



Troy State University

***Using Customer Value to Guide
Competitive Higher Education Market
Strategies***

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Troy State University

The Situation:

***Digital technology has
transformed the market place***



Troy State University

The Question:

***Can you compete with for-profit
and out of state universities?***



Troy State University

The Question:

***Can you compete with for-profit
and out of state universities?***

Do you have a market strategy?



Purpose

To demonstrate the utility of a customer value discipline model to guide competitive market strategies and decisions

Observations from the front line:



Not the Coach



Just one of the players

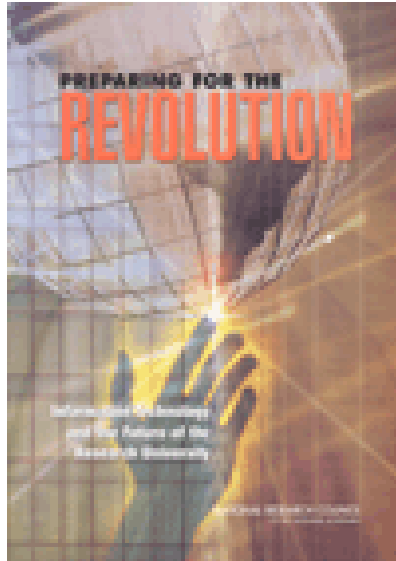


Not the QB



Approach

- **Discuss**
 - The new competitive market place
 - Conclusions of Three studies
 - The need for a market strategy
- **Introduce**
 - The customer value model
- **Show**
 - Troy State University's experience



Preparing for the Revolution: Information Technology and the Future of The Research University (2002)

National Academies Study

***Examines the impact of information
technologies on the research university and
the broader education enterprise***

First of Three Studies

Conclusions of the Study

- The extraordinary pace will accelerate
- Intellectual activities, organization, finances and governing will be transformed
- Procrastination is a dangerous course, but avoid making hasty responses to current trends

Conclusions of the Study

- Strategies must include:
 - Ability to assess various courses of action
 - The opportunity for experimentation
 - The ability to form alliances with:
 - Other academic institutions
 - For-profit organizations
 - Government organizations



The Future of the University in the Digital Age: Testimony to the House Subcommittee on Basic Research

James J. Duderstadt, President
Emeritus, The University of Michigan,
May 9, 2000

*The testimony focuses on the nature of the
higher education marketplace as created by
digital technology*

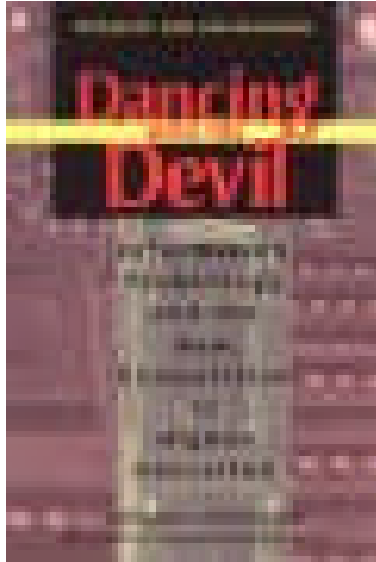
Second of Three Studies

Testimony Recommendations

- Must transform from a faculty centered to a learner centered institution
- Must build learning environments that are highly customized and adapt to the needs of the learner
- Must be affordable:
 - The high cost, low productivity paradigm will no longer be tolerated

Testimony Recommendations:

- Other themes:
 - ***Lifelong learning*** - the highly partitioned system of education will blend into a seamless web
 - ***Diversity*** - increasing diverse population with diverse needs and goals
 - ***Interactive and collaborative*** learning compatible with the plug and play generation



Dancing with the Devil: Information Technology and the New Competition in Higher Education (1999)

Richard N. Katz

The premise of the book is to address the issues around emerging technologies to create programs that can compete with for-profit universities

Third of Three Studies



Conclusions (Chapter 5)

- Market forces and technology are converging to deliver many new capabilities
 - New competition will "cherry pick" offerings that subsidize much of academia
- Higher education as a content producer occupies the most potentially profitable niche in this convergence



Conclusions (Chapter 5)

