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IMAGINE...

SESSION EXECUTIVE SUMMARY

The three pillars of marketing: segmentation, value proposition, and business model

Chair:

Diederich Bakker, Hanze University of Applied Sciences, the Netherlands

Speakers:

Joachim Ekstrom, Uppsala University, Communication Department, Sweden

Olga Krylova, Peter the Great St. Petersburg Polytechnic University,
Russian Federation

Overview

In today's environment, higher education institutions must compete for students. Colleges and universities often find themselves in trouble, however, because many don't know who to recruit, what potential students value, and how to provide what they value within budget. Institutions are starting to realise that it is essential to create a marketing strategy. The first step is market segmentation, which will help with the definition of a value proposition and business model.

Context

Olga Krylova and Joachim Ekstrom discussed how higher education institutions can develop a marketing strategy through market segmentation, a value proposition, and a business model.

Key takeaways

Marketing strategies are composed of market segmentation, a value proposition, and a business model.

The key elements of a marketing strategy are:

- 1. Market segmentation:** which customers the organisation wants to serve.
- 2. Value proposition:** what the organisation's offer should look like for a particular segment.
- 3. Business model:** the activities, resources, and partners that the organisation will use to deliver the value proposition and stay within budget.

Key takeaways

Analysis and focus are the keys to successful market segmentation.

Today, higher education institutions must stand out from the crowd as they compete for students. As a result, many colleges and universities are focusing more on marketing efforts.

The first step of market segmentation is analysis. Several sources of information can be used:

- **Statistical data and surveys.** Sources include OECD, UNESCO, national agencies, ministries, and more.
- **Media.** Magazines and online resources are useful.
- **Insights from the market.** These include political, economic, and socio-cultural trends. Recruitment agencies play an important role.
- **Data from current applicants and students.** It is valuable for institutions to create their own surveys. Key questions include: Who are your students? What are their expectations? What factors are important for them? What rational factors influenced their decision? What emotional factors played a role?
- **Analytics.** Good sources are Google Analytics, as well as analytics from web portals.

After analysis, the second important step is to focus. With limited marketing budgets, focus is essential when developing marketing and product strategies.

Key takeaways

Market segmentation can be done based on geography, programme type, demographics, psychographics, behaviours, and more.

Institutions can take different approaches to market segmentation:

- ***Geographic market segmentation.***
This defines segments according to geographic criteria such as countries, states/provinces, regions, cities, neighbourhoods, or postal codes. Online analytical tools, like Google Analytics, can analyse where website visitors are coming from. Information derived from geographic market segmentation can be used to customise marketing materials for regional recruiters.
- ***Segmentation based on programme type.***
To determine where students come from, Peter the Great St. Petersburg Polytechnic University analysed three types of programmes: degree programmes in Russian, degree programmes in English, and summer programmes in English.
- ***Demographic market segmentation.***
This analysis is done based on standard demographic variables like age, gender, family size, income, occupation, education, social status, and family life-cycle stage.
- ***Psychographic market segmentation.***
Psychographics are often studied in parallel with demographics, since people in the same demographic group often have very different psychographic profiles. Psychographic profiles may represent an individual's interests, activities, opinions, attitudes, and cultural touchstones.
- ***Behavioural market segmentation.***
This segmentation divides people into groups based on their knowledge of, attitude toward,

Key takeaways

use of, and response to a product. Tips for conducting behavioural market segmentation in higher education include:

- *Prospective students.* This group needs to feel connected. For greater effectiveness, segment prospective students based on where they are in the admissions process.
- *Alumni.* To create a sense of community, segment alumni based on their fields of study. Another approach is to segment based on graduation year.
- *Parents.* To encourage interest in departmental news or research, segment parents based on their child's college or major.
- *Current students.* This group could be segmented based on field of study, class year, or dorm. Consider contacting students regarding relevant speakers or shows on campus. Encourage participation in on-campus contests or competitions.

