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A global analysis of the educational market environment

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Abstract

From a marketing perspective, organizational objectives can not be achieved without a deep understanding of business environment coordinates. The aim of the present paper is to highlight which are the major components of the educational market environment, what specific opportunities and threats can be created for educational institutions and what marketing research methods and tools can be applied to investigate them. Environmental components are structured according with Kotler's model, which makes the distinction between microenvironment and macroenvironment. Various marketing research methods, both quantitative and qualitative, can be used in order to study the specific evolution of environmental factors.

Keywords: Educational institutions, microenvironment, macroenvironment, marketing research methods, Romania;

1. Introduction

Nowadays, educational institutions operate in a changing market environment that affects the organizational ability to adequately serve and respond to the needs of its stakeholders. The development and implementation of an effective marketing strategy must therefore start with a thorough analysis of all the internal and external factors that define the environmental context in which an educational organization activates. A company's market environment consists of the actors and forces that influence a company potential to develop and maintain successful relationships with its target customers (Kotler et al., 2005). Ignoring or resisting to significant changes occurred in the business environment lead to increased risks of falling behind competition and ultimately to internal crisis and survival problems.

The aim of the present paper is to highlight which are the major components of the educational market environment, what specific opportunities and threats can be created for educational institutions and what marketing research methods and tools can be applied to investigate them. The research method of the paper consisted of a documentary study in the marketing literature, aiming to critical analyze and summarize the factors underpinning educational organization performances.

Environmental components are structured according with Kotler's model (2005), which makes the distinction between microenvironment and macroenvironment. Therefore, the first section of the paper debates the microenvironment of an educational organization, including customers, competitors, suppliers and different publics. These are stakeholders that frequently interact with the institution and are the major determinants of its future marketing strategies. Next section focuses on macroenvironment as the sum of various major external forces such as demographic, economic, cultural, political, technological and natural environments, with a more general influence

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on educational institution activities. In the final section, the paper highlights different marketing research methods, both quantitative and qualitative that can be used in order to study the specific evolution of environmental factors. Surveys, focus groups, in-depth interviews and also research of secondary sources of information are most commonly applied in marketing theory and practice.

2. Understanding the Microenvironment of an Educational Organization

The principal marketing task in any organization is to gain customer loyalty, by finding out consumption needs and ongoing changes in consumer requirements. However, increasing buyers' commitment to the company is not always possible through organizational individual efforts. The institution has to integrate its development strategy within larger business networks and to consolidate appropriate partnerships with suppliers, intermediaries, investors, local community and other relevant stakeholders (Filip, 2011).

The first component that has to be analyzed within the microenvironment is the ***educational organization itself***. All resources available to the institution and the specific way in which these are exploited and fructified define the internal environment or the market potential of an organization. Human are certainly the most important resource of an educational institution, affecting its image and differentiating the organization from its competitors. The human resource refers primarily to teachers/professors and students/pupils, because these are indispensable in creating and delivering knowledge, as the basic educational product. The management, board of directors and non-teaching staff, such as the school secretary are important in defining and implementing organizational mission, strategic objectives and future development directions.

Due to services intangibility, the overall quality of the educational process is more difficult to evaluate by external public, and easily discernible features like physical facilities and evidence, will have a high influence on stakeholder perception. Therefore, material resources such as, the school/university campus, its buildings, equipments and materials used in the teaching activity will also have a significant contribution to educational institution potential to attract and keep customers, because they support the process of service delivery and create a certain tangibility of the core educational product. Technological and financial resources must also be considered in the analysis of the internal environment, due to their potential role to educational services diversification through the development of various extracurricular activities, e-learning services and so on.

Customers are the main actors of the organizational microenvironment, therefore their needs and desires regarding the content of the educational programs and their requirements related to the development of specific competencies and professional skills should be the starting point in designing the marketing policy of an educational institution. Given the wide variety of education process beneficiaries, a school or university customers can be classified into several categories: broader community or society at large (Harvey and Busher, 1996), pupils/students and their parents (Kotler and Fox, 2002), employers (Reavill, 1998) and the various financial supporters or sponsors of educational activities (Hewitt and Clayton, 1999). Different categories of customers have different requirements, complementary or even contradictory among themselves.

