Allocative and Informational Pricing Roles in MBA Program Choice

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Abstract

This paper reports on a study of how prospective and current MBA students (n = 699) made tradeoffs between tuition price and other variables in choosing a university program in the Australian market. Two price segments were identified: price-negative and price-positive. The price-positive segment constituted 13 per cent of the sample. The behaviour of the two price segments is interpreted in relation to the allocative and informational roles of price. Price-positive respondents were found to be more concerned with the reputational characteristics of universities and programs in making their choice. Age, enrolment mode, and residential state were found to be associated with segment membership. The results suggest that an MBA by distance education can be regarded as a prestige product for some market segments.

Keywords: pricing, allocative, informational, segmentation, conjoint analysis, education

Introduction

Despite price response being a critical market-segmentation variable (see, Bolton and Myers 2003), few studies have investigated price segments in the market for higher education. However, different pricing segments should be expected due to the increasing diversity of the student body, growing competition among universities and rising levels of tuition fees.

Previous studies of students' price responses have been mainly time-series or cross-sectional regression analyses of national, state or college enrolments in the US. These have focused on the aggregate price response of school leavers in their choices between higher education and paid employment (see, the meta analyses provided by Leslie and Brinkman 1987; Heller 1997; Becker 1990). In these studies, "price" is conceptualised typically as tuition fee, as tuition has the greatest enrolment effect (Jantzen 2000; Leslie and Brinkman 1987). These previous studies of student price response have been consistent in finding that students, on average, exhibit a negative, but small, response to price.

Few studies have considered the price response of students within the MBA submarket. One exception is the study by Jantzen (2000) of price and quality effects in the demand for graduate business programs in the US. Jantzen determined the aggregate price elasticity for MBA courses to be around -1.4 percentage points, which is approximately double that reported in studies of the college choice of school leavers (see Heller 1997). However, Jantzen (2000) did not investigate price response in relation to choice between individual institutions or the incidence of segments based on price response.

There are two main perspectives of how price may influence students' choice between different university options. From the first perspective, price acts as a budgetary constraint. Students have limited financial budgets, and they will maximise their utility by allocating their monetary resources over alternative uses (Lancaster 1966). In the marketing literature, Rao and Sattler (2003) have called this the "allocative" role of price.

The allocative role of price is negative because consumers view price as that which is given up to purchase the product (see, Rao and Sattler 2003). However, consumers may vary in their
response to price increases because of differences in their resources and motives. For example, students may differ in their negativity to price based on socioeconomic status (see, for example, Abbott and Leslie 2004); their degree of parental or employer financial support (Pratt, Hillier and Mace 1999); or because they are better positioned to gain future investment benefits due to their gender, age or ability to gain entry to more selective institutions (Long 2004). However, while these characteristics may influence the degree of price response, the allocative role of price remains negative.

The second role of price is informational. This role of price is positive (Rao and Sattler 2003). The informational or signalling role of price occurs when price acts as an extrinsic cue to quality. That is, consumers may assume that higher prices mean higher quality and vice versa (see, Zeithaml 1988; Rao 2005). Such an assumption is most likely if the product is difficult to evaluate prior to purchase or when it is an experience product (see, Zeithaml 1988). Higher education is an interesting product in this regard. It produces both investment and consumption benefits (see, Paulsen and Pogue 1988). Well-informed graduate students may be able to evaluate the investment benefits of a particular university or program based on its reputation; however, they may not be in a position to evaluate the quality of the consumption benefits that, necessarily, unfold over time. Further, higher education also provides personal development benefits that cannot be assumed on the basis of institutional reputation (Grunig 1997). Therefore, prospective students may employ a price-quality heuristic in several circumstances: in the absence of brand knowledge or other product information (see, Sternquist, Byun and Jin 2004); if they are less skilled or motivated to process available product information (see, Suri and Monroe 2003); or, because of the high participation or high involvement nature of the product (see, Hsieh and Chang 2004). Some consumers may employ a price-quality schema regardless of the product type (Lichtenstein and Burton 1989).

