

## The Importance of Corporate Image in the Marketing of University Postgraduate Programs

Zainudin Awang  
Universiti Teknologi MARA, Shah Alam, Malaysia

### ABSTRACT

*The increase in the number of universities offering higher education has surpassed the increase in demand for higher education. Hence, the competition for potential customers, especially postgraduates, is very stiff. When the characteristics of service offering have become uniform, universities should be looking for their own competitive edge in the market to differentiate themselves from their competitors. This study attempts to investigate the influence of the corporate image of a university on the willingness of their outgoing undergraduates to continue postgraduate studies at the university (market retention) and to recommend their friends, families, and employers to engage with the university (positive word of mouth). Data was collected randomly from 872 outgoing undergraduates using self-administered questionnaires. Factor analysis of corporate image items extracted three distinct dimensions. The study renamed these dimensions as the image of a university, image of its academic programs and the external recognition received by the university. As for the students' loyalty, the factor analysis extracted two distinct dimensions. The study renamed these dimensions as market retention and positive recommendation. The study found that the corporate image of a university had a significant and direct effect on students' intention to enroll in postgraduate programs at the university. Among the influential corporate image dimensions are the image of a university and the image of its academic programs. The corporate image of a*

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ISSN 1823-7797

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*university provides a significant influence on positive word of mouth and recommendations by outgoing undergraduates to potential postgraduate customers to register with the university. The results have significant implications for the long-term growth and survival of postgraduate programs.*

**Keywords:** *Corporate Image, Students' Loyalty, Postgraduate Programs*

## **Introduction and Background**

The task of managing corporate organizations has become increasingly difficult in an open competition especially when globalization takes place. These organizations are competing to keep the momentum of their business and to stay ahead of their competitors. The industry of higher education is no exception. When the characteristics of services offered by universities are very similar, a favorable corporate image of a university can play a significant role in attracting potential students, their input. In Malaysia, the competition for potential students among universities has become stiff after the Malaysian Parliament passed the Private Higher Education and Institution Act or PHEIA 1996 (Zainudin, 2007).

With the passing of the Act in 1996, private organizations are allowed to set up universities and colleges and participate in the industry. Zainudin (2007) noted that from 2000 to 2005, the rate of increase of institutions of higher education was higher than the rate of increase of students seeking higher education, hence creating competition for potential students. The competition for students is evident when hundreds of institutions advertise their programs through electronic and print media just like other commercial products or services. Furthermore, these institutions are also promoting their programs through education road shows, expos, seminars and the like throughout the country. In promoting their services, universities and colleges are claiming that they have the best programs to offer, the best facilities available, the best academic staff and so on. Potential students have a chance to “shop around” before making their investment decision.

The painful evidence of fierce competition among universities and colleges was exposed when it was reported that 123 colleges were forced to terminate their operation and another 30 colleges would eventually be closed due to inadequate number of students. Since the choice of universities is plenty, the corporate image of a university emerges when

potential students are choosing which university to apply for admission. Like other service industries, the loyalty of the existing students (customers) should be of prime importance. This is because students' loyalty has tremendous benefits for a university. Loyal students can generate new customers for the university through positive words and recommendations to their close associates such as families, friends and anyone who is in close contact.

## **Literature Review**

According to Griffin (2002), large corporations have been using image marketing to sell their products for decades. Dowling (1993) defines the concept of image as "the total impression an entity makes on the mind of people". Corporate image in the service marketing literature was early identified as an important factor in the overall evaluation of the service and the service provider (Gronroos, 1984).

