

Marketing and Competition among Higher Education Institutions

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Like any form of business, higher education institutions must convince potential customers to choose their product or service over that of their competitors. Recently, competition has become increasingly intense, as institutions no longer compete against only the school down the street or others of the same profile. In light of falling governmental contributions to the funding of higher education and the rising number of private higher education institutions worldwide, higher education is closer than ever to a true market. In such a market, universities will likely do whatever is necessary to safeguard their income stream in the form of incoming students. Do the strategies universities use to compete in the perceptions of potential students vary in different countries?

The Higher Education Market

In the literature on business models of higher education, scholars disagree on what type of business higher education is. If a higher education is the product sought, institutions themselves are more or less the product. Universities could also be viewed as educational service providers, degree-selling product vendors, or some combination of both (Anctil, 2008). This ambiguity of product-service orientation in the academy leads to varied and conflicting scales of consumer evaluation. Some students look for the cheapest product or the most prestigious degree, others desire a certain type of experience, and some attempt to find a combination of both. In 1976, Hirsch coined the term 'positional good' to refer to the inflated value of those goods that are most highly-rated, prestigious, elite, desirable, or scarce. Just as demand outweighs supply for cars from the most famous manufacturers, demand outweighs available spaces in the most prestigious institutions of higher education. Hirsch (1976) further argues that positional goods confer higher status to few by denying it to many others. Higher

education scholars, including Marginson (2006) have applied the idea of the positional good to degrees from prestigious universities, explaining why students will pay more for a prestigious degree or choose a prestigious program over a program that offers more services for students.

The higher education institution also has an interesting economic interaction with its students, who are at once customers and products. As customers, prospective students are affected by institutional marketing and advertising as a customer may be for any other product. At the same time, these customers might not be attracted to the products or services that will make them, in turn, the best product upon graduation (Anctil, 2008). As both inputs and outputs, students are not only the source of incoming funds for an institution, but are also part of what future prospective students will evaluate about that university (Winston, 1999). For this reason, universities will strive to attract the most qualified students it can, both for recruitment of future classes of students and to further increase institutional prestige (Winston, 1999).

Perfect and Monopolistic Competition

Researchers such as Garvin (1980) and Paulsen (2001) support the view that competition among higher educational institutions models monopolistic competition, not perfect competition. Both perfectly competitive and monopolistically competitive markets are populated by many buyers and sellers, but the key difference in the two models of competition is differentiation. In a perfectly competitive market, such as farming, one farmer's corn is typically perceived as the same as any other corn. With seemingly identical products, each seller is at the mercy of the consumers' demand and what price consumers are willing to pay. If one seller raised the price of that identical product, the customers would instantly leave to find another provider of that identical product (Paulsen, 2001).

In monopolistic competition, sellers' products are somewhat differentiated in the consumer's eye and are close, but not perfect or identical, substitutes for each other. Due to these distinct and unique characteristics of each particular seller's product, sellers have increased flexibility to charge a price befitting the unique characteristics of their products. When such a seller raises the price of its product, most of its customers, who prefer that product or are convinced of that product's superiority, will pay the increased price. Only customers who have little preference for that product over comparable products will be likely to abandon that seller for another provider (Paulsen, 2001). Strategies for product differentiation vary from institution to institution and from market to market, but most institutions rely upon marketing to increase brand recognition and differentiate their product in the public eye.

Institutional Marketing in Higher Education

Institutional marketing in higher education has as its goal persuasion. A university must convince potential students both that the university provides something worth purchasing and that the potential student should seek that service from that institution and not from one of its competitors (Anctil, 2008). As Paulsen (2001) describes, marketing at institutions of higher education is a method of enhancing "potential students' awareness of opportunities to attend their college, and good reasons to view their institution as unique or distinctive" (p. 237).

By increasing expenditures on marketing and advertising, many colleges and universities were able to increase the demand for their products, essentially trading increased expenses for further increased revenues (Paulsen, 2001). Colleges and universities must be prudent in increasing marketing expenditures, increasing only if expectations project that those expenditures will increase demand to an equal or greater extent. Increasing marketing

expenditures may sometimes be a risk that does not pay an equal or greater reward (Paulsen, 2001).

