

Tackling the pricing strategy: a toolkit for universities and colleges

The HE sector is often portrayed as having a low price culture. To explore pricing and related issues the JCPSG has published a pricing toolkit designed to help universities and colleges develop pricing strategies.

The market, product and cost variables that are considered, evaluated and prioritised in determining the price of a product or service need to be set within the context of an institution's pricing strategy. While an institution's pricing strategy will be integrated with and be part of its corporate strategy, it will inevitably be over-arching in nature. Yet HEIs sell their products and expertise within a variety of different markets, all with their own characteristics, traditions, competitors and boundaries. Pricing strategies for individual markets will depend on the perceived and actual strengths and weaknesses of the institution's brand, product and/or service. Strategies will also depend on the institution's analysis of the market's characteristics and competitors, and its place within it.

Some markets allow for little flexibility in institutional product or service pricing; others offer the opportunity for wider choices in pricing tactics.

The HE sector has often been accused of developing and maintaining a low price culture. However, it is unlikely that a low price culture exists across all the markets

HEIs trade within. In some markets, price is controlled; in others, price strategies and tactics are developed against a background of intense competition. In certain research markets, an expectation of a break-even or subsidised price has developed over time.

The JCPSG commissioned KPMG to produce a toolkit that would support managers, administrators and academics in universities and colleges in developing pricing strategies and employing pricing tactics. The toolkit includes case studies drawn from the sector which may help stimulate debate and discussion in HEI user groups.

The toolkit does not attempt to replicate textbooks in marketing, nor does it focus on techniques employed in selling and negotiating. Rather, it provides simple theoretical and descriptive models of pricing strategies and their relationship to practical pricing activities in HEIs.

It is hoped that the pricing toolkit will provide a stimulus for the development of institutional pricing strategies as well as prompting managers to consider training activities in their own university or college, based on the toolkit.

The toolkit was published in October and is being launched through a series of seminars. It will also be accessible through the JCPSG web-site (<http://www.bris.ac.uk/JCPSG/>). More details can be found on page 2 and in the insert to this newsletter.

NEWSLETTER

ISSUE 6 OCTOBER 2000

Suggested Distribution:

Vice-Chancellors and Principals, Directors, Pro Vice-Chancellors (Resources and Research), Deans, Heads of Research, Finance Directors and Costing and Pricing Accountants.

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The pricing toolkit answers your questions...

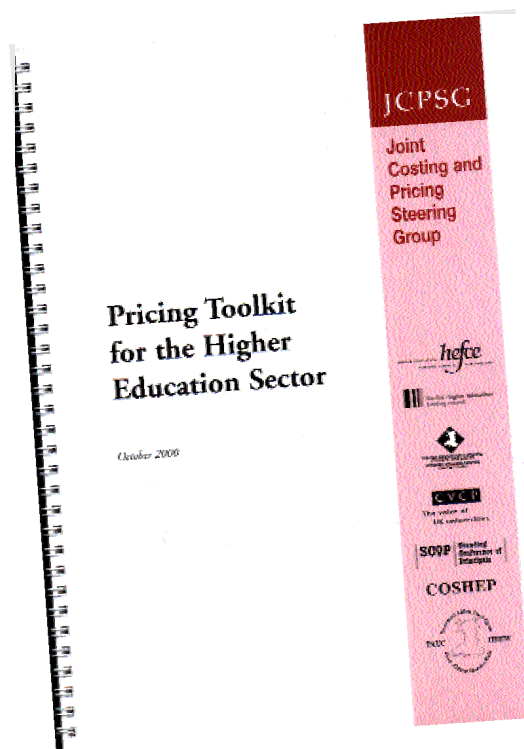
Pricing decisions can have a major impact on the achievement of the strategic objectives and on the financial performance of higher education institutions (HEIs). Pricing decisions are often complex, and a range of factors - not just costs - need to be taken into account. For these reasons, an institution may have to obtain additional information about markets, customers and competitors and thoroughly analyse that data, in order to make effective pricing decisions.

The JCPSG's 'Pricing toolkit for the higher education sector' can help answer some of the following questions.

What are the external and internal factors that might have an impact on your pricing?

Clearly costs and competitors influence pricing decisions, but corporate strategy, customers and political issues also have an impact. The toolkit looks at these factors in Module 1, which introduces pricing and its relevance to HEIs and their markets.

**Have you read the marketing strategy or the corporate strategy/ business plans relevant to your pricing decision?
Have you spoken with your**



marketing staff to see what further assistance/ information they can provide?

HEIs need to prepare a marketing strategy which will both complement and supplement the other aspects of their pricing policies. A strategic view of pricing policy is a key component of such a marketing strategy, and is addressed in Module 2.

**Have you segmented your customers to consider if different pricing strategies are relevant for different customer groups?
Have you analysed your**

market position through collection and analysis of data and information?

The key factors that should be addressed in developing pricing strategies and decisions include: an HEI's corporate strategy, customers, costs and competition. Module 3 takes each of these factors and gives practical advice about what information and analyses HEIs ideally should have to hand during pricing discussions, and (in the real world) how HEIs can make best use of the limited information they may actually possess.