In addition to price signalling information about product quality, consumers may be price positive if they wish to signal information about themselves. That is, some buyers engage in conspicuous consumption to demonstrate their wealth or status (Amaldoss and Jain 2005; Chao and Schor 1998). It may be that some students will be price positive in their university choice to signal their superior ability or wealth (see, for example, Abbott and Leslie 2004).

A consumer, in a particular buying situation, may be influenced by both the allocative and informational role of price. A net, price-positive response will result if the informational role is stronger. While previous studies of higher education choice for graduate programs have found evidence of a price-quality relationship (Jantzen 2000; Pratt et al. 1999), there are no reported findings of a price-positive response to tuition fee rises. However, this present paper reports on an incidence of price-positive behaviour. This behaviour is interpreted from the perspective of both the allocative and informational roles of price.

Method

This study was part of a larger project that used conjoint analysis to investigate the importance of study mode in student university choice. A traditional, or “main effects”, conjoint analysis was used. This is a popular and robust method for conjoint studies (Huber 1997; Reibstein, Bateson and Boulding 1987). Further, it has been applied previously to understand the university choice decision. Recent examples include Moogan and Baron (2003) in the UK and Soutar and Turner (2002) in Australia.
The conjoint method assumes a compensatory choice strategy whereby poor performance on one attribute (e.g., price) can be compensated for by good performance on another (e.g., reputation). A respondent's overall rating of an option is assumed to be a summation of the individual utilities for each attribute. It was considered a suitable method for exploring university choice for several reasons: firstly, prospective students are thought to evaluate systematically only a small set of alternatives (Dawes and Brown 2004; Jackson 1982); secondly, students have been found to use compensatory methods to evaluate their final choice set (see Moogan, Baron and Harris 1999; Wright and Kriewall 1980); and, thirdly, the method does not rely on respondents being able to articulate the value they place on different criteria. Further, conjoint analysis is a useful method for understanding how people behave as competitive conditions change (Huber 1997). This last point was particularly relevant given rising tuition fees and the emergence of new (increasingly, online) study modes.

The attributes for inclusion in the conjoint experiment were chosen to represent those which had the potential to influence choice, which differentiated best between alternatives, and which reflected changing competitive conditions (see, Hair, Anderson, Tatham and Black 1998; Green and Srinivasan 1978). Consequently, three attributes were selected for inclusion: "university", "study mode" and "tuition fee" (see Table 1). The number of attributes was restricted to three to keep the conjoint task simple for respondents. Both positive and negative attributes were included as recommended by Hair et al. (1998). The attributes and levels for the conjoint were determined after an analysis of the MBA market in Australia and the conduct of a focus group of MBA students. The three attributes were judged to be conceptually distinct, communicable, and actionable (see, Hair et al. 1998).

Table 1: Selected attributes and levels

<table>
<thead>
<tr>
<th>University Brand#</th>
<th>Study Mode</th>
<th>Course Tuition (SA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University A</td>
<td>On-campus - face-to-face</td>
<td>18,000</td>
</tr>
<tr>
<td>University B</td>
<td>Off-campus - print-based</td>
<td>26,000</td>
</tr>
<tr>
<td>University C</td>
<td>Off-campus - web-based</td>
<td>34,000</td>
</tr>
<tr>
<td>University D</td>
<td></td>
<td>42,000</td>
</tr>
</tbody>
</table>

# Real university names were used in the actual study and a location was specified for each university to distinguish between its different campuses.

The first attribute, university, incorporates elements of reputation or prestige, geographic location and amenities. These represent core elements of the institutional product that students choose (see, Schwartz and Scafidi 2004; Pratt et al. 1999). The university attribute was operationalised as four universities that characterise the reputational diversity of the higher education system in Australia (Marginson and Considine 2000). All four universities were situated in one Australian State, Victoria. This was to ensure that the universities provided a realistic choice set for prospective students wishing to study on-campus. For students planning to study off-campus, geographic location is less of a barrier, particularly for MBA students where a more national market exists. The actual university names and their suburban locations are not identified in this paper, however, these were provided to respondents.

