



Development of Competitive Relations in the Russian Market of Educational Services

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ABSTRACT

The transition of Russia to a market economy rose scientific interest to the issues of competitiveness of Russian higher education; and as a consequence there was a need of theoretical analysis of accumulated domestic and foreign experience. This article aims at identifying of the peculiarities of competitive relations in the market of educational services and the development of practical recommendations for the entities of economic relations. The article identifies the need to develop a marketing strategy for educational institutions based on the mechanisms of competitive behavior in the market of educational services in the region. Basic directions of competitive activities are revealed and the emergence of hyper-competition is proved in the market of educational services due to the cumulative impacts of previously isolated from each other competitive factors. The authors propose a classification and mechanisms of implementation of the marketing competitive strategy of educational organizations, depending on its type. This article is intended for the heads of educational institutions, senior managers, researchers involved in the development of the education market and competitiveness of educational institutions.

Keywords: Educational Services, Educational Institutions, Competitiveness, Marketing Strategies

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1. INTRODUCTION

1.1. Background

The modern interpretation of the essence of the educational product, primarily services, covers all aspects of personal development and involves not only the degree of assimilation of the experience of previous generations in the form of knowledge, skills and professional competence, but also the education of certain qualities of behavior and their further adjustments, physical and intellectual development of the whole person, the formation of capacity for further development and self-development (Lifits, 2014; Kotler et al., 2012; Burton, 2011; Becker and Levin, 2003). On the one hand, it enhances the

educational institutions' opportunities to attract different target groups of consumers and increases the arsenal of marketing tools. On the other hand, by adopting the marketing concept in their activities, the educational institutions have to take into account all the needs of their customers.

Modern education is characterized by a large selection and highly competitiveness of educational services provided by both public and private educational institutions (Pankrukhin, 2006; Mute, 2007; Teyheyra, 2008; Kalenik, 2008). This situation requires the educational institutions of serious marketing research of educational services' market, which should lead to the improvement of management of educational process, methods of

undergraduates' searching and recruiting, a qualitative change in educational technology.

1.2. Status of a Problem

While innovative way of development of a society it can't ignore the task of education prioritizing because only education is able to improve the quality of human capital, which is an inexhaustible intellectual and spiritual resources of the state (Shurkina et al., 2015). Economic relations in the field of education are developed in the process of reproduction of social benefits, manifested as in material form so in the form of services or the useful effect of labor, labor consumed in the production process. In addition education can be characterized on the one hand, as part of the public economic complex, functioning on the general economic laws, ruling at this stage of social and economic development of society, and on the other hand, as a system-forming basis of overall social and economic development. Such characteristic can be considered sufficient by virtue of the uneven development of the undergoing processes of transition from an industrial society into its post-industrial stage of development, when the main sphere of economy is the service sector, and the limiting factor - information. At the same time this characteristic of economic relations in the sphere of education allows further analysis to be focused not on the reproduction of goods in material form. Thus, the analysis of the current state in Russian higher education situation requires a theoretical study of the economic aspects in the development of the education market in terms of the competitive relationship.

1.3. The Research Hypothesis

The curve of demand for educational services has increasing character, the life cycles' curves of educational institutions can have (or already have) a tendency to decrease. This trend can be manifested in reducing of the quantity of entrants, the deterioration of human and material components of the educational organization and others.

In the market of educational services, as well as in any other market, the main elements of the operation are the demand for educational services they offer, the price, competition between producers and consumers. The rather sharp competition in the regional markets of educational services today is a fact that largely determines the development of educational strategies of educational institutions. This suggests that in the foreseeable future, the economic development strategy of universities should include well-structured marketing strategy, the mechanisms of competitive behavior in the market of educational services in the region.

2. METHODOLOGICAL FRAMEWORK

2.1. Methodology of Competitive Relations in the Field of Educational Services

In the study of methodological and theoretical aspects of the competition were engaged almost all economic schools from different perspectives, revealing the nature of the competitive relationship. Methodological approaches to education as a factor of development of human capital in economic terms are presented in the classical studies of Smith (1993), Marx (2010), Marshall

(1993), and others. The founders of the concept of "human capital" Becker (2003), Denison (1964) and others, formed in the 60 of the 20th century, made a significant contribution to the study of education as a basic element of human capital.

