

RUNNING HEAD: GLOBAL MARKETING STRATEGY FOR THE  
INTERNATIONALIZATION OF A US-BASED UNIVERSITY IN LATIN AMERICA

Global Marketing Strategy for the Internationalization of a U.S.-based University in Latin

America

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### Abstract

This document simulates a senior executive-level proposal of a methodology of global marketing decision-making to initiate the incursion of a U.S.-based higher education institution to the Ecuadorian higher education market. The theoretical framework of global marketing strategy (Cavusgil, Knight & Riesenberger, 2008) and the taxonomy of marketing research (Hair et al, 2006) is applied to evaluate the conditions of the Ecuadorian target market. The document also presents a general overview of segmentation; targeting and positioning strategies and a discussion of the adaptation of the marketing mix supported by globally acknowledged, peer-reviewed research.

## Global Marketing Strategy for the Internationalization of a U.S.-based University in Latin America

The board of directors of International University is studying the possibility of making an initial incursion into the Latin American market, based on internal statistical data that shows a large portion of international students from that region. Top management has requested the marketing team to weigh the pros and cons of the internationalization strategy.

Given the one-year planning horizon proposed by the Board, this document will detail the preliminary stages of the global marketing strategy to make a first-move into Ecuador. This document will be divided in four sections, starting with a brief background of the organization and continuing with the discussion of a framework for international marketing strategies. An environmental assessment of the Ecuadorian market will open the document and will be supported by sections on marketing research in a global context, including marketing situational analysis (Hair et al, 2006). A second major area will address positioning, segmentation and levels of standardization and adaptation (Cavusgil et al, 2008). The last section of the document will cover marketing mix, addressing global branding and product development (Calantone et al, 2004), international pricing (Best, 2009), international marketing communications (Aaker, 2007), and international distribution. Major emphasis will be given to Customer Lifetime Value (Gupta & Lehmann, 2006).

### Background

International University was founded ten years ago by a group of visionaries with experience in higher education and offer undergraduate degrees, master-level programs and doctoral degrees in online an on-site modality. The doctoral programs span across business administration and social sciences, with four degrees in organizational development, leadership,

management and public sciences. A large percentage of the student body are from the United States (80%) with an increasing proportion of international students residing in the United States who pursue their degree online. Preliminary conversations with University of Santiago in Ecuador, has sped up the initial assessment of this venture. University of Santiago (UoS) is one of the most prestigious higher education centers in Ecuador, founded 40 years ago and leader with 40% of the market share in the coastal city of Guayaquil.

In its last board meeting, the marketing team received the support to assemble a global marketing strategy to facilitate the decision-making process on this incursion. With the assistance of the institutional research department at University of Santiago (UoS) the marketing team elaborated this report.

Cavusgil et al's (2008) *Framework for Marketing in the International Firm* is used as the underlying model in three sections: The environment of international business, global marketing strategy and international marketing program.

*Figure 1 Framework for Marketing in the International Firm*



Source: Cavusgil, Knight & Riesenberger (2008)

## Section I: Environment of International Business

*Global Environmental Assessment*

The marketing team has analyzed 17 indicators of political, economic, social and cultural status of Ecuador (Deresky, 2008) to identify environmental conditions that could limit the ability of the organization to price, promote and deliver our services. Ecuador is located in the center of South America, and with 13 million inhabitants is one of the smallest in the continent. Its economy is based on oil-petroleum exports, banana and shrimp and has experienced significant changes as a result of the dollarization process of the late 90s (WEF, 2008). The second most important revenue source is remittances from immigrants in Spain, Italy and the United States (World Economic Forum, 2008). These capital inflows have stimulated the housing market, financial market and international trade.

*Table 1. Global Competitiveness Index- Ecuador*

	Rank
(Out of 131 countries/economies)	
Global Competitiveness Index 2007-2008	103
Subindex A: Basic requirements	89
1st pillar: Institutions	125
2nd pillar: Infrastructure	97
3rd pillar: Macroeconomic stability	27
4th pillar: Health and primary education	90
Subindex B: Efficiency enhancers	108
5th pillar: Higher education and training	111
6th pillar: Goods market efficiency	123
7th pillar: Labor market efficiency	116
8th pillar: Financial market sophistication	99
9th pillar: Technological readiness	100
10th pillar: Market size	68
Subindex C: Innovation and sophistication factors	104
11th pillar: Business sophistication	93
12th pillar: Innovation	118

World Economic Forum (2008). <http://www.gcr.weforum.org/>

Ecuador ranks 103 out of 123 countries in the world in 12 dimensions of competitiveness (WEF, 2008), with *competitive advantages* in macroeconomic indicators, tax rates and openness to capital flows. Constraints were reported in institutionalism, infrastructure, high interest rates, brain drain, innovation, and availability of scientists and engineers (WEF, 2008).

