

Marketing Non-Degree Supplementary Programs in Tertiary Education Organizations in Russia

Kira Trostina

Plekhanov Russian University of Economics, Russia

Abstract

Successful entrepreneurial activity of a university determines its local and international competitiveness and budgeting efficiency. Modern global educational practices are witnessing a growing tendency to fund-raising from non-core activities via expanding the scope of extra-curricular fee-paying programs and educational events. Price-sensitive factors, which form and manage the demand for differentiated curricula in supplementary education in an economic university, are analyzed. A structured approach to increasing the consumer value of for-profit non-degree programs is suggested. Additional revenue generation is used to improve the service and contributes to the autonomy of a tertiary education organization.

Keywords: Consumer value, fund-raising, supplementary educational programs, pricing strategy, cost-effectiveness, non-degree education

Introduction

The global recession has affected the universities' economies, challenging the budget structure of public educational organizations. There is witnessed a tendency towards partial or full universities' self-financing which is seen as an autonomy stimulating factor. The study of international entrepreneurial practices in higher education enables universities more thoroughly comprehend the economic factors underlying the efficacious functioning of the educational industry. Successful entrepreneurial activities of a particular university may be crucial to its existence by bringing the income stream to constitute a vast share of the university revenue via diverse forms of instructional service and education.

Presently, state-financed universities in Russia are attempting to raise funds by diversifying their fee-paying educational service via offering various forms of non-curricular supplementary study programs. The study service offer being formed to cater for the customers' demand, various age-groups and audiences are targeted, taking into account their educational background and income. The supplementary educational programs break into

those that provide their graduates with a diploma or a certificate of competence development and the non-degree ones. Such extra-curricular activities as dance or music clubs bear more prestige than commercial value for a university thus being sponsored by the institution of higher education for the reasons of image. Other non-degree continuing education programs cover training in athletics, foreign languages, preparation for university enrolment, etc. Most of the latter are run by the university offices and departments with little experience in commerce thus building their sales empirically. The research presented in the paper is aimed at facilitating the fund-raising process for such programs by structuring their administering and marketing to create the utmost consumer value.

Literature Review

The research literature on entrepreneurial activities in universities mostly lays on case studies (Bernasconi, 2005; Chrisman, Hynes & Fraser, 1995; De Zilwa, 2005; McCaffery, 2010; Zhao, 2004). In an era of tight budgets at both local and national levels universities are asked to contribute more formally and directly to the development of new products and services in return for a certain level of funding (Kirby et al, 2011). The traditional university mission of teaching and research is complemented by generating social and economic value (Etzkowitz, 2004). An entrepreneurial activity of an innovative university should contribute to regional economic development by their knowledge (Van Vught, 1999). Entrepreneurial universities increasingly become involved in contracted research, consulting, external teaching, collaboration, new product development and distribution (Bernasconi, 2005; Zhao, 2004). To be able to adapt to the external environment the universities change their organizational structure (Guerrero & Urbano, 2011) and renovate their administrative functions to promote entrepreneurial culture. The major difference between academics and entrepreneurs is their attitude towards risk (Hay et al, 2002). Commercialization of the education vigorously influences the academic values (Bok, 2009; Saginova & Belyansky, 2008). A higher education organization faces a dilemma of being a market driven or mission driven (Anctil, 2008). The university administrators, faculties and other stakeholders involved must be clear on what being entrepreneurial means to them (Kirby et al, 2011). Curricular reforms emphasize change and multidisciplinary training (Van Vught, 1999; Huston, 2011), indirectly promoting for supplementary education. Simultaneously, they bring a number of barriers in terms of funding, which is corresponded by lack of incentives and entrepreneurial expertise (Zhao, 2004) among those who are to implement these reforms. A favorable staff attitude toward entrepreneurship is essential (Hay et al., 2002). Strategically, both monetary

