This paper, through a case study, discusses segmentation, targeting, positioning and the related strategies in higher education market that are relevant to the foreign universities in China. It was found that there is no fixed way to divide a market and position a product or service. Thus, it is concluded that the segmentation and positioning strategies employed by UNNC are effective to certain degree but further improvement is needed. The findings and suggestions are important for foreign universities to market their educational degrees and programs in the Chinese educational market, to design and develop effective marketing strategies.

INTRODUCTION

In contemporary China, more and more people perceive education as a big investment and want to obtain higher educational training. As the result of getting wealthier, Chinese students have greater demand for foreign education. Stanway (2007) reports that the number of Chinese students who would like to study abroad is rising as Chinese people are becoming richer. The University of Nottingham opened a campus in Ningbo, China which is named the University of Nottingham, Ningbo, China (UNNC) in September 2004 in order to attract more Chinese students. UNNC is the first foreign-run higher education institution in China. It is a relatively new university which may not be known by its customers. Given the increasing demand, some other foreign universities and educational organizations have followed the lead of UNNC to establish partnerships with Chinese universities, and more are planning to do so, such as Denmark's Ministry of Science and Technology, Berlin University and Surrey University (Ennew and Yang, 2009). In this regard, it is essential for UNNC and other foreign universities in China to form and implement effective marketing strategies, including market segmentation and positioning strategies, to capture the attention of its target customers.

Customers in a market may have diverse requirements, so it is necessary for an organization to segment its mass market into smaller groups (Armstrong and Kotler, 2000). Jobber (2007) states that different ways can be used to segment a market. After dividing the whole market into subgroups, it is unlikely for an organization to serve all the market segments (Baker, 2000). This means that organizations should evaluate market segments and decide which market segments they would like to serve, and this is called market targeting (Ennew, 1993). Next, organizations
should use positioning strategies to build and maintain a distinct image for their products or service in the minds of their target customers (Jobber, 2007).

This paper will analyze market segmentation and positioning and the relevant strategies employed by UNNC. Firstly, it will introduce and discuss market segmentation, market targeting and positioning, followed by an analysis of higher education market in China. Then, the market segmentation and targeting strategies applied in UNNC will be listed and assessed as well. Finally, it will state and analyze the positioning strategies implemented by UNNC.

MARKET SEGMENTATION AND TARGETING

Market segmentation is defined as a process of arranging customers in markets with similar needs and characteristics into smaller groups (Armstrong & Kotler, 2000; Boone & Kurtz, 1999; Brooksbank, 1994; Dibb et al., 2006; Ennew, 1993; Jobber, 2007; Lamb et al., 2004). It is believed that market segmentation can benefit organizations to a certain extent. Armstrong and Kotler (2000) state that customers in markets are not the same, and they may have different needs; therefore, segmenting them into homogeneous groups can allow organizations to serve them more efficiently and effectively. Speed and Smith (1992) claim that market segmentation is an extremely useful method for marketers, since it may enable organizations to gain higher profit and face lower levels of competition through focusing on satisfying the needs of groups instead of the entire market. Segmentation also provides organizations with implications for identifying opportunities and threats and developing marketing strategies (Jobber, 2007; Oestreicher, 2011). Additionally, customers might also benefit from market segmentation. Speed and Smith (1992) claim that varied needs of customers can be met when companies concentrate on different segments. However, customers may have to passively accept the products available and have fewer choices because of the decreased competition between manufacturers resulted from market segmentation. Given the fact that both organizations and customers can derive benefit from market segmentation, it is necessary to note how to segment a market.