- The current advantages that higher education enjoys both in accreditation and reputation may be tenuous
 - Private industry suppliers have:
 - Bigger budgets
 - Better technology
 - More competitive institutional cultures
 - More comfort in managing strategic alliances



Recommendations (Chapter 5)

- Look to university extension operations as a structural and behavioral model
 - Have the values, business systems and capabilities
- Use a market-sensitive planning based approach



Recommendations (Chapter 5)

- The market plan should be three dimensional
 - The product (discipline & delivery medium)
 - The market (resident learners, distant learners, degree-program learners, non-degree program learners)
 - The geographical focus (campus, local, regional, national, global)



Recommendations (Chapter 5)

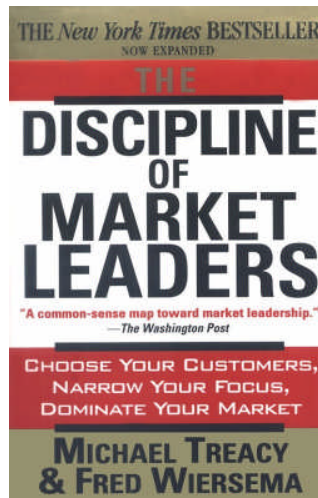
The most important competence is the ability to differentiate among various market niches!

The need for a market strategy

Observations from the front line:

If we are to succeed in the competitive market place - why not look at the discipline of market leaders?





The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market

Michael Treacy &
Fred Wiersema (1995)

A comprehensive three year study of 80 corporations in 36 markets: Why some achieve market leadership - Why some fail to achieve or sustain market leadership

The Discipline of Market Leaders

- The new world of competition:
 - Different customers buy different kinds of value
 - Choose your customer - narrow your value focus
 - As value standards rise, so do customer expectations
 - You stay ahead only by moving ahead
 - Producing every improving value requires
 - A superior, dedicated operating model

Dimensions of Customer Value

	Cost	Benefit
Products "What we sell"	<ul style="list-style-type: none">•Price•Reliability	<ul style="list-style-type: none">•Unique features•Brand experience
Services "How we do business"	<ul style="list-style-type: none">•Dependability•Convenience	<ul style="list-style-type: none">•Expert advice•Personalized service

What Consumers Say About Value

Cost

Benefit

Products

Services

Best Total Cost

"Great prices and quality"

"A no-hassle firm"

"Consistency is their middle name"

Best Product

"Premium priced, but worth it"

"Consumers ask for it by name"

