



SCHOOL OWNERS

+6

PRICE INCREASE SURVIVAL GUIDE

2



SECOND EDITION

INCLUDES **2** NEW INTERVIEWS
197 ADDITIONAL DATA POINTS

ACTIONABLE ADVICE TO

**PREPARE
PARENTS
&
NAVIGATE
PRICE HIKES**

*from independent
school owners in Japan*



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The **G**ood News _____

about Raising Prices

If you have considered raising prices before but felt guilty, worried about a drop in student numbers, or simply preferred to stay the course instead of dealing with upset customers, you are not alone. However, price increases are normal and expected, and can be well received if done correctly. This guide will help you understand the average pricing range and provide examples of schools that have successfully raised their prices.



Are **Y**our Prices _____ Optimized?

A good starting point is to determine whether your prices are optimized for both your profit margin and the market's willingness to pay. School owners with high overhead expenses, such as salaries and rent, may be acutely aware of these costs and recognize the industry's tendency towards slim margins if not managed well. Single proprietor operators should also make sure they do not undervalue their services. If you are the one teaching all students, communicating with parents, and managing the business, you are likely a highly committed and expert-level teacher providing top-level education and customer support. In this case, shouldn't you charge the same or more than larger schools?

Unfortunately, there is no way to find out whether your customers will accept your price increase or decide to leave. If you've considered surveying your students about pricing, I will save you some time.

Survey Results: 99% Don't raise prices

1% Actually a bit of a discount would be nice because swimming lessons just got more expensive...



How **M**uch Should We Increase Our Prices?

You will only truly know the response to your price increases after you have announced them or at the end of the school year when the students are weighing their options.

However, there are some important ways that you can gauge if your pricing is suboptimal.

1) How close to capacity are you?

If your school is packed to capacity or near capacity, this could be a sign that you are below your optimal price point. The logic applied here is the basic idea of supply and demand. Price and volume of business can have strong correlation but it is only part of the picture.

2) Where do you land relative to the pricing range in the market?

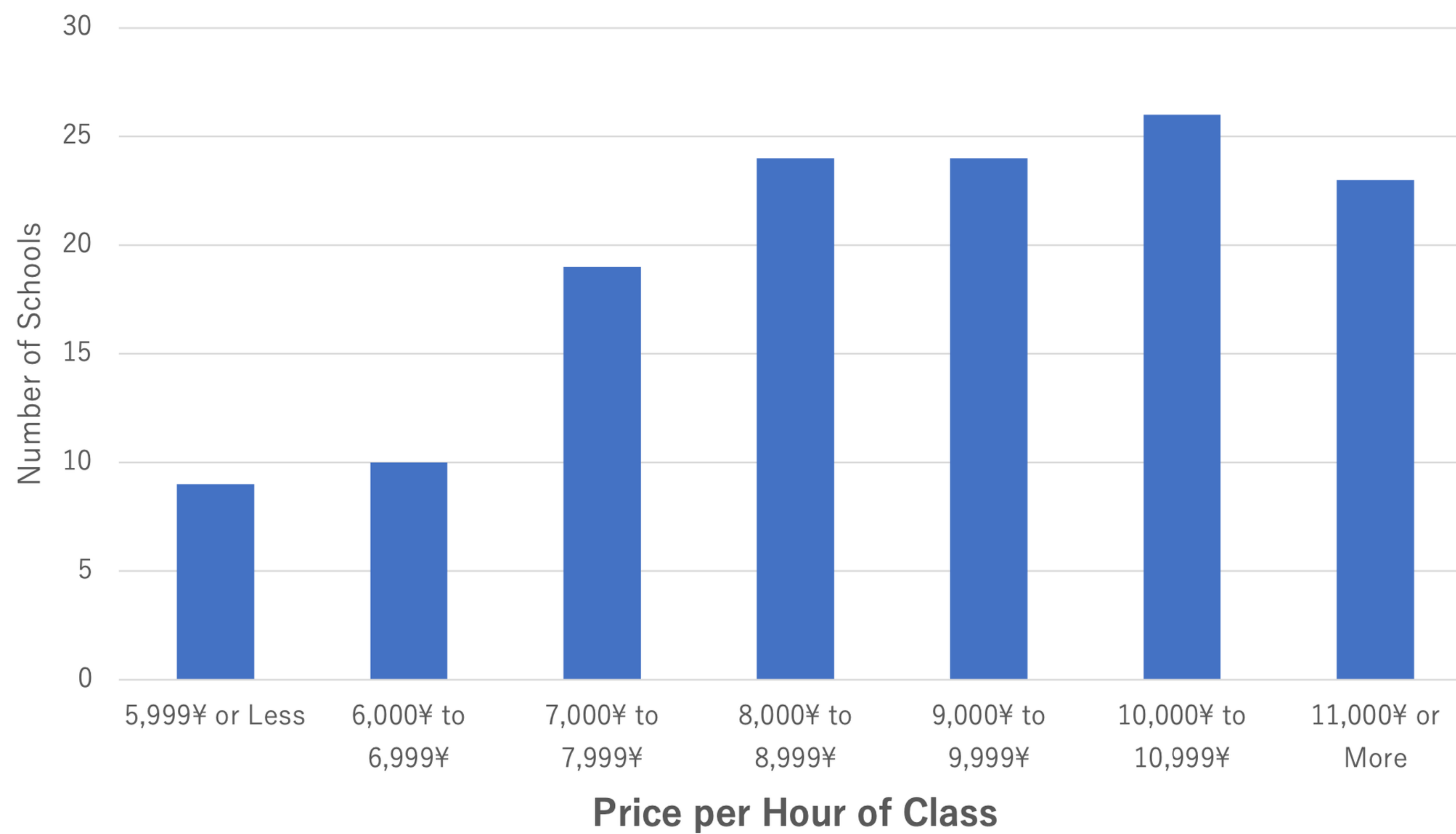
Staying in the vein of supply and demand, it is possible to get a better picture of where optimal pricing may land by looking at market averages and the overall price range. The following graphs should give you a better picture of how your pricing compares to that of other English schools in Japan.



