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Vincent Charles and Tatiana Gherman

**CENTRUM Católica Graduate Business School
Pontificia Universidad Católica del Perú**

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Student-based brand equity in the business schools sector: An exploratory study

Vincent Charles*

CENTRUM Católica Graduate Business School
Pontificia Universidad Católica del Perú, Lima, Peru
vcharles@pucp.pe

Tatiana Gherman

School of Business and Economics
Loughborough University, Leicestershire, United Kingdom
T.I.Gherman@lboro.ac.uk

*Corresponding author at: CENTRUM Católica Graduate Business School, Calle Daniel Alomia Robles 125-129, Los Alamos de Monterrico, Santiago de Surco, Lima, Peru. Tel.: +511 626 7100.

Abstract

Faced with increased competition, business schools seem to have realized that having the strongest brands, hence, a distinct image, is vital to strengthen their presence in the education marketplace. It is in this context that the present paper focuses on assessing the dimensions of brand equity of business schools from the MBA-enrolled student's perspective, with a specific reference to the Peruvian market. In this regard, it builds an instrument around five dimensions of brand equity, namely, *brand loyalty*, *brand association*, *brand awareness*, *perceived quality*, and *overall brand perception*. Additionally, it furnishes a snapshot of the Peruvian business schools sector by means of providing the order of dimensions pertaining to each business school. The analysis suggests that *perceived quality* seems to be the most important dimension of brand equity, while the *overall brand perception* is almost always ranked last. Conceptualizing brand equity from the MBA-enrolled student's perspective can prove to be useful as this framework could assist business schools in designing marketing strategies to improve their brand equity and gain a higher student share.

Keywords: *Business schools, brand loyalty, perceived quality, brand awareness, brand association, brand equity, emerging markets, factor analysis, higher education*

Introduction

The Master's Degree in Business Administration (MBA), one of the most popular post-graduate degrees available nowadays (Charles & Gherman, 2014), represents a competitive industry (Sharkey & Beeman, 2008), in which business schools compete for students (Segev, Raveh, & Farjoun, 1999). Faced with increased competition, business schools all over the Globe seem to have realized that having the strongest brands, hence, a distinct image, is vital to strengthen their presence in the education marketplace (Keever, 1998). The case of Peru is in no way different. As a matter of fact, for the past 15 to 20 years the Peruvian higher business education has registered phenomenal growth and figures are expected to continue rising.

Although numerous studies have been conducted to evaluate brand equity, no research effort has been made to apply the brand equity concepts to the Peruvian business schools brands. As such, no effort has been made to understand the role played by the brand equity, nor to examine the ways that the Peruvian business schools could develop to monitor and enhance the loyalty towards their brands. Furthermore, as Lassar, Mittal, and Sharma (1995) assessed:

“In spite of the increasing importance of the brand equity concept, an instrument to measure brand equity from the customer perspective has been lacking. Because the source of brand equity is customer perceptions (Keller, 1993), it is important [...] to be able to measure and track it at the customer level.” (p. 11)

This view is supported by more recent research, such as the studies by Baker, Nancarron, and Tinson (2005) and Mourad, Ennew, and Kortam (2010).

Thus, the purpose of the present paper is two-fold: on the one hand, to develop an instrument to measure the MBA-enrolled student-based brand equity of business schools and on the other hand, to assess the dimensions of brand equity of business schools in Peru. Additionally, we provide a snapshot of the order of dimensions pertaining to each business school.

Literature Review

The literature on brand equity comprises various definitions given by both the academics and the practitioners, having resulted in a variety of conceptualizations for the construct and a variety of methodologies to measure the same (Christodoulides & De Chernatony, 2009; Yoo & Donthu, 2001). Aaker (1991), for example, defines brand equity as “a set of brand assets and liabilities”, such as brand awareness, brand associations, perceived quality, and brand loyalty, that are linked to the brand, its name and symbol and that add to or subtract from the value provided by a product or service being offered. Keller (1993), on the other hand, introduces brand equity from the consumer psychology perspective, i.e., consumer-based brand equity (CBBE), defining it as “the differential effect of brand knowledge on consumer response to marketing of the brand”. Regardless of the perspective adopted, i.e., financial or costumer-based, brand equity represents the value that a brand name adds to a specific product (Farquhar, 1989).