Furthermore, Gronroos (2001) states that:

*"A favorable and well-known corporate image would be an asset of a firm in service industry. This is because image has an impact on customer perceptions of the communication and the operation of the firms in many aspects. If a service provider has a positive image in the minds of customers, minor mistakes will be forgiven and will not affect their perceived quality towards the firm. As time progresses, more and more business organizations offering similar products and services emerge, thus creating competition for customers among themselves". (p. 150)*

Hence, in order to keep generating new customers as well as retain the existing customers, these organizations need to have a clear and powerful corporate image that will project them favorably in the eyes of their customers. According to Hatch and Schultz (1997), the corporate image of an organization concerns the knowledge, feelings and beliefs about that particular organization in the thought of its stakeholders. Andreassen and Lindestad (1998) state that corporate image is established and developed in consumers' mind through communication and experience. They stress that an excellent corporate image would provide an added advantage for the organization to differentiate itself from its competitors in the same industry.

In the case of higher education, the corporate image of a university is established and developed in students' minds from their knowledge obtained through communication and exposure from media publication regarding the achievement and reputation of the university. Among the achievements of a university that might be exposed in the media are the contributions of the university to the government and society through certain research projects, the achievements of academic faculties from the university such as winning awards for research and invention at national and international competitions, and the external recognition received by the university from the International Organization for Standardization or ISO, from professional bodies such as associations of accountants, surveyors, engineers, doctors and from government departments. Studies by Fielder et al. (1993) and James et al. (1999) found that the corporate image of the university has a strong impact on students' decisions, affecting both the retention of current students and the attraction of new students.

Customer Loyalty is a complex construct that involves both behavioral and attitudinal aspects. This study assumes that a "loyal customer" is a student who would continue to study at the same university whenever possible, and who maintains positive attitudes towards the university. Dick and Basu (1994) propose two conditions in relation to customer loyalty, which represent the intersection of relative attitudes and repeat patronage. First, customers who exhibit loyal behavior would engage in repeat purchases when this is appropriate. Second, customers who are loyal in attitude are likely to make recommendations to someone else, and sometimes, their loyal attitude will lead to loyal behavior in the form of repeat purchases.

There are various theories in service literature relating to the concept used to measure customers' loyalty in higher education institutions. For example, the Relationship Marketing Theory (Reichheld and Sasser, 1990; Reichheld, 1996) revealed that a long term relationship with students may provide some sort of strategic competitive advantage in which gaining new students is generally more cost-intensive than maintaining existing relationships; and the cost-relationship effects are generated over the relationship life-cycle. Another example, the Service Marketing Theory on Customer Participation (Rust et al., 1996; Rodie and Kleine, 2000) stressed that loyal students (as the external factor in the service production process) might positively contribute to the quality of teaching and learning process at a university through their active participation and committed behavior.

Rowley (1997) stressed that highly committed and motivated students, together with a lecturer's involvement would stimulate a productive learning atmosphere in the classroom and would produce good academic performance which benefits both students and the university. She also mentions the importance of a customer loyalty base for success in the business of higher education.

This study focuses on the issue of students' loyalty in higher education by examining their behavioral and attitudinal commitments towards their respective university in the future, particularly towards postgraduate programs. The students' behavioral loyalty attributes consist of their intention to spread positive word of mouth and recommendations concerning the university to their families, friends and employers whenever they have a chance to do so. On the other hand, the attitudinal loyalty attributes consist of their intention to remain loyal to the university to complete the existing undergraduate programs and increase transaction with the same university in the future by continuing their studies at graduate programs at the same university.

## **Schematic Model of the Study**

### **Variables in the Model**

#### *Dependent Variable*

The dependent variable is students' loyalty towards the university, which is the variable of primary interest in the study. From a theoretical perspective, the loyalty components consist of behavioral loyalty and attitudinal loyalty. The study confirms these two components through exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) conducted using 300 sets of data from a pilot study. The researcher renamed the components as positive recommendation and market retention.

Positive Recommendation consists of behavioral items such as willingness to spread positive word of mouth regarding the university to families, friends, and employers, and recommend them to engage with the university for industrial linkages, training enrolments, employee recruitment and sponsoring activities in the future.

Market Retention consists of attitudinal items such as willingness to remain with the university both to complete their present study programs,

and to continue their study to postgraduate programs upon graduation or sometimes in the future.

