



**CONSUMER-BASED BRAND EQUITY (CBBE),
CUSTOMER SATISFACTION AND BRAND LOYALTY
IN MALAYSIAN PUBLIC UNIVERSITIES**

BY

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ABSTRACT

The objectives of this study are to examine the relationships between consumer-based brand equity and student satisfaction, student satisfaction, and brand loyalty, and the mediation role of student satisfaction in the relationship between customer-based brand equity and brand loyalty in four sampled Malaysian public universities. Using the consumer-based brand equity (CBBE) model as the main conceptual framework, the present study examined five predictor variables (namely physical quality, staff behaviour, ideal-self congruence, brand identification, and lifestyle-congruence) to explain customer satisfaction as a mediator variable and ultimately brand loyalty as a dependent variable. An analysis is conducted using the Partial Least Squares (PLS) method in SmartPLS 3.0 based on a sample of 300 respondents. The study found that three dimensions of CBBE have a significant positive relationship with customer satisfaction. The findings also show that customer satisfaction has an impact on brand loyalty. Customer satisfaction partially mediates the impacts of staff behaviour, ideal-self congruence, and brand identification on brand loyalty, while fully mediating the impacts of physical quality and lifestyle-congruence. Therefore, the findings lend support to H2, H3, H4, H6, H7_b, H7_c, and H7_d, whereas, H1, H5, H7_a and H7_e are not supported.

مُلخَصُ البَحْثِ

يهدف البحث إلى فحص العلاقات بين قيمة العلامة التجارية لدى الزبائن، ورضا الطلاب، والولاء للعلامة التجارية، ودور الوساطة لرضا الطلاب في العلاقة بين قيمة العلامة التجارية لدى الزبائن والولاء للعلامة التجارية في الجامعات الحكومية الماليزي، وباستخدام أ نموذج اعتماد الزبائن على قيمة العلامة التجارية (CBBE) إطارًا نظريًا؛ فحص البحث خمسة متغيرات تنبئية متوقعة؛ هي: القيمة المادية، وطبائع الموظفين، والتطابق الذاتي المثالي، وهوية العلامة التجارية، وتطابق نمط الحياة؛ لبيان رضا الزبائن متغيرًا وسيطًا، والولاء للعلامة التجارية متغيرًا مشروطًا، وقد جرى التحليل باستخدام برنامج PLS 3.0 Smart استنادًا إلى عينة من 300 مشارك، وتُظهر النتائج أنّ لثلاثة أبعاد من CBBE علاقة إيجابية كبيرة مع رضا الزبائن، وأنّ لرضا الزبائن تأثيرًا على الولاء للعلامة التجارية، وأنه يتوسط جزئيًا في آثار سلوك الموظفين، والتطابق الذاتي المثالي، وهوية العلامة التجارية؛ على الولاء لها، مع التوسط الكامل لتأثيرات الجودة المادية وتطابق نمط الحياة، فالنتائج تدعم أن هناك علاقات إيجابية: بين سلوك الموظفين ورضا الطلاب، وبين التطابق الذاتي المثالي ورضا الطلاب، وبين هوية العلامة التجارية ورضا الطلاب، وبين ارتياح الطلاب والولاء للعلامة التجارية، وأن رضا الطلاب يتوسط العلاقة: بين سلوك الموظفين والولاء للعلامة التجارية، وبين التطابق الذاتي المثالي والولاء للعلامة التجارية، وبين تحديد هوية العلامة التجارية والولاء لها، وأن لا علاقة بين الجودة المادية ورضا الطلاب، ولا بين تطابق نمط الحياة ورضاهم أيضًا، وأن رضاهم كذلك لا يتوسط في العلاقة بين الجودة المادية والولاء للعلامة التجارية، ولا العلاقة بين تطابق نمط الحياة والولاء للعلامة التجارية، وذلك غير معتمد.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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*This dissertation is dedicated to my beloved parents, and siblings for their continuous
love, support, and prayers*

*This dissertation is also dedicated to my former lecture Associate. Prof. Zaihan Abd
Latip and Mr. Mohd Rizal Bin Miseman who undoubtedly believe in me in achieving
my goal*

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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
BI	Brand Identification
BL	Brand Loyalty
CBBE	Consumer-Based Brand Equity
CR	Composite Reliability
HLE	Higher Learning Education
IIUM	International Islamic University Malaysia
ISL	Ideal-Self Congruence
LC	Lifestyle Congruence
MoHE	Minister of Higher Education
NKEA	National Transformation Key Economic Area
PLS	Partial Least Squares
PQ	Physical Quality
SEM	Structural Equation Modelling
SB	Staff Behavior
SS	Student Satisfaction
UM	Universiti Malaya
UiTM	Universiti Teknologi MARA
UPM	Universiti Putra Malaysia
UKM	Universiti Kebangsaan Malaysia
VIF	Variance Indicator Factor
i.e.	(id est) : that is
et al.	(et alia) : and others
e.g	(exempligratia) : for example

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter presents the background of the topic, problem statement, research questions, as well as research objectives for this study. Discussions on the establishment of universities in Malaysia, Malaysia as a regional education hub, higher education and customer/student satisfaction, significance of branding in public universities and introduction to CBBE, brand loyalty, and customer satisfaction are provided to provide the readers with an insight of the education sector in Malaysia. This chapter ends with definitions of key terms to provide the fundamental knowledge to understand this study.