Notwithstanding the fact that there are some key methods which are often used by organizations to segment markets, no fixed rules can be applied in segmenting a market (Armstrong & Kotler, 2000; Jobber, 2007; Li et al., 2011). This leads to both flexibility and problem for organizations. Armstrong and Kotler (2000) mention that the first common technique of market segmentation is geographic segmentation through which customers are grouped according to their geographic location differences; the second method is demographic segmentation, and it mainly focuses on the consumers’ differences in age, gender, family lifecycle, education etc.; the third means is psychographic segmentation which involves segmenting customers based on their lifestyle and personality; the last one is behavioural segmentation, and this one focuses on consumers’ attitudes towards the products offered and their user status. Ennew (1993) and Jobber (2007) point out that socio-economic variable which refers to difference in social class and income is also an important measure to segment a market. Lamb et al. (2004) add that a market can also be segmented on the basis of varied benefits consumers seek from the products or service and usage rate. Boone and Kurtz (1999) further report that characteristics of customers’ relation to the products or service can be used as another base for market segmentation. Kumar and Nagpal (2001) claim culture and environment are two important variables in segmenting a global market, besides other segmentation bases. Thus, it can be concluded that markets can be divided using variety of segmentation variables, and organizations can choose any of them to segment a market. That is, it is quite flexible for an
organization to segment a market. Jobber (2007) also recognises this, pointing out that organizations can even use a new segmentation base or a combination of common techniques to segment a market. However, he does not notice that there would be overlaps between different segments when varied segmentation bases are used. Ennew (1993) claims that there is no perfect segmentation in practice and the problem of homogeneous segments always emerges.

It is generally agreed that grouping customers with certain similar characteristics into subgroups is only a beginning step for strategic marketing. Organizations also have to evaluate different market segments and select the most interested segments to serve, which is called market targeting.

According to Armstrong and Kotler (2000) and Ennew (1993), market targeting refers to a process of assessing the attractiveness of different market segments and then choosing one or more segments to serve based on the capacity of an organization. Given the fact that the resources of an organization including physical assets and human resource are limited, it is unlikely for it to focus on all market segments. Hence, it is important for organizations to choose relatively desirable segments to enter. Jobber (2007) makes clear that market targeting plays a significant role in developing marketing strategies. Grouch (2004) also maintains that market targeting is the foundation of creating effective marketing strategies, and it is extremely important in an increasingly competitive business environment. Because of the importance of market targeting, it is worthy of noting different strategies for targeting. Jobber (2007) writes that there are four market targeting strategies, and they are undifferentiated marketing, differentiated marketing, focused marketing and customized marketing; undifferentiated marketing refers to a situation when a single market mix is designed for the whole market; differentiated marketing means that more than one market segment is chosen and a specific market mix is applied to each segment; focused marketing is a situation when a single market mix is adopted in all market segments selected; customized marketing is defined as a circumstance when a different market mix is designed for each single customer. Ennew (1993) adds another important market targeting strategy which is called single segment concentration; it refers to concentrating on only one segment. Organizations should choose the most appropriate targeting strategy based on the attractiveness of the segments and the companies’ own capacity.

POSITIONING

Bowen (1998) and Dibb et al. (2006) posit that strategic marketing is a three-step-process: segmentation, targeting and positioning. Positioning is defined as a process of creating and maintaining a competitive place for a product or service in the minds of customers targeted (Armstrong & Kotler, 2000; Baker, 2000; Dibb et al., 2006; Ennew, 1993; Orth & Tureckova, 2002). Robertson (2005) declares that a significant rule for positioning is that organizations should establish their unique position which is distinct from their competitors. Jobber (2007) also makes the point that identifying a differential advantage is essential for positioning. Differential advantage refers to some aspects of an organization’s products or service that are considered superior by its customers relative to what its competitors are offering (Ennew, 1993; Jobber, 2007). It is also called competitive advantage, and it can be reached through offering lower price or more benefits to target customers (Armstrong & Kotler, 2000). Admittedly, competitive advantage plays an important role in positioning; however, apart from having advantages over competitors, organizations should also communicate with customers in an effective way so as to better position their products or service. Vass (2006) states an effective positioning strategy.
requires establishing image through advertising and communicating with target segments. Lowe (2001) also emphasizes the importance of communicating with target customers. Accordingly, effective marketing communication is another important rule of positioning (Robertson, 2005).

