

ЭКОНОМИЧЕСКИЕ НАУКИ И МЕНЕДЖМЕНТ

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ANALYTICAL TOOLS FOR EXPLORING THE MARKET OF PAID EDUCATIONAL SERVICES IN RUSSIA

В статье предпринята попытка применить ряд традиционных маркетинговых инструментов анализа к исследованию рынка платных образовательных услуг в сфере высшего профессионального образования России. Обосновывается целесообразность использования западных концепций в изучении средовых факторов деятельности вуза с целью повышения его конкурентоспособности и предлагаются рекомендации по оптимизации работы образовательного учреждения.

Ключевые слова: *аналитические инструменты в экономике, маркетинговая ориентация, высшее образование, платные образовательные услуги, экономическая трансформация.*

In the modern world economy is viewed as a system based to a large extent on the exchange of intellectual property, on mastering professional skills and investing in human resources. This makes contemporary education an integral part of economic system, which is to be taken into consideration in Russia where the process of transformation of industrial economy into post-industrial, informational sphere of human activity, is going along its transition to the market. Introducing paid educational services (not supported by the federal

budget) into the system of higher education was but another sign of these transformations, and exploring this phenomenon seems crucial for those educational organisations that strive to survive in this market space.

This paper attempts to apply basic analytical tools for exploring business environment in the sphere of paid educational services sector in Russian economy, with the focus on higher education. This is a relatively new service in the country's market, and it seems essential to monitor the factors that influence its development. Concepts of marketing orientation and the necessity of marketing research appeared but recently in the transition economies of post-Soviet countries and of Russia in particular. In the 1990-s Russian business activity was mostly of an unregulated, spontaneous character. The recognition in the last decade of the importance that marketing has in the modern Russian economy led to an increase in the application of analytical tools for exploring a marketing environment. Thereby the main objectives will include to explore the theoretical framework of the subject and to apply it to researching organisational macro- and microenvironment.

In the course of this research, various data sources were looked into and different layers of information were studied:

- marketing environment (Oldroyd, 2002; Worthington and Britton, 2006);
- current situation in Russia (OECD, 2013);
- marketing orientation (Caruana *et al.*, 1999; Van Egeren and O'Connor, 1998);
- services sector (Lovell and Wirtz, 2004; Zeithaml and Bitner, 1996);
- educational services in Russia (Galaida, 2008).

Most authors speak about the necessity of environmental investigation, though cite different components of PEST(LE) (e.g. environmental factors are termed ethical in Worthington and Britton's (2006)

interpretation). Another criticism is that some core textbooks leave behind additional components of the marketing mix for services (e.g. Armstrong and Kotler, 2003). There is also much controversy in depicting the current situation in Russia. While some authors view it optimistically, as a growing economy with favourable conditions for development (Galaida, 2008), others ascribe its success mainly to reliance on natural resources (OECD, 2013). So, there is no lack of data and theoretical landmarks, but they have to be viewed critically for further application.

The market orientation concept in providing educational service

"In short, the essence of marketing is that it should begin with the customer, not the organisation" (Alvarez *et al.*, 2002). The same holds true for the service sector, in higher education in particular. What is of primary importance here is the set of skills that students wish to apply, rather than the possibilities of a university in offering this or that course of education. Gathering information concerning customers' needs is a crucial step in defining organisational strategy in higher education. Jaworski and Kohli (1993) define a market orientated service business as generating intelligence concerning customer's current and future needs, disseminating this information within the organisation and responding to it. Javalgi *et al.* (2005) also stress the value of marketing orientation that focuses a company on the continuous collection of information about target customers' needs and competitors' capabilities. Consideration of consumer preferences contributes to service quality and thereby leads to customers' satisfaction and loyalty, ensuring profitability.

The marketing orientation concept is normally formulated in a company's mission statement "in terms of satisfying basic customer needs" (Armstrong and Kotler, 2003: p.48). It has to meet the criteria set by the authors, viz. to be market oriented, realistic, environment-

bound, motivating and based on distinctive competencies (quickness and professionalism). Thus an educational establishment should take into consideration this guidance to check whether it functions as a part of an old higher education system, based on planned economy, or looks forward to meeting the needs of prospective customers, viz. students. It is a fact of economic life of the modern world that even not-for-profit organisations depend on income from paid services, and their profitability directly links to customer satisfaction and loyalty.

According to Reibstein, “in addition to sales and advertising, marketing tasks now include setting product and brand policies, pricing, packaging, distribution, marketing research, advertising, and personal selling” with effective integration of all these tasks focusing on satisfying customer needs and profitability (1985: p.29). This leads us close to the idea of marketing mix.