and non-monetary reward systems need to be introduced to provide incentives for the potential profit-earning stakeholders to become more entrepreneurial (Bernasconi, 2005; Saginova et al, 2015). Weak entrepreneurial infrastructure for academic spin-off ventures is an issue to be dealt with and overcome (Degroof & Roberts, 2004). Rigid hierarchy and bureaucracy need limiting (McNay, 1995) by horizontal coordination to enable sharing intellectual, financial and physical university resources (Van Vught, 1989). Budgeting process in higher education is illustrated by examples of financial management in diverse educational organizations, various models to react to budget fluctuations and changing fiscal environment are suggested (Barr and McClellan, 2010; Schloss et al, 2013). Actions of university governance and organizational structure need proper coordinating (Middlehurst, 2004; Manning, 2012). The issues of financing higher education in retrospect, as well as current and future challenges are addressed by Zumeta et al (2012). Enhancing the university budgets is achieved through thorough work with the customer value, via creating stronger brands and developing smarter strategies (Carton et al, 2013) adaptive to challenging out- and in-house environment. Clearly stated missions, realistic goals, and achievable objectives (Drucker, 1985) make universities' entrepreneurial policies successful.

Data and methodology

For-profit non-degree supplementary education programs fall into two broad groups:

- facility-dependent ones are those whose pricing depends on the equipment lease and the depreciation charges, e.g. sports club, swimming pool or spa facilities, and the costs are correlated to the astronomical hour;
- knowledge-dependent ones are those whose pricing is determined by the quality of the intellectual service provided, e.g. competence development training or foreign languages studies, and the costs are calculated in correlation with the academic hour.

Within the second group there is high inter-university competition among the departments engaged in non-core activity profit-earning, most of which offering similar non-degree programs to nearly similar target audiences at different prices. Formally all the programs offer tuition of 72+ academic hours (ac.h.), which is determined by paying less tax (VAT avoidance), though the number of contact hours may vary from 36 to 90 ac.h. and even more. A quick overview of Table 1 shows the inner-competition and prices breakdown, the variance being up to 3 times as high in similar programs, the programs of the Department of Russian Language and Culture of Speech being the most expensive ones, while the Faculty of Distance Learning charges the lowest prices. The research is aimed at analyzing the

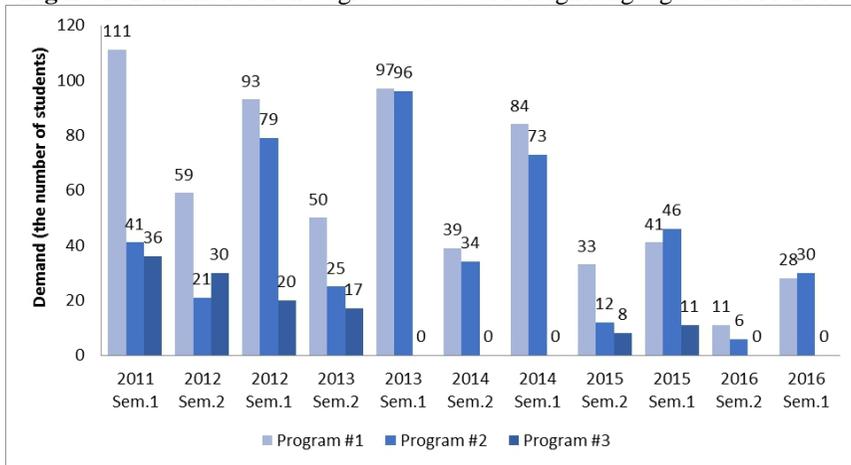
price constituents to make recommendations on increasing the cost-effectiveness of the programs and decreasing inner-undercutting to boost the competitiveness of the programs by other than pricing means.