Key takeaways

Rational and emotional factors influence students' decisions about where to study.

Both rational and emotional factors come into play, as students are deciding which institution to attend.

Rational factors	
Strategic alliances	Part-time job opportunities International academy alliances
Quality and high standards	High standard of education Excellent teaching staff Excellent resources for research
Image	Experience and achievements of institution Opinion leader graduates Social cultural activities Friends attending
Infrastructure and physical facilities	Cleanness and safety Excellent physical and campus facilities
Academic and career opportunities	Academic reputation Job placement after graduation
Cost and tuition fees	Cost and tuition fees

Emotional factors (why studying in University)	Emotional goals (how do you see yourself when you finish studies)
Improving oneself	Working
Enhance economic status	Supporting personal expenses
Improve economic welfare	Mature
Independency	Self-confident
Be able to manage on one's own	Focused on self-development
Be respected by people	Professional
Great professional	Recognized
Achieve personal goals	Experienced
Help parents out	Searching for a job
Enjoy oneself	Living abroad
Improve quality of life	Entrepreneur

Key takeaways

Canadian and Spanish researchers recently analysed students' process of choice and combined emotional and rational factors. They divided students into six segments:

- 1. *The Independent.*** These students are independent and self-confident, looking for a university with a good image. They want to enjoy themselves.
- 2. *The Entrepreneur.*** These are students with strong entrepreneurial intentions, focused on self-development and searching for academic and career opportunities.
- 3. *The Rational.*** Rational individuals seek a high quality standard and are looking for a professional career. They don't differ significantly in their emotional goals. The emotional factors that matter to them are related to their material well-being and commonplace factors (eg, they look for improved quality of life and professionalism).
- 4. *The Dreamer.*** Dreamers want image and high quality, but at low costs. These students don't differentiate significantly in their emotional goals, probably due to the conflict between their aspirations and reality. They tend to pursue a university career because they long for personal development, yet they are the least focused on being able to manage on their own.
- 5. *The Hard Worker.*** These students strive to improve their welfare and achieve their professional goals. Cost is very important, as well as infrastructure and physical facilities.
- 6. *The Emotional.*** Highly emotional students often attend public, low-cost schools. They are looking for recognition in their community, want to help their parents economically, and want to achieve personal goals.

Key takeaways

It is important for institutions to understand which student groups they want to serve. Peter the Great St. Petersburg Polytechnic University is working with dreamers and hard workers. Both groups are price-sensitive, but are also looking for high standards of education.

“When conducting market segmentation, remember that potential students are humans. Don’t forget to take emotional factors into account.”

— Olga Krylova

Uppsala University developed a marketing strategy in response to increased tuition and decreased enrolment.

Uppsala University in Sweden is a prestigious, top-ranked institution. However, in 2011 the Swedish government began charging tuition fees ranging from €10,000 to €15,000 per year. As a result, 70% of students disappeared. The university was forced into a new market position, competing for wealthy, talented students. Worldwide, around four million students start a degree programme each year and around half pay tuition fees comparable to those in Sweden. While the market is big, Uppsala University isn’t suitable for all students. In response, Joachim Ekstrom decided to identify market segments that would be an ideal fit. He also set out to create a marketing strategy.

The guiding principle for marketing and recruiting at Uppsala University is: ‘we help prospective students become successful alumni’. This meant that administration needed to take four actions:

1. Look beyond enrolment and registration.
2. Be honest, so the institution gets prepared students.

Key takeaways

3. Emphasise strengths relating to a particular market segment.
4. Focus on developing the student experience, not just telling prospects about it.

“To help prospective students become successful alumni, we had to look beyond enrolment and registration and develop a marketing strategy.”

