Targeting a New Customer Segment: Marketing of Higher Education Through Athletics

Robert E. Wright
University of Illinois at Springfield

While major colleges and universities may have little trouble recruiting students due to vast alumni networks, national name recognition, and frequent publicity, smaller colleges and universities may face a more challenging recruiting environment. Targeting a new customer segment, that of student athletes, may be one possible solution to enhancing revenues. This paper discusses the issues involved in pursuing such a strategy.

INTRODUCTION

Segmentation, targeting, and positioning are critical elements in any marketing strategy (Kerin & Hartley, 2016, p. 190). Many smaller institutions of higher learning have developed a marketing strategy which has targeted a specific segment or segments with a specific product/service mix. However, as state support decreases for public institutions of higher learning, and returns on endowments decrease for both public and private colleges and universities, tuition and fees paid by students become an increasingly important source of revenue. Student recruitment efforts leading to increases in enrollment, and thus revenue, are therefore critical to success to such institutions. A key question from a strategic marketing standpoint is what strategy to undertake to increase student enrollment.

Ansoff (1957) suggests four diversification strategies to increase revenues for an institution or company. The strategies incorporate efforts in terms of the product offered and the market targeted. Thus, a firm could target the current segment with the current product and attempt to get consumers to purchase more of the product (market penetration), the firm could target a new segment with the current product (market development), the firm could target the current segment with a new product (product development), or the firm could target a new segment with a new product (diversification.) A number of colleges and universities have used the diversification strategy in an attempt to increase enrollment and revenues. They have changed the product and target segment strategy by offering athletic programs in hopes of better positioning their offering to fit the needs of a new segment—those potential college students interested in continuing to pursue structured athletics at a higher level. The addition of such athletic offerings then becomes a key component of recruiting efforts. This paper explores the key implications of such a strategy.

LITERATURE

Increased competition in the marketplace has led to the realization that a successful marketing strategy in higher education is of critical importance. There are a variety of different strategies available for marketing higher education (Enache, 2011), which can be implemented (Naidoo & Wu, 2011) in an effort to increase student enrollment. The strategic marketing orientation of a college or university could have a significant impact on interaction with customers, and thus on profitability (Ryals, 2005; Srinivasan & Moorman, 2005).

Colleges and universities must develop a marketing mix which relates to their customers well (Gustafsson, Johnson, & Roos, 2005), while creating enough value for potential customers so that the customers are satisfied with the ultimate marketing mix offered. (Cao & Grucda, 2005; Boulding, Staelin, Ehret & Johnston, 2005; Lewis, 2005). These factors are critical, as the way in which universities deal with customers is integrally related to both overall marketing efforts (Payne, & Frow, (2005) and overall marketing strategy (Rogers, 2005). A diversification strategy of targeting a new target segment (athletes), with a new product (athletic programs) is one method of creating value for potential customers by changing elements of the marketing mix.

PURPOSE

Athletics can have a significant direct impact on enrollment at smaller colleges and universities. Adding sports teams obviously adds new students to a college or university. Many smaller colleges and universities have used athletics in an effort to increase overall enrollment (Asburn, 2007; Kurz, Scannell, & Veeder, 2007; Mills, 2014; Sander, 2008). However, it is imperative to consider both benefits and costs when considering whether attempting to increase enrollment through athletics is appropriate.

This paper explores the costs and benefits of such a marketing strategy.

One key benefit of athletics is name recognition and publicity (Cook, 2013; Goff, 2000). Such benefits accrue, in large part, to nationally prominent athletic programs. However, even programs at small schools could benefit to some degree from publicity generated by athletic teams. Coverage by local media can increase name recognition for a college or university both locally and regionally. Depending on the level of success of the athletics, even national recognition is possible. This publicity can generate interest from potential students who would otherwise have not heard of the school.

Another clear benefit is student enrollment. If the student athletes would not have attended the college or university if not for the athletic programs offered, there will be a gain in student numbers from implementation of an athletics program. To the extent that student athletes are not on full scholarship, this will increase the revenue for the colleges.

Coaches for the athletic teams also serve as additional recruiters for the college or university. The coaches will spread the name of the college or university much farther than might otherwise be the case. They will also target an entirely new segment of potential students. These students might not have put the college into their consideration set if not for the athletic program that they are being recruited to participate in.

Not only will the recruitment of student athletes result in more student athletes attending the college, there is also likely to be enrollment of friends and acquaintances of the student athletes. Given the substantial influence of word of mouth in decision making (Kerin & Hartley, 2016, p. 102), positive statements about the college or university by student athletes could result in a significant increase in attendance by friends of the student athletes.

A further benefit in terms of enrollment could be the enhancement of on campus student life by the athletics programs. Many students consider the attendance at athletic events on campus to be an important part of the college experience. To the extent that an athletic program enhances student life on campus, it may also contribute to a rise in student enrollment.

In addition, if a college has a very successful athletic program, attendance at athletic events will generate revenue for the institution. Successful athletic programs may also generate contributions from supporters of the athletic program.

