CHAPTER 3: CUSTOMER ANALYSIS

Demand for an industry's product is affected by changes in the philosophies, tastes, lifestyle and social conditions of the buyer population which any society tends to experience over time. Therefore a provision of this chapter is to discover the influencing power of the buyers in curving the structure of the MBA education industry. This objective can be achieved through three subtopics: customer value, customer demographic and later, factors influencing buyer's decision-making process and its implications to the MBA providers.

3.1 Customer Value

Before the economic crisis, many private MBA providers in Malaysia focused most of their efforts on the internal sources (technology, innovation and economies of scale) of the organizations, to prosper. In other words, "supply-led and demand-following" ideology followed in the MBA education industry. The MBA buyers were treated as market follower and purchased the prevalent MBAs available. Of course, the demand for MBAs studied through local private providers was low at that time. Likewise, the competition was not so keen and most of the providers concentrate on catering different targeted market group.

Recently, the turnaround to the "demand-led-supply" conception is more appearing. Private MBA education industry was almighty competitive due to the new market entrants and this led to a realisation that unless the buyers' needs
were been taken into account in designing and delivering services, all the internal resources would be secondary importance. Hitherto, their focus on the internal resources was slowly swinging to fulfill their buyers, which eventually bring major cultural changes in the structure of organisation and industry as a whole. Excellent customer service since then has formed part of the mission statement and policies of every MBA providers.

Nevertheless, many professors and educators fear that too much customer-focus means compromising their ethical standard by focusing on what they believe students are looking for; probably no home work, easy A's and twenty four hours access to professors. This has supplemented by the worries that the quality of private sectors - though constantly monitor by the LAN.

Zeithmal A. and Bitner J. argued that the customers will have more power in the industry when the number of customers is becoming scarce in a particular industry. They believe that this will heat up the competition among the existing institutions in the industry similar as what happened to the MBA industry in the United States.

In the early 1990's, the competition for recruiting MBA graduates in developed countries was so intensified. Business Week had conducted a survey to identify and give a clue to all institutions offering MBA on what actually the students are looking for. The students were required to rank the business schools offering MBA as part of the survey carried out. The result of the survey influenced the B (2nd level) rated schools to modify their programmes in order to upgrade their position in the industry.
During the same period, a similar type of survey was also carried out by the Times in UK. Although it was not as specific as the Business Week did, it was definitely the first one of its kind. Initially, the critics did not agree with this kind of evaluation being done in the UK. They argued that the universities are unique on its own and they have diverse missions in distinct communities. Therefore any ranking of these universities can be misleading. However, an increasing number of higher institutions and changing environment had changed the importance of this aid to students, staff and the institutions themselves.

There is no such evaluation carried out in Malaysia yet on all the private institutions offering MBA in Malaysia. The only ranking available is the one which includes only the previously government owned universities that had been privatised one after another eventually. However, some students still tend to focus on this ranking in choosing an MBA or at least a famed university to obtain an MBA.

In 1999, The Sun published a table that ranks all the universities in United Kingdom from the UK Good University Guide. This table is printed with the purpose of helping all those who are still interested in furthering their education to obtain any British based qualification despite the currency crisis and economic slowdown.

Although all the evaluations mentioned above tend to be general and not course specific, the important questions that are likely to arise here are, "What is the basis of this evaluation?", "Who contribute the most in the setting of this basis?"
and "Who is the driving force in the education industry?". The answer seemed to be very obvious. The customers set their needs and the environment influences their needs. In this case, the customers are the students themselves and one of the major environmental factors that influence them would be the employment potential.

In short, the "supply-led and demand-following" concept has obsoleted under the great customer influences. The organizations first task is to find the customers and understand the process how they make their choice. This is because the customers are facing a vast array of products (courses) and brand choices (universities) and in the process of choosing the right product, the customers are becoming value-maximisers. They want to get the maximum value for the fees they pay to obtain a product or service getting a product. To understand the customer value and to create loyalty one has to understand the customers and that starts with a customer analysis.