**HIGHER EDUCATION MARKET IN CHINA**

Chinese higher education market can be segmented into three parts, including Chinese domestic universities, studying abroad and foreign universities in China. Kotler (2010) predicts that China would be top of the world, in terms of economy, by 2030, and the development of the world’s economy would greatly depend on the development of Chinese economy. Therefore, Chinese market becomes the centre of the whole world, including higher education market. China, a country with the population of 1.3 billion, began its college expansion plan in 1999. Since then, the higher education in China has been expanding rapidly; the number of both undergraduates and graduates in Chinese domestic universities has increased dramatically; the total enrolment number has risen from 12.3 million in 2000 to around 30 million in 2010. However, Chinese higher education has been repeatedly criticized as “YAN JIN KUAN CHU” which can be explained as “strict access easy way out”, leading to college students’ indifference to study. Moreover, with the increase of American-style consumption in China, more and more Chinese high school graduates choose to pursue their study abroad (Kotler, 2010; Lantos, 2011).

**TABLE 1**

**DISTRIBUTION OF CHINESE STUDENTS IN HIGHER EDUCATION MARKET IN 2006**

<table>
<thead>
<tr>
<th>Segments</th>
<th>Number of Students (million)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese Domestic Universities</td>
<td>25</td>
<td>98.19%</td>
</tr>
<tr>
<td>Studying Abroad</td>
<td>0.45</td>
<td>1.77%</td>
</tr>
<tr>
<td>Foreign Universities in China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(UK ONLY)</td>
<td>0.011</td>
<td>0.04%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25.461</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Ennew and Yang (2009)

It provides Chinese students with a different education style which is always called “easy access strict way out”, but many Chinese parents are also worried about the safety of their children and other issues created by long distance, such as high extra costs and less control of their children. Furthermore, with the internationalization of higher education, partnerships between Chinese universities and foreign universities are not only welcomed and but also supported by Chinese authorities. All these give a great opportunity to those foreign universities which would like to set up branch campuses or establish partnerships with Chinese domestic universities. UNNC is a typical example. According to Table 1 below, the total enrolment number in Chinese universities was 25 million, more than 0.45 million Chinese students were
pursuing their study overseas, and about 0.011 million students were studying for a UK degree in China in 2006, given the fact that the number of students studying all kinds of foreign programmes in China was difficult to obtain. Even though the market share for foreign universities is not very high compared with the other two segments, the number is keeping rising which can be clearly seen from the success and increasing popularity of UNNC, and the entrance of other foreign universities into the market.

MARKET SEGMENTATION AND TARGETING STRATEGIES APPLIED IN UNNC

First of all, one of the market segmentation strategies applied in UNNC can be described as dividing the mass market based on a combination of socio-economic and geographic variables, because it mainly concentrates on meeting the needs of wealthier middle class students from China and other developing countries. Even though people from each social class in China, including the upper class, middle class and lower class, need education, different people with different economic status have diverse education requirements. People in the upper income class may prefer studying abroad as they have enough money to pay for the expensive costs required for overseas education, and those from the lower income class can only go to Chinese domestic universities because they cannot afford foreign education. With regard to the middle income class students, they might be more interested in foreign education available in China, for instance, UNNC. In this regard, they can experience foreign education with comparatively lower costs.

Tian and Borges (2011) point out that understanding of the culture and potential needs in the target market has great influence on the success of business. UNNC has noticed and is satisfying the needs of increasing Chinese middle classes who pay high attention to education and are willing to pay for high quality foreign education (Cunningham, 2006). Stanway (2007) writes, because of being richer, more and more Chinese students can afford and expect foreign education. Thus, UNNC is valuable for the growing Chinese middle classes. Besides Chinese richer middle class students, UNNC, as an international university, also targets wealthier middle class students from other developing countries. Stanway (2007) concurs that UNNC not only supplies British education to Chinese students but also intends to attract students from other countries who would like to experience British education while living in China. Benjamin (2005) says that UNNC is expected to recruit students from all over Asia and the Middle East. All these suggest that UNNC segments the whole market based on the students’ economic status and location, and it mainly targets the richer middle class students in China and other developing countries.

