

## **C.I.M. Case Study**

### **The Marketing of Higher Education – David Kilburn**

Key themes

Branding – brand equity, brand value

C.R.M.

Customer Lifetime Value

International student recruitment – EU, non EU  
(Highly competitive but lucrative)

International student recruitment - highly competitive rivalry in a global arena.

The U.K. has a strong track record but can not afford to be complacent as other countries are very aggressive.

There is a current notion of a student as a ‘discerning customer’.

What do students expect from their investment?

- Quality teaching
- Prompt feedback from tutors on assessed coursework
- Quality environment
- Great social life (location is very important)
- Safe environment
- University Halls of Residence with modern en suite facilities
- Good career opportunities upon graduation
- Added value – access to alumni networks via key staff
- A sound return on their investment

### **What are the key challenges?**

Intense competition within the U.K. and also Europe to attract fee paying students from other countries.

Germany, France, Netherlands – Europe  
Australia, USA, Canada - World

There is a growing trend for some countries such as Malaysia, Singapore, India to set up universities to target students who would normally study abroad. This will impact on UK Universities; recruitment drives although there will always be a percentage of international students who value a UK education more highly than their own indigenous universities. However,

is this elite group likely to select SSU?

### **Southampton Solent University**

New University – facing many challenges. SSU has to compete with lots of other universities. The courses they offer are largely available elsewhere, nautical courses less so. What is its USP?

Some of the key challenges for SSU are to improve its accommodation service, raise customer satisfaction levels, promote itself vigorously to attract more fee paying EU and International students.

Interestingly, it is not pushing the ‘research’ angle. Has a vocational slant – it may be that as other British Universities vacate this strategy (e.g. Bournemouth University) there will be a niche created by SSU staying as they are and capitalising on this vocational approach. However, is this a sensible strategy?

### **Times Higher – November 9<sup>th</sup>, 2006**

#### **Alan Johnson – Secretary of State for Education**

UK Institutions are worth £42 billion to the economy. Every job in Higher Education creates another one elsewhere in the UK.

Over 2 million students benefit from HE every year and graduates still expect to enjoy lifetime earnings well over £100,000 more than those with ‘A’ level or equivalent.

‘The traditional advantage of teaching in English is ceasing to be a unique selling point. In addition, countries that traditionally have been major suppliers of students, such as China, now have burgeoning Higher Education sectors of their own. All of which makes the international market more competitive.....’

‘If our leading institutions want to remain globally competitive, the way they organise themselves is critical’.

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The Russell Group now has 20 leading top research universities and Queens University, Belfast is the 20<sup>th</sup> member to have joined this elite group.

The red brick universities form another quality tier.

Post 1992 universities feature former polytechnics, such as Bournemouth, Kingston, Portsmouth, Derby, Luton, etc.

Recently a number of institutions have been accorded university status, such as Bolton, Chester, Chichester, Winchester and Southampton Solent.

## **Case Analysis**

Themes

Professional services market  
Private training provision  
CIM – Education and Training  
Student demand – home and overseas  
Marketing communications  
Growth of overseas student market

8<sup>th</sup> December – group of V.C.'s will pose more specific questions to you.

November 2004 SSU became a university college  
August 2005 – became a Southampton Solent University

Maritime studies is a particular strength  
Design of yachts as small craft  
Student yachting team – current world champions

3 Faculties

Technology – computer network communications, product design with marketing, yacht engineering,

Media, Arts and Society – journalism, communications, psychology, criminology, fine arts and animation.

Southampton Business School – accountancy, business studies and marketing, law, leisure, sports, and languages

Masters courses, PhD's and links with related professional bodies  
Many of the existing 11,250 students come from backgrounds where there is no tradition of entering H.E.

Rebranding exercise – Bournemouth has just done the same

Be You (BU) – lots of universities are considering the use of branding as they try to position themselves to take advantage of increasing student fees. By attracting more students SSU can

increase its revenues. Portfolio of courses, number of facilities should be reviewed in the light of its Repositioning Strategy (by looking at popular courses at schools that 14 – 18 year olds are studying this will give SSU a clear steer. Dialogue with employers / alumni will also build market intelligence to inform new course development activities. This will have implications for buildings, resources – staff + specialist equipment, catering, estate, staff offices, infrastructure, car parking, etc).

New fee structure – this will open up the market when the cap is eventually lifted. The more popular and prestigious universities (such as Nottingham) will be able to charge more (the living costs in Nottingham are lower so this mitigates the overall cost).

The level of student debt is rising with average debt when students leave university being around £15K. To counter this, graduate earning power is greater than non-graduates.

Branding that just focuses on a new logo is not enough. Branding plus communication strategies are intricately linked to an organization's Marketing Strategy and Mission. They require a long term approach.

Higher Education universities offer services, experiences and value to customer (experience economy)!