Brand building in educational institutions lies at the intersection between the institution’s core values and the expectations of their stakeholders. In a context in which higher education is becoming more of a commodity (Aggarwal Sharma, Rao, and Popli, 2013), business schools need to find ways to highlight their distinguishing features to gain a higher student share. In this regard, a good source of information regarding the business school’s image and ranking, that can predict mobility, is represented by the student feedback

(Segev, Raveh, & Farjoun, 1999). Furthermore, there are a number of studies that have focused on assessing the factors that impact on the perception of the business school brand equity, such as the studies by Chen (2008), Kurz, Scannell, and Veeder (2008), Mourad (2010), and Paden and Stell (2006).

In brief, business schools should focus on measuring and enhancing their brand equity, as this can influence their image, with a direct impact on their performance. Nevertheless, it is important to keep in mind that a business school can spend years in the endeavor to establish and reinforce its brand (Bisoux, 2010).

Scale Development

Research design.

The study is based on primary data which have been analyzed using appropriate statistical tools, as explained in the following sub-sections. The primary data were collected by conducting an online questionnaire survey from the selected sample units (business schools) in Metropolitan Lima.

Based on the academic and practitioner literature review - taking as a base, mainly, Aaker (1991)'s well-known conceptual framework of brand equity and the work of Yoo et al. (2000), with some adaptations - and following the advice of Baker et al. (2005) who suggested that in the absence of universal measures of brand equity, each sector has to determine its best-suited items, we identified 18 items which were included into a structured questionnaire in the form of 3 negatively-worded statements and 15 positively-worded statements, to which the participants had to respond by means of a 7-point Likert-type scale (where 1 represented strong disagreement and 7 represented strong agreement with the respective statement).

The content validity of the items was assured with the help of two experts in the field of marketing and two psychologists. Furthermore, to ensure a clear understanding of the questions, the instrument was pretested during a pilot study conducted with 57 MBA-enrolled students, a process which yielded a positive gesture in terms of face validity.

Data collection.

A total of 900 potential respondents were notified and invited to respond to a self-completion questionnaire which had been circulated online. The total sought sample size of 900 was equally distributed among nine business schools. Nevertheless, the findings we report here are based on 467 questionnaires (i.e., a response rate of 52%) that were received during a one-month period (see Table 1).

- Insert Table 1 here -

The sample had a strong representation of females (61%). Other personal characteristics of the respondents are exhibited in Table 2 below. It is to be noted that the respondents were informed about the general purpose of the survey and a guarantee of anonymity was promised before data collection.

- Insert Table 2 here -

Data analysis.

The number of 467 final questionnaires was deemed adequate for statistical analyses of the data, which were then carried out through exploratory factor analysis with principal component analysis using *varimax* factor rotation. The subjective element of factor analysis was reduced by splitting the valid sample of questionnaires randomly into two, one sample of

187 and the other one of 280 questionnaires, based on the 40%-60% rule of thumb (Charles & Gherman, 2014). As the factors (dimensions) extracted separately from both groups were identical, the analysis was considered reliable. Furthermore, although only items with a factor loading of .40 and above were considered significant in interpreting the factors, this criterion preserved the number of items to 18. Five factors emerged clearly from the analysis with the items loading on their appropriate factors.

Subsequently, Bartlett's test of sphericity was found to be highly significant for the 40%, 60%, and 100% of the sample with a $p = .000$, implicating that the data are suitable for undergoing factor analysis as there are underlying relationships between the items that might yield a pattern during the analysis. Moreover, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy gave a highly satisfactory .932, .925, and .942, respectively.