*Independent variables*

The independent variable is the corporate image of a university (Figure 1). Using the data from the pilot study, the researcher conducted an exploratory factor analysis (EFA).

The EFA produces three components of manifesting variables. The researcher renamed the components as university image, academic image, and external recognitions received by the university.

University image consists of the image of a university, image of faculties and departments within the university.

Academic image consists of awards from academic achievements received for researches, inventions and publications by the academic staff at the university.

External recognition consists of recognition received from government departments or professional organizations such as ISO. Since the study used the structural equation modeling (SEM) for the analysis, the service quality and corporate image were treated as two latent exogenous variables.

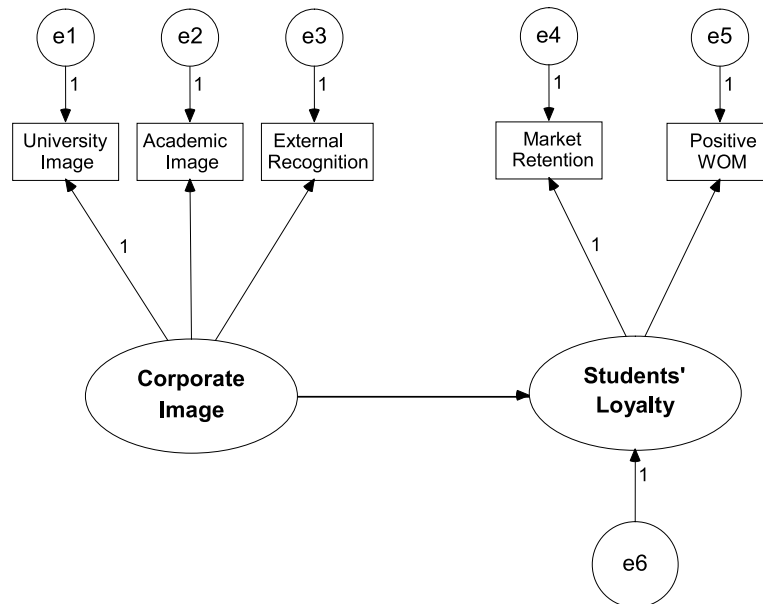


Figure 1: The Model in AMOS 16.0 Syntax

## Research Methodology

### Population and Sample

The population of the study consists of the outgoing undergraduates (students in their final semester) from the Faculty of Business and Management at Universiti Teknologi MARA. A total of 1000 undergraduate students were selected randomly from four different regions namely eastern (Kelantan, Terengganu, Pahang), northern (Perlis, Kedah, Pulau Pinang), Southern (Johor, Melaka, Negeri Sembilan) and UiTM Headquarter in Shah Alam. The respondents were given self-administered questionnaires with a self-addressed return envelope. They could complete the questionnaires at their own convenient time and mail them to the researcher within two weeks. A total of 872 completed questionnaires were received, which represented a satisfactory response of 87.2 percent.

### Instruments

The instrument for corporate image was adapted from Andreassen (1994), Caruana (2002), Kang and James (2004), and Zainudin and Zaihan (2004) while the instrument for customer loyalty was adapted from Zeithaml et al. (1996), Caruana (2002), Ndubisi (2003), Kang and James (2004) and Zainudin et al. (2005b). The researcher modified the wording of certain items whenever necessary in order to suit higher education scenario. The instrument for corporate image consisted of 16 items while the instrument for students' loyalty consisted of 9 items. Factor Analysis procedure using Principal Axis Factoring with Varimax Rotation was performed for these two instruments.

### Factor Analysis on Corporate Image Items

The Principal Axis Factoring with Varimax Rotation was performed for the 16 items in the service quality instruments. The result is presented in Table 1.