Competition and Marketing in the United States

While colleges and universities have been recruiting students in the United States of America since their inception, the nature of institutional competition changed substantially during the 1970s. The 1950s and 1960s saw a dramatic increase in federal and state funding in education, primarily to boost research and advances in technical and scientific fields during the space race. In the 1970s, the federal government could not continue to support higher education at the same level, as the United States had already landed on the moon before the Soviets, the nation was facing a serious energy crisis, and the costs of the war in Vietnam escalated under Nixon (Anctil, 2008). State appropriations to higher education saw decreases throughout the 1980s due to increased state expenditures on such services as healthcare, prisons, and unemployment assistance (Anctil, 2008). Combined with declining numbers of high school graduates and an economy characterized by rampant inflation, these cuts to funding threatened the viability of many institutions of higher education.

In addition to economic threats, public and private non-profit institutions also became vulnerable to competition from for-profit institutions in the 1980s and 1990s. For-profit institutions gained ground on public and private schools because of their flexible course schedules and convenient locations, including online delivery as the internet expanded (Anctil, 2008). For-profit institutions can also engage in price competition with non-profits, despite their negative subsidy, due to sole focus on classroom education and negligence of pursuits such as research or service (Winston, 1999). The for-profit institutions are often the most aggressive in terms of institutional branding and promotion.

The process of branding an institution or product is designed to create or enhance the image of that product or institution. As Anctil (2008) describes it, branding “creates a clear message about an intangible product and helps to build awareness and relevance in an often crowded marketplace” (p. 31). The issue of making the intangible benefits of attending a certain institution quantifiable or appealing to potential customers is of central importance for higher education institutions, as the outputs of universities are multiple and are not easily quantifiable in any meaningful way (Lewis & Dunder, 2001). Since the real benefits of higher education are so intangible, marketing and admissions professionals must find tangible evidence to show to prospective students and families. Institutions have succeeded in making three main areas tangible to prospects: academic rankings, campus amenities and social opportunities, and athletics (Anctil, 2008).

Recruitment officers have two things to achieve when promoting a college or university to prospective students. Not only must institutions convince their potential customers to seek higher education, but to seek entry at their specific institution (Paulsen, 2001). To differentiate their institution from others, university administrators have developed an arsenal of promotional media to supplement the campus brand. University viewbooks, DVDs, and web-based virtual campus tours have become almost ubiquitous in every admission office and on every institutional website. The college viewbook is a glossy book full of mostly pictures, on which most schools spend more than \$100,000. Each individual viewbook sent to a prospective student costs between \$2 and \$10 to produce (Twitchell, 2004). In addition to spending for institutional promotion, institutional advancement offices have invested in increased campus social and recreational facilities, and faculties have expanded offerings in transparently instrumental, career-oriented programs (Anctil, 2008; Paulsen, 2001).

The arms race of campus amenities has transformed cafeterias into food courts, cramped residence hall rooms with bunk-beds into luxury apartment suites, and sweaty old gyms into fitness palaces complete with massage therapy centers, hot tubs, smoothie stands, and rock-climbing walls (Anctil, 2008). Student unions have become malls or department stores, filled with food courts, bowling alleys, movie theatres, hotels, video games, and massive stores full of school “spiritware” (Twitchell, 2004, p. 114). Campuses pride themselves on having the best food, newest residence halls, and tallest rock climbing wall in the state. Critics decry these new amenities and facilities as excess rather than genuine educational need (Anctil, 2008). Other researchers have found positive correlation between student college choice, campus amenities, and perceived student social life (Broekemier and Seshadri, 1999). Whether or not these amenities are what incoming students demand or expect, the institution that refuses to compete may be left behind, like in any other arms race.

Brand power favors the bulky in the United States. In 1998, 48 percent of higher education institutions in the United States enrolled fewer than 1,000 students. Those institutions’ combined enrollment accounted for only four percent of all college students in the United States. At the same time, ten percent of college campuses enrolled 10,000 or more students each, and their combined enrollments accounted for 49 percent of the national postsecondary enrollment (Twitchell, 2004). Large institutions become recognizable brands. Elite schools such as Harvard, Berkeley, and MIT are household names. Prospective students know elite schools by their acronyms, such as UVa for the University of Virginia, or by their state names, as in Michigan or Illinois. A second tier of mass-provider campuses are less prestigious, with one line always on the flow of funding. The University of Florida and Arizona State University are excellent examples of these mass provider campuses. A third tier of institutions focuses on

convenience of delivery and employable degrees. This mix of public, non-profit, and proprietary institutions is rarely mentioned around the kitchen table. These institutions depend on enrollment and sell convenience to their prospective students. This third tier of schools is forever forced to market to try to grab the attention of their prospective students (Twitchell, 2004). The National Association for College Admission Counseling publishes a list every May of schools having remaining capacity for the fall and still accepting applications. This year, there were 226 schools still accepting applications for freshman positions for fall 2010, and the vast majority of those schools would fall into this third category of institutions (National Association for College Admission Counseling, 2010).