Additionally, UNNC also divides the mass market according to customers’ differences in education and location respectively, which can be described as demographic segmentation and geographic segmentation, and a specific market mix is designed for each segment. The same as other higher education institutions, UNNC distinguishes graduates from high schools from those who have experienced university education and have a bachelor or master degree. That is, customers are classified into undergraduates and postgraduates, and they are served with different study programmes at varied costs (home page of UNNC). Lotbinière (2005) reports that study programmes in UNNC are divided into undergraduate study and postgraduate study. Moreover, customers for UNNC are also divided into two groups on the basis of location, and they are domestic students and international students; they are provided with a slightly diverse service and different costs are required (home page of UNNC). For instance, the tuition fee for domestic undergraduates is RMB50,000 per year, but international undergraduates are charged
by RMB80,000 per annum (home page of UNNC). Hence, it can be concluded that UNNC also divides its mass market into smaller groups on the basis of education and location respectively, and the strategy of differentiated marketing is applied to these groups.

**STRENGTHS OF UNNC’S MARKET SEGMENTATION AND TARGETING STRATEGIES**

Long-term profit can be generated by serving the richer middle class students in China and other developing countries because of increasingly high demand. That is, the main advantage generated by the market segmentation and targeting strategies applied in UNNC is long-term profit. Education is greatly valued by both students and parents from the middle classes in developing countries, and they would like to invest in education. Cunningham (2006) writes that wealthier middle class parents are willing to support their children in terms of education. Also, as a result of becoming richer the middle classes have the ability to pay for foreign education, but studying in developed countries especially in the UK is still quite expensive for them. In this regard, UNNC is a relatively desirable choice for them, as it allows students to obtain British education without the high expense required in the UK. Cunningham (2006) illustrates that a Chinese businessman said that her daughter was satisfied with the education she had obtained in Britain but the problem was that the cost was so high; this indicates the needs of British education in developing countries, such as UNNC. Students in UNNC can avoid many extra costs, such as high living costs and travel costs. Furthermore, it is generally agreed that more and more people in developing countries are becoming richer. Both Cunningham (2006) and Stanway (2007) recognize that the number of richer middle class people in China is rising. This implies growing demand or potential demand for superior education offered in developing countries. MacLeod (2005) claims that the decline in the number of Chinese students studying in the UK clearly shows the popularity of foreign universities in China, such as UNNC. All these lend to support the assumption that UNNC will obtain long-term profit through targeting the richer middle class students in China and other developing countries.

The other advantage of UNNC’s market segmentation and targeting strategies is that students can be served in an effective way when they are segmented according to their education and location and served with different market mixes. It is obvious that different students with varied educational background would have diverse requirements with regard to higher education. Additionally, it seems reasonable to provide slightly different services and design varied market mixes for Chinese domestic students and international students. For instance, it is essential to offer Mandarin classes for international students in order to ease their living in China while, admittedly, it is not necessary for Chinese students. So, varied needs from students with different education or coming from different countries can be satisfied more effectively when these students are segmented into smaller groups and served with diverse market mixes.

**WEAKNESS OF MARKET SEGMENTATION AND TARGETING STRATEGIES USED BY UNNC**

The disadvantage of targeting richer middle class students in China and other developing countries is low profit in the short term. First of all, huge investment is required for building and running UNNC. Benjamin (2005) reports, approximately, £200 million has been invested in building the campus of UNNC. MacLeod (2005) also points out that a huge amount of money
was used to build UNNC. Besides this, considerable amounts of money must be spent in running the organization, for example, salaries for the staff. The only way to balance a high investment is high revenue. As a university, the major economic return for UNNC is tuition fees received from the students. However, as the target customers are relatively price sensitive it is impossible for it to charge them extremely high tuition fees. In other words, a comparatively lower tuition fee is required since it mainly targets the students from wealthier middle class in developing countries who are more price sensitive than students from the upper income class and the middle income class in developed countries. Shepherd (2007) implies that even the returns need to be reinvested to ensure consistent high quality education in UNNC. Therefore, it seems that UNNC can only obtain low profits in the short term, and high profits may result in the long term.

