

**PRICING UNDER PRODUCT DIFFERENTIATION:  
A CASE FORM PRIVATE TUTORING IN THAILAND**

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**ABSTRACT**

The products in private tutoring are similar but not exactly the same. Tutors charge different prices to different products. There is wide gap between prices charged by each tutor. This paper analyzes the reasons behind the pricing practice of private tutoring business in the case of Thailand. Using SCP as the framework for analysis, we apply the product differentiation scheme to categorize the private tutoring. Each type of private tutoring has different characteristics and different pricing strategies. We found that the market of private tutoring in Thailand is monopolistic competition. Tutors try to differentiate their products to compete with competitors rather than compete in prices. Our analysis indicates that the product differentiation has an effect on prices differently according to the types of private tutoring.

## CHAPTER 1: INTRODUCTION

### *1.1. Private tutoring background*

Private tutoring has emerged as an important issue in Thai education as demand keeps expanding. It is considered as a necessary thing for most Thai students. A large proportion of Thai students have strong desire to pass the University Admission exam and get good grades. Most Thai people normally make a judgment on academic achievement. Hence students pursue to study at famous university. For example, Chulalongkorn University, Thammasat University, and Mahidol University, etc. Students and their parents think that studying only in formal school is not enough. Instead, they may succeed by means of private tutoring. The parents spend a lot of money on private tuition. The question is why parents have to pay at that amount. How the tutors and tutorial schools charge the prices? We hypothesize that prices in private tutoring market vary according to product characteristics, namely the content of study, tutor characteristics and reputation, number of student in class, and time.

The fundamental problems in Thai education are the lack of accountability of school and teachers. TDRI (2013) claimed that Thai education does not perform well in overall picture even though a lot of budget has been spent by government. The key problem is teachers. Thai teachers are not sophisticated professor in particular subjects. They cannot fulfill their role in providing the best possible teaching. Students usually do not concentrate on studying at school. While, they mostly pay more attention in private tutoring classes. Therefore, the students who have purchasing power will find the alternative way, like private tutoring.

The definitions of private tutoring vary in different countries. For example, India and Israel consider tutoring that funded by government, non-government organizations and private sector as private tutoring. While, Thailand, Korea and Japan consider only private sector.

(Ji Yun Lee, 2013) There are many types of private tutoring: group tutoring services, online tutoring, and one-to-one tutoring services. This paper focuses on high school students.

### *1.2 Product differentiation and monopolistic competition*

Monopolistic competition is opposite to perfect competition. Theoretically, under perfect competition, there are many sellers and buyers in the market. Both are price-taker, meaning that price is determined by demand and supply. They have no market power to set the price. Sellers offer homogeneous products to buyers which is considered as substituted product since buyers can switch to someone else if the seller set price higher. There is free barrier to enter and exit the market. Moreover, information is available for both buyers and sellers. However in the real world, competition is different from the model of perfect competition in the textbook. Firms always try to earn positive profit by making the product different from the competitor's. They might cut the price to take the consumer away of other firms. While they raise the price in order to increase the profit. For some firms, they have some power to set the price.

According to the characteristics of private tutoring industry, the conditions of the large number of producers, differentiated products, and free barrier to entry and exist fulfill the monopolistic competition. Namely, there is the large number of tutors and private tutorial schools selling the product that differentiate from other. Since each student's preference is different, they always apply for the courses that they are interested. If there are few firms in the market, there will be less variety in products. Meaning that there will be the products that less likely differentiated. In monopolistic competition, firms seek to differentiate themselves among others in order to attract the customers. Therefore each tutor produces differentiated products to capture all student's needs. Finally, there are no significant barriers to entry.

### *1.3 Price differentiation (price discrimination)*

Not only products that are differentiated but also the price. Product differentiation is the strategy that distinguishes firm's product from competitors. While price differentiation is strategy that the same products from the same company are sold at different prices to different consumers. We can use the term price discrimination as a synonym of price differentiation. Firm will practice price discrimination if and only if they have some market power to extract consumer surplus. Furthermore, the condition of difference in price-elasticity of demand has to be hold. To maximize profit, firms decide to charge price according to the willingness to pay of each consumer, instead of charging the uniform price. Producers or tutors who see the opportunity of differential pricing, they will decide to supply various kinds of product because they will get money anyway. However, there are many types of firm in the market and each type has different market structure. So that they can charge price differently due to their market power.

Producers, saying tutors, will offer differential prices to different products. Even the same product, the particular firm charges customer differently. Namely, firms practice price discrimination. There are many types of price discrimination and they will be discussed more in result part.