The second attribute, study mode, is a critical aspect of what students purchase. It represents the functional quality of the service (Brady and Cronin 2001; Grönnroos 1984). Functional quality is a key purchasing decision (see, Johne and Storey 1998). Study modes influence the convenience, flexibility and interpersonal interaction that students experience, and each provides different combinations of these benefits (see, Beattie and James 1997).
The levels of study mode were chosen to reflect a range of feasible practices (see Table 1). Official enrolment in Australian higher education can be either on-campus, face-to-face, or alternatively, off-campus, by external or distance modes. In Australia, and countries with a similar history of distance education, there are two main types of distance education: paper-based mail delivery of material, and web-based, online delivery. The three terms used to describe study modes in this research have precedence in the literature (see, for example, Wilson 2001; Beattie and James 1997). Further, the term “web-based” is used to define a study mode that is online (see, for example, Sweeney and Ingram 2004).

The third attribute, tuition fee, represented the monetary price of the product. Price is usually included in conjoint studies because it represents a “distinct component of value” (Hair et al. 1998, p. 407). However, despite its relevance for distinguishing between options, no prior conjoint studies of higher education choice were identified that had included tuition fee as an attribute in choice.

The price levels chosen were realistic in reflecting the approximate range of MBA program prices existing in the Australian market at the time of the study. These were chosen with the highest and lowest levels set outside existing values as suggested by Hair et al. (1998). The fee levels used in the conjoint profiles were raised in increments of $A8,000 to facilitate the comparison required of respondents (see Table 1).

The inclusion of three attributes (two attributes with four levels and one with three levels) meant that 48 different program profiles were possible. To limit the number of profiles rated by respondents, a fractional factorial design was used, resulting in 20 profiles, including four holdout profiles used for validation purposes (see, Hair et al. 1998). No problems of unrealistic combinations of profiles were found. Such “environmental correlations” were not expected given that price was the only monotonic variable included in the design (see, Hair et al. 1998). The full-profile method of presentation was used, and respondents rated the profiles on a 10-point scale according to how likely they were to choose a particular MBA program. Students were asked to assume that the programs were similar on other variables such as the number and range of units and entry requirements.

In addition to the conjoint experiment, students were asked to rate the importance of 30 possible variables in program choice. These questions served both to test the convergent validity of the conjoint findings and to provide further insights into the influences on program choice. In addition, respondents were asked about their financial situation, the degree of employer support they received, and their demographic and situational details. Pilot testing of the questionnaire ensured that the conjoint attributes and levels were feasible and of practical relevance to students, and that all questions asked were meaningful and clearly worded.

The research instrument was administered to two groups. The first group comprised the 1,287 students with a current enrolment in an MBA (or articulating course) at one Australian university in 2001. The second group comprised those who had enquired to the same university about studying an MBA, over the 12 months to August, 2001. After eliminating incomplete or obsolete records, 2,496 people were surveyed from this second group. Students were mailed the questionnaires with a covering letter that included an incentive in the form of an entry to a draw for a $A250 gift voucher from Amazon.com to return the questionnaire within two weeks. Respondents were free to respond anonymously if they wished.
Findings

The usable questionnaires returned numbered 699. After allowing for non-deliverables, this represented an overall response rate of 18 per cent, comprising a 32 per cent response from current MBAs and 11 per cent from prospective students. These rates compare favourably to other mail-outs without follow-up (see, Colombo 2000). A comparison on demographic variables between the outgoing and returned sample profiles indicated that there was no significant difference due either to non-response or acceptance of the incentive offered.

Missing values analysis for the validation data was conducted through SPSS. Two cases with substantial missing data across several item-subsets were deleted from the sample. For the remaining cases, missing data for any item-subset did not exceed two per cent. This data was assessed as missing at random and the expectation maximisation (EM) procedure was used to replace the missing data (see, Hair et al. 1998). Missing data for the conjoint profiles was treated differently as explained below. The statistical analysis of the conjoint data took place in the stages recommended by Hair et al. (1998). The results are reported in four sections: model estimation and goodness-of-fit; aggregate and segment results; validation; and profile of the price response segments.