Table 1. Price of one academic hour at the non-degree courses run by university divisions

№	University division	Programs on offer in 2016-17 academic year	Ruble/ac.h.
1-3	three Departments of Foreign Languages	General language training course	275
		L2 international examinations preparation course	298.6
		SKIIS-training express course	217
4	Faculty of Distance Learning	Basic accountancy state examination training course	from 125 to 256.94
		College graduates university admission preparation course	141.66 236.1
5	Admissions Office	State Examination preparatory course in English, Russian, Mathematics and Social Studies	444.44
			from 360 to 466.66
6	Department of Russian Language and Culture of Speech	State Examination preparatory course in English, Russian and Social Studies	480

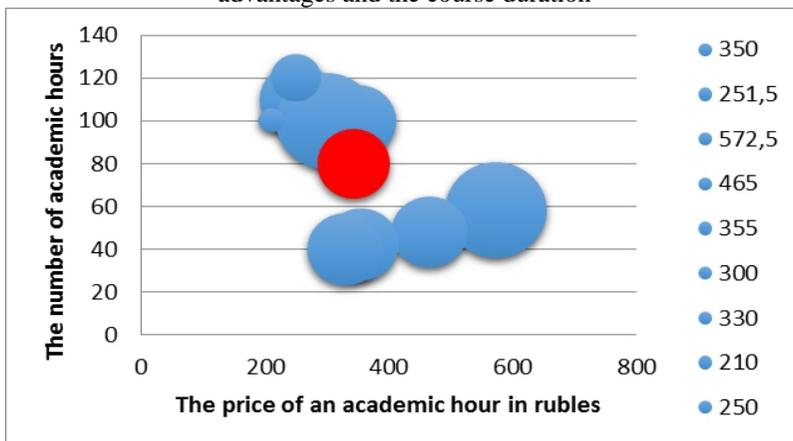
Pricing model by the Department of Foreign Languages has been evaluated since the sales start in 2011. Although the initial offer was calculated on a going-rate pricing basis, charging the same price as the competitors, the estimation proved that the model is not viable due to the fact that apart from the labour costs it included extra non-tuition service to cover the costs of study materials development and library stock purchase. Streamlining the costs allowed to use the market penetration pricing strategy which resulted in overall higher profits in the following year as illustrated in Figure 1. However, despite the early years' high enrolment figures, since 2014 total sales have been declining steadily following the recession, witnessing a dramatic fall since the end of 2015. The graph also features another negative tendency, when every second semester sales keep deteriorating as compared with the first semester figures.

Figure 1. Demand for non-degree courses of foreign languages in 2011-2016



Prior to starting the sales in 2011 the going-rate pricing by out-house competitors in foreign language training were analyzed. 9 major market-players pricing models were considered, as many as 15 available study offers were looked into. The competitive advantages of the courses of various scope and format were summarized and evaluated in terms of goodwill, facilities, accessibility, licensing, teaching staff qualifications and diploma value. The correlation of the academic hour cost to the number of competitive advantages inherent to a particular course type was measured. Two tendencies could be distinguished: 1) the higher duration of the course resulted in lower price for the academic hour; 2) an opportunity to be awarded a certificate or diploma by graduation added up in higher pricing. As highlighted by the red circle in Figure 2 the successfully performing study program should possess at least three competitive advantages totaling 80 academic hours at 343 rubles per ac.h. on average.

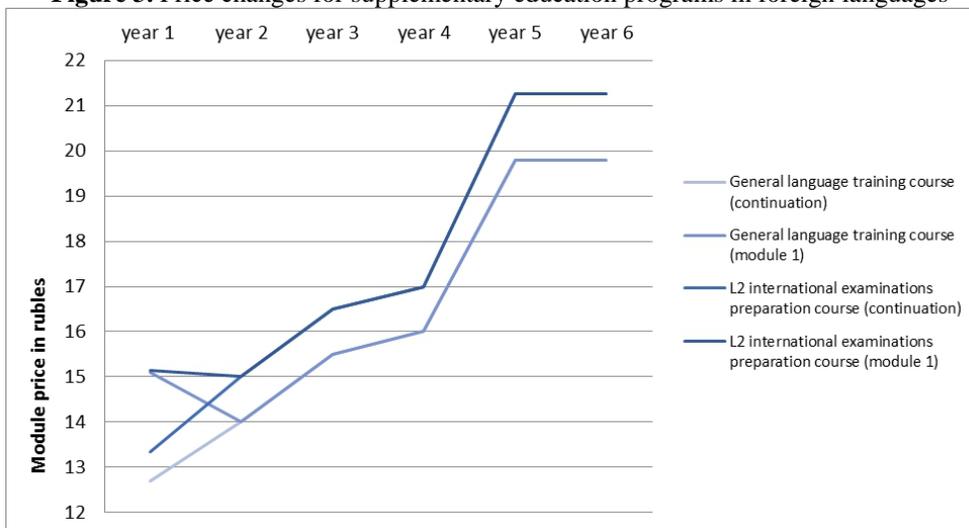
Figure 2. The correlation of the academic hour cost to the number of competitive advantages and the course duration