Pricing Range for Kids English Classes

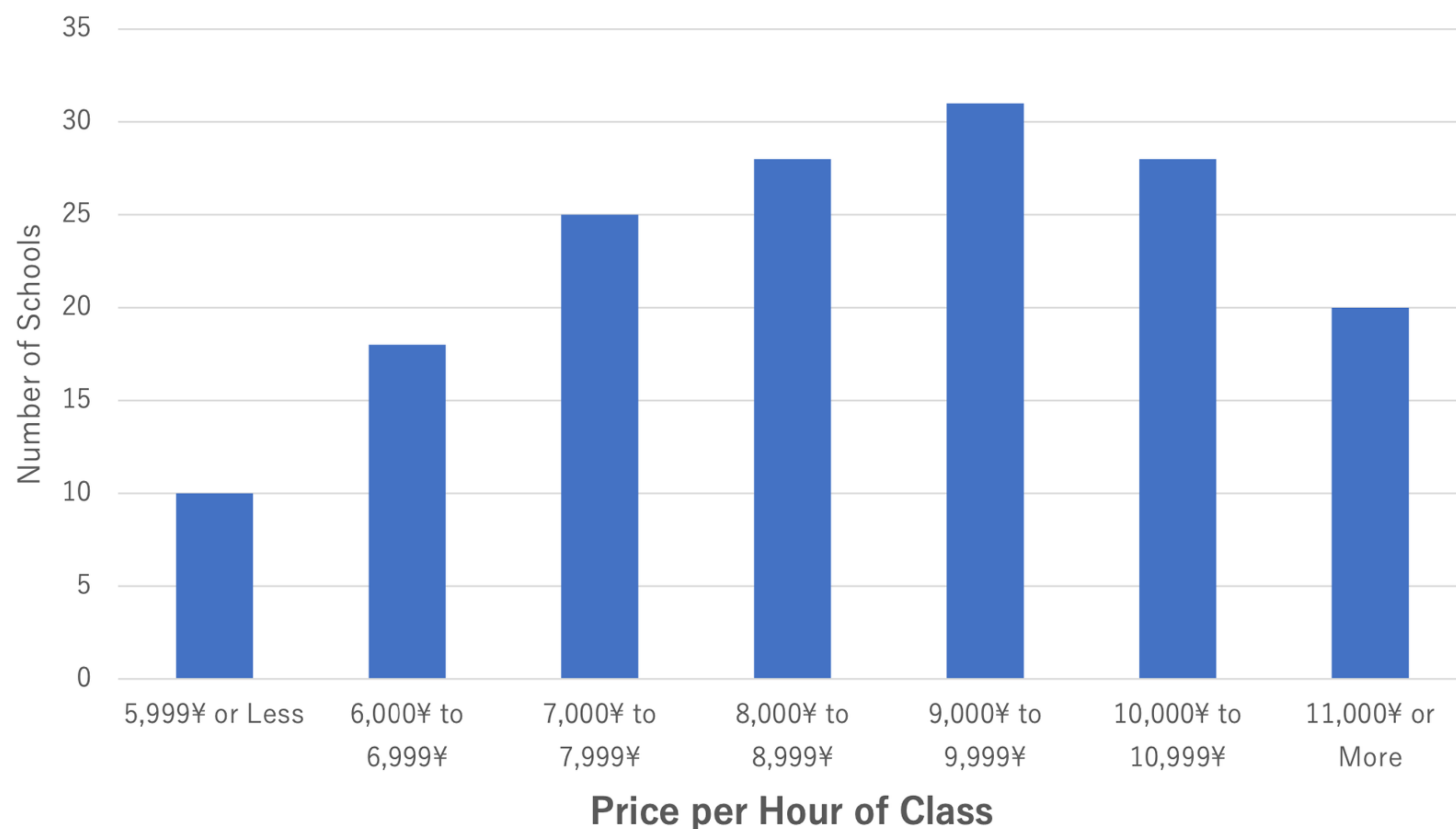
Classes for Elementary School Students

Distribution of Pricing Among 135 Eikaiwa Schools



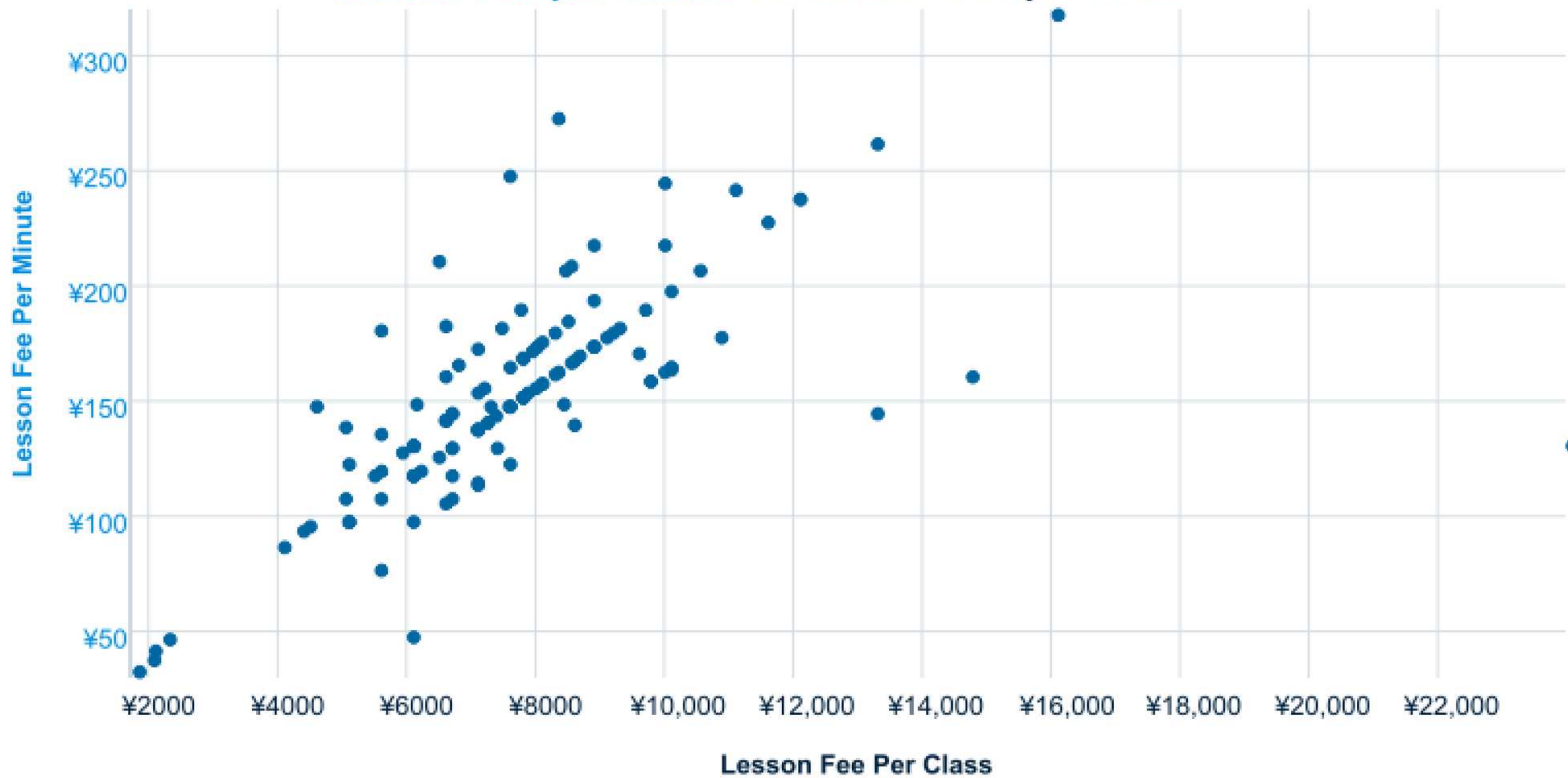
Classes for Elementary School Students

Distribution of Pricing Among 160 Eikaiwa Schools

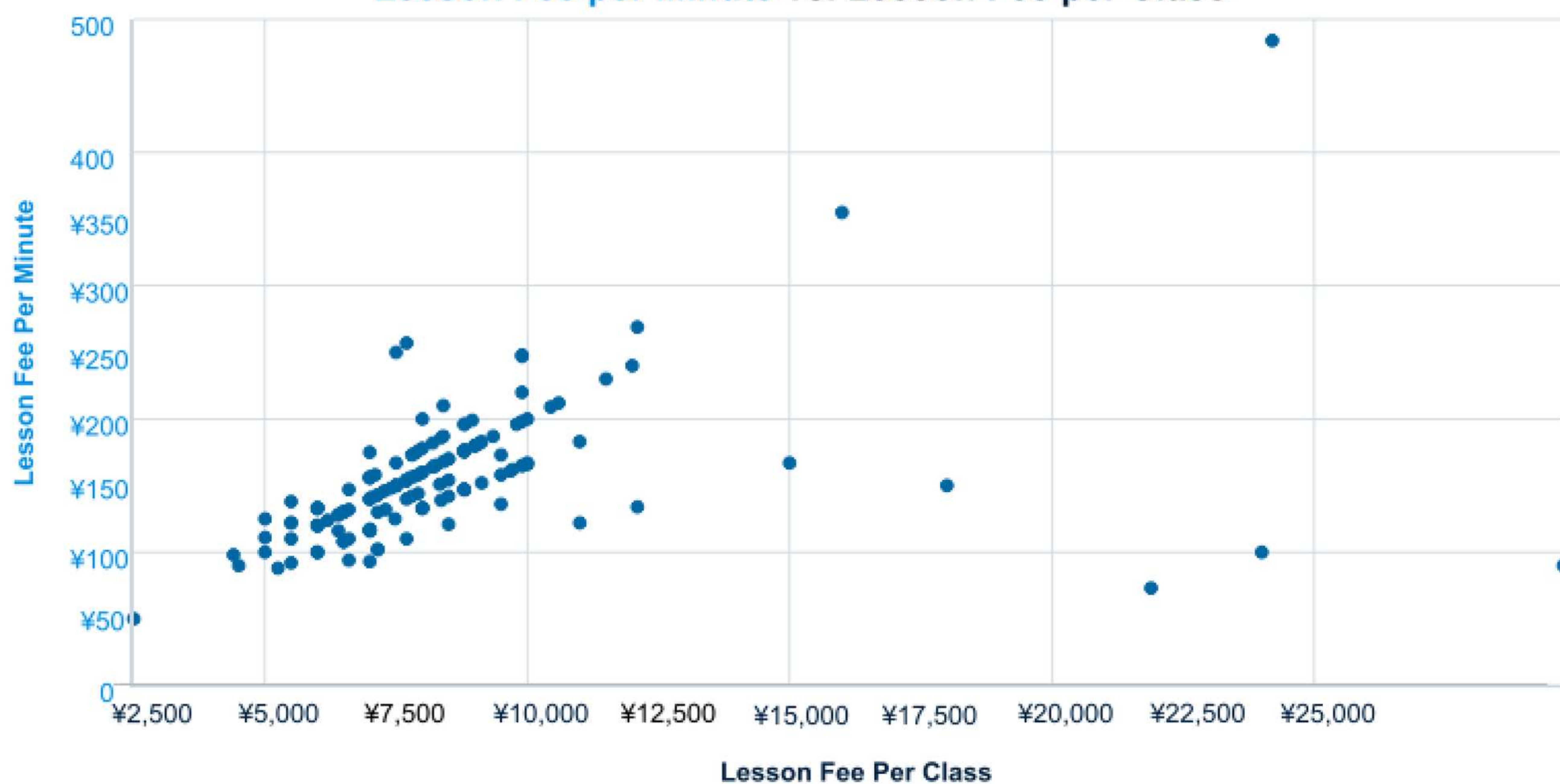


Pricing Range for Kids English Classes

Average Sized Schools KG Class
Lesson Fee per Minute vs. Lesson Fee per Class



Average Sized Schools ES Class
Lesson Fee per Minute vs. Lesson Fee per Class



How **M**uch Should We Increase Our Prices?

3) Are you offering higher value than the competition?

