Price policy in the field of marketing of educational services

Política de precios en el ámbito de la comercialización de servicios educativos

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Contents
1. Introduction
2. Methodology
3. Results
4. Conclusions
Bibliographic references

ABSTRACT:
The authors of research work consider the problem of marketing of educational organization and peculiarities of price policy formation. The article deals with theoretical approaches to the market of educational services, the researchers give the definition of the term «marketing of educational organization». The authors describe the essence of higher professional education market in details. Keywords: marketing of educational organization, price formation, price policy, market of educational services

RESUMEN:
Los autores del trabajo de investigación consideran el problema de la comercialización de la organización educativa y las peculiaridades de la formación de políticas de precios. El artículo aborda los enfoques teóricos del mercado de los servicios educativos, los investigadores dan la definición del término «comercialización de la organización educativa». Los autores describen la esencia del mercado de la educación profesional superior en los detalles. Palabras clave: comercialización de la organización educativa, formación de precios, política de precios, mercado de servicios educativos.

1. Introduction
To consider the essence of price policy in the field of marketing of educational services you must start with the components of marketing. They refer subjects and objects of marketing of educational services to the first component, the second one includes orientations and problem areas.

The subject in marketing is considered to understand as all market subjects. Educational organizations, consumers (legal and physical persons), mediators (e.g. licensing and accreditation offices), public organizations, institutions involved in the promotion of
educational services in the market belong to the objects of marketing of educational services.

Learner, student, i.e. specific person is a final consumer. Consumer identity influences on a choice of direction, form, place, time, sources of funding for education. Marketing relations on educational service are formed around him. State and commercial organizations are mediators to influence on the steady demand, its formation and acquisition.

If funding comes through taxes, the buyer of educational services is the citizen who pays taxes, but he does not receive this service (Macris, Marcis 2011).

Organizations that act as consumers have several functions. Information function concerning the demand for educational services is in the first place. The second place is for control function to observe the quality of educational service. Function of selection and choice of a place for realization of labor activity of learners who have received educational services is in the third place. Function of a compensation package payment (full or partial) for the provided educational services is the fourth one.

Price formation is the concept of strategic goals of educational organization. Strategy of socio-economic development of Russia until 2020 that determines the need for transition to an innovative model of country development indicates the need for changes in the system of higher professional education.

Market relations started dictating the priorities of educational and cultural policy at all levels. Issues of educational price play a great role in making consumer decisions in the market of educational services. The price is the crucial factor for many consumers (applicants) in consumer choice. In this connection price formation is an essential element of a general strategy of rivalry. Correctly calculated price influences on successful realization of educational service in modern socio-economic conditions.

From the point of view of economic sociology, the market of educational services is a combination of structurally related sellers and buyers of educational products.

We note, that several Western European and Scandinavian states (Germany, Norway, et al.) considering education public good have mostly free higher education (government financing). They plan the transition to universal higher education. In Ireland ninety percent of funding institutes of higher education is provided by the state, herewith more than 60 % of Irish have higher education.

In case education is a private benefit, people who get it must pay in full. Anglo-Saxon countries have such kind of education system (in particular, England, Australia, USA, Canada, New Zealand). However, accessibility of higher education is provided by the credit system, for example, in England. Students receive state support in a form of loan, loan repayments depend on their future income. The amount of statutory loan must be sufficient to cover tuition fee, as for richer countries, loan covers even the cost of living, and the interest rate is approximately equal to the cost of borrowing for the state. When entering a university, students do not pay anything. One part of the costs is paid at the expense of taxation, the other one is paid due to subsequent payments depending on income. Specialists, whose income is not very high after having graduated from the university (during specific time, perhaps up to their pension), do not return loan (i.e. higher education is free for them).

If education is a private good and at the same time public (mixed education), both individuals and society should pay for it in some proportion that you need to determine. Russia has this way nowadays. The state does not provide a whole education but a part of it. Moreover, this part is determined by personal preferences in most cases. To a public part of education they refer basic (school) education, military and power institutions, possibly pedagogical and agricultural institutes, some educational programs, etc. Within a two-level system of higher education, the state finances mainly bachelor’s degree and individuals finance master degree. Education for Russia is more private benefit, than public one, this is confirmed by the expansion of its payment.

It is important to note that since 2011, the structure of enrollment in higher education establishments has changed due to the Russian education sector’s transition to a new
system of academic degrees with the introduction of bachelor and master programs. This process began in 2007, when a new higher education law was brought into force (Russia, 2007) (Filatova, Abankina, Abankina, T., Nikolayenko 2012).

