

June 2014

Deregulation of fees

Pricing our higher education



The proposed changes included in the recent Commonwealth budget are likely to have significant impacts on the post-secondary education sector in Australia. Even if only partially adopted, they will result in greater competition across the whole sector and, in particular, an increased focus on the 'price' and 'value' of a University qualification to both current and prospective students.

Many universities have commenced thinking about how they might respond to an increase in the student contribution to the cost of university study. Institutions (both public and private) are now rapidly and urgently turning attention to how these reforms might evolve the market, the opportunities they will create, and individually how they might respond strategically (longer term) and tactically (shorter term).

PwC's contribution and motivation

- Provides a range of services to the sector and believe that the reform agenda provides significant opportunity for higher education institutions.
- We have the knowledge and expertise to assist institutions with the challenges they face and are actively contributing to the debate on reform.
- We have a strong interest in the quality of the education system in Australia:
 - we employ the product of the system
 - we recognise the value the education system generates to society and ourselves
 - education is a key pillar to our social responsibility platform.

PwC's point of view

- The reforms are fundamental and will:
 - challenge the role of the traditional University (and the outcomes, measurement and KPIs used to assess success)
 - see the entrance of new players in the market
 - see consolidation of the courses/services that existing institutions provide and potentially consolidation of institutions themselves.
- This is not the end of reform in the sector. This and subsequent Governments will be watching how the sector evolves and will phase additional reforms around how the market responds.
- The readiness of players across the sector for pricing 2016 courses varies and may create short term challenges.
- In the longer term success will flow to the organisations that are able to:
 - develop a clear market strategy leveraging honest assessments of themselves, other institutions and the market terrain
 - reinvest in an enhanced differentiated student experience that enhances the 'value' a student gains from their higher education
 - create partnerships around true win/win scenarios rather than competing on volume/price.
 - communicate the rationale for the price change with students and the community in a clear and effective way.

Key areas for Higher Education institutions to address now

- 1** *Alignment of price to strategy and desired strategic position in the market – The market is undergoing change*

Pricing is often an outcome of market conditions and competitive position and therefore the sooner institutions can redefine their competitive strategies the better they will be able to price in the market.
- 2** *Tactical pricing opportunities and the process of realising them*

Institutions need to determine their appetite for new pricing models and different approaches to achieve strategic outcomes including bundling, models for incentivising and sharing of costs incurred. It is essential they understand the value and cost drivers to help inform good price setting/trade-off decisions.
- 3** *Setting 'the price'*

Significant challenges exist in pricing courses in a market with no precedent. Factors include, but are not limited to mode of delivery, price bundling, recruitment pathway, competitor positioning, student value, understanding the cost base and realistic scenarios.
- 4** *Contributing to the reform discussion*

There are significant unknowns in the proposed reforms (eg deployment of scholarship funds) that will be addressed through cross sector consultation. Engaging in the debate with clear and honest articulation of the readiness of the sector for these reforms is essential.
- 5** *Developing the pricing capabilities and supporting structures to sustainably manage pricing in to the future*

The management of pricing will become more complex, requiring more focus on alternative pricing models, capability development and supporting structures to enable ongoing decisions.

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