

Service Segmentation: The Case of Higher Education Service

Abstract

This paper review the developments taking place in the higher education industry, with a focus on identifying what are the segmentation variables used to segment the universities in Egypt. The researchers explore the underlying dimensions for segmentation and use this as the basis for developing a two-by-two matrix, which segments the higher education institutions into four main segments. The research is qualitative in nature where the dimensions for segmentation were derived based on a series of in-depth interviews followed by two focus groups. Perceived quality and level of internationalisation were found to be the two main dimensions that are important for classifying higher education institutions in Egypt. Accordingly, four segments of universities were identified, namely: legacy, prestigious, imitators and the uncertain. Each segment is identified based on their perceived quality and degree of internationalisation. The paper offers a new basis for segmenting the higher education industry. It strives to identify where the current universities are, and assess their positioning strategies. Suggestion for future research includes testing the segmentation variables empirically with a larger sample size. The implications of this research include identifying where a university is located among the four quadrants. This will help university's assess where they are and whether this is in line with their positioning strategy.

Keywords

segmentation, marketing higher education, Egypt, positioning, exploratory research , students choice

Introduction

Marketing in higher education is still in its early stages of development (Hemsely-Brown & Oplatka, 2006). Various studies have examined marketing of higher education from various perspectives, including: marketing and communication in higher education (Kittle, 2000), reputation in higher education (Conrad & Conrad, 2001; Nguyen & LeBlanc 2001; Sung and Yang, 2009), brand image and brand equity (Mourad, 2010; Arpan, Raney & Zivnuska, 2003; Ivy 2001), students choice and decision making process (Mourad, 2010; Gatfield & Chen, 2006), and word of mouth effects (Bruce & Edgington, 2008). The focus of this research will be to highlight the segmentation variables used to segment higher education (Young, 2003) as well as its positioning strategy (Opoku, Hultman & Saheli-Sangari, 2008). This study is applied in the Egyptian higher education market.

This paper aims to understand the higher education marketing strategies in Egypt by modifying and adopting traditional segmentation strategies. The study is exploratory in nature, since the aim is to investigate the perceptions of different university brands in Egypt. The exploratory work includes two qualitative phases; the first phase focuses on investigating the factors that influence the decision to select a university in Egypt; and the second investigates how the universities position themselves in the market and assess the difference between the

university positioning and the perception by the students, parents and employers. Thus, the purpose of this exploratory study is to map the brand positioning of universities in Egypt. The first phase of the exploratory study is in the form of in-depth interviews and the second phase is in the form of focus groups. The results of the exploratory work are considered for a better understanding and recommendations for the existing segmentation strategies. The generalizations drawn are mainly analytical and indicative and not essentially conclusive as more qualitative analysis is recommended for future research.

Higher Education in Egypt

Education is considered to be a critical component of the daily lives of Egyptians. Spending on education represents a major burden for Egyptian families. Despite the fact that many schools are public and the fees are minimal, yet spending is high, especially on private tuition which is heavily relied on, in addition to books and material, notes and other related expenses. Educated people in Egypt are generally perceived as being of higher status than the un-educated, irrespective of social class, career or wealth. Thus, many families want to avoid this negative perception by investing money time and effort in their children's education. That is to say that there is a general consensus among the majority of Egyptians, that having a university degree is important not only for future career, but also for social and public reasons. Thus, university education is of high involvement for many Egyptians.

Evolution of Higher Education in Egypt

Higher education reflects the university or college study in terms of undergraduate, postgraduate, PhD and Vocational Education (Ramsden, 2008). Before 1996, the higher education industry could be segmented into two major groups: 1) the public institutions which represented the majority of students in higher education such as Cairo University, Alexandria University and Ain Shams University. These universities were considered to be prestigious and are known for their rigorous curriculums and 2) the private institutions which were mainly at that time two universities, namely: The American University in Cairo (AUC) and the Arab Academy for Science & Technology (AAST). They were perceived as expensive higher education institutions due to the very high tuition fees of those universities. Those universities were perceived as the universities for the elite segment of the society.

Since then, the education sector in Egypt has witnessed a significant growth in terms of students' demands as well as the number of private higher education Institutions. With the demands of the 21st century, the public universities were not able to catch up with the ever changing and dynamic needs of the labor market in this new century. The labor market requires people that are computer literate, know how to read and write English and are able to adapt to the demanding needs of the 21st century. Demand for private higher education increased as they were able to adapt to these needs. Further, the population of Egypt continues to grow at 2% annually putting more burdens on the public universities. Thus, public universities did not have enough places for all students. And there were not enough funds from the government to finance the expansion of public universities which are already overcrowded with students.