POSITIONING STRATEGIES EMPLOYED IN UNNC

Firstly, UNNC is positioned as a British university located in China which has the same teaching standard and is also offering the identical degrees with the University of Nottingham. This makes it become a unique university in China and distinct from its competitors. UNNC is the first foreign-run higher education university in China; in order to ensure the equivalent teaching standard with the UK campus, about two thirds of its staff is from the University of Nottingham; also, the students in UNNC are provided with the same exam papers and degrees with those in the UK campus. Shepherd (2007) reports that degrees, exams, marking and quality guarantee in UNNC match those in the University of Nottingham. All courses in UNNC are taught in English, and its teaching materials are provided by its parent body which is the University of Nottingham (Lotbinière, 2005). In order to be consistent with its parent body, all classes in UNNC are in English and the recruitment of staff and students, selection of courses, exams and degrees are all decided by the University of Nottingham.

Secondly, UNNC provides students with opportunities of studying and living in different cultures through its exchange programmes. Malley (2006) states that UNNC is a member of Universitas 21, which includes higher education institutions from different countries, so this enables its students to be exchanged to study and live in other universities included in Universitas 21 for a period of time. There are also a certain number of students who are exchanged from other partner universities studying in UNNC (home page of UNNC). This would not only improve students’ cross-cultural communication skills but also assist them in their future career development.

Finally, the tuition fees required in UNNC are much lower compared with the UK campus. This lower cost strategy allows it to have a great comparative advantage over other foreign universities, especially British universities. The annual tuition fees for undergraduates and postgraduates in UNNC are RMB50, 000 and RMB80, 000 respectively, which are only about half of the costs required for international students in the University of Nottingham. This cost is only around one third of what is required for obtaining higher education in Britain. Apart from tuition fees, other expenses are also relatively lower since the students are living in China rather than Britain for most of their study time.

ADVANTAGES OF UNNC’S POSITIONING STRATEGIES

The positioning strategies applied in UNNC show its competitive advantages in terms of quality, international experience and price, and these advantages enable it to be competitive
among its competitors and attractive to its target customers. UNNC offers an alluring and reasonably priced alternative to costly overseas studies for Chinese students. All Chinese universities and foreign universities can be considered as competitors for UNNC. As UNNC is a British university offering the identical teaching standard and degrees with the University of Nottingham, the quality of education in UNNC is believed to be superior compared with Chinese universities. Moreover, it also provides students with opportunities of studying and living in other countries. Thus, the superior quality and student mobility allow it to have differential advantages over Chinese universities. The study conducted by Niculescu (2006) shows that the opportunity of going abroad does impact on students’ higher education choice. With respect to how to compete with other foreign universities, especially other British higher education institutions, UNNC has a significant competitive advantage that the cost of studying in UNNC is lower than what is required in other foreign universities. As what has been mentioned, not only the tuition fees but also other additional costs are relatively lower in UNNC. As a result of its superior higher education quality, student mobility and lower costs, UNNC is distinct from all its competitors. Meanwhile, these features are also greatly valued by students and their parents, so UNNC appeals to its target customers. Benjamin (2005) confirms that a large number of students are attracted by the UNNC’s foreign education without the high expense. Even though the tuition fee in UNNC is about ten times higher than what is charged in Chinese domestic universities, the British degrees it offers are quite attractive for Chinese students. Malley (2006) further states that there are two factors which can make British universities survive and succeed in the competitive market, and they are the quality of education and cross-cultural study experience offered. All these seem to provide evidence for the strengths of the positioning strategies applied in UNNC. Nonetheless, these strategies also have disadvantages.

