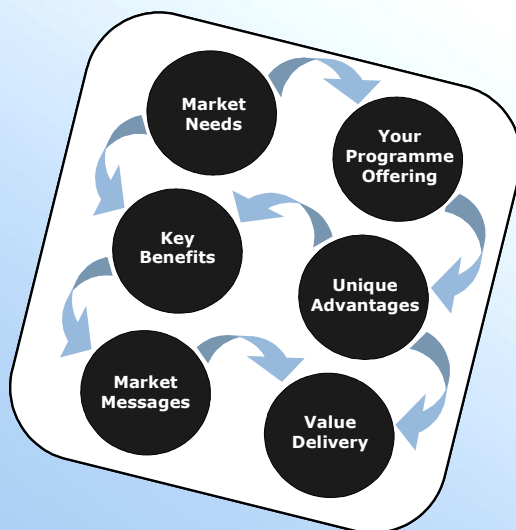


Market strategies for distance learning programmes

A paper for higher education providers

January 2007



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Executive summary

This paper is intended to raise awareness of some key issues that underpin the provision of successful distance and on-line learning programmes within Higher Education Institutions (HEIs).

The primary concern of an HEI is generally to ensure that the quality and relevance of the programmes themselves are addressed. However, careful selection of the target market, accurate profiling of student needs and a well-matched portfolio of programmes will also have a major impact on potential success. In short, every learning programme should be based on a well thought out market strategy – at the institution level, at the department level and at the programme portfolio level.

The content of this paper is based on CAPDM's considerable experience in the business of helping to develop successful, global distance learning programmes for a wide range of institutions.

The paper highlights key issues for the development of effective market strategies – both for new learning programmes and for existing programmes looking to improve market performance. The relative importance of these issues and the actions that are required to address them will be different for every institution. In a diverse market such as education, no two market strategies will be the same.

A sound market strategy will make it obvious what the key customer benefits are and how they can best be promoted. It will also make it clear how the institution is going to deliver these benefits and the associated value. Finally, it will be realistic for the institution to pursue and implement.

The more market oriented approach advocated by this paper can help HEIs to diversify into serious, sustainable business ventures that will secure their futures and ensure that they are able to make a full contribution to meeting the ever growing demand for high quality education.

Introduction

Many years experience of helping clients to develop successful distance and on-line learning programmes has helped CAPDM and its education partners understand the characteristics of such products and the marketplace they are aimed at. This paper highlights some of the lessons learnt plus key issues that need to be considered when developing a new programme.

The cost and effort involved in developing a new learning programme for today's education market can be substantial. It therefore has to be treated as a serious business venture, in order to justify the investment. This can be difficult for HEIs that are not geared to this type of activity. Often the development work is approached with limited resources in a 'cottage industry' fashion. Resulting 'boutique' programmes may be of interest to a few individuals but are unlikely to deliver sustainable value for the institution - or benefit the wider world of education.

Every business venture looks for some form of return - the most obvious of which is financial. There are other possible returns for academic institutions, however, such as generating opportunities for future growth or extending education to remote societies.

Whatever returns are expected, successful business ventures require five things:

1. **A clear set of overall goals**
2. **A market oriented strategy**
3. **A sound business plan**
4. **Resources**
5. **Effective implementation (to the business plan)**

As HEIs strive to generate new income streams, many decide to develop new distance and on-line learning programmes. These are often seen as a way to achieve growth and income targets. Unfortunately, these plans often by-pass the processes of strategy development, planning and resourcing – mainly because it is too tempting to rush into implementation. However, effective implementation requires a workable plan, which, if it is to be successful, needs resources – and frequently more than originally envisaged.

In order to commit the required resources, backers (those who provide funding and facilities) need to see a viable plan based on a sound market strategy. If the market strategy is not sound, the intended venture will struggle or collapse. If the market strategy is sound, there will be scope for changing the plan, modifying the implementation and/or finding additional backing to help overcome any problems that may be encountered along the way.

Experience has shown that, in today's world, learning programmes must have a clear market strategy in order to be effective and successful.

Strategies for learning programmes

Nowadays, learning programmes can be delivered in many different ways, to many different audiences, using many different technologies. Making the relevant choices are key strategic decisions for any educational institution and fundamental to the market strategy.

Many factors have to be considered when deciding on the best choices for a new development:

- The knowledge base available to structure and develop the programme;
- The teaching and authoring skills available within the institution;
- The student base (i.e. the market) that can be accessed today;
- The student base that could be targeted in the future;
- The overall future direction of the institution in terms of specialisms, etc.;
- The future direction of the relevant department(s) within the institution;
- The technologies and facilities available to deliver the programme;
- The resources available to produce and manage the programme;
- Trends in teaching and learning;
- Emerging technologies for future use in teaching and learning.