Estimation and goodness-of-fit

The conjoint procedure in SPSS was used to compute the part-worths (or “utilities”) for each level of the three attributes. The data required little preparation before analysis as tests for normality, homoscedasticity and independence were not required (Hair et al. 1998). The SPSS conjoint procedure includes no method for handling missing data, so that records with any missing data are excluded automatically from the analysis. Therefore, results were generated for 661 respondents, or 95 per cent of the total.

The model estimation was performed using ordinary least squares (OLS) regression of scores on the 16 profiles (SPSS Conjoint™ 8.0, 1997). A set of part-worths (or utilities) was generated for each individual. The part-worths were used to provide a matching set of predictions for the 16 profiles. The model estimation was made at the individual level and then aggregated for reporting the results. (The algorithms used in the SPSS Conjoint procedure are provided in the program documentation at http://support.spss.com/.) Before reporting these results, the goodness-of-fit of the model was assessed.

Goodness-of-fit was assessed in three ways. Firstly, the predictive accuracy of the estimation model was assessed by correlating a respondent’s rating on the 16 profiles with the scores on the same 16 profiles predicted by the conjoint model. As one set of scores is generated from the other, high correlations should be expected (Bobko 2001). The results showed that for 87 per cent of respondents, this correlation was .80 (p < .05) or higher. A second indication of goodness-of-fit is the correlation between the actual and predicted scores on the four holdout profiles. The average correlation on holdouts was .67 which is within the acceptable range (Hair et al. 1998). Respondents with low correlations on the estimation model and/or low correlations on holdouts (“low” being defined as below .60) were removed from the sample leaving 525 respondents.

The final means of assessing goodness-of-fit was by verifying the relationships between levels of attributes that were specified for the estimation model. For the original model, a linear negative relationship for the tuition fee levels and a discrete relationship for levels of the university and study mode attributes were hypothesised. Alternative models were run to
investigate other possible relationships between attribute levels. Of particular interest was the form of the price relationship. The analysis confirmed that a linear relationship for price, and discrete relationship for both university and study mode, resulted in the highest predictive accuracy of the model as indicated by the holdout correlation. This was .67 for a linear relationship and reduced to .33 when a discrete relationship for price was specified. In summary, all three methods provided support for the goodness-of-fit of the conjoint model and for its predictive validity.

**Aggregate and segment results**

The aggregate results of the conjoint analysis are reported in the second column of Table 2. (The results are organised from highest to lowest, both for the three attributes and for the part-worths for each attribute.) As indicated, the most important attribute was study mode (50 per cent), followed by tuition fee (28 per cent) and university (22 per cent). The importance scores were calculated for individuals and then averaged through the conjoint procedure in SPSS. These scores are percentages of the total ranges in the part-worths for each attribute. The attribute with the largest range of part-worths (viz., study mode) is the most important. The part-worths are interval data scaled to sum to zero within each attribute. The origin of the scale within each attribute is arbitrary; therefore, a direct comparison of values between attributes is inappropriate (Orme 2002). The importance and meaning of the findings on study mode and university are discussed elsewhere (see the authors for details). This current paper is focused on the price response of respondents. However, the discussion necessarily requires some consideration of the relationships between tuition fees and the remaining attributes.