Societal values have a great influence on citizen's needs for education and at the same time the educational system determines the level of development for the entire society. Individuals' expectations towards educational institutions are mainly related to achieving a systematic way of thinking and a sum of professional and interpersonal skills that contribute to the spiritual development of the human being and that can be used in performing certain activities according to specific jobs.

The primary customers of an educational organization are the *students or pupils* who are preparing for a profession or who are seeking to obtain fundamental knowledge enabling them to continue their studies. As in any other sector, "marketing exists when people decide to satisfy their needs and wants through exchange" (Kotler and Fox, 2002, 6). For universities, the exchange involves offering certain educational programs or academic disciplines for which students are willing to pay taxes and spend time. Because, in many cases a student decision regarding the selection of a certain university is influenced by *parents*, the latter should also be considered as buyers of educational services or at least as potential prescribers (Harvey and Busher, 1996). Given that educational product quality is dependent on students' performances, the current pupils or students are also considered to belong to an institution internal environment. For instance, promotional messages of many Romanian universities are built around performance

indicators, that prove a high number of graduates and students enrolled in the first year, a low rate of student migration or school dropout.

Another category of customers for educational organizations are the economic agents or *employers* as beneficiaries of a qualified workforce. Therefore, the success of schools and especially of universities is guaranteed by ensuring consistency between academic programs and the specific skills and competences required by employers. This is possible through research and monitoring of different indicators, like the number or percentage of graduates who were employed in a certain period of time after graduation.

The *financial supporters or sponsors* are a special target of educational institutions (Kotler and Fox, 2002). The latter assume a strong social responsibility, but must also make efforts to attract financial resources in order to support their core activities. The main sources of funds are individuals, economic agents, foundations and the central and local government. Individuals can make donations or pay dues. In Romania, citizens may orient 2 per cent of the annual tax to a social organization, including the educational sector. Economic agents may involve in educational objectives through sponsorship activities, while the state and local government support the education system through allocations from the budget. Additional, European Union enables social organizations from member states to access funds, based on projects. Therefore, educational institutions must identify different opportunities of fundraising and to develop communication campaigns that target potential sponsors.

Suppliers are other actors of an organization microenvironment, providing the resources needed by the educational institution to deliver its services. According to organizational specific needs, these can be classified in suppliers of materials or tangible goods (for instance: office equipment, furniture, books), service providers and labor force suppliers. Supply availability and costs should be carefully identified to not alter customer relationships.

In many European countries, **competition** between educational organizations, especially between universities it is a reality that can not be ignored, whether we refer to public or private sector. Taking the example of Romania, the financing of educational units is made according to the number of student enrolled, based on the principle that funding should follow the student/pupil, fact which led to an intensification of competitive relationships between public schools. Consequently, competitors are microenvironment actors that can generate significant threats for an educational organization, especially in the context of e-learning development, which increase educational services accessibility and extend competition beyond national borders.

Other publics from the microenvironment that has an actual or potential interests and impact on an educational institution activity include: educational ministries, educational accreditation institutions, schools inspectorates, research institutes, parents and alumni associations, mass-media, etc.

3. The Educational Institution's Macroenvironment

Educational institutions as well as other microenvironment actors develop their current activity under the general influence of some major external forces, generating various opportunities and threats for the organization. These form the macroenvironment, which is structured into demographic, economic, cultural, political, technological and natural environments (Kotler et al., 2005).

Demographic environment involves the people located in the geographical area in which the educational organization operates. Broadly, demographic trends are important to define quantitatively the potential demand for educational services and the profile of the local work force. For instance, the significant decrease in birth rate in Romania after 1990 has recently become one of the most serious threats to the national educational institutions. The impact of these demographic changes was a continuous decrease in the number of pupils and students, with medium and long-term effects on the education system. Another threat for educational organizations derives from the decrease of the average size of a family. Because, traditionally family members show loyalty towards certain schools or universities, the potential demand for these institutions tends to be negatively affected.