— Joachim Ekstrom

The work that Uppsala University did to complete its marketing strategy included:

1. Market Segmentation

- *Conducting interviews with programme directors to identify the ideal student for the university.* These discussions covered the application and admission process, programme design, career opportunities, the ideal student profile, and more.
- *Clarifying potential market segments.* Uppsala University identified two groups of students: individuals who pursue a Master’s degree and go on to earn a PhD, and individuals who see a Master’s degree as a way to get a job. The first group was best suited for the institution. The Masters to PhD group could be divided into three segments: future academics, altruistic innovators, and high flyers.

2. Value Proposition

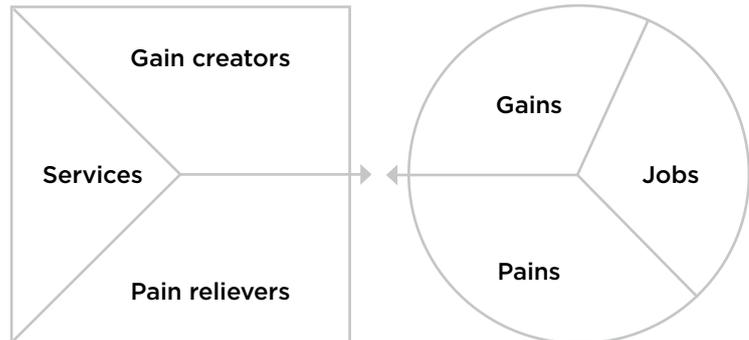
- *Gather data for the value proposition.* Ekstrom used a framework called the ‘Value Proposition Canvas’. He focused on gains that students hope to obtain by studying for a Master’s, the pains associated with making that decision, and jobs students need to do to complete a Master’s degree.

Key takeaways

Value Proposition Generation

The value proposition canvas™

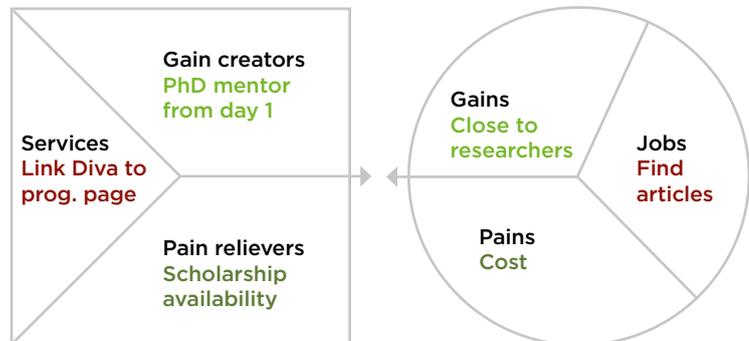
Source: Strategyzer.com and Strategyzer AG



Value Proposition Generation (UU case study)

The value proposition canvas™

Source: Strategyzer.com and Strategyzer AG



- *Finalise the value proposition.* Uppsala University's value proposition is that the institution is a great place for students who want to go on to a PhD. position later, because 35% of its Master's graduates have earned a PhD.

Key takeaways

3. Business Model

- *Generate the business model.* Ekstrom used a second framework called the Business Model Canvas, which connects value propositions with market segments. It also articulates the key activities, resources, and partners needed to fulfil the value proposition. Using the BizCanvas iPad app, Ekstrom created Uppsala University's business model.
- *Realign communications.* Uppsala University modified its messaging to prospective students to align with the business model. For example, it previously promoted the university as high quality and top ranked. Now communications focus on kick starting a research career, since 35% of all Master's graduates go on to complete a PhD. The website also includes an ideal student profile.

UU case study The Business Model Canvas™ Source: Strategyzer.com

Key partners	Key activities	Value proposition	Customer relationships	Market segment
Local scholarship organisation	Scholarship accreditation	Improving your odds of getting into a PhD program	Channels	Future Academics
Alumni industry partners	US Loan accreditation			
William D.F. Loan Program	Fundraising	Best value pathway to a research career		
	Key resources			
	Scholarship fund			
Cost structure			Revenue streams	
Fundraiser Scholarship admin Scholarships			Scholarship funds	
	WDFLP administrator			

Example focusing on the Future Academics financial pains