Marketing mix for the educational service

In the hierarchy of new service categories, paid education as a developing service in Russia falls into the category of major process innovations which "consists of using new processes to deliver existing core products in new ways with additional benefits" (Lovelock and Wirtz, 2004: p.116). Only ten years ago these benefits were not apparent for the Russian education, with its government sponsored system and barely emerging paid-basis alternative.

According to Armstrong and Koltler (2003), the marketing mix is one of the factors that influence consumer's decision making, and it must be taken into account in the marketing orientation perspective. Getting education is a major life decision for most individuals. Thus helping them to make this decision cannot be accomplished without a marketing mix analysis for every organisation that provides paid educational services.

Reibstein defines marketing mix as “the appropriate combina-

tion of the following four elements: product, price, place and promotion” (1985: p. 13). Armstrong and Kotler also refer to marketing mix as the “Four Ps”, but give a more sophisticated definition: it is “the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market” (2003: p.63). However, Zeithaml and Bitner (1996) offer a more appropriate scheme for service marketing mix that has been applied in this research.

Figure 1. Exemplary marketing mix for a university

Product	- Educational service or economically and socially significant category that can be viewed as an activity of passing information from one person (organisation) to another with the purpose of developing the personality, mastering professional skills, sharing human experience, ideas and discoveries (Galaida, 2008);
Place	- university campus; Internet;
Promotion	- all sorts of public relations materials including news releases, newsletters, backgrounders, etc.; - advertisements in the media; - billboards and mobile advertising; - direct marketing - other means of promotion;
Price	- competitive (compared to other universities in the area and in the sphere);
People	- teaching staff; - administrative staff; - other employees;
Physical evidence	- published materials (textbooks etc.) - up-to-date hardware and software, wireless branch connection; - unified style of design (from internal design to business cards) and dress code; - regularly updated reports, contracts, other instruments; - specific (made up in laboratory conditions, e.g. mock-up power stations);
Process	- clearly defined algorithm of the teaching process; - complex of measures to satisfy the needs of students (“what to do in case...”); - low level of customer involvement in routine procedures.

Exploring the company's macroenvironment

The importance of understanding the external environment is highlighted in every business textbook (e.g. Brassington and Pettitt, 2006; Worthington and Britton, 2006; Armstrong and Kotler, 2003). A company that adopts a marketing orientation concept looks outward, being a part of a bigger system, open to mutual influences through the exchange of inputs and outputs. To react to environmental changes in the immediate surroundings a company should be aware of them - that is what PEST(LE) analysis is aimed at, and that is what this paper will attempt to look at further, with regard to higher education.

Political and Legal Factors.

According to Oldroyd (2002), the political, and especially legal, environment determines the level of freedom of economic activity. For a higher educational establishment these constraining or pushing factors might be:

- immature democracy and unstable political situation in the country;
- political party pluralism in the country;
- universal adult suffrage;
- contradictions between legal provisions and their implementation;
- unclear human rights.

Economic Factors.

These include a number of economic aspects related to organisational activity, for instance:

- developing economy in Russia;
- high investments into the country's economy;
- rapid growth of small and medium enterprises in Russia;
- paying by cash as the preferred spending pattern;
- increasing buying capacity of the population (and thus possibility to invest in one's own education), but not high enough throughout the whole of the country.

Social, Cultural and Demographic Factors.

It can be argued that “sociocultural environment is of particular concern to marketers as it has a direct effect on their understanding of customers and what drives them. Not only does it address the demographic structure of markets, but it also looks at the way in which attitudes and opinions are being formed and how they are evolving” (Brassington and Pettitt, 2006: p.49). Oldroyd (2002) considers it a starting point in understanding the origins of customer behaviour. Moreover, this set of factors can be viewed as primarily important for a university, with regard to the social role played by education.

The following factors can be mentioned as essential here:

- decrease of population on the country scale which influences competition among universities (compared to death rate, data of Federal State Statistics Service Statistics, 2014);
- percentage of city dwellers (which influences the number of students who would need accommodation);
- cultural patterns (studying in the home town v going away).

Technological Factors.

Modern economy is greatly influenced by technological factors, and by innovation and improvement in particular. It can be argued that “technology is a key driver of service innovation” as well (Lovelock and Wirtz, 2004: p.7), where education is no exception.