DISADVANTAGES OF UNNC’S POSITIONING STRATEGIES

The first challenge of positioning UNNC as a university having equivalent teaching standard with the UK campus is that long-term consistency should be guaranteed. Benjamin (2005) also recognizes this, pointing out that the chief challenge for UNNC should be sustaining the identical education quality with its parent body. Notwithstanding the fact that the degrees awarded in UNNC are the same as those conferred in the University of Nottingham, it does not prove that long-term equivalency in teaching standard can be ensured. In order to reach the goal of delivering the same education quality with the UK campus, UNNC must have extremely close connections and communication with its parent body. However, as a result of far away distance inefficient communication might be caused. Furthermore, given the fact that UNNC is located in China and most of its students are Chinese, it might be more or less influenced by this, in terms of teaching standards. All these can be barriers for long-term teaching standard equivalency with the University of Nottingham.

The second disadvantage of UNNC’s positioning strategy is insufficient advertising. Advertising is perceived as an important method to make an organization’ products or services reach the target customers and build its reputation. Raaij and Verhallen (1994) announce that communication strategy must be formed in the process of segmentation and positioning, and advertising should be used to reach the target customers. Similarly, Vass (2006) and Tang et al. (2011) comment that marketing communication especially advertising is required for brand building as far as positioning strategy is concerned. Given the fact that UNNC is still a new university to its target customers, it is quite necessary to introduce the university and its service.
to its target customers through advertising. Lowe (2001) explains the importance of communication with target segments using the case of Fleming Premier Banking; after communicating with target customers through different ways, for instance, advertising in publications and advertising on internet, the public awareness of the bank increased dramatically, and the number of both personal and business accounts with the bank grew as well. Bowen (1998) agrees in this respect with Lowe (2001), contending that effective communication with target customers is essential in positioning. Hence, UNNC’s positioning strategy should be connected with effective and sufficient advertising so as to build its brand recognition.

CONCLUSION

Market segmentation, market targeting and positioning are three important steps in developing strategic marketing. This paper has not only introduced and discussed these three items but also analyzed higher education market in China. Then, the market segmentation strategies applied in UNNC have been stated. UNNC segments its mass market according to a combination of customers’ social classes and location, and targets the richer middle class students in China and other developing countries. It also divides the market into smaller groups, such as undergraduates, postgraduates, domestic students and international students, on the basis of education and location respectively, and each segment is served with a specific market mix. This paper has also assessed the advantages and disadvantages of these segmentation and targeting strategies. The strengths are long-term profit and effective service. The weakness is low profit in the short term. Finally, the positioning strategies used by UNNC were mentioned and analyzed. There are three positioning strategies applied in UNNC, and they are identical teaching standards and degrees with the University of Nottingham: its UK campus, student mobility and lower costs. Even though these positioning strategies make UNNC both competitive and attractive, the biggest challenge is to maintain long-term teaching standard equivalency with its parent body. Also, it is believed that UNNC’s positioning strategies should come with effective and sufficient advertising. Thus, it can be concluded that the segmentation and positioning strategies employed in UNNC are effective to a certain extent, but further improvement is required.

Much research has been conducted to show the various ways to segment a market and position a product or service to the target customers. Dibb et al. (2006) have theorised that a mass market is normally segmented based on demographic, geographic, psychographic and behaviouristic variables. Ennew (1993) has argued that socio-economic base is also frequently used when an organization is segmenting a market. Armstrong and Kotler (2000) and Jobber (2007) have come to the conclusion that there is no fixed way to divide a market. With respect to positioning strategy, Ennew (1993) has claimed that a clearly defined differential advantage is required for positioning a product or service. Vass (2006) has also pointed out that positioning strategy should be associated with advertising. However, all these are universal means of market segmentation and positioning. So, it is felt that a detailed investigation on how to segment a higher education market and position higher education service in China could be done through further work. This would provide direction for universities in China, especially foreign universities, to design and develop effective marketing strategies.
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