Best Total Solution

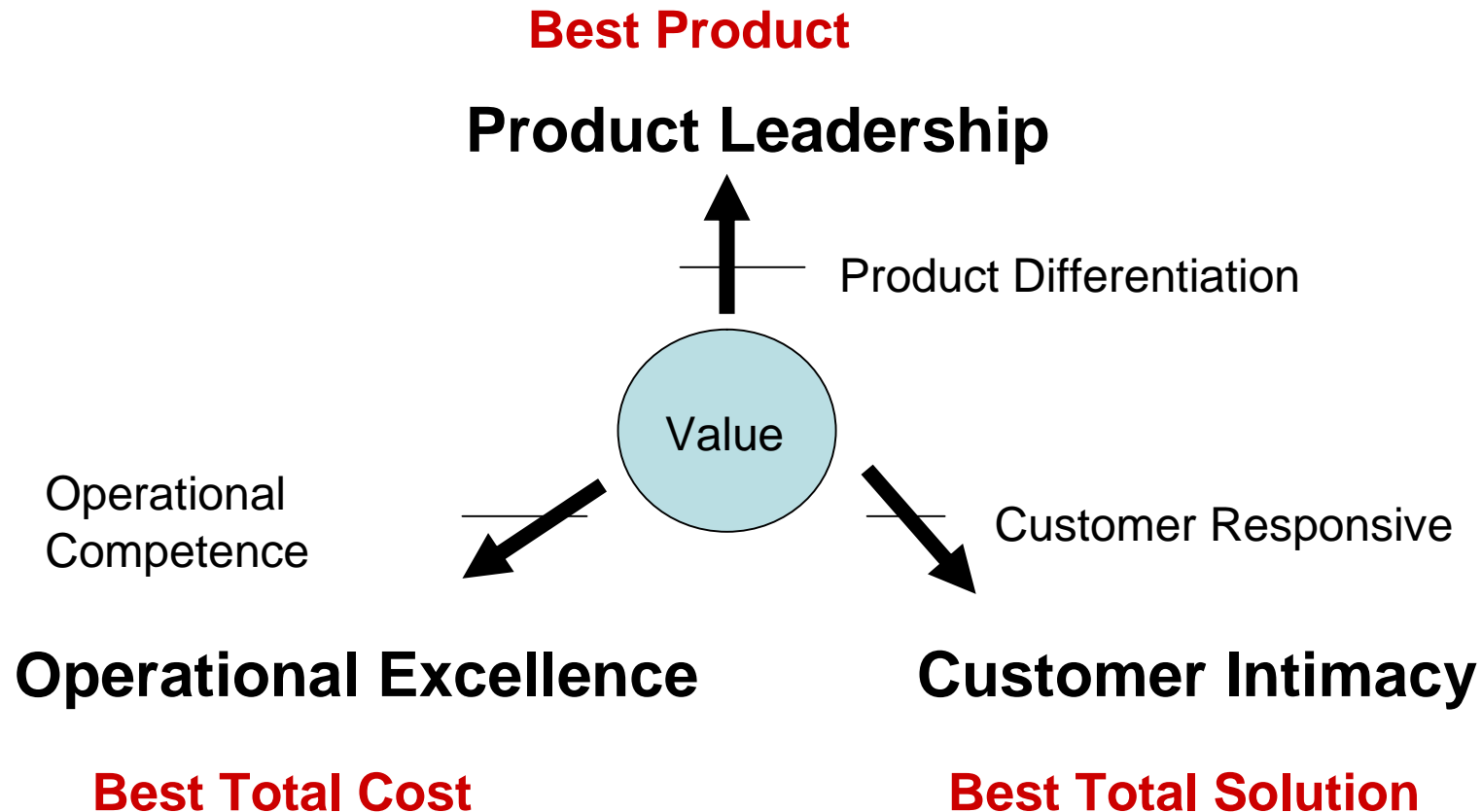
"They are the experts in my business"

"Their services are exactly what I need"

Customer Value Disciplines



Threshold vs. Leadership



You Must Choose Only One

- **Why?**



Not Choosing = Mediocrity

- **Why?**



Customer Value Disciplines



Operational Excellence

<i>Culture</i>	Disciplined teamwork Process focused
<i>Organization</i>	Centralized functions High skill at the core
<i>Core Processes</i>	Product delivery & basic service cycle Build on standard, no frills fixed assets
<i>Information Technology</i>	Integral to the core processes Aggressively pursue new technology
<i>Market Segment</i>	General population

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<i>Information Technology</i>	Integral to the core processes Aggressively pursue new technology
<i>Market Segment (Ed)</i>	General population segmented by geography, level/type and delivery

Product Leadership

<i>Culture</i>	Concept, future driven Experimentation "mind set"
<i>Organization</i>	Ad-hoc, organic & cellular High skills in loose knit structures
<i>Core Processes</i>	Invention, commercialization Market exploitation
<i>Information Technology</i>	Enable cooperation and knowledge management
<i>Market Segment</i>	Elite group - must have the best regardless of price

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<i>Information Technology</i>	Enable cooperation and knowledge management
<i>Market Segment (Ed)</i>	Elite group - Segmented by income, scholarship, legacy

Customer Intimacy

<i>Culture</i>	Client and field driven Variation: "Have it your way" mindset
<i>Organization</i>	Entrepreneurial client teams High skills in the field
<i>Core Processes</i>	Client acquisition and development Solution development
<i>Information Technology</i>	Linked to customer solutions Knowledge bases built around expertise
<i>Market Segment</i>	Selected customers based on creating partnerships

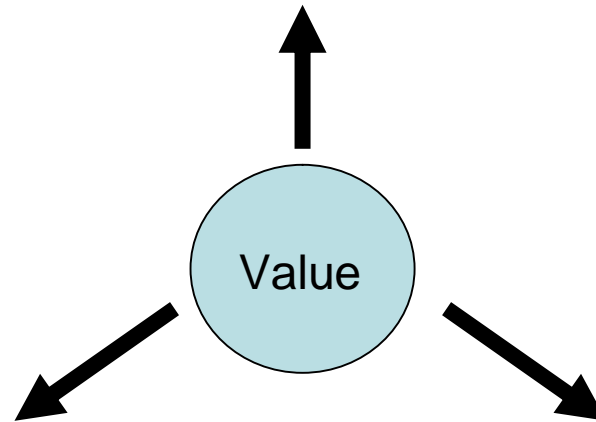
Customer Intimacy

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<i>Market Segment (Ed)</i>	Selected customers based on creating partnerships, then targeting students

