

# CUSTOMER SEGMENTS ON THE HIGHER EDUCATION MARKET

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## Abstract

*The last decades have marked a boom in university education worldwide. An increasing share of secondary school graduates continue their education at tertiary level, in the hope of higher future salaries and better career opportunities. On the other hand, the ever-increasing supply of educational services has led to an increasing heterogeneity of services offered by higher education institutions. Students can choose between different fields of study, between different universities, prestigious, between different modes of study etc. The alternatives also differ in terms of tuition fees and salaries expected after graduation. In this context, understanding the determinants of student choice becomes essential for forecasting and designing the services provided by higher education institutions. This paper addresses the issue of segmentation in the higher education market - a component of the research field of higher education marketing, which is still in a pioneering stage.*

**Key words:** higher education, marketing, market segmentation

**JEL Classification:** D4; D47;M31

## 1. Introduction

A consequence of the “massification” of higher education and of the restriction of public funding for this sector (UNESCO-UIS, 2016) is the fierce competition on the market. As a result, higher education institutions must to accept that education becomes a business that must be managed according to the rules of the market. Concepts such as competitive advantage, market positioning, student-customer, differentiation, promotion, quality, costs, efficiency etc., are becoming more and more present in the university management.

In this paper we approach the topic of the segmentation of the higher education services market, as a useful step for managers to understand the key factors that determine the students' choice of one or another of the existing higher education institutions on the market. The consequence of this understanding will be a more realistic reporting of the academic environment to the characteristics and expectations of students, as well as the increased ability of university management to apply and gradually adapt marketing theories and concepts that have proven effective and beneficial in business to generate competitive advantage and a higher market share for the managed universities.

## 2. Literature review on the transfer of marketing concepts in education

Although the literature offers a relatively small number of studies on the transfer of marketing practices and concepts from other sectors to higher education, approaches can still be noted:

- Understanding who are the clients of the higher education institutions, respectively: students or employers (situation in which the graduate is the “product” and not the client) (Conway et al., 1994) - there are authors who reject the idea of approaching the student as a simple client and the approaching of the higher education as a simple business;
- Marketing communication - various studies analyze the extent to which the information that universities transmit to potential students responds to their need for information.
- Reputation - studies on this component of the marketing approach have highlighted the need for the “new universities” to define their market position in order to attract students from the traditional universities. (Matherly, Tilman 2015, Sabando, Zorrilla, Forcada, 2018)

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➤ Applicability of the marketing models - The conceptualization of the education as a service, respectively as a product has been addressed in some papers, researchers recommending that higher education programs to be marketed based on the principles of service marketing (Umashankar, 2001). Also, in this context can be mentioned some limited in number studies, which propose the implementation of the transactional marketing model (based on the marketing mix) in education (Binsardi & Ekwulugo, 2003), respectively studies that propose the implementation of relational marketing in education (based on the idea that the two parties involved in the market relationship, seek, rather to develop a relationship than to conclude a transaction) - (Wong, Leung, 2018);

➤ Market segmentation - The topic of market segmentation has also been a key topic of research aimed to explore the possibilities of applying marketing theory in the higher education sector. Researchers have suggested that a more significant differentiation of the market approach of universities is needed, along with a more precise dissemination of these differences to students. The motivation of the interest for segmenting the market of higher education services is that, like any economic and social entity, universities have finite resources, being impossible to offer to the market all the products and services expected by any potential student. As a result, the best thing to do is to provide selected service packages for selected groups of people. Thus, the higher education institution will be able to focus on the specific needs of its students in the most efficient way.

According with the topic of the paper, we will present a more detailed analysis of the literature on the segmentation of the higher education market.

The concept of market segmentation was first introduced in marketing terminology in 1956 by an American professor of marketing, Wendell Smith, being defined as a management tool that allows companies to subdivide their market, based on certain criteria, into groups of consumers with similar behaviors. Segmentation is a rich field of conceptual research that addresses the definition and analysis of a market, explaining the types of consumer behaviors, the adequacy of basic variables and the relationship between them and managerial decisions. The complexity of the market segmentation process has made this a difficult activity. The high level of complexity of market segmentation approaches is also accentuated by the fact that specific segmentation solutions and criteria must be found for each type of market, because the same reasoning and segments are not viable in any market conditions.