Where we begin to depart from simple supply and demand evaluations are in the value that you offer as well as the market perception of that value. Offering high quality lessons and products by itself will increase your overall student numbers through better retention and word-of-mouth advertising but creating more awareness of your quality or a higher brand value can go a long way. If you are producing high-quality lessons, why not make sure everyone knows it? Unlike commodities such as gold which have values based on grades, education is far more subjective. Even if you are delivering the top level of lesson quality, few of your customers will have had the chance to compare it to others. By showing the value you offer in marketing, the physical appearance of your locations, the counselling sessions, the extra materials and even the price itself, current and potential students will have a higher evaluation of your product.

Add **V**alue to Your Overall Offerings

Additional resources: Youtube channel, flashcards/textbooks, digital resources such as RAZ Kids or The Gamerize Dictionary, reader library,

Counseling: Periodic counseling sessions, progress reports, office drop in hours, diagnostic testing,

Events: Themed parties, summer school, events for parents, picnics, student performances,

Brand: Website, signage, logo, interior design, building facade, flyers, social media, advertising,

Location: region, proximity to station, availability of parking lot, proximity to schools,

Lesson quality: Increase training, Have all teachers qualified, guarantee results,

Unique selling points: course offerings, custom digital resources, Study abroad opportunities, content other than English such as teaching study skills, robotics or focusing on developing students' motivation.

4) Are you pricing for volume of business or is your plan to be small and exclusive with a higher margin?

Going back to question number one, it can be important to ask yourself if you are hoping to cater to a larger market and increase the overall size of your business per location or stay smaller / have multiple smaller locations with fewer students. If you are looking to have a larger number of students you could pursue a market penetration pricing strategy with lower prices. Geographical location and personal goals should have an impact on which strategy choose. It is good to be clear on your goals whatever they may be.

How **M**uch Should We Increase Our Prices?

With these in mind, remember that perceptions of value are subjective and that emphasizing your value and showing a higher value proposition will go a long way in terms of justifying increasing or higher prices.

Still on the fence about how much to increase prices? Another way that you can try to approximate the results of a price increase is by the following exercise that School Owner consultant Tyson Batino recommends.

“Create a simulation of your current price with increases in increments of 300, 600, 900 yen. Then calculate your current student numbers and subtract the estimated number of quitters based on price - you can use your feelings as well as evaluating your offerings as a business and how you compare to the competition.”

“Based on the numbers you can calculate total new revenue generated through increased tuition and subtracting the amount lost from quitters and possibly less new sign-ups.”

This approach can be helpful in determining how much risk the increase might carry as well as give you a more accurate picture of the overall impact post increase.



5 **W**ays to Structure Price Increases that Keep Parents in Mind

Let's assume you have made the decision to raise prices. Here are some considerations to make and ways to structure the increase so that it seems more reasonable to parents.

1. Yearly fee: Starting or raising a yearly fee
 - a. Ex. Creating a 10,000 yen yearly fee is the equivalent of raising the monthly fee 800 yen a month.
 - b. Free or reduced entrance fee at sign-up but charging from 2nd year
2. Monthly materials fee: this could be monthly or be included in the yearly fee. Do you have your own original curriculum or learning materials? You could keep the same price and charge this materials fee and keep your expenses as the cost of making photocopies.
3. Monthly Facilities fee: you can mention increased cost of rent + utilities > so you can charge 500 - 1000 yen extra.
4. Increase lesson length and price (ex. 45 > 50 minutes, but + 500 - 1000 yen monthly)
5. Add a technology fee: similar to facilities fee but this is the price of adding ipads or introducing a software like The Gamerize Dictionary, Xreading, Raz Kids or bokoco.

Timing

Generally speaking, it is important to give your customers plenty of advanced notice before prices are increased. If changes are announced within three months of the actual increase some customers may feel that it is not enough notice. Some schools such as My English gave notice as much as 6 months in advance.

Most schools change fees at the start of the school year in April. This is very fair for students as it is good timing for them to change schools or opt for other activities if they want. It is also possible to raise fees mid year. The advantage of this is that learners are less likely to shop around for other schools; however they may feel that with no other changes to the current course they are unfairly being charged more for the service they expected to receive at the same price for the whole year. The worst case scenario is that this results in negative word of mouth spreading.

2 ideas for raising prices mid year. Here are a couple of ideas that you could try.

1) Consider adding value to your program without raising fees for January and announcing a mid year fee increase. This way you are leading with value and letting the students see what they will be paying for ahead of time.

2) Consider changing just materials fees or other extras mentioned above. These are more likely to be justifiable shorter notice or even during the year as they relate directly to a particular expense that has increased. This can be done more easily if the fees are charged biannually. The increase can be applied only for the second payment of the year.

Communicating Price Increases

Little by little or all at once? One final point to keep in mind is that smaller, more frequent fee increases are more likely to be accepted than introducing a larger fee increase all at once. An increase of 10% one year and then an increase in the materials fee the next would be a better approach than doing it all at once.

5 Tips for communicating your price change

Do it early: Try to give notice about price increases at least 3 months in advance. Some parents might have a tightly calculated budget for their children's activities and need the advance warning if they are going to make changes. If they do decide to leave your school, it's best that they are not upset when they do.

Don't try to hide it: Make sure the announcement is as public as possible. Send an email with the new pricing information. Change the pricing on your website at the same time to avoid confusion. Sending a written notice with students may also be a good idea.

Lead with value: Ensure that the announcement explains what new value will be added to your services or mention steps that have already been taken to improve quality.



Communicating Price Increases

Don't apologize: Giving a notice that is overly apologetic in tone can lead parents to think you are doing something wrong and inadvertently make them feel as though they are being forced to pay unfairly.

Make it personal: While apologizing may give the wrong impression, it is important not to send out a letter that is too matter of fact and generic. Show that you care and let them feel their connection to the school.



Sample Announcement 1: Chat GPT

Here is an example price increase announcement generated by Chat GPT. It has done an alarmingly good job. But let's look at what was done well and what could be improved.

Dear [Name of Parent],

We hope this letter finds you and your family well. We are writing to inform you about a change in our English school's pricing structure. After careful consideration, we have decided to raise our prices in order to maintain the high quality of education that we provide to our students.

As you know, the cost of running an English language school continues to increase. We are dedicated to ensuring that our students receive the best education possible, and in order to do that, we need to invest in our teachers, resources, and facilities. The price increase will help us to achieve this goal, and we believe that it is the right thing to do for our students and the future of our school.

We understand that this change may cause some inconvenience for you and your family, and we would like to assure you that we have not made this decision lightly. We value your commitment to your children's education, and we are confident that the benefits of our high-quality English language program will far outweigh the additional cost.

If you have any questions or concerns about the price increase, please do not hesitate to contact us. We would be happy to discuss this matter with you further and answer any questions that you may have.

Thank you for your continued support of our English language school. We are proud to be a part of your children's education, and we look forward to continuing to provide them with the best possible English language learning experience.

Sincerely,

[Your Name]

[English School Name]



Comments On Chat GPT Letter

Don't try to hide it.

This letter does a good job of being up front and not hiding the price increase. It does not include the actual pricing changes but to be fair to Chat GPT it wasn't given this information. By offering to discuss further: "We would be happy to discuss this matter with you further...", the letter helps the reader to feel that the school cares. If adding this kind of phraseology, it is important not to make it look like you are opening the doors to negotiation. Also, It would be very important to ensure that whoever answers the call does not respond apologetically as is discussed in the interview with Ryan Hagglund later on.

Lead with Value

The letter also does have a focus on value with phrases like: "the best education possible", "we need to invest in our teachers, resources and facilities" and "maintain high quality".

It does fall a bit short with the line "As you know, the cost of running an English language school continues to increase." This is vague and conflicts with the message of adding value. It also seems to insinuate that the customers are aware of your operating costs, which they most likely are not. This could make the readers feel like they are being given a generic excuse.

Comments On Chat GPT Letter

Make it personal

Despite having been generated by AI, the letter is personal to a degree. Phrases like “We are proud to be part of your children's education” create a sense of togetherness and connection between the school and the students. The letter could be improved by adding less generic references to quality such as “the best education possible” and replacing them with statements that fit better with the school's mission.

Don't apologize

Chat GPT does a good job of walking the fine line of being empathetic but not apologizing. Phrases like “we would like to assure you that we have not made this decision lightly.” are appropriate for achieving this effect. When Chat GPT was prompted to add more empathy to the letter it began to sound more apologetic with lines such as “It is with a heavy heart that we inform you about a change in our English school's pricing structure.” It is a fine line, but an important one to be aware of.

Sample Announcement 2: My English

Here is a successful example of an actual price increase announcement sent out last year by My English.