### *Market Situational Analysis*

*Market description.* International University in the United States provides advanced educational services (doctoral degrees) to non-traditional students using a state-of-the-art platform of distance education. The program emphasizes scientific research, applied research and global knowledge, with special attention to learning communities and cross-cultural environments and great flexibility for adult students.

In Ecuador the demand for graduate programs has been limited to master-level degrees, sufficient to obtain a well-paid job and a faculty position. Unofficial sources estimate no more than a dozen of doctoral graduates in the country who most likely studied abroad in the United States, Chile, Argentina or Spain (CONESUP, 2008). National regulations did not stimulate the creation of doctoral programs and the supply was limited to four institutions (Convenio Andres Bello, 2004). As of 2006 the Council of Higher Education in Ecuador (CONESUP) allows the internationalization of doctoral studies, through alliances with foreign universities.

*Product Review.* The doctoral program of International University has characteristics that will be discussed for possible standardization or adaptation in Phase II. (Table 2). The projected revenues during the first year of operation are based on a targeted enrollment to be determined by the global division, contingent to the results of the market research to be conducted in collaboration with UoS.

*Table 2 Product Review- Doctoral Program at International University*

1. Global curriculum in organized in 25 modules
2. Solid research component: pure and applied research.
3. Competency-based outcome oriented program.
4. National and internationally-accredited faculty.
5. State-of-the-art technology for online education.
6. Doctoral residencies organized in multiple locations.
7. Comprehensive support system of advisory and tutoring.
8. Accreditation by regional agencies in the United States.
9. Financial aid available

*Competitive review.* The system of higher education in Ecuador is characterized by more than 70 participants among state-funded and private, but only 14 offer graduate degrees (IESALC, 2006) . Master degree programs, diplomas and specializations populate the market but doctoral programs are limited to four institutions and focused on the political science fields (Convenio Andres Bello, 2005) operating exclusively in the capital city. (See Table 3).

A price survey for master-degree level reported \$6,000 to \$24,000 per two-year program. There are no reference prices for doctoral degrees available at the time. Further research in this matter is necessary.

#### *SWOT Analysis*

International University has many important strengths but one of the main weaknesses is the low brand awareness and image in Ecuador. Great opportunities are identified as a result of changes in the requirements of advanced studies across the nation, but the threats of intensive competition from local universities are critical in this analysis.

Strengths: Innovative doctoral program in online modality and flexible schedule; internationally-recognized brand, international accreditation, potential of dual degree in Ecuador and United States and strong partner (UoS) with reputation and maturity in the market.

*Table 3 Sample of competitive products and pricing [translated to English]*

Doctoral Programs offered in Ecuador (1)		
Institution	Doctoral program	Field of knowledge
National Politechnic Academy (Quito)	Fundamental Sciences- Math	Exact Sciences
	Physics	Exact Sciences
Universidad Andina Simón Bolívar (Quito)	History	Exact Sciences
	Law	Law
	Latin American cultural Studies	Social Sciences
Facultad Latinoamericana de Ciencias Sociales (Quito)	Social Sciences with specialization in Political	Social Sciences
	Social Sciences with specialization in Political Anthropology	Social Sciences
	Development Economics	Business and Economics
Universidad Tecnológica Equinoccial (Quito)	Aesthetics, values and culture	Social Sciences
Source: Convenio Andres Bello (2004).		

Weaknesses: Low brand awareness and recognition will be compensated by the partnership with UoS, the local university. The online modality may face some limitations given the infrastructure in the country but the current operation of a network of cyber-cafes monitored by UoS will improve the access to our platform in distant areas.

