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CUSTOMER CENTRIC MARKETING STRATEGY FOR UNIVERSITIES

The purpose of the paper is to analyze the ways of using a customer centric approach to develop a marketing strategy for universities. Customer centricity is defined as the university marketing strategy that implies unique intra-disciplinary and interdisciplinary studies, bringing into line individual students' experiences and capabilities with changing the market place and job opportunities. The main forces that urge higher education institutions to change the core of their marketing strategy are characterized; namely, MOOC development and eliminated geographical barriers that stimulate students' mobility. Further, four important directions of customer centricity are described, depending on the role the students and other university target audiences play in the process: the customers being the source of sustainable competitive advantage; customers as the source of information for the company; customers as the source of information for other representatives of the target audience; customers as employees and value co-creators. Universities need to revise their marketing mix, implementing consumer-oriented elements and reducing students' risks and expenses. Students should also be an essential part of the university's integrated marketing communications as the source of relevant information for target audiences. In addition, the role of students in value co-creation needs significant expansion. Customer-centricity in this case will no longer be limited to the use of individual elements without significant positive effects, but it will ensure obtaining a long-term competitive advantage in the education market. In a world of life-long learners it will not only assist in completing singular transactions with first-year students but also ensure repeated "purchases" among alumni.

Keywords: customer centric, marketing strategy, university management, sustainable competitive advantage.

JEL classification: L1, L2, I25, M10

Introduction and the research problem. Higher education globally and in Ukraine in particular is now experiencing the effect of the same forces the music industry suffered from a couple decades ago: technology development, the Internet penetration rate, and a low level of the intellectual property rights protection in some countries have destroyed geographical and financial barriers for gaining knowledge and receiving education. As iTunes, YouTube, SoundCloud, and other online music platforms have created strong competition for record labels, online education platforms are now threatening the monopolistic role of off-line universities as the only alternative to a degree granting higher education institutions.

Under these circumstances, we consider that the role of the customers, their needs, expectations, and experience should become the core of the university competitive strategy in general and its marketing strategy in particular. Following the concept of customer centricity, educational institutions will be able to achieve and retain sustainable competitive advantages.

Recent publication analysis. The customer has been in the focus of marketing science since 1950 when a traditional marketing paradigm took over the production paradigm. Yet in the recent 10–20 years the role of the customer in the marketing management processes has changed and the customer-

centric approach has overtaken the product-centric one. J. Sheth et al., when defining the customer centric marketing, points out that it “emphasizes understanding and satisfies the needs, wants, and resources of individual consumers and customers rather than those of mass markets and mass segments” [1]. It means that we can no longer regard our customers as a homogeneous market segment but should to some extent address their personal differences. At the same time, M. Tseng and F. Piller draw attention to the fact that customer centricity should correspond to economic expediency: “The basic idea of being customer centric can be considered as achieving the ultimate goal of quality management: meeting individual customers' requirements exactly without a significant increase in production and distribution costs” [2, p. 4]. Practical marketers, when talking about customer centricity, focus on creating a perfect customer experience in addition to a high-quality product or service. The study conducted by Watermark Consulting in 2015 showed that the companies implementing customer-centric marketing outperformed the market: their total return was 35 points higher than S&P 500 Index companies, while laggards posted the total return that was 45 point lower than that of a broader market [3]. In terms of higher education, D. Hofmister describes the customer-centric model as the one that “needs to develop paths to degrees that allow for unique intra-disciplinary and

interdisciplinary studies that bring into line the experiences and capabilities of the student with changing marketplace and job opportunities” [4].