Feature of the market of educational services is its complex structure. The market of educational services is a complex system that consists of numerous interconnected, interacting, interacting economic agents (the state; society; enterprises that pay the training of their employees; students and their parents) (Peptan, Bajan, Cretu 2010).

Experts concur that the most powerful competitive tool currently reshaping marketing and business strategy is service quality (Eraghi, Atharinejad 2012). Scientists P. Farris, N. Bendle, P. Pfeifer, D. Reibstein in his study «Marketing metrics: the definitive guide to measuring marketing performance» note the following: «Marketers must quantify the value of products, customers and distribution channels – all under various pricing and promotional scenarios». Scientists interpreted «satisfaction» as an absolute or relative number of satisfied customers (Farris, Bendle, Pfeifer, Reibstein 2010).

To assess consumer satisfaction in higher education the authors H. Alves, and M. Raposo used the index of student satisfaction (Student Satisfaction Index) and describe the model of formation of students' opinion (Alves, and Raposo 2007).

For the evaluation of service quality in the world practice often used methodology «SERVQUAL», which was developed by A. Parasuraman, V. A. Zeithaml, L. L. Berry. This methodology is based on the concept of service quality and suggests an algorithm «Expectation minus Perception» (Expectation – Perception). The authors of this technique to characterize perception as measured consumer attitude towards the services rendered. Methodology «SERVQUAL» involves a specially designed form. The basis of this questionnaire is five sets of questions on various parameters of service quality. Each unit consists of 22 pairs of Likert questions (Likert scale). For example, the first set of questions focuses on the diagnosis of the consumer's expectations regarding a particular service. The second set of questions is designed to measure the level of service for each parameter in a particular organization (Parasuraman, Zeithaml, and Berry 1988).

Since there is a common opinion that the quality of services is directly dependent on the satisfaction and affection (Danjuma, Rasli 2012), University administration should give due attention to the quality of the services offered. In particular, all the parameters of quality of service, financial security, reliability, responsiveness, authenticity and compassion should be evaluated and continuously improved. The improving areas of weakness has a positive effect on the satisfaction and the possibility of continuous learning throughout life («repeat purchases»), thereby helping universities to create and maintain reputation and image.

In scientific work Munteanu C., Ceobanu C., C. Bobalca, Anton O. «An analysis of customer satisfaction in a higher education context» with the aim of measuring the satisfaction of students describes an approach which involves two stages. In the first phase, scientists form the focus groups and identify key indicators of satisfaction. The second stage involves the univariate and multivariate analysis of results obtained using the Likert scale (Likert scale) (Munteanu, Ceobanu, Bobalca, Anton 2010).

In this research work we focused on price policy in the sphere of marketing of educational organization, buyers (applicants), price perception of buyers, their fulfilments, supply-demand ratio that can satisfy their needs. The key moment is mutual satisfaction of both groups (sellers and buyers of educational services).

2. Methodology

The essence of price policy is to choose and support the optimal level of prices in order to achieve university maximum success in the market of educational services

Price policy design of any educational organization is carried out the following stages:
- the capacity of the educational services market is determined by taking into account the demographic situation in the region;
- the dynamics is studied and the tendencies of population’s solvency are revealed;
- the forecast of need for specialists is made (labor market);
- the indicators of competing structures are studied (contingent of students, average annual number of applicants, list of ongoing educational programs, tuition fee, staff, availability of licenses and accreditations, material and technical base, etc.);
- planned costs for the implementation of educational programs in accord with costing items or cost elements are calculated (if there are such calculation, analyze them, correct them taking into account changes in costs and influence of inflation process);
- the costs covered by profit (normative or targeted) are calculated;
- the contingent of students is determined accordingly with format of study and specialties by taking into account the fulfilment of licensing requirement;
- the methods of calculating prices are justified;
- the correction of price is made for some programs or for certain contingent of students when using a system of discounts or surcharge to the price; the validity period of prices and the conditions of their adjustments are determined;
- the prices are discussed at the Academic Council and approved by the order.

Furthermore, while designing price policy it is necessary to take into account method of calculating the price, university goals, external and internal factors affecting price formation (Demtsura 2017).

External factors affecting price formation are as follows: supply and demand on the educational market, state regulation of education, subjects of the market environment, competitors, etc. (Demtsura, Dmitrieva, Poluyanova 2017).