Judging by the statistical data it was decided to limit the number of academic hours in a module by 72. The target university audience for the non-degree foreign languages courses could enjoy the competitive advantage of in-campus location, the selected tutor's reputation being the second condition attractive for the potential consumer. This pre-determined the minor mark-up for the educational service and enabled to launch the courses in line with market-penetration pricing strategy. Odd-even pricing technique was employed to set the price of 195 rubles per ac.h. for the General foreign language preparation course, and 208 rub/ac.h. for the programs in higher demand, which correspondingly constituted 280 rubles and 298 rubles for the classroom study hour.

In the first year of sales to maintain the customer loyalty an attempt to develop a discount system for the continuing education enrollees was undertaken. The discount of 12-16%, as shown by the lower shorter lines in Figure 3, was offered to those students who were going to continue education in the second and subsequent study modules. However, such pricing policy did not stabilize the demand for the programs in the second semester of 2011-12 academic year and in the later years the discount system was found ineffective.

Figure 3. Price changes for supplementary education programs in foreign languages



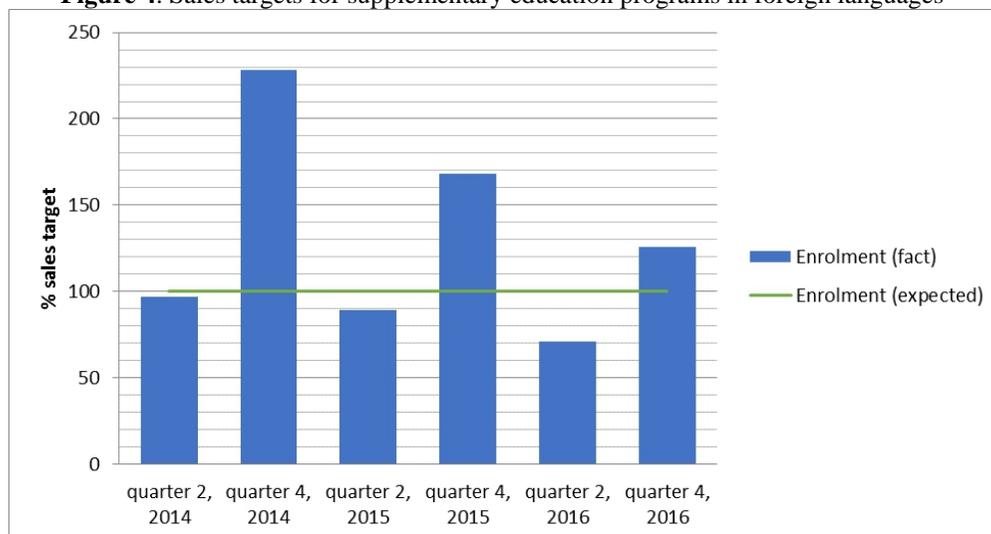
During the third year the tutors' pay was experimented with. In the first two years there was a pay differentiation according to the official standing of the teacher in the university, the certified associated professors getting higher payment in comparison with the senior lecturers or regular practicing teachers. The conducted analysis showed that the results in the groups taught by the more scientifically-minded associate professors were rather average or even below average concerning such indexes as the group

loyalty or consumer satisfaction by the end of the module, with fewer students wishing to continue their education in the courses after the first module of studies. To eliminate this negative tendency, it was decided to link the tutors’ payment not to the educators’ university status but to the reputation outcome based on the personal rating and to organize the payment scheme as proportional to the number of enrollees in a particular group. This allowed to attract and retain more reputable practicing teachers as they were then motivated by the pay growth, which resulted in the 10% price increase for the most demanded programs, though the prices did not exceed the going-rate charges in the city.