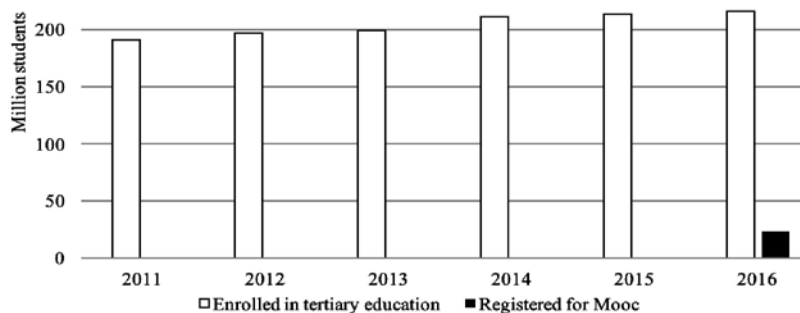
Some aspects of customer-centric educational marketing are covered by Ukrainian researches I. Zharska and N. Shulpina (consumer behaviour research) [5, 6] and S. Vilchynska (relationship marketing in education) [7].

Unsolved parts of the problem.

Despite the fact that customer-centric marketing has proved its efficiency for product and service markets, it is still difficult to build the whole picture of what customer-centricity is and what instruments should be used to implement it. In addition, the value proposition of higher education institutions is at odds with what students as customers really need, and the classical marketing models do not work as well as they used to. Though universities understand the increased role of consumers and their changing needs, they are trapped in a product-centric paradigm. University management is trying to adapt by widely introducing new technologies to the educational process and using digital marketing tools. However, these steps are still aimed at improving classical 4P Marketing-mix and can be easily borrowed by their rivals. The measures are mostly haphazard, making it difficult to reach the essential improvement in the students’ experience and satisfaction. Therefore, universities should search for more customer-centric marketing strategies, where a student, but not the education process itself, is the core of the value formation.

Research goals. In this paper, we are going to investigate possible ways of transforming the university marketing strategy into a customer-centric one. We would like to consider the ways the customers’ needs can be taken into account while developing and implementing the marketing strategy of a higher educational institution.

Main findings. According to recent statistics, around 23 million new learners signed up for their first MOOC (Massive Open Online Course) in 2017. The number was almost the same for 2016. It took MOOC providers only 7 years to reach 81 million of the total number of learners. The largest and the most popular platforms of online courses are Coursera, edX, XuetangX, Udacity, and FutureLearn which occupy almost 85 % of the MOOC market [8].



Source: UIS Database, Class Central

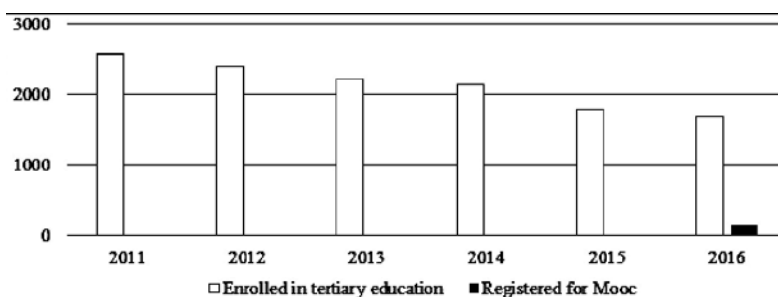
Fig. 1. Enrolment in tertiary education and MOOC users’ registration globally, 2011–2016

Despite the fact that the total dynamics of newly registered users for MOOC follows the trend of the whole tertiary education market (see Fig. 1), the numbers prove that the latter can take a significant stake of the market pie: in 2016 for 215.7 million newly enrolled students globally we had 23 million of those registered for the open online courses, which is about 10 %.

The same distribution between the classical offline education market and online platforms characterizes the local Ukrainian market. For almost 1.7 students enrolled in tertiary education in 2016, the Ukrainian MOOC platform Prometheus declared about 150,000 newly registered users in a year, which is 8.9 % (see Fig. 2). This tendency is especially alarming, as the number of students enrolled in tertiary education has been constantly dropping since 2011.

