

Part II

**Putting marketing theory
into practice**

6 Positioning the institution in the market

In today's highly competitive higher education marketplace (Margison 2004), like all service organizations, universities have to justify their existence and stand out from the crowd, offering products and services in ways that make them distinct from other players.

The consequences of failing to position themselves successfully in the marketplace are wide-ranging and include operating in the shadow of other players, surviving on the edge of the market and, at worst, facing closure on account of non-viability. Market segmentation is a key strategy to positioning the institution which maximizes the competitive advantage of a university yet allows it to serve its markets in the most effective manner (Wilson and Gilligan 2002).

This chapter explores the idea of market segmentation and its application within the higher education context using both theoretical and empirical evidence to demonstrate its relevance to institutional positioning. It seeks to achieve three key objectives:

- to clarify the meaning of the concept by examining the way it is defined in the literature, exploring its broad rationale and illustrating how it is related to similar concepts such as targeting and positioning;
- to examine a range of market segmentation strategies that have direct relevance to the higher education sector;
- to review empirical evidence showing the application of a range of market segmentation strategies employed by educational institutions.

Positioning the university

The goal of market segmentation is to feed into the institutional positioning process. Hirsch (1976) has argued that higher education is a 'positional good'

in which some institutions and their degrees offer better social status and lifetime opportunities than others in the eyes of students, parents and employers.

Studies which investigate factors associated with institutional or course choice by higher education students suggest that, among the many influencing factors, course and institutional reputation issues constitute the broad rationalization for enrolment decisions (James et al. 1999). Thus there is competition among producers and consumers in a positional market, where the former compete for the best students and the latter for the most preferred institutions.

Because no single institution can be excellent at everything, and no one institution can address the needs of all customer groups, new universities need to identify specific aspects around which they can position themselves in the market. Positioning is therefore an image creation process, aptly defined as 'the process of designing an image and value so that customers within the target segment understand what the company or brand stands for in relation to its competitors' (Wilson and Gilligan 2002: 302).

It involves at least three key stages: (1) the identification and development of the organizational brand – values, image and expectations associated with key products of the organization (Doyle 2002); (2) deciding on segments of the market upon which the organization should focus; and (3) implementing the positioning concept.

The UK higher education system is globally associated with the Oxbridge brand and this has helped place UK higher education among the most sought after in the world. The US brand leaders are Princeton, Harvard and Yale, which grew out of the Oxbridge tradition. In Australia, the Australian National, Melbourne and Sydney universities have ranked highest in the brand rankings and together provide the image and reputation that Australian higher education has on a global scale (US and World Report 2003).

The challenge for new institutions is that of fully understanding the global branding environment and then deciding how to fit and blend into this overall image. The starting point in this process is to identify the structure of the market and the positions currently held by competitors within the market.

Clarifying the terminological jungle surrounding the concept of segmentation

It is important to make clear the distinction between the seemingly similar concepts of segmentation, targeting and positioning. The ideas constitute part of a seamless process of strategic marketing. This is why the terms are sometimes used interchangeably, especially in everyday parlance. However,

they occupy very distinct positions in the strategic marketing cycle and thus have specific meanings attached to them. These meanings are summarized in Figure 6.1, adapted from Wilson and Gilligan (2002) as a five-stage process within segmentation, targeting and positioning.

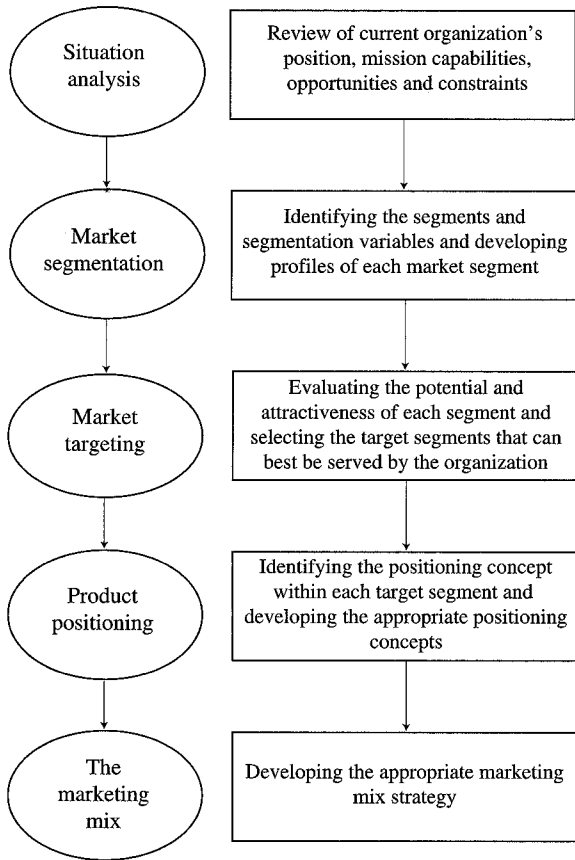


Figure 6.1 Stages in segmentation, targeting and positioning process
 Source: Adapted from Wilson and Gilligan (2002).