1.2 BACKGROUND OF STUDY

1.2.1 The Establishment of Universities in Malaysia

University Malaya (UM) was the first university established in Malaysia. In late 1947, King Edward VII College of Medicine and Raffles Colleges in Singapore merged, and later in 1949, the University of Malaya was established from this merger. Later, a branch of University Malaya was opened in Kuala Lumpur in 1962. These two campuses were separated, the University of Malaya in Singapore and the University of Malaya in Kuala Lumpur. Later, two other universities were established, which were Universiti Sains Malaysia (USM) in 1969 and University Kebangsaan Malaysia in 1970. These three universities were the pioneers of university establishments in Malaysia (Wan, 2017).

The higher education sector in Malaysia proliferates, which has resulted in an increasing number of private and public universities in Malaysia. In 2015, there were

20 public universities, 410 private colleges, 91 community colleges, 70 private universities, 33 polytechnics, 34 private university colleges, and 14 higher institutions centers of excellence in Malaysia with a strength of 71,600 academicians of which 15,500 were Ph.D. holders. The total number of student enrolment in public universities were 560,000. Private universities, university colleges, and colleges have 485,000 students, polytechnics have 90,000 students, and community colleges have 22,000 students, giving a total enrolment of 1.2 million students. Of the 1.2 million students, 100,000 were international students (MoHE, 2015).

Malaysian public universities can be categorised based on research universities, focussed universities, and comprehensive universities. Due to the changes in legislation towards Education ACT 1996 has resulted in an expansion of Malaysian private and public higher learning institutions in Malaysia (MoHE, 2015).

1.2.2 Malaysia as a Regional Education Hub

National Transformation Programme Annual Report (2016) reported that there are eleven National Key Economic Area (NKEA). These have contributed to Malaysia Gross National Income (GNI) with a value of about RM1,194.6 billion. The educational sector is part of it, which contributed RM9.7 billion to the Malaysia Gross National Income (GNI) in 2016.

The establishment of Malaysia as a regional education hub is to provide a knowledge platform for both local and international students as an academic arena. Malaysia's strategic location, political stability, economic stability, and not to forget that cultural and ethnic diversity had provided a strong base for Malaysia to become a regional education hub (Mahmud, 2011). Malaysia has to focus on internationalisation

of education by providing an environment that could attract more international students, allows for academicians' mobility, support opening of a new branch of foreign universities in Malaysia, and establish a new brand of a foreign university (Cheng, Mahmood, & Yeap, 2013).

Given the National Transformation Programme Annual Report (2016), the education sector has significant potential in contributing to Gross National Income (GNI). The Malaysian government has formulated and executed various strategies to modernise the education industry in Malaysia. The key term of "*liberalising*" has been introduced in the education sector, which emphasised on the programs offered that meet both local and international demands by providing a wide range of programs, and offering different modes of study to be delivered in higher education programs (Cheng et al., 2013). The new reforms in the Malaysia education sector have brought a significant change to this sector, such that it provides excellent opportunities to students (Mahmud, 2011).

1.2.3 Higher Education and Customer/Student Satisfaction

Hemsley (2006), Senthilkumar, and Arulraj (2011) stated that two important areas must be understood about management in higher education institutions. Firstly, understanding the "management thoughts" in the higher education industry. Secondly, understanding the "practices" being used in the higher education industry. The highly competitive environment in the education industry drives this sector to practice managerial techniques that will enrich their productivity and quality of education (Telford & Masson 2005; Yeo, 2008) and change from a traditional market approach into the modern market approach (Ivy, 2008).

Munteanu, Ceobanu, Bobalca, and Anton (2010) also mentioned that in a highly competitive market, an organisation competes for consumers, where consumer satisfaction becomes very important and a key indicator to differentiate its marketing strategy from other competitors. Khan & Matley (2009), Telford & Masson (2005) stated that customer satisfaction refers to the degree of customer perceptions for a particular product or service offered by the organisation which exceeds consumer expectations. Concerning universities, the management must understand how students perceived their product and service offerings. In fulfilling students' satisfaction, universities must devise effective strategies to enhance the perceptions of students towards the quality of their services. Therefore, policymakers need to identify the factors that might influence a student's satisfaction and the consequences for their prospects (Moogan et al., 2001).