Table 2: Aggregate and segment results on importance scores and part-worths

<table>
<thead>
<tr>
<th>Attributes</th>
<th>All Respondents (n = 525)</th>
<th>Price-Positive (n = 68)</th>
<th>Price-Negative (n = 457)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study mode***</td>
<td>50</td>
<td>62</td>
<td>.48</td>
</tr>
<tr>
<td>Tuition fee***</td>
<td>28</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>University**</td>
<td>22</td>
<td>30</td>
<td>21</td>
</tr>
<tr>
<td>Attribute levels</td>
<td>Part-worth estimates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-campus - print-based**</td>
<td>0.78</td>
<td>1.31</td>
<td>0.70</td>
</tr>
<tr>
<td>Off-campus - web-based</td>
<td>0.61</td>
<td>0.91</td>
<td>0.56</td>
</tr>
<tr>
<td>On-campus - face-to-face**</td>
<td>-1.38</td>
<td>-2.21</td>
<td>-1.26</td>
</tr>
<tr>
<td>Tuition fees***</td>
<td>-0.67</td>
<td>0.22</td>
<td>-0.82</td>
</tr>
<tr>
<td>University A</td>
<td>0.25</td>
<td>0.35</td>
<td>0.23</td>
</tr>
<tr>
<td>University B*</td>
<td>0.20</td>
<td>0.49</td>
<td>0.16</td>
</tr>
<tr>
<td>University C*</td>
<td>0.01</td>
<td>0.27</td>
<td>-0.02</td>
</tr>
<tr>
<td>University D***</td>
<td>-0.47</td>
<td>-1.12</td>
<td>-0.37</td>
</tr>
<tr>
<td>Predictive accuracy of model</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimation (Pearson r)</td>
<td>.98</td>
<td>.98</td>
<td>.98</td>
</tr>
<tr>
<td>Holdout (Kendall’s tau-b)</td>
<td>.67</td>
<td>.80</td>
<td>.81</td>
</tr>
</tbody>
</table>

1 Only one value is shown, as this is a linear constant value
* p < .05, ** p < .01, ***p < .001
The data in Table 2 indicates that the aggregate price response of respondents was -0.69. That is, respondents exhibited a small, negative price response to tuition fee increases. However, 13 per cent of respondents (n = 68) exhibited a reverse relationship on tuition fee with a low, positive response to price. The results for the "price-positives" and "price-negatives" are reported in the final two columns of Table 2. The part-worths for these two groups for tuition fee were 0.22 and -0.82, respectively. Significant differences between the two segments on both the importance scores and part-worths are indicated. As reported, the two groups differed significantly on all three attributes with the price-positives placing more importance on study mode and less importance on tuition fees in their course choice compared to the price-negatives (both, p < .001). The price-positives had a much higher mean for the university attribute, also (p < .01).

While the incidence of "reversals" in conjoint experiments is attributed sometimes to error or unreliability, there was no evidence in the results to suggest that the responses of the price-positives were unreliable. Rather, as Table 2 shows, the predictive accuracy for the estimation model and the holdout profiles was equally high for both groups.

The differences between the two groups on the behaviour of the part-worths for the three attributes are illustrated in Figure 1. Three main points about Figure 1 are noted. Firstly, Figure 1 demonstrates that the main difference between the two groups is their behaviour on tuition fees as indicated by the opposite direction of the gradients for the tuition fee attribute. Secondly, while three of the differences in part-worths for the universities were significant, both segments exhibited similar behaviour. That is, neither segment distinguished greatly between three of the universities (A to C) but both had a greater disutility for University D. Similarly, the two segments exhibited the same order of preference for the three study modes: both did not distinguish as greatly between the two offcampus modes as they did between the offcampus modes and face-to-face study. A final observation from Figure 1 is that there is no evidence of interaction effects between the three attributes. (A statistical analysis of possible interactions, such as those that might occur between the prestige of a university and tuition fees, was precluded in this study, because an additive model was used.) To explore the robustness of this finding of price-positive behaviour, further analyses were undertaken. Firstly, the results are validated with reference to other data collected in the questionnaire, and secondly, the segments are profiled on demographic and situational factors.

