



TUITION

Strategically pricing your private school

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3 COMMON MISTAKE

3 ways people often (mistakenly) set tuition

Charge what your competitors charge

Charge as much as it costs you to run your school

Charge as much as you can



3 COMMON MISTAKE

Though not recommended, these can be important components of tuition strategy. Let's turn them into questions.

- 1) What are my competitors charging? (Do we really know who our competitors are?)
- 2) What are my costs? (Minimum we can charge)
- 3) What are my parents ability to pay? (Maximum we can charge)

We'll revisit these questions



THINKING ABOUT TUITION

What is tuition supposed to do?

Obviously, it pays bills, but non-profits with strong annual campaigns may look at tuition differently than for-profits.

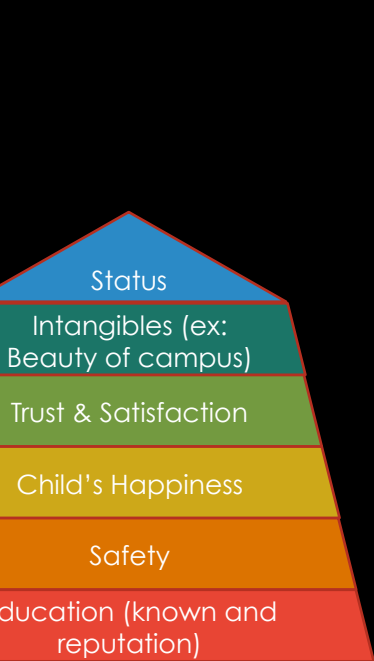
Think about this: Harvard's endowment is in the billions. Yet they charge tuition. Why?

Are you worth the price you are charging? Are you worth more? What is worth?

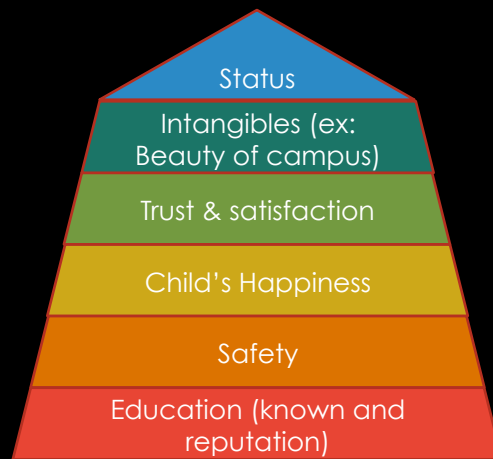
What does your tuition communicate to the marketplace, both to your customers and to those who do not enroll their children?