The following can be listed here:

- possibility of distance learning via the Internet which is becoming a more and more popular source of information in Russia;
- global development of e-business, e-commerce and e-marketing, which also holds true for Russia (and thus possibilities for promoting educational services in the net);
- research and development of cost-saving innovations in education (e.g. applying multimedia technologies for larger streams of learners);

- emergence of software especially designed for higher education (e.g. knowledge testing programs).

Exploring the company's competitive environment

Porter's 5 Forces (Porter, 1980), a concept of the business guru Michael Porter, are still widely used in marketing research as a means of exploring the competitive environment and determining the company's attractiveness. Further it is attempted to apply these instruments of analysis to the activity of a higher educational establishment in Russia.

- Bargaining power of suppliers here can be connected with denied access to the source of teaching services; for instance, low salaries in the sphere of higher education may be the leading factor of instability of supply.

- Bargaining power of buyers (clients, customers, namely students and potential students) is rather high due to severe competition among universities in the country and abroad. The high level of buyer's profitability (compared to the country on the whole) may also contribute to this force.

- Threat of new entry is not a substantial barrier in higher education in Russia at the moment. The market is open for branches of federal universities, but governmental regulation (licensing, etc.) may hamper the entry of other players.

- Threat of substitutes is balanced against buyer unwillingness to risk and search for alternative options. Here it is an issue of ratings, reputation, and quality of service compared with prices for the education.

- Inter-rivalry is almost non-existent in case of monopolies in certain areas (caused mainly by creating huge federal universities across the country in the second decade of the twenty-first century), but might be quite strong in the regional arena with a number of universities of similar profile (e.g. engineering or humanities).

Exploring external and internal factors of the company's development

Oldroyd argues that the whole purpose of SWOT is to encourage the company to be outward-looking, "to anticipate and understand important environmental developments and their impact on the business" (2002: p.282). Both the internal and external parts of SWOT must be looked into for a better definition of the company's position in the market space. Thus it is a summarising analytical tool applied after all other intelligence is carried out. This exemplary matrix can be used for any specific Russian university that strives to compete in the marketplace.

<p>Strengths:</p> <ul style="list-style-type: none"> - reputation of being one of the oldest and most solid universities in the city; - advanced IT base; - highly qualified and regularly trained faculty; - European experience of top management; - alliances with other universities; - published editions; - campus located in the city centre; 	<p>Weaknesses:</p> <ul style="list-style-type: none"> - decision making depending solely on the head of the university; - low salaries of the teaching staff; - scattered buildings of the campus; - lack of federal budgeting;
<p>Opportunities:</p> <ul style="list-style-type: none"> - alliances with enterprises; - expanding the range of services (distant learning); - staff training abroad; 	<p>Threats:</p> <ul style="list-style-type: none"> - competitors who offer cheaper or higher quality services, causing price damping harmful for the company; - young market economy and lack of well-regulated business processes; - lack of business experience of university administration.

Implications for the future

The analysis undertaken shows that any establishment of higher education in Russia can apply the analytical tools mentioned above to be able to compete in the marketplace of paid educational services. Exploring western experience makes it clear that despite its unique

socially-oriented position the market of educational services can be researched the same way as any other service-providing sphere.

Among the actions to be undertaken the first one is to ensure organisation's marketing orientation and to formulate its mission accordingly. Next step could be to consider all parts of the marketing mix (for example, cooperating with banks for ensuring students' loans as a pricing option, using the Internet as a campus alternative, adequate promotion and disseminating tailored messages to strategic audiences). Carrying out PEST analysis to examine environmental trends that might harm or promote the university (e.g. with an eye to using international standards for a university to be able to compete globally) and applying the 5 Forces analysis to search for a competitive advantage to be offered to students are both equally important. Finally, looking for opportunities (e.g. alliances with businesses) and threats, as well as monitoring one's own strengths to harness and weaknesses to fight might summarize the overall intelligence efforts of an educational establishment.

Thus it is essential to take into consideration every possible analytical tool in order to decrease sensitivity to every change in the turbulent environment by monitoring global economic trends, new laws and modern technological tendencies and to react to these changes faster than its competitors, thus being able to succeed in the market of modern educational services in Russia. Together with this, university executives should think critically and approach selectively these methods and sources, taking into consideration Russian culture, mentality and conditions.

In sum, the main implication here for a higher educational institution is to place the student with his or her needs and wants in the centre of its activity, with customer relationship management becoming the key challenge for the university's administration. To fulfil this it is necessary to study global experience in educational service sector, the latest marketing tools and techniques applied in well developed

countries, such as carrying out customer satisfaction surveys to analyse the feedback, and to implement them into practice.

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