

How to Find Your Best Opportunity in the Education Markets

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You'll hear people talking about K-12 and higher education as though these two enormous technology selling opportunities are a single group of buyers. Well, nothing could be further from the truth! I'm here to tell you, there's no such thing as the education market! So, you say... if no education market exists, why would I waste my time reading this article? For one very simple reason- to help you reap greater financial reward from the rapidly growing multi-billion dollar education technology markets. O.K.? Stay with me!

“The Education Market” is Comprised of Many Distinct Markets The education market is really a community of markets - individuals who are part of organizations with unique buying requirements. Before you can profitably sell your product or services to teachers, administrators, or students, you must answer three very important questions:

1. How do we describe, in detail, the group of faculty, administrators, or students who are our current or future customers?
2. How do our products and services meet the needs of a definable group of customers or prospects?
3. How will we differentiate our product(s) or service offering(s) to gain competitive advantage?

Focusing isn't the Path of Least Resistance

You can identify the segments with the optimum opportunity to generate profit and drive future growth, but it's not easy! Interplay between education sub-markets, a web of influencers, a mish-mash of channels, and consensus decision-making in schools will drive you crazy. What I see is a major mistake: choosing the obvious or using the mass-market approach with the idea that marketing to the maximum number of potential buyers is the best approach. I beg to differ. Here's why:

Let's look at the higher education market for example. Many technology companies assume they can't make any real money selling technology products to colleges or students. And, no surprise - higher ed is a loss-leader or an afterthought by many technology marketers. Sometimes it's considered a “strategic market” but not one that can be relied on for profits. Companies sell their wares at fire sale prices, or worse, they give stuff away in hopes somebody will buy something eventually! Face it, philanthropy is a noble cause, but, at some point your efforts have to have a positive effect on the bottom line!

A common problem is inadequate market segmentation based on a lack of understanding of this highly fragmented market. You can use market data and segments to predict uptake more reliably. For example, the Carnegie Foundation classifies each of the approximately 3700 U.S. higher education institutions, providing information about their missions and demographics.

Similar to the U.S. Government's SIC codes, Carnegie classifications describe the type of business the college or university operates. But these classifications provide even more- they give important clues about the attitudes and usage patterns of technology buyers who take classes or work there. These are the foundations for creating the best positioning and appropriate marketing messages for your product or service, and targeting potential buyers more likely than average to be interested in what you offer.

If you sell computer hardware, for example, you can map the latest sales data to the Carnegie Classifications. If you do so, it reveals thirty (30!) distinct market segments of potential buyers. Purchases by academic departments within five of these market segments accounted for over half of computer hardware sales last year. So, which and how many of the thirty groups of buyers in the segments do you market your product or services to? Where will you get the highest return on your investment? How will you sustain a profitable business?

Using Hard Data Isn't Enough

Obviously, the answer to these important questions depends a great deal on what you're selling, what resources you can invest in the business, and your competition - but even if you really believe your product has broad appeal (who doesn't?) guess what understanding the segments is just the starting point for the work you need to do!

Before you'll predict with confidence how schools will respond to your product or service offerings, you'll have to research (and carefully consider) the affect of many other variables- state funding, technology penetration, purchasing process, buying criteria, competitive position, and channels available to reach the segments. In addition, you'll need to understand the values and attitude of the potential buyer.

Segmentation of the education markets is a key element of your strategic process, and leads to effective product positioning, identification of new product and service opportunities, and a solid marketing plan.

Case Study: AutoDesk

For the last 15 years, AutoDesk has done a terrific job of understanding how to mine the opportunity in the education markets. From the get go, they had the right mindset - to make money selling AutoCAD to universities and college students.

Did they blanket the entire college universe with repurposed commercial marketing programs? No instead they identified their potential customers, their needs, and took time to understand how faculty would be using the products to support the curriculum. Then they developed targeted education programs and made channel investments based on the customer's profile. Finally, they narrowed their aim at specific schools and sub-disciplines within targeted accounts.

Armed with a complete software licensing program and bulls-eye channels strategy, AutoDesk enlisted cross-market VARs to secure a commanding market share and millions of dollars in recurring revenue. Once established as the leading supplier of CAD software in higher education, they expanded into new channels and related fields like architecture and landscape design. AutoDesk has put together a complete solution and gained a leadership position in a defensible education market segment.

I asked Jim Purcell, manager of education sales at AutoDesk, to comment on this successful strategy. "One of AutoDesk's greatest strengths in education," Purcell says, "is the value of the virtual corporation". To meet our customers' needs, we've leveraged the strengths of AutoDesk, our channel partners, application developers and our publishing partners. This virtual community helps us deliver meaningful products and solutions to the customer."

If you want to generate greater profit selling to schools, do your homework like the marketing team at AutoDesk did. Resist taking a short cut by copying another company's strategy. Don't homogenize students, faculty, and administration as if the market was a monolith. If you do, your marketing messages and value proposition for any potential buyer will lose impact or miss the mark entirely. You could end up with the wrong channels, or even worse, you might misfire with an incomplete product that won't achieve your sales objectives. If you're experiencing high cost of revenue for your education sales efforts, you may have failed to precisely define the market subsegments with the highest profit potential. Your precious channel resources may be spread too thin across too many segments.

The A,B,Cs of Opportunity Analysis

The same is true before you buy your first mailing list or spend a single dollar on advertising space, remember the A,B,Cs of the education market segmentation process:

Analyze the various sub-markets

Bound your opportunity in each sub-market

Create your channels strategy to bulls-eye each sub-segment

Develop a decisive competitive position in your priority subsegment first

Elaborate the market via new subsegments and channels

Focus, Focus, Focus!!

If you've played the board game, Risk, you understand the folly of spreading your armies across too many countries and later getting wiped out by the enemy. So true for many companies who spread their sales and marketing resources too thin when marketing technology products to schools! Don't pursue the money-losing strategy of homogenizing the education markets.

Focus is essential! (I think it's so critical to success in the education markets I chose this name for my company.) Whether you're considering selling your products and services to schools, or want to make more money by enhancing your education product or service offerings, disaggregate the market and develop your marketing and product strategies for the distinct segments you discover. If you do, increased sales, higher profit, and greater market share are sure to follow!

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