

The Analysis of Brand Extension Reputation on the Intention in Choosing Private University in Indonesia

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ABSTRACT

Brand reputation is important when choosing an education. Universities that already have a brand reputation can more easily attract prospective new students. There is a phenomenon where Private Universities are using extended brand reputation to compete. The purpose of this research is to analyze the impact of brand extension reputation on the intention in choosing private universities. The quantitative research method of Structural Equation Modeling uses a structured questionnaire. The questionnaires have been distributed to the students, and have been completed by email. It is a self-administrated method. The survey was conducted on students at one of Aperti (Aliansi Perguruan Tinggi) BUMN (Badan Usaha Milik Negara) with a total sample of 400 respondents using quota sampling. The results showed that the parent brand of BUMN had a significant influence on the extended brand of Aperti BUMN, which impacted student intention when choosing the university. Brand extension reputation has an indirect effect on intention through output expectation.

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1. INTRODUCTION

In 2019 the number of private universities reached 68% of the total national universities in Indonesia. The number of private universities (PTS) continued to increase from 2017 to 2019 as shown in Figure 1 (Ministry of Research, Technology and Higher Education, 2020). A total of 51 percent of new students came from a group of private higher education institutions which were contested by 3,154 private universities. The tight competition has caused 130 private universities to have closed from 2015 to 2019 in Indonesia, and the most in 2019 with a total of 79 private universities (Ministry of Research, Technology and Higher Education, 2020). One of the reasons for the closure of the private universities

was the insufficient number of students for campus operations. It is currently estimated that around 30 to 40 percent of private universities (PTS) in Indonesia are heading for bankruptcy due to a shortage of students (Leonnard, 2014). This is exacerbated by the entry of foreign private universities into Indonesia. Foreign PTS enter into partnerships with local PTS. Several foreign private universities have operated in Indonesia, including the National Taiwan University and Central Queensland University (LLDIKI 12, 2018). Thus, it is critical for private universities in Indonesia to have a good reputation and proper branding so that they can survive in the national education industry.

Many factors drive university selection behavior. Some of them are promotion (Kango et al., 2021), the unique capabilities of higher education (Foster & Johansyah, 2021), and brand image (Nugroho & Nursito, 2019; Sitanggang et al., 2021). The quality of service is one of the significant factors affecting the brand image of a university (Panda et al., 2019). A strong brand can influence students' decision to choose the intended university (Nugroho & Nursito, 2019; Sitanggang et al., 2021). One of the most common branding strategies is a brand extension. The concept of brand extension is one of the elementary marketing strategies and is the key driving force for developing these new products (Ahn et al., 2018). Kotler (1972) has defined that brand extension is a strategy which use a successful brand name from its parent company to launch a new product from its subsidiaries.

Various studies of brand extensions are still limited to the scope of private organizations but are still limited to hybrid organizations as parent brands that extend brands to private organizations. A hybrid organization is a term for State-Owned Enterprises (BUMN) which have roles as public and private services (Bruton et al., 2015). In addition, previous studies have focused more on the same form of market in a perfectly competitive market, in this study on different market forms of brand extension from a monopoly market to a perfectly competitive market that has different characteristics. Previous brand extension studies were still limited to parent brand reputation in the corporate industry that carried out an extended brand reputation in the education industry.

Therefore, this study aims to analyze the relationship between parent brand reputation and extended brand reputation on output expectations and the effect of output expectations on intention. The parent brand reputation represents the reputation from the brand of its parent company, while the extended brand represents the brand of its new product from its subsidiaries.

The model of decision-making behavior in selecting a university begins from the parent brand reputation of BUMN, and the extended brand reputation of Aperti BUMN is the conceptual value. Then, the parent brand reputation and extended brand reputation affect the formation of in-lined output expectations. Furthermore, the output expectations formed from the parent brand reputation and the extended brand reputation are analyzed to identify their influence on intention in selecting higher education institutions.

The conceptual framework of this study includes parent brand reputation, extended brand reputation, output expectation, dan intention. The hypotheses of this study are:

H1: Parent Brand Reputation affects Extended Brand Reputation.

H2: Parent Brand Reputation affects Output Expectation.

H3: Extended Brand Reputation affects Output Expectation.

H4: Output Expectation affects students' Intention.

