Chapter 4
Identifying the Basis for Segmenting Higher Education:
Evidence from Egypt

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ABSTRACT

This paper reviews the developments taking place in the Higher Education (HE) industry. The focus of the research is to identify the main variables used to segment universities in Egypt. The research is qualitative in nature as the dimensions for segmentation were derived based on a series of in-depth interviews followed by two focus groups. Perceived quality and level of internationalization were found to be the two most important dimensions for classifying HE institutions in Egypt. These two dimensions formed the basis of a two-by-two matrix, which was used to segment HE universities into four main segments. The four HE segments that were identified are: legacy, prestigious, imitators, and the uncertain. Each quadrant was identified based on the level of perceived quality and the degree of internationalization. The matrix is useful for universities' administrators to identify their current position and assess their future positioning strategies.

INTRODUCTION

The higher education market in Egypt was liberalized in 1996 by the opening of four private universities. With the entry of private sector to the HE market, a healthy competitive environment has been created between both public and private institutions. It should be noted that before 1996, the main players in the market were the public universities in addition to the American University in Cairo (AUC) and the Arab Academy for Science, Technology and Maritime Transport. Those two universities were categorized as foreign institutions.

As the demand of HE increased over the past decade and the capacity of public universities was not able to cope with this increase (Khaled, Said, & Kortam, 2001), a number of private universities were opened to fill this gap in the market. This was the main reason that encouraged the government to four Presidential decrees by the academic year 1996-1997 to establish the first four Egyptian private universities. Those were Misr International University (MIU), Modern Sciences and Arts University (MSA), October 6 University and Misr University for Science & Technology (MUST). Later, the permission was given to the French University in Egypt (UFE), the German University in Cairo (GUC) and the British University in Egypt (BUE). In the past five years more licenses were given to other private universities throughout Egypt, such as Future University, Sinai University, Ahram Canadian University (ACU), ElNahda University, etc.

The increase in the number of private universities resulted in the need for differentiation. Universities started to realize the need for creating a brand identity that would clearly differentiate between the universities in the minds of the different stakeholder groups. This is further supported in the literature, which emphasized the importance of managing brand image in HE (Hernandez, 2011). Accordingly, a number of research questions need to be investigated. There is a need to examine whether universities in Egypt understand the basis for segmentation and its underlying segments. Further, it is worth investigating the implications of the segmentation on brand management strategies.

This paper aims to understand the higher education marketing strategies in Egypt by exploring the different segmentation variables. The study is exploratory in nature, since the goal is to investigate the perceptions of different university brands. The exploratory work includes two qualitative phases. The first phase starts with a series of in-depth interviews and the second phase is based on conducting two focus groups. The results of the exploratory work are used for better under-standing of the existing segmentation strategies and coming up with recommendations for how to better position HE institutions. The generalisations drawn are mainly analytical and indicative and not essentially conclusive as more quantitative analysis is suggested for future research.

OVERVIEW OF SEGMENTATION STRATEGIES

Market segmentation was introduced in the marketing literature for the first time by W. Smith in 1956. Since then, segmentation became a fundamental concept in marketing just like the classic four marketing mix elements: product, pricing, promotion and place. Segmentation is defined by Hoek, Gendall, and Esslemont (1996) as the technique for understanding the market and dividing the market into groups with similar characteristics that could be satisfied by different offers. Companies go through the segmentation process in order to make better marketing decisions such as attract the right customers, retain profitable customers, come up with new product/service introduction and finally maintain product/service profitability (Hoek et al., 1996).

There are several well-known segmentation variables that are extensively used in marketing. These variables include: demographic, psychographic, personality, benefits, lifestyles, usage, loyalty, image, situation, behaviour and decision-making process (Sirgy, 1982; Dickson, 1982; Cathelat & Wyss, 1989; Blattberg, Peacock, & Sen, 1976; Zotti, 1985; Haley 1968; Young, Ott, & Feigin, 1978; Aaker, 1995; Kotler, 1997). However, those are not the only variables that marketers can use, other variables may be developed depending on the product or service that is investigated. Marketers can identify specific variables depending on the market and the target customer profile (Nguyen & LeBlanc, 2001).

Bock and Uncles (2002) proposed two types of segmentation strategies. The first one focused on demand-side and the second on supply-side

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