

## University as Walmart: Consumerism in Academia

- “I read a lot and even I think this guy assigned WAY too much reading. He has hardly any humor/charisma to keep your attention and tends to drone about the subject.”
- “Many instructors and staff are very rude toward students. Absolutely disrespect students. After paying the tuition (about \$30,000), who deserves to be treated this way?”
- “She is the worst teacher...rude and makes a lower division bio class more difficult than it should be and it’s like you are working hard to make a C...”
- “If you like partying, don't go here. The parties are way big, stupid, and they often get either busted or people run out of beer.”
- “Possibly the biggest waste of time, money, and effort.”
- “Don't take her. It is not an easy A, like most would expect. She makes you do a lot of unnecessary work.”
- “I think my pillow would have fallen asleep in that class.”
- “I think that the students here just work incredibly hard and have no time for fun.”
- “I want to kill myself everyday that I wake up at this school. It sucks. The people are weird, there is absolutely nothing to do, and you have to completely lower your standards for guys.”
- “This is one of the most expensive schools and not worth it! How can you justify charging such exorbitant tuition for a school that is not even top notch? Putting graduating students into big-time debt is shameful.”
- “This school engages in the practice of lowering your grade by a full letter if you miss more than 3 classes. This does not sit well with me.”

(Comments taken from: ratemyprofessor.com and studentsreview.com, May 21, 2009)

### Introduction

According to McMillan and Cheney, “the metaphor of the market is used not only to hail the achievements of capitalist economies but also to reframe other, traditionally non-economic domains of activity: for example, ‘the marketplace of ideas’” (McMillan & Cheney 3). In this paper, we will compare the university student to a consumer/client/customer in an attempt to analyze the changes that have taken place in academia as many universities adopt a “student as consumer” attitude in a movement that began in the 1980’s and has become increasingly prevalent today. Until fairly recently, institutions of higher education have shied away from utilizing marketing strategies to

lure potential students. It has been feared that commercializing the university via mass and target marketing strategies would compromise its academic integrity (Jump 13; Sharrock 151). A key finding by Kotler (49) that marketing strategies are appropriate for any and all organizations, not just for for-profit businesses and corporations, was instrumental in universities and colleges investigating and adopting marketing orientations (Cochran & Hengstler 29; Kirp, 49; Kotler & Murphy 474; Litten 43).

Currently, there are more openings for students in universities than there are students, so universities must now market themselves in ways that are appealing to potential students. Fierce competition from for-profit universities (many of which offer completely on-line degree programs) coupled with stagnant enrollments, budget cuts due to reductions in state and federal funding, staff reductions, and tuition increases have put many educational institutions in crisis mode. For many schools, the days of selecting only the brightest and the best of potential students are over. For many institutions the selection process has passed to the hands of the students as they now choose from a variety of higher education institutions and will choose those institutions that fulfill their wants and needs: the least expensive, the most prestigious, the largest course selection, the most qualified faculty, the least student-teacher ratios, the best technology services, those with high quality living facilities, those with a large variety of dining options, universities with the best entertainment complexes, etc. Universities that do not fulfill the wants and needs of their students will cease to exist (Wallace 48). To keep financially solvent, many universities must now utilize numerous common marketing strategies previously employed only in the business world to attract larger numbers of students and to keep those students satisfied until graduation and perhaps beyond as they seek

advanced degrees. In fact, most colleges and universities now have marketing departments lead by professional directors who craft marketing strategies for the institutions based on the needs of students and community and the schools' missions (Bok 11; Kirp 51; Pulley, 2003). In addition, outside marketing professionals are often hired by colleges and universities to conduct market analyses, develop promotional items, and implement unique advertising and marketing campaigns (Hesel, 2004; Jugenheimer, 1995; Pulley 30).

According to Soderquist, (12) Walmart was developed upon several guiding principles and built into these principles are many common business strategies: **customer relationship management** (to include **market niche, advertising, brand loyalty, brand recognition** and **reward programs**), **monopolistic market, oligopolistic market, monopolistic competitive market, perfectly competitive market, least-cost technique of production, x-inefficiencies, consumer utility** and **consumer sovereignty**. In this paper we will explore how these marketing strategies are currently utilized in the business world using Walmart as an example, and then we will demonstrate how these techniques can be and are utilized to promote higher education.

## Marketing Strategies

### Customer Relationship Management

**Customer Relationship Management** (CRM) is a business phrase that describes “the relationship trajectory between customers and merchants” (Bejou 44). According to Bejou, CRM was developed from research investigating the dynamics of a variety of different types of relationships: “interpersonal, family and marriage, marketing, sales and sales management, and service marketing” (44). Bejou posits that these relationships

have four distinct phases, which will now be described in terms of a customer/business relationship, with an additional (for a total of five) pre-exploration phase which we have determined must exist to initiate the formation of a customer/business relationship:

Pre-Exploration Phase explanation: The pre-exploration phase often begins with some form of **advertisement** strategy that attracts the attention of potential customers (often a particular demographic of the population, known as **market niche**). Vehicles for advertisement include electronic (social networking sites, podcasts, email, message boards, etc.), television, radio, newsprint, postal mailings, messages on billboards, etc. A successful advertising campaign will identify and exploit the **market niche**, or market segmentation a business is seeking. When a business identifies the clientele that is attracted to its “product” then it becomes easy to market or target the advertising dollars more wisely.

