Dear Vendors

Dear Vendors: Like most other higher education Chief Information Officers (CIOs), I spend a lot of time talking to and working with you. Sometimes I am determining if your product(s) meet our need(s), and sometimes I have a suggestion for, or a problem with, one of your products that we already own. But frequently I am talking to you about the price of your product. Whether I need to acquire one of your products for the first time or renegotiate a contract that is about to expire, we spend a good deal of our time on the phone and in emails discussing price. Yet here’s the odd thing: the pricing conversation hasn’t changed over the years, despite the fact that both the institutions where I have worked and the technology I am using have indeed changed.

I have been fortunate to have worked in higher education information technology for many years, and I have been privileged to work at a variety of types of educational institutions. Yet despite currently working for a community college, the pricing discussions with you are exactly the same as when I was working at a large private university or at national and regional liberal arts colleges. Some of you have a fixed price that you charge all institutions. More commonly, you have a single formula that will determine price based on a specific criterion, such as the number of students or employees at an institution. Sometimes you are willing to get into detailed negotiations leading to “special” or “one-time” fees. But in my experience, such pricing is typically less about the institution and more about the abilities and tenacity of the person negotiating on behalf of the institution.

Institutions differ. I believe the time has come for you to rethink your pricing model to reflect those differences. Perhaps you would consider a model that looks at clients in the same way that higher education looks at students: by using pricing as a means (1) to attract a diversity of institutions and/or (2) to help those institutions that might not have the financial means to take advantage of your solutions.

Higher education institutions use merit-based financial aid to defray some of the costs of an education in order to recruit students with specific skills or backgrounds that we believe will help enrich our educational environment. A college or university may be looking for students from a particular part of the country or from a particular background. That diversity strengthens our institutions—our students, faculty, and staff—in immeasurable ways. Yet while virtually no educational institution takes a one-size-fits-all approach to what it charges students for an education, the technology we procure often comes with a one-size-fits-all price.

The vast majority of higher education institutions are nonprofits. But even within that realm there are the have-thers, and the have-nots. Community colleges, for example, are frequently in the have-not or have-lesser categories. While private colleges and universities have the flexibility to increase their income by raising tuition, most community colleges have no such luxury. Instead, their tuition is often set by the state legislature. In addition, while private institutions and, often, large public institutions can enroll students from afar who are able to pay their tuition, community colleges exist to attract the students next door and must price themselves to be affordable to the local community.

Your companies may find value in having a community college as a client who wants to use your product in a unique way or apply it to meet a unique need. Community colleges serve particular demographics and meet particular demands and would undoubtedly enrich your client base and, thus, your product and your company. We serve a broad range of educational requirements that can make the use of technology at our institutions notable. We use your IT solutions not only for meeting the traditional educational needs common to all undergraduate institutions but also for meeting very distinct needs: adult learners coming back to school to learn new skills; corporate training for local employers; or programs specifically for local markets (e.g., first responders, aquaculture, nursing).

You could benefit from having the community college perspective to guide your roadmap and future development. Or maybe you know that your product could be useful to community colleges, and you want to help make a difference. Whatever the reason, perhaps you could price your products in a way that intentionally seeks to offer discounts to community colleges—and they, in turn, can assist in enhancing your product, your company, and your clients.

While virtually no educational institution takes a one-size-fits-all approach to what it charges students for an education, the technology we procure often comes with a one-size-fits-all price.
Secondly, need-based aid is often offered to potential students who do not have the financial means to afford the cost of higher education. In many ways, your customers are on a similar continuum of economic ability. There are institutions, such as community colleges, that have less means than do others to pay for your product. That doesn’t make us less needy for the solution that you can provide or less able to effectively use it; it simply makes us less able to buy that solution. Perhaps your companies can intentionally price your products in a way that reflects the economic disparity existing within your potential client base.

For example, many traditional pricing models penalize community colleges. I have had vendors tell me that they charge based on the total number of users. That presents a financial challenge to community colleges. Unlike other types of institutions, we serve a large number of part-time students, many who come to us to take a single class. Thus, whereas my college may have 9,000 full-time equivalents (FTE), that number may actually reflect a total of 13,000 different part- and full-time students taking credit-bearing courses. On top of that, we have an additional 8,000 students taking noncredit classes. This brings the total number of unique users to 21,000. So even though my institutional revenue comes from what amounts to 9,000–11,000 FTE, we would be charged as though we derived revenue from 21,000 potential users. Clearly, the total users model does not work for community colleges. Some form of financial discount would not only help us acquire your solution but also allow you to recognize our unique type of institution.

The ability to offer alternative pricing to community colleges should be even easier for those of you who offer software as a service (SaaS) and other cloud-based solutions. Your salespeople rightfully point out to us the tremendous value and economies of scale that exist in SaaS and cloud-based solutions. Yet your SaaS and cloud pricing models almost always mimic the pricing structure of your on-premises solutions. If SaaS and cloud-based solutions provide your company with the economies of scale touted by salespeople, you should have a much lower marginal cost to add and support a new client, such as a community college. You should then be in a better position to assist institutions with limited financial means in finding ways to take advantage of your solutions.

The purpose of this open letter is simply to ask you, the vendor community, to be more intentional in your pricing models so as to allow community college (and other) customers to use and gain from your products. Lowering fees can provide you with a broader and more diverse set of customers. And we, in turn, can help you offer even better products. I do not propose a particular rubric for pricing your products. Rather, I only ask that you consider whether your company can create such a rubric that will, in the end, benefit all.

Bret Ingerman (ingermab@tcc.fl.edu) is Vice President for Information Technology at Tallahassee Community College (TCC) in Tallahassee, Florida. He is the Editor of the Connections column for EDUCAUSE Review.

© 2018 Bret Ingerman. The text of this article is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License.