Table 1: KMO and Bartlett's Test for Corporate Image Instruments

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.932
<b>Bartlett's Test of Sphericity</b>	Approx. Chi-Square	8498.069
	Df	120
	<b>Significance</b>	<b>0.000</b>

This KMO value of 0.932 is excellent since it exceeds the recommended value of 0.6 as proposed by Kaiser (1974). The two results (KMO and Bartlett's) obtained suggest that the sampled data is appropriate to proceed with a factor analysis procedure. The Principal Axis Factoring extracted three distinct components with eigenvalues exceeding 1.0. The total variance explained for the three components is 84.3%. The study renamed the extracted components as Academic Image, University Image, and External Recognition respectively as shown in Table 2. Meanwhile the reliability measure for each component is given in Table 2.

Table 2: The Reliability Measures for Every Corporate Image Component Obtained in the Study

Component	Number of items in a component	Cronbach's Alpha	Cronbach's Alpha based on standardized items
Academic Image	7	0.909	<b>0.909</b>
University Image	5	0.855	<b>0.857</b>
External Recognition	3	0.685	<b>0.688</b>

### Factor Analysis on Students' Loyalty Items

The Principal Axis Factoring with Varimax Rotation was performed for the 9 items in the students' loyalty instrument. The result is presented in the following table (Table 3).

Table 3: The KMO and Bartlett's Test for Loyalty Instruments

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.871
<b>Bartlett's Test of Sphericity</b>	Approx. Chi-Square df	6328.338 36
	<b>Significance.</b>	<b>0.000</b>

As shown in Table 3, the KMO value of 0.871 is excellent since it exceeds the recommended value of 0.6 by Kaiser (1974). The two results (KMO and Bartlett's) suggest that the sampled data is appropriate to proceed with a Factor Analysis procedure. The Principal Axis Factoring with Varimax Rotation extracted two distinct components with eigenvalues exceeding 1.0. The total variance explained for the two components is 75.5 percent. The reliability statistics for each loyalty component are given in the following table (Table 4).



Table 4: The Reliability Measures for Loyalty Instruments in the Study

Component	Number of items in a component	Cronbach's Alpha	Cronbach's Alpha based on standardized items
Market Retention	4	0.874	0.874
Recommendation	5	0.918	0.919

### The Procedure for Data Analysis

The study analyzed data using Structural Equation Modeling (SEM) using AMOS 16.0 software which analyzes means, variance, and covariance in the model simultaneously.

### Assessment of Fitness for the Model

The study looked at a few universally recognized indexes as a measure to assess the fitness of the proposed model for the study. These indexes are shown in Table 5.

Table 5: The Model Fit Summary Produced by AMOS

Model	GFI	AGFI	PGFI
<b>Default model</b>	<b>0.987</b>	<b>0.951</b>	<b>0.506</b>
Saturated model	1.000		
Independence model	0.571	0.356	0.381

Referring to Table 5, the Goodness of Fit Index (GFI) is 0.987. This figure exceeds the required 0.90 as proposed by Joreskog and Sorbom (1984). According to Joreskog and Sorbom (1984), the GFI value of 0.90 or higher indicates the model is a perfect fit to the data. Another index, the Adjusted Goodness of Fit Index (AGFI) is 0.951. The figure also exceeds the requirement by Tanaka and Huba (1985) who state that the AGFI value above 0.90 indicates the model is a perfect fit to the data. And finally, the researcher looked at the Parsimony Goodness of Fit Index (PGFI). The PGFI for the model is 0.506. Mulaik et al. (1989) state that the PGFI value exceeds 0.5 indicating that the model employed is a perfect fit to the data in the study.

The parameter values computed by AMOS 16.0 for the model are presented in Figure 2 and Figure 3 respectively. Figure 2 shows the strength and magnitude of relationship between variables in the study.