Pre-exploration phase: Walmart: **Advertising** strategies employed by Walmart have evolved over time. Initially, Walmart began advertising with circulars promoting reduced prices on particular items. Later, they decided to adopt the “everyday low prices” slogan and moved to television and the monthly circular that did not feature sales, just “everyday low prices.” The customer soon discovered that Walmart was a perpetual sale, that there was no need to wait for Walmart sale circulars to appear, but that good prices were available everyday at Walmart. This strategy also saved money for the company (reduced advertising costs) that went back into the store, saving consumers even more money (Soderquist 52).

Walmart’s **market niche** is the average American family. As such, they stock a wide variety of items that average families find necessary for daily living. And as an average

family market, Walmart does not stock high-end items (such as designer clothing), but stocks items at “everyday low prices.” This marketing strategy is unique among many large retailers, who feature special prices or sale prices in weekend or holiday circulars. Walmart instead employs an approach to marketing that advertises low prices every day of the week. Because Walmart caters to the average family, it has incorporated family values into its marketing strategies, electing not to sell certain magazines, CDs, games, or videos deemed offensive or inappropriate by most families (Soderquist 57).

Pre-exploration Phase: University: The university has a much more difficult task than Walmart does in **advertising** its product because the university/college product is intangible, “and largely depends on a diploma as the only tangible evidence of a lived experience and learning that occurred” (Anctil. 31). Thus, **advertising** and marketing the intangible requires more creativity and thinking, and requires the intangible appear tangible and requires market differentiation (Anctil 31). According to Anctil, the university must produce tangible evidence that reflects who they are and what they do and there are three primary categories of evidence commonly provided: academic evidence (rankings), “amenities and perceived social life” evidence and of course, athletics evidence (32). During the pre-exploration phase, the university often employs mass or target marketing strategies to **advertise** its unique assets (amenities, social opportunities, athletics programs), missions, educational values and practices to potential student populations via email, podcast, social networking sites, message boards and/or postal mailings. “With these messages, the school promotes the benefits and rewards of its programs by making promises, raising expectations, and stoking interest” (Bejou 46).

Essentially, what a university/college is promoting to potential students is its positive institutional image (Anctil 32).

Potential students often select a university based on whether or not they perceive it will meet their educational needs, financial limitations, and sometimes personal philosophical beliefs. Just as Walmart targets the “average American family,” savvy universities **advertise** and promote their educational packages to meet the needs of specific target student populations (**market niches**). For example, if a student believes in caring for the environment, he or she may search for a “green university.” Harvard, the University of New Hampshire, and the College of the Atlantic in Maine, among others, are “going green” to attract new students (using alternative energy sources, green dormitories with composting toilets, etc.). Students who know exactly what they want to study may choose an educational institution because it specializes in their particular area, has statistics to show their graduates are highly successful and has a longstanding prestigious reputation in that area. Many of these schools are expensive and generally do not have to rely on **advertising** campaigns to lure students, but regularly turn away thousand of student applicants who do not meet admission criteria. Their reputations are their **advertisements**. Vanderbilt University, for example, is known for its rigorous and prestigious College of Medicine. The Julliard School of Music in New York City is another example of a school with a specialized and highly prestigious curriculum. Not all specialized schools are expensive. Many very high quality colleges and universities specialize in certain academic areas and are affordable, such as Abraham Baldwin Agricultural College in southwest GA (a state school that specializes in agricultural

studies). As another example, Colorado State University in Fort Collins, also affordable to most, is known for its highly specialized veterinary school.

Other students are lured by upscale university housing featured in the **advertisements** of many schools. Even low-cost state schools often have luxurious residence halls. For example, The University of TN at Chattanooga no longer has any standard dorms. All are suite or apartment style. The newest ones offer three bedrooms, a full kitchen complete with all appliances, washer and dryer, bathroom and are completely furnished. Amenities of the buildings include exercise rooms, high speed internet access, game rooms with pool tables, and commons areas with big screen televisions.

Other schools (both expensive private schools and lower cost state schools) lure students with entertainment amenities. The University of Houston boasts hot tubs, waterfalls, pool slides, and a five-story climbing wall as part of a \$53 million wellness center. Students at the University of Wisconsin in Osh Kosh can obtain on-campus massages, manicures and pedicures. Washington State University has a hot tub large enough to hold 53 people. Indiana University of Pennsylvania boasts room-sized electronic golf courses that mirror 52 famous golf courses from around the world. Ohio State University built a 657,000 square foot entertainment complex that houses streams for kayaks and canoes, batting cages, ropes courses, etc. The University of Southern Mississippi has a full scale indoor water park on its campus that features a river and a moving sheet of shallow water for students to lay in to stay cool while sunbathing (Winter online ). All of these high end luxuries are highly **advertised** to lure students.