The process begins with the identification of the organization's current position – capabilities, aims, opportunities and constraints – so as realistically to assess and analyse the Institution's situation. This is followed by market segmentation, involving first and foremost the identification of segmentation variables, followed by developing profiles for each segment.

Market targeting is the third stage in the process which involves an evaluation of the potential for the organization to adequately serve the identified market segments. This includes decisions about feasibility, resource

capability and ultimately profitability. Within each identified segment, the organization needs to identify a specific core product which acts as an axis for positioning the organization in the market.

Finally, the organization needs to develop an appropriate blend of suitable marketing elements as part of a strategy to communicate, promote and deliver the product or service in a way which results in desired customer satisfaction.

Market segmentation is thus an integral part of the process of positioning an organization within a market in a way which allows the organization to identify correctly those segments of the market to which it can most competently and satisfactorily deliver its services and products.

Although segmentation has its own strategies and approaches based on a variety of rationales and objectification, it is part of an organization's long-term strategy. This strategy is to increase competitiveness, enhance the profile and image of the institution, widen the market share and indeed 'raise the game' in a market where survival has ceased being merely a function of existence and become one of establishing a distinct uniqueness and character which meets or exceeds customer expectations and aspirations.

Market segmentation

Institutions seeking to undertake market segmentation and positioning strategies require a sound understanding of the nature of their market (Mazzarol 1999). The key to this understanding lies in undertaking market segmentation research. Although the concept has been defined variously over the past 20 years, essentially market segmentation makes a fundamental assumption that buyers or consumers within a specified market are not a homogeneous entity. They differ in many respects and some of these differences are great enough to warrant differentiated approaches in dealing with sub-groups within the market. A few definitions illustrating this key assumption have been sampled below.

Theodore Levitt (1974), reacting to the generic strategy of the 1980s which sought to expand markets through diversification, is largely credited with raising awareness about segmentation as both a cost-effective and resource-efficient strategy for dealing with expanding markets. He wrote:

The marketer should stop thinking of his customers as part of some massively homogeneous market. He must start thinking of them as numerous small islands of distinctiveness, each of which requires its own unique strategies in product policy, in promotional strategy, in pricing, in distribution methods and in direct selling techniques.

(Levitt 1974: 69)

This has the same direct relevance to higher education as it has to the business and industrial enterprise about which Levitt was writing. For example, three major distinct groupings have been identified for the undergraduate higher education sector for which differentiated marketing strategies are needed.

The largest group is the home students segment, which basically comprises local school-leaving students entering higher education for the first time. The second is the international student group, a fast-growing segment in many countries especially in the major economies of the first world. The USA, Canada, the UK, Australia and New Zealand are the major global importers of higher education students (Altbach and Knight 2006). A third major segment is the mature age student group comprising adult students coming to higher education not directly from school.

These three segments have widely different motivations for joining higher education, and may have incongruous expectations about the gains to be delivered to them through higher education. They also differ in many other ways including age, culture, ethnicity, gender and language which make them distinct individuals and groups within the higher education market. Thus differentiated marketing strategies will be required at various levels of their life cycles and experience of higher education.

Under this broad assumption about markets, segmentation has been defined as:

- the means of categorizing potential customers into like groups based on common characteristics;
- the grouping of customers and non-customers with similar characteristics – especially purchasing behaviour;
- the division of a market into different homogeneous groups of consumers.

Essentially, market segmentation is the process of dividing a large group of consumers into smaller groups within which broadly similar consumption patterns exist. The idea is to break down the heterogeneous market group of consumers into more strategically manageable parts which can be targeted and satisfied more precisely through appropriate manipulation of the elements of the marketing mix.

The purpose and value of market segmentation

Doyle (2002) has identified five broad reasons for market segmentation which we shall examine briefly in the context of higher education:

- 1 To meet consumer needs more precisely.

- 2 To increase profits.
- 3 To gain segment leadership.
- 4 To retain customers.
- 5 To develop focused marketing communications.

To meet consumer needs more precisely

In higher education, the demands and needs of adult and mature students are different from those of school leavers. For example, while adult and mature students may join higher education for purely instrumental reasons such as preparing themselves for promotion and more demanding roles in their workplace (Ivy 2002), a significant number of school leavers come to university primarily because they are expected to (Rodgers et al. 2001). The same curriculum, using similar delivery modes, may not have the same appeal to these contrasting groups of learners. What is needed is to develop distinct marketing mix strategies for each group specifically to address customer needs more accurately and appropriately.

To increase profits

The concept of profits is naturally associated with price especially in the business and commercial sense. The idea is to set the price of the service or good so that customers get their money's worth while the organization makes a profit (Drummond and Ensor 2003).