Competition and Marketing Higher Education in China

In the People's Republic of China, higher education is in some ways experiencing a seller's market (Huang, 2005). In the world's largest country by population, over 25 million students are enrolled in higher education. However, that number accounts for only 22% of the traditional higher education population in China (Li & Lin, 2008). Demand for higher education far outweighs the available supply of seats in China's higher education institutions. Rising tuition fees in China have not slowed China's increasing demand for higher education (Huang, 2005).

To help alleviate the burden on the public institutions, the Chinese government passed the law for the promotion of private education in 2002, authorizing non-governmentally operated schools for the first time (Gürüz, 2008). The *minban*, the schools opened under the conditions of this act and run by the nongovernmental sector, create a second tier of institutions within the educational system in China (Gürüz, 2008). perceived quality

Prospective students' chances to gain entrance to a government-run institution of higher education rest almost entirely on their ability to pass the national entrance exam. Far more candidates appear to sit for the exam than space allows in governmental higher education institutions. In 2004, only 45% of over seven million candidates who appeared to take the examination succeeded in entering a higher education institution (Davey, De Lian, & Higgins, 2007). Students who do not gain access to a prestigious state-run university through the examination may be recommended into the university, but only a small number of students gain access via a recommendation. The other options available to these prospective students are to enter a *minban*, for which the examination is not required, seek employment, enroll in a preparatory program for the alternative adult entrance examination, study overseas, or enroll in a local branch campus of an overseas institution (Davey, De Lian, & Higgins, 2007).

Due to such excessive demand for higher education, in China, students are more often competing with each other for space in institutions, rather than institutions competing for students' interest. One student went so far as to steal another student's identity to gain entrance to a higher education institution. The student whose identity she assumed had passed the entrance examination, but chose not to attend that institution (Higher People's Court of Shandong Province, 2006). Even at the *minban*, perceived inferior to the older, more prestigious public institutions, competition for space is intense. Guang Qi College, a *minban gongzhu*, or a privately-operated institution with municipal governmental support, attracted 9000 applicants for only 250 available spaces in one year (Mok, 2000).

However, the demand for higher education in China is not likely due to a societal desire to learn. In many Chinese universities, students regularly cut class or hire others to attend classes for them (Huang, 2005; Gürüz, 2008). Adult students continuing their education even

sometimes direct their secretaries to attend class for them, take required exams, and even write their papers. Essentially, a substantial number of students are merely seeking the opportunity to purchase a diploma to enter a career or expand their promotion potential (Huang, 2005). Despite the demand for higher education diplomas from prospective students and the high hopes for career success after graduation, the quandary facing graduates of Chinese universities is a dearth of employment opportunities (Huang, 2005).

Because *minban* would have a hard time competing with the established, positional, public universities, *minban* typically compete with other *minban* for student enrollment. *Minban* seek to differentiate themselves by developing curricula that match market needs, especially in the areas of economics, business, computer science, English language training, and information technology (Mok, 1997). In addition, *minban* have been developing ties to local business to obtain additional internship opportunities for students and placement for their graduates (Mok, 2002). *Minban* have also been increasingly advertising their educational opportunities, boasting good facilities, a strong reputation, and placement opportunities. As Yan & Lin (2004) point out, as capacity increases both at *minban* and public universities, competition will become more important for the *minban*. *Minban* institutions will need to find ways to compete not only with other *minban*, but also with established public universities. To this end, *minban* will need to continue to be innovative with programs and opportunities, but also continue to recruit enough students to sustain themselves institutionally (Yan & Lin, 2004).

Competition and Marketing Higher Education in Australia

In the Commonwealth of Australia, there exists a perceived stratification of higher education institutions, partially caused by the history of higher education in Australia. The most prestigious universities in Australia are the oldest universities, called the “Sandstones,” or

“Group of Eight,” which were all founded prior to 1960. By 1987, each state had established a second university. This group of schools is called the “Gumtrees.” A third group, the “Unitechs,” had long served as vocational training schools, but were deemed full universities in 1987 as well. Universities established or gaining accreditation since 1987 are referred to as the “New Universities.” Among the new universities are regional specialty institutions and distance schools (Marginson, 2006).