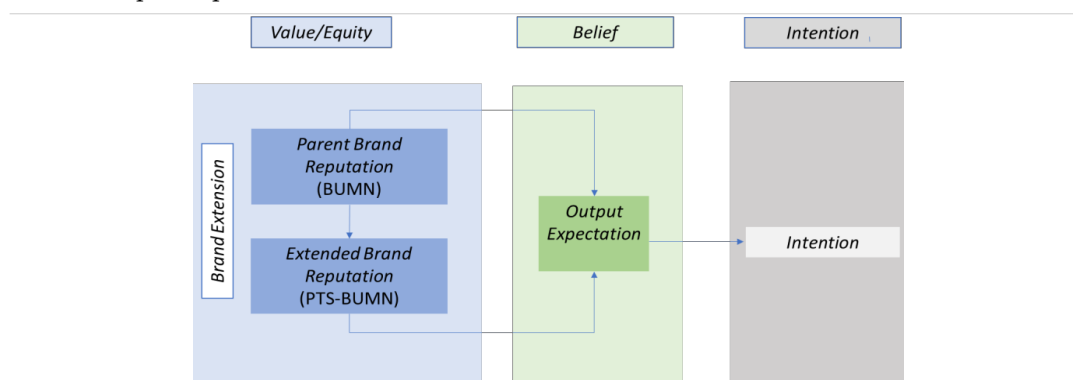


Fig. 2. Conceptual Framework

2. METHODS

This is a quantitative study conducted at one of Aperti BUMN, a private university in Indonesia. The sampling method is non-probability sampling with quota sampling. In order to get good goodness of fit, the recommended sample size is five to ten times from the number of manifest variables (indicators) of all latent variables (Hair et al., 2019). The number of population is 6,635 students, while the sample is 400 respondents. These 400 respondents are students from 15 Departments of Study in this Aperti BUMN. The numbers of respondents from each department are divided proportionally. These respondents fill out questionnaires through email self administratively. Table 1 shows the quota of respondents.

Table 1. Respondents

Study Program	Students' population in	Sample	Percentag
Geophysical	380	23	5.73
Geological	646	39	9.74
Petroleum	649	39	9.78
Electrical Engineering	360	22	5.43
Mechanical	476	29	7.17
Chemical	525	32	7.91
Logistics Engineering	540	33	8.14
Civil Engineering	518	31	7.81
Environmental	332	20	5.00
Chemistrv	210	13	3.17
Computer Science	279	17	4.20
Management	596	36	8.98
Economic	284	17	4.28
Communication	335	20	5.05
International	505		7.61
Total	6 635 students	400	100%

The questionnaires are tested for their validity and reliability to measure the consistency and accuracy of the questions in the questionnaire. Questions in the questionnaire are considered reliable (consistent and accurate) if the Cronbach's Alpha value limit is 0.6 (HThair et al., 2019). Then the SEM analysis is carried out with Lisrel 8.8 software. SEM is a statistical tool to examine a set of relationships between one or more independent variables and the dependent variable, whether the variable is continuous or discrete. . Figure 3 shows the trajectory diagram of the relationship between parent brand reputation, extended brand reputation, and output expectation on intention.

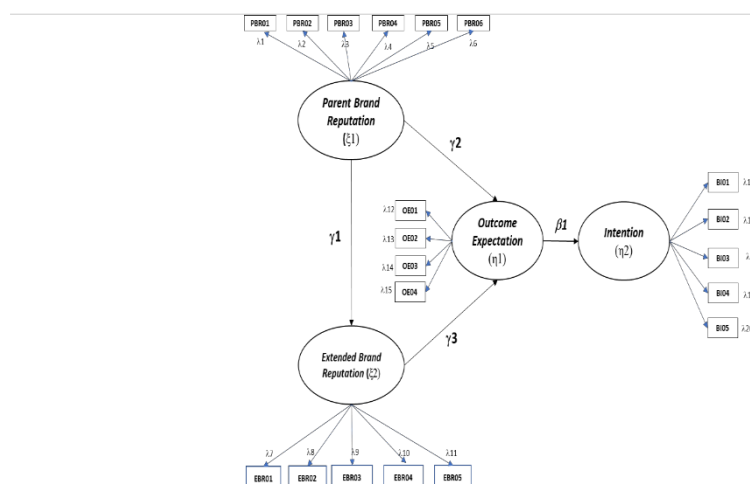


Fig. 3. Cross research chart

The PBR BUMN has 6 indicators, EBR has 5 indicators, OE has 4 indicators and Intention has 5 indicators as explained by the table below including the definitions of its concepts.