The fourth year witnessed the beginning of the global economic downturn, still a price increase of 5% was necessitated to pay the technical support staff, the cost of which amounted to 9.5% of the total price. Such minor increase resulted from the slight shrinkage of pay for the autonomous students’ work control by the teachers. The sky-rocketing enrollment up to 15 groups followed in 2014 being caused by the more enthusiastic attitude then taken by the support staff at the non-degree courses.

In the fifth year despite the forecasted recession peak of 2015 it was decided to escalate the course prices by 25% due to lowering the target number of students in the groups to 8 enrollees which was the average figure for the previous years. Contrary to the pessimistic expectations 11 study groups were started which even surpassed the target sales figures as seen in Figure 4.

Figure 4. Sales targets for supplementary education programs in foreign languages



In 2016 the prices for the programs did not change in any of the university division programs analyzed. However, the demand for the programs keeps declining. Following the economic recession which lowered

the purchasing power of the consumer, several other unforeseen factors complicated the enrolment and caused the decline in the programs profit-earning:

- new administrating procedures were enforced to document the enrolment process;
- technical support staff were no longer satisfied by their payment for the increased workload, showing less affability to the potential enrollees;
- such stakeholders of the educational process as tutors themselves started to promote the courses in the classroom less actively, seeing such advertising as an added load to their primary work.

Results and Discussion

Taking the negative tendencies into account it is worth reassessing the relevant data and reviewing the pricing strategy with the aim of deciding whether it is possible to improve sales by means of undercutting prices, decreasing the target number of students, adding or increasing the expenditure on product promotion and the like. Table 2 illustrates the unique selling propositions and specifics of some of the analyzed programs, understanding which we intend to apprehend the price-sensitive information in more detail.

Table 2. Competitive advantages and course USP analysis

Nº	University Division	Programs on Offer	Target Audience (Enrollee)	Target Students Number	Strengths	Weaknesses
1-3	three Departments of Foreign Languages	foreign language training courses	any university student (in-house)	8	- tutors' reputation - on-campus studies - average price segment	- inner competition - one-off use service - lack of advertising support
4	Faculty of Distance Learning	Basic accountancy state examination training course	in-house and out-house	10	- outer competition analysis - discount system	- limited demand - image program
		College graduates university admission preparation course	college graduate – potential part-time student	20	- lowest price segment - college-level advertising campaign	- number of learners in the group (over 20)
5	Admissions Office	State Examination preparatory course in English, Russian, Mathematics and Social Studies	school leaver – potential full-time student	10	- established reputation - university-level advertising campaign - discount system - combined preparation at one territory	- number of learners in the group (over 15) - high price segment
6	Department of Russian Language and Culture of Speech	State Examination preparatory course in English, Russian and Social Studies	school leaver – potential full-time student	6	- number of learners in the group	- duplicates the Admission Office programs - highest price segment

The data analysis shows that:

- a number of programs compete with one another;
- the recession-following years have stagnated the price offer;
- the discount system is under-developed and not applied to most programs;
- the quality of the tutoring is affected by the number of learners;
- there is a correlation between the number of participants in the programs and the advertising support.

The costs of a particular program are calculated in a differentiated way in various programs. Provided the value of a program is 100%, the price-forming factors represent the following breakdown in Table 3:

Table 3. Job-costing breakdown

Costs by FLD	Foreign Language Training Courses
Classroom tutoring	68,0%
Autonomous work control	13,5%
Project administration	15,0%
Technical support	3,5%
Costs by DRL	Admission Preparatory Course
Classroom tutoring	58%
Administration and technical support of the studies	27%
Information support and advertising	15%
Costs by FDL	Basic Accountancy Course
Classroom tutoring	66%
Administration and technical support of the studies	19,5%
Information support and advertising	14,5%

Notably, the highest costs are allocated to the tutoring as within the supplementary programs offer it is the teacher's personality and reputation that have the deciding influence on the program enrolment, continuity of the program and profit generation. The low-price segment courses, being mostly the image-making ones, show the biggest expenditure connected with advertising.