COSTS

The implementation of an athletics program may also have significant costs to a college or university. The first major cost would be the salaries of athletics staff. Initially, coaches for each sport would have to be hired. Search committees would have to be formed, and the standard hiring process would have to be followed. After the head coaches were hired, typically assistant coaches would then be hired. As the program grew, an athletics director would then be hired. The athletics director would then typically add a number of staff members such as an assistant athletic director, secretarial support, and other support personnel. As the program grew, a strength and conditioning coach would then be hired. The next step would then typically be to hired an academic advisor for athletics. Other personnel would also be added as the program grew. Thus, a substantial investment in salaries for athletics personnel would be involved.

Another substantial cost for developing an athletics program would the total cost involved in building and maintaining athletic facilities. Depending on the size and type of these facilities, the costs could run into millions of dollars. If substantial contributions were raised to build such facilities, such contributions would reduce the costs to the institution of building the facilities. However, in most smaller colleges and universities, this would be unlikely to be the case. Thus, either student fees, or other monies would have to be diverted from other opportunities to fund facilities. The use of student fees or state funds for athletic facilities could create a negative attitude toward the athletic programs, with many stakeholders feeling that such funds could be better used to support the academic mission of the institution.

If the athletic programs have little competitive success, attendance might by minimal, and not cover even the operating costs of the facility for a particular event. Minimal levels of success might also result in minimal contributions to the athletic program.

Smaller colleges or universities may try to get around such problems by building dual purpose facilities to be shared by athletic teams and non-athletes alike. This strategy may raise other problems. There could be scheduling issues, in terms of the percent of time facilities were available for athletic teams versus the time available for recreational usage.

Recruitment of student athletes may also result in admission of students with different expectations of their role at the institution. Such students may feel that their focus should be on the sport they were recruited to play, rather than on the academics. This may lead to conflict between people in the athletic department and people in the academic area of the institution.

RISKS

A diversification strategy involves targeting a new segment with a new product. In this case, this strategy would involve targeting a new segment of potential students, student athletes, with newly developed athletic programs. Because a new segment is being targeted, the institution would have little experience and expertise with the needs and wants of the new segment. This clearly presents a risk in terms of developing the marketing mix. A new product (a new athletic program) is also being offered. This is another potential risk, since the institution would have little experience and expertise with the product. Together, these factors indicate that this strategy of diversification could involve substantial risk to the institution undertaking it.

COSTS AND BENEFITS

Based on the potential costs and benefits of using athletic programs to enhance revenue at smaller colleges and universities, it is critical to study both sides of the issue before embarking on such a strategy. The development of an athletic program can be a very costly and risky undertaking. Success is by no means assured. Metrics should be developed to measure the costs and benefits of such a strategy. This would involve determining all costs associated with the athletics program, as well as the total revenue generated from the program. Then, it would be necessary to compare the impact of the expenditure of a similar amount of money on different marketing efforts.

An Example

For this example, assume that a small college is starting a cross country team. This would typically require a minimum initial investment in facilities and equipment. The major cost would be for a coach. If the coach was paid a total (in salary and benefits) of $60,000, the addition of the program would need to generate $60,000 in additional revenue. If tuition and fees for the college were $10,000 per year, an addition of 6 new students (students who would not have otherwise attended) would equal the cost of the coach's salary. An additional student's fees would likely cover the ancillary costs associated with the cross county program. If each cross country runner was able to encourage one friend to attend the college who would otherwise attended, the addition of the cross country team could produce a significant revenue stream for the college.

This same analytical procedure could be used for each potential athletic team an institution was considering adding. Obviously, as the costs of the athletic team increased, the number of student athletes and friends attracted by the addition of the athletic team would have to increase commensurately. Costs of an athletic director and other support staff would need to be allocated among athletic teams.

Athletic Scholarships

Athletic scholarships may be given at small colleges and universities in order to recruit high quality athletes to the institution. It is important to recognize the actual cost to the college or university of the scholarship. Although, on paper, the scholarship "costs" the amount of tuition and fees it covers, if the student would not have otherwise attended the institution, the only costs associated with the student athlete's attendance are any incremental costs incurred by the addition of one more student. In terms of academics, these incremental costs would typically be minimal.

SUMMARY

While many smaller colleges and universities are attempting to increase enrollments and revenues by adding athletic programs, a thorough analysis of the costs and benefits of such a strategy is necessary before such a marketing strategy is undertaken. Because this is a diversification strategy, with a new segment of consumers (athletes) targeted with a new product offering (athletic programs), it may be quite risky. The institution is targeting a group of potential consumers which it has not previously targeted, and thus has no experience with, and which it perhaps has little knowledge of in terms of this segments wants and needs in terms of their higher education experience. The institution is also developing a new product offering, which it has no experience, and perhaps little knowledge of. While a successful implementation of this strategy could be quite beneficial, an unsuccessful implementation could be extremely costly.

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