Variabel Laten	Definition	Indicators
PBR BUMN	The value of equity attached to BUMN is based on the perception and interpretation of consumers. Source: Heinberg et al. (2017)	<ol style="list-style-type: none"> 1. Treat for customers well. 2. Caring for customers or society. 3. Good place to work. 4. Have strong prospects for growth. 5. Have an advantage over competitors.
EBR – APERTI	Brand reputation that is formed from the emotional relationship of BUMN to Universities so that it has an impact on the image formed.	<ol style="list-style-type: none"> 1. University brand can be trusted. 2. Leading university brand. 3. University brands claim for honesty and integrity. 4. I admire or respect the university brand 5. I have a good feeling about the university brand
Outcome Expectation	Students' expectations about what they can get from the university that determine student expectations. Source: Hsieh dan Yuan (2010).	<ol style="list-style-type: none"> 1. I expect the university has a good education 2. I expect the university is able to provide reliable education. 3. I expect the university is able to provide education according to <p>Adopted from: Wong & Dioko (2013)</p>
Intention	Refers to a specific type of student willingness, changing the psychological state into a directed action response to choosing a university. Source: Ajzen (1991)	<ol style="list-style-type: none"> 1. I am interested in enrolling in this university. 2. I am interested / planning to enroll in this university. 3. I wish I could enroll in this university. 4. I will enroll in this university if ther 3. I wish I could enroll in this university. 4. I will enroll in this university if there is a chance. 5. I will invite students/friends to enroll in this university. <p>Adopted from: Wang et al. (2019); Foroudi (2018)</p>

Result

This study has used 400 respondents consisting of 43.5% female (174 people) and 56.5% male (226 people) participated in a survey. The majority of respondents were in semester 3 with a percentage of 40.8%, the remaining is semester 5 amounted to 37.8%, and semester 7 amounted to 21.5%. The results of the validity test for the variables Parent Brand Reputation (PBR1 – PBR6), Extended Brand Reputation (EBR1-EBR5), Outcome Expectations (OUE1-OUE4), Intention (INT1-INT4) in the R count range of 0.715 to 0.982 with significant at alpha 5 % which indicates a valid questionnaire. The reliability test also shows a significant value with Cronbach's alpha in the range of 0.754-0.970 above the value of 0.60.

Then the overall structural model fit test is carried out from the Goodness of Fit (GoF) measure. A measurement model can be called fit with the data if the model can estimate the data covariance matrix properly as shown in Table 2. Table 2 shows that this model is good because 8 out of 10 model suitability criteria have been met.

Table 2. Result of Goodness of Fit Test (GOF)

GOF Test	GOF Measurement	Value	Result
Absolute Fit Measures			
Chi Square	The smaller the better (p-value $\geq 0,05$)	586,16 (p = 0,00)	Marginal fit
RMSEA	RMSEA $\leq 0,08$ good fit	0,080	Good fit
NCP	The smaller the better	420,16	Good fit
NFI	NFI $\geq 0,90$ good fit $0,80 \leq \text{NFI} < 0,90$ marginal fit	0,97	Good fit
NNFI	NNFI $\geq 0,90$ good fit	0,98	Good fit
RFI	RFI $\geq 0,90$ good fit	0,97	Good fit
IFI	IFI $\geq 0,90$ good fit	0,98	Good fit
CFI	CFI $\geq 0,90$ good fit	0,98	Good fit
Parsimonious Fit Measures			
PNFI	The bigger the better ($0 \geq \text{PNFI} \geq 1$)	0,90	Good fit

3. FINDINGS AND DISCUSSION

The effect of Parent Brand Reputation to Extended Brand Reputation.

The structural model in SEM is a model that relates latent variables (exogenous latent and endogenous latent). The results of hypothesis testing for the structural model in this study can be seen in Table 2 and Figure 4. Brand extension is a marketing strategy in which a company produces and markets products with the same parent brand name but in different product categories (Bao, Sheng, &

Nkwocha, 2010). In general, there are two forms of brand extensions. The first one is a vertical brand extension. It refers to the launch of new products or services in the same product/service category as the parent brand but at a different price or quality point. The second one is a horizontal brand extension. It refers to the use of the parent brand name to introduce the product or new services in a different category from the parent brand (Ahn et al., 2018).

In this study, brand extensions occur in the form of horizontal brand extensions that can be seen in the use of the parent brand name BUMN by introducing new products or services in a different category from the parent brand, namely Aperti BUMN. The results show that the effect of PBR on EBR is due to the transfer of brand identity into the brand image from parent to the extended brand (Yuan et al., 2016). In addition, Afzal et al., (2010) also suggest that brand reputation, predictability and competence have a positive influence on trust in a brand, a good reputation can make the image of the company and the brand good and can gain consumer trust. This result is also in line with the statement by del Barrio-García and Prados-Peña (2019) in their research that is parent brand preference has a positive effect on brand expansion. Baek et al., (2017) also explain that the perception of fit is applied to explain the influence of the parent brand on the brand extension situation, especially when the new brand of the extended product is related to the launch of the parent brand.