This paper highlights some key issues for the development of effective market strategies – both for a new learning programme and for an existing programme looking to improve market performance.

What is a market strategy?

The meaning of strategy

A strategy is a statement of the way in which something is to be done. It is a broad statement of method to achieve identified, high-order goals. For a business venture, it sets out what business the organisation will be in, where it wants to be and how it is going to get there.

A well-developed strategy provides the link between high-order goals at one end and tactics or actions at the other. It records the business options considered, the priorities decided, and the choices made. Without it, resulting actions can lack focus and co-ordination. Strategies are dynamic and are shaped by both the actions taken and the experiences that result. They therefore need to be regularly reviewed and updated.

Many HEIs can find it difficult to formulate clear business objectives to accompany their educational objectives. However, as most now have overall strategic plans, it should be possible to define the high level goals on which to base a market strategy for a new learning programme.

The role of a market strategy

A market strategy links what the business venture wants to achieve to the specific actions that are needed to achieve it. It should answer many questions – such as:

- Who will the customers be, where will they come from and what will be their main requirements – the **market needs**?
- How can these needs be met with **the programme offering**?
- What **unique advantages** can be offered to student customers?
- What **key benefits** will customers gain from the learning programmes?
- How to promote the unique advantages, key benefits and the value of the offering in **market messages** that will recruit new students?
- How will the business fulfil its promises – with true **value delivery**?

Perhaps most importantly, a good market strategy will provide a framework through which the efforts of everyone contributing to the business venture can be co-ordinated - providing the focus and motivation to ensure that the team achieves the overall, agreed goals.

A market oriented business strategy may not fit easily into competing activities within an HEI – activities such as face-to-face teaching, meeting the needs of the Research Assessment Exercise and traditional forms of corporate engagement, e.g. personal consultancy. It also does not guarantee that it will be possible to assemble and motivate a project team with the skill sets required for success. What it does do, though, is elevate the ‘cottage industry’ approach to one that is much more likely to be successful and sustainable.

What is a market?

Market definition

Businesses define their markets in many different ways. It’s hard to say any of these are wrong – provided the definition is accurate and a valid basis for the market strategy. However, many market definitions lack sufficient accuracy and are either not helpful or, in some cases, directly misleading when used as a basis for the strategy development. This applies just as much to defining the market for learning programmes as it does to any product or service.

A frequent problem is that the market definition is too broad - embracing too many different requirements and, therefore, placing too many demands on the supplier. But the most common problem is that the definition takes little or no account of the potential customer’s real requirements. Instead, the definition relates more to the product or the solution to the requirements, than the requirements themselves.

Market needs

For learning programmes, it is the requirements of the student (the **market needs**) that must drive the whole market strategy – starting with the market definition. This is important, as it will affect all of the market strategy. Furthermore, as far as possible, it should be synergistic with related strategies across the rest of HEI. Otherwise, the spectre of multiple, inefficient ‘cottage industries’ will arise.



The HEI may settle on a particular market and the needs of that market or it may decide to focus on a number (ideally a small number) of key markets, each with its own particular set of needs.

Two factors are key here:

- **Customers (students) always spend money to obtain a benefit.**
- **A benefit can only exist if the purchase satisfies a customer need.**

It's not surprising, therefore, that marketing professionals always try to define a market in terms of customer needs. When a number of potential customers with a very similar set of needs can be grouped together, they form a single market. So, we can say that:

A market is best defined as a distinctive set of customer needs.

Market segmentation

It is obvious that different learning programmes address different market areas - each defined by a distinctive set of customer needs. To address each market area properly, it is often necessary to split larger markets into market segments.

Segmenting the market is crucial. It provides the structure to identify which market sectors are most important and how best to address their needs. It is important to segment on the basis of fundamental issues that result in distinctive customer needs. For a learning programme this could, for example, include the age or circumstances of the student, the level of education reached, past educational experience, geographic location, first or primary language or proficiency in the language used for the programme.

There are many ways to segment a market and some experimentation may be necessary until the right segments are identified. Sometimes it is tempting to segment on the basis of categories such as the level of qualification achieved to date, though segmentation is usually most effective when it is done on the basis of a fundamental user need or a generic characteristic.

For example, potential students may range from native English speakers to non English speakers. These two groups will require a totally different product. What is more, there may also be types of user between these two groups, with requirements that are different from either of the extremes. A good market strategy takes account of all such factors (where they are important) and ensures that the products meet the precise mix of needs of the target sector(s).

