

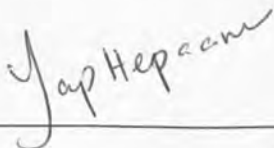
**UNIVERSITI MALAYSIA SABAH**

**BORANG PENGESAHAN STATUS DISERTASI**

**JUDUL : THE IMPACT OF UNIVERSITY IMAGE ATTRIBUTES ON  
STUDENTS' SATISFACTION AND LOYALTY**  
**IJAZAH : SARJANA PENTADBIRAN PERNIAGAAN**  
**SESI PENGAJIAN: 2010-2012**

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Tarikh: 30hb. Ogos 2012



**THE IMPACT OF UNIVERSITY IMAGE  
ATTRIBUTES ON STUDENTS' SATISFACTION  
AND LOYALTY**

**STEPHANIE YAP SU CHEN**

**THESIS SUBMITTED IN FULFILLMENT FOR  
THE DEGREE MASTER OF BUSINESS  
ADMINISTRATION**

**UNIVERSITI MALAYSIA SABAH**

**SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITI MALAYSIA SABAH  
2012**

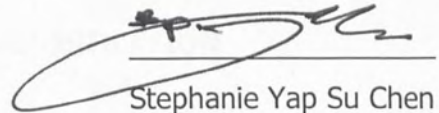


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## DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

23<sup>rd</sup> August 2012



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## CERTIFICATION

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## **ACKNOWLEDGEMENT**

First and foremost, I must thank God for giving me the strength to complete this dissertation. I would also thank to the people who have helped me throughout this master program. Without their support, encouragement, and understanding, I would never have achieved my academic destination. I wish to express my deepest respect and heartfelt gratitude to my supervisor Dr. Stephen Laison Sondoh Jr and my co-supervisor Mr. Ostwald Aisat Igau for their patience and constant support and guidance throughout my development and completion of this dissertation. I also would like to extend my grateful appreciation to my employers on their understanding and encouragement during my studies. Not to forget my family especially my parents and siblings for their love, understanding, prayers and encouragements. Finally, I would like to thank all my friends and colleagues for their support and assistance.





## **ABSTRACT**

### **THE IMPACT OF UNIVERSITY IMAGE ATTRIBUTES ON STUDENTS' SATISFACTION AND LOYALTY**

The purpose of this study is to examine the impact of university image attributes towards overall consumer satisfaction and loyalty intention in the context of higher education institutes. The study also examines the mediating effect of overall consumer satisfaction on the relationship between brand image and loyalty intention. In this study, university image attribute is conceptualized as a multidimensional construct which consists of five dimensions of image attributes namely location, reputation, programme, cost and facilities. Final year students from Universiti Malaysia Sabah are the respondents for this study. Data from 300 respondents were used and analyzed by using Statistical Package Social Science version 19.0. Multiple regression analyses were employed to test the relationships between university image attribute, overall consumer satisfaction and loyalty intention. The results showed that university image attribute have a significant influence on overall consumer satisfaction and loyalty intention. It is shows that overall customer satisfaction does influence loyalty intention. The hierarchical regression analysis results showed that overall consumer satisfaction mediates the relationships between university image attribute and loyalty intention. The results imply that marketers should focus on university image attribute in their effort to achieve consumer satisfaction and loyalty. By maintaining and strengthening university image attribute, it will position the university in the minds of consumers. Limitations of the study and recommendations for future researchers are also are included in this study.