In today's tough economic times, many students are looking for inexpensive schools within commuting distance of their homes with or without perks, schools with stream-

lined academic programs that **advertise** early degree completion at less cost, schools that offer at least a component of their coursework in an online format to save on transportation costs, schools without large athletic programs and the fees associated with them, schools with many on-campus job opportunities for students, and schools that offer multiple scholarship and grant opportunities.

Whether it is program quality, program specificity, university prestige, special perks, or cost-saving initiatives, if a university meets a need or needs of certain potential student populations, and has marketed those advantages adequately to those populations, potential students are more likely to follow up with a phone call, letter or email seeking additional information. And if the university has been successful with this phase the student might make a visit to the university, submit an application and get accepted. So as Walmart **advertises** to its **market niche** (the average American family), many universities and colleges have also identified target student populations (**market niches**) and **advertise** to the needs and desires of those populations to attract potential students (customers).

Exploration Phase explanation: If the advertisement has succeeded, the exploration phase begins: the customer and business meet and share information about one another and determine whether or not a potential relationship will be symbiotic (benefits for both business and customer). At this time the business promotes the value/quality of its product or service. If both parties determine that each will benefit and neither will be unjustly enriched from the relationship, it is agreed upon and continues. If disparity or disagreement results in this first phase, the relationship will usually not continue.



Exploration Phase: Walmart: In the case of Walmart, the exploration phase occurs when a customer enters a Walmart store for the first time. Every Walmart customer is greeted personally by an employee, a Walmart “greeter.” In fact, Walmart spends a great deal of time and effort in motivating all of its employees to be friendly and helpful to all customers. Walmart employees are told that essentially they are the literal face, hands, and voices of Walmart (Soderquist 57). To ensure that all Walmart shoppers experience a friendly atmosphere every time they shop at Walmart, the store looks for cheerful dispositions in potential employees during the hiring process. They also enlist what is known at Walmart as the Ten-Foot-Rule: when an employee comes within ten feet of a customer, he or she is to look the person in the eye and speak to that person. If the customer asks where to find a particular item, the employee is instructed not to point it out, but to lead the customer to the item. The most important facet of customer satisfaction at Walmart is that items must stay in stock; customers looking for a particular item will leave if it is out of stock, regardless of the positive atmosphere, low prices, etc (Soderquist 22).

All of the strategies Walmart utilizes to maintain customer satisfaction play a significant role in the initial experiences customers have at Walmart (the exploration phase of CRM). If the customer finds the merchandise he or she is seeking at acceptable prices, is treated well by store employees, determine the store to be attractive and clean, he or she will likely return.

Exploration Phase: University: During this phase, potential students make their first trip to visit the university campus. At this time, students (and parents, if present) often are given a tour of the campus, meet with current students (if class is in session), participate

in an information session with an admissions officer and perhaps peek in on a class or two if any are in progress. During this first visit, students are often allowed to see an exemplary dorm room (many universities pay certain students who have well-decorated and appointed residence hall rooms to keep them neat at all times for potential students to view), possibly meet with requested faculty members or department heads, and eat a meal at one of the campus eateries. Like Walmart customers on their initial visits to the store exploring the merchandise and services, university students are engaging in very similar activities in the Exploration Phase (first campus visit) of Customer Relations Management.

Expansion Phase: Explanation: During this phase the relationship between business and customer/consumer further develops and strengthens as the seller (business) delivers upon its promises and the consumer realizes the value of the products or services he/she is receiving. At this point, the consumer shares his/her experience with others, thus possibly bringing new consumers/customers to the business.

Expansion Phase: Walmart: The expansion phase between Walmart and its customers occurs when customers begin to return to Walmart on a regular basis, becoming accustomed to how the store is arranged, how merchandise returns are handled, what other services are provided (in-store hair salons, vision centers, restaurants, auto care, pharmacy, banking, etc.), and the types, quality and quantity of merchandise available. During the expansion phase, Walmart customers may first utilize some of the extra services offered, may request a particular item be stocked, or may bring a new prescription to the pharmacy or order a cake from the bakery. As the customer experiences more of Walmart services and frequents the store more often for purchases,

he or she becomes closer to making a decision about whether or not to maintain a relationship with the store.

Expansion Phase: University: According to Bejou, this phase in the university setting is also known as the “enrollment management” phase (46). New students are involved in some form of orientation in which they are instructed on issues such as: registration, financial aid, scheduling, building location, residence hall life, social organizations, advisement, library resources, student services (food, health, wellness, entertainment), study strategies, interpreting the academic calendar, and even how to balance a check book. These orientations often occur the in the summer months just prior to the fall semester and sometimes consist of new students spending a few days on campus, living in a residence hall and participating in social activities as well as information sessions. Faculty are often involved in this phase as well, as the administration encourages their participation in orientation programs and early advisement in an attempt to forge relationships with new students that will serve to enhance student satisfaction and retain them as customers. It is during this phase that students begin to first experience many of the perks of the university that were **advertised**, introduce themselves to other students, join social and service organizations, and make initial contact with faculty.