Tabel 3. Result of the hypotheses testing

Endogenous Variable	Exogenous Variable	Relation	Direct effect coefficient	t-value	Results
EBR (Extended Brand Reputation) OUE (Output Expectation)	PBR (Parent Brand)	PBR →	0,78	13,71	H1
	PBR (Parent Brand Reputation)	PBR → OUE	0,26	3,51	H2 Accepted
	EBR (Extended Brand Reputation)	EBR → OUE	0,48	6,12	H3 Accepted
	OUE (Output Expectation)	OUE → INT	0,58	12,18	H4 Accepted

The effect of Parent Brand Reputation and Extended Brand Reputation to Outcome Expectation.

The PBR and EBR variables affect the OUE. There is an influence between brand reputation on output expectation because the reputation that continues to show improvement will lead to consumer expectations of these brands' improvement in the future (Nielsen, 2016). A study by Fatma et al., (2015) supports this result in which the company's reputation will show how much the organization's ability to meet expectations. Organizations viewed to have good images have an important influence on generating expectations from stakeholders. The effect of extended brand reputation on the output expectation is because in the formation of the expansion of a brand, the perception of the parties involved must be considered. A study by Muhammad et al., (2017) supports this result where brand extension is successful if the customer has an optimistic attitude towards the extension. The attitude is the result of the brand's expectations of the customer.

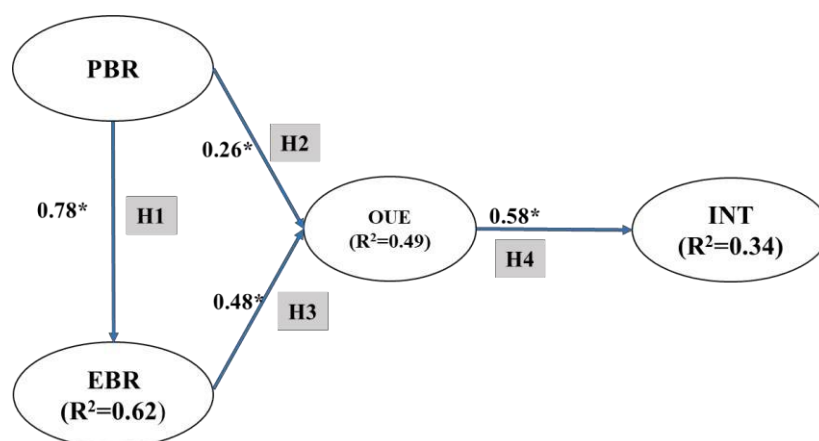


Fig. 4. Result of SEM Model

The effect of Outcome Expectation to the intention.

The OUE variable affects Intention (INT). The effect of outcome expectation on intention is because the expectation is a flexible factor. Outcome expectation is a description of the extent to which a person has confidence that certain results will occur (Brown et al., 2014). When faced with a favorable condition such as support from related parties (Luc, 2020), expectations can turn into motivations. The results of this study are in line with the research done by Hsieh & Yuan (2010) where customer outcomes in the form of expectations are considered as customer desires regarding what they should feel from companies that offer goods/services. Hussain et al., (2015) explain that outcome expectations affect brand loyalty and brand loyalty which will encourage consumer interest. Likewise, Williams (2010) explains that there is an influence between outcome expectancies on self-efficacy ratings that reflect intention. Meanwhile, Wong & Dioko (2013) pay more attention to the moderation of outcome expectations in shaping customer satisfaction.

The results also show that the indirect effect of PBR on INT is 0.37 while the indirect effect of EBR on INT is 0.28. This shows that the parent brand reputation of BUMN (Persero) is dominant enough to encourage students to choose Aperti BUMN compared to its extended brand.

4. CONCLUSION

Competition among private universities in attracting prospective students is getting tougher. Brand extension is one of the marketing techniques in the education industry competition. This study shows the role of brand extension reputation in encouraging students' interest in choosing study programs. The parent brand has a stronger influence than the extended brand on private universities. Campuses must have affiliations or joint ventures with corporates to build a reputation and attract prospective students. It is very important for Aperti BUMN to collaborate with BUMN to promote the universities. The promotion events that the universities do should be supported by the BUMN in order to attract more prospective students to choose these universities.

This study is still limited to the intention only. Further studies to the behavior of decision making to choose private universities should be developed. It is necessary to develop a model to form private universities choosing behavior in future studies.

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