Thus, many private universities opened in Egypt such as: Misr International University (MIU), Modern Academy for Sciences & Arts (MSA), German University in Cairo (GUC) British University in Egypt (BUE), French University, Canadian International College (CIC) and many others.

If we analyze the higher education market in Egypt, we can find the following interesting observations:

1. Number of private universities over rides the number of public universities
2. Increased enrollment in private universities and the positive perception of international education
3. Most private universities have international agreements with institutions outside Egypt, mainly in Europe and the United States.

The higher education industry in Egypt has gone through a liberalization process over the past ten years. This strategy resulted in the entrance of new private universities to the market. This highlighted the importance of identifying a positioning strategy for the decision makers in order to survive in this emerging competitive market. The following section highlights the emergence of the private higher education institutions and the survival of the public universities.

Due to the limited capacity of the existing public universities, the government was not able to satisfy the continuous demand in a way that guarantees good educational quality (Khaled et al., 2001). Consequently, they began to lose their distinctive identities (Shattock,

1995). As a result, increasing the supply of private universities was a top priority of the government to fulfill the gap in the market. This fact encouraged the government in 1996 to allow other private universities to operate in Egypt. The emergence of the new private universities resulted in competition among universities which puts pressure on the universities. The competition was not only among the private universities but also between private and public universities. Accordingly, it was important to highlight and identify what are the criteria that are important for university selection which forms the basis of segmentation.

Determinants of University Selection

Based on the comprehensive literature review of marketing in higher education (Hemsely-Brown & Oplatka, 2006) in addition to other research studies which focused on the different determinants that influence the consumers' choice of a university, it is clear that a strong brand plays a major role in influencing the higher education decision process. There are other factors that directly or indirectly determine the overall perception of a university brand. Thus, it is important to summarize the main determinants and influences of university choice. Following is a review of studies that have examined this issue.

Perceived Quality as the First Determinant in Higher Education

After reviewing the literature regarding the determinants of consumers' choice, it was concluded that quality of the service is one of the most important determinants of consumer choice. Based on the same concept, quality is very important in higher education service as it is reflected in the reputation of higher education organisations (Davies & Ellison, 1997).

Concerning the theoretical framework of the aspects of quality in higher education they are mainly: the teaching methods, staff, educational plan, atmosphere, research, and student service (Davies & Ellison, 1997).

Internationalisation as the Second Determinant in Higher Education

The importance of internationalisation and globalization in higher education is supported by a number of scholars who linked between this trend and the increase in demand for higher education (Scott, 1998; Teichler, 2004; Marginson, 2006). From another point of view, a number of researchers highlight the positive effect of study abroad trends on the economic development of the hosted nation (Binsardi & Ekwulugo, 2003). In addition, based on the results of previous empirical work, students in developing countries perceive the western higher education as a source of better quality in addition to an opportunity for international exposure that will give them a better chance in the labor market (Mazzarol and Souter, 2002; Mourad, 2010). One of the main factors that influence this trend is the growth of the multinational companies with a highly demand for highly qualified graduates with international exposure to help in meeting the challenges of the new globalize economy.

Exploratory Research

As a result of the lack of research relating to the determinants of consumer choice in the higher education in Egypt, the researchers capitalized on the conceptual frameworks in the higher education literature and consumer behavior (Remenyi et al, 1998) to develop two phases of an exploratory research. The first phase was in the form of in-depth interviews

composed of 24 personal interviews of current and prospective students and 18 interviews with decision makers in 4 different higher education institutions representing public universities, the private universities, and the foreign universities in Egypt. The objectives of the first phase of the exploratory research are to highlight the determinants of choice from a consumer and decision maker's point of view. Then, reflect this on the higher education market segmentation and positioning strategies. The second phase of the exploratory work was in the form of two focus groups representing parents of current and prospective students. The main objective of the focus groups was to understand the parents' perception of the different universities brands in the market and the importance of the different determinants of university choice.

Phase one: In-depth Interviews

The first phase of the exploratory study was done through 24 semi-structured personal interviews with current and prospective customers since they are the actual users of the service. The focus was on four main issues which are the university that they selected/preferred, the main characteristics of the selected universities, the degree of satisfaction with the educational and non-education services provided, and the overall university selection criteria.