Market sectors

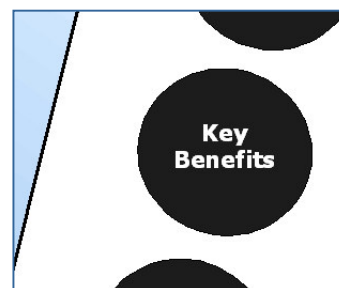
It is tempting to think that an institutions can address the needs of all market areas equally effectively, but in reality any particular strategy and any particular market offering will have much greater appeal for some areas of the potential market than it does for others. A common factor shared by many successful business ventures is that they focus on meeting the specific needs of a carefully chosen market area and then do that very well.

Focussing on the right market sectors is key to a good market strategy.

Meeting market needs

Key benefits

Some benefits are relevant to all potential customers. These 'unconditional' benefits apply to everyone, but because of this they do not help an HEI, or a business, to identify the market sectors to focus on. Of more interest are the 'conditional benefits' that some customers will want and others won't care about or those that will only apply in certain situations.



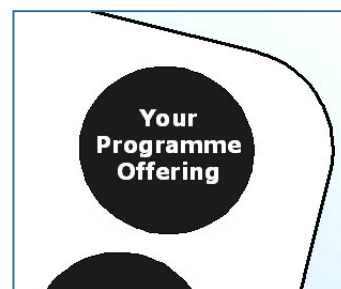
For example, a programme based on distance learning is more likely to appeal to mature students who are in employment, and those located remotely. At the same time, such a programme feature may represent a negative factor for school-leavers, who are keen to have a full on-campus experience. (However, as the costs and opportunity costs of attending a university for four years keep rising, the benefits of a distance or on-line programme may become more appealing in the future. So it is important to keep looking ahead.)

The other 'conditional' aspect to be considered when assessing the benefits of a learning programme is whether these benefits can be gained in all cases or whether there are other factors that have to be considered before the benefits can be realised. For example, a qualification may only be truly beneficial if potential employers recognise it as appropriate and relevant to their requirements. This benefit is, therefore, one that can also be 'conditional'.

HEIs must objectively compare the benefits of their products (i.e. learning experiences) to those of the competition and then target the sectors of the market that, firstly, need the particular combination of benefits on offer and, secondly, are ready to take advantage of particular programmes. This process is fundamental to a sound market strategy.

The programme offering

Benefits derive from advantages that in turn derive from product features. An HEI should therefore be able to link the features of every learning programme directly to one or more benefits. There are a number of ways to do this and it is often very helpful to have an explicit analysis that shows exactly which benefits derive from which features.



Over time an HEI develops a portfolio of products that address different market sectors. By analysing benefits and feature combinations in different market areas, it is possible to specify the 'ideal' products for each sector. This helps in portfolio management, allowing an institution to define market needs and to link the development of its portfolio of learning programmes to the needs of different market sectors. An institution can then match its choice of current and future target market sectors to the evolution of its product portfolio and capability.

When an HEI has defined the markets it is addressing in terms of student needs and has a specific list of features and benefits for each market, it is much easier for it to specify and build quality learning programmes.

Ranking benefits

Benefits are based on needs and preferences but some needs/preferences are more important than others. These will be ranked in the student's mind in a way that is specific to the individual.

To analyse this situation, an institution can list student needs in categories of importance - such as 'essentials', 'wants' and 'wishes' or 'primary', 'secondary' and 'tertiary'. This analysis helps to identify the relative importance of different benefits, particularly if it is based on an 'average' for prospective students within the target sector. (This average can be assessed from surveys of either prospective or existing students or both.)

Unique advantages

Focusing on a specific market sector helps to make a portfolio of programmes more attractive to potential students in the target sector(s). There are two other ways to do this - making programmes different from others that are available (in ways that make them better) or, alternatively, making them cheaper. The latter approach can, on occasion, be appropriate but generally it leads to a downward spiral of reduced quality, fewer students and lack of viability.



Differentiation on the other hand can give programmes unique advantages that push them up to a 'preferred choice' position for relevant prospective students.

Examples of unique advantages could be:

- Provision of local facilities for DL students (perhaps through other tertiary institutions);
- Availability of excellent locations for field work;
- Guaranteed placements for relevant work experience;
- Automatic entitlement to a relevant professional qualification.

Promotion

Another benefit of a clear market strategy is that it becomes much easier to promote the learning programmes. A clear market focus based on specific market needs makes it easier to target the right people and achieve a better response at a lower cost. This is a major advantage for any business venture.