For both samples, out of the 18 items, five factors were produced. The factors that emerged out of the study were given the appropriate names in accordance with the criteria, namely *brand loyalty* (Factor 1 – BL), *brand association* (Factor 2 – BAS), *brand awareness* (Factor 3 – BAW), *perceived quality* (Factor 4 – PQ), and *overall brand perception* (Factor 5 – OBP). The five factors, when added together, accounted for 87.240% (for the 40% sample), 88.902% (for the 60% sample), and 87.948% (for the overall sample), respectively, of the variation in the data generated.

The results of the factor analysis in terms of the rotated factor loading matrices for the 100% of the sample can be seen in Table 3 and the loadings for the 40% and 60% of the sample can be appreciated in Figure 1.

- Insert Table 3 here -

It is to be noted that the factor loadings for the 40% and 60% of the sample have been graphically represented in Figure 1 by taking into consideration the structure of the 100% of the sample.

- Insert Figure 1 here -

Reliability of the Constructs.

The internal consistency was tested through Cronbach's Alpha. The Alpha values for the five dimensions are 0.957 (BL), 0.918 (BAS), 0.947 (BAW), 0.983 (PQ), and 0.836 (OBP), respectively (see Table 3), and the combined Alpha value for all the items is 0.969. As they all exceed the obligatory requirement of 0.70, this indicates that all of the items and factorial groups are sufficient reliable measures. Thus, the statistical and factor analysis tests have yielded that the proposed items and dimensions of the instrument of the study are sound enough to measure the perceptions of the MBA-enrolled students regarding the determinants of brand equity for the Peruvian business schools, and, hence, can be used for further analysis and interpretation.

Snapshot of the Peruvian Business School Sector

As it can be appreciated from the below Table 4, we have further used the data based on the knowledge obtained from the exploratory factor analysis to provide a ranking of the resulted five underlying dimensions of brand equity for each of the nine Peruvian business schools.

- Insert Table 4 here -

As such, except for the case of business school no. 7, we can observe that the most important dimension of the brand equity of Peruvian business schools, as appreciated by the MBA-enrolled students, is *perceived quality* (or, otherwise stated, the student's perception of the quality of the programs offered by the business school with respect to its intended purpose and relative to alternatives (Zeithaml, 1988)). The second, third, and fourth most important dimensions are varying mainly between *brand association*, *brand awareness*, and *brand loyalty*. As such, *brand association* is reported as the second most important dimension in 5 out of the 9 cases, *brand loyalty* in 2 cases, and *perceived quality* in only 1 case. Similarly, *brand awareness* holds the third position in 4 out of the 9 cases, *brand association* in 3 cases, and *brand loyalty* in 2 cases. The fourth most important dimension is *brand loyalty* (5 out of the 9 cases), followed by *overall brand perception* and *brand awareness*, each reported in 2 cases.

What is notable is that *overall brand perception* - defined as examining the students' overall attitudes toward the business school of their interest and their intention to select the same against its counterparts (Yoo et al., 2000) - is almost always ranked last (in 7 out of the 9 cases).

Discussion and Implications

Memorable brands are all about delivering experiences and creating relationships that engage and excite, and at the same time, are both complete and consistent. In today's increasingly complex competitive environment, students are becoming more and more selective about the business schools at which they decide to pursue their higher education.

As such, it seems only right to say that business schools should measure their brand equity on a regular basis. It is in this context that the present paper focuses on assessing the dimensions of brand equity of business schools from the MBA-enrolled student's perspective.

In this regard, it builds an instrument around five dimensions of brand equity, namely, *brand loyalty, brand association, brand awareness, perceived quality, and overall brand perception*. Conceptualizing brand equity from the MBA-enrolled student's perspective can prove to be useful as this framework could assist business schools in designing marketing strategies to improve their brand equity to gain a higher student share. As such, a thorough understanding of brand equity from the MBA-enrolled student's point of view may be essential for successful brand management.

The usefulness of the current research resides in the proposed framework, as this can help both to identify areas where more research and promotional support is needed in assisting the academic decision-making process and to uncover possible sets of intangible attributes in which the business school can differentiate itself. The advantage of the scale is that by being student-based, it enables the pursuit of further feedback from the students if the business school's brand equity is seen to deteriorate. Moreover, this feedback should be relatively easy to collect given the small number of items that compose the instrument and which have the capacity to assess the individual dimensions of brand equity.