### *1.4 Research Objective*

The paper will seek an understanding of price of private tuition and also analyze the rationale behind different pricing strategies by taking into account the product differentiation scheme. Many researches that study about private tutoring in Thailand have been discussed. Nevertheless, researches on pricing strategies of private tutoring in Thailand are few and far between. It is worth to investigate this phenomena under product differentiation and level of

competition. With more understanding of pricing, it tends to be valuable information to social and education sector as well as private tutoring business.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Competition in private tutoring market

The private tutoring sector has been expanding in many countries, so much that it can be considered the third emerging education sector in addition to public and private school sectors (Dang and Rogers, 2008). In case of Thailand, private tutoring industry generates a lot of expenditure on education. The observation from Thai Publica found that most of the big private tutorial schools have emphasized on online tutoring or study via computer. It creates a lot of revenue by charging at an equilibrium price.

Overall picture, private tutoring business is set up as social trend. It is the business that takes advantages from educational gap and it tends to expand every year. The data from Kasikorn research center (2015) reported that market value of private tutoring industry in 2013 was around 7,160 million baht and tended to increase to 8,189 million baht in 2015 by 5.4 percent. The increase in value causes by the increase in demand and prices.

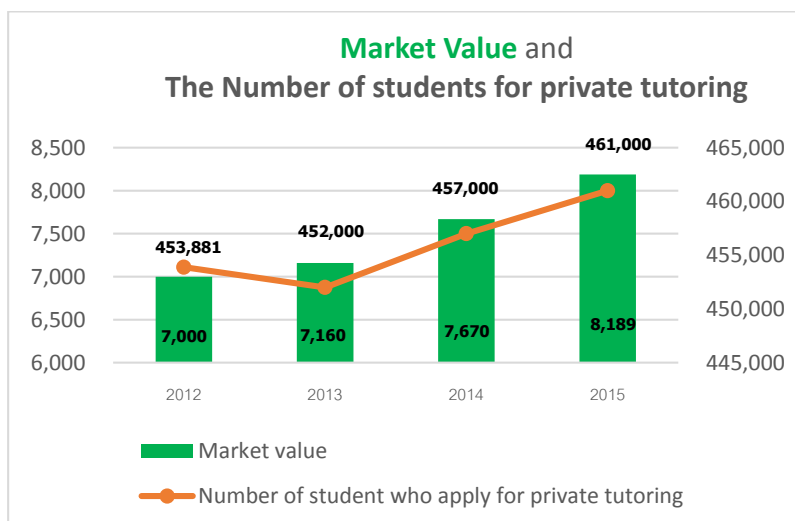


Figure1: Market Value and the Number of students who apply for private tutoring

Source: Kasikorn Research center (2015)

There is the intense competition among students to enter the famous universities, along with high competition among private tutoring sector and tutors. However, the market for private tutoring is not perfectly competitive. Lee et al (2003) suggested that private tutoring is not always be a perfectly competitive market because of teacher corruption. This evident was supposed by (Dang & Rogers, 2008; Buchmann, 1999; Silova & Bray, 2006) that teachers teaching in formal school might offer private tutoring hour after class and they make it mandatory by providing a part of curriculum during tutoring hours. It seems like teacher has power to set the price because teacher is the only player in this case.

Many authors (e.g. Chanchai, 2009; Orathai, 2010; Lee, 2013) point out that the private tutoring is close to monopolistic competition. Private tutoring market follows the characteristics of monopolistic competition (see Krugman: 2008). In the short term, it is not easy for small firms and new private tutorial institutions to enter the market. One of the barrier for these firms is economies of scale. Chanchai asserts that this kind of business enjoys economies of scales because it produces less cost per additional unit and the old firms may have comparative advantage on this kind of thing. According to Orathai (2010), tutors are an important factor that drive the business and are the factor that influents student's decision. It may take time for new firms to get reputation. Products and services differentiation are one of the barriers that make teacher or private tutoring distinguished from one another. However, in the long term, there is lower barrier to entry and new firms can compete with the existing firms.

To see the determinant of pricing, we have to understand the demand and supply of private tutoring first. Demand side refers to the students who want to apply for private tutoring. While Supply side refers to the tutors who are in the market.

## *2.2 Supply of private tutoring*

For the supply side, there are a large number of tutors and private tutoring institutions in the market and this tends to continuously increase every year. In 2006-2013, the private tutoring schools in Thailand have increased in number around 200-300 each year (Thaipublica, 2007). The statistic of the number of tutoring schools in year 2006-2013 is shown in Appendix. New players have alternative ways to enter market, either investing their own money to open private tutoring institution or buying a franchise. Private tutoring is supplied by a diversified range of providers from one to one tutor, private tutoring group, online tutoring to global franchises. The market is found to have low barrier to entry because of a large number of old and new providers. However Dang and Rogers (2008) stated that the more teachers have monopoly power, the more chance for supply to shift to the left. This is due to the higher barrier to enter the market. As competition among the student creates a demand of private tutoring, the supply is the response of this phenomenon.

Mark Bray and Chad Lykins stated that supply is not just the response to demand but it creates the demand. As more tutors enter the market and more students enroll the courses, it becomes more difficult to keep up with learning techniques and examination's tips and tricks. Students who have never applied private tutoring would seek for tutoring in order not to have a comparative disadvantage.