Market messages

Effective 'market messages' can be developed based on key programme features, the unique advantages they offer and, most importantly, the particular benefits that will appeal to the target market. Messages can be clear and punchy instead of woolly and generalised.

'We provide a wide range of post-graduate programmes' can become, 'We are the leading UK provider of post-graduate training for the XYZ profession.'

'Our campus is located in a pleasant rural setting close to a national park' can become, 'Your field-studies will be conducted in a nearby national park that offers the greatest bio-diversity available in the UK.'

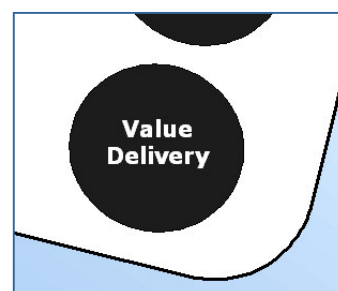


Message delivery

Delivering these messages also becomes easier and less costly when driven by a clear market strategy. Defining the target market more precisely makes it possible to select more focused or more specialist media, which is generally much more cost-effective than a 'broad-brush' campaign.

Value delivery

Customers are looking for 'value' and any business venture must constantly strive to deliver this. This is increasingly true of the market for distance and on-line learning programmes, as more offerings become available. To deliver excellent value, it is necessary to understand what is meant by 'value' and what constitutes value for our customers.



The meaning of 'Value'

In seeking to provide the highest possible value to customers it is important to be clear about what 'value' is. It is easily defined:

$$\text{Value} = \text{Benefit} - \text{Cost}$$

This simple equation has huge significance. It shows that value (for the customer) can be increased by adding to the benefits or by reducing the cost (i.e. the price). It also shows that the temptation to increase price or to skimp on benefits (or both) might increase profitability in the short term but it also reduces value to the customer and, therefore, longer-term competitiveness. This highlights a basic dilemma faced by all businesses - but it is one of the issues that a good market strategy will help to resolve.

For learning programmes offered by an HEI, direct benefits to the customers (i.e. students) can be measured in terms of knowledge, expertise and qualifications that will lead to career opportunities and/or personal development. Secondary benefits may include social interaction but those of particular significance to HEIs offering distance and on-line courses include exposure to wider influences and broadening life experiences.

Costs for the student can include financial outlay, investment of personal time, reduced opportunity for earning (while studying) and disruption to personal/family life.

Programme developers are now becoming more aware of these factors, and they are certainly in the forefront of students' minds as they make decisions about choosing programmes.

Many people in HEIs argue that prospective students rarely do a rigorous cost-benefit analysis. However, their choice of programme is clearly based on their understanding of a readily identifiable set of factors. There is no single right way to design a new learning programme – whether it is for distance, blended or on-campus use. However there are good examples of programmes that have survived the rigors of the education market and lessons should be learned from these. It is important, over time, to understand the characteristics that offer genuine value for the students. Getting these right will determine whether they will enrol for programmes and/or recommend a programme to others.

How should an HEI assess value?

It is tempting to assume that the value of any product (especially an education programme) is obvious to everyone. However, this is rarely the case and the reasons become obvious when we try to assess value generically, rather than for the individual. Defining and measuring value based on costs and benefits can be difficult.

When defining **cost** for a student it is important to pay attention to the total outlay required to study on a programme. In the current environment, this is becoming more and more important for students attending university for traditional undergraduate or postgraduate studies. However, it is even more important when attracting students back to study at a distance and/or on-line. Costs to be considered will include course fees, travel, accommodation, and maintenance, but an HEI must also take into consideration lost earning opportunities and, perhaps other costs such as books, internet access and the purchase of hardware/software.

Assessing **benefits** may be somewhat easier but there must be a focus on the 'total result'. Qualifications and future job opportunities are only part of the equation. Personal development and direct access to new contacts may be equally valuable, along with many other factors specific to the programme.

As benefits are derived from needs and needs vary for different people, perceived benefits will also vary. In other words, perceived **value** will vary from person to person. This is one of the main reasons why focusing on specific market groupings generally leads to a more effective market strategy.

A clear understanding of the value that the student will derive from participating in a programme leads directly to a key marketing concept - the value proposition.

Value promotion

Interestingly, it is the value of what is being offered that needs to be promoted – emphasising either significant benefits or low cost or both. Having a clear understanding of the meaning of ‘value’ in the target market for a particular programme therefore helps in the development of strong promotional messages. As noted above, promotional messages must be relevant and meaningful for prospective students if they are to be effective.