How universities can stand out from the crowd? What is a compelling USP?

A good brand speaks to internal audiences (staff and students) and also to external audiences, leaving a deep imprint in their minds, enhancing the Institution's image.

### **2.3 - Principal component of Branding**

Brand Promise

Brand Personality

Brand Performance

### **2.4 – Branding, Customers and other Stakeholders**

The brand the students buy into affects their own marketability several years down the line. In this respect, unique propositions well understood in the marketplace can only enhance students' career prospects, as will networking. Good branding builds a strong equity and helps with retention and relationship building.

Customer lifetime value is the Holy Grail. Graduates who are ambassadors and as Alumni stay in touch and advocate the university to others. Real customer satisfaction leads to lifetime associations, with customers recommending the brand to others.

The increased growth of the internet allows customers to post their opinions about companies in discussion areas. A company's value lies in the lifetime value of its customers.

### **Popular Brand Values with UK and overseas students**

High frequency	Location, multi cultural / widening participation, caring, student focused.
Medium frequency	High quality teaching, high quality environment, campus based
Lower frequency	Confident, vocational, safe, traditional, innovative, holistic, life experience

Research shows that key attributes students consider are location, reputation and course content, but these attributes change over a period of time and vary with students who desire to stay locally or move away to any location in the UK.

Perceived excellence or quality drives prospective students to enrol at a given Institution.

### **Brand Values for USA students**

US students expect prompt service, appealing classrooms and campuses with modern classroom facilities and equipment. Willingness to help students is also high on the agenda.

In terms of overseas students key points to consider are:

- 1- Standardised brand (core and augmented components tailored to domestic market, but having global appeal);
- 2- Adapted brand (core components standardised, but augments components adapted to local, legal and market conditions);
- 3- Customised brand (core and augmented components tailored to international target markets).
- 4- Globalised brand (compromise brand incorporating attributes of previous varieties, with standardised core and attributes added on to meet unique country or regional requirements and expectations).

### **Brand Values for East Asian Students**

Research shows that East Asian students are mainly concerned with:

- 1- A university's learning environment (including excellent staff, facilities and research resources);
- 2- Reputation (including brand name, achievements and a high standard of education)
- 3- Graduate career prospects
- 4- Destination image (including political stability, safety and hospitality);
- 5- Cultural integration (including religion freedom and cultural diversity).

\* At Bournemouth we have a muslim prayer room and four different denominational clergy.

Pricing, scholarship awards and service appear to be the key criteria for overseas students when choosing universities.

### **Market Developments**

Fees and capping – lots of universities would prefer no cap at all. Oxford University has decided to recruit more students from overseas as the fee is not capped, unlike it is for UK students.

- At the moment the level playing field favours less prestigious universities!

## **Overseas students**

Highly competitive market – lots of predators in the market. Institutions abroad are beginning to offer education in English (e.g. France and Germany), at lower cost than in the UK or the USA.

China is expanding its Higher Education provision and is keen for UK institutions to open sister campuses in China.

- \* Opportunity for SSU - especially maritime or yachting specialist courses

Impact of fees – more students staying at home – cheaper!

Appendix 3.5 – market segments

- Compare South Coast Universities!
- Private providers may well set up universities, increasing competition within the market.
- Older established universities can leverage their brands and use their reputation to charge higher fees (Rich get richer, poor get poorer syndrome!).
- Most universities are developing short-term and long-term marketing strategies.

Possible question:

Devise a short term marketing strategy for SSU, followed by a long term marketing strategy to ensure continued success.

NSS – extremely important

## **Figure 8 – table**

Accommodation service – poor

Teaching quality – variable

International students felt let down – perception higher than reality

Most students and international students felt there was a definite need for improvement in customer service.

- Student satisfaction is key ! Long term relationship is vital!

- Need to extend lifetime value of their customers to turn them into clients, partners and advocates (ladder of loyalty)!
- Dynamic environment for universities.
- USP is vital for all universities. Positioning is the key to survival.
- Universities have to stay nimble and anticipate changes in the market to continually satisfy more discerning paying customers.

## **Appendix 2.2**

SSU Survey – 2002

Interesting that overseas students want quality at a cheap price.

## **Appendix 3.1**

International recruitment is big business and most UK universities have geared up over the past 5 years to win a slice of the market. When you look at Appendix 3.7 the universities that have large amounts of non EU students are those who are very active in overseas recruitment fairs, etc. (Personal experience of Latin America).

The good news is that the market potential has still room to grow. It is estimated that the market will triple or even quadruple in the next 15 years.

Overseas students in Britain currently contribute £1.5 billion in fees and a further £3 billion in fees. A recent British Council report would see overseas students in the UK increase from 270,000 to 870,000 and in the USA triple to around 2 million by 2020.