## *2.3 Demand of private tutoring*

Demand for private tutoring is considered to be high. Kasikorn Research center (2015) shows the statistic of the number of students who decide to study in private tutoring class. It was found that the number of students has an uptrend. Additional statistic is provided in Appendix.

Demand for private tutoring differs among the different countries and students. There were many empirical researches study about the elasticity of demand. Psacharopoulous and

Papakonstantinou (2005) found demand for private tutoring highly inelastic in Greece. In case of India, demand is also inelasticity and private tutoring is considered to be a necessary consumption good (see Mehtabul Azam: 2015). Even though private tutoring institutions increase the prices, parents are still willing to pay for their child. They concern more on academic achievement and expect for a better performance. They believe that studying at private tutorial school or one-to-one private tutoring can make their child get a good grade and can enter into university. In contrast, Tansel and Bircan (2006) found demand for private tutoring to be elastic in Turkey. In case of Thailand, Ratchadaporn's (2011) study investigated the price elasticity of demand and found to be inelastic.

Moreover, there are many factors affect the demand for private tutoring. For example, Jayachandran's (2013) study in Nepal found that teachers who offer tuition, cover less material during the school day in order to generate demand for their tutoring. Other factors suggested by Ibrahim Alhawarin and Bassam Abu Karaki that preference for education, expectations about the returns to education, wealth and parent level of education have significantly positive effect on the demand.

According to The Thai Office of the National Economic and Social Development Board's Population Prospects report, the population of the age between 15 and 19 will decline from 4,523,000 in 2015 to 4,207,000 in 2020. Kasikorn research center (2015) claims that this trend has tendency to continue in the long term. The decreasing in target segment together with the expanding of new branches and new players enter into the market, the competition is going to be higher. Arnusorn argues that the number of students for one particular institution especially the big institution has decreased. It is around 100 percent lower for some institutions. He stated that the recession is one factor that makes parent cut their expense and support less on private tutoring. Moreover, he suggested that the decrease in birth rate has positive relationship with the number of students applying on private tutoring, saying the less students.

However, Thaipublica (2013) argues economy and birth rate are not the main factors affecting the number of students in private tutoring sectors. It probably because of the nature of business that the competition is a lot higher as it make less students come to study with a particular firm. Kasikorn research center (2015) point out that it is a social trend, influent parent and make them think that private tutoring is a necessary product. Therefore the number of students applying for tutoring might not drastically decline.

#### *2.4 Current situation and trend of private tutoring industry*

In 2015 there is a challenge for private tutors which differ according to type and nature of business. New players will face the high cost because they just operate and have less branches. While, the big existing players, say the big institutions have economy of scale because the large number of branches. The cost tends to be higher. Therefore, each tutor and institution have to adjust their strategies. Tax is the hot issue for private tutoring business that make the cost higher. Then they will charge higher price on students. However, Kasikorn Research center (2015) suggests that the increase in price might not affect the number of students because both parents and students still value the private tutoring. All in all, a number of students are not affected by the following; birth rate, economic fluctuation, and cost.

### CHAPTER 3: ANALYTICAL FRAMEWORK

Pricing strategies of private tutoring business is complicated. Here is an attempt to fill the gap by introducing microeconomic models that integrate theories and practice in pricing strategies and differentiated product of private tutoring business. This paper will use SCP as a framework and link to pricing policies in order to answer the questions.

### 3.1 Structure-Conduct-Performance

We need to understand the market characteristics and interaction of private tutoring industry by analyzing through SCP-paradigm. The SCP-paradigm refers to the links between Market Structure and Conduct in determining Market Performance. We will begin with market structure as our first step and go through the conduct and performance respectively.

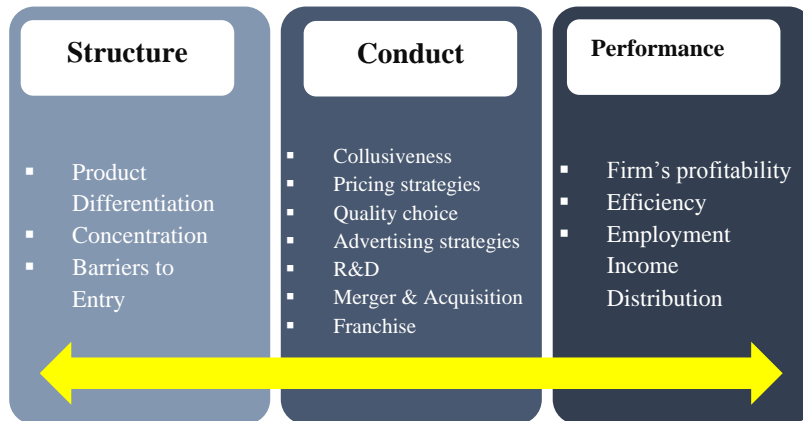


Figure2: Structure-Conduct-Performance (SCP)

Source: Carlton and Perloff's text book

#### 3.1.1 Market Structure

First, Market structure is the first element that describes the characteristics and compositions of market and industries. Structure in the SCP-paradigm is determined by many factors; industry concentration; barrier to entry; product differentiation; unionization, etc.