Are you clear about which pricing strategy you should adopt? Have you identified your pricing tactics?

Module 4 looks at the pricing strategies HEIs can employ in the market, based on the relationship between price and value to the customer, and considers the range of common pricing tactics used to target particular customers.

If you are setting a price for a tender proposal, are you familiar with the tendering process? Have you considered the ownership of any resulting intellectual property rights?

Joint Costing and Pricing Steering Group

For research contracts, are you familiar with any relevant prescriptive conditions or explicit terms?

Have you set out terms for payment?

Module 5 considers operational pricing considerations, including the practical aspects of tendering and contracting and the main principles of negotiation. It also looks at the content of tenders, the terms and conditions of contract, and payment terms.

Are the staff in your institution familiar with your pricing controls and procedures? Do they follow these costing and pricing guidelines in setting a price? What are the key activities which should underpin any pricing decision?

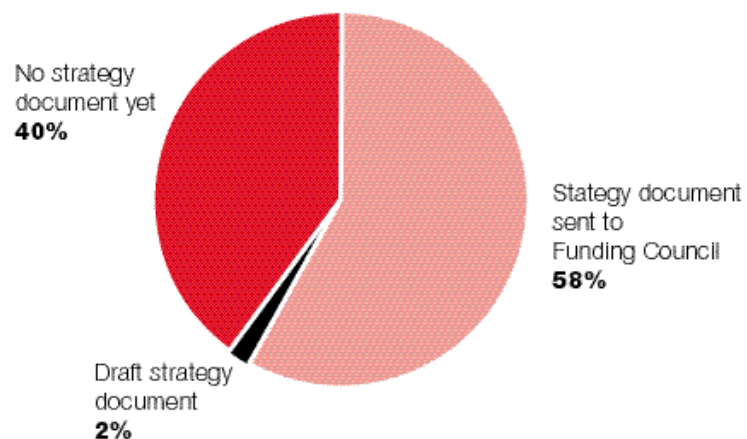
The final module in the toolkit is concerned with the identification of key controls and procedures which should be put in place in all HEIs in relation to pricing decisions. It also considers activities such as market research, financial analysis, risk analysis and legal advice.

The toolkit will be launched at a series of seminars aimed to disseminate and promote the use of the material. The dates and venues, and details of how to book a place, are included in the insert to this newsletter.

Update on applications for funds

Almost 60 per cent of institutions have now applied to the funding councils for funds to support the development and implementation of their strategies for costing and pricing. The National Co-ordinators are working with many other institutions to help them submit their application in the next few weeks. If you would like some help and advice please contact them.

Costing and pricing strategy documents



What's new on the JCPSG web-site

The JCPSG web-site is at www.bris.ac.uk/JCPSG. Latest additions include:

- **JCPSG Second annual report** - a formal report of the progress made, by both the Joint Costing and Pricing Steering Group and HEIs, in implementing the strategy for costing and pricing over the period July 1999 to June 2000.
- **Transparent approach to costing (TRAC); Manual of Guidance & Implementation** - letter from the JCPSG Chairman, Professor David Westbury, to heads of HEIs in England, Scotland, Wales and Northern Ireland.
- **Seminars: pricing products and services in HEIs** - letter from the JCPSG Chairman, Professor David Westbury, to heads of HEIs detailing the forthcoming seminars on pricing (see insert). The booking form can also be printed from the web-site.
- **Contact details for JM Consulting** - new contact details for JM Consulting Limited, given overleaf, can also be accessed from the JCPSG welcome page.

Transparency Review - dates for your diary

Over the next 12 months the following initiatives are planned to provide further support to the higher education sector on the transparency process.

A workshop for new project managers

6 November 2000 London

This is the last in a series of workshops providing an introduction to the Transparency Review, including the background, the requirements and practical advice. Due to over-subscription at previous events we are running this fourth workshop; space is limited and will be allocated on a first-come first-served basis. If you are a new project manager and have not attended a previous workshop, please send either a fax or e-mail to Sue Pullen at JM Consulting - contact details below.

A national conference for academic champions

23 February 2001 London

This conference is aimed primarily at the academic champions in all institutions, although project managers can attend if the institution wishes. A high-profile speaker will deliver the keynote address. The objective will be to provide a policy forum for assessing progress and for discussing the potential implications of providing Transparency Review information both within the institution and externally.

Benchmarking

March and May 2001 London

Benchmarking has already proved to be effective in helping pilot institutions to understand their data, and to assess how 'fair and reasonable' they are, thereby adding to their rigour. The JCPSG is therefore offering the whole HE sector the opportunity to compare their initial (and developing) results on an informal and confidential basis. The implementation team is currently developing robust safeguards to ensure anonymity of institutional data.

The JCPSG Chairman will shortly be inviting heads of institutions to participate in the benchmarking activities. At that time we will confirm the arrangements we will make to ensure confidentiality of the data provided.

Key dates to be aware of:

	1st round	2nd round
Submission of data - including the allocation of income	mid March 2001	mid May 2001
Meetings to review data (in groups of 10-20 peer institutions)	end March 2001	end May 2001

This allows time to develop the robustness of the data in the months before they need to be reported to the funding councils.