Although **Customer Relations Management** places the Continuation/Dissolution phase at the end, we posit that it can also occur during the expansion phase in both business/customer and student/university relationships. If students have a particularly difficult/negative/unsatisfactory experience during their first semester at their university, they will drop out and return home, or apply at another institution. Some new freshmen simply do not make friends or determine that the university or university life is not for

them and drop out. Likewise, many customers make the decision to dissolve a relationship with a business fairly early in that relationship if they had a profoundly negative experience or a series of negative experiences.

Commitment Phase: Explanation: As the business/customer relationship enters this fourth phase, the customer has experienced longer-term satisfaction with the business. The business encourages the customer to demonstrate loyalty by voicing his/her satisfaction with the business' products or services to others. **Brand loyalty and reward programs** are marketing strategies that often take place in this phase. As introduced in the exploration phase, those customers that have moved from the "potential" to the "actual" market due to a successful marketing campaign will be loyal to the product and will provide a "word-of-mouth" **advertising** campaign due to the new-found **brand loyalty**.

Commitment Phase: Walmart: Walmart customer commitment is easily seen on various message boards where customers tout the benefits and successes of the product. Although Walmart does not utilize a structured **reward and brand loyalty program**, its "everyday low prices" promise serves to encourage a loyal customer following.

Commitment Phase: University: In the university setting, this stage is known as the "retention and progression" stage (Bejou 46). Students are upper classmen at this time and if this stage has been successful, they have entered into relationships with specific professors in their subject areas, collaborating with them on research projects, meeting with them consistently to plan course sequence and evaluate problems, and perhaps engaging in work-related internships and other experiences set up by these faculty members. Ideally, they have forged relationships with other students and have enjoyed

the university facilities and services for two years or more. Often if the campus housing, entertainment and other services are high quality, and the student has formed lasting positive relationships with suitemates and others, he or she may decide to stay on campus during the summer and take summer courses rather than go back home and conform again to parental rules and regulations, lose independence, and often perception of quality of living. The student has likely demonstrated **brand loyalty** by purchasing items such as shirts, license plates, auto window signs, and other items with the school's logo on it. The student is proud of his or her school and displays the school logo with pride, enthusiastically attends and supports school athletic competitions, has often joined Greek social and service organizations, has forged lasting friendships with classmates and has formed relationships with faculty. The school has become part of the student's identity. In addition, the student often utilizes perks provided by the university and surrounding community (**reward programs**) such as discounts at restaurants and bookstores, reduced public transportation costs, free admission to certain university events (often ballgames, concerts, plays, etc.), reduced rates at area gyms, and reduced entrance fees to area attractions, etc. This phase of the relationship should continue until the student has graduated and begun interacting with the university on an alumnus basis (Bejou 47).

Continuation or Dissolution Phase: Explanation: In this final phase, the customer has had a longstanding relationship with the business and reflects back on that experience. He/she considers the first meeting in which promises were made, evaluates whether or not those promises were kept, and evaluates his/her total satisfaction with the business. If the customer decides the relationship was symbiotic, expansion and commitment

continues and the relationship also continues. If the customer decides his/her expectations were not met, he/she may then exit the relationship at this time (Bejou 47).

Continuation or Dissolution Phase: Walmart: If after a long time of shopping at Walmart, customers determine they are satisfied with their overall experiences, whether those experiences involved purchasing goods or services, those customers will likely continue their relationships. On the other hand, if after evaluating their relationship with Walmart, and finding it overall unsatisfactory, long-term customers may decide to abandon the relationship and start exploring other similar businesses.

Continuation or Dissolution Phase: University: The continuation phase begins for the university student at his or her commencement exercises, when he or she experiences the ritual of graduation and feels pleased with his or her university choice. This phase is further developed if the student utilizes the university's career placement office, or other university contacts to secure a job. The relationship does not end however, if the university continues to maintain contact with its graduates, by supporting alumni through alumni magazines or other communication forms that advertise alumni events, recognition and life progress (marriages, births, promotions, etc.). This continued relationship instills a sense of loyalty to the university on the part of its alumni (**brand loyalty**), who may further support their universities through donations of time and finances (Bejou 52). Alumni often receive special incentives such as discounts into athletic and cultural events, discounts for graduate education, and discounts for tuition for their children and grandchildren (**reward programs**).

The relationship between the university and the student may dissolve at commencement if the new graduate chooses not to join the alumni organization, feels

dissatisfied with his or her overall educational experience and elects to pursue graduate study at another institution (if graduate study is desired), or moves far away.