WHAT ARE YOU WORTH

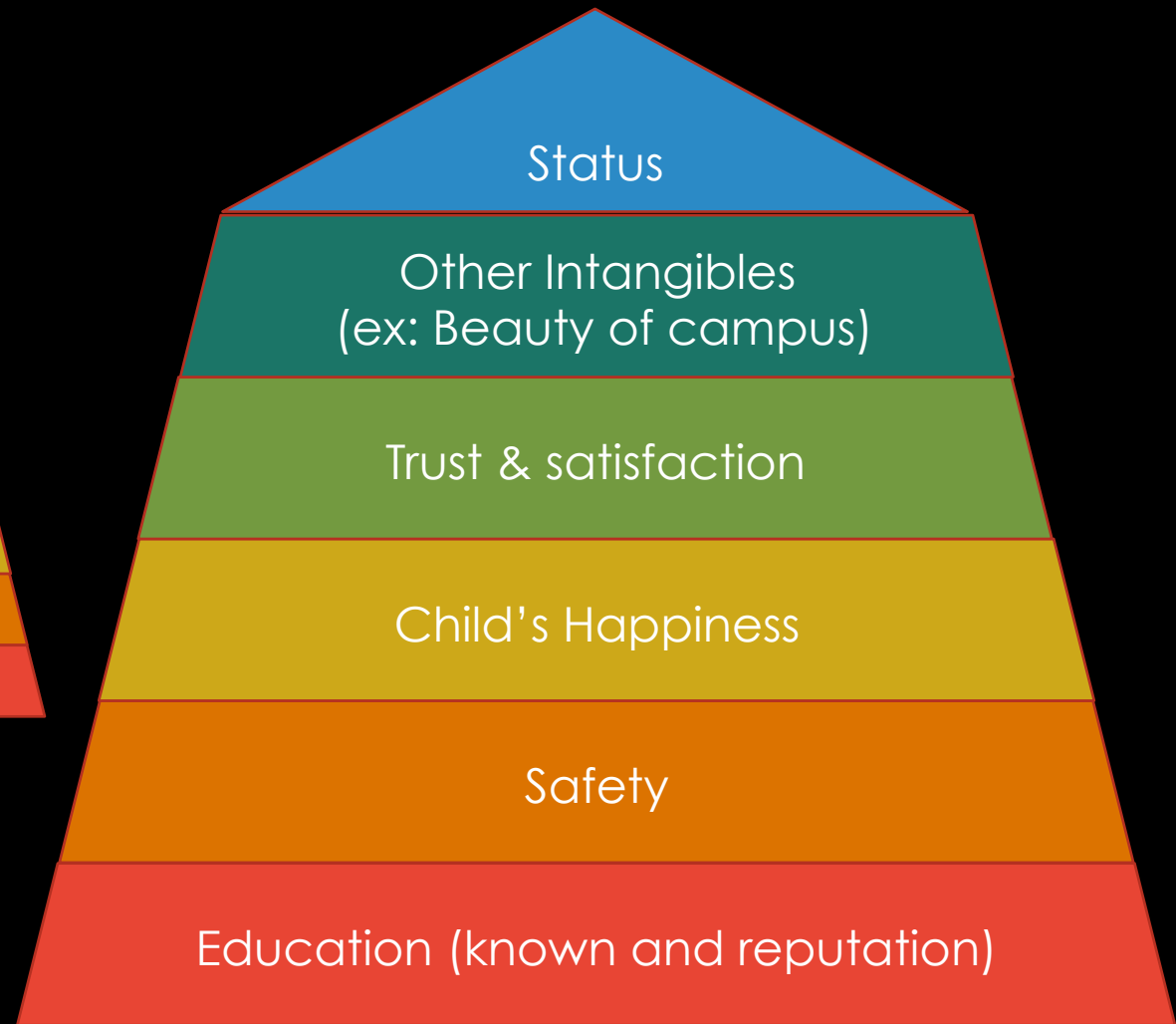
Your school's pyramid will be compared to competitors'