MY English School 有限会社
〒999-3711 山形県東根市中央2丁目 11-1 セレッサ東根 2F-A
Tel:0237-43-6944 Fax:0237-53-8102 www.myeigo.com
Free Dial:0120-43-6944

2023年度 受講料・教材費に関するお知らせ

日頃よりマイ英語スクールをご愛顧いただき、誠にありがとうございます。

近年、当スクールでは、幼児クラスの新カリキュラム導入、新たな多読本の購入、フォニックスカードやワークブックの配布など、使用教材とレッスン環境の充実を図っております。この度、昨今の社会情勢のあおりを受け現在の価格維持が困難となり、誠に心苦しいところではございますが、やむを得ず受講料と教材費を値上げさせて頂く事となりました。ご理解を賜りますようお願い申し上げます。

9/27(月)に新料金にて受講料と年間教材費を引落しさせていただきます。その後は新料金での月謝の引落としとなります。引き落とし日の前に明細をお渡しますのご確認いただき、入金のご準備をお願いします。尚、E2以上のクラスの新教材配布は毎年9月頃になります。

プログラム	定員	時間(1回)	受講料/月額	年間教材費
親子クラス	8名 ※1	40分 (10分間の遊びの時間を含む)	6,700円(税込 7,370円)	なし
幼児クラス KL(年少・年中)	8名	40分 (10分間の遊びの時間を含む)	週1回:7,500円(税込 8,250円) 週2回:12,750円(税込 14,025円)	なし
幼児クラス KH(年中・年長)	8名	50分 ※2 (10分間の遊びの時間を含む)	週1回:8,500円(税込 9,350円) 週2回:14,450円(税込 15,895円)	税込 11,000円
小学生クラス フルコース	8名	60分 (10分間の宿題確認の時間を含む)	16,500円(税込 18,150円) ※3	(E1クラス) ※4 税込 17,600円 (E1以外) 税込 11,000円
	8名	50分 (多読クラス)		(受講料に含む)
小学生クラス シングルコース	8名	60分 (10分間の宿題確認の時間を含む)	9,500円(税込 10,450円)	(E1クラス) ※4 税込 17,600円 (E1以外) 税込 11,000円
中学クラス	8名	60分	9,500円(税込 10,450円)	税込 11,000円
高校生クラス	8名	60分	9,500円(税込 10,450円)	使用テキスト による ※6
一般(初・中・上級) ※5	8名	60分	9,500円(税込 10,450円)	
個人 レッスン	平日 デイトム (9am-3pm)	1名	40分	26,500円(税込 29,150円)

裏面もご確認ください。

個人 レッスン	平日 ナイトタイム (3pm-9pm)	1名	40分	28,500円(税込 31,350円)	使用テキスト による ※6
	週末 (土曜終日)	1名	40分	28,500円(税込 31,350円)	

※1 各スクール、定員が異なる場合がございますので、アドバイザーまでお問合せください。

※2 2023年度よりKHのレッスン時間が60分に変更となります。

※3 週1回60分/Finding Out(9,500円税別)と、週1回50分/多読クラス(7,000円税別)を合わせた受講料。

※4 2023年度より、E1クラス用のオンライン教材を配布いたします。

※5 一般クラスを受講している高校生は一般クラスの料金が適用になります。

※6 使用するテキストにより異なりますので、お問合せください。

Case Study 1: David Chandler

The following is a condensed version of an interview with David Chandler, owner of ABC David's English School which has 4 schools in Osaka. Parts of the interview have been shortened or reordered for better cohesion. To listen to the full interview click [here](#).

Adam Kardos: Just tell us a little bit about your schools?

David Chandler: We currently have four locations in Osaka. We've been in business for about 10 years. We are a kids oriented school. We do serve adults, but the majority of our clients are children and it's basically from zero and up.

And so in that time how many times have you increased prices or have you increased prices?

We have increased our prices three times in the last seven years. The first time, we increased prices was when I built my first physical location and all my students got moved from community centers to the physical location at that time.



Case Study 1: David Chandler

The first increase was 1,000 yen. I believe it was from 5,000 yen that I used to charge at the community center to 6,000 yen.

Which at that time was still doable because I was the main teacher and then I hired my first teacher so I felt the need to be able to cover it. And then the second time we raised the tuition another 1,000 yen to 7,000 yen, about two or three years later.

The last time we raised prices was this year (2023). We increased the monthly fee by just under 15 percent.

We also started to charge tax when the sales tax went up to 10 percent. I suppose that was a kind of price increase. That makes it 4 times.

What was the rationale you used to justify the price increases?

Basically, the rationale was that in order to continue and grow, not just in terms of the size of the business but in terms of quality, and to be able to upgrade our service. This was done in order to upgrade the curriculum, upgrade the materials and have more devices at schools. Also to have better quality teachers.



Case Study 1: David Chandler

When we increased our prices in 2020 we had something like 230 trials and 197 signups. This was because of word of mouth. This has prompted us to keep looking into our overall quality. We wanted to be able to be more selective with hiring.

Also, this year the kicker was that we wanted to introduce Gamerize to our students. We decided that it would be included in the lesson fees automatically so raising prices helped to make this work.

We have also upgraded our company systems and created manager positions and that requires finances.

Another consideration is that some people didn't join our school in the early days because we were too cheap. We have had students that actually gave that as a reason.



Case Study 1: David Chandler

People assume things about your quality based on your price. So as we moved to physical locations and increased in quality we wanted to be more comparable to the big brands like ECC.

You mentioned hiring. How have increasing prices affected your ability to hire better quality teachers?

First of all we started advertising in places we didn't advertise before. We used to use free routes like Facebook but later we were able to use Jobs in Japan, which increased our hiring market and quality of candidates.

We've also been able to add office staff in each location which allows for better support.

In addition to that we were able to make our overall benefits package much better. One way that we wanted to stand out as a company is to offer a better quality of life for our employees. For example, we hired separate cleaning staff so that the teachers didn't need to stay at the end of their shift to do cleaning.



Case Study 1: David Chandler

Tell us how you structure your fees?

When students sign up they pay an initial sign up fee of 10,000 yen. They also pay the first month and last month's lesson fees. We charge the last month's fee because that way if they decide to leave suddenly we don't have to run after them. Other than that we charge the yearly materials fee of 10,000 to 20,000 yen, depending on the course, for books and other materials and we charge a separate yearly printing fee. The printing fee goes to pay for flyers, handouts and letters for parents and maintaining our classroom materials. Finally we charge an event fee which covers things like Christmas presents, halloween candies and stuff like that.

Are all of your events included in that fee?

No, we have events in class but we also have paid events and events that are free but open to the public. The event fee covers the costs related to the in class events that we have.

So the start up fees are around 30,000 or 40,000 yen but we use this to offer campaign discounts such as no initial sign up fee if they sign up on the day of the demo or no sign up fee if they introduce a friend.



Case Study 1: David Chandler

One last thing is that we charge 5,000 yen for Kids A to Z, which is a pretty big mark up but we use that income to buy tablets and other devices.

OK, so now that we understand what your fees are, can you tell us about how you communicated the way that you added value along with the price changes?

First of all, we give at least 6 months notice. For our most recent increase, we changed the prices on the website in October so anyone who signed up for April was aware of the new prices.

We also try to stay mindful of how it affects our current customers so we allow them to pay the current prices for another year before their fees are increased. We don't let them stay at the old prices forever but we give them more time before the price changes.

When we make the announcement we put out a letter, which is a personal message from me. The letter includes what we've done in the past to improve, and what new things we are bringing on. We tell them about the increase and what we are going to do with it.



Case Study 1: David Chandler

We let them know that we understand that many people are going through a hard time but that this is what we need to do to be able to continue to provide the best quality of education for their children. The message is basically that everything is for them, not that we are having trouble making ends meet. We express our gratitude for their loyalty and mention that they have another year at the old prices. I think that gives them the feeling that they have special status.

We've never had anyone quit saying that it was due to the price increase.

Have you ever reduced the number of classes per year that you offer or changed the length of your classes?

Yes, we have. When we increased our prices in 2020, we also increased the length of our classes for elementary school students from 50 minutes to 60 minutes. That was the main generator of the price increase.

Do you advertise your prices anywhere? Do you keep them upfront or are they hidden until they come for a trial?



Case Study 1: David Chandler

Our prices are all on the homepage. I don't advertise prices on our flyers. We only put our campaigns on the flyers. For example we might show that the initial joining fee was 10, 000 yen but that is crossed out and we show that it is zero during the campaign.

We want everyone to go from the flier to the website. That is where they will get all of the information. If they spend some time on the website, they will see videos and get to check out all the other stuff that we do such as the events and get a better idea of what our school is like.

My preference is to be able to get all of the information on the website. That also eliminates questions.

The extra fees like the yearly fee are not on the website though. That is explained to them when they come in for a trial. I think it's expected that there is a materials fee and for us it varies depending on the course so it is best that we give the explanation.

Do you think that your geographical area should have an impact on how you set your prices?



Case Study 1: David Chandler

Basically, I think price is in the eye of the beholder. Your pricing should match the service you are offering. If you are a solo teacher teaching from home, you might not be able to charge higher end prices.

But in our case, I did research on the range of prices for similar businesses and we set our price in the mid to high end of that range. I feel like the product that we offer matches that.

For our “Bilingual program” we charge 15, 000 yen but it is a longer course. It’s two hours a week. About 24% of our students are in the bilingual program. Our retention rate among these students is much higher than the students that take one lesson a week. So we are trying to expand on this as it means we can have less students overall but taking more classes. It’s much easier to take good care of 100 students than 200 students, right? So that's what I'm planning.

Main Takeaways:

- Pricing should be in line with the level of service you provide.
- Increase prices little by little as you upgrade your service.
- Keep pricing visible on the website.