## **ABSTRAK**

*Kajian ini bertujuan untuk mengkaji kesan imej universiti terhadap kepuasan keseluruhan dan niat kesetiaan pengguna berdasarkan kategori institut pengajian tinggi. Tujuan kedua kajian ini adalah untuk mengkaji kesan kepuasan keseluruhan pengguna sebagai pencelahan di antara imej universiti dan niat kesetiaan. Dalam penyelidikan ini, imej universiti dikonsepskan sebagai konstruk bersifat pelbagai dimensi yang mengandungi lima dimensi imej atribut iaitu lokasi, reputasi, program, kos dan kemudahan. Responden bagi kajian ini ialah pelajar tahun akhir dari Universiti Malaysia Sabah. Data daripada 300 responden telah digunakan untuk analisis statistik menggunakan SPSS v.19.0. Analisis regresi pelbagai peringkat telah digunakan untuk menguji hubungan di antara imej universiti, kepuasan keseluruhan pengguna dan niat kesetiaan. Keputusan kajian yang diperolehi menunjukkan bahawa imej universiti mempunyai kesan signifikan terhadap niat kesetiaan dan kepuasan keseluruhan pengguna. Hasil kajian menunjukkan bahawa pihak pengurusan seharusnya memfokuskan kepada imej universiti dalam usaha untuk memenangi kepuasandan kesetiaan pengguna. Dengan mengekalkan dan menguatkan imej universiti, ia akan membawa kesan positif jenama di dalam pemikiran pengguna. Keterbatasan kajian ini dan cadangan untuk penyelidikan akan datang juga diperincikan.*

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## CHAPTER 1

### INTRODUCTION

#### 1.0 Background of Study

Since 1980's, Malaysian government had recognized that its incapability to educate more than 6% of its people through its own institutions and thus began to work together with international education institutions to supplement its system. By year 1984, there were only 7 universities in Malaysia with their specific roles and functions in the economy and society (Sivalingam, 2006). Thus, in year 1995, 20 per cent of Malaysian students who study abroad cost the country around US\$800 million in currency outflow which comprising nearly 12 per cent of Malaysia's current account deficit. During the sixties, there is only one university in Malaysia. Thus, financing the only university during the sixties was not a difficult (Morsidi, 2010). However, there is increment in number of students and new College Universities as years go by which mean more strain on resources. In year 2003, the operation expenditure for the public universities exceeded RM 4 billion while the development allocation for universities in the 8th Malaysian Plan amounts to over RM 7 billion.

Globalisation in the higher education sector in Malaysia shows the increasing importance of knowledge as the driver of growth in the knowledge economy. Globalisation and the internationalisation of higher education have put forth different burdens and demands on Malaysia's higher education system. Lim, Yap and Lee (2011) noted that globalization of higher education industry comprises of three distinct waves which are movement of students to host countries for further education, twinning programs with local institutions and setting up of branch campuses and development of online courses through information technologies. The first wave has been practised since the last century. The second wave allows students to study a foreign degree in their home countries which is far cheaper. The third wave is the growth of higher education systems among the host countries to increase chances for students to study at home and to raise revenues utilising the current technology.



Now, Malaysia is on the move to emphasize tertiary education which includes vocational certificate, diploma, degree, master and doctorate. Tertiary education is a vital component and influencing factor in the development of human capital development in the national development plans in the production of the human resources and knowledge generation through research and innovation. Hence, Malaysia continues to invest and diversify its tertiary education through the establishment of numerous University Colleges (Yahaya and Abdullah, 2003). According to Morsidi (2010), there is a positive correlation between human capital developments and higher education, thus making higher education as national asset.

The first step taken by the government was to introduce Private Higher Educational Institutions Act, 1996; a legislation which was enacted by Parliament provided the legal and regulatory outline for the privatization of higher education and the formation of branches of foreign universities, local private universities, university colleges and other forms of private higher educational institutions (Ancheh, Krishnanand Nurtjahja, 2007). With the new legislation, foreign universities are invited to operate in Malaysia with the hope to turn the country into an educational hub in the region and become a net exporter of tertiary education by 2020. The legislation also requires the existing colleges to be upgraded to universities. Among them include overseas institutions such as University of Monash, Curtin University and University of Nottingham (Arokiasamyand Nagappan, 2012).

With the initiatives taken by the government in creating conducive investment climate, the number of private and local public institutions of higher learning increased from 292 in 1995 to 630 in 2005. The number of public institutions of higher learning also increased from 12 to 17 from 1995 to 2005 (Arokiasamy and Nagappan, 2012). However, there was a decline in the number of private institutions from 704 to 559 from 2000 to 2005 which may due partnership or they were not sustainable as cost recovery was difficult. Generally, the market experienced a 42.7 per cent growth between 1997 and 2002 (Sivalingam, 2006). This was a step to cope with the demand for higher education and to reduce the outflow of students studying abroad (Arokiasamy and Nagappan, 2012; Baharun, Awang and Padlee, 2011).