All of these factors tell us the degree of potential competitiveness. Each factor will be analyzed to see whether tutors or students have more market power to set the prices. The paper emphasizes on analyzing product differentiation. We provide the ways to differentiate the products in private tutoring market and use it as criteria. The criteria will be used to categorize the types of private tuition.

In addition, the paper introduces the theory of Salop's model to extend the meaning of Product Differentiation. Salop's circular model tells us about the consumer's preference for the particular product. To illustrate the idea, in the Salop's circular model all firms

that offer the differentiated products are located on a circle. We assume that the distance between each firm is equal. There also exist outside firms that offer the undifferentiated product which are the formal schools. In private tutoring market, there exist many firms on the circle. Each firm provides differentiated product. Since everyone has different preferences, they decide to consume differently. In other words, students will purchase the products that are closest to their preference. This theory allows us to interpret the linkage between student's preferences and product differentiation scheme.

### *3.1.2 Market Conduct*

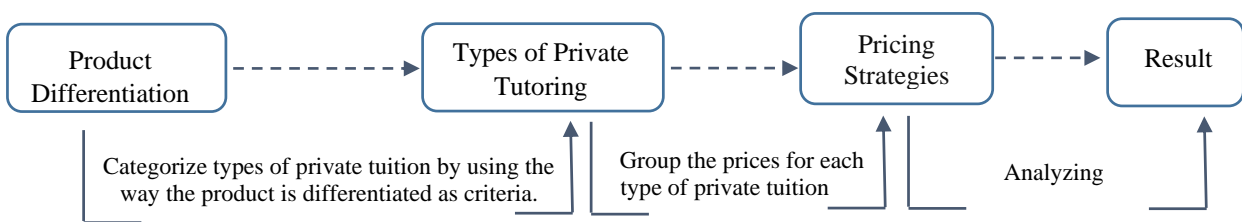
Second, Market Conduct refers to the behavior of the firms. Conduct is an element of the SCP-paradigm that is influenced by the market structure. The conduct can be determined by Collusiveness, Pricing Strategies, Quality choice, Advertising strategies, R&D, Merger and Acquisition, and Franchise. This paper emphasizes on pricing strategies by taking into account the types of private tutoring. Namely, after we categorize the types from the early part, we group the prices for each type of private tuition. The price discrimination scheme will be adopted to explain the pricing strategies for each type. The paper introduces pricing strategies as follows; Two-part tariff, Mixed bundling, Second degree price discrimination, and Peak-Load pricing.

### *3.1.3 Market performance*

Last but not least, the SCP-paradigm is the theory which focused on gaining market power by measuring from Performance. Market Performance is the consequence of market structure and market conduct. Market Performance allows us to analyze market power or ability to charge price over the marginal cost. This paper also applies the theories of price markups and economic profit to analyze the competition in the market, whether it is Monopoly, Oligopoly, Perfect competition or Monopolistic competition. The paper briefly talks about the

cost of each types and link to the price that we have been discussed before. So that we can descriptively explain the profit of the firms.

Each type of private tutoring will be analyzed separately to see the characteristics of the market; market competition; the competitors; and barrier to entry. Furthermore, we analyze the behavior of each type along with the prices. From all analyses, we decide to explore the reason behind why each type charges at that specific amount and why different types of tutoring school set different pricing schemes.



*Figure3: the process of analysis*

#### CHAPTER 4: METHODOLOGY

According to our analytical framework, the paper uses SCP as the main framework. The methods to obtain the data relevant to those strategies are explained as follow.

To analyze the pricing patterns, we rely on primary data collection of pricing sets of each private tutoring. As we categorize the type of private tutoring, we obtain the type as follow, General subjects, Admission tutoring, International Languages tutoring, and One-To-One private tutoring. The detail will be discussed more in result part. We gather the charged price for high-school tutoring by collecting the brochures and view the course prices from websites. We collect 13 tutorial schools to cover all possible cases. While One-To-One private tutoring we collect the data from pages in Facebook, saying Tutor Apply and Tutor-Ngarnsornpiset. The data is shown in Appendix. After get the pricing sets, we then analyze the price strategies of each category. In order to do that, the maximum, minimum, and average

prices need to be calculated. The average prices will be used to represent overall prices for each type and compared it among each type.

In order to support the interpretation about competition level in private tutoring market, I collect the secondary data from Kasikorn Research center about the number of students and market value. Some information have been talked in the literature review part.