Economic environment comprises factors that influence the living standards of people, their purchasing power and structure of consumption expenditures. To analyze the attractiveness of a market, organizations use a series of macroeconomic indicators, such as the value and structure of gross domestic product, average income and income distribution on different groups of consumers, inflation rate, unemployment and many others. If we look at the

Romanian market, it is easy to remark that a significant threat for educational institutions is the underfunding of the education system as a whole, which translates into a lack of teachers' financial motivation. This has negative implications for both quality of educational services and schools development.

Cultural environment refers to the value system, traditions, beliefs and norms that define a society and influence individuals' behavior, expectations, perceptions and attitudes in their everyday life. Education has an important role in the development of people's culture, because judgments and values of individuals depend on their level of knowledge. According to cultural influences, education systems vary between countries or regions. For instance, American school is known for its pragmatic learning and training process, focusing on practice and analytical skills. In the same time, European traditional education evaluates individuals' performances through their knowledge volume (Pop and Dumitru, 2001). Differences between education systems also occur in the degree of specialization, much higher in the former case compared to the second.

Political environment consists of "laws, government agencies and pressure groups that influence and limit various organizations and individuals in a given society" (Kotler et al., 2005, 109). Legislative inconsistency and frequent changes in legislation are important threats for Romanian education system.

Technological environment is one of the most dynamic macroenvironment components and highlights the novelty and technological developments within the education system, visible through investments made in information infrastructure, modern teaching equipment or access to various learning sources.

Natural environment involves the natural resources, the climate and geographical conditions of different regions. Educational organizations have to develop special programs in order to awareness the young generation about the unfavorable environment changes, such as shortages of raw materials, increased pollution and cost of energy.

4. Marketing Research Methods for Studying Educational Environment

The analysis of educational market environment is possible through the use of various research methods, according to the environmental components that are studied and the research objectives. Information obtain from the analysis must be used by educational organizations in developing appropriate marketing strategies in line with major stakeholders' expectations.

Environment analysis usually starts with the research of *secondary sources* of information, because of their cost advantages and availability (Zickmund, 1994). The potential and internal environment of an organization is often studied by using information from databases, internal reports and statistics. External sources of information such as periodicals, commercial researches, government sources, institutes of statistics, international organizations and others are frequently researched in order to identify various opportunities and threats stemming from all macroenvironment forces, but also from microenvironment, especially with regard at competition.

In situations where information from secondary sources is not sufficiently relevant or new to answer managerial questions, direct marketing research will be needed. *Surveys* are quantitative research methods that are applied on large samples, statistically representative (Constantinescu, 2011). Data are collected through questionnaires and are subsequently analyzed by using statistical and mathematical tools. Results are then used to support certain managerial decisions according to the problems investigated. Surveys are mostly descriptive and are mainly used to obtain factual data about various microenvironment components, such as current and potential customers, suppliers or own employees. Therefore, many educational organizations conduct surveys in order to investigate pupils, students or parents' satisfaction towards educational programs and services. In other cases, surveys are designed to study employers' perceptions or preferences related to graduate skills and professional competences or to find out professors' opinions about the necessary changes in curricula and various educational activities.

Qualitative marketing researches are exploratory in nature. Similarly to surveys, these are used in order to collect direct information from different microenvironment components, but are especially focused on researching deeper issues that may refer to people motivations, value system, attitudes, intentions, etc. The main qualitative research methods are *focus groups* and *in-depth interviews*, both pursuing the understanding of target audience behavior by collecting data with a high degree of detail, without ensuring statistically representative results (Voinea and Filip, 2011). Focus-groups involve discussions in groups of 8-12 people moderated by a specialist, while in-depth

interview are individual discussions. Both techniques use a guide of conversation for gathering information and content analysis for interpretation of results. Focus-groups are frequently used to obtain information of general or collective interest, such as testing ideas for extracurricular activities or studying a university image, while in-depth interviews are needed in situations where confidentiality must be maintained, as in the case of studies among employers or among teachers who work in the same school.

5. Conclusions

Educational organizations operate in a specific climate, being under the influence of numerous internal and external factors. The present paper looked at the structure and specificity of the educational market environment by analyzing its two major components, microenvironment and macroenvironment. Several marketing research methods were highlighted in order to provide appropriate tools for studying educational environmental forces and to identify specific opportunities and threats. Such an approach is useful for educational institutions to support the development of effective marketing strategies and to better adapt to changes occurred in customer requirements.

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