

The impact of tuition fees on student recruitment

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The changing face of European Higher Education

- We have never seen a greater period of change in the European market
- Bologna, Lisbon...
- But more...
 - *the impact of the dynamics of the market for international education*
 - *changing roles of universities in national and international contexts*
 - *Reducing state funding in the face of increasing student numbers*

Economic realities

- The status of universities has altered over the last ten years so that even state funded institutions are short of resources
- Public funding of European HE represents approximately 1% of GDP
- Private funding of European HE represents only 0.1% of GDP (OECD average = 0.8% & USA = 1.4%)
- In real terms, key countries public support for their HE sector is declining in real terms, year-on-year
- UK, French, Italian and German governments have all reduced funding of HE
- Are existing taxation regimes sufficient to support universities in the 21st century?

Tuition fees for all?

- Increasing pressure on systems of higher education where the State funds the majority of the budget
- Anglo-American model vs. Scandinavian model = role/right of higher education in society
- Increasing interest in recruiting international students raises the question, who pays for their education?
- Direct subsidy through taxation; graduate tax; loan schemes – what are the effects?
- A balance between encouraging access for all (“massification”) & maintaining an appropriately funded higher education system
- Period of transition for many – but delay in decisions result in a worsening market position

Tuition fees & quality

- Studies by IDP & BC indicate that if fees rise the demand rises: quality perception common across many sectors
- But fees - whether in state or private sector – only provide funding in raw terms and still need to be utilised effectively
- Fees may allow greater investment to support the mechanics of quality improvement
- And allow institutions the freedom to invest in and achieve their strategic objectives

Tuition fees: seeing the student as a customer

- Charging any level of fees immediately raises service level expectations
- All university services have to have a related-level of improvement
- Service quality is determined by:
 - Quality of producer and consumer
 - Expectations vs. perceptions
 - Customer satisfaction: importance of student surveys
- Renewed awareness in a student's legal rights

Tuition fees and student recruitment

- Pricing allows for differentiation between brands and offerings, allows institution to set income levels, price as a value = competitive advantage
- Pricing messages in the marketplace: purchasers rely on price where short of confidence in purchase decision
- Setting price dependent on market factors and willingness of the market to pay fees
- Implementing tuition fees in established markets dependent on quality – real or perceived

Measuring the impact of fees: the UK

- The UK has implemented tuition fees twice – once in 1979 for international students and now in 2006 for UK/EU students
- Initially decimated overseas enrolments to 46,000 in 1983, but rose by 325% within 13 years to today, where close to 300,000 enrolled
- Most recently, in 2006, full-cost fees have impacted on reduced UK applications to undergraduate programmes by 4%
- In both cases, impact has been sudden and devastating but mitigated through active marketing campaigns – though remains to be seen with new fees

How to price programmes?

- As the state deregulates and steps away, the opportunity to price becomes far more important
- Is pricing based on the cost of delivery? Or the cost of recovery?
- Recognise price as an attribute: differentiation between brands & offer = a value
- Within the marketing audit, review competitor pricing
- Examine the relationship between price and institutional mission

Setting prices accurately

- *Accurate price setting requires an understanding of:*
 - How the market/learner/sponsor/purchaser view the price: the “perception of price”
 - Customer judgements on value conveyed by price
 - Maximisation of income levels whilst retaining “inclusiveness”
 - Understanding that prices can fluctuate
 - What the income from fees is used for! Plugging gaps, milk cows or reinvestment to improve academic provision and services

Pricing tactics

- Two–part pricing
Fee for enrolment and fees for each programmes selected
- Unit pricing
Fee per module class selected
- Term or semester pricing
Fee per time period of attendance
- Differential pricing
Based on intensities of demand - FT/PT day or evenings
- Negotiated fees
Fees agreed with partner organisation - twinning partner/overseas funding agency
- Time discounts
Pay early get discount, instalments
- Bursaries/Scholarships
Discounts scheme based on ability to pay or excellence. Also useful for marketing/PR

Concluding comments

- A period of transition, but the writing is on the wall – tuition fees will be central to modern HE, irrespective of local sensibilities
- Sensible pricing and increased awareness and use of scholarships/bursaries help to offset immediate negative impact of fees
- Continued market awareness essential in operating a tuition fee regime

Thank you