The results of the exploratory study offer reasonable insights of students' behavior in selecting the university and their perception of its quality and international dimension. The exploratory study allowed the researchers to conclude that perceived quality and international activities are the most important influences on choice hence it matters to

students and parents as they perceived them as the main dimensions to the reputation of higher education in Egypt. In order to have a more in-depth analysis of the determinants of choice the researchers conducted another set of in-depth interviews for 18 decision makers within the higher education institutions in Egypt.

Interviews with Decision Makers

For the second set of in –depth interviews, the selected sample includes 8 decision makers represents public, private, and foreign universities in Egypt. It should be noted that the objective of the second set of in depth interviews is to give implications on the ranking of the determinants and to what extent the decision makers focus on as basis for their segmentations strategies.

Phase two: Focus Groups

The second phase of the exploratory study was done through two focus groups represent parents of the prospective students. The parents were selected since “theory suggests that family influences constitute a powerful socializing agent in children’s lives” (Moore, Wilkie & Lutz, 2002, p.19), and parents represent the source of information that influences the students’ choice (Pimpa, 2003). The two focus groups represent parents of the prospective students, aged 40–55 years, A and B+ class, and greater Cairo residents. The first group consisted of eight mothers and the second group consisted of seven fathers of students enrolled in different high school programs in Egypt. The group discussion focused on the different determinants of a university selection decision making process, justification for each determinant, priority of each determinant, the positioning and evaluation of all the public and

private universities in the higher education market, the ideal university characteristics, and the perception of good education system.

Results from the Exploratory Research

As mentioned before, the main objective of the exploratory study is to illustrate the different factors that influence the students/ parents' choice of a university in Egypt, focusing on the selected factors that will be used by the decision makers in their segmentation and positioning strategies. The researchers decided to categorize these factors after an initial examination of responses by the interviewers. These categorizations emerged after the interviews took place as the researchers groups all determinants relating to the same theme in one category.

The first main category relates to the quality of the education service provided. The factors under this category are grouped either under the technical quality, which is the core of the education service, or the functional quality, which is the way in which the education service is delivered. The technical quality focuses on the features of the educational system as it includes the factors that relates to the reliability, quality, price, and variety of the service provided. The functional quality includes three sub-categories. The first sub-category relates to the human resources providing the service in terms of their quality, and relationship with the students. The second sub-category relates to the existence of good physical facilities. Finally, the last sub-category relates to the institutional aspects in terms of the location, historical background, size, and local accreditation.

The second main category relates to internationalization. This comprises: work opportunities of the university's graduates in the international market, the perception of international education system, as well as the international identity and image of the university.

Based on this analysis the researchers developed a matrix in order to highlight the positioning of the different higher education institutions in Egypt. The matrix indicates that based on the results of the exploratory in conjunction with the literature review; there are two main bases of segmentation for higher education: 1) the level of internationalisation and 2) the quality dimension. The objective of the matrix is to highlight the segmentation strategy of each university and its current positioning strategy. This helps in identifying the target market, identify and the main players in the Egyptian higher education market.

Recommendations and Managerial Implications

Higher education remains to be an important consideration for Egyptian families. Having higher education is a source of pride and respect for most Egyptians no matter the socio-economic status. This highlights the importance of providing high quality education since Egyptians consider this as a basic requirement and demand high quality education.

Second, Egyptians are more prone to send their children to universities that have an international image. International universities are perceived to be more prestigious than those perceived to be local. Thus, it is important to have affiliations with international universities and

follow international curriculums. The internationalisation aspect highlights two main aspects, one, that the language of instruction is anything but Arabic, e.g. English, French or German, which is important for parents and two that the university uses latest technology, updated curricula and helps in advancing the students interpersonal skills.

Understanding these segmentation variables is important for university administrators who aspire to become leaders in higher education. Understanding segmentation is important for identifying the positioning strategy for the universities. It is becoming inevitable for universities to clearly differentiate themselves as the market becomes more competitive and demanding.

To conclude, this research is exploratory. We propose that this research be extended in the future and be tested empirically through quantitative methods of analysis. This will require a cross-sectional study that can be done across various universities in Egypt. This can validate the proposed matrix and identifying the four quadrants that group universities into four main categories. Finally, the main limitation of this paper is that the management recommendations are partly trivial and not conclusive as it is a result of an exploratory analysis.

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