The government of Australia has established in policy that all higher education institutions will be of a comprehensive, research-based system. While in theory, the national research requirement will benefit all universities, in implementation, it led to new universities being created as copies of the framework of the Sandstones. Unfortunately for the newer institutions, having such strong similarities in institutional framework encourages comparisons between the Sandstones and their younger brethren. The firm grasp the Sandstones have over prestige and strength among Australian institutions becomes visible by comparison. The Sandstones lead all categories of Australian universities in number of domestic applications received, scores required for student entry, number of publications produced, and number of grants received (Marginson, 2006).

With government funding per student shrinking to under sixty percent of 1987 levels (Marginson, 2006), Gumtrees have found it difficult to sustain the basic levels of research they had conducted before that time. The Gumtrees fare better in maintaining research output than the New Universities, as the Gumtrees had existing research staff, methods, and reputations in place before that time. Low-level universities are forced to make a choice between internationalizing the campus, adding full-fee paying programs tied to the demand of the employer market, and maintaining their research output. Conversely, the Sandstones have the

positional strength in the market to expand opportunities on all fronts without feeling the burden of shrinking governmental appropriations due to their ability to attract funds from donors, businesses, and government grants (Marginson, 2006).

In light of this context, Marginson (2006) presents a three-tiered framework of universities and how they fare within national competition. At the top tier, self-sustaining elite research universities whose positional control is marked by exclusion and scarcity. The leadership at these institutions is primarily concerned with maintenance of institutional prestige. In the second tier are research universities which aspire to be elite research universities, but lack the positional strength of the elite universities and suffer from resource scarcity. In the bottom of Marginson's framework are teaching-focused institutions, which tend to expand. This mass base of higher education tends to market itself extensively and cut costs or quality to make ends meet (Marginson, 2006).

In Australia, the New Universities and some of Australia's few private institutions tend to fall into this last category. In light of the Australian government's 2005 tuition fee restructuring, during which Australia moved towards a high-tuition, high-aid structure of higher education finance (Mumper, 2001), the Sandstones will be the most likely goal for full-fee paying students. The Gumtrees will feel the squeeze of the middle, as students that may have originally attended those institutions may opt instead to pay full at a Sandstone. Lower-level institutions are likely to struggle the most filling their seats and may end up in what Marginson (2005) calls, "a race to the bottom" (p. 17), as filling seats will be tantamount to breaking even financially. The strategies these lower level institutions have implemented include dedicating funds to hyper-marketing operations and lowering costs, both of which will limit their research capacities (Marginson, 2005). In response to such financial pressure and facing increased international

competition, some universities have begun to show signs of stress. In 2006, Edith Cowan University, a New University as identified by Marginson, faced an unprecedented financial shortfall (Pick, 2006). If the current situation remains constant, some institutions may be forced to close or merge with others (Pick, 2006).

Conclusion

There are fundamental differences between the state of the market of higher education in China, the United States, and Australia. Although the Chinese higher education market has recently undergone massive expansion and privatization of the system (Gürüz, 2008), demand for higher education credentials still far outstrips the supply of space at universities. Students are in constant competition with each other for space at the best universities in China. While some students stay and attend *minban*, many students from families with some means decide to pursue higher education abroad. A notable minority of students vying to gain admission to China's finest institutions are not interested in actually gaining the education offered and will send substitute students in their stead. However, even to these students, the relative ranking and prestige of the institution still matters, as they believe a prestigious degree is the ticket to a successful future full of promotions. The higher education landscape in the United States and Australia are similar, with institutions needing to compete with each other for the same students or look to international students to supplement their ranks. With smaller demand than that in China, low-prestige institutions in the United States and Australia are facing real danger of extinction if they fail to attract enough students.

Although it takes different forms and exists for different ends in the three countries, the institutional hierarchies as framed by Twitchell (2004) and Marginson (2006) appear to remain more or less constant in terms of institutional attractiveness to students. The elite upper echelon

of universities, which have solidified their powerful and respected positions within their respective countries, will remain strong without needing to make concessions for student recruitment. Students will always be competing to get into institutions such as Harvard University, The Australian National University, and Beijing University, identified as the elite universities in their respective countries by the Academic Ranking of World Universities (Center for World-Class Universities and Institute for Higher Education at Shanghai Jiao Tong University, 2009). Mass providers of higher education, such as for-profit institutions, will continue to expand their promotion venues, discount tuition, or cut expenditures in a constant effort to remain viable. The aspirant research universities, caught between the elite research universities and their mass-provider competitors, will struggle with developing a distinct identity and balancing their teaching and research purposes.

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