To present the consumption decision made by students, we decide to interview the students at Wannasorn building and Starbuck coffee shop. We interview 3 students from each place. The targeted students are high school students at the age of 14-18. The question I ask them is “What make you decide to study private tutoring?” and the detail will be discussed more in result part.

Collected Observation		
Type of private tutoring	Subject	Number of observation (Courses)
<b>General Subject tutoring Institution</b>		
On Demand	Science	17
WE tutorial school by the brain	Science	76
Chem-Ou	Science	15
A level	Mathematics	4
Sup'k	Mathematics	80
DA'VANCE	Thai and Social Science	17
KPN	Thai	5
	Mathematics	30
	Social Science	9
	Science	47
Enconcept	English	9
<b>University tutoring Institution</b>		
Warwick	SAT,TU-GET and CU-AAT	5
Oplus	PAT1 and 9 common subject	3
Sup'k	PAT1 and Math	41
WE tutorial school by the brain	Science and PAT2	27
	O-NET	7
Enconcept	GAT, O-NET and 9 common subject	13
KPN	GAT (Thai)	3
	O-NET and PAT1	6
	Tutoring for medical field	6
	PAT 2 and 7 common subjects	9
	PAT1, PAT2,	8
	Specific field tutoring	36

International language institution		
Inlingua	English and other language	12
Fast English	English	3
OKLS	Chinese	9
	Japanese	2
One-To-One tutor		
	Math	11
	SAT(Math)	2
	CU-AAT	1
	Science	30
	English	7
	GAT	1
	CU-AAT(English)	2
	SAT(English)	3
	Chinese	1
	PAT7	1
	Japanese	3
	French	5

*Note:* Gat and PAT are subject-specific admissions test (Thai program) for applicants to all University in Thailand. While SAT, CU-AAT, TU-GET are subject specific test for International Program  
1.GAT (General Aptitude Test) includes English and analysis skill.  
2. PAT(Professional A Aptitude Test) includes the following; PAT 1(Mathematics Aptitude Test) PAT 2( Sciences Aptitude Test), PAT 3(Engineering Aptitude Test), PAT(Architectural Aptitude Test), PAT 7(Other languages Aptitude Test)

*Table 1: Collected observation*

## CHAPTER 5: RESULT

### 5.1 Type of Private Tutoring

Tutors produce the similar products (private tuition), but the products are not identical. We try to categorize the types of private tutoring into 4 categories by using product differentiation as the criteria.

First category is General subject tutoring. The subjects and contents are used to be the criteria to differentiate the products in the market. There are many subjects; Mathematics; Social Science; Science; and English. The Science subject will be divided into 3 sub-subjects; Physic, Chemistry, and Biology. For this category, we try to trace the prices from big tutorial Schools, like Chem-Ou, Enconcept, Sup'k, and We tutorial school by the brain, etc. Some Tutorial schools provide many subjects, for instant, the brain. This might attract the students who do not want to search and switch to other schools because they might face the transportation cost. They also offer the choices for student whether to study online or via video.

The most influential factor is tutor. The reputation of tutor can differentiate the products from other competitors. One way to attract the student is location. Many tutorial schools decide to incorporate and open the branches at the same location, so call one-stop-service like Wannasorn Tower and Siamkit Building.

The second category is Admission tutoring. These include GAT, PAT, O-ONET, CU-TEP, TU-GET, SAT, CU-AAT, SMART-I, IELTS, and 9-Common subjects.

Similar to General Private tutoring, we focus on the big tutorial schools to analyze the prices. Some tutorial schools offer both General subject tutoring and Admission tutoring. This category is also differentiated by the characteristic of contents. Namely, Admission tutoring focuses on the Admission exam tutoring. Admission tutoring divides into 2 kinds. First kind is Thai program Admission tutoring, including GAT, PAT, 9-Common subjects, O-NET, SMART-I, and other specific field tutoring. The second one is International program tutoring, including CU-TEP, TU-GET, SAT, CU-AAT, IELTS, and other specific field tutoring

The third category, International languages tutoring is also differentiated by the content of subjects. The International languages tutoring includes English, Japanese, and Chinese languages. The school provides the specified teacher by hiring native teachers. Therefore we can say that International languages tutoring is differentiated by teacher. Time is one of the factor that differentiate the product. Students can choose number of hours that they want to study and they can choose what time they are available, the prices are charged differently. Moreover, the school will offer the number of students per class that suits to student's preference. Student can choose whether to study with the big class or private class. The prices charge differently. We will discuss this again in pricing strategies analysis part. The example of International languages school are OKLS, Inlingua International School of languages, and Fast English.