### Market Models

As we speak of consumerism in relationship to the supplying of educational services, a brief, concise explanation of microeconomic market models will be helpful. These four market models will be discussed and interlaced with examples of how they are utilized in the retail/business world (Walmart) and in the world of academia: **monopolistic market, oligopolistic market, monopolistic competitive market, and perfectly competitive market.**

### Monopolistic Market

**Monopolistic Market** Explanation: A monopoly is a single seller of a specific good or service, a good or service without close substitutes (Miller 634). The maintenance of a monopolistic market is necessary and serves as a barrier to prevent competition from entering the marketplace.

**Monopolistic Market:** Walmart: There are multiple, rural places in America where the marketing strategists of Walmart have placed a store in a community where there are no close substitutes to the consumers. The placement of Walmart into these communities has often been greeted by applause for its provision of a wider variety of goods at a lower cost, factoring in the reduction in travel time to do the shopping. But the expansion of Walmart into rural communities is also greeted by disdain for its seemingly predatory pricing chasing away the “Mom and Pop” stores.

**Monopolistic Market:** University: A monopolistic marketplace is characterized by a single seller of higher educational services with significant barriers for new suppliers to

enter the marketplace. There is not a pure monopolistic education supplier, although there may be close examples in certain areas where potential students are limited to specific higher education institutional choices due to transportation issues or financial constraints. In some of the more remote areas, a complete lack of or diminished internet service may even preclude potential students from seeking a college degree via an online/electronic format, further emphasizing the monopolistic nature of area institutions of higher education.

### Oligopolistic Market

**Oligopolistic Market** Explanation: This type of market usually consists of a few large sellers (firms are so large relative to the total market that they can affect the overall market price) and homogeneous or heterogeneous products or services. There is also difficulty in entering the market, typically due to vast economies of scale. An **oligopolistic market** operates under the condition in which an action by one firm may cause a reaction or similar action on the part of other firms in the industry (Miller 683). This industry that is **oligopolistic** sets pricing and other relevant modeling strategies per “price leadership.” This pricing strategy occurs when a dominant firm in the industry sets the price for that industry and the other firms follow (Miller 693).

**Oligopolistic Market:** Walmart: Walmart operates as an **oligopolist** in large markets with competitors such as Target, K-Mart and Sears, and in many ways has been described as the price leader, because of its consistent “everyday low prices” strategy. The other major Walmart competitors (Target, K-Mart, Sears, etc.) regularly and simultaneously create sale flyers often featuring similar products at similar pricing, further supporting this characteristic of the **oligopolistic** market as previously mentioned.



**Oligopolistic Market:** University: Universities also exhibit some of the characteristics of **oligopolistic** businesses in that universities are generally large in size, and limited in number. Typically, the number of universities/colleges (suppliers) is protected from increased competition by the large, increasing economies of scale. Also, the suppliers (universities/colleges) are closely tied to one another, and in-fact, the actions of one to another is mutually interdependent. This type of market in academia could fit the “Ivy League schools” or the higher echelon of the education suppliers’ cartel. One could easily see that the “Harvards,” “Princetons,” and “MITs” do not compete for the same “consumer” as smaller, state schools such as New Mexico State University.

#### Monopolistic Competitive Market

**Monopolistic Competitive Market:** Explanation: The **monopolistic** market has many smaller-sized sellers, a differentiated product, and an easy entry into and exit from the marketplace (McConnell & Brue 211). The differentiated product usually provides a **monopolistic** control of the segment of the marketplace in which the supplier resides. The concepts of **brand loyalty** and **market niche** are important to suppliers in this market. Suppliers using non-price competition, such as **advertising**, explain to consumers that their product offerings are important or necessary. Consumers are bombarded through various media outlets that this type of shampoo will improve hair condition or this deodorant will provide the best needed protection from odor and moisture. The message provided is to convince the consumer that there is a real or perceived “need” for their product or shopping experience.

**Monopolistic Competitive Market:** Although Walmart is a large supplier, offering multiple products, it can be perceived as a **monopolistic competitive market** because it has many seemingly separate services within its confines. Walmart offers auto service, hair salon services, vision care, banking opportunities, bakeries, etc. It also falls into the **monopolistic competitive market** because it is defined by specific merchandise it offers the consumer, and that it offers all of the shopping experiences at the lowest prices without having to go all over town.

**Monopolistic Competitive Market:** University: The educational services market place is typically segmented by geography, i.e. University of Tennessee, University of Alaska, etc. In this market, non-price (tuition costs) competition exists in the form of large amounts of **advertising** and strong, athletic programs generating excessive amounts of monies and publicity for the university. Consumers enjoy purchasing from a “proven winner,” so successful athletic programs provide a means to differentiating the product from other competitors. In addition, schools commonly market themselves on other perceived strengths: a renowned medical school (Johns Hopkins), “high profile faculty” (Yale, Harvard, Brown), and student quality (number of national merit scholars) (Anctil 49).