(takeaways continued on the next page)



Case Study 1: David Chandler

Main Takeaways (continued):

- Give existing customers an extended grace period for price increases.
- Lower pricing can send the message that your product is of low quality.
- Announce price increases in combination with information about how service has been upgraded.
- Increase the number of lessons per week that students are taking in order to increase sales while maintaining quality and improving student retention.



Case Study 2: Adam Johnson.

The following is a condensed version of an interview with Adam Johnson, owner of Beans English Schools which has 4 schools in Akashi and Kobe and about 1,200 students. Parts of the interview have been shortened or reordered for better cohesion. To listen to the full interview click [here](#).

Adam Kardos: So can you just give us a quick summary. What schools do you run? How long you've been in operation and that sort of thing, the basics?

Adam Johnson: Okay, my name is Adam Johnson and I am the CEO of Kabushikigaisha Beanstalk, which runs Beans English Schools. It's a very small chain of English language schools with three in Akashi and one in Kobe. Originally the company started in 2004, owned by a Japanese lady, was one location, with one room for the female Japanese teacher and one for the foreign teacher.

When she met me, she was very excited to have met me because she wanted out. After about a year of talking back and forth. I decided to go in for a six month trial, and eventually bought the school. That was back in 2010.

Then we opened a second location in 2011.



Case Study 2: Adam Johnson.

I hired another two teachers. Then we opened our third location in 2013 and then our fourth location in 2020, the year of the pandemic. We're now four locations, 15 full time staff and two or three part time staff. I think we're just coming up to about 1,200 students.

I've also seen that Akashi has, I think, one of the highest number of children per family in Kansai or was it Japan?

I'm not sure, but it's got a lot of kids, which is kind of unusual. Don't quote me on this, but I think in 2021, it was ranked number two in Japan as the fastest developing city.

One of the reasons for that was the mayor at that time made a checklist of 10 things he was going to do to improve the city. One of them was to pay out the farms and use the farming land to redevelop housing estates. We have housing estates of 500 houses at a time being built.



Case Study 2: Adam Johnson.

Then he said the following if you moved to Akashi: from the east side of the bridge, Kobe, Ashiya, Nishinomiya, into Akashi move your juu min hyo over to Akashi and start paying taxes here, we will give you free education and free medical care up to 18 years old.

So you've been open for 13 years now. In that time, how many times have you raised your fees?

Good question. I would say between three or four times. Three for the base fee. I can remember clearly three times. In addition to that, we also charge a *shokeihi*, which is a sundry fee. We have increased that once.

Can you describe how you structure your fees? What do the students have to pay to join, to continue every year?

We charge an entry fee now of 8,000 yen. It was originally 3,000. Then I think we took it up to five, then six and now eight.



Case Study 2: Adam Johnson.

I believe it's one of those fees that we can just keep bumping up because current students aren't affected. It's got nothing to do with them. Most of the new students coming in the door just accept that it's a payment that you pay when you're coming in the door.

I'm very strict with how I use the entrance fees. It's not just something that goes in my pocket. I reinvest it into marketing and that's my marketing fund.

Then we charge a base monthly fee, which is a yearly fee divided into 12 equal payments. The exact number of lessons students get per year are fixed, divided across 12 months.

So, it works out somewhere around 3.6 or 3.5 lessons a month. Some months have five lessons, some have four, some have three, some only have two. However, the monthly fee does not change for us, which allows us to then pay our staff well every month.

That's why at Beans we can offer eight weeks of paid holidays a year to our staff.



Case Study 2: Adam Johnson.

What is your monthly fee? You said it was a year broken up into 12 months, so do they need to sign up for the full year? How does that work?

We show them the total amount. We help them understand in the very beginning that it's a yearly fee divided by 12, regardless of which month you join. So there's no trying to get out of paying for short months.

I'll tell you the fees first, then I'll explain why you might feel they're cheap. For kindergarten the price is 5,600 yen per month, basically. Our elementary classes are 7,000 yen per month, where our junior high school classes at 8,600 yen per month. Our adult lessons are charged at a monthly rate of 9,400 yen.

The sundry fee is collected every six months in April and October. I'll give you an example, if you're the parents of an elementary student, they'll pay us the 8,000 yen joining fee, unless they've been discounted from some campaign.



Case Study 2: Adam Johnson.

They will pay 7,000 yen upfront for the first month's fee plus six month's sundries. Then they'll pay a text fee on top of that. However, if they join any time between April and October, they'll only pay for the number of months of sundries that are remaining until the next sundries are collected.

With our sundry fee, once we collect, it is absolutely nonrefundable. So, after the customer pays it, it doesn't matter when they quit, they won't be refunded the sundry fee. That is a medium we use to incentivize students to continue on.

How about materials? Do you have a separate fee for your textbooks for your textbooks and other teaching/learning materials?

We don't have a base material fee. I know a lot of schools charge a yearly fee. I'm personally against that. I like to charge as the textbooks are required.

I'm actually still considering if I should bring in a materials fee, but I don't like the image of making it a round number, such as 10,000 yen. As a parent myself, I'd think: "I bet you they're not using all of that for textbooks."



Case Study 2: Adam Johnson.

What we try to do is stagger textbooks from any other big fee month.

So, we charge our base lesson price plus the sundry fee in April and October. We try not to invoice any textbooks around that time. If they pay for a textbook at the end of November, they're basically going to stay for another year, unless they want to give up a textbook that's not being used.

It seems like your prices are quite reasonable. I get the impression that you're trying to keep it so that it doesn't feel like it's expensive. You're not trying to say we're the most expensive school in town.

Definitely not. When I first opened, our prices were half of what they are now. When I took over Akashi was really a blue collar city. We've got Mitsubishi and Kawasaki. Both of those big companies are here and a lot of parents work on chain lines.



Case Study 2: Adam Johnson.

A lot of the people that live in this area are blue collar workers. That's changing now. Therefore, I've been raising prices, expanding and bringing in new stuff at the same time. We offer brand new schools and buildings, making it a better package.

For those reasons, we've been able to raise prices without losing any students. We've only grown every time we've raised prices. One reason we don't have a materials fee is because back when there were a lot of blue collar workers with young families and no other eikaiwas in town, we wanted everyone to be able to study English. We simply charged what we needed to survive. We're not going to charge you any more than necessary. We're not going to charge you more than textbooks are worth.



Case Study 2: Adam Johnson.

Tell me more about how you communicate your price changes.

Okay. Every time we've raised prices, we give customers plenty of notice. For example, this April we raised prices by 12%. We sent out letters and posted the change on our homepage from July of last year, which was an advanced notice of about 9 or 10 months.

We have just finished relocating everyone to a nice and clean learning environment. Everyone is happy about that. Every time we raise our prices we're reinvesting that money improving the product we offer.

How have you upgraded your offering and in what way have you communicated that along with the price change?

Well, our curriculum hasn't really changed to be honest. We don't offer much tech at our schools. So the curriculum has never really changed.



Case Study 2: Adam Johnson.

Basically we raised prices due to inflation, both in the area and in my costs to offer a clean environment and a new atmosphere. The curriculum has stayed the same, however. I see a lot of added value in having more native teachers, especially from different countries.

We rotate our teachers every month. We have eight different classrooms and four different locations. So, each month they go to a different classroom or location. We promote to our students that you will learn from seven or eight different native speakers from different dialects of English, different pronunciations. That's one thing that we push really hard, you know more of a universal English rather than just one sector, American or British.



Case Study 2: Adam Johnson.

You also mentioned that you've cut down on the number of lessons per year at various points. Have you done that at the same time as raising prices, or was that in different years?

Until this year we did it in different years and it went over well. We just put out a message with a notice and lost maybe three or four students, while the majority just continued. This year we did it at the same time as our price increase.

However, by doing so, we've been able to increase training by another five days. We have 10 training days per year. And we've also been able to increase events. So by decreasing lessons, we're not increasing staff holidays. The staff is still working the same amount of time that they always have, but we've been able to provide a better product.

Is there some way that you let your students see this?

Yes, every time we have a training day I make a short one or two minute video of the Japanese staff doing training in one room and then the teachers doing training in another room.



Case Study 2: Adam Johnson.

We have LINE for business and we link our homepage news feed through LINE for business. So, every time I put something up on the homepage news, it automatically goes out on LINE business. And basically we immediately get 1, 200 automatic clicks to our homepage, which keeps us at the top of Google search. That's why we don't have to pay for any online advertising.

We communicate this with the parents so it doesn't look like we're just taking days off. We want parents to see that we're actually using these training days wisely. If they can see added value, they are more likely to understand why we raise our prices from time to time.

So can you tell me where you list your prices? Do you put your prices in your advertising? Do you put your prices on your website? Where do they find out about your prices?

Basically, in this day and age, what we want to do is get everyone to go to our homepage.



Case Study 2: Adam Johnson.

I think all school owners are basically on the same page there. I don't want a hundred people calling the phone all the time, taking up the phone lines with that stuff. I want them to go to the homepage. So everything they need to know is there.

On the flyer, obviously we don't offer all the information. We just have the campaigns. We don't want them to look at it and make up their mind. We don't want them to take it out of the letterbox and go, "Oh wow, that looks really fun. It's colorful. Look, they're doing so much cool stuff. They're using English with the foreign teachers ... Oh, that's expensive."