In order to reduce the financial dependency of public universities towards government funds, University of Malaya was the first university to be corporatized on 1 January 1998. Corporatization allows universities to adopt good corporate governance in terms of focusing on their core functions and optimization of resources. Corporatisation also allows universities to set up firms to finance most of its operating costs (Arokiasamy, 2011; Yahaya and Abdullah, 2003). The step taken by government to corporatize universities created intense competition among the institutes regardless private or public. The education service industry has become more competitive as students now have more choices, and they have become more demanding and discriminating in their selection (Lim et al. 2011). This make both public and private institutions to take greater ownership and responsibilities for the overall products and services they offering. In United States, education has been the second largest export market after agriculture and the second largest domestic industry after health care (Baharunet al. 2011) while in Thailand, it has been estimated that more that 1.6 million Thai students study outside of their home countries and the number is continuously increasing (Pimpa, 2005).

Many institutions especially private institutions are taking serious steps in adopting some form of business strategies. This is not only important for the survival of private institutions but also to achieve student satisfaction (Lim et al. 2011) and loyalty (Baharun et al. 2011) towards the institutions in this competitive environment. Only those institutions which able to provide quality education and conducive environment to their students will be able to excel and survive in the competition. Due to this, many higher education institutions are viewing students as consumers and are required to prepare themselves with suitable skills and information that would enable them to face the challenge. According to Baharun et al(2011) and Nurlida, Faridah, Noorainiand Norzaidi (2010), higher education institutes all over have started to search for unique definitions to differentiate themselves and be appealing for students. Image building is perceived to be the core for many organisations and can be formed for many different entities regardless services or products.

As for universities, it is important especially in attracting and retaining students as students can form images of both their university and their specific study program. According to Helgesen and Nettet (2007), the study on linkages between customer satisfaction, loyalty and the image of an organization have been under researched.

### **1.1 Research Problem**

The push for the privatization of higher education institution arises due to the economic crisis in year 1986 which limits the expansion of the public higher education (Sivalingam, 2006). This was also a step taken by government to test the capacity of public university in self-funding (Morshidi, 2010) since universities are able to set up their respective companies through corporatisation to generate income for the universities funds to finance most of its operating costs. In addition, the increased competition in enrolments has caused tremendous pressure on administrators and academicians to find effective approaches to attract students.

Hence, higher education institutions need to interpret and illuminate the factors affecting the consumer behavior. This includes understanding students' satisfaction. According to Nurlida et al.(2010), attributes of higher education institutions will have the greatest impact on the outcome known as student choice which eventually will lead to student retention. Attributes such as tuition fees, availability of programs, academic recognition, quality of academics, quality of facilities and campus atmosphere are among the indicator of students' choice as higher educational institution represents an unfamiliar first time experience for students (Fernandez, 2010; Nurlida et al, 2010).

Tertiary education is one of the products which require high involvement as it requires lengthy process which takes three to five years to complete. Unlike primary and secondary school, tertiary education provides vast options to students and gives them freedom in making choices (Sidin, Hussin and Soon, 2003). Choices are such as which institution to enrol in, how much does the course cost, what programme to take and many more.



Student's assessment on a service is dependent on credible information regarding the attributes of an institution (Nurlida et al, 2010) can affect their decisions to attend the institute selected. Businesses not only have to meet the expectation and demands but to surpass them to meet the prerequisites of quality (Fernandez, 2010). Since higher education possesses all the characteristics of a service industry, thus it requires a marketing framework to survive and to achieve a sustainable competitive advantage in the sector. Moreover, they should be able to satisfy the need of their consumers and continuously add value to their so called product – education services. University management needs to figure out ways to market their institution and differentiate it from the others available. They must uniquely highlight their strength and give students a reason to choose that university. The choice to enrol in higher educational institutions has the potential to change a person's life. Thus, making it is an important issue for recruitment management (Kusumawati, Yanamandram, and Perera, 2010).