A number of submitted applications fixes the demand for educational services of the university. University plan on a certain specialty is a proposal of educational organization to meet the demand. From the point of view of marketing, the demand for educational service is defined as solvent opportunity of population. Applying the law of demand to the sphere of education, it says the higher the price, the less consumers purchase the number of demanded services, and vice versa the lower the price, the more services. Demand for educational services can be depicted graphically in the form of a curve showing how many services at changing prices and constant other equal conditions are bought in the market for a certain period.

To analyze specific nature of price policy for educational services of universities, it is necessary to consider theoretical approaches to the study of the problem. The main approaches to this problem are the following: historical, economic, structural, neo institutional, sociocultural and marketing.

Historical approach describes genesis of economic forms of property. It examines the peculiarities of building traditional, planned and market economic systems. Due to this approach one can trace regularities and tendencies of development of educational systems. Historically the market of educational services has been forming with direct support of the state and social institutions.

Economic approach focuses on the ongoing processes of commercialization of education. From the economic point of view the reform of Russian education is the development of co-financing higher educational organizations activities at the expense of citizens, enterprises; the development of a mechanism of free competition between universities. The market relations arising between implementers and consumers of educational services are the basis of universities development. In many respects, rational economic relations determine the quality of education. In this regard, the problem of pricing and determining the cost of commercial education at university is actualized. At the same time there is a need for transparency and civilization of these processes. Consumers of educational services have the legal right to be informed about criteria to determine the cost of commercial education, to learn the conditions to enter the university at specific areas of professional training.

From the point of view of structural approach, it considers the market of educational services a combination of its participants (states; societies; enterprises that pay for the staff
training; applicants and their parents) and ties between them. This approach focuses on the market structure, current trends in universities network interaction.

The position of neo institutional approach is to understand the market as a combination of institutional forms. It focuses on the norms and rules of behavior. That is regulative principles confirmed legitimate legal, social norms.

Sociocultural approach studies the market of educational services from the point of view of social contexts, the level of culture. Culture in relation to the economic sphere is «a complex of accumulated professional knowledge and skills, formed economic norms, values and symbols, meanings and significances».

To establish the principle of orientation to traditional cultural values in the sphere of professional education means to create corporate culture in the context of the state cultural priorities. The law «About Education in Russian Federation» gives educational organizations the broadest power to choose the model of corporate culture and to arrange institutions of self-government within the educational organization to promote the development of corporate culture.

Thanks to integrated analysis of structural, institutional components of the market of educational services and sociocultural environment, we have the opportunity to substantiate ongoing processes at this market.

The mission of the educational services sphere is to meet different needs of consumers (professional educational needs, needs to get educational papers, certificates).

Educational organizations nowadays are active players on the market it means their activity can be regarded from the point of view of marketing approach.

From a position of marketing approach, the market of educational services is a complex multilevel, multifactor system to provide the population with quality educational services, to meet people needs in general and professional knowledge, skills, abilities.

From socially oriented marketing point of view, the main aim of educational organization is to reveal the needs and interests of consumers by orienting an educational organization to satisfy those needs and interests. It keeps and increases the prosperity of consumers and society, ensures long-term benefits.

The modern concept of marketing means formation of strong and lasting relationships with customers. This condition is the basis of successful activity of the company in the market. To attract maximum number of buyers is necessary to enhance the level of customer satisfaction, which is formed by the corresponding values (benefits) and price of goods or services. Today, the evaluation of customer satisfaction has become a mandatory attribute of the systems of customer relationship management (Volkova 2015).

It is crucial to clearly understand the service quality factors that enable education institution to attract, retain students and also to expect prospective students (Vatta, Bhatara 2013). Any higher education institutions would want to gain competitive edge in their current business and in future, may need to search for effective and creative ways to attract, retain and develop stronger relationships with students and parents particularly (Santhi Raghavan, Ganesh 2015).

We have used three techniques in in our research work: index of fulfilment CSI, coefficient of loyalty NPS, and method of constructing perception maps Needs & Gaps.

3. Results

Today Russian higher education has low competitiveness in the world market of educational services (Sannikova, Kuznetsov 2011). There is not reliable information about attributes and factors of educational organization and the educational service itself (quality of education,
The study of educational services specificity helps us to clarify the following peculiarities of price policy in the sphere of marketing of educational services. First, it is necessary to take into account the interests of all participants of the educational services market (state; society; enterprises that pay for training of their staff; applicants and their parents). Second, the use of the concept of relationship marketing has high efficiency within this issue. Third, the necessity for more careful planning and management of marketing activity of university arises due to the scale of educational services, rather long duration of their provision. Fourth, relations of social partnership not only rivalry should be built between universities. Fifth, the most important parameters of educational services should be the most transparent, accessible and visual.