3.2 Customer Demographic

Locally, any potential MBA buyer who plans to read for a MBA in any institution of higher learning will constitute as a customer. This kind of customer identification is relatively simple to ascertain as he/she expresses his/her on the MBA. This group of students is expected to have at least an undergraduate degree or some professional qualifications and/or relevant number of years work experience (based on various university prospectuses).
Some people intend to learn new management skills and techniques, to develop one's critical power and strategic thinking and increase depth of knowledge about business management. However, their interest towards MBA is not so appearing partly because they are not aware of the availability of MBA programme and partly they perceive the MBA is difficult to cope. This group constitutes as the potential MBA buyer as well. In this case, more counselling sessions are to be provided to them to understand more about MBA courses and their own needs.

Of course, majority of the MBA candidates are Malaysians. For the past few years, the number of foreign students studying MBAs in Malaysia had also increased tremendously. The sharp increase in the number of foreign students in Malaysia was a positive spin-off of 1997 economic crisis. In 1998, there were around 11,733 foreign students studying in 12 institutions of higher learning, compare to 5,635 in 1996.¹ They come from countries such as China, Indonesia, Thailand, Singapore and Korea, because obtaining a western degree, inclusive MBA, is much cheaper in Malaysia than in the West. Students from Gulf countries like Oman and Yemen are increasing too.

3.3 **Factors Influencing Student Decision-Making Process and Implications to the MBA Providers**

Students opting to pursue an MBA seemed to have various reasons underlying their motion. Understanding the reasons why one opts to pursue an MBA can actually help the institutions of higher learning to fine-tune their MBAs in order to gain competitive advantage.
There are a number of factors that influences a student in making his / her choice of Institutions to pursue an MBA. Location, fees, duration and employment potential are some of the factors that influences a potential MBA student's decision making process.²

Students are faced with questions such as minimum duration to complete an MBA. If the timing factor is appropriate, then which MBA to pursue considering the faculty's experience and qualifications as well as the programme’s reputation. These questions create dilemma to many executives who want to do an MBA Programme.³

Mr. Edmund Siah, recruitment director at the Boston Consulting Group (BCG) in Singapore, speaking in his personal capacity has listed the following factors as the ones considered most by the MBA candidates, namely: the programme, the people, the faculty and the alumni.⁴

Charmaine Courtis Dimmick from the Schulich School of Business York University, Canada finds that the recent applicants are much more serious partly due to economic crisis in Asia. Besides, the students are also much more knowledgeable (they do their homework on the Websites) and overall they just know what they want and where they want to go. Therefore, it is very important to understand them very well.⁵

Some pursue an MBA for self-improvement. For others, it is the prospect of career advancement or employment at management consultant firm of Fortune 500 companies. For the rest, it may simply be the fear of being left behind, of
becoming irrelevant 10 years down the road when an MBA degree may become a prerequisite for management positions.\textsuperscript{4}

With the globalisation very much a buzzword in business and employers are increasingly looking for people with the skills needed to work in a multicultural and multilingual business environment, many potential MBA students themselves are looking for a programme which can give them that international experience.\textsuperscript{6} In this case, a review of curriculum to ensure more specialised courses and emphasize on international aspects (beyond the plain-vanilla MBA) deem as life-or-death question.

Hence, the choice of which institution seems to differ based on the objective a candidate would like to achieve through obtaining an MBA. If one is satisfied with his career development and is simply looking to broaden his knowledge, the university’s status and reputation are probably not as important compared to the quality of the teaching staff, costs and flexibility in terms of completion.\textsuperscript{4} Most colleges do not differentiate their product and offer similar subject. But if one wants to join a blue-chip investment bank or management consultancy, the ranking of business school becomes the most important criteria.

Most students seemed to opt for an MBA to deal with challenges faced by modern organizations in complex and rapidly changing environments, it is necessary for effective managers to understand and be able to put into practice management techniques across a wide range of functional areas. However, one of the most important factors that influences a student in choosing an institution for further education would be the employment potential.\textsuperscript{7}
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A survey of employment patterns and requirements were carried out among Europe's Largest 500 companies. The companies voted Instead as the first choice, followed by IMP in Lausanne and London Business School when they were asked which business schools they used to recruit MBA graduates from, where they sponsored students to study and which business schools mostly represented in their management teams. The survey reveals that the choice of the school seemed to play a major role for those who pursue a MBA with a purpose of upgrading their employment.²

Mike Jones, director general for the UK-based Association of MBAs (AMBA) agrees that there is beginning to be an over provision for MBAs and many employers are starting to believe that it is not just the qualification that is important but where the students have got it.⁶ These employers believe that only some of the business schools prepare the type of graduates that they are looking for.