The success of a company in the market place is determined by assessing customer satisfaction towards its products or service offerings. Senthilkumar and Arulraj (2011) also mentioned that students are also a customer of institutions of higher learning education (HLE) where their role is different from others. Students are part of the learning processing and customers of institutional facilities and program course materials. Therefore, student satisfaction must become a significant concern for all higher learning institutions to make sure students experience are comfortable and provide a challenging learning environment while they study.

Universities require many stockholders in the process of delivering services to customers. The concept of relationship marketing must be applied in the educational sector where the quality relationship needs to be established between university and its stakeholders which include lecturers, students, parents, alumni, employees, community as well as the government. A good relationship with the various stakeholders would

increase their satisfaction upon universities (Nicolescu, 2009) and aids the productivity of service delivery to customers. However, according to Senthilkumar et al., (2011), students are the most dominant stakeholders in higher learning institutions as compared to others. Students are the primary customers in higher learning institutions as, without students, there is no service delivery process taking place.

1.2.4 Significance of Branding in Public Universities

Harsha et al., (2011) define branding in higher learning institutions as the primary attention in “education marketing” to lure students. According to Alessandri (2001) and Waeraas et al., (2009), there were some studies on branding in the context of higher learning institutions. For example, a study was done by Gray, Fam, and Llanes (2003) focuses on identifying what the main factors that contribute to the marketing and positioning of higher learning institutions in the highly competitive market were. Generally, brand in higher learning institutions originates from the practices of the private sector to the education sector (Waeraas et al., 2009).

The reduction of global borders and changes in technological advancements have strengthened the importance of branding in higher learning institutions (Harsha et al., 2011). Based on Harsha et al., (2011) suggests that the strength of brand of higher learning institutions depends on “thoughts”, “feelings”, “perceptions”, “images” and “experiences” connected to the brand embedded in consumer mindsets that they have “learned”, “felt”, “seen” and “heard” about it over time. The advantages of branding the higher learning institutions are to attract students, to provide information, to project the image of the institution, to improve the management, and to initiate the internal changes Harsha et al., (2011).

Therefore, this study focused on Malaysian public universities rather than private universities. It is because public universities have branded their identities by promoting functionality quality attributes such as an active faculty, numbers of prestigious alumni, world-ranking universities, high impact research, world-class research facilities, a wide range of programs offered, and world-class teaching and learning environment. This value would help the public universities to attract local and international students to choose public universities rather than private universities because of those value-added provided by the public universities (Oplatka et al., 2004). Therefore, Malaysian public universities need to manage their brand carefully to compete for many students to enroll and to be competitive in the academic arena.

1.3 STATEMENT OF THE RESEARCH PROBLEM

Generally, consumer-based brand equity (CBBE) has been accepted as a key measurement of brand equity. The first dimensions of the CBBE model based on Aaker (1991) and Keller (1993). CBBE model from Aaker (1991) consists of “brand awareness”, “brand perceived quality”, “brand associations”, “brand loyalty”, and “brand assets”. CBBE model from Keller (1993) based on two parts which based on customer point of views (brand knowledge), and based on customers behaviour (brand responses). These two models have been applied and tested only for products (Yoo et al., 2001; Punj & Hillyer, 2004; Jung & Sung, 2008). Later, Nam et al., (2011) introduced new customer-based brand equity model consists of “physical quality”, “staff behaviour”, “ideal self-congruence”, “brand identification” and “lifestyle-congruence”. This new CBBE model has been applied and tested in service brands (Nam et al., 2011; Cifci et al., 2016).

Brand loyalty is “the non-random customer reaction where customer expresses their reaction over the time based on decision making for a particular brand”. The decision is also known as the “psychological decision-making process” (Jacoby & Kyner, 1973). In simple words, brand loyalty is the process of individual behaviour to purchase the same product or service repeatedly from the same brand regardless of changes in the market environment.

Customer satisfaction definition categorised into two, which are “transaction-specific satisfaction” and “overall satisfaction” (Bosque & Martin, 2008a). Transaction-specific satisfaction defines “an instant post-purchase evaluation decision (Oliver, 1993). On the other hand, overall satisfaction is defined “as a decision evaluation on past purchase with the organisation” (Bitner & Hubbert, 1994). Further related literature on CBBE, brand loyalty, and customer satisfaction will be discussed in chapter 2.