Customer Value Disciplines Higher Education

Best Product/Premium Price

Product Leadership



Operational Excellence

Best Total Cost
(Quality & Price)

Customer Intimacy

Best Total Solution
(Partner & Student)

Customer Value Disciplines Higher Education



Customer Value Disciplines

- **The value discipline concept can be used:**
 - As an organizational decision tool
 - To determine market segment
 - To communicate market strategy
 - To determine why marketing efforts:
 - Fail or Succeed

Does the Model Work?

Troy State's University College

- Market Discipline - Customer Intimacy
- Discipline "Inconsistency"
 - Enrollment Decline
- Discipline "Consistency"
 - Enrollment Growth



University College

- Customer Intimacy Discipline
 - Formed in 1961 to serve the military
 - Part of education services function
 - Military determines degrees and delivery
 - Military and Regional accreditation visits
 - UC Mission Statement:
 - Meet the needs of military and government agency civilians, their dependents and
 - Other adults seeking degrees



University College

- Customer Intimacy Marketing Strategy
 - Select your customers (partners)
 - Asses their needs
 - Provide solution
 - Jointly market to prospective students
- Operational Excellence Marketing Strategy
 - Segment market (geography, degree, delivery)
 - Target segment based on quality and cost



University College

- Atlantic Region
 - Norfolk & Washington DC Metro Areas
 - Five graduate degrees
 - All classes on Military Bases
 - 40% of students not associated with military
 - In 2000 enrollments began to decline
 - In 2001 launched an aggressive marketing campaign



University College

- Atlantic Region
 - Marketing Campaign - Operational Excellence
 - Radio Spots
 - Radio Shows "Ask the Expert"
 - Web based banner ads
 - Newspaper and magazine ads
 - Continued Partnership Marketing
 - Partner publications, information briefings at bases, city departments, and professional association meetings



University College

- Atlantic Region Results:
 - New Student Surveys -
 - How did you hear about TSU?
 - All responses based on partnership efforts
 - Current Status
 - In class enrollments continue to decline
 - Most of decline due to on-line enrollments
 - Conclusion
 - New marketing campaign not consisted with customer value discipline



University College

Graduate - In Class Enrollments

	2000	2001	2002	2003	%
<i>*Atlantic Region</i>	<i>4423</i>	<i>4137</i>	<i>4039</i>	<i>3407</i>	<i>-.23</i>

*Average of 5 enrollments per student per year



University College

- Florida & Southeast Regions
 - Partnership to form eArmyU (BA/BS)
 - Partnerships with School Systems (MEd)
 - Partnerships with Community Colleges (DL)
- Graduate DL Center - Troy, AL
 - World-wide for Military
- Marketing Strategy - Customer Intimacy
 - Partner publications, information briefings, etc.



University College

Selected Program Enrolments

	2000	2001	2002	2003	%
<i>University College</i>	<i>45,356</i>	<i>50,722</i>	<i>53,367</i>	<i>65,461</i>	<i>44</i>
Albany	186	629	741	977	525
eArmyU	-	5,234	10,800	12,785	244
Undergraduate DL	1,843	4,775	7,320	9,417	511
Graduate DL	1,923	3,902	4,779	5,876	305



Key Points

- New technology drives the market place:
 - 8% of the enrollments in 2000
 - 43% of the enrollments in 2003
- All growth tied to *custom intimacy* market discipline
- Marketing strategy needs to be consistent with market discipline



Conclusions

- Digital technology will transform the higher education market place.
- Universities need a competitive market strategy
- The discipline of market leaders can apply to universities



Conclusions

- The customer value discipline model:
 - Explains why some efforts succeed while other fail
 - Can be used as an organizational decision tool
 - Can easily communicate market strategy to entire organization



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Thank You!