

Pricing policy

Standard pricing in the industry, with the same fees charged by an agent or school, is the agency's safeguard in the distribution chain and most agencies try to work by this format. There are different approaches to pricing policy employed however. AMY BAKER investigates.

The advantages we [agents] have over the Internet are: the languages to communicate with both our clients and the schools; previous knowledge of the schools so that we can recommend them to clients; and experience of travelling abroad," says Liz Cajas of Intercambios agency in Guatemala, summarising the reasons students choose to book a language course through an agency rather than directly via a school's website.

These days, many language schools do offer a direct booking facility on their website, and as they are keen to point out, they are expected to do so by the minority (in most cases) of clients who visit the school's site expecting the facility to be available. But for the reasons stated above by Cajas, using an agent remains a popular choice among students booking a language course overseas.

There is, of course, another reason why agents have maintained their place in the distribution system: there is no financial impediment incurred by booking through an agent. *Language Travel Magazine* surveyed a number of agencies around the world to find out how they agreed a pricing policy with their partner schools, and it seems that transparent pricing, with an agreed commission taken from the school's gross price, is generally the standard in the industry.

As Karin Demuth from EuroStudy International in Denmark says, "With the

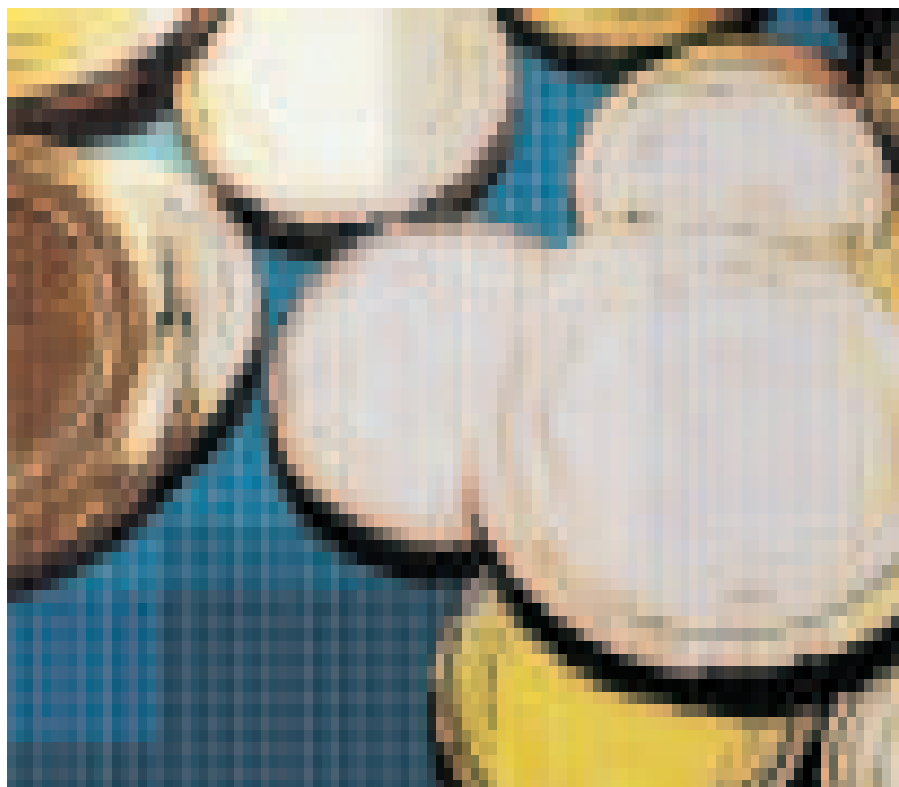
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competition from the Internet, I think that agents around the world need to charge exactly the same amount for the language courses as the schools do, or else they will lose their busi-

Topping up commission

The main obstacle to working with a transparent pricing policy seems to be if agents feel they can't earn enough from their agreed percentage of commission. Or, as Bachchu Khan of Student Travel Services in Bangladesh points out, if they don't have an agreement with a school, then an agency's only option to get payment from making a placement is by adding a handling fee or booking charge. Otherwise, he says, "We prefer to work with a standard price for our customers".