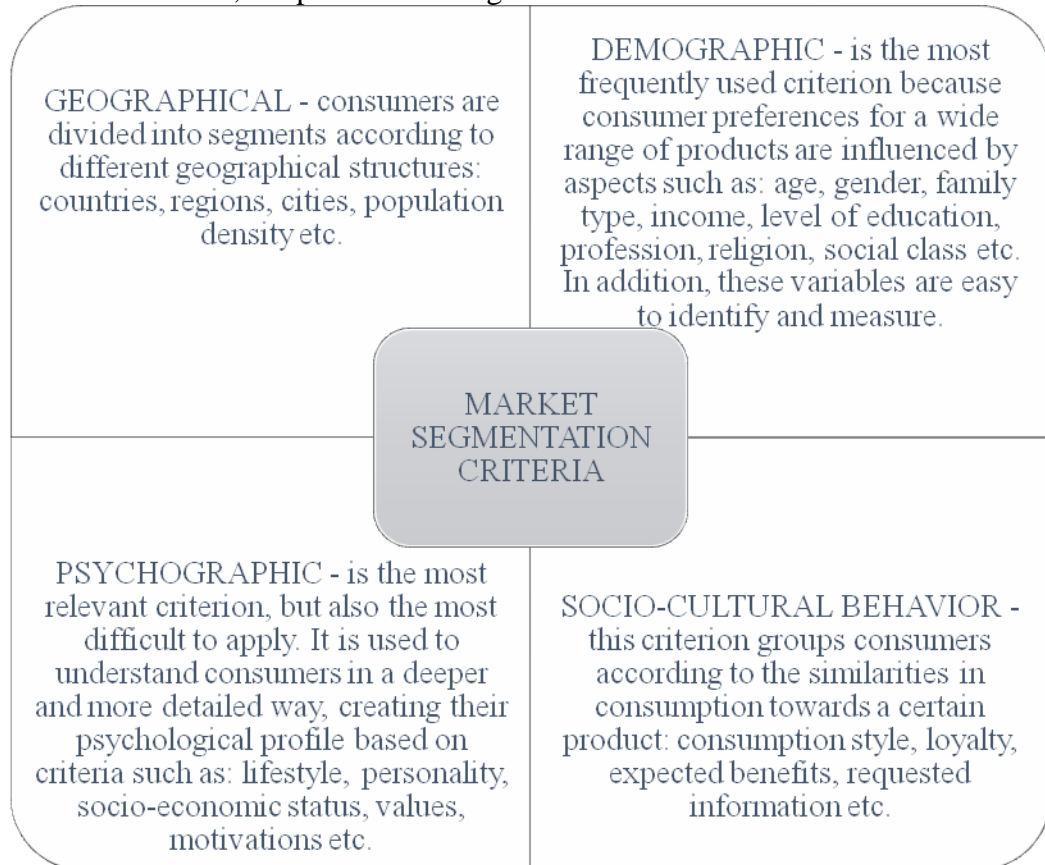
The literature studies various factors considered to have a significant impact on the decision to choose the higher education institution. Thus, among the most frequently studied factors (and the most important for respondents) in choosing the university are: tuition fees (Bergerson 2009; Flaster 2018); admission conditions (Brown et al. 2009); facilities, such as: endowments with computers and libraries, quality and costs of university accommodation (Price et al. 2003). Prospects for graduate employment and post-graduation salary are also important decision-makers for potential students (Soutar and Turner 2002; Maringe 2006). Other attributes studied in the literature include: distance from home (Price et al. 2003; Drewes and Michael 2006), the location of the university in a particular country (Moogan et al. 2001); the quality of the educational process and the qualifications of the teaching staff, the reputation and image of the university (Stephenson et al. 2016) or the position in the national / international classifications (Pasternak 2005; Clarke 2007).

On the other hand, there are opponents of the introduction of market forces in education, who believe that educational institutions should oppose any marketing approach, since the business world morally contradicts the values of education. However, the general opinion is that the current economic and social context requires university managers to consider marketing not as a foreign concept, imported from the business world, but as a viable philosophy and as a strategy for developing a market for higher education services that meet the needs of today's students. For any university, marketing approaches create value for all

stakeholders, namely potential students, current students, graduates, employers of graduates and sponsors, teachers, society.

