informed guidance to optimize their pricing strategies.

### Contact Us

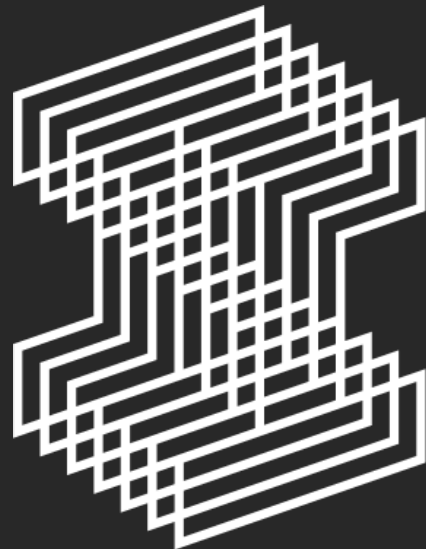
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