Figure 1: Utility for tuition fees: Price-positives versus price-negatives

(The part-worths for university and study mode are graphed in the same order as in Table 2.)
Validation of price response behaviour

The validity of the two segments was examined by investigating whether members responded in a consistent manner to other variables related to price sensitivity and, possibly, price-quality inferences. Independently of the conjoint experiment, data was collected in the questionnaire about the importance respondents placed on various factors in their MBA course. Respondents rated 30 elements on a five-point Likert scale. These variables included those relating to the reputation of the institution or course, cost-related factors, amenities and facilities and location. Independent t-tests were used to assess differences between the two segments on the 30 variables. Table 3 reports the variables for which significant differences were found. These are presented in order of significance. As indicated, there was a significant difference between the two segments on five variables. Consistent with their lower, negative price response identified through the conjoint, the price-positives were significantly less likely to say that it was important for an MBA course to have a “lower level of tuition fees relative to other courses” (t = -4.93, df = 79, p = .000). A further, three variables (items two to four in Table 3) were reputational variables. The price-positives were significantly more likely to say that these reputational factors were important in MBA choice. While it is not possible to conclude from these results that the price-positives were drawing price-quality inferences, they are consistent with the view that the price-positives were prepared to pay more for a course and university of high reputation. On the fifth variable, price-negatives were more likely to say that convenience of location was important in their course choice. Inconvenient locations raise both the financial and non-financial costs of attending university, particularly for those with work and family commitments. Consequently, this mean difference between the groups is consistent with differences in their price sensitivity.

Table 3: Comparison of price segments on validation variables

<table>
<thead>
<tr>
<th>Importance in MBA choice of:</th>
<th>Price-positives</th>
<th>Price-negatives</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lower fees</td>
<td>2.9</td>
<td>3.7</td>
<td>.000</td>
</tr>
<tr>
<td>2. Prestige of course</td>
<td>4.5</td>
<td>4.0</td>
<td>.000</td>
</tr>
<tr>
<td>3. Reputation of university</td>
<td>4.7</td>
<td>4.4</td>
<td>.001</td>
</tr>
<tr>
<td>4. Prestige of staff</td>
<td>4.0</td>
<td>3.6</td>
<td>.006</td>
</tr>
<tr>
<td>5. Convenience of location</td>
<td>2.9</td>
<td>3.3</td>
<td>.013</td>
</tr>
<tr>
<td>6. Current level of MBA fees</td>
<td>$A16,859</td>
<td>$A14,981</td>
<td>.058</td>
</tr>
</tbody>
</table>

Items 1 to 5 were measured on a five-point scale

Finally, the two segments are compared on a sixth variable that asked currently-enrolled students about the level of fees they were paying. (Those currently enrolled comprised 79 per cent of the price-positives and 74 per cent of the price-negatives.) As reported in Table 3, the price-positives were paying higher fees than the price-negatives, consistent with their professed attitude towards tuition fees revealed through the conjoint analysis. Although the difference on this last variable was not significant at the .05 level (t = 1.91, df = 270, p = .058), the direction of the difference between the two groups was as predicted from the conjoint results. In summary, the predictive validity of the two segment classification on price response was supported by the differences found on five of the six variables reported in Table 3.
3. These provide support for the view that the allocative role of price was weaker for the price-positives and are consistent, also, with the possibility that the informational role of price was stronger for the price-positives.

Profile of price response segments

The two price segments were profiled on various background variables using cross-tabulations. These variables included age, sex, residential status, state of residence, socioeconomic status (SES), work hours, degree of employer support, work status, parental status, current university, current enrolment mode and attendance type (part-time or full-time). Table 4 reports the results for the three variables for which a significant difference was found. Reported for both variables are the percentage composition within segments, the chi-square and the significance of the association.