Opportunities: The new regulation by CONESUP- Ecuador stimulates alliances between nationals and foreign universities. Acceleration of the market is expected as the first doctoral students experience the richness of the curriculum, the opportunities for networking, scientific

research and socialization (Rogers et al., 2006) and the decrease in brain drain from the region (Knight, 2007). Our entry will give us first-mover advantage while contributing to increase indicators of *innovation* and *business sophistication* in Ecuador.

Threats: The competition of local universities that enter the doctoral market with affordable tuition but without the dual degree that our offering provides. Local universities, particularly those funded by the government have an advantage in pricing and market share. However, our partnership with one of the most prestigious universities in the country will be an element of differentiation and value-based pricing that will help us overcome the threat.

## Section II: Global Marketing Strategy

The second dimension in the internationalization is the formulation of the global marketing strategy including value-based constructs of price, satisfaction, quality and perceived value (Gupta & Lehmann, 2008).

### *Market Segmentation*

The first segmentation base is needs-based (Peter & Donnelly, 2008). Rogers et al (2006) identified four major admission-based segments in higher education. (Table 3).

We made slight modifications to Rogers' model based on their workforce experience and demands in their degrees and professions that influence their likelihood to enter and stay in the program. These segments are attractive for their market growth, competitive intensity and market access (Best, 2009): Diploma learners, university-entrance learners, and post-degree continuous learners. Two sub-segments span across: Institution of affiliation and geographical location. Institution of affiliation will divide learners in graduates from UoS and graduates from other universities. Geographical location will divide the market in Guayaquil, Quito, Cuenca and the rest of the country.

Table 4 Segment Needs and Corresponding Features/Benefits of Doctoral Programs

Targeted Segment	Sub-segment	Customer Need
Diploma Learners	Non-graduate level learners	Skilled in technical fields, interested in advanced studies but with difficulties to integrate theory and practice. Critical thinking skills need improvement. Mostly graduates of short-term specializations. Entrepreneurs and tech savvies, resilient in the marketplace; Generation X (Howe & Strauss, 2007).
University-entrance Learners	Full-time learners	Young full-time learners spending past six to eight years in undergraduate and master-level education. No practical experience. Risk-averse; millennial generation (Howe & Strauss, 2007).
Post-Degree Continuous Learners	Faculty members,	Older learners in the workforce: successful executives and/or faculty members who require the doctoral degree to advance their careers (Rogers et al, 2006). Interested in specialization, socialization, foundation knowledge and practical application. Mix of boom generation and generation X (Howe & Strauss, 2007).

Source: Rogers et al (2006) and Howe & Strauss (2007).

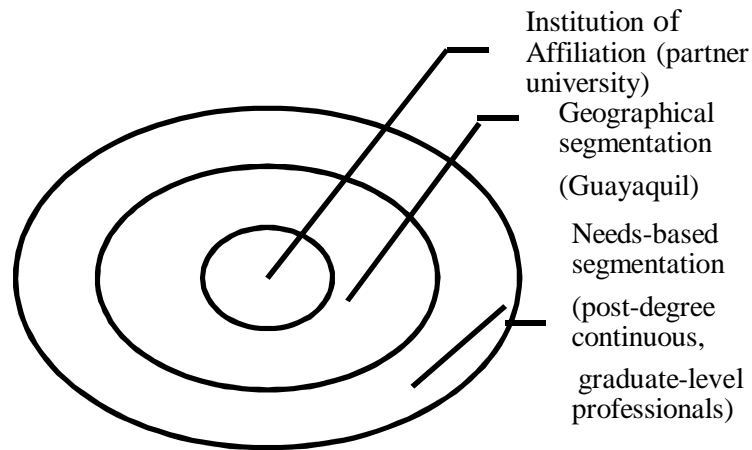
### *Targeting Strategies*

Our primary consumer target is *post-degree continuous learners*, graduates or faculty from UoS headquartered in Guayaquil. Faculty members need a doctoral degree to secure and/or advance their tenure (CONESUP, 2006), therefore the strategy will include value-priced programs with financial aid and funding provided by UoS.

*Graduate-level professionals* alumni of UoS need a doctoral degree to succeed in promotion at the executive level or placement in operations abroad. A moderately-priced program with support of financing procured by agreements with local banking will be offered. By targeting alumni and faculty from UoS, International University will capture value from

lifelong prospects and achieve a high Customer Lifetime Value CLV for their marketing efforts (Gupta and Lehmann, 2006). The other two segments will be addressed after the third year of operations, once the program enters the growth stage (Armstrong & Kotler, 2008).