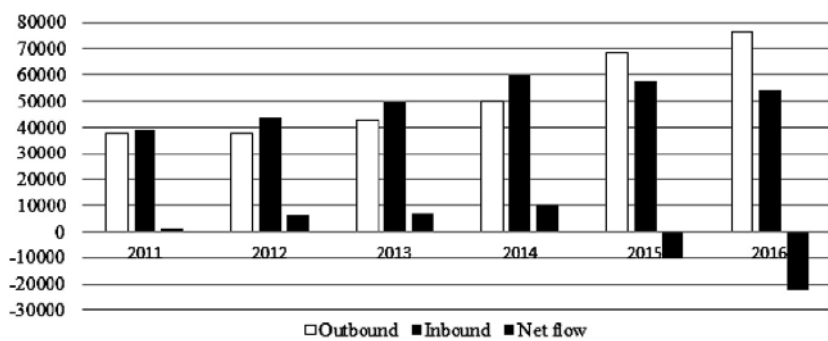
We should also mention the global trend of eliminating geographical barriers for students’ migration as the factor, influencing higher education in Ukraine and in the world. Fig. 3 shows the number of students from Ukraine who took part in mobility programs, as well as the number of inbound mobile students. The numbers show the negative net flow of mobile students in Ukraine in 2015–2016.

The vast development of online learning platforms and the increase in the number of the net outbound mobile students lead to the increase of the bargaining power of customers (in our case, students). M. Porter refers to this as to one of the five forces influencing the



Source: UIS Database, Prometheus

Fig. 2. Enrolment in tertiary education and MOOC users’ registration in Ukraine, 2011–2016



Source: UIS Database

Fig. 3. Ukraine inbound and outbound mobile students, 2011–2016

level of the industry unattractiveness. A dramatic reduction of the switching cost when choosing education alternatives online and lower geographical barriers when considering education abroad make students active customers, but not just passive market participants in the higher education in Ukraine.

In these circumstances it is highly important to understand the complexity of relations between students and universities, as well as to implement the customer-centric approach to University management. In order to systematize the tools available for higher education institutions, in Fig. 4 we group them according to the role the customers play in the customer-centric university marketing process.

Customer as the source of competitive advantage. In our previous research on the consumer behaviour [9, 10], we indicated that at a certain stage of its evolution marketing has switched its attention from the product to the customer. The relationship marketing determined CRM technologies and practices (Customer Relationship Management) as its core factor, and Holistic marketing is aimed at integrating marketing into the management process at its initial stages. As a result, researchers and marketers have revised their views on a product-based

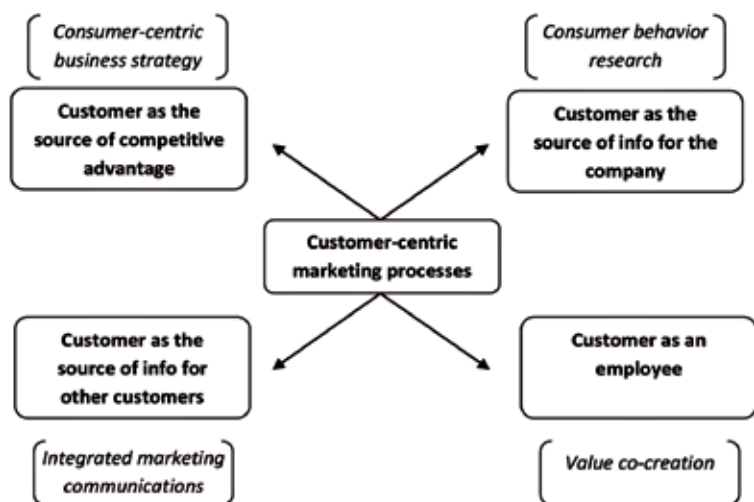


Fig. 4. Customers' role in a customer-centric marketing strategy

marketing mix (4P) and transformed it into more customer-oriented models (e.g. 4C and SIVA). Universities all over the world also try to revise their marketing mix as a part of the strategy, implementing consumer-oriented elements. To awaken the interest to their prospective students, universities use the so popular on the product market “try-before-you-buy” concept and create courses for the online platform.