The departments engaged in fund-raising by means of supplementary programs offer are able to satisfy their own various specific needs. A particular non-degree program profitability contributes to decreasing or increasing the expenditure which may not be directly connected with the primary educational process. Various in-house needs could be satisfied by allocating the costs to cover the following expenditure by the university divisions:

- tutoring linked to the number of contact hours;
- home tasks check linked to the number of learners;
- administrative or technical support;
- master-classes in various preparation training;

- admission tests for school-leavers;
- seminars and workshops in social-networking for the learners' research work;
- tutorials in social-networking development;
- learners' programs development;
- equipment and stationary purchase for the courses;
- souvenirs and presentation materials purchase to promote the programs;
- special equipment purchase for the lyceum's physical science classroom;
- low-income lyceum students' nutrition compensation;
- business trips reimbursement, etc.

Having considered various aspects of cost calculation and competitiveness management in the supplementary educational service of a particular university, the following problem areas are recommended to be tackled by altering pricing approaches at non-degree courses as in Table 4:

Table 4. Issues for non-degree supplementary education programs

PROBLEM AREAS	SOLUTION OPTIONS
undiversified tutors' pay	<ul style="list-style-type: none"> • link the learners' autonomy hour payment to the number of students in the group; • link the tutor's payment to the personal teacher's rating by the results of the previous semester.
technical support pay as extra costs	<ul style="list-style-type: none"> • facilitate the correspondence and document management by introducing two-stage on-line enrollment procedure: 1) on-line application for the course; 2) on-line contract filing; • link the technical support payment to the number of students in the group.
insufficient advertising support	<ul style="list-style-type: none"> • make wider use of distance-learning technologies in product marketing, employing free-offers: computer-based tests for admission-level identification, sample computer-based IELTS, TOEFL examinations to identify the start, progress and final level of the learners; • use direct selling in the classroom more intensively; • use direct mailing to the target audience; • appoint an employee to stimulate the consumer demand in social nets regularly.
inner competition	<ul style="list-style-type: none"> • unify the price and contents offer of similar programs under one brand; • create a permanent link to the supplementary programs offer at the university site.
low sales	<ul style="list-style-type: none"> • offer special prices for the low-number-of-learners groups (6-8 learners); • devise special price offer for individual learning programs (1-2 learners).
price variances	<ul style="list-style-type: none"> • offer discounts for the repeated studies; • offer discounts for purchasing 2 and more educational products at a time; • offer discounts to the staff and staff's family members.

Conclusion

The analysis of educational content and price-sensitive factors influencing the profitability of non-degree fee-paying educational service in an economic university highlights the unique characteristics of supplementary programs, as well as their weaknesses and strengths. The consumer value of the programs under research is intended to be high for all the stakeholders of the educational process. Applying the marketing approach to modelling the supplementary programs offer becomes urgent in the period of economic downturn. To maintain a competitive edge and sustain the budget efficiency recommendations have been made. Facilitating the fund-raising process for such programs by structuring their administering and marketing to create the utmost consumer value enhances the university's economy and opts for more self-budgeting opportunities. Fund-raising by non-degree programs brings economic autonomy to the university departments, as in the modern socio-economic realises the supplementary education sales become a source of additional financing for the needs of a particular division and the whole university, thus enabling the non-profit educational organizations to improve their services, retain the staff and provide incentives to the stakeholders concerned.