Figure 2 Segmentation and Targeting Strategy for International University



### *Positioning*

The positioning strategy of International University is product differentiation. Through this strategy we will position the dual-degree doctoral program as an advanced studies program with the highest value in Ecuador and Latin America. We will emphasize international accreditation, knowledgeable and bilingual faculty, flexible schedule, prestigious universities and a value-based network. The doctoral-degree market in Ecuador is a virgin market where it is feasible to plan substantial appropriations of market share, capturing and retaining that first-over advantage (Sudharshan & Kumar, 1988).

### Section III: Global Marketing Program

A global marketing strategy derives in marketing programs with different degrees of variation across countries. A contingency framework of globalization (Yip, 1997) assesses the

impact of external or industry conditions in the willingness to operate globally. Firms seek a balance between standardization and adaptation (Cavusgil et al, 2008).

### *Standardization*

When customers have similar expectations of quality and performance, or when products have universal specifications, standardization is the best option, as it reduces costs, allows better planning, and projects an image of uniformity (Cavusgil et al, 2008, p. 519). Firms that standardize can build strong brands that become global and highly recognizable increasing the attractiveness and boosting global market share (Calantone, Cavusgil, Schmidt, Shin, 2004). Given the differences among Latin American countries, standardized marketing programs must be carefully analyzed and deferred after five years of the incursion.

### *Adaptation*

There are mandatory adaptations to comply with local regulations (CONESUP) and discretionary adaptations to meet customer preferences (Kacker, 1973; Hill & Still, 1985). Adaptations in pricing, promotion, channels and the program itself will reduce customers' resistance and increase potential revenue (Cavusgil et al, 2008). The preference for commodification and commercialization of advanced degrees in Latin America (Knight, 2007) offers a potential for a GLOCAL strategy (Deresky, 2008) with global vision and local implementation, to overcome the international risk.

### *Objectives and Issues*

The objectives set for the first and second year are rather conservative focusing on brand awareness and prospects identification (introductory stage) (Cavusgil et al, 2008). Securing the collaboration of UoS will assist to achieve 10 percent of market share for doctoral programs in Guayaquil, Ecuador. We foresee rapid sales increases (*growth stage*) with 20 percent market

share for the fifth year. Issues will arise as competitors enter the market attracted by profitability levels, affecting the speed of growth as we approach maturity by year ten.

### *Global Branding and Product Development Strategy*

Responding to the strategy of international product adaptation (Cantalone et al, 2004, p. 189) International University will design programs consistent with the perception of value by professional, adult students seeking high quality program in exchange of high tuition costs (Howe & Strauss, 2007).

The dual doctoral degree with accreditation both in the United States and Ecuador is expected to enhance the perception of value while strengthening the brand equity of University of Santiago and increase the brand awareness of International University. Through this strategy we will achieve higher emotional connection, brand loyalty, work on product-line extensions and devise price premiums for future offerings (Best, 2009).

*Table 5. Product-Adaptation: Dual-Doctoral Degree International University-University of Santiago*

1. Global curriculum in organized in 25 modules
2. Dual Accreditation in Ecuador and the United States
3. Solid research component: pure and applied research.
3. Competency-based outcome oriented program.
4. Bilingual Curriculum: English-Spanish
5. National and internationally-accredited faculty.
6. State-of-the-art technology for online education.
7. Online courses and doctoral residencies organized in multiple
8. Comprehensive support system of advisory and tutoring.
9. Accreditation by regional agencies in the United States.
10. Financial aid available nationally and internationally

The program will be offered 80% online and 20% through on-site residencies in Ecuador. U.S.-based bilingual faculty will travel to Ecuador and teach seventy percent of the sessions in Spanish. Language is an important element in globalization (Welch, Welch & Piekkari, 2005) and Ecuadorian professionals have acceptable proficiency in English language. Any deficiency will be remediated through special programs implemented locally.

Networking, advisory and mentoring will be emphasized to ensure successful completion of the degree (Kurtz, Bui, & Heintz, 2007) reducing the impact of the intensity of the program in churning rates and satisfaction (Kurtz et al, 2007) .