In 2001 overseas students accounted for 31% of the global market in overseas students, 15% in the U.K, Germany 13%, France 10%, Australia 8%, and Japan 4%.

Part of the reason for Germany's success is the fact that they do not charge tuition fees to overseas students. How long will this continue?

Overseas students from developing countries value a high quality overseas degree because their home universities do not have the same rigorous quality.

Surveys also show that all students yearn for quality degrees that make them more employable which explains the large increase in the demand for postgraduate qualifications over the past 10 years. My own Institution, Bournemouth university, is actively recruiting all over the world and take it very seriously with dedicated faculty staff in addition to the International Office spending time overseas recruiting, making networks with key influencers such as Embassies, British Council, Universities, and agents.

There is increasing demand for safe, open English speaking courses. So what has SSU got to offer International students?

Where do SSU currently go to recruit? Are they visiting the hot spots and developing their markets?

Is there scope to set up a university Campus overseas, emulating Nottingham and Middlesex?

What are the opportunities in e-learning?

How does SSU ensure that home students do not suffer and also that international students receive a quality and value added education?

### **Appendix 3.2**

This table is very useful and enables a comparison between the top five English speaking destinations. Candidates can use this information to inform which countries SSU should focus its efforts on in the near future.

### **Appendix 3.3**

Minister for Further and Higher Education Bill Rammell has stated that we need to 'develop high quality, high status vocational learning .....

This could represent a good opportunity for SSU to drive this niche opportunity as other H.E. providers vacate this position.

### **Overview**

Quality of UK education and enhanced employability are the 2 main attractions for overseas students to study in the U.K.

SSU at present have received mixed comments from their students regarding the quality of their teaching and the poor service given by the Accommodation Office.

This represents a fantastic opportunity for SSU to put things right internally and give excellent service and ensure that they enhance the employment prospects of all students, including overseas.

### **Market trends**

Between 1999/00 and 2002/03 whilst the number of EU students declined by 12%, the number of non-EU overseas students rose by 51%, contributing to an overall increase of 23%

**Why do you think this is the case?**

### **Appendix 3.4**

A very useful couple of charts which encapsulate the overseas student market trends.

Clearly, there is a greater increase in overseas postgraduate students than undergraduate.

Postgraduate non EU students and undergraduate non EU students have increased too whilst EU undergraduate numbers declined by 21%.

### **Benefits to the U.K.**

Research from the British Council has estimated that each overseas student attending a UK



university contributes nearly £16,000 per year to the U.K.  
By 2020 it is expected that some £13 billion will be added to the economy each year.

### **Increasing global competition**

The U.K. should not be complacent as other predators are actively recruiting overseas students, e.g. Germany and France are actively recruiting UG and PG science students from Poland.

### **Conclusion**

International education is a market that the UK. must continue to develop as it is currently worth £11 billion directly and a further £12 billion indirectly to the economy each year.

### **Appendix 3.6**

The landscape of Higher Education has changed forever and there is much more focus on running them as businesses, with the State's role shrinking fast.

Students are discerning customers who want and expect value for money.

Every university needs a compelling USP and needs to delight its customers, both student and commercial if they are to flourish like any business.

To some extent, a poorly performing state university is still protected from going bust but this may change in the future which is extremely uncertain.

The pressures of the market are creating an increasingly segmented system. There will be opportunities for universities to be free to fly. Let us hope that their wings keep flapping!

### **Appendix 3.7**

A very useful table, particularly in calculating the number of non EU postgraduate and undergraduate overseas students for selected universities

### **SSU financial review**

The performance measure in a university is different from a commercial company.

P.14 Sustainable cash flow is important. The business is paying its way. The prime objective is a sustainable business. Income covers expenditure in both of the last two years – solvent.

Make up of the income comes from Govt. funding but this will be less in the future.

The Research grant is very low.

Research income is only £179,000

2009 – bar will be lifted on tuition fees.

Tuition fees in 2007 will go up slightly to £3,070

Main costs are staff costs – well over 50%

Page 15 Balance sheet

Total assets dominated by buildings

£10m of investments (note 30)

This is a short term deposit held in the bank so they do have cash to invest.

Debt

£37m debt

(note 16) – long term bank loan - £24m probably buildings

Leasing £12m per year (probably in property – could be Halls of Residence)

Assets - £66m so plenty of capacity to borrow funds if they need to

Endowment funds – low (money from alumni)

£673,000

reserves on the balance sheet is profit

they have revalued property upwards but not last year.

P16. Cash flow statement

Small cash outflows but this is not a major concern

Spent £11.4m on capital expenditure

(note 28 – purchase of fixed assets £3m – grants £1.6m so net outflow – £1.4m

SSU has to generate income over the next few years in what is a very uncertain climate.

Any marketing strategy proposed using some of the available funds has to ensure that it gives a good return on the investment.

David Kilburn