### 3. Segmentation of the higher education market

The process of identifying relevant segments for the education market is a difficult one and the relevant literature is poor. The criteria traditionally used in the segmentation process, regardless of the market, are presented in Figure 1:



**Fig 1. Market segmentation criteria**

Sursa: Kotler Ph., (1997), *Managementul marketingului*, Ed. Teora

According to these market segmentation criteria, various dimensions can be used to divide the aggregate market for educational services into relatively homogeneous subcategories. At the same time, the four traditional segmentation criteria must be analyzed to determine the extent to which they are relevant to a particular educational context. As universities explore different segmentation options, they need to keep in mind that, according to Kotler, a market segment is relevant when: it is clearly identified, it is relevant (it is as large and homogeneous as possible), it is accessible (can be approached and served efficiently), is differentiated, is accessible (can be acted upon). (Kotler, 1997)

Next we will present a series of models offered by the literature that can be used by higher education institutions to identify market segments, which will serve those concerned with the management of educational institutions in Romania in order to identify relevant segments for the national market.

➤ *Geographical criteria segmentation* - Geographical segmentation in higher education marketing is relevant and recommended to be used in the context in which the university targets groups of potential students, interested or not to stay close to home to study.

➤ *Demographic criteria segmentation* - on the educational services market it is estimated that it is relevant to differentiate according to age groups, for example, young people under 19 and mature students (those over 25) have very different needs and characteristics (Oplatka and Tevel, 2006). On the other hand, gender segmentation is usually not relevant except for certain types of professions, dominated by either men or women. Income segmentation may be relevant for services offered against the payment of a tuition fee.

➤ *Psychographic criteria segmentation* - examining the influence of socio-economic factors, respectively the socio-economic status on the choice of university, has been frequently analyzed in the literature (Hemsley-Brown and Oplatka, 2015). The findings reveal significant differences in the choices made by students depending on the social class they come from. There are several models of psychographic segmentation created for the education sector, one of which is representative, developed in 2014 by the Parthenon Group which identifies six segments of potential students based on their aspirations after graduation. These groups are:

- ✓ Aspiring academics - young people (19-24 years) with very good learning results during high school, with the hope of professional achievement after graduation who are looking for the best rated faculties. It is estimated that 24% of students fall into this category.
- ✓ Coming of age - students who do not know exactly what they will do after graduation, they go to college to respect a certain social model accepted in the environment they come from, they are not interested in exceptional educational services. It is estimated that 11% of students fall into this category.
- ✓ Career Starters - pragmatic students, they want a professional career in order to obtain a decent salary and a social status. They are influenced, in the choice of the institution, by the costs associated with the participation in the study program. It is estimated that 18% of students fall into this category.
- ✓ Career Accelerators - adult students who already have experience in the labor market and who want to professionally advance. They appreciate those institutions that offer non-traditional learning methods (for example online). It is estimated that 21% of students fall into this category.
- ✓ Industry Switchers - there are students who are looking to get a better position on the labor market, currently being unemployed or having low incomes. It is estimated that 18% of students fall into this category.
- ✓ Academic Wanderers - students who enroll in college later, who want a diploma without knowing exactly what it will be used for, and who do not attach importance to academic performance. They usually have low incomes or are not employed. It is estimated that 8% of students fall into this category.

➤ *Behavioral criteria segmentation* - this analysis in the context of higher education may include the extent to which students are interested in studying in part-time or part-time education, the type of programs they prefer (bachelor's / master's / doctorate), because their behavior on the market is differentiated according to these behavioral factors.