#### Perfectly Competitive Market

**Perfectly Competitive Market** Explanation: the attributes of firms in this type of market include: (a) a large number of both potential buyers and sellers; (b) homogeneous product; (c) each buyer and seller are so small relative to the market that no single decision will influence the price of the item or service; and (d) an absence of long run barriers to entry or exit (McConnell & Brue 211). Perfect competition requires in

addition, that transactions entail *complete information* and *perfect mobility*, so that all contracting costs are ignored.

**Perfectly Competitive Market: Walmart:** In most locations where Walmart stores exist, especially in large metropolitan areas, the conditions of a perfectly competitive market, at least in a loose sense, exist. There is good information of products, prices and services available via flyers mailed to homes as well in newspapers – for all competing stores. Buyers have mobility to the various competing sellers of goods and services and for most goods and services, consumers are highly discriminating.

**Perfectly Competitive Market: University:** Included in this category are suppliers of educational services without a well-defined marketing or branding strategy, especially as we aggregate all higher education service providers – “brick and mortar,” as well as the online or virtual campuses. The competition has become so fierce as to jump state boundaries and suppliers close to state boundaries, waive “out-of-state” fees to enlarge the pool of potential customers (students) and compete with in-state institutions.

#### Purchasing and the Consumer/Student

In the previous section, consumerism in relationship to the supplying of educational services was explored. Now we will examine consumerism in relation to the purchasing of educational services. Several concepts are important in identifying what drives the purchasing of educational services. From the consumer point of view, with examples of how they are utilized in Walmart and in the world of academia, the following topics will be illustrated: **Least-cost Technique of Production, X-inefficiencies, Consumer Utility and Consumer Sovereignty.**

#### Least-cost Technique of Production

**Least-cost Technique of Production:** Explanation: **Least-cost Technique of Production** is a basic requirement for economic efficiency (McConnell & Brue 35, 184). Economic efficiency occurs in the marketplace when the marginal costs of producing the last unit of output and the extra benefits received from the last unit of output are equal, and is logically equivalent to maximization of the output from given amounts of resources or a given budget. In the realm of economics, to compete with other firms in the marketplace, those firms that are able to produce their output at a lower per-unit cost than their competitors will “win” the cost-conscious consumer. The more competitive the supply marketplace the more important is this aspect of cost control.

**Least-Cost Technique of Production:** Walmart: Walmart has been a pioneer in this area of cost containment as it has been revolutionary in its use of Just-in-Time (JIT) inventory control as well as Radio-Frequency-Identification (RFID) technology as a method to hold down the cost of unnecessary inventories. JIT inventory control is the process in which businesses are able to streamline supply-chain orders with vendors by ordering what is needed as it is needed. Reduced inventory is translated into reduced cost of production. The RFID tags on pallets of inventory as they arrive on-site provides information to up-date the inventory in near real-time. Walmart has been revolutionary in arm-twisting their suppliers in the adoption of RFID.

**Least-Cost Technique of Production:** University: Due to the quasi-public good aspect of higher education, cost control or containment has not been a prevalent item on university presidents’ agendas. Recently, with the dramatic downturn in the economy, causing states and the federal government to reexamine the amount of monies provided to higher education, cost-cutting measures have become quite the norm on campuses around

the country. One of the more obvious examples of this technique being played out in the higher education arena is the increased use of adjunct faculty members in place of hiring assistant professors. This reduces costs for the university both in a direct sense (reduced salaries) well as indirectly by not having to pay for benefits, retirement, or dedicated office space for adjunct faculty. Other cost-cutting strategies employed by universities and colleges have included cutting academic programs, reducing scholarships, reducing funding to programs that are not self-supportive, eliminating entire athletic programs, restricting travel for faculty, increasing tuition, etc.

#### X-inefficiencies

**X-inefficiencies** Explanation: On the other end of the economic efficiency spectrum, the concept of **X-inefficiencies** can be identified. In more **monopolistic markets**, since extra costs do not mean immediate bankruptcy or loss of substantial numbers of customers, they will be slack in cost control and in the amount of effort put in by management and workers. The concept of **X-inefficiency** was introduced by Leibenstein, who stated that the lack of real competition may give a monopolist less of an incentive to invest in new ideas or consider consumer welfare (Leibenstein 395). It can also be argued that even if the monopolist benefits from economies of scale, it will have little incentive to control production costs and **X-inefficiencies** will mean that there will be no real cost savings.

**X-inefficiencies:** Walmart :With Walmart's hyper emphasis on keeping prices low or lower than its competitors, there are negative or inefficient consequences of this obsession (Friedman 57). In many locally managed stores, the management is constantly pressured to keep costs low resulting in attraction of employees willing and able to work

at a lower wage and this results in a higher turnover or lower retention rate of employees resulting in increased training costs and production shrinkage. It has also been reported that some local Walmart stores hire illegal immigrants as cleaning staff which, when detected, results in fines and an overall diminished positive reputation in the local community. Also, consumers are demanding increased food freshness and greater product choices, which means that food and new clothing designs must appear on shelves more frequently. At the same time, there is pressure for Walmart to offer a more personalized service. These nimble market changes are difficult for Walmart to implement as they also attempt to appeal to the masses.