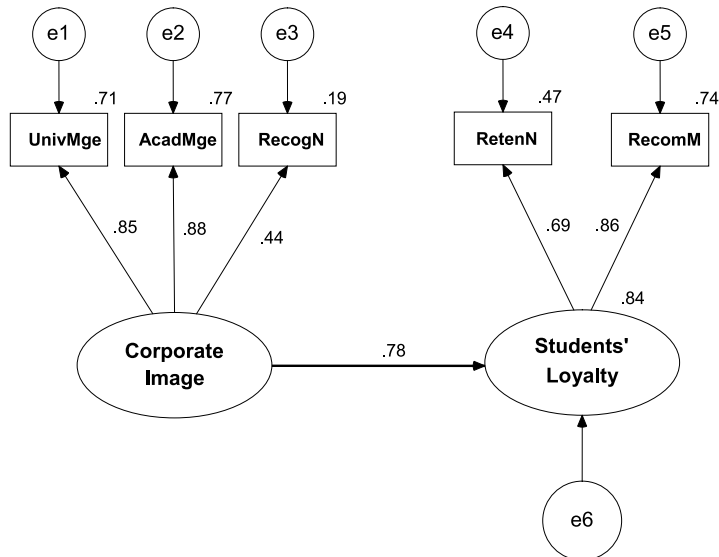


Figure 2: The Strength and Magnitude of Interrelationship among Variables in the Study (Standardized Estimates)

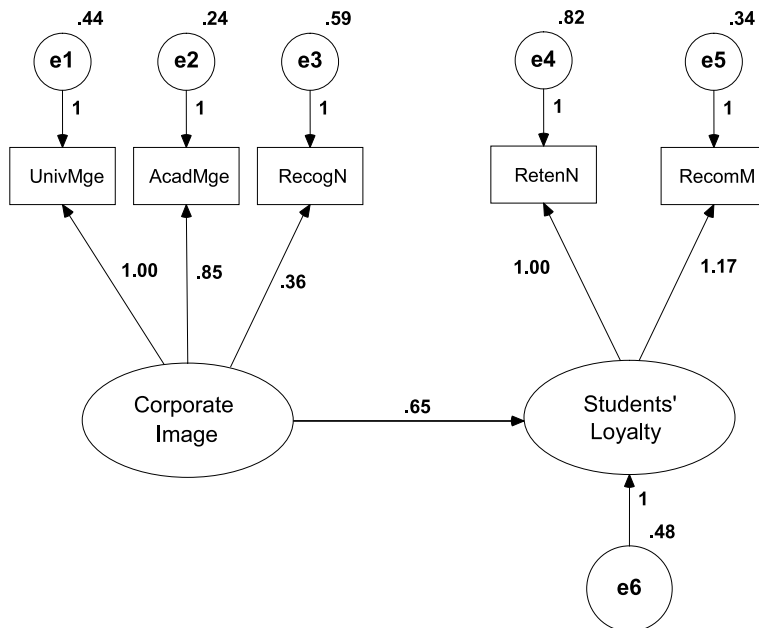


Figure 3: The Strength and Magnitude of Interrelationship among Variables in the Study (Unstandardized Estimates)

In other words, Figure 2 indicates how strong the relationship between two variables is. Figure 3 shows the coefficient of multiple regressions between variables in the study.

## **Results and Discussion**

Figure 2 shows the strength of relationship between each dimension and its main variable as well as the relationship between the main variables in the study. The main interest of the study is the strength of relationship between corporate image and students' loyalty. The result shows the measure of relationship between corporate image and students' loyalty is 0.78 with  $R^2$  0.84 (Figure 2).

From the output, the relationship between the "image of a university", "image of academic activities" and "external recognitions received by the university" to the corporate image of a university are 0.85, 0.88, and 0.44 respectively. In other words the "image of academic activities" conducted by the university contributes the most as far as the corporate image of a university is concerned.

The output in Figure 2 also shows the relationship between "retention" and "recommendation" to the students' loyalty towards the university are 0.69 and 0.86 respectively. In other words, the tendency of outgoing students to recommend the university to their friends, families and employers is higher than their tendency to continue studying at the university. The reasons might be due to the fact that these outgoing undergraduates would prefer to find a job and settle for a family before they proceed to postgraduate study at the university in the future. Another reason might be that they themselves would want to venture to a new place for a new life at another university for their postgraduate studies after spending a few years at the present university. The output in Figure 2 also indicates that 84% of the variation in students' loyalty towards their university can be explained by the corporate image of the university.