A behavioral segmentation scheme of the educational services market, which emphasizes consumer motivation is achieved by combining two dimensions, namely: the benefits expected by the potential student and the motivation behind consumption. Accordingly, the expected benefits / motivation matrix is shown in Figure 2:

<b>Principle benefit sought</b>	Career learner	Social Improvement Learner	Leisure Learner	Ambivalent Learner
	Quality Buyer	Quality Buyer	Quality Buyer	Quality Buyer
	Career learner	Social Improvement Learner	Leisure Learner	Ambivalent Learner
	Value Buyer	Value Buyer	Value Buyer	Value Buyer
	Career learner	Social Improvement Learner	Leisure Learner	Ambivalent Learner
	Economy Buyer	Economy Buyer	Economy Buyer	Economy Buyer
	<b>Motivational forces</b>			

**Fig. 2 – Benefits/ motivation Matrix on the higher educational market**

Source: Levison, D.M, Hawes, J.M. (2007), Student Target Marketing Strategies for Universities, *Journal of College Admission*, URL: <https://files.eric.ed.gov/fulltext/EJ783948.pdf>

The types of students identified in this matrix have the following characteristics:

A. Depending on the expected benefits:

A.1. - Quality Buyer - A student who demands high quality services and is not overly concerned about costs.

A.2. – Value Buyer - A student who expects a fair value for money; seeks high quality for the money spent and expects service levels to match price levels.

A.3. - Economy Buyer - A student primarily interested in minimizing financial costs, as well as acquisition costs, which tends to favor the offer of less expensive services and the easiest to purchase; is a consumer willing to accept marginal quality if the price is right and the purchase is convenient.

B. Depending on the motivational forces:

B.1. – Career learner - This type of student is looking for the development of specific skills and competencies that will increase his chances of integration into the labor market, obtaining increased salary compensation, building a professional career and advancing in social class.

B.2. Social Improvement Learner - This type of student has as main reason for participation in educational services broadening horizons, expanding general knowledge, expanding knowledge of personal interest, achievement to full potential, self-realization, personal development.

B.3. Leisure Learner - This type of student participates in university studies for entertainment and / or recreational value offered by these services. This person wants educational services that offer him pleasant learning experiences, allow him to socialize, improve his quality of life, ensure his general mental well-being.

B.4. Ambivalent Learner - This is a student whose main reasons for purchasing educational services are unknown or unclear. This individual seeks educational services to satisfy someone else (for example, parents), to identify possible interests, to try to orient themselves, or to avoid other life experiences.

## Conclusions

The Romanian higher education market has evolved substantially in the last 30 years since the beginning of the transition from centralized planning to the market economy in 1989. In terms of supply, the number of higher education institutions has increased considerably and there has also been an increase in the number of private higher education institutions that provide education in areas where demand was high and delivery costs are relatively low, such as economics, law, pedagogy, sociology, psychology etc. Along with the development of private higher education institutions, new public universities were established on the market and, at the same time, public universities in Romania have started to offer educational services supported by tuition fees paid by those students who were not admitted to places of study offered free of charge by the public system.

Corresponding to the increase in the supply of educational services, there was also an increase in the demand for educational services, a growing interest in tertiary education. It was partly determined by the increased share of the young population, still at an age when it is not too late to attend university, if access to higher education could not be achieved immediately after graduating from high school (baby boomers from the 1950s), then from the perspective of a faster access to the labor market, of building a professional career as well as a higher salary, because of university degree. Also, the strict limitation of places in higher education during the communist period made the demand for university certifications to obtain or to consolidate a social status become very high during the period of economic and social liberalization.

However, starting with 2007 - 2008 it was noticed a restriction on the higher education market in Romania. Regarding the demand, in 1990 (according to INS data) there were 192,810 students in Romania, and their number increased sharply until 2007-2009 (when the number of students in Romania exceeded 900,000, of which about 400,000 in private universities), subsequently registering constant decreases in the number of students - in 2018 they were approximately 538,000, according to Eurostat - and of these about 10% were students of private universities. The causes are multiple: reducing the number of high school graduates; fewer people who choose to study more than one university degree at a time (unlike in previous years); demographic decrease of the population at schooling age for this level of education (19-23 years); increased dropout rate of the pre-university education system; external migration etc. The offer of higher education services has had a similar evolution. In 1989, there were 186 faculties in Romania (some of them were only for sub-engineers), all state-owned. Then, the number of faculties in Romania reached 631 in 2007 and decreased to 545 in 2008.

In such a context, it becomes obvious the need for a market orientation of both private and public universities in Romania, through approaches designed to capture the local specifics of "consumers" of services offered by universities.

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