Until recently, the questions of the status of Russian higher education in the world market almost never investigated, which was due to the lack of market forms in the activities of organizations in the social sphere. Russia's transition to a market economy rose scientific interest to the competitiveness of Russian higher education; and as a consequence there was a need to analyze the accumulated theoretical domestic and foreign experience.

In domestic economic literature, to the functioning of the education market are devoted studies by Pankrukhin (2006), Teyheyra (2008), Kalenik (2008). Of particular interest are the studies by Strumilin (1966); Kostanyan (1976) and others, considering education in terms of economic growth and relating it to the major factor in increasing the country's wealth.

Selected issues of functioning of the education services' market were developed in detail in the works of the following authors: Bezglasnaya (2007) (strategic aspects), Vasiliev et al., (2004) (economic and governance features), Lozovskiy et al. (2006) (organizational and economic issues), and others. However, despite the large number of works on the economy of educational services, the issues of specificity of competitive relations in the market of educational services of the higher education in the transition economies in the literature are not considered and require its clarifying. We have studied the specifics of competitive relations in the educational services' market, and developed practical recommendations for entities of economic relations on the basis of the theoretical conclusions and results obtained.

2.2. Hyper-competition as the State of the Education Services' Market

The current stage of development of competitive relations in Russia is reasoned to a number of important factors. Among them: The complexity of the mutual relationship of market participants; the increasing of state regulators' role in the market system; monopolization and oligopolization in competitive relations; changing in competitive business due to a significant increase in costs not directly related to the production of goods and services ("transaction" costs); improving of resource and factor structure of production; information spreading in different sectors of social production, etc.

Based on studies, we can conclude that competitiveness - a property of an object, characterized by the degree of actual or potential satisfaction with specific needs in comparison with similar objects represented in this market. In recent years, in various spheres of economic activities took place radical changes in the nature of competition. Since the mid of the 90s the enterprises of some industries found themselves in a new competitive situation, which is characterized by multiple aspects of interests of the competing parties, dynamism and aggressiveness. Hyper-competition - a dynamics of competition at the expense of cumulative impacts of previously isolated from each other

competitive factors such as cost of training, ranking of educational institutions, demographic changes, labor market conditions, innovations' development, leading to the emergence of multifaceted, dynamic and aggressive competition.

A number of features are typical for hyper-competition:

- Hyper-competition covers several areas, the most important of which are the costs, quality, deadlines, "know-how," the creation of market barriers, strengthening of the financial situation. Under the conditions of hyper-competition all of them should be considered simultaneously.
- Multidimensional nature of hyper-competition. On the one hand, it can occur at different levels - in the commodity markets; the resource field; between different entrepreneurial concepts. On the other hand, hyper-competition multidimensionality is manifested in the fact that the company in the situation on the different markets reacts differently. In applying of so-called multi-point competition's concept is quite possible that enterprises' market's behavior will be diametrically opposed to in a variety of core areas (offensive, defensive, etc.).
- The dynamics of the market. Position of competitors and the balance of power changes with increasing speed. Dynamics of the market is reflected in the continuous penetration of new competitors and withdrawal from the market of old ones, the emergence of new types of services, a large number of mergers and purchases of enterprises and others.
- The growing aggressiveness of the participants of the market competition. The goal of this aggression is in disequilibrium in the layout of competitors' forces.

Hyper-competition, like all open systems is characterized by high complexity. Its extent significantly impacts on the relevant signs of hyper-competition (multidimensionality, simultaneity, dynamism, aggression), complicates the organization and management of the competition. In the context of the changed hyper-competition the changed market structure affects the behavior of other parties operating in the market. Changes in customers' behavior are manifested primarily in the dual position of consumers when purchasing goods. They more often try to get both benefits, both in terms of price and quality. Customers are becoming more critical when choosing a product because of the higher awareness.