In the end, we should remember that it is the great confidence that students place in the brand of a business school that nurtures the very definition of the respective business school's brand equity. It is this confidence that predicts the students' loyalty and willingness to pay a premium tuition fee. As such, business schools find themselves in a position in which they need to examine the ways that they could develop to enhance the loyalty towards their brands. As previously mentioned, measuring and enhancing brand equity should become a priority for any business school which looks after image, and subsequently, its reputation and performance.

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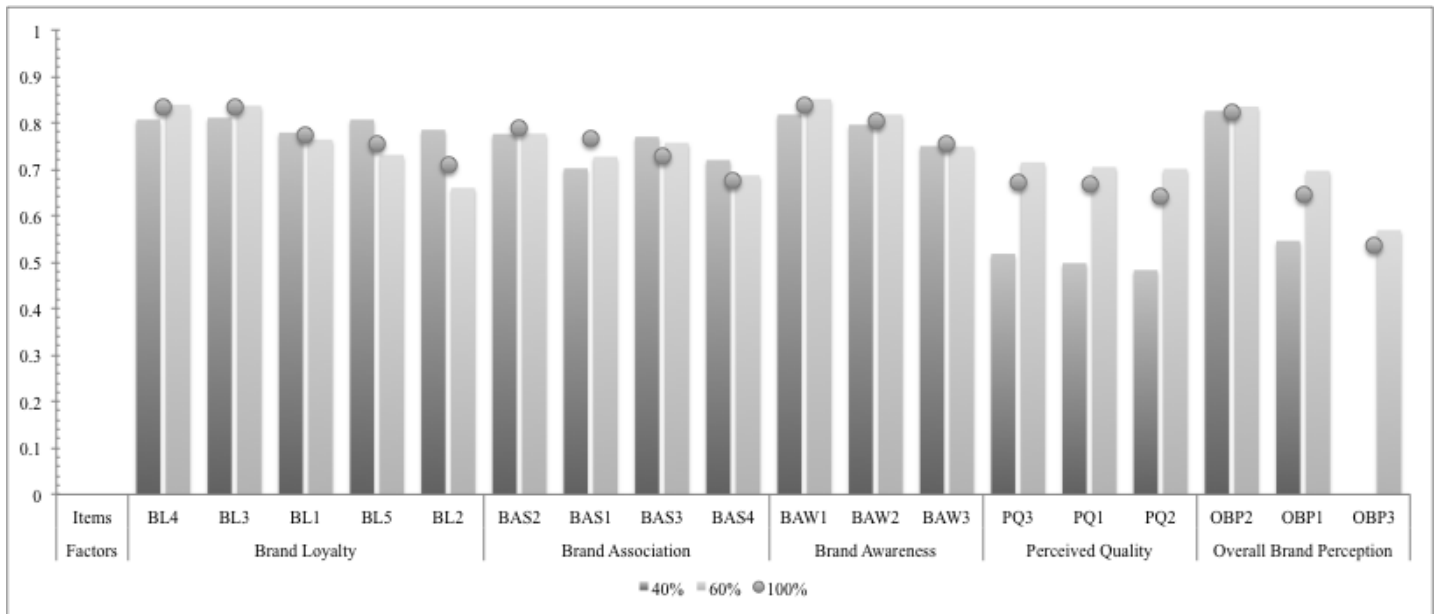


Figure 1. Factor loadings for the 40% and 60% of the sample versus the overall sample.