Consumers do not react uniformly to prices of services and goods. Some will be happy with low-priced goods and services. Others will only buy when the price is high, as this tends to be associated with higher quality, prestige and class. The development of the 'executive' MBA, which targets aspiring senior executives of companies and which is more highly priced than generic MBA degrees, has been developed on the understanding that there is a segment of consumers who will not mind paying a high price for that product (Everett and Armstrong 1993; Goldghein and Kane 1997).

A key to increasing profitability is therefore to understand the buying or purchasing behaviours of different segments of the market and to develop products and services that correspond to those behaviours.

To gain segment leadership

It is difficult for new entrants into a market to establish leadership immediately. Leadership in a market is often attributed to the brands which have dominant shares of the market and which are thus profitable to the

organization. For example, retail grocery outlets in the UK are dominated by Tesco, Sainsbury and ASDA. Morrison's have recently joined the fray. Similarly the dominant brands of UK higher education are the universities of Oxford and Cambridge.

New players in a market can, however, take a dominant share of a particular market segment. For example, the Open University has a dominant presence in the adult and mature students market while others are establishing themselves as dominant players within specific groups of subject disciplines, e.g. Bindura University of Science Education (BUSE) (Maringe 2004).

To retain customers

Having identified the specific market segments an organization wishes to serve, the challenge is to retain the customers throughout their lives. However, their needs are dynamic. Following the experience of undergraduate study, a consumer's needs will change. It is thus important for the institution to invest time and resources into a continuous process of identification of new customer needs as they pass through different phases of their life cycles.

Post-graduate students have different needs from those of undergraduates. As post-graduates they may have their own families, have graduate loans to pay off and have more urgent employment needs. New experiences designed to meet these new needs thus become a prerequisite for retaining customers over longer periods. Thus a key aspect of segmentation is that of continuous identification of customer needs from pre-entry levels to the premium end of the market, as a strategy for developing enhanced products and services along the value chain (Drummond and Ensor 2003).

To develop focused marketing communications

The key to reaching customers is through use of appropriate communication channels. Not all customers have the same access, nor do they have the same preferences of communication channels. Female students are more likely to read a fashion magazine while their male counterparts surf the Internet. To target female students as a specific higher education segment, fashion magazines are likely to be the favoured communication channel rather than the computer. About ten million homes in the UK do not have access to digital TV. Communication messages aimed at disadvantaged students through the digital mode of TV transmission are unlikely to reach the

intended audiences. Market segmentation thus helps institutions to identify appropriate communication needs and target media focused directly on specific consumer groups.

Approaches to segmenting markets

The starting point in undertaking market segmentation is to identify what may be called naturally occurring segments within the market, as discussed earlier in this chapter. Clearly, within these broad groupings of students are a variety of sub-groups or segments which can be drawn up by identifying factors which make them distinguishable and unique from the other segments. However, since segments can be drawn and defined upon multiple variables, it is important to bear in mind factors which affect the feasibility of segmentation. Wilson and Gilligan (2002) have identified six such factors which they insist should be considered when justifying attending to a specific market segment.

Segments worth pursuing in the market should be:

- *Measurable*: It should be possible to apply measurement to the variables of the segment. The criteria used to identify segments should thus be operational. This could include estimating statistical and demographical information about the segment in terms of population size and structure, the segment's attitudes to higher education, buying behaviour and anticipated benefits.
- *Accessible*: For a segment to be viable, there has to be established ways in which its members can be accessed, or at least there should be a viable plan for reaching them. In higher education there are well-known 'hard to reach' segments which have become the markets of choice for some universities. For example, traditionally, students from low socio-economic environments have been known to have a poor record of participation in higher education. Some institutions have taken it upon themselves to give priority consideration to these students in their enrolment policies. This has led to the development of tailored packages to meet the unique needs of these students.
- *Substantial*: This describes the question of size of the segment, which has to be considered in relative rather than absolute terms. The key consideration should therefore be whether there is sufficient justification for investing time and resources into developing products and services for the new market segment. Drummond and Ensor (2003: 45) argue that 'the group has to be large enough to provide a return on investment necessary to the organization'.

- *Unique*: The group should be different from any other in its response to a variety of issues, such as how it views the benefits or what it perceives to be the value of higher education, and sufficiently similar within its members in the way they respond to a particular marketing mix.
- *Appropriate*: The new segment should specifically be in tune with the organization's overall mission and goals and its resources. Anything which goes against the grain will require adjustment or overhaul of the institutional strategic focus.
- *Stable*: The buying behaviour of the segment should be reasonably stable, so as to be predictable over time. However, this should not ignore the fact that buying behaviour changes with time and that it has to be continuously monitored.

The bases for market segmentation

Essentially there are four broad categories into which segmentation strategies can be grouped. These are:

- geographic or geo-demographic;
- demographic;
- behavioural;
- psychographic.

We shall discuss these broad categories within the context of higher education and draw examples from higher education research. This will be followed by a more focused examination of specific strategies used to identify and determine market segments. In particular, we shall examine the use of conjoint analysis, correspondence analysis, profiling and cluster analysis as specific strategies that have been applied in the development and identification of market segments for the education sector.