Having analyzed methods to use determination of the commercial services cost in universities, we found out the main approach to determine price formation in this context. This is an accounting approach. It means that in most cases the cost of commercial education is calculated by expended method. Wherein market preconditions for setting prices, competitive analyses and marketing aspects are seldom taken into account.

A fundamentally different approach compared with expended method of pricing is based on «perceived value». The basis to determine the price in this case is the assessment of integral utility of the service, which potential consumer produces. The key factor to set the price appears consumer perception of service value not expenses. Revealing the needs and assessment of the relationship between the price and value of the educational product, which in its turn is defined by university image, its location, etc. are the foundation to set the price. The application of «perceived value» method in the market of educational services has several number of difficulties, since in many cases potential consumers cannot assess educational service usefulness objectively because of its specific features (intangibility, variability in quality). Besides this, lack of information and consumers competency influence on the results of the assessment.

Effectiveness of price formation depends on competitive behavior of university itself and other objects in the market. Oriented to the competitors methods are based on the price analysis of other universities according to similar educational programs. In this case the university orientates its prices towards current prices of competitors in the market of educational services but not to the expenses and demand. The opportunity to apply this group of methods depends on the degree of differentiation of educational products, consumers’ sensitivity to the price, market share belonging to this market entity. Depending on the competitive situation in the market of educational services, universities can choose different methods of this group: orientation to average market prices; orientation to the price leader; price cartel (agreement of competitive subjects of educational services market about setting unified prices).

Competitive methods attract many universities due to their simplicity and efficiency, possibility to take into account market situation (Sannikova 2012). Experience points that autonomous use one separate method of price foundation is not effective. Price formation based on integrated combination of methods seems to be rational. It allows to take into account the acceptability of the level of prices for educational services from the point of view of potential consumers; educational service price matching to calculation expenses; level of prices of competitors.

Consideration of the level of competitors’ prices while defining the university prices for educational services makes marketing research in terms of educational services prices necessary. This research permits to analyze the prices of similar educational program suggested by competitive universities.

The above thoughts led to the requirement to study prices for educational services in the market within competitive environment for Russian university (South Ural State Humanitarian Pedagogical University). Pieces of information that has been got during the research work can form the basis of the pricing process for services in SUSHPU and as a result to increase its effectiveness.
The objects of the research were South Ural State Humanitarian Pedagogical University and institutions of higher professional education of Chelyabinsk and Ural Federal region implementing training programs similar to programs of SUSHPU. The subjects of the study were the level of prices for educational services in SUSHPU and the level of prices for educational services in some institutions of higher professional education of several RF regions (implementing the students training in accord with analogical programs of SUSHPU). The goal of research was to analyze the prices for educational services within competitive environment of SUSHPU. To achieve the goal it was necessary to solve the following tasks:

1. To form the list of institutions of professional education implementing the students training accordingly the educational programs that are similar to SUSHPU (further – competitive institutions).
2. To determine the level of the prices for services in SUSHPU for different specialties and forms of training.
3. To determine the level of prices for services of competitive institutions for different specialties and forms of training and to compare with the prices level of SUSHPU.
4. To calculate average level of prices for educational services in competitive environment of SUSHPU and price variation for SUSHPU services from average level of prices (in absolute and relative terms).
5. To determine price correlation for services on different forms of training in competitive environment of SUSHPU, to compare this correlation with those that typical for SUSHPU.

In the connection with the specific nature of territorial location and developed transport routs all institutions implementing students training in accord with educational programs similar to SUSHPU ones were examined. These institutions are located in:

1. Chelyabinsk;
2. Nearby cities (Chelyabinsk region);
3. In the cities of the Ural Federal region.

We have carried out selective analysis of specialties SUSHPU trains but competitive institutions do not have. These competitive institutions are the states ones, located in other cities and have rating close to SUSHPU rating (in accord with generalized data of independent rating).

The level of prices for SUSHPU services was determined according to various specialties and forms of training based on the documents accumulated in the Contract Department of SUSHPU (orders «About the cost of training» in SUSHPU). It should be noted that only the tuition fee for the first course was taken into account. The level of prices of competitive institutions was determined mainly by using the Internet resources (from institutions official sites). We have to use hidden observation if institutions did not have official sites or if they did not put the information about cost of training. Observer, pretended an applicant, got the information over the telephone contact. Pieces of information of some institutions were got during visit.