The nature of services has also increased the risk perceived by consumers when making purchase decisions. Perceived risks are namely financial, performance, physical, psychological, time, and social risk. These enable both internal and external risk reduction strategies available to service organizations in helping the consumers to make choices (Mourad, Ennewand Kortam, 2010). External strategies that reduce perceived risk include enhancing reputation, public relation and publicity activities while internal strategies are based on consumer's past experience with the brand in order to reduce uncertainty. According to Mourad et al (2010), higher level of familiarity will inculcate greater feelings of security and is the most effective way to reduce perceived risk. In addition, institutions need to have the ability to create value by building appropriate brand image that is transferable to consumers (Vrontis, Thrassou and Melanthiou, 2007). Higher education sector in Malaysia is facing intense competition and are forced to implement suitable marketing strategies in recruiting students both locally and abroad. It is important to understand the expectation of students and make their institution as a point of attraction. The demand for students to study locally is expected to increase due to higher cost of education abroad and limited funding available.

Tertiary education is considered an investment for a better future. Hence, parents and students will make their choice carefully and compare all the available options as it represents a substantial investment in monetary and temporal terms. Education is a long process which takes years to complete even after a decision has been made (Nurlida et al, 2010). An undergraduate student will have to take a minimum of three years course which may be prolonged up to five years depending on the course. Hence, a degree of reliable information on the attributes of the institution is necessary in the decision making process. Many studies have been carried out previously to study on links between consumer satisfaction and the images of university. However, researchers have yet to reach any consensus concerning measurements of the links between university image attributes, choice made and satisfaction (Helgesen and Nessel, 2007).

In summary, there is a gap in the identification of the effect of university image attributes on students' satisfaction and loyalty. With the gap that exists, the present study aims to examine the relationship between university image attributes on students' satisfaction and loyalty where satisfaction will act as the mediating factor. This study will be done in the context of University Malaysia Sabah.

## **1.2 Research Objective**

The specific objectives of this study are as follows:

- To identify image attributes in the context of university.
- To examine the relationship between university image attributes and students' satisfaction.
- To examine the relationship between university image attributes and students' loyalty intention.
- To examine the relationship between students' satisfaction and students' loyalty intention.
- To examine the role of students' satisfaction as a mediating factor between university image attributes and students' loyalty intention.



### **1.3 Research Questions**

The research questions this study addresses in line with above research objectives are as follows:

- What are the images attributes in the context of university?
- Does university image attributes affects students' satisfaction?
- Does university image attributes affects students' loyalty intention?
- Does students' satisfaction affect students' loyalty intention?
- To what extent do the relationship between university image attributes and students loyalty intention is mediated by students' satisfaction?

### **1.4 Significance of the Study**

The findings of the study should benefit both academics and practitioners to understand the relationships between selection criteria (university attributes) and choice of students to higher education institutions in market setting. Theoretically, this study will contribute to literature in the context of consumer choice by providing empirical evidence to support the relationships between selection criteria (university attributes) and choice of students to higher education institutions in Malaysia. This study should provide more understanding in the influence of parents and family background on choice of students to higher education institutions. Besides that, the study should be able to show the relationship between students' satisfaction and loyalty intention.

In terms of managerial implications, the findings of this study will be beneficial to marketing practitioners especially those involved with recruitment and enrolment of new students including postgraduates' studies. This study will help management of higher education institutions to gain a better understanding and insight on the selection criteria used by students in choosing the higher education institutions which they would opt for in pursuing their study. It also helps the management to understand how to retain the students in pursuing the postgraduate study in the same institution. Thus, enabling the management to plan their business strategies and improve their competitiveness.

The findings of the study should provide valuable insights to management of higher education institutions in the market of education sector by identifying the university attributes that influence the choice made by the students and how to retain them further. The identification of the attributes of university and the level of satisfaction may help management of higher education institutions to develop effective marketing strategies that could increase the intake and enrolment in their institutes. They could also gain a bigger market share. As for public institutions, this study may help them to improve and strengthen the pro of the institution.