It is important to note that no single basis for segmenting markets is ever adequate and this often results in incorrect marketing decisions as well as wasting resources (Wilson and Gilligan 2002).

Geo-demographic segmentation

The oldest and most frequently used method, geo-demographic segmentation, involves dividing markets into geographical zones such as countries, cities, regions and even postcode areas. Its essential purpose is to provide the base for targeting customers in particular areas who exhibit similar behavioural patterns.

In international higher education, the Asia Pacific region is known for its relative economic stability and growth potential and sends forth almost 50 per cent of the world's higher education migrants to different parts of the world. A key feature of geo-demographic segmentation is that it utilizes census enumeration district data (ED) as basic units for analysis and tries to investigate profiles of people within those sets and their behavioural or purchasing patterns.

Postcode addresses are perhaps the best known geo-demographic application. In higher education, the distribution of applicants' postcodes is used as evidence of fair admissions. For example, if the institution fails to show adequate evidence that it has recruited from postcodes associated with social disadvantage and deprivation, it might be assumed that its recruitment strategy was biased and possibly elitist. In the UK, two of the best known geo-demographic classification systems are ACORN (A Classification of Residential Neighbourhoods) and MOSAIC.

The ACORN classification identifies six major categories of consumers in the UK that can be used as a basis for targeting communication and marketing initiatives (CACI Ltd 1993).

MOSAIC is based on postcode analysis and has been used by organizations such as the LSC, UCAS and HESA. Farr (2003b) has redeveloped this classification system to reflect the specific needs of further education and higher education in England, Scotland and Northern Ireland by introducing non-census data which allowed a refined classification beyond postcode to incorporate household level data.

Overall, data based on MOSAIC classification system show that, while socio-economic status remains the best predictor for participation in further and higher education, other factors such as distance from home to institution, family experience of further and higher education and the pattern of choice of courses in different postcode locations have some impact on related decisions.

The large numbers of people belonging to these sub-groups within some postcode locations suggest that these groups constitute a critical mass for government strategic planning and funding focus. They also represent a target for the development of specific portfolios of courses in some institutions, including a refocusing of marketing activities and approaches (Farr 2003a).

For institutions which have an interest in international markets within the EU, a broad geo-demographic segmentation has been proposed by Vandermerwe and L'Huillier (1989) which identifies six groupings of Europeans based on demographic age, income, language, school-leaving age and geographic location. The classification shows that some potential consumers

of higher education share common characteristics across Europe, making it possible for institutions to target relatively large geo-demographic segments that transcend national boundaries.

Demographic segmentation

Age, sex and family life cycle are considered to be the key variables in this type of segmentation. However, neither age nor sex alone is a good predictor of consumer behaviour in a variety of contexts. Nevertheless, there is growing evidence showing that women's and girls' participation in higher education is increasing at a faster rate than that of their male counterparts and that this could be associated with boys' reduced engagement, motivation, interest and performance at the lower levels of schooling (Barker 1997; McInnes 1998). This has implications for teaching and learning both at primary and secondary levels and at higher education level too, including the need to develop support strategies for the large but 'endangered' male segment of the learning population.

Choice in higher education is another aspect which continues to reflect gender bias, with the majority of female students opting for studies in the arts, humanities, fashion, music, dance and media while the science, mathematics and engineering fields remain male dominated (Foskett et al. 2004). However, applied science and medical fields such as medicine, pharmacology and oceanography are increasingly becoming favourite higher education study areas for female students.

While the majority of higher education learners are within the 18–24 years bracket, a greater focus is now being placed on the 25–35 years bracket for moral, political, economic and social justice reasons. Thus a new segment for higher education has been created for which new types of provision need to be developed, as the needs and characteristics of this group are bound to be different from the traditional school-leaving group.

The life cycle concept has become the most widely used variable for demography-based segmentation. It is based on the assumption that during the course of their lives, consumers are likely to pass through fairly predictable life phases and that these phases demand different purchasing behaviours.

For higher education, typical life cycle phases could include: young and single (majority of higher education students); young and married with or without children (majority of early post-graduate students); middle-aged with or without children (majority of late post-graduates, e.g. doctoral students); and older married/solitary, retired (most part-time graduate or post-graduate students) (adapted from Murphy and Staples 1979). Some of these groups are more vulnerable than others and could be considered as

disadvantaged and thus can be incorporated into an institutional strategy framework for widening participation within those segments.

Other demographic variables often used to segment higher education groups are income and social class. Rose and O'Reilly (1999) have developed a seven-tier social class system, with higher managerial and professional occupations at the top and routine occupations at the bottom. However, income alone does not necessarily determine educational aspirations. A plumber may earn more money than a teacher, but children of teachers and other similar professionals tend to be more positively disposed towards engaging with higher education. Thus, as Drummond and Ensor (2003) have noted, social class and income are a less important predictor of behaviour in today's society than other methods of segmentation.