#### *Promotion or Marketing Communication Strategy*

Buyers prefer to do business with organizations they respect, innovative and dynamic (Aaker, 2007). Using *communication adaptation* strategies (Cavusgil et al, 2008) we will integrate all messages in all media to reinforce brand names and convey the characteristics of product differentiation (Armstrong & Kotler, 2008).

The selection of a local advertising agency will ensure that the choice of media and timing will reach prospects before and during the introductory phase. The advertising tactics will be translated to Spanish and adapted to our target, and with a consistent campaign using University of Santiago's television and radio stations As we move past the introductory phase, advertising will continue on a pulsing basis (Armstrong & Kotler, 2008) to support brand awareness. Internet will be used as a supporting channel but there are no expectations of use of web 2.0 technologies.

#### *International Pricing Strategy*

Prices influence consumer's perception of value while impacting promotional spending and strategies (Cavusgil et al, 2008). Our organization will apply a perceived-value pricing to

incorporate our competitive advantage in product, service and brand benefit (Best, 2009). Given the higher income level and purchasing power of our targeted segment, we will position our price at lower levels than our U.S.-based program, but higher than other Ecuadorian state-funded institutions. A first-mover advantage, our organization will play a significant role in price formation. Financial aid sources will be secured to reduce the impact of tuition on purchase decision (Best, 2009), other risks of exchange rate fluctuations are inexistent given the dollarization system that Ecuador enjoys (Cavusgil et al, 2008).

#### *International Distribution Strategy*

We will use a *mixed-channel* concept integrating our headquarters as international seller and the local university as channel within Ecuador (Armstrong & Kotler, 2008). This partnership will facilitate the coordination of recruitment and admission processes and the administration of residencies and the foreign language program. While our firm can market directly to other potential customers in Ecuador, we will maintain the partnership and/or derive direct customers to the host university. In the long-run we will expand our activities to other countries in the region using the same distribution strategy.

#### *International Marketing Research*

A marketing research plan has supported strategic areas of our global marketing program (Hair et al, 2003): *Market situation analysis* and *marketing strategy design*. We will use marketing research in *program development* and *strategy implementation and control*. Using a series of five focus groups with 10 to 15 graduates in Guayaquil, we will gather information about the level of interest in a doctoral program, the type of doctoral programs, the modality of the program, the pricing level and the content and characteristics of the curriculum.

At the global level, the strategy of *marketing adaptation* will provide reliable information from diverse markets enriching our efforts in research and development conducive to improve the products or services we offer.

*Global Marketing Organization* (Armstrong & Kotler, 2008, p. 471)

It is the recommendation of the marketing committee to start with an international division in the United States that formalizes the contact with our local partners around the world. Both organizations will develop and maintain a *Customer Relationship Management program* (Best, 2009) with selected customers, once the firm and the customer have both achieved a high value (Peppers & Rogers, 2006).

At this time we are in conversations with University of Santiago -our local partner- and plan to complete the elaboration of a memorandum of understanding to initiate the adaptation plan. Other departments such as operations, human resources, finances, admissions, advisory, curriculum design and legal divisions will initiate their own activities pursuant to the launching of our first program in the Fall of 2010.

### Conclusions

This senior-level memorandum provided board members with a methodology for decision-making in global marketing regarding the internationalization of our doctoral program to Latin America. The document was structured in four major sections addressing the Internationalization project background, and three sections on Environmental Assessment, Global marketing strategy and International marketing program pertaining to Cavugsil et al framework for international marketing.

In section I, the model of Deresky (2008) for environmental assessment was used to identify the conditions of the Ecuadorian market using information of the World Economic

Forum and a situational analysis, SWOT analysis and product and competitive review. Section II addressed the segmentation strategies based on scholarly work by Rogers et (2006) on higher education, combined with Best (2009) model of segmentation benefits. Targeting strategies were discussed based on the Customer Lifetime Value concept (Gupta & Lehmann, 2006). Finally, Section III discusses standardization and adaptation strategies using models by Cavugsil et al (2008) and Calantone et al (2004), resulting in product and communication adaptation decisions. An analysis of the marketing mix in international pricing, promotion and channels was included to support the strategic choice of entry in Ecuador.

The marketing team foresees a great opportunity to broaden the scope of our brand and our global presence through this internationalization. The final decision about our insertion in the global context is in the hands of the board.

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