There is a QR code that takes them to information which shows: who we are, what we do, where we are, what we offer, how we level up our students, how they start, what they do in the middle and what we expect them to be like at the time of graduation. Our goal is to keep students for 10 years. The website gives them our levels, prices, all of our fees, and says "Come and join us."



Case Study 2: Adam Johnson.

It seems like you are quite up front with your pricing. You've got a relatively lower price on your flier, and all of your pricing can be found on the website.

Yeah, nothing's hidden with that.

We, also, let prospective students and their parents know about our pricing before they come to our trial lessons. I don't want the staff to waste their time doing a whole trial lesson if they're not going to join due to the pricing. So we make that very clear in the beginning. We tell them that if they want to join on the day they come to the trial lesson, they have to bring 8,000 yen with them on that day.

Now seeing as you have just raised your prices and at the same time added quite a few students to your schools and have a waiting list, do you think you could raise prices further?



Case Study 2: Adam Johnson.

Possibly, but I've just raised it 12% this year, so we do need to do it again at some time. I'm actually starting to realize that I don't think I need more than 1, 200 students. It's starting to become a little bit more stressful and quite hard work. I don't want our product to diminish either because we're too busy and we can't give each family the time that they deserve.

Should I lose 100 or 200 students and raise the prices? I'm thinking about it down the track, but at the moment we've just increased prices 12%. We also had 170 new students this year after a price increase and we reduced the number of lessons by one this year. Everything is settled. So, I don't want to rock the boat anymore this year and probably not next year either. I want to leave a couple of years in between.



Case Study 2: Adam Johnson.

What are some other ways to increase revenue from customers without raising prices?

We offer options. Our monthly system offers one free makeup lesson a month. With payment of their monthly fee, they can be absent once a month and get a make up lesson within 45 days for no extra cost.

However, if a student does ballet, Kumon or a lot of other activities, they can sign up for our two make up lessons per month plan for an extra thousand yen in addition to their monthly fee. It costs me nothing because these students are doing make-up classes in our existing classes anyway.



Case Study 2: Adam Johnson.

It's easy for me to log into Mr. English, the online system we use, and I change their plan in the drop down box from one make up lesson per month to two per month. And that allows them to log in, be absent and get two make up lessons that month.

I think my point is a lot of people really put energy into getting more and more students. I'm one of them actually. But that might decrease our productivity and values. So maybe instead of just aiming to increase students, school owners could offer greater value at a higher price. That might be a better approach which could then be incorporated into their business plan.

Key Takeaways:

- Keep your fee structure simple.
- Stagger extra fees so that it doesn't create an opportunity for customers to rethink whether they will continue.
- Pricing should be in line with the economic level of the area.
- There are opportunities for schools to grow and increase fees gradually in geographical areas that are experiencing growth.

The key takeaways are continued on page 47.



Case Study 2: Adam Johnson.

Key Takeaways (continued):

- Show training sessions via a LINE message that links to videos on the website to increase website traffic.
- Put only campaign information or one lower price on your flyers.
- Use a QR code on a flier to drive traffic to your website.
- Make sure your website is optimized for mobile.
- Announce price increases as early as possible.
- Consider adding options such as extra makeup lessons as a way to increase revenue.



Case Study 3: Ryan Hagglund.

The following is a condensed version of an interview with Ryan Hagglund, owner of MY English which has 10 schools in Yamagata and Kansai and over 1000 students. Parts of the interview have been shortened or reordered for better cohesion. To listen to the full interview click [here](#).



How many times have you raised prices?

This year is the third time that we increase our base prices but if you include when taxes increase, then it's five times.

How do you structure your fees?

We try as much as possible to have everything included in a monthly fee. With the exception of texts then the bank fee. We charge 10,000 yen for the entrance fee including tax per family. The materials fee is once a year but the bank fee is once a month.

We make it clear from our setsumeikai (information session). At the setsumeikai we have a slide where we talk about how there are places with Nenkai hi (yearly membership fee), dambo (heating), you know, all these other fees and we say "no we don't do that." We charge just the monthly fee plus the bank withdrawal fee and that goes straight to the bank.



Case Study 3: Ryan Haggglund.

Where does that put you relative to the market?

Our new prices as of april will be 9,500 yen per month pre tax. With tax, it's 10,450 for 42 fifty-minute lessons a year. They're 60 minutes but the first 10 minutes is lobby time and homework check. We advertise it as 60 minutes but we make it clear that the first 10 minutes is a homework check.

In Yamagata we are approaching the pricing of the big chains but most smaller schools are somewhere around the 7500 yen range.

Does geographical area matter in your opinion?

I know there are some schools in Tokyo that are charging a lot more than us and they are doing the same thing but Yamagata is number 42 of 47 prefectures in terms of household income and we are charging about 10,000 yen. And we have 1000 students in Yamagata so...



Case Study 3: Ryan Hagglund.

Our materials fees have been increased from 7000 yen to 10,000 yen. But the new first graders are paying 16,000 yen because they are getting Gamerize Dictionary. The Gamerize fee system is monthly but rather than add a monthly fee, we just made it a one year fee. But the first graders were never paying 7000 yen. They are either new students or they are coming from our kindergarten program which has a materials fee of 10,000 because they get story books. So we have different materials fees depending on the level but not the lesson fees.

Why do you talk about what you don't charge in the Setsumeikai?

We mention the things that we are not charging because we are more expensive than average in most of the markets we're in but we give you everything in the monthly fee. A lot of places will look cheaper and they'll add in all these extra charges.

Do you also list your prices on the website and advertisements?

The prices are on the website but not the flyers. We don't want to seem like we are hiding them so that's why they are on the website but we don't want to put them on the flyers because if they are deciding based on prices, they are probably not a good fit for us.



Case Study 3: Ryan Hagglund.

In fact the first time we increased prices it was by far our largest intake of new students. That was in 2012 or 2013 but... I do think that pricing makes a statement about quality. So when schools price themselves too low they tend to get the students who are just coming for fun English. You can justify prices through quality but that's more difficult because it takes time and delivery. For parents to see the difference it takes time and a lot of explanation, whereas looking at the price and assuming quality happens very quickly. Of course you need to back it up after...

which is why we work really hard on parental communication. After our training days, we are sending out a newsletter about what we did on that training day.

In the same vein as that, I have two masters degrees in education and a teaching license in Oregon. There are a lot of excellent school owners that have them but I'm sure as anything going to play up the fact that I have them.



Case Study 3: Ryan Hagglund.

Do you think the length of class and number of classes per year are important for justifying the costs?

My gut feeling is that parents don't really look at the number of classes per year but, we are at 42 if we went lower than that, I think they would notice just because there would be a lot more days without class. We used to be at 46 then we went down to 44 and now we're at 42 and I didn't notice any reaction on the part of parents or students.

Did you reduce the number of lessons in the same years that you increased prices?

No, we did it in the other years so you can say that we've increased the price per minute every year. But when we decreased the number of classes we increased our training days so there was an educational quality reason for making the change. It was not a revenue increase.

Does the increase in training and your emphasis on quality help justify your pricing?

I'd like to think so. When we've increased prices, we haven't noticed a loss in student numbers.



Case Study 3: Ryan Hagglund.

How do you justify higher pricing?

This is a hard one in the sense that people really want to justify their prices somehow and you do want to give some reason. People want to know something but I think people are too worried about feeling like they have to give something more or they have to justify it. Sometimes a price increase is just a price increase. With the first increase we introduced make up lessons. And the students were like oh that's nice. The second time we increased prices we said "we work hard to hire quality teachers and it costs money to keep those teachers and to attract them so we need to increase prices. And the reaction was almost the same. You don't need to always give something more, sometimes it's enough to say we need to increase prices to maintain quality.

How do you communicate price increases?

First thing we did is, we gave four and a half months' notice in advance. I think the latest we've ever given notice was at the beginning of November for an April increase. We want to give them time to decide and we're starting recruitment for new students in November. We want prices to be clear then.



Case Study 3: Ryan Hagglund.

Some schools will keep the prices the same for current students but we raised prices for all of our students. We considered it but we decided to raise the prices for all students. We gave a lot of notice and we were very careful about how we communicated it. Now with our software we can actually set different prices for different students but before and for a lot of other schools it's very difficult for accounting.

One other thing that is very important on the messaging is not to apologize. We had a situation when one of the advisors (staff) at one of our schools was saying to the parents “Sumimasen... Sumimasen” (Sorry... Sorry) and we had all kinds of problems with parents at that school. She meant well. She just felt bad making the change. What happened was it set this level of “We are doing something wrong.”

Key Takeaways:

- Be as transparent as possible about price increases
- Announce price increases well in advance
- Number of lessons per year may be less important
- Focus marketing on quality / value and not price
- By focussing on quality you can charge at the upper end on the price range
- Promote activities that you do to improve quality regularly
- Don't apologize. Make sure the staff don't apologize.



Case Study 4: Junpei Tamura

The following is a condensed interview with Junpei Tamura, school marketing consultant and owner of Nico Kids English, which has 2 schools in Tokushima and 2 schools in Tokyo. To listen to the full interview click [here](#).