Geo-demographic and demographic bases of segmentation thus utilize characteristics of the consumer or the environment as a way of identifying market segments. They have been criticized for being imprecise predictors of segments, as people do not always fall into neat categories because of their outward characteristics, or indeed as a consequence of their neighbourhood. Better predictors of competent segmentation have been found to be based on the consumers' behaviour.

Behavioural segmentation

This comprises a wide range of behavioural measures including consumer attitudes, knowledge, benefits sought by the consumer, usage rates and response to a product. 'Benefits sought' is probably the most widely used framework for behavioural segmentation and is premised on the assumption that the key reason a consumer purchases a product or service is to provide solutions to their problems. These solutions are the intended benefits and they constitute the most appropriate bases for segmenting a market.

In a study of the impact of the new fees regime on students' attitudes to higher education conducted for the Higher Education Academy (Foskett et al. 2006), we found that potential students who were averse to debt could be separated into four groups. The majority were 'risk-based averse', that is they feared that going to university was a risk both in terms of financial disinvestment and in terms of there being no guarantee of employment to offset the financial investment. A second group comprised those we called 'sticker price risk averse' students. This group simply thinks that the new fees are too high and not affordable. A relatively smaller group was 'culturally debt averse'. It comprised students who just did not have a place for debt in their lives. Some sections of the Muslim community simply do not use credit cards and buy everything they own using cash. Their children therefore would not be expected to accept the new loan system which government was

Introducing to help students pay for their higher education. Finally, a small group of students would not get into debt just to experience a life of fun, amusement, debauchery, filth, drink and drugs with which they associated universities. We called this group, 'lifestyle debt averse' students. A 'one size fits all' appeal to these students to understand the benefits of the loan system to finance higher education would certainly be inadequate as it would fail to address the different needs of different segments of student debt aversion.

A survey in the USA found that there were several benefit segments in the market for MBA qualifications (Miaoulis and Kalfus 1983). For example, quality seekers were only interested in top ranked institutions for the prestige and opportunities for advancement that the quality MBA guaranteed in the market. By contrast, there are avoiders, who look for the MBA programme requiring the least effort to complete because they believe that all MBAs are the same. They tend to seek low cost programmes. Yet another group consists of convenience seekers who will join any MBA programme which is closest to where they live and at low cost.

Similar segments have been identified in Australia by Everett and Armstrong (1993) and Goldghein and Kane (1997). More recently, Ivy (2002), using correspondence analysis, has examined university image and MBA student recruitment in South Africa and found six distinct benefit segments:

- *Job markets and status seekers* tend to join the prestigious universities including those offering offshore programmes from the USA and the UK.
- *Business skills developers* tend to utilize the local technicon (equivalent of former polytechnics) institutions while *personal skills seekers* tend to join the more flexible Open University programmes.
- Other segments included *network seekers*, who tended to join institutions with specific prominent academics, and *job promotion seekers* and career planners.

The adult learning market has recently been the subject of significant research in the UK. Based on the assumption that the market is not homogeneous, a recent study by Learndirect has been undertaken to identify attitudes to learning; perceived barriers to learning; attitudes to and past experiences of education; basic skills needed; experiences of learning post full-time education; likely future participation in learning; activities competing with individuals' time for learning; attitudes to different learning models; personality; lifestyles and media consumption.

Data obtained was subject to factor and cluster analysis, and resulted in the identification of segments of the adult learner sector. Seven segments were identified on the basis of their interest to learn including: (1) Personally disinterested and (2) switched off adults, who together comprised 32 per cent

of the adult population. (3) Low priority, (4) independents and (5) conflicting priorities, making 33 per cent of the adult population. (6) Work motivated and (7) enthusiasts, who together comprised 35 per cent of the adult population.

Similarly, Graeves (2004) investigated young people of 15–24 years, their parents and employers to develop insights into their aspirations and attitudes towards higher education. Using cluster analysis and regression analysis, four broad customer segmentation clusters were identified while an aspiration index was constructed around six specific segments of adult learners.

The young people fell into the following segments:

- *Unfulfilled* (30 per cent) – comprising those low in motivation, carefree, unconfident but with potential, time limited and financially restrained.
- *Achieved* (34 per cent) – which included those who were ambitious, contented, below potential and those who regretted their past performance.
- *Disinterested* (20 per cent) – including the unconcerned, unconfident and the resigned.
- *Rejecters* (16 per cent) – including those who had some qualifications and those who had resigned.

The segments developed on the basis of aspirations comprised those who were:

- *Disinterested* (14 per cent) the majority of whom were male, across a spread of social classes.
- *Unfocused* (15 per cent) who felt they had little control over their futures and had no clear idea what they wanted to do, the majority of which belonged to the NEETS (not in education, employment or training) and to the older groups of the young people.
- *Dual focused* (20 per cent) showed signs of both high and low self-esteem and were likely to be studying in further education and more likely to be female, with a fair number of NEETS.
- *Community focused* (14 per cent) who felt they had control over their aspirations, are negative about themselves and not too optimistic about the future. The greater proportions were girls still in school and more likely to live in the South. They aspired to jobs in the social service and helping sector.
- *Disaffected* (11 per cent) comprised disillusioned young people who have rejected education and feel they are failures, disaffected about life and most likely to be still in school. The majority were likely to be boys.