**X-inefficiencies:** University: This type of inefficiency indicates that educational institutions could be customizing their employees, management or production processes more effectively. Often problems of “morale” or “bureaucratic inertia” cause **X-inefficiency**. This can be seen in large, bloated, bureaucratically-controlled organizations. These organizations cannot make quick decisions nor often see the need to. Do concepts of economic efficiency, least-cost techniques apply to institutions of higher education, or are they immune to economic principles? It has been well publicized that the cost of higher education has outpaced the rate of inflation. This has caused the consumers of higher education services to change how much service they consume (how many hours to take), as well as what supplier (school) from whom they purchase the goods (that, is attend) and the method for purchasing or financing the services. The ever-increasing debt load that new graduates are undertaking will impact their standard of living in the future. It is stated that the rise in college costs out-pacing the inflation rate is due to universities’ higher enrollments, higher cost of providing technological services and also adding new

advanced degrees (Friedl G1). But the increasing cost of education can also be attributed to the non-price determinants, i.e. rock-climbing walls, food courts, study-abroad programs with a full-time staff, etc. (Wood G1).

### Consumer Utility

**Consumer Utility:** Explanation: This term in microeconomics analysis is used to identify the satisfaction, or pleasure, that buyers receive from consuming a good or service. The reason that goods and services are purchased by consumers is the belief or knowledge that the purchase provides a real or perceived benefit or satisfaction (McConnell & Brue 126). A rational consumer would never purchase a product that “costs” more than the amount of the utility (or benefit) that it provides. Thus, to the consumer, the marginal or extra benefit (utility) of additional unit of the service will be greater than or at least equal to the cost of purchasing the extra unit of service.

**Consumer Utility:** Walmart: claims to be the consistent low-price leader and understands this particular economic concept better than any other retailer: that to entice a consumer to buy more, the price of future items of the same good has to diminish to match the consumer’s diminishing marginal utility of the product. The reason that a consumer buys a product is that the perception is that the cost is less than or at least equal to the benefit the consumer will receive from the purchase.

**Consumer Utility:** University: The concept of consumer utility has been lost to most in the field of higher education. Only in those for-profit educational service arenas, does this understanding play an important role in determining the cost or price of education. The university should better illustrate to the consumers (students) the long-term benefit or utility of attaining a college education, especially in the wake of increased cost of tuition.

The cost of educational services to the ultimate consumer is reduced by several factors: enticement of “HOPE” scholarships and other such scholarships and grants, and the infusion of federal and state funding to public institutions, thus subsidizing the consumption of educational services.

### Consumer Sovereignty

**Consumer Sovereignty:** Explanation: **Consumer Sovereignty** is the notion that consumers ultimately determine what goods and services are produced and how the economy’s limited resources are used based on the purchases they make. Consumers thus reign over the economy as sovereign rulers. **Consumer sovereignty** means that buyers ultimately determine which goods and services remain in production by “dollars votes” (McConnell & Brue 34). While businesses can produce and attempt to sell whatever goods they choose, if the goods fail to satisfy the wants and needs of the buyers in the marketplace, consumers decide not to buy. If the consumers do not buy, the businesses do not sell and the goods are not produced.

**Consumer Sovereignty:** Walmart: Again, Walmart excels in this economic area of consumerism. With its close ties to its suppliers, it is able to quickly make changes in its merchandise selection and quantity based on the changing tastes and preferences of its consumers. The executives at Walmart have recognized the sovereignty of the consumer and do all they can to maintain subservient to that sovereignty.

**Consumer Sovereignty:** University: In many ways and for many years, the higher education factory of learning has acted as a monopolist in attempting to dictate what is important to impart to its consumer. However, now it becomes quite necessary for the purveyors of educational services to understand and respond to the needs and wants of



the buyers of its services. The days when colleges and universities had a ready demand of students at their front doors, paying whatever is stated on their fee statements are gone. The schools, as we have seen, are now having to compete for the student-consumer, recognizing that the student-consumer is in the driver's seat, deciding what courses and in what quantity should be provided.

### Conflicting Thoughts

Gumport describes the shift of higher education from a social institution toward an industry model as a threat to higher education's legitimacy, causing institutions to abandon their "historic character, functions, and accumulated heritage as educational institutions" (67). Others believe that marketing in general has a negative connotation and that as institutions of higher education utilize marketing strategies, that negative perception is cast upon those colleges and universities. Krachenberg describes marketing as "a catchword standing for all the undesirable elements in American business," further stating, "In short, marketing is looked upon by many as being fundamentally self-seeking and thus unacceptable by its nature" (Krachenberg 380).