They further partner up with MOOC providers and create the whole MOOC-based degree programs in credential formats like the Online Masters of Science in Computer Science (Udacity and Georgia Tech), which has around 6,000 students enrolled, or the iMBA (Coursera and the University of Illinois) with over 800 enrolled students.

At the same time, higher education institutions introduce distance courses as a part of their education process in order to increase the availability for different categories of students. In the USA, the number of students taking at least one distance course has increased gradually since 2002 and comprised 29.7 % of all higher education enrolments as of fall 2015 [11, p. 11].

However, it should be pointed out that these activities will not ensure the companies long-term competitive advantage as they are still product- and technology-based with the customer in mind. Contrary to such “upstream” sources of business strategy cores, N. Davar suggests looking at “downstream”, where companies interact with customers [12]. His customer-centric approach implies the reduction of customer costs and risks. Such costs and risks for students arise when there exists a gap between education programs and the skills needed in the workforce market.

As a result, students have to invest additional time and money to attain needed skills from alternative resources (MOOC, internship, etc.). Employers, in their turn, cannot rely on newly graduated workers and have to create their own education programs. When implementing a customer-based business strategy, it is possible for higher education institutions to reduce the mentioned above risks and costs through connection with the workforce. The Western Governors University cooperates with employers in designing their degree programs, defining, and mapping competencies in their

curriculums. S. Pulsipher emphasizes that “if we connect employers and education earlier in the process, we are more likely to close that gap as the graduates are entering the workforce” [13].

Customer as the source of information for the company. According to N. Danvar [12], one of the possible ways of reducing customer costs and risks in search of the sustainable customer-based competitive advantage is the approach of “accrue and deploy customer data”. This approach highly correlates with using customers (students and employers) as the source of information about their needs, desires, and the market behaviour. Managing alumni databases, having an opportunity to investigate possible problems alumni face at their first work places, universities can then implement these findings into their education process. Using conjoint analyses, questionnaires, and customer journey mapping, the university management will be able to deeply understand students’ needs and touch points where these needs can be addressed and met by the universities.

In addition, educational institutions can become a valuable source of information for students about the competencies needed at the workforce market. The latter can include not only professional and technical skills but also soft skills, improving employees’ general performance. Having access to such information either through their alumni or through different ways of partnering with business representatives, universities can analyse the acquired data classified by industry, the employee’s position, the company size, etc.

Customer as the source of information for other customers. Students, alumni, and employers can have a significant impact on the university reputation and highly influence the decision making process for prospective students. Therefore, they should be in focus of the university marketing team and an essential part of its integrated marketing communications. Their most important role is in complementing the owned media of higher educational institutions and in creating earned media. Below we name just a few examples how universities can benefit from students and other customers as the source of information for others:

- Current students and alumni can generate content for digital marketing tools, giving the prospective students and employers an idea of the program content, the level of teaching, the fields and projects that can be of interest for university-student-employer cooperation. Once a university gives students an opportunity to write course reviews using their own resources, the latter will have no need to create alternative sites for these kinds of conversations;

- Alumni can become the brand advocates for education institutions and generate positive content on their own social media pages or other communication platforms (online and offline). Being a part of a community and living through all the great expe-

rience while studying, they will add to the university the earned media resources. In addition, they often become volunteers of on-campus projects and events, promoting them on their own behalf.

- Employers are also contributing to university communication as their partners or places of work for their alumni. Having joint projects, they add financially and organizationally to the university marketing budgets, telling the society and prospective students about the sphere of interests and the possible ways of cooperation with future employers. Well-known business, political, and NGO representatives become the role models for school leavers. Thus, by mentioning their alma mater on their social media profiles and in interviews, they add popularity to educational institutions, they graduated from.