How many times have you raised prices?

We've done it many times. We've raised prices 3 times. To me that's quite a lot. We raised our prices once every 3 years so that's the path that we took. The first time we increased all of our fees, the monthly fee and the materials fees. The second and third times we increased prices, we only increased the monthly fees. In the beginning we didn't charge enough for materials. It costs a lot to make teacher resources like flashcards and training for teachers to use new materials. Now we charge about a 40% margin on the materials themselves.

Do you tell the parents that the fee covers the training and the teacher resources?

No, we don't. We just tell them the price for the individual components (with the mark up). We have had one parent look the prices of the materials up on amazon and ask us why we charged more and we told them that we charge more to cover the cost of the teacher materials and they were ok with it.



Case Study 4: Junpei Tamura

How do you structure your fees?

Other than the monthly fee and the materials fee, we have a yearly fee. It's 660 yen per month and we charge for the whole year at the end of March. If students start mid year, they are only charged for the months that they will come until the end of the year.

We have an entry fee. We charge 11,000 yen.

For materials, we have the textbooks and Gamerize Dictionary. We charge 1000 yen per month for Gamerize. They have to pay for the year up front when they join or at the start of the new school year. It comes to about 15,000 yen.

That is quite a lot to pay for a yearly fee. What do you do to ensure retention towards the end of the year?

We do a few things. Students in grade 5 and 6 tend to quit because they are getting close to junior highschool so we try to give them information for example why studying English is important and how tests are starting to include more conversation and listening. We try to give them information so they understand why we do what we do and why learning to speak English is important.



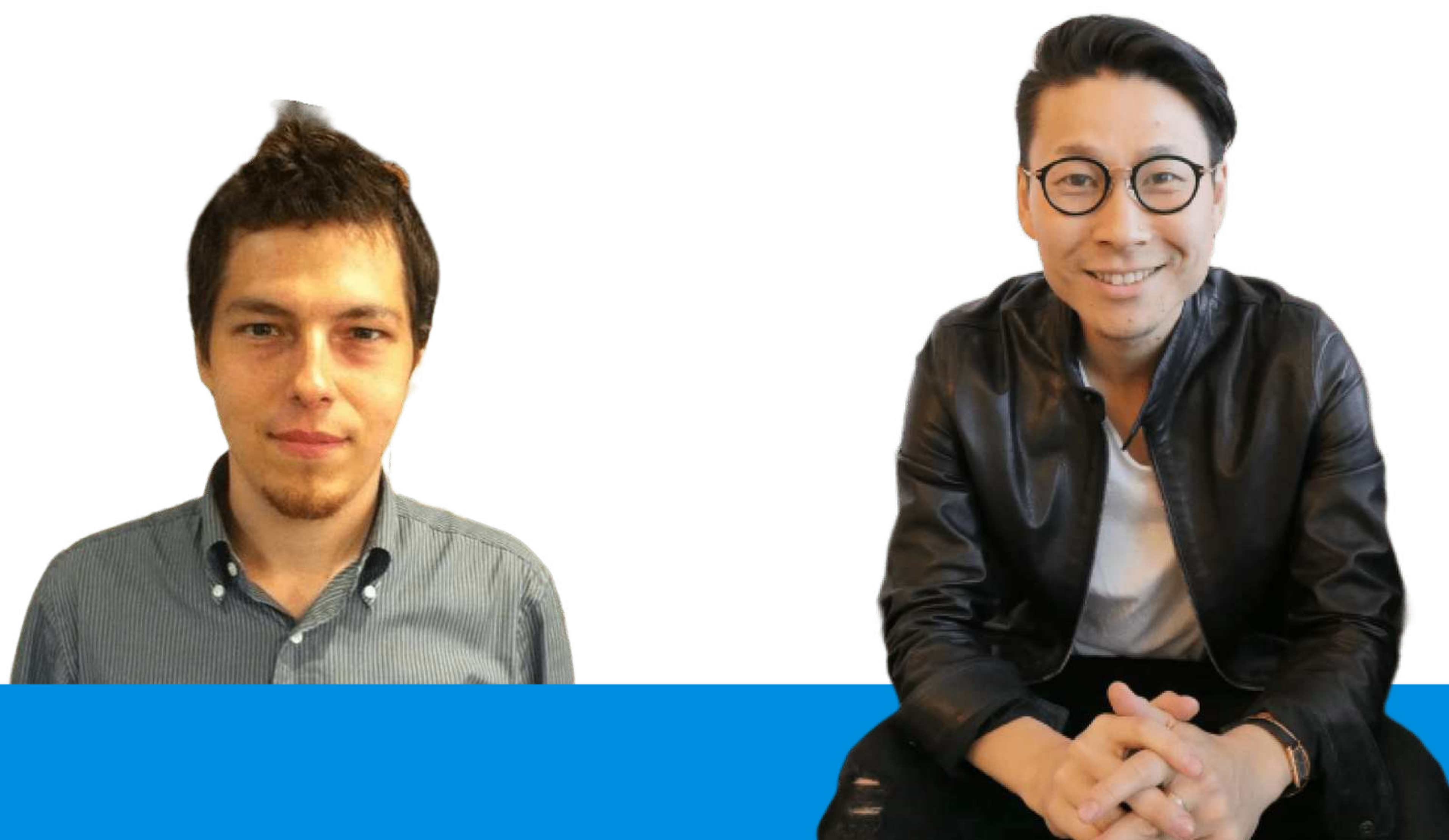
Case Study 4: Junpei Tamura

We do this through workshops for parents. We do it at the end of December and actually, throughout the year we put workshops and emails to parents on the schedule so we don't forget to do it. Just doing it in December is too late. Giving valuable information little by little is very important. We send emails once a month and they don't include any sales, just information about learning and raising children and things like that.

Where does that put you relative to the market?

This is kind of crazy but we try to be the most expensive school. We check the prices of all the other schools in the area and we set our price higher. From that point we look at the price point and find ways to offer value to meet it and what kind of marketing would be good. Of course fundamentally we always do our best to provide the best quality but when we raise the price of course we have to think how the market is going and what the average prices are but as I mentioned when we raise the price that's how we think.

So for example we started to use Gamerize. Since then, It's very clear how many words and what kind of vocab they are learning because they can see it visually and they can see that they are speaking with the app and the content in gamerize is all relevant to what we do because they are completely in sync. So those kinds of things let them see the value. We can say it's been working like this and our students are learning even faster and better so it can be a good reason to increase your prices.



Case Study 4: Junpei Tamura

You have schools in different areas. Does this affect your pricing?

Yes, It's completely different. In Tokushima, which is a really tiny prefecture, a lot of public schools are closing down because we don't have kids. In Tokushima we charge 9,500 yen. And In Tokyo we have two locations in Setagaya. We are charging 14,000 yen, so about 40% more.

How do you communicate price increases?

Having enough time is important. If you say "Next month we are raising our prices" then they will be angry. So give notice at least 3 or 4 months ahead. And make it as professional as possible. Of course you have to email them and tell them verbally but you need to make a professional looking document saying here is the price change and this is the reason and the change comes in effect on... And if you are going to change prices for your current students you should tell them what kind of things you added. I don't think that it has to be anything new. It could be something that you started doing over the past few years or whatever. For example one year ago, we started to... and it's been effective so we'd like to do this more so we are going to increase prices.

For example we introduced a library service at the school. We also added some training days into the schedule.



Case Study 4: Junpei Tamura

What advice do you have for school owners who would like to work on their brand and appear more high value?

I think the first thing should be finding what their strength is. So my strength is definitely providing communication skills through our lessons and not improving their scores. I don't know anything about schools' hensachi (ranking). So finding your strength... and if you are passionate about it you can think about making that the direction that you can go for.

Next, this needs to be represented in your design. When you see a school website you can feel things like "They seem professional and kind of rigid." Sometimes that is good, such as if the school helps kids get into a good university or things like that. But if you look at our website, It has a kind of at home feeling. It doesn't look like it is literally run out of a house but it doesn't look like it is manualized like big chain schools, which some parents don't like.

When it comes to our branding, we don't market based on being cheap. We emphasize the experience that the kids get and that they can learn English in the most practical way and in a way that public schools can't provide, so I don't think our customers are comparing us based on price.



Case Study 4: Junpei Tamura

How do you justify higher pricing?

From my perspective, design is one thing, design and branding. Having a stylish exterior and a stylish website and things like that are very appealing to parents so in that way we can attract a lot of people and of course if our quality is low they won't be willing to pay so we show how well our students become able to speak English. We show a lot of videos on our website and our instagram. And the last thing is talking about our philosophy, what kind of value we are trying to deliver. So for example I tell my story on our website. I used to be a drummer in a death metal band and I had no educational background and no money but after I went to the US and learned English, I was able to start my own business and travel to many countries and things like that. People that the story resonates with will come to us. They think “wow the story was very inspirational” and then rather than get good grades they want their kids to try new things and use English as a tool. We are trying to attract those people.

So you are trying to attract a specific segment rather than appeal to all types?