The last category is One-To-One private tutoring. This kind of private tuition is similar to General subject tutoring, International language tutoring and Admission tutoring in the sense that tutors teach the same subjects as those three types. The different is One-To-One private tutoring is differentiated by location, time, the number of students in class, and teacher. Namely, Students can decide when and where they want to study, some may prefer to study at home and some may prefer to study at coffee shop. Both tutors and students have to make an agreement about location, price, and time before study. This is the opportunity for students because they can choose the number of students in class. Most of One-to-One private tutors are the college students. Student prefers this kind of tutors because student feel comfortable and this kind of tutors can better communicate the content of subject to the student.

### *5.2 Product Differentiation analysis*

Firms can compete by product differentiation other than price competition. Product Differentiation gives tutor more market power to raise the prices over marginal cost making them earn positive profit. The products can be differentiated by many ways. In case of private tutoring in Thailand, they are differentiated by the following

1. Content or subjects
2. Teachers
3. Time
4. Location
5. The number of students in class

We use all of these as the criteria to categorize the types of private tuition. We will discuss about the types in next section. The criteria are consistent with the decisions made by students. We are talking about the decision that makes student apply for private tutoring. From the interview, the factors that drive the students to choose what types of private tutoring

and which school they will apply are teacher characteristic, learning style, tutor reputation, location near their house, and their budget, etc.<sup>1</sup>

To be more concise, students will choose the subjects or contents that they are interested e.g. Mathematics, Social Science, Science, English, and other International languages, etc. Some students prefer to study with the large group but if not they can switch to consume the product from other firms. Moreover, tutor is the main factor of production in private tutoring industry. Teacher is the most important factor that influence the student's decision. Students always make decision based on teaching style and mostly prefer teacher who have reputation in the particular field. Another factor that differentiates the product is the location. This involves transportation cost. Students prefer to study near their home, around department store, or where there allocate the tutor center, like Wannasorn Tower. They will also choose the location where there are convenient transportations. The last factor is time, students prefer to study at the time they are available. This provides the flexibility for the students.

### *5.3 Pricing Strategies and SCP analysis*

From data collection and categorization, there are many pricing practices. The different type charges the different pricing scheme because of the different market structure, conduct, and performance. It is found that the pricing strategies of private tutoring cover only second degree price discrimination. In Secondary price discrimination scheme, tutors do not know the willingness to pay of students but they realize that the students' willingness to pay are different. Namely, tutors are not able to differentiate the different types of student. So, tutors provide the incentive for students to differentiate taking into account the preference. This is done by offering the different packages for students to self-select. The pricing practices include two-

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<sup>1</sup> However, there is another factor that influent student's decision. They claim that they decide to study at tutorial school because they follow their friends.

part tariff, mixed bundling, and peak-load pricing. Each type of private tutoring has different pricing schemes. The explanation is the following:

### 5.3.1 Pricing Strategies and SCP analysis for General subject tutoring

Chem-Ou, On-Demand, A- Level, DA'VANCE, Enconcept, WE tutorial school by the brain, and Sup'k are private tutoring schools which we consider them as General subject tutoring. These schools offer both single courses and course package. Students have choice to choose between buying separately and buying in bundle. It is considered to be mixed bundling pricing strategy. WE tutorial school by the brain is the good example, they offer 3 single courses; Sequence-Series, Statistic, and Calculus and also the course package which include the content of all three courses. Whether to choose single course and course package, student will choose the course that close to their preference. If they want to study only Statistic content, it is certain that they will not buy the course package but instead buy only statistic course. But if they want to study Statistic and Sequence-Series, and Calculus, they have to think about the cost they have to pay. If the package price is cheaper than buying the course separately, then they will buy course package. Table 2 displays the prices of each course. Students who buy the course package have to pay more but in fact they pay less in term of price per hour. From calculating the average of prices, it is found that the prices vary between 48-110 Baht per hour. Additional price information already shows in Appendix.

Institution	subject	type	Package	hours	price	Price/hour
<b>WE tutorial school by the brain</b>						
	15. Statistics		single	40	2,800	70.00
	16. Sequence-Series		single	32	2,400	75.00
	17. Calculus		single	38.5	2,700	70.13
	Package(15+16+17)		package	110	6,900	62.73

Table 2: Price of General subject tutoring from WE tutorial school by the brain

From the study, we found that the market of General subject tutoring has a lot of sellers and buyers. The sellers in this market are the big tutorial schools. They try to differentiate their products to attract the customers. According to the corporation, it creates the barrier for the new players to enter the market. Together with the economy of scale, the big tutorial schools face lower marginal cost, comparing to the small and new players. Especially the tutors who own a lot of branches, can just teach at one time and recorded video which will be repeated again and they generate a lot of money from that. This means there is some degree of barrier to enter this market. But in the long term, the barrier will be less since their cost per unit will decrease. Therefore the existing tutorial schools tend to earn a lot of profit even though they charge price lower than other types. The average price is around 48-110 Baht per hour.