- *Engaged achievers* (25 per cent) were optimistic high achievers, confident about their skills and are likely to be in university already. They aspire to professional and managerial jobs.

Research on student decision-making and attitudes towards higher education also provides broad groupings of young people who constitute legitimate segments that can be targeted using a variety of approaches. Adia (1996) investigated opinions, experiences and decision-making of students from a variety of ethnic backgrounds and found that different family settings had differentiated influence on choice and decisions about joining higher education. Families of different ethnic origins also had different perceived barriers to participating in higher education.

Roberts (1998), in a study of students' horizons, investigated student access to the Internet and the leisure pursuits and hobbies of young people. He found that these aspects were unevenly distributed across different groups and concluded that this would have implications for marketers in terms of promoting or enhancing services and facilities in their locality or campus.

Other key studies which shed light on issues of segmentation have been carried out by Foskett and Helmsley-Brown (2001) on perceptions of nursing and medical careers; Borden (1995) on student satisfaction and priorities with respect to quality and types of services, using this as basis for segmenting student markets within higher education; and Miller et al. (1990) on identifying benefits sought by a group of prospective college students from which higher education entrants could be segmented.

Behavioural segmentation probably provides the greatest promise for identifying specific segments that can be targeted both in terms of marketing and communicating messages for recruitment purposes, and more importantly for customer retention purposes.

Psychographic segmentation

While the behavioural base for segmentation highlights issues such as the benefits sought by customers, brand loyalty and perceptions of usefulness of the product, psychographic segmentation uses variables such as the activities of the applicants, their interests, opinions, attitudes and values. It is a lifestyles approach to differentiating educational markets. One such segmentation approach was used by Roberts (1999) in which he found that male applicants to university tend to use the Internet more than female applicants, who depend more on information in magazines. The implication of this was that in order to reach out to female applicants, the Internet would be a relatively ineffective medium of communication.

Psychographic segmentation stems from the early work of Reisman et al. (1950) which led to the identification of three distinct types of social

characterization of people. They argued that societies are basically made up of three distinct types of social groups.

First are *the traditionalists*, who change little over time. Their behaviour, including purchasing and decision-making, can thus be fairly accurately predicted. In higher education, for example, because of the mileage they have over other groups both in terms of economic and political power, middle-class families tend to keep faith with the older universities which they believe offer the best opportunities for their children to occupy positions of power and influence in various sectors of the economy and public life.

The second group comprises *the other directed*, where individuals shift their thinking to fit in and adapt to the behaviour of the peer group. In a recent study of the decision-making of young people about post-16 options in West London, Lumby et al. (2004) found that a considerable group of 15-year-olds made decisions which reflected current fashionable trends as embodied in the lifestyles of peers and the new curriculum initiatives perceived to have relevance to a life in the limelight.

The third group, *the inner directed* segment, is a relatively smaller group of people who are seemingly indifferent to the behaviour of others and make decisions based on their own convictions.

From this apparently rudimentary classification of people's lifestyles, more complex frameworks have since been developed. The VALS framework, developed in the USA, has expanded the lifestyle classification system to nine segments (Wilson and Gilligan 2002).

The AIO framework, designed to measure Activities, Interests and Opinions, has devised two broad classifications for male and female lifestyles, each with five distinct sub-groupings. The basic assumption behind these psychographic lifestyle classifications systems is that they portray something beyond a person's social class or personality – 'it attempts to profile a person's way of being and acting in the world' (Kotler 1998).

Research in education which has been based on psychographic analysis is sparse. Key studies are those of Roberts (1998) in which he surveyed the views of 18,000 sixth form pupils towards higher education including their hobbies, sporting activities and leisure interests. A significant finding was that going to the cinema was the top leisure activity for both boys and girls. The findings have implications on decisions about channels of communicating marketing messages to young people and for enhancing both recreational and educational support services for young people on campus.

The current university culture is characterized increasingly by a requirement to demonstrate a keen sense of competitiveness. A starting point for developing this is to have a full understanding of consumers' views of the institution's products and services. The answer lies in segmentation, a process through which the broad market is divided into smaller homogene-

ous groups with similar purchasing and behavioural characteristics. It becomes the basis for developing a sound institutional positioning strategy.

Decisions at many levels of university strategy require complete understanding of the institution's primary customer, the students. Quality provision is the key driver of competitiveness and, as Gerson (1993) has argued, the only view of quality that counts is that of the customer. From admissions and recruitment, through to teaching and training departments, accommodation, transport and services, widening participation and student retention, to recruiting in the international student markets, the development and delivery of quality rest first and foremost in understanding the needs of customers and then proceeding to satisfy those needs.