Yes, parents who want to send their kids to a prestigious school hear my story and think “I don't want my kids to learn English from this guy” so it filters them out pretty strongly. It's demotivating for us to deal with customers that are looking for something that we don't provide.



Case Study 4: Junpei Tamura

How do people find your prices?

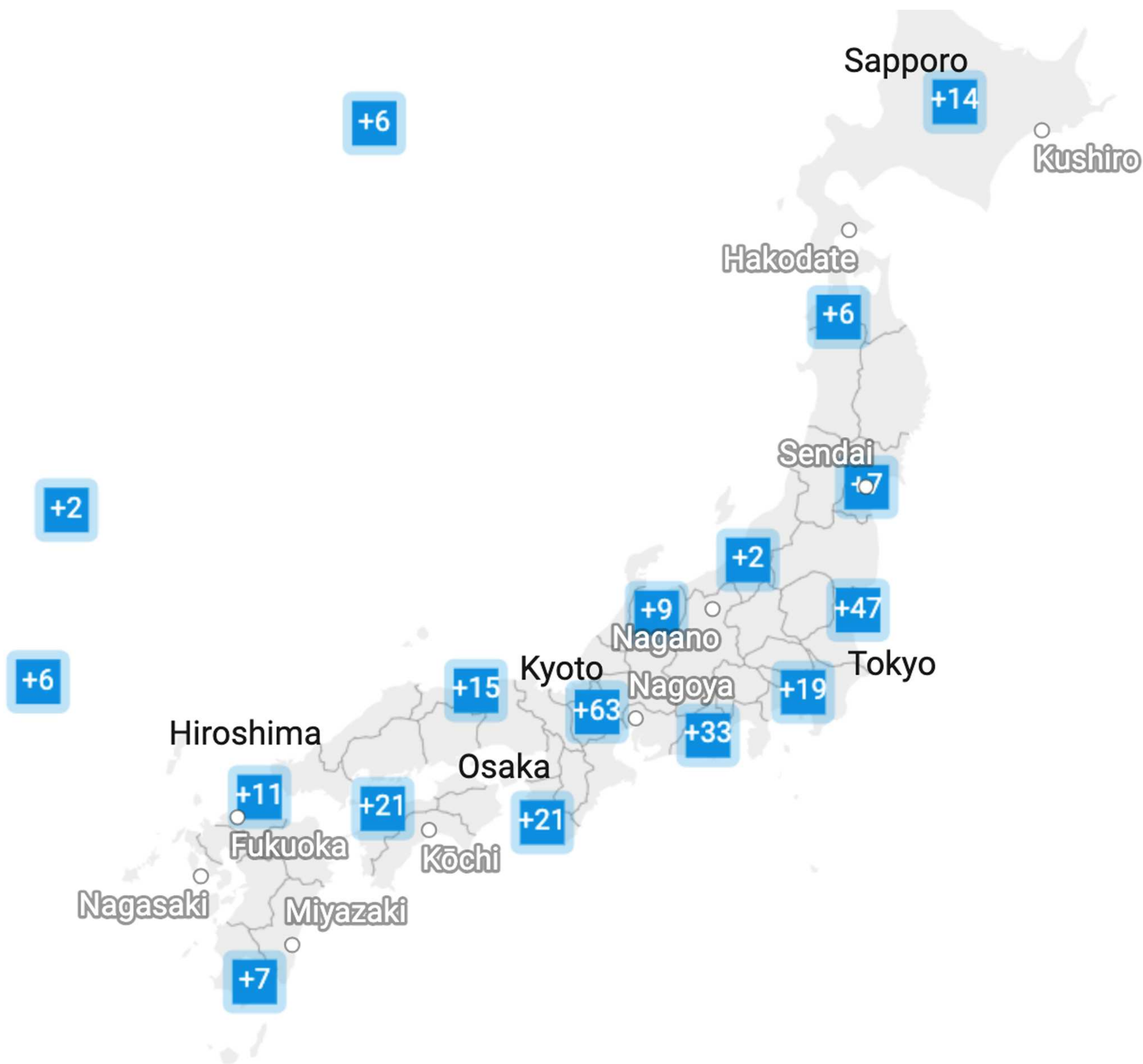
The prices are on our website but not usually in our advertisements but we have a course called the Yuttari course or the slow course. They have lessons only twice a month and the price is cheaper, around 7500 yen. So sometimes we put “starting from 7500” yen in advertisements. So at least some people will think it’s not super expensive.” Then while they are on our website and they are finding out more about us, about how we do our lessons or our philosophy. When they get the price list they are more likely to understand.

Key Takeaways:

- Don’t undercharge for materials
- Regularly remind current customers of the value you provide
- You can charge higher prices but ensure that you find ways to provide value to meet the prices
- Give notice in advance
- When raising prices, remind customers of value that has already been added
- Communicate your value through design of your physical location or website
- Focus on what you do well and narrow your target audience
- Avoid marketing based on prices



Appendix Average Sized School Data



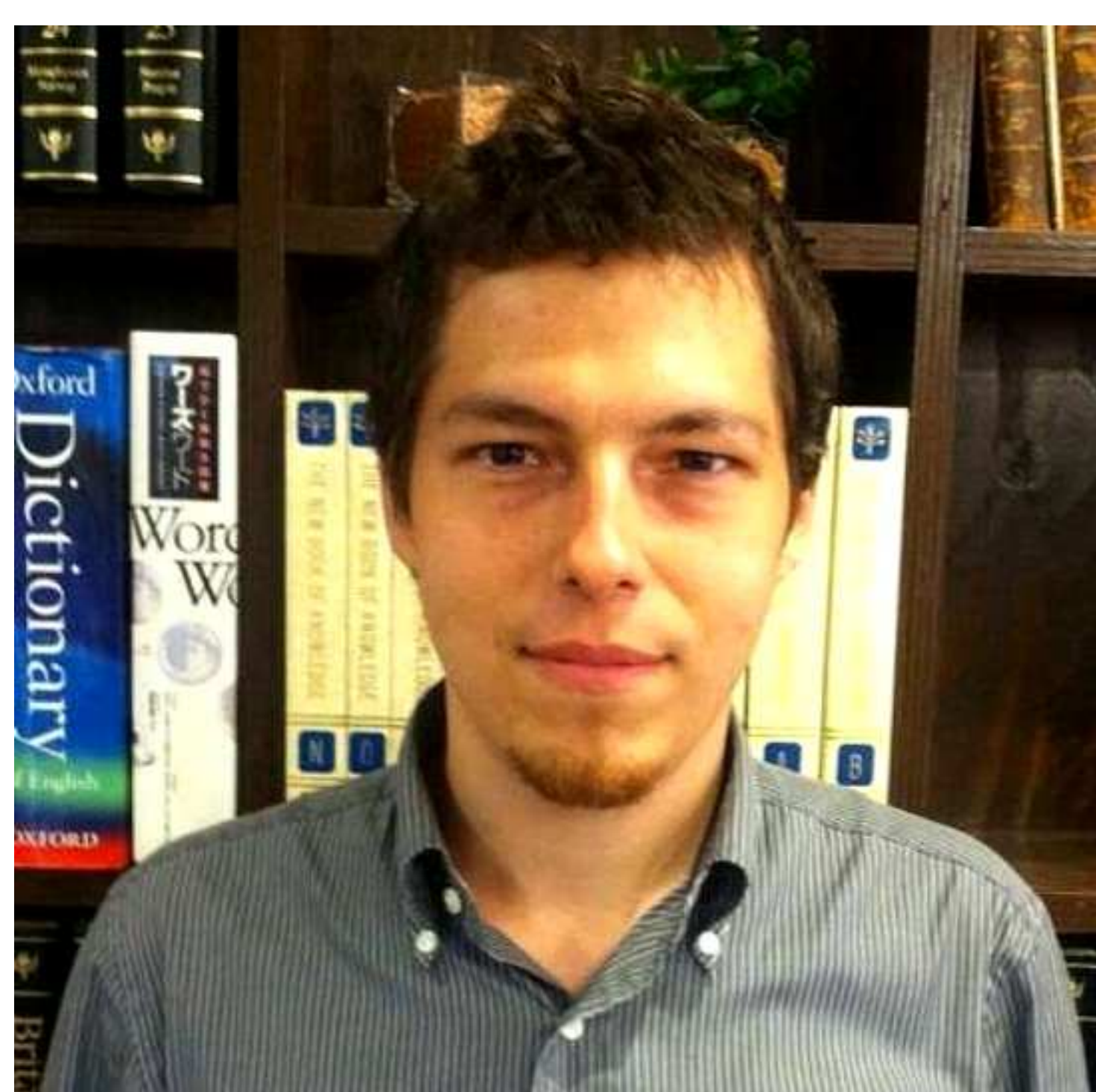
Version 2 data set includes 165 average sized schools that have 4 or less locations.



Average **S**ized_____

School Data (4 locations or less)

Search & Sort Entire Data set of Average Sized Schools



Adam Kardos, founder of AAS Press and Owner of EA Kids, is a curriculum writer and school owner based in Hyogo. He has published textbooks and readers for young learners including Spring Country and Here Come the Unicorns, winners of the Language Learner Literature award. He has also produced the Gamerize Dictionary, a gamified learner dictionary app used by schools across Japan.