We have compared the levels of prices for educational services in competitive institutions with SUSHPU level of prices on every specialty and form trained in SUSHPU.

In addition to price analysis we have designed the conceptual model «Students’ fulfilment with the quality and price of the educational service». The model contains the following components: university reputation, consumers’ expectations, technological and functional perceived quality, price level of educational service, perceived value of educational service, overall students’ fulfilment of higher education, loyalty of students, environment comfort in the university, mutual relations of professors and students, relations between students, system of extracurricular time, etc. As a result of research work the composite index score of students’ fulfilment was determined. Selected attributes were demonstrated to the authorities of universities, professors and students in the framework of interview and verified for validity and relevance. 3834 students of Chelyabinsk universities (Russia) (bachelors and masters), 117 professors, 24 authorities of universities participated in interview. According to the results of the interview, the number of attributes was reduced to
20. All attributes were combined into 5 groups: quality of education (combine attributes to
determine effectiveness of education (adequacy of needs and expectations)); price and
value (reflects attributes connected with students expenses and benefits; infrastructure
(attributes to serve educational process, provide the basis for its functioning); atmosphere
(complex of attributes characterized external and internal environment in the university);
extracurricular activity (attributes characterized students public life in the university).

Based on theoretical and practical experience the author of the model added ties between
behavior reactions of consumers and factors «Quality of Education», «Price and Value»,
«Infrastructure». The author verified validity of these ties in the framework of empiric
research. The following elements were determined as behavior reactions: loyalty (students
adherence to the university); profitability (effectiveness of expenses in training);
recommendations (students readiness to advise the university as a place for learning);
repeated purchase (student wish and action to improve the level of education in the
university if any chance); pieces of advice to develop service (students actions to change
current conditions in the university); complains (students demands connected with broken
rights and interests of them); client leaving (loss a student as a person getting educational
service, there is no opportunity to return him/her); short-term cooperation (students
unwillingness to continue any interaction with the university).

To study fulfilment of students the authors developed and tested questionnaire «Students
fulfilment with quality and price of educational service». The questionnaire consisted of three
blocks of questions. The first block was supposed to have social-demographic questions, the
second one contained questions connected with educational experience of students (the
place of study, course, specialty, etc.). The third block covered the study of fulfilment, which
seemed the most important part for research work. In the framework of this block there are
questions that allow to assess the significance and importance of each attributes of
educational service, fulfilment with attributes, fulfilment in general and behavior reactions of
consumers. The author of the article spread the questionnaire in a framework of quantitative
method via Internet using «snowball» technique. On-line questionnaire permitted to cover
students from different universities. This way turned out more convenient for a necessary
type of respondents. The author of the article interviewed students from different types of
universities («classical», National research, Federal).

The authors used three techniques to determine the level of fulfilment and verify the
hypothesis based on the analysis of data. Index of fulfilment CSI let the authors compare
fulfilment not only within educational services but also between different branches.
Coefficient of loyalty NPS helped to determine loyalty to the university and students
readiness to recommend it. Method of constructing perception maps Needs & Gaps helped to
assess the fulfilment of service attributes, learnt «narrow» places in the universities activity,
determined basic and secondary advantages, revealed main vectors for development.

The authors performed the result of research in terms of the greatest fulfilment of students
such attribute as «Quality of educational service». The least fulfilment among students
turned out «Price policy of the university».

Perception maps Needs & Gaps were constructed for a more detailed determination of the
reasons for satisfaction and dissatisfaction among students. To construct these maps the
authors used data about university attributes satisfaction and value of attributes for
respondents.

The use of such perception maps permitted the universities to reveal their advantages and
disadvantages and even to search best practices according to every direction of attributes
among other universities.

The authors note the number of participants – 3834 respondents from universities of
Chelyabinsk (Russia) (bachelors and masters) participated in research. The respondents
belong to different socio-demographic groups and educational preferences. There are
respondents who study at classical, National research and Federal universities in the sample.
Including 4136 people planning to enter the university who took part in the survey.

Constant monitoring of students fulfilment will be able to help universities to correct price
4. Conclusions

Summing up, we can conclude that universities have started paying more attention for price policy recently. Designed and verified price policy can bring long-expected result. Marketing becomes a reliable tool to achieve the main goals of the university. It is possible to manage if system work on analysis of external and internal environment state is done, taking into account changing market opportunities, different interests and needs of target groups of final consumers, price maneuvers and stocktaking of current prices. Success is much higher only there where constant monitoring of competitive opportunities is done, sensibility to prices of different consumers groups is used and analyzed, competent price policy is built.

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