Analytical tools

Segmentation thus provides a mechanism for understanding the customer of higher education through a sound knowledge of their demographic and behavioural profiles, their personality and lifestyles (see National Student Survey in UK Universities 2005).

While the foregoing has offered a broad overview of strategies and bases for segmentation in the higher education markets, it is important to examine in slightly more detail some of the key approaches and analytical tools that have been used in defining and developing market segments in higher education. In particular, we shall review the rationale and application of the following analytical tools which are frequently used in market segmentation studies:

- 1 Factor analysis
- 2 Cluster analysis
- 3 Profiling
- 4 Regression analysis
- 5 Correspondence analysis
- 6 Conjoint analysis.

Factor analysis

In a sense, factor analysis is an umbrella term used to describe all the processes used to gain a better insight and understanding about given data sets which are presented in the form of discrete entities. For example, a survey seeking the reasons prospective students have for joining higher education may identify a long list of different reasons. The task then is to find whether the reasons given form some kind of pattern for certain groups of respondents.

Questions leading to such analysis could include: Do girls give the same reasons as boys? Does age of prospective students have anything to do with some responses? Do the reasons show a geographical pattern? Do any of the reasons given show positive correlation? Thus factor analysis is a group of techniques used to achieve two key purposes: data reduction and structural detection. Initially introduced by Thurstone (1931), factor analysis seeks to identify homogeneous subgroups within a population and so is an indispensable tool for market segmentation.

Cluster analysis

While factor analysis deals with individual variables and how they relate to other factors within a given range, cluster analysis goes a step further to investigate the relationship that may exist between groups of variables. The purpose again is similar to that achieved through factor analysis, that is, to reduce and interpret data. However, the unit for cluster analysis is no longer an individual variable but clusters of variables. Cluster analysis thus seeks to identify a set of groups which both minimize within-group variation while maximizing between-group variation.

For example, the LSC segmentation model for young adults identifies four broad segments: achieved; unfulfilled; disinterested; and rejecters. However, within each segment are a number of clusters which can be targeted separately. Among the unfulfilled segment are those who are carefree, financially restrained, with potential, low motivated and time limited. These clusters constitute sufficient numbers to warrant distinct and differentiated communication and marketing strategies and messages. The carefree cluster would benefit more from communication messages which emphasize seeing themselves in a new world while the unfulfilled with potential respond better to scare tactics which help them to move forward their potential to new levels of aspiration and achievement (Rawlinson 2005).

Profiling

Profiling is perhaps one of the most controversial techniques, developed as a data surveillance strategy aimed at using personal data systems in investigating and monitoring actions of one or more persons (Clarke 1993). It attempts to predict the propensity of individuals or groups to behave in a certain way through a careful analysis of a broad range of characteristics of the group as known from official data sets. For example, one of the most widely used profiles of mature students is that developed by Lynch (1997) which was based on four sets of data collected with the assistance of the Colleges and

the Central Applications Office (CAO) and Central Admissions Services (CAS). The profiles were developed on the basis of the following:

- status, gender and colleges attended (the majority are part-time in further education and male);
- age (the majority are between 23 and 35 years);
- route of entry (the majority had a school-leaving certificate);
- socio-economic status (the majority came from intermediate non-manual occupations);
- domicile (the majority are found in urban settings);
- motivations for entering higher education. Four sub-groupings exist: second chance students; update re-entries; work-related learners; personal fulfilment (the majority belong to the work-related group).

From this, Lynch has profiled a typical mature student in higher education as most likely to have the following characteristics:

- a person (often male) under 35 years of age;
- has completed a school-leaving certificate;
- lives in an urban setting;
- most likely to come from lower middle-class background;
- studies part-time rather than full-time in further education rather than university;
- likely to be pursuing an employment-related course.

Davies (2004) has also developed a customer profile based on postcode mapping using MOSAIC to compare actual participation, retention, achievement, etc. with predicted national averages. For the UK, Davies has identified 11 main groups of customers to higher education based on postcode data. This profiling of higher education customers, he argues, helps institutions to identify best prospect postcodes for direct mailing and contributes to widening participation and more efficient targeting.

Such profiles enable fairly accurate predictions to be made about individuals sharing similar or dissimilar characteristics. They also have implications over a broad range of issues including the identification of equal opportunities, participation rates among different socio-economic groups and barriers to participation for different categories of people.

Profiling thus utilizes data systems which the organization may already hold or which may be held by other organizations to facilitate data concentration or matching. It has the long-term aim of predicting purchase behaviour of various segments and more accurately to target marketing and communication messages to appropriate groups and individuals. Its most

significant application has been the use of direct mailing to groups and individuals who are assumed to exhibit the profile of the intended market.