Moreover, the inability of educational institutions to satisfy its consumers will result in two damaging possibilities where consumers will stop buying the service and consumers complaint to express their dissatisfaction. This make consumer satisfaction highly linked to consumer loyalty and retention. As for service organizations such education sector, where competition is intense, the growing need for a deeper understanding of consumer satisfaction requirements becomes more crucial. This will help them to retain the undergraduate students for their post graduate studies.

### **1.5 Scope of Study**

In Malaysia, all public universities are subject to a system for enrolment to the public universities. Students are first required to apply for a placement into bachelor's degree programmes which are handled by a centralised processing agency known as *Bahagian Pengurusan Kemasukan Pelajar* (The Division of Student Admission). This is an agency from the Ministry of Higher Education which is responsible in managing the admission of students into public universities. Applicants provide a list of their choice of universities and programmes and eventually receive an offer from only one public university. There are cases where students receive offers that may not even be from a university or programme that they listed in their list of choices (Fernandez, 2010). By the end of year 1999, the percentage of young Malaysians in tertiary education aged between 17 and 23 years have increased dramatically to 22 percent, with 167,507 enrolled in public universities and an estimated 203,391 in private institutions (Arokiasamy and Nagappan, 2012).



However, in year 1997, government aimed at diversifying funding sources through a range of means and one of them was corporatisation of public universities. This means public universities will have to start to generate their income to support their operation. Thus, public universities will have to compete with private universities in this matter. Universities especially public universities which are currently funded by government are required to take serious steps in assimilating business strategies apart from imparting knowledge to the students. In this competitive environment, obtaining student satisfaction will lead to student loyalty is crucial for the future survival of universities. Universities should position them in the best way to attract students.

## **1.6 Definition of Terms**

### **1.6.1 Higher Education Institution Attributes**

Attributes or characteristics of university or college are referring to financial aid, cost academic quality, location, reputation, academic programme offered and facilities.

### **1.6.2 Consumer Satisfaction**

Consumer satisfaction is referred to as the consumer's state of being sufficiently contented in a purchase situation for the sacrifice the consumer has made. Consumer satisfaction is highly linked to consumer retention and loyalty (Lim et. al, 2011).

### **1.6.3 Overall Satisfaction**

Overall satisfaction refers to the consumer's feelings in response to evaluations of one or more experiences with a product (Kara and Oscar, 2004).

### **1.6.4 Loyalty**

Loyalty is defined as commitment to repurchase or reutilise a preferred product/service consistently in future. It is found to comprise of word of mouth and repetitive purchasing of the similar brand despite situational influences and marketing efforts which have the potential to cause switching behaviour (Brown and Mazzarol, 2009).

#### 1.6.5 Loyalty Intention

Loyalty intention is considered as intention behaviour (conative behaviour) i.e. intention to repurchase the brand and intention to recommend the brand to others.

#### 1.6.6 Higher Education Institution

Higher Education Institution includes college, university and college-university.

#### 1.6.10 Image

Institutional image is related to various physical and behavioural attributes of the organization, such as business name (brand), architecture, variety of products/ services, tradition, ideology, and to the impression of quality communicated by each person interacting with the organizations' clients. It has two principal components; functional and emotional (Zaghloul, Hayajneh, and Al Marzouki, (2010).

#### 1.6.11 Image Attributes

Image attributes refer to descriptive features that characterize a product or service--what a consumer thinks the product or service is or has and what is involved with its purchase or consumption.

#### 1.6.12 Reputation

Reputation is defined as the estimation of the consistency over time of an attribute of an entity (Vrontis et al, 2007)

### 1.7 Organization of this Study

This study is organized in a five chapter format. Chapter 1 of this study provides an overview of the scenario and situation in the higher education in Malaysia that lead to the importance of the study. This chapter presents the introduction, background of the study, problem statements, research objectives and question of the study, significance and scope of the study. The definitions and terms used in this study are also included. Chapter 2 includes a detailed literature review about the attributes of higher education institution, consumer satisfaction and consumer loyalty. Chapter 3 of this study provides a discussion on research methodology, which includes research framework, variables involved, hypotheses, research design, population and sampling plan,



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