Value propositions

It is beneficial to develop a ‘value proposition’ early in the strategy development process because this focuses the mind on the issues that are likely to be important to the customer (the student).

Value propositions should not simply focus on the product being supplied – in other words, NOT:

‘An education programme that links directly to syllabus requirements for national examinations’

or

‘A postgraduate diploma that is widely recognised across the EU.’

What is required is a set of statements that highlight the value to the customer – for example:

‘A flexible mix of on-campus and distance learning that gives you a choice of study methods’

or

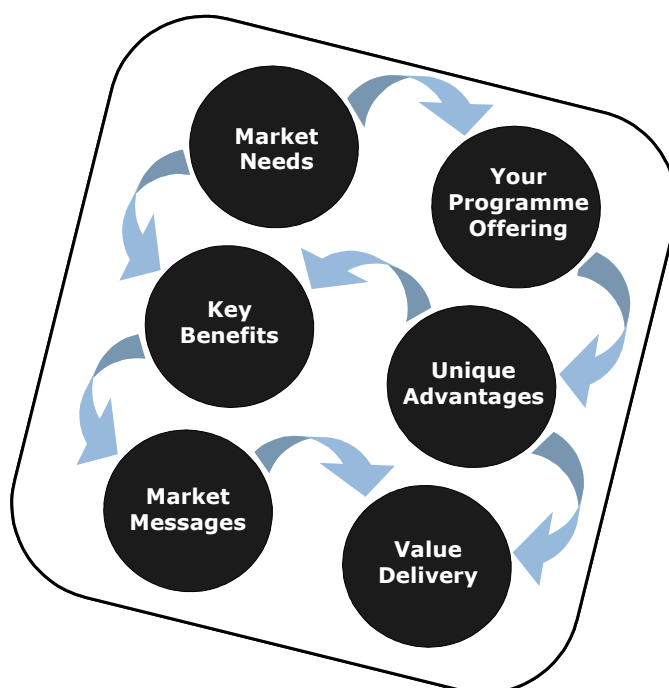
‘A programme that includes valuable work experience within the profession’

From a strategic point of view, the ‘value proposition’ should also reflect the market ‘position’ that the supplier wants to achieve. (At a simple level, a business shouldn’t emphasise low prices if its aim is to be a ‘Rolls-Royce’ supplier in the market.)

Building and implementing a strategy

A sound market strategy reduces the risk associated with a business venture and, for an HEI, it can help to ensure that every learning programme is a success.

Eliminating the perception that it is a case of 'rolling the dice and seeing what comes up' increases levels of motivation for everyone involved. The team can then have good reason to be confident of a successful outcome.



To build an effective market strategy, it is necessary to tackle all six of the above issues, along with others where necessary. The order in which they are tackled may vary - though there is little doubt that it is best to start with the market and its needs. The above diagram indicates one possible route through the process but it is also important to allow for interaction between the different issues.

It is often said that many good market strategies are let down by poor implementation - and this is clearly the case when we look at the multitude of reasons for business failure. However, it is also true that many enthusiastic and energetic implementations are wasted because of poor strategy.

Implications for higher education institutions

HEIs have a small number of strategic options available to them to generate new income streams and secure their futures in an increasingly competitive world. The two main options used are mergers (reflecting the belief that there are economies of scale and that the larger the HEI, the lower will be the average unit costs), and diversification.

Diversification implies that an organisation moves into a new product market. Many HEIs have already diversified, using their core resources to:

- supply additional education services;
- undertake research;
- introduce new courses such as an MBA -- an extension into a new market using the skills of business subject experts already employed.

The move into the distance and on-line learning market is a more recent diversification. It can be described as a *related* diversification as universities and colleges often own or employ the relevant critical core assets – such as:

- the ability to award internationally recognised qualifications;
- the relevant subject experts;
- the necessary managerial and administrative structure.

A key requirement for effective diversification is a sound market strategy that is realistic for the institution to pursue and implement. The strategy should make it obvious what the key customer benefits are and how they can best be promoted. It should also make it clear how the institution is going to deliver these benefits and the associated value.

Our conclusion is that, if HEIs are to move from having many, often very worthy, cottage industries to a position where they diversify into serious, sustainable business ventures, they will have to understand how to combine their assets with serious, cross-institutional planning. Central to this planning is the need for a sound market strategy to provide justification for the ventures and to provide a focus for the development of their learning programmes.

CAPDM has many years experience of working with universities, colleges, professional institutions and commercial enterprises - helping to create innovative and successful distance learning programmes.

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