References:

- Anctil, E. J. (2008). *Selling higher education: Marketing and advertising America's colleges and universities* (Vol. 34). Jossey-Bass Inc Pub.
- Barr, M. J., & McClellan, G. S. (2010). *Budgets and financial management in higher education*. John Wiley & Sons.
- Bernasconi, A. (2005). University Entrepreneurship in a Developing Country: The Case of the P. Universidad Católica de Chile, 1985-2000. *Higher Education*, 50(2), 247-274.
- Bok, D. (2009). *Universities in the marketplace: The commercialization of higher education*. Princeton University Press.
- Carton, S., Zapata, A., & Meacham, P. (2013) *University X: How to rescue a college brand from bland*. idfive.
- Chrisman, J., Hynes, T., & Fraser, S. (1995). Faculty Entrepreneurship and Economic development: The Case of the University of Calgary. *Journal of Business Venturing*, 10, 267-81.
- De Zilwa, D. (2005). Using Entrepreneurial Activities as a means of survival: Investigating the processes used by Australian Universities to diversify their revenue streams. *Higher Education*, 50(3), 387-411.
- Degroof, J., & Roberts, E. (2004). Overcoming Weak Entrepreneurial Infrastructures for Academic Spin-Off Ventures. *The Journal of Technology Transfer*, 34(8), 327-352.

- Drucker, P.F. (1985). *Innovation and Entrepreneurship*. New York: Harper and Row.
- Etzkowitz, H. (2004). The evolution of the Entrepreneurial University. *International Journal of Technology and Globalization*, 1, 64-77.
- Guerrero, M., & Urbano, D. (2011). The development of an entrepreneurial university. *The Journal of Technology Transfer*. doi: 10.1007/s10961-010-9171-x
- Hay, D.B., Butt, F., & Kirby, D.A (2002). Academics as Entrepreneurs in a UK University. In G. Williams (Ed.), *The Enterprising University: Reform, Excellence and Equity* (pp. 132-141). Buckingham: Open University Press.
- Huston, M. R. (2011). The Marketplace of Ideas: Reform and Resistance in the American University. *Community College Enterprise*, 17(2), 77-80.
- Kirby, D. A., Guerrero, M., & Urbano, D. (2011). Making universities more entrepreneurial: development of a model. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, 28(3), 302-316.
- Manning, K. (2012). *Organizational theory in higher education*. Routledge.
- McCaffery, P. (2010). *The higher education manager's handbook: effective leadership and management in universities and colleges*. Routledge.
- McNay, I. (1995). *From Collegial Academy to Corporate Enterprise: The Changing Cultures of Universities*. In Schuller, T. (Ed), *The Changing University?* (pp. 105-115). Buckingham: SRHE/Open University Press.
- Middlehurst, R. (2004). Changing Internal Governance: A Discussion of Leadership Roles and Management Structures in UK Universities. *Higher Education Quarterly*, 58(4), 258–279.
- Saginova, O., & Belyansky, V. (2008). Facilitating innovations in higher education in transition economies. *International Journal of Educational Management*, 22(4), 341-351.
- Saginova, O., Zavyalova, N., Skorobogatykh, I., Grishina, O., & Musatova, Z. (2015). Faculty Rankings and Management of Human Capital of a University. *Mediterranean Journal of Social Sciences*, 6(5 S4), 465.
- Schloss, P. J., & Cragg, K. M. (Eds.). (2013). *Organization and administration in higher education*. Routledge.
- Van Vught, F. (1989). A New Autonomy in European Higher Education? An Exploration and Analysis of the Strategy of Self-Regulation in Higher Education Governance. *International Journal of Institutional Management in Higher Education*, 12(1), 16–26.
- Van Vught, F. (1999). Innovative Universities. *Tertiary Education and Management*, 5(4), 347-354.
- Zhao, F. (2004). Academic Entrepreneurship: Case study of Australian Universities. *The International Journal of Entrepreneurship and Innovation*, 5(2), 91-97.

Zumeta, W., Breneman, D. W., Callan, P. M., & Finney, J. E. (2012). *Financing American Higher Education in the Era of Globalization*. Harvard Education Press. 8 Story Street First Floor, Cambridge, MA 02138.