Table 1. Sampling plan

S. No.	Business School	Response Rate (% at the school level)	Response Rate (% of the total sample)
A	CENTRUM Católica Graduate Business School	80	17%
B	Universidad de Lima	44	9%
C	Universidad de Piura	77	16%
D	Universidad de San Martín de Porres	42	9%
E	Universidad del Pacífico	64	14%
F	Universidad ESAN	24	5%
G	Universidad Inca Garcilaso de la Vega	71	15%
H	Universidad Peruana de Ciencias Aplicadas UPC	45	10%
I	Universidad Ricardo Palma	20	4%

Table 2. Demographic profile of the respondents

Category	Classification	Frequency	%
Age	[21-24)	5	1%
	[24-27)	59	13%
	[27-30)	130	28%
	[30-33)	87	19%
	[33-36)	48	10%
	[36-39)	58	12%
	[39-42)	40	9%
	[42-45)	21	4%
	>=45	19	4%
Gender	Male	184	39%
	Female	283	61%
Job Sector	Agribusiness	4	1%
	Commerce and Distribution	65	14%
	Construction	34	7%
	Consultancy	55	12%
	Education	7	1%
	Investigation	6	1%
	Mining	24	5%
	Services	86	18%
	Telecommunications	48	10%
	Other	138	30%

Table 3. Results of the exploratory factor analysis

Factors	Items	Factor Loadings	Reliability Analysis			
F1: Brand Loyalty (BL)	Even if the tuition fee is a little higher than that of its competitors, I will continue studying in the business school of my interest.	0.833	Cronbach's	Alpha = 0.957	Mean = 4.768	Variance = 2.994
	I will continue to study in the business school of my interest as long as I am satisfied with the programs it provides.	0.833				
	I surely consider myself to be loyal to the business school of my interest.	0.774				
	I would love to recommend the business school of my interest to my circle of friends and acquaintances.	0.756				
	When choosing a future program, I would consider the business school of my interest as my first choice.	0.708				
F2: Brand Association (BAS)	I have a lot of admiration for the students who study in the business school of my interest.	0.788	Cronbach's	Alpha = 0.918	Mean = 4.987	Variance = 3.107
	Compared to the competing brands, the business school of my interest counts with a distinctive brand image.	0.766				
	I am fond of the brand image of the business school of my interest.	0.730				
	I have a lot of trust in the business school of my interest regarding the quality of the programs offered.	0.674				
F3: Brand Awareness (BAW)	I can rapidly recall some attributes of the business school of my interest.	0.837	Cronbach's	Alpha = 0.947	Mean = 4.677	Variance = 3.254
	Among the other competing business schools, I can recognize the business school of my interest rapidly.	0.805				
	I am acquainted with the brand of the business school of my interest.	0.754				
F4: Perceived Quality (PQ)	The programs offered by the business school of my interest count with excellent attributes.	0.672	Cronbach's	Alpha = 0.983	Mean = 5.278	Variance = 2.429
	I have a lot of trust in the quality of the programs offered by the business school of my interest.	0.670				
	The programs offered by the business school of my interest would be of very good quality.	0.642				
F5: Overall Brand Perception (OBP)	If another business school is in no way different from the business school of my interest, it seems smarter to choose to study in the business school of my interest.	0.821	Cronbach's	Alpha = 0.836	Mean = 4.102	Variance = 2.975
	I would always prefer to study in the business school of my interest, even if a competing business school offers the same exact programs as the business school of my interest.	0.646				
	I consider the business school of my interest to be more than an educational institution to me.	0.538				

Table 4. Ranking of the five dimensions of brand equity within each business school

RANK	1	2	3	4	5	6	7	8	9
1	PQ	PQ	PQ	PQ	PQ	PQ	BAS	PQ	PQ
2	BL	BAS	BAS	BAW	BL	BAS	PQ	BAS	BAS
3	BAS	BAW	BL	BAS	BAS	BAW	BAW	BL	BAW
4	OBP	BL	BAW	BL	OBP	BL	BL	BAW	BL
5	BAW	OBP	OBP	OBP	BAW	OBP	OBP	OBP	OBP

Note. Each business school is numbered from 1 to 9. It is to be noted that the sequence of 1 to 9 is different from the previous sequence of A to I. The business schools have been shuffled to preserve their anonymity, as the sole purpose of the derived ranking of the brand equity dimensions is to provide a snapshot of the business school sector and not an individual assessment.