"You should go for the best you can afford and get into it," advised Mr. Mervyn Koh, management consultant with Morgan & Banks, who specialises in executive search for the banking and finance industries. While he stressed that performance is ultimately the most important factor in career development, an MBA from a reputable school does open doors to sectors where the candidate lacks exposure.

On the other hand, not everyone in the industry believes in and supports this view. One of the alumni of MBA finds the qualification to be just a passport and not a meal ticket. An MBA opens an interview gate for one, but the attributes and the relevant working experience of the candidate are the main factors that secured a job.⁹
The above dilemma seemed not to be the case in Malaysia whereby there are not many with MBA qualification except for recent boom in obtaining an advanced degree. However, it cannot be denied completely that the top 500 Fortune companies with branches all over the world is not setting similar standards for a MBA graduate in Malaysia as the rest of the world.

If competition is tearing universities in Europe and America into two groups with painful disparity between the best and the worst schools, it should be noted that having mostly programmes from the two continents and the changing environment in Malaysia it is not long that the students here will considered only one factor in choosing a university and ignore the others. If a higher institution can guarantee a good future, factors like tuition fees and duration will take a back seat.

No matter what are the reasons or purposes one can have, Schomotter seemed to have covered them all in his explanation for the question why an individual should do an MBA? According to Schomotter of Western Michigan University, an MBA provides a broad education, which relates to the various functions of business like marketing, finance, and operations together.³ ‘It’s the perfect training for general management and indeed, many courses in areas such as strategy and business policy pull all these topics together,’ he added. He elaborated that in terms of career development, the MBA is valuable because:

- It demonstrates a commitment to personal development.
- It exposes one to other talented student from whom one learns.
- It is the credential that is required for entry into some very lucrative career tracks e.g. management consulting, investment banking, and brand management.
In some very competitive fields (e.g. investment banking, corporate finance and etc), the degree is used to screen out candidates.

Further more, MBA is among the few globally recognised credentials.

However he also admitted that an MBA is probably over-rated. He stressed that an MBA alone will neither change one's life nor ensure career success. However, if viewed as an opportunity to develop new knowledge skills and capacities, (as one should in a quality programme) it is a sound investment in one's future.

The primary research findings in this paper has shown (Table 3.1) that about 60% of the respondents were looking at brighter career prospects as the main reason, while 20% voted for personal development; 10% for exposure and networking. These finding matches the opinion expressed by Schmotter. It is the career-potential, promotion-potential and new knowledge, which seem to be the primary reasons for enrolling in an MBA programme.

<table>
<thead>
<tr>
<th>Response</th>
<th>%</th>
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<tr>
<td>Globally Recognised</td>
<td>5</td>
</tr>
<tr>
<td>Opens-up Lucrative Careers and Promotion</td>
<td>60</td>
</tr>
<tr>
<td>Personal Development</td>
<td>20</td>
</tr>
<tr>
<td>Exposure to Others / Networking</td>
<td>10</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
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Source: Survey (May 2001)
To further support the finding, if one looks at the Appointments section of the News Straits Times and publication likes the Economist. It is apparent that employers increasingly seek candidates with MBAs or Masters level qualifications.⁴

A survey on one of the local newspaper shows that currently one out of very 20 jobs requires an MBA qualification. But most such jobs are the management consulting industry. However the importance for MBA among other industries seemed to be very low and the main purpose of candidates from other industries pursue an MBA therefore tends to be either promotion or self-satisfaction.⁷ It was a pleasant surprise to the Malaysian Higher Learning Industry that Asian students were taking the same line that American students take during downturns in their economy. The prospects tend to think that since the economy is so bad, perhaps this is the good time to join the graduate school. By the time I finish my degree hopefully the economy will turn around and I have a better degree. Of course this thought has contributed successfully to the growth of higher learning in Malaysia despite the economic crisis.

In 2000 MBA fair held at the Shangri-La Hotel, the turnout seemed to be low compared to Tokyo, Seoul, Taipei and Singapore. However, according to Jon Megibow, director of admissions at the Darden Graduate School of Business, University of Virginia (US) found the quality of those students who came for the fair in Malaysia seemed to be better. The rise of Asian students taking up the MBA is also clearly evident from the number of participants attending programmes abroad too.
In next chapter, the focus will then stress on the competition on the MBA programmes as well as the competition among all the MBA providers.

Notes and References