2.3. Features of Competition in the Market of Educational Services

Regionalization of education, the formation of the system of financing of municipal educational institutions, multi-channel financing of education, the creation of a network of independent educational institutions, private schools, colleges, lead to the restructuring of the education services' market.

Different social groups also become independent and active consumers in the educational services' market, creating a new structure of supply and demand. Consumer of educational service gets it depending on the utility of educational service; educational needs are increased and developed directly in the process of educational services' delivery; in the long term producers of educational services, using available resources, expand the offer with an increase in price, a proposal becomes elastic.

In the economic literature it is used to divide the competition according to its methods on pricing (competition based on price), and non-price (competition based on the quality of used value). With rare exceptions, the educational services' market operates with non-price competition, which highlights higher than competitors, used-value of services. Among the non-price methods are all marketing management techniques.

The following main areas of competitive activities can be distinguished:

- Competition for potential consumers of educational services (since a higher education is considered, therefore, they are the applicants, school senior pupils and their families who are able to influence their choice).
- Competition in the field of marketing services in the market.
- Competition between consumers in the educational services' market.

In the context of a saturated market consumers' competition gives way to competition of providers of educational services. But, as the feature of the education services' market is the demand's exposure to the social and psychological effects of non-price factors, i.e. the demand for higher education with a few exceptions always exceeds the supply, then this kind of competition is not considered.

In accordance with the stages of making a decision by a consumer to purchase educational services the following types of competition can be distinguished:

1. The desire - competition. This kind of competition is connected with the fact that there are many alternative ways to invest funds by the customer.
2. Functional competition. This kind of competition is due to the fact that one and the same demand can be met in various ways (there are alternative ways to meet the needs).
3. Intercollegiate competition. This competition is the alternatives' competition of dominant and the most effective ways to meet the demand for higher education.
4. Intra-collegiate competition. This competition is between the departments, specialties of high school with each other. This competition is not inherently, and is a particular case of the product range, which is intended to create an imitation of consumer choice.

The competitiveness of an individual institution, on the one hand, depends on the competitiveness of the national economy in general, and on the other hand, defines its competitiveness as the institution operates in the macro and micro environment system, formed as part of a national economy.

3. RESULTS

3.1. The Principle of Compensation as the Basis of the Marketing Strategy of the Educational Organization

Analysis of the conditions of market competition involves the assessment of the extent of its exposure to the competitive process on the basis of analysis of the main factors causing the intensity of competition. Due to the fact that a person's needs are very diverse and not less diverse are also the ways of addressing them. Each

manufacturer of educational services strives to meet the demands of the consumer. Here, however, the principle of compensation takes place. It consists in the fact that the desire to achieve the best performance of educational services in some respects makes to some extent, to sacrifice other advantages. The principle of compensation is not limited to educational services only, but also works in educational institutions that produce them. Adaptation of marketing strategy of the educational institution to the maintenance of certain market segments, as a rule, takes place at the cost of other segments of the market or at reducing of opportunities for them to succeed.

In high school competitive strategies' developing the most important are three points. This is, firstly, a clear definition of the motion direction, which is a mandatory attribute of the strategic orientation of the institution. Secondly, is the collection of information to take into account the changes in the external environment, peculiarities of the market and competitors actions. Thirdly, the flexibility, i.e., the ability to respond to external changes, to use the emerging favorable opportunities and in advance to prevent the threat of failure. The strategy in this case is not a frozen, unchanging, stable but actively adapts to the planned shifts and absorbs new trends.

Competitive strategy consists of the basic decisions that determine a set of tools, including tools to update the range of services, pricing, communication, distribution and personnel, is specified in the marketing plans of action, supported by the appropriate budget, embodied by the organization of marketing and subsequent management.

In the most general form the competitive strategies can be defined as the price and non-price. At the price strategy the manufacturer consciously reduce the prices of services. In this case, either the advantage of lower costs is used associated with the provision of services or deliberately lost profits are used in order to secure a greater market share. Currently, the position of following the open pricing strategy is not effective in many respects. In the first place high schools are not interested in it. Non-price strategy is characterized by the fact that the main factors in competition become not price of the service but its quality, additional service, reputation and image of the educational institution. Simultaneously, under the guise of non-price could go and a hidden price competition, if the improvement of the quality and performance of the properties of new services go faster than their price increases.