Figure 3 presents the regression coefficients among variables in the study. The significance of these causal relationships (path analysis test) is presented in Table 6.

Table 6: Path Analysis for Output in Figure 3

PATH ANALYSIS		Estimate	S.E.	P-value
STUDENTS LOYALTY	← CORPORATE IMAGE	0.652	.046	***
MKT RETENTION	← STUDENTS LOYALTY	1.000		
+VE RECOMMENDATION	← STUDENTS LOYALTY	1.170	.066	***
UNIVERSITY IMAGE	← CORPORATE IMAGE	1.000		
ACADEMIC IMAGE	← CORPORATE IMAGE	0.854	.055	***
EXTERNAL RECOGNITION	← CORPORATE IMAGE	0.363	.034	***

\*\*\* Indicate the level of significance is 0.001 or lower

**Path analysis 1:** Corporate Image » Students' Loyalty  
 The  $\beta$  estimate is 0.652 with standard error 0.046.  
 The significance value ( $p = ***$ ) is less than 0.001.  
 This shows that the impact of Corporate Image on Students' Loyalty is highly significant.

**Path analysis 2:** Corporate Image » Academic Image  
 Corporate Image » University Image  
 Corporate Image » External Recognitions  
 The  $\beta$  estimates are 1.00, 0.854, and 0.363 respectively.  
 The significance values are less than 0.001 for all paths.  
 These show the effects of Academic Image, University Image, and External Recognition on the Corporate Image of a university are highly significant.

**Path analysis 3:** Students' Loyalty » Retention  
 Students' Loyalty » Recommendation  
 The  $\beta$  estimates are 1.00 and 1.17 respectively.  
 The significance values are less than 0.001.  
 These show the effects of Market Retention and Positive Recommendation on Students' Loyalty are highly significant.

### Implications for the Management of a University

This study finds that the corporate image of a university has a significant and direct effect on students' loyalty towards postgraduate programs at that particular university. The result of this study is consistent with Zeithaml's and Bitner's (1996) findings that corporate image of an organization has the ability to influence customers' purchasing behavior.

The result is also consistent with Zainudin's and Zaihan's (2004) findings that the corporate image of a hospital has a significant and positive influence of patients' willingness to choose that hospital again if the needs arises, and to recommend the hospital to their friends and families. More importantly, this finding is in line with Gronroos (1984, 2000), the Service Marketing Guru. In his research, Gronroos (1984) revealed that the corporate image of a service provider is an important factor in the customers' overall evaluation of service consumption and also their overall impression towards the service provider itself where positive impression would lead to favorable action and vice-versa.

Of the three corporate image dimensions that have emerged, the dimension of *academic image* is found to be the most important factor as far as the corporate image is concerned, besides *the image of a university* and the *external recognitions* received by the university. This research found that the achievements of the academic staff of the university for their research, inventions, and publications are important elements influencing students' positive perception of the university. Thus, the management of a university should give utmost priority to the academic excellence achieved by the academic faculties. Any achievement or awards obtained by these academic faculties should be well communicated to all stakeholders. The publicity of any achievement by lecturers, for example, would directly help them earn valuable appreciation and positive perception from their existing students. More importantly, the publicity would indirectly elevate the corporate image of a university as a whole in the eyes of other stakeholders.

Since the achievements of academic staff contribute significantly to the corporate image of that particular university, the university should provide an appropriate atmosphere for its academic staff to excel in their respective fields. Academicians who achieve excellence should be rewarded accordingly to motivate others to excel as well.

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Email address: [zainudin888@kelantan.uitm.edu.my](mailto:zainudin888@kelantan.uitm.edu.my)