In the 1970s, academicians and practitioners recognised the importance of customer satisfaction in the business. Later, constructs related to customer satisfaction have become the attention of marketing research topics (Babin and Griffin, 1998; Walker, 1995; Woodruff and Gardial, 1996). The rise of this area of study occurs because consumer satisfaction becomes the key factor that contributes to the long-term success of a business (Jones & Suh, 2000; Pappu & Quester, 2006). This study is supported by Cooil, Keiningham, Aksoy, & Hsu (2007), who identified that consumer satisfaction became the key element for continuous business success in a competitive environment.

However, previous research on consumer satisfaction only focus on the impact on post-purchase evaluations comprising behavioral and attitudinal loyalty (Cooil et al., 2007), where the finding showed consumers who were satisfied with the product or services were “*less price sensitive, less influenced by competitors’ and stay longer with*

the brands” rather than consumers who were not satisfied with the product or service they consume (Dimitriadis, 2006).

Past researchers have studied and inspected the correlation between customer satisfaction and customer loyalty; however, there is still limited study on the mediating impact of customer satisfaction in connection with brand equity and brand loyalty (Ekinci, Dawes, and Massey, 2008). Ekinci et al., (2008) have established and confirmed their conceptual model on the antecedents and the significance of consumer satisfaction in the hospitality industry. They identified two antecedent variables of consumer satisfaction, which are service quality and ideal self-congruence, and suggested these two variables as key factors on intention to return. However, this research only examined the hospitality industry. Later, Nam, Ekinci, Whyatt (2011) introduced the measurement of consumer-based brand equity (CBBE) by expanding the use of brand assessment incorporated with brand identification and lifestyle-congruence into Ekinci et al.’s (2008), a model of consumer satisfaction and Aaker’s (1991), a model of brand equity.

Nam et al., (2011) examined consumer satisfaction as a mediator in the relationship between CBBE (*physical quality, staff behaviour, ideal self-congruence, brand identification, lifestyle-congruence*) and brand loyalty, specifically in the hotel and restaurant industry. There is a limitation in this study where the model was only tested in these two industries in British culture, and thus it cannot be generalised for other populations. The researchers suggested that the construct should be tested in other service industries with different cultures to have external validity and robust model. Therefore, this study attempt to testing their model in the higher education sector in Malaysia and focusing on student satisfaction in public universities.

There have been very few studies that have looked into the impact of consumer satisfaction in the relationship between brand equity and brand loyalty in the education sector. To support this, there were few studies done by Souri, 2017; Cifci, Ekinici, Whyatt, Japutra, Molinillo and Siala, 2016; Molinillo, Ekinici and Japutra, 2015 where the researcher studied the impact of consumer satisfaction in the relationship between brand equity and brand loyalty. However, their conceptual model was tested in the hospitality industry, not in the education industry. Besides that, there were also a few studies done by Casidly and Wymer, 2015; Liat, Mansori and Huei, 2014; Amin, Yahya, Ismayatim, Nasharuddin and Kassim, 2013; Li, Ye and Law, 2013; Malik, Danish and Usman, 2010; Arambewela, Hall and Zuhair, 2006 where the researchers studied on students satisfaction but only focus on the impact of service quality.

The main issue why this research was specifically focusing on Malaysian public universities is because of three factors 1) the number of students' enrollment, 2) university ranking, and 3) new challenges in higher learning institutions (Ghasemy et al., 2018). Generally, public universities in Malaysia aim to double the number of students enroll each year, compete for university ranking, and the management of the universities need to adapt to new challenges to promote and grow the institutions to become relevant and competitive in an academic arena (Ghasemy et al., 2018). That is why this study is crucial because the top management will be able to know how well the brand equity of public universities in Malaysia by examining the consumer/student satisfaction as a mediator in the relationship between CBBE and brand loyalty. Therefore, in this study researcher used Nam et al., (2011) theory and brand equity as a construct in this study.

1.4 RESEARCH OBJECTIVES

These research objectives are drawn and divided into two parts, which are general objectives and specific objectives.

1.4.1 General Objectives

Generally, few pieces of literature mainly discussed the impact of consumer satisfaction mediating the relationship between brand equity and brand loyalty in the education industry. This research is conducted on public universities in Malaysia. Therefore, this study aims to examine the relationship between CBBE and customer satisfaction and the mediating role of customer satisfaction between CBBE (*physical quality, staff behaviour, ideal self-congruence, brand identification, lifestyle-congruence*) and brand loyalty in Malaysian public universities.

1.4.2 Specific Objectives

Specifically, the objectives of this research are as follows:

1. To determine the relationship between physical quality and consumer satisfaction.
2. To determine the relationship between staff behaviour and consumer satisfaction.
3. To determine the relationship between ideal self-congruence and consumer satisfaction.
4. To determine the relationship between brand identification and consumer satisfaction.