3.2. Types of Marketing Strategies of the Educational Institution

A direct consequence of the principle of compensation is a multiplicity of ways to achieve success in the competition, that is, the multiplicity of marketing competitive strategies (Table 1).

The summary table prepared by the authors based on the field of competition (Simon et al., 2014) shows the types of strategies and the corresponding types of educational institutions: The choice of competitive strategy depends on the intrinsic properties of the educational institution. First of all it depends on its sizes.

Depending on the quantity of enrolled students, the number of services universities can be huge, average and small.

Strategies of huge universities (strategies of violents) are very diverse and have in their orientation three mandatory components: Focus on mass marketing and considerable profit, standard quality, low and constant prices. Most often they use the strategy of mass focus, strategies aimed at a broad consumer market. Huge institutions use the strategy of a broad penetration. It is used in the markets of high capacity with in-house resources. One of the popular strategies of huge universities - the strategy of "corporate services," assuming fulfillment of certain conditions: Constant quality and constant prices. "Corporate Services" are easy to isolate from the masses and cause in the minds of consumers favorable associations. The symbol of this strategy - a trademark of the university, in particular - its certificate (for example, a diploma of Moscow State University).

Defensive strategies are commonly used in stable operating universities with extensive experience, which have already gained a stable and satisfying their segment market share. The average high schools pay special attention to two types of strategies: Patient (strategy of market niches) and experient (risk, oriented on targets to take advantage of new types of knowledge, techniques and technologies). Both of these types of strategies are used extensively in the field of education.

Almost all the patients' position is a kind of hostage of its niches. Patient has to closely monitor the internal order and external competitors, immediately reacting to any change in the situation in the niche. The competition here is very cruel.

Experient's strategy differs by the fact that it is implemented on a technically new research directions, ways of goals' achieving are risky and even the zero result is possible, and their ideas are often recognized as delusional, so these institutions usually have no competition. The need to analyze the characteristics and nature of the marketing strategy of competitors is connected with the fact that it gives an opportunity to assess their likely actions in moving to market of their educational services. Identifying of strong and weak competitors' activities is the final result of market research of competition in the market for analysis, implementation and using of profitable experience.

4. DISCUSSION

The transition to a market economy in the implementation of educational services necessitates the understanding of the conditions of formation and mechanism of market competition, the identification of its features in the market of educational services in the modern transformation of the Russian economy. Until recently, the question the status of Russian education in the world market almost never investigated, which was due to the lack of market forms of organizations in the social sphere. Enough intense competition in the regional markets of educational services today is a fact which largely determines the educational strategies of educational institutions' development. This suggests that in the foreseeable future, the economic development strategy of

Table 1: General characteristics of educational institutions holding different types of marketing strategies

Characteristics	Commutators	Patients	Violents	Experiments
Profile of educational services' production	Universal	Specialized	Mass	Experimental
The size of educational institution	-	Huge	Huge	-
	-	Average	-	Average
	-	Small	-	Small
The stability of the educational institution	-	High	High	-
	-	-	-	-
	-	-	-	Low
Research and development expenses	-	-	High	High
	-	Average	-	-
	-	-	-	-
Power factor in competition	Flexibility, multiplicity	Adaptability to a particular market (narrow specialization)	High performance	Leader in innovation

universities should include well-structured marketing strategy, the mechanisms of competitive behavior in the market of educational services in the region.

5. CONCLUSION

Competition in the market of educational services is characterized by the following features: A struggle for the consumer is fulfilled by improving the quality of educational services; competition is carried out as among producers of educational services, so among consumers as they interact in the educational market, competing for obtaining budget place; the market of long and short term educational services is dominated by imperfect competition; the market of short-term educational services is characterized by mechanisms of perfect competition; responding to the situation on the labor market.

The study allows make a conclusion that the formation and functioning of the education services' market is subjected the general laws of the market, having, however, also a number of specific features.

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