Medical and dental schools

The JCPSG is organising meetings to explore implementation aspects with representatives from medical and dental schools who have 'knock for knock' arrangements. There will also be a specific benchmarking process offered during April. It is anticipated that good practice will be disseminated over the next few months on the allocation of time, and on understanding knock for knock.

Other initiatives

Over the next 12 months the implementation team will be developing papers to help institutions think through options and issues on:

- improving cost drivers - the allocation of costs to estates and libraries/learning resources
- statistical sampling techniques
- allocation of costs to research sponsor type (including postgraduate research student supervision costs)
- use of Transparency Review methods to satisfy other institutional costing objectives (such as module costing, workload planning links, central service reviews, strategic planning and resource allocation).

New contact details for JM Consulting Limited

Jim Port and Melanie Burdett can be contacted at their new address:

Glenthorne House, 20 Henbury Road, Westbury-on-Trym, Bristol BS9 3HJ
Tel 0117 959 3687, Fax 0117 959 3686, e-mail remains at JMConsulting@dial.pipex.com

Seminars: Pricing products and services in higher education institutions

JCP
SG

Introduction

HEIs are complex organisations which carry out a diversity of operations, both in the UK and overseas. In many cases HEIs themselves have discretion over the prices they can charge for these activities. The freedom to set prices depends heavily on the activity in question. To operate effectively and maintain financial viability, HEIs need accurate and reliable financial information to inform their decision-making processes. The JCP
SG has already produced materials dealing with the costing of activities, and consultation with the sector has shown a need for materials that deal with pricing issues.

Overview

The seminar will introduce a toolkit of training modules on pricing that have been written specifically for the higher education sector. The purpose of the toolkit is to help managers assess the viability of proposals for new developments or the continuation of existing projects. It also provides a training framework to deliver pricing knowledge and techniques to other members of staff. The toolkit is designed to improve knowledge and understanding of pricing and price strategies in the higher education sector, and it contains many practical examples to illustrate the principles. The seminar will inform delegates on the purpose and overall content of the toolkit, as well as

bringing people together who are responsible for pricing to work through case studies and share experiences.

The numbers of attendees for each seminar is limited to 35 to ensure individual participation and guidance. Each delegate will be sent the toolkit prior to the seminar.

Who will benefit?

The seminars will be of benefit to both academic and non-academic members of staff who are involved in the pricing process and who need to understand the strategic and institutional implications of setting the price of any activity. Individuals responsible for training others in making pricing decisions would also benefit from attending.

Seminar dates in 2000

25 October	Committee of Vice-Chancellors and Principals, London
27 October	Leeds Metropolitan University
15 November	Edinburgh University
21 November	Committee of Vice-Chancellors and Principals, London

FULLY BOOKED

The seminar will begin with registration at 10.00 and close at 16.00

Booking procedures

A provisional booking can be made by contacting Debra Jo Parkinson either by phone on 0161 247 1318 or e-mail

D.J.Parkinson@mmu.ac.uk Please provide the event date, the delegate's name and telephone number, the name of the institution, and the address to which the toolkit and further details should be sent. Such provisional bookings should be confirmed in writing within seven days, together with payment.

To confirm the booking please return the application form overleaf with a cheque for £50 to:

Debra Jo Parkinson
Finance Division
Manchester Metropolitan
University
3rd Floor, All Saints Building
Manchester M15 6BH

Cheques should be made payable to 'HEFCE' and must be sent at least two weeks before the event to guarantee a place. We regret no invoices will be supplied.

Delegate cancellation or transfer

No refunds can be given if delegates cancel their booking; however, a substitute delegate is welcome at no extra charge.

Fees

The fee of £50 includes morning coffee, buffet lunch, afternoon tea and a complete set of training modules.

Seminars: Pricing products and services in higher education institutions

JCPSSG

Seminars will be held on the following dates in 2000

25 October	Committee of Vice-Chancellors and Principals (CVCP), London
27 October	Leeds Metropolitan University
15 November	Edinburgh University
21 November	CVCP, London - FULLY BOOKED

Time: 10:00 for 10:15, concluding at 16.00

If you wish to attend a seminar, please return this page as soon as possible to:

Debra Jo Parkinson
Finance Division
Manchester Metropolitan University
3rd Floor, All Saints Building
All Saints
Manchester M15 6BH
Tel: 0161 247 1318
Fax: 0161 247 6894

Please indicate choice of venue and date:

First choice

Second choice

Please give details of up to two delegates wishing to attend the seminar: *

Name Title

Name Title

*Places are restricted to two per institution in the first instance. Would you like us to contact you if there are further places available? Yes No

Institution

Contact: tel/e-mail

Address (for receipt of toolkit)

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The fee is £50 per person and includes a set of the training modules, lunch and refreshments. Payment should accompany this booking form and will only be accepted by cheque payable to 'HEFCE'.

We regret that no refunds can be given if delegates cancel their booking; however, a substitute delegate is welcome at no extra charge.

If you require any further information, please contact Debra Jo Parkinson.