Table 4: Profile of price segments on background variables

<table>
<thead>
<tr>
<th></th>
<th>Price-positives (n = 68)</th>
<th>Price-negatives (n = 547)</th>
<th>Chi-Square</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of residence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSW/ACT</td>
<td>22 (42%)</td>
<td>75 (21%)</td>
<td>18.0 (df 3)</td>
<td>.000</td>
</tr>
<tr>
<td>Queensland</td>
<td>9 (17%)</td>
<td>32 (9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria</td>
<td>14 (27%)</td>
<td>191 (55%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>7 (14%)</td>
<td>53 (15%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 30 years</td>
<td>20 (29%)</td>
<td>150 (33%)</td>
<td>15.8 (df 2)</td>
<td>.000</td>
</tr>
<tr>
<td>31 to 40</td>
<td>44 (65%)</td>
<td>194 (43%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>≥ 41</td>
<td>4 (6%)</td>
<td>111 (24%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current enrolment mode</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oncampus</td>
<td>5 (9%)</td>
<td>81 (24%)</td>
<td>6.0 (df 1)</td>
<td>.015</td>
</tr>
<tr>
<td>Offcampus</td>
<td>49 (91%)</td>
<td>255 (76%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As indicated, respondents who were price-positive were significantly less likely to reside in the State of Victoria than those who were price-negative (27 compared to 54 per cent). Further, the price-positives were more likely to be in the 31 to 40 year age group and significantly less likely to be 41 years or older than the price-negatives. In addition, the price-positives were significantly more likely to be enrolled offcampus than oncampus in comparison to the price-negatives. Other variables that neared significance, such as work for pay and enrolment status were consistent with current enrolment mode. That is, students enrolled oncampus were more likely to be enrolled full-time and less likely to be in paid employment.

Discussion and Conclusion

Two price response segments were identified from a study of current and prospective students. The largest segment, comprising 87 per cent, displayed the typical aversion to higher prices when purchasing an MBA "product". Segment members were moderately price negative to tuition fee increases, which is a finding consistent with those of a large number of studies into higher education choice. However, a substantial group appeared to have a positive reaction to increasing MBA prices. The literature proposes that a positive response to price results from its informational or signalling role. Because of the conjoint design used in this
study, only the net response to price was calculable. However, it is possible that both segments were influenced by both roles of price, but, for the price-negatives, the allocative role of price dominated the informational role, while the reverse was true for the price-positive segment.

In expressing a likelihood of selecting a particular course, the price-positives were found to be influenced less by lower course fees and influenced more by their view of the prestige of the course, staff and university. Further, they were influenced less by the convenience of the location in selecting a course, consistent with their higher likelihood of being enrolled in an offcampus course. Both reputational and convenience factors may have served to lower their price sensitivity. Curiously, however, the price-positives were largely existing MBA students, enrolled at a Victorian-based university. That is, they were familiar with the university product they were evaluating. However, differences in their “state of residence” suggest that the price-positives may have been less familiar with the reputation of universities outside their home state and consequently, may have relied more on price as a quality cue.

Most demographics were not discriminators (e.g., sex and family status), but price-positive respondents were over-represented in the early-middle-age bracket of 31-40 years and under-represented in the older age group, 41 years or more. Also, price-positives were more likely to be enrolled offcampus. This may have reduced the opportunity costs of their university attendance, and therefore, lowered their allocative response to price. However, the failure in this study to find strong relationships between demographic differences and price response is consistent with the findings of other studies (see Hsieh and Chang 2004; Kim, Srinivasan and Wilcox 1999). This failure may be due to the dual influence of the allocative and informational roles of price in the response of each individual. Further, individual differences may be more influential in the early stages of the higher education decision process.

The major implication of the findings is that some price segmentation has been identified within the MBA market, which appears to confirm the characterisation of the MBA as a “prestige” product. Further, an offcampus MBA appears to be a prestige product for some market segments. However, the findings do suggest a separation in the markets for oncampus and offcampus MBA courses and the existence of a state-based rather than a national market for MBA courses in Australia, at least for students wishing to study oncampus. The relationship between age and price response remains intriguing. Why were the price-positive respondents more likely to be in the 31 to 40 years age group for this product class? This relationship was independent of parental status, work hours or employer support. It may be that younger students are more enthusiastic about the likely return on their investment in a higher-priced MBA, than their more cynical, older colleagues? The next stage of this study will examine these aspects through more explicit questioning about the rationale for decision-making, using techniques such as means-end chain analysis.

References


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