### *5.3.2 Pricing Strategies and SCP analysis for Admission tutoring*

Second, Admission tutoring and General subject tutoring are quite similar in pricing practice. However, the range of prices is different because the contents are different. The range of average have a wide gap, saying the average price equal to 53-327 Baht. So, we divide Admission exams into two kinds; Thai and International program. Admission tutoring for Thai program uses the same pricing strategies as General subject tutoring, saying the mixed bundling pricing strategy. Tutorial schools offers both of single courses and course package to student and let them choose. The average price of Thai programs is around 53- 153 Baht per hour.

While the prices are charged differently in case of International program. That is to say the price of Admission tutoring for International program is a lot higher than Thai tutoring program. When compare to table 3 which is Thai tutoring program, the prices from Table 4 are a lot higher. The average price of International tutoring program is around 327 Baht per hour. However, there is less number of tutorial schools teaching for International program. We use the data from Warwick Institution to show pricing strategies. Table 4 is the example of International tutoring programs. Warwick Institution imposes Second degree price discrimination strategy by aiming to charge students differently according to the number of hours they willing to pay. It is surprised that even though students consume more, the price per hour do not decrease. However, they still consume that product. To make it clear, student who

have high demand with price-inelasticity, they prefer to study 45 hours. Students have to pay for 15,500 Baht which cost them 344.44 Baht per hour. However, this decision is cheaper comparing to purchasing 15-hour course for 3 times to satisfy their need. Since customer has different preference, seller try to differentiate the products to attract the customer and to satisfy their need. This refer us to Salop' circular model that the customer will choose the product closed to their preference.

Institution	Subject	Type	Package	Hours	Price (Baht)	Price/hour
<b>Sup'k</b>						
	PAT1 1		Single	132	6,000	45.45
	PAT1 2		Single	157	7,800	49.68
	PAT1 3		Single	105	5,300	50.48
	Intensive 1		Single	93	4,900	52.69

Table 3: Price of Admission tutoring from Sup'k Center

Institution	Subject	Type	Package	Hours	Price (Baht)	Price/hour
<b>Warwick</b>						
	<b>SAT&amp;CU-AAT</b>					
		Live	Single	15	4,850	323.33
				20	6,500	325
				30	9,700	323.33
				45	15,500	344.44

Table 4: Price of Admission tutoring from Warwick institution

Furthermore, the prices shown in Table 5 refer to Specific field tutoring. Tutors offer courses for student who want to enter the specific faculty; SEAS, BAS, PBIC, etc.

This tells us that the prices are different comparing to those two kinds. The prices range between the price of Admission tutoring for Thai and the price for International tutoring.

Institution	Subject	Type	Hours	Price (Baht)	Price/hour
<b>KPN</b>					
กฎที่สาม	Fundamental knowledge of Southeast Asian Study Program (SEAS) and Asian-China tutoring		13	2,500	192.31
	Fundamental knowledge for Admission in Liberal Art Faculty (Thammasat University)		6.5	1,500	230.77
	Fundamental knowledge for (BAS) Program		6.5	1,500	230.77
	Fundamental knowledge for admission is Pridi Banomyong International college(PBIC)		6.5	1,500	230.77

Table 5: Price of Admission tutoring from KPN

The market of Admission tutoring is similar to General subject tutoring. There are a lot of sellers in the market. As Admission tutoring is divided into two kinds, each kind has the different market characteristic. Therefore, we assume that students can divide into two groups; students who want to apply for Thai programs and the one who want to apply for International programs.

The Number of buyers in the market of Thai programs tutoring seems to be larger than International program's. According to demand theory, there is higher demand in the market of Thai program tutoring comparing to International program. Not only demand side, there are a larger number of sellers, saying tutors in the market of Thai program tutoring. The market of Thai program tutoring tends to have higher competition comparing to International program. This allows tutors for International program tutoring can charge higher price.

### *5.3.3 Pricing Strategies and SCP analysis for International language tutoring*

Third type is International language tutoring. Inlingua, OKLS, Fast English are the example of International language school. They decide to impose mixed bundling, two-part tariff pricing strategy and peak-load pricing strategy.

We can look through Inlingua International School of languages to interpret Second degree price discrimination, Two-part tariff pricing strategy. Namely, firm will charge the entry fee before buying a product e.g.) students have to pay registration and material fee to study in private tutoring class at the amount 300 and 600 Baht respectively.

The school will offer the courses that students can choose the duration of study according to their preference. The prices are different according to the duration. This is the same idea with Admission entrance tutoring for International language.

Moreover, peak-load pricing strategy is also applied. They decide to charge the price per hour for high weekend at 4.00 p.m.-9.00 p.m. the most expensive, follow by weekend at 8.00 a.m.-7.30 p.m. and off-peak weekday at 10.00 a.m.- 4.00 p.m. This strategy refers to

economic theory of demand and supply. Sellers will charge price higher when there is high demand and charge lower vice versa. The prices is provided in Appendix part.

In case of OKLS tutoring school, they charge price for Chinese subject differently according to the level of difficulty and the number of students in class. As the content is more difficult, the school charges more. This involves the number of students in class. As a number of students in class are lower, the school will charge higher.