Customer as an employee. This group of instruments covers all the possible value co-creation methods. According to Dunlosky et al. report on effective teaching techniques, self-explanation (whereby students explain some procedure or process to themselves), and elaborative interrogation (whereby students ask themselves why the information they are reading is true) were shown to be reasonably effective in experimental studies [14]. These techniques are successfully introduced as a part of peer-lecturing at the National University “Kyiv-Mohyla Academy” in the 4th year of Bachelor programs and on Master programs.

Another example of value co-creation is engaging businesses as future employers to the teaching process. They are also, to some extent, higher education customers and can create additional value for students and universities through MicroMaster programmes, students’ contests, and guest lectures. To see more examples on the role of customers as value co-creators in higher education, please refer to our article [15].

Conclusions and further research suggestions. University management, operating in a highly dynamic and changing environment, understands the importance of introducing a customer-centric strategy to the educational market. A more complex view on the topic, where four roles of university customers are described (the source of competitive advantage, the source of information for the university, the source of information for other customers, and the value co-creator), gives an opportunity to gain a synergic effect from implementing different customer-centric tools to the marketing strategy on a highly integrated and holistic level. Customer-centricity in this case will no longer be limited to the use of individual elements without significant positive effects. It is also to be mentioned that in a world of life-long learners, the sustainable competitive advantage based on customer-centric approach will not only assist in completing singular transactions with the first-year students but will also ensure repeated “purchases” among the alumni. The metrics

for higher education market that can be used to evaluate the efficiency of the current customer-centric

strategy and its possible improvement directions will be the objective of our further research.

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МАРКЕТИНГОВА СТРАТЕГІЯ УНІВЕРСИТЕТІВ, ОРІЄНТОВАНА НА СПОЖИВАЧА

Метою статті є аналіз способів використання клієнтоорієнтованого підходу до розробки маркетингової стратегії вищих навчальних закладів. Маркетингову стратегію університету, орієнтовану на клієнта, визначено як таку, що передбачає викладання унікальних дисциплінарних і міждисциплінарних курсів, які враховують як досвід і можливості окремих студентів, так і динамічні ринкові тенденції та запити ринку праці. У роботі охарактеризовано основні рушійні сили, які спонукають вищі навчальні заклади до зміни основних рис своєї маркетингової стратегії, зокрема, зростання фінансової та географічної доступності альтернативних способів отримання дипломів завдяки освітнім онлайн-платформам, високий рівень студентської мобільності й відповідне розширення кола конкурентів, збільшення студентських ризиків і затрат, пов'язаних із розривом між університетськими знаннями та компетентнісними запитами ринку праці.

Крім того, описано чотири важливі напрями клієнтської орієнтації залежно від ролі студентів та інших цільових аудиторій університетів у маркетингових процесах, а саме: клієнти як джерело стійкої конкурентної переваги; клієнти як джерело інформації для компанії; клієнти як джерело інформації для інших представників цільової аудиторії; клієнти як співробітники та учасники процесу спільного створення цінності. Зроблено наголос на тому, що університети мають переглянути свій комплекс маркетингу, ввівши до нього елементи, орієнтовані на споживача і спрямовані на зниження ризиків та затрат останнього. Студентське співтовариство має перетворитися на важливого суб'єкта університетських маркетингових комунікацій і стати джерелом релевантної та достовірної інформації для зовнішніх цільових аудиторій. До того ж потрібно максимально розширити роль студентів у процесі спільного створення цінностей. У статті наведено приклади того, як саме заклади вищої освіти впроваджують окремі інструменти маркетингу, орієнтованого на споживача. Але при цьому увагу акцентовано на необхідності впровадження комплексного підходу, а не окремих елементів. Саме за таких умов стане можливим отримання суттєвого позитивного ефекту та забезпечення довгострокових конкурентних переваг на ринку вищої освіти.

Ключові слова: маркетингова стратегія, орієнтація на споживача, клієнтоорієнтованість, менеджмент вищої освіти, стійка конкурентна перевага.

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