McMillan and Cheney list four major disadvantages to educational institutions for regarding students as customers. First, they maintain that presenting the university as a service that is purchased by the student as a customer, creates confusion in the relationship between the student and the university. The student is the consumer who is separate and distinct from the university, who is the service provider, yet the student belongs to the university and thus is also a part of the organization. McMillan and Cheney posit that this confusing relationship often results in students only "partially committing to the wider goals of the institution" (McMillan & Cheney 5), seeing

themselves as “outsider-consumers.” Another problem that often arises in institutions of higher education when students are perceived as customers is that higher education administrators become managerial, which affects their relationships with faculty. Faculty begin to perceive this new supervisory element in their administrators as a threat to their autonomy. To further complicate matters, when financial cutbacks are necessary, faculty are often deemed “unsympathetic and self-righteous” (McMillan & Cheney 5), resulting in faculty viewing the administration as “other” or “enemy” (Smith & Eisenberg 370).

Secondly, McMillan and Cheney (11) indicate that the “student-as-consumer metaphor excessively fosters the self-promotional activities of professors and at the same time promotes the entertainment model of learning” (McMillan & Cheney 6). Since the professor is now the main component of the service the university provides to student consumers, the professors have begun “marketing” themselves in ways that allow them to make more money (from consulting fees, from grant writing, from part-time employment at other universities, etc.). Teaching responsibilities are low on the priority list.

Furthermore, viewing the university as service providers, and professors as vehicles of that service, has resulted in a popularity contest among professors for students. Formal faculty rating systems completed by students at most universities have perpetuated this phenomenon. It is usually the professors with the most lax grading systems, the professors who are the most entertaining, the professors who require the least of students who garner the highest ratings on these assessments. The professor whose course is rigorous, whose students must read, study, and work hard to be successful is often the professor who garners the lowest student ratings on faculty evaluations. Oftentimes, these student ratings play a role in tenure, reappointment and promotion decisions. So the

pressure is on for faculty to dumb down their curriculum, become fun entertainers, develop friendly relationships with their students, and grade on a curve. After all, the student is the customer, the faculty are the service workers, and the customer is always right.

The third disadvantage as stated by McMillan and Cheney to the student-as-customer model is that this model tends to “compartmentalize the educational experience as a product rather than a process” (McMillan & Cheney 7). This phenomenon is visualized in the statistics that reflect the number of students pursuing specific majors today as compared to those students thirty plus years ago. Today’s contemporary university/college curricula are primarily centered on workplace preparation, whereas classical education focused on a liberal education that “prepared an individual for citizenship” (McMillan & Cheney 8). Today’s students are proficient at business analysis, spreadsheets, and risk management, but have little knowledge of world political issues, American literature, and writing (Jacoby 288). Some believe this shift from “morally and socially sensitive people capable of responsible interaction” (Bellah, Madsen, Sullivan, Swidler, Tipton 177-178) to those who regard brains as commodities (Harman & Hormann 18) has resulted in a loss of integrity to institutions of higher education (Jacoby 288).

When education becomes a product rather than a process, there are also negative implications for students. Students who truly believe that they are customers who have purchased a service, have abandoned any notion of being “co-participants in the transactional enterprise of learning,” (McMillen & Cheney 9) expect the professors (service providers) do all the work, imparting knowledge to the students (customers) in

such a way that students remain as uninvolved and inactive as possible in their own educational experiences. These students further expect the educational process to be entertaining, convenient, quick and easy.

The fourth and final disadvantage as stated by McMillan and Cheney to the student-as-customer model is that this model tends to “reinforce individualism at the expense of community” (9). Competition has long been emphasized in education, beginning in early elementary school where students are rewarded with candy, extra points, longer recesses, and other privileges for high level academic performance. With the advent of standardized testing, the stakes have risen and teachers teach to the test to insure that their students make certain scores, so that their reputations stay in tact, they receive monetary rewards, or recognition.

Competition is strongly linked to consumerism (getting the best deal, being the first in line for new gadgets or rock bottom prices, beating out the competition) (McMillan & Cheney 46) and competition is strongly linked to the American way of life. Americans are individualists, seeking to always “gain personal satisfaction,” “set personal goals,” “keep up with the Jones’s,” and often measure personal success by the quantity of material goods accumulated.

Competition and individualism in colleges and universities devalues cooperative and collaborative work and sometimes even casts group initiatives as dangerous (McMillan & Cheney 12). What we lose by promoting competition and individuality in the academy is the academy’s sense of community and concern for the common good.

## Conclusion

Like it or not, the utilization of heretofore business marketing strategies by institutions of higher education, is probably a permanent condition in light of dwindling federal, state, and public support and greater competition from for-profit institutions. Therefore, a balance must be struck between the mission of the university as a place of higher learning, and the utilization of marketing strategies to keep the university solvent. Higher education must now attempt to utilize their business marketing strategies not only to attract potential students, but also as vehicles through which they can promote their missions, identities and strengths. While consumerism has historically supported competition and individualism, some facets of related business marketing strategies can foster internal and external collaborative partnerships that result in greater awareness among all university and community stakeholders (Anctil ix). Perhaps Anctil put it best when he stated administrators of higher education institutions must embrace strategic marketing in order to “broadcast who they are, what they do, and what makes them valuable. The business of higher education depends on it” (Anctil ix).

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