Competitor 1



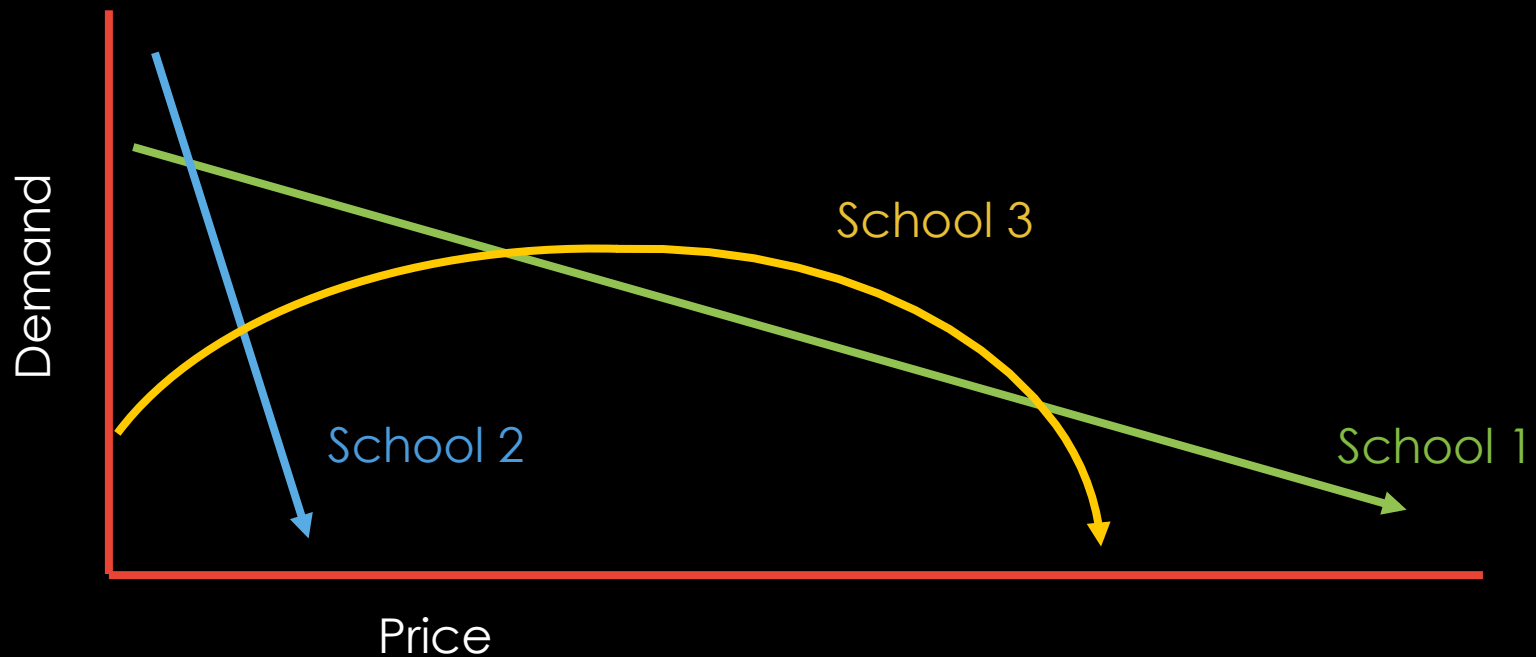
Competitor 2



WHAT WILL PEOPLE PAY

Elasticity of Demand

What's your demand curve?





BEGIN YOUR PROCESS WITH QUESTION

Who are your competitors. Not just what they are charging, but who are they vs. you in the market place. Are they Montessori schools?

Who are your customers? Who do you want them to be? Are they looking for value or do they prioritize quality? If you don't know, find out!

In the likelihood that you don't go through high school, where do your students go next? Can you see why this is an important question?



UNDERSTANDING SMART TUITION

Tuition should reflect both where your school is and where it is going.

A new school may need to price to penetrate the market, but shouldn't be so cheap that you accidentally signal the wrong message about what kind of school you are.

An Established school may need to adjust its tuition to address market realities – or market changes such as new entrants



SMART TUITION SETTING

A school can indicate quality simply with price signalling

- Signalling depends on your competition
- Remember the pyramids

Do you want elite parents (Doctors and Lawyers), and does the rest of your school support your tuition signal?



MAXIMIZING PROFIT

What is your enrollment like? Keep in mind that full enrollment is not necessarily the same as maximum profit.

- If you can enroll 90 students at \$8000 a year (\$720,000) vs. 100 student at \$7000 year (\$700,000) then sometimes lower enrollment might mean more revenue

How much of your budget comes from tuition? If tuition is high enough it will discourage middle class families from donating to campaigns. High rollers will probably donate regardless of your tuition. You may end up with more revenue with a **lower** tuition and more donations.

KEY: knowing your market and parent body is essential



PRICE DISCRIMINATION

Typically refers to coupons, but there are lots of ways to do this in schools

Different amounts for different commitment levels

Prices at different ages (not just I/T vs casa, also kindergartner vs 4 year old)

Summer program tuition?

Charge an amount to be excused from monthly volunteer requirement

Public Vouchers



DRIVING ENROLLMENT

Bundling – Ex: discounts for siblings

Referral discounts

Side note - what about tuition for teachers?



CLOSING STRATEGIE

Penetrating - try to get into a market

Predatory - try to drive out competition

Psychological - how do we arrive at the exact numbers? Is it better to charge 11,999 or 12,000?

Switching costs? Ex: rebates for graduating kindergartners



CHANGING TUITION

Much easier to reduce tuition than to raise it

Telegraphing

Make sure if you raise tuition that there's lots of warning

Amount to raise tuition...? *May be multiyear strategy*



IN CONCLUSION

No one-size-fits-all strategy for tuition

Your own approach must begin by asking yourself the following questions:

- 1) What are my competitors charging? (Do we really know who our competitors are?)
- 2) What are my costs? (Minimum we can charge)
- 3) What are my parents ability to pay? (Maximum we can charge)
- 4) Where is my school now, and what is my goal?
 - Increase enrollment
 - Establish a brand
 - Attract certain families
 - Etc.