Since there are less buyers and sellers in International Language tutoring market, it implies that market has less degree of competition. The demand of students in this market is inelastic, meaning that they are willing to pay even though the price is high. For supply side, schools face high cost because they have to hire the native teachers. However, they get a lot of profit because they charge students at high price. It is found that there is high margin, saying a lot of difference between price and marginal cost. This means the sellers or tutors in the International Language tutoring market has high degree of market power. Namely they are able to charge prices a lot higher than cost.

#### *5.3.4 Pricing Strategies and SCP analysis for One-To-One private tutoring*

Even One-To-One private tutor teaches same subjects as those three types, they charge the price different from those. The average price is not varies. In other word, they charge almost the same prices at 250-300 Baht for every subject. Even though the subjects are in the different types, like SAT, GAT, PAT, and other General subject, they still charge almost the same price. Before the study class, the tutors and students have to do an agreement through the third person, saying an agent. They will contact an agent website and Facebook. Tutors have to pay the commission for dealing the business. The tutors have to pay double of money that they get from student per class. Namely, if student pay 600 Baht as tuition fee for each class, the tutor has to pay 1,200 Baht for the commission.

The market of One-To-One private tutoring is considered to be competitive. There are a lot of sellers and buyers. Sellers are price-taker. Namely, they do not have power to set price. Instead, the agents are the one who do an agreement about the price with student and tutor. The prices are charged at almost the same price. No matter what the content is, the prices are set at the same level. Students who choose One-To-One private tutoring have to pay more in term of price per hour than General Subject tutoring and University tutoring. The reason of charging at higher price is because tutors face the high cost which are the transportation cost, cost of location, and commission cost. If student requires to study at their home, tutor has to pay transportation cost to teach the student. In case of teaching at coffee shop, tutor has to pay for at least one cup of coffee and it cost them around half of the money they get from student for one class. Moreover, tutor has to pay commission fee when dealing with an agent. So, they charge the high price to cover their cost. Even though One-To-One private tutor charges the high price per hour but the margin between price and cost is less than the price charged by big tutorial schools.

To sum up the idea, the paper analyzes the results through SCP-paradigm and find that the prices are different due to the different in market characteristic of each type of private tutoring. Namely, General subject tutoring and Thai program admission tutoring have the similar characteristics that they use mixed bundling as pricing strategy and the markets has some degree of competition. So they charge the price less than other types. Interestingly, even the same type like Admission tutoring, they charge differently. It seems like Admission tutoring for International program has less supplier, so that the suppliers or tutors have power to charge students at high price by practicing second degree price discrimination. While the markets of International admission tutoring and International language tutoring have less, saying tutors and students. Market is less competitive and the demand of students is inelastic. All of these could make tutors charge at higher price. For International language tutoring uses second

degree price discrimination, Two-part tariff and Peak-load pricing as pricing strategies. Moreover, there are a lot of tutors in One-to-One private tutoring and they all are price-taker, having no power to set the price. This is the reason that they have to sell at that level. So we would see that each type of private tutoring charges the price differently because they have different market power.

## CHAPTER 6: CONCLUSION

The paper attempts to broaden the understanding of pricing strategies and product differentiation by introducing the case of private tutoring in Thailand as an example. We investigate the pricing practice of private tutoring by targeted on high school tutoring. Using product differentiation scheme, we can categorize the types of private tutoring into 4 types; General Subject tutoring, Admission tutoring, International language tutoring, and One-To-One private tutoring. Our finding suggests that each type has different market structure, conduct and performance. All firms try to differentiate their product as much as possible to gain market power. The market power refers to the ability to charge prices. Since each firm has different level of market power, their ability to charge prices is also different. Thus, the pricing strategies are different for each types. Finally our research indicates that the pricing strategies of private tutoring in Thailand vary because the products are differentiated.

As tutors provide the products and services that are more differentiated, they tend to charge student at higher price, saying the price per one hour. International content is the obvious example as we use it to differentiate the product. The firm who provide the international content, that is to say the International admission tutoring: CU-TEP, TU-GET, SAT, CU-AAT, and IELTS can charge higher price than Thai program admission tutoring. The price can charge even higher when compare to International language tutoring which is also differentiated by content and teacher. However, there are other factors affect the price. The market competition, together with the demand and supply can also effect the prices.

The result of the research paper shows the opportunity for further study. As our paper focuses on the high school tutoring. The observations of the study cover only high school tutoring courses. Thus, there is a room to study about pricing strategies of other grade's private tutoring other than high schools tutoring. For more understanding about the performance of each type, the market power to set the prices needs to concern. That is to say the market power to charge the price could look through the pricing margin and we need to consider not only the price but also the marginal cost. Since the paper has less concern on the marginal cost, the further study could give more insight results about all types of private tutoring.

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