In Pakistan, Osamah Qureshi of SCS gives another reason for charging a handling fee.



ness in the long run." Moira Anne Bush of Moinhotur in Brazil adds, "Everybody visits the school's homepage, so the difference [offered by us] should be in service and attention to the client."

Some agencies, however, report that a one-price rule is not advocated by all their partners. Osamah Qureshi of Student Counseling Services (SCS) in Pakistan, says that this is the case with just 30 per cent of his school partners, although he adds, "Slowly, schools are switching [to one gross price with deductible commission], it is happening."

Without it, he explains, they found that 20 to 30 per cent of students would simply not follow up on the payment process, despite the agency having processed their booking for them. Qureshi refers to the charge of US\$150 as a "commitment fee".

Moira Anne Bush at Moinhotur in Brazil adds, "If it is the standard price [we are working with] and the school offers only 10 per cent [commission], we have to charge the agency administration fee." Karin Demuth at EuroStudy International in Denmark also acknowledges that commission payment only might not always be enough –

In Mexico, Oscar Cerón of Canada Connection says that schools will sometimes offer him other deals, as well as expecting him to sell at the same price and deduct his commission from that. "I always work with the same price published by schools on their websites and in their brochures," he relates, adding that sometimes, "when a school does not release any special price or promotion, such as a discount on the tuition price [for the agent], or six weeks for the price of five, then I offer a discount [on the] tuition price which I deduct from my commission."

Some agents acknowledge that schools offer them special prices if there is real financial

particularly with short-term bookings. "We are, of course, looking for as high a commission as possible to help cover all the expenses involved in this kind of business," she says. "But it is possible, when you have worked with a school for some years."

Liz Cajas at Intercambios agency in Guatemala says that her agency tries to add extra services to boost revenue. "Normally we do not add a booking fee," she says. "Rather we try to add services – cards, flights and insurance – which also mean a commission for us."

constraint in the market (see page 10) while agents offering discounts on the gross price have recently hit the headlines, with booking via an agency now seemingly a cheaper alternative for some students.

Many schools prefer all students in their classrooms to have paid the same gross price, but they agree that this is hard to control. Peter Chapple of Southern English Schools in Christchurch, New Zealand, says, "We would prefer it if our classrooms did not resemble airline cabins where everyone taking the same service has paid a different price. Rather than having high fees which are discounted in many different ways, we have modest fees and do not discount for private enrolments."

But there are clear examples when this ideal may not be the case. While some agen-

cies may offer a discount, others may of course mark up on the price. "I will mark up by about 15 per cent," says Ooi Kheng Chuan of Golden Trade in Malaysia. "This is the common practice in my region."

Graham White at Eastbourne School of English in the UK points out that he will use those agencies delivering the most students, regardless of the prices they sell at, suggesting that this is the market reality and that most schools can have little control over their agents' practices.

What students are prepared to pay, above or below the gross price, will depend on their situation and the industry standard in their country. Some students are willing, or expect, to pay extra for an agent who processes a booking for them in a foreign language and can safely recommend an institution.

In Korea, for example, where tactical discounting has hit the headlines (see LTM, April 2004, page 10), a trend could be set of paying less, but this direction – however contentious, will only stand up against the service that a student receives, as all agencies are ultimately judged on the quality of service they provide.

Most operators in the industry agree that a transparent pricing system is the best possible scenario. Cerón ventures, "Agents must be honest, reliable and offering good prices to students helps to build that perception. [Working from the same price] is the way it has to be. With this system, prices are standardised." □

Trends in handling fee

In some countries, a handling fee on top of the course fee is an expected part of booking through an agency and is seen as payment for an agency's counselling and expertise. In other countries, where the student might be easily tempted to book online if the facility is there, agents see a handling charge as an obstacle to their services and prefer not to charge it.

According to Agency Surveys conducted by *Language Travel Magazine*, there seems to be a national trend as to whether handling fees are commonplace or not. For example, in Taiwan, all agencies reported that they charged a fee on top of the course booked (see page 14). From other surveys conducted this year it appears that in Korea, 85 per cent of those surveyed charged their clients a handling fee. In Switzerland, five out of the nine agencies surveyed did so, while in Brazil, only 30 per cent did and in Germany, just one of nine agencies charged their clients a handling fee for their services.

Snapshot of handling fee trends