Regression analysis

Regression analysis is a statistical tool for the investigation of relationships between variables. Often we wish to determine whether there is a causal relationship between variables or simply to determine the strength of relationship between and among a given set of variables. Where a strong relationship is found, it may be possible to assume that the presence of one variable could suggest the simultaneous presence of the other.

We might want to discover and quantify factors that determine the decision to join higher education among adult learners. Myriad factors could include occupation and earnings, gender, age, experience, previous educational attainment, motivation, and so on. Regression analysis allows us to determine the relative influence of a range of factors on a dependent variable to be determined, in this case, the decision to join higher education. Knowledge of the relative influence of factors can be an invaluable tool for marketers' decision-making. Equally, regression analysis can enable us to understand the relative influence of different factors among different segments of the market.

When the analysis is based on the relationship of only two factors, simple regression analysis techniques are applied. When it involves a range of factors, then multiple regression techniques are applied. In both cases, the starting point is to plot data obtained on the variables on a two-dimensional scatter diagram in order to determine the nature of relationship between the variables. Thereafter, appropriate statistical formulae can be applied to determine the strength and relative influence of the range of factors.

Correspondence analysis

Correspondence analysis is a set of techniques aimed at the visual representation of comparative data resulting in the grouping of data categories for ease of display and interpretation. It is thus a descriptive and exploratory technique to analyse data in tabulated form providing information similar to that obtained using factor analysis.

Ivy (2002) used this technique to provide a perceptual mapping showing the positioning of South African business schools. Based on 22 attributes, the mean scores of business schools' attributes were compared with the mean scores of the importance ratings to determine whether the aspects of business school offerings were being met. The same attributes were

then rated by respondents in terms of the importance the attributes had on the selection of a business school at which to register for the MBA degree. Six factors, in order of importance, were identified as exerting significant influence on business school selection. These were:

- reputation and recognition
- academic quality
- academic standards
- views of current students and MBA graduates
- value (relative to costs)
- physical facilities.

Correspondence analysis thus provides answers to those seeking to understand the preferences in choice made by certain segments of the market. It is possible therefore to use correspondence analysis to identify which institutions are favoured by those who consider reputation and recognition as the key consideration in their decision to apply to an institution. Similarly, institutions can work backwards from these data to decide which of those aspects they would like to project more prominently as part of their positioning strategy.

Conjoint analysis

Conjoint analysis is a tool that allows a subset of possible combinations of product features to be used to determine the relative importance of each feature in the purchasing decision.

The product has to be viewed as a combination of attributes which consumers consider either in isolation or in conjunction with each other to make a purchase decision. The goal of conjoint analysis is to assign specific values to the range of options available to a consumer when making a purchase decision. For example, a student might be involved in making a decision about which university to apply to. Among a range of factors they may consider, some will be more important than others and the ultimate choice often reflects a trade-off between factors. Typically, therefore, conjoint analysis enables us to identify the major factors that influence choice and preferences, the relative importance attached to those preferences and whether there may be groups of consumers for whom different factors were more important (Soutar and Turner 2002).

In a study of Western Australian school-leavers' university preferences, Soutar and Turner found that the most important determinants of university preferences were course suitability, academic reputation, job prospects and teaching quality. Conjoint analysis provides accurate insights into students'

decision-making and the attributes that are more likely to create positive preferences, while giving insights into the presence of groups needing specific targeting. It is indeed, as the DSS research on choice modelling argues, one of the best methods for measuring benefits sought by buyers.

Understanding what people most value in an institution's products or services allows the institution to develop strategies to communicate those benefits and to even redesign existing products or even create new ones with these in mind.

Today we no longer need to perform the daunting statistical analyses on our own. There is a good range of organizations which can do such kinds of statistical analyses using a variety of computer software packages. The majority of the analyses described here can be performed by a good SPSS package although there are numerous second generation software packages designed for specific types of analyses. The task for the institution is to decide which data they want. How and in what quantities the data should be collected are decisions that are more usefully made jointly with software and analysis consultants.

Summary

Higher education has become big business characterized by increasing competition in the marketplace. New entrants into this fiercely contested marketplace face many challenges, not least of which is the need to position their products in a market that prides itself on excellence in everything it does.

The challenge for new universities is how to become excellent and at the same time also different. What this chapter has done is to show that strategic positioning is best achieved when the institution has a good understanding of the market that it wishes to serve. Segmentation is a process that delivers such an understanding of the intended markets.

This chapter has explored the meanings and purposes associated with segmentation. It has shown that, because universities are primarily about students, investing time and resources in understanding their needs is the starting point for developing products that will satisfy them.

When we understand where our students come from, what their characteristics are, how they behave towards given stimuli and the general patterns of their lifestyles and life cycles, we can claim to have unearthed the geographic, geo-demographic, behavioural and psychographic basis for segmenting markets. This enables new entrants into a market to decide which markets to target and serve.

It is only when we have a good idea of who we want to serve and why we want to serve them that we can begin to create space for ourselves in the

competitive higher education marketplace and thus position ourselves strongly through making product and service offerings that the customers are looking for.