World Review of Business Research
Vol. 3. No. 4. November 2013 Issue. Pp. 53 – 60

Brand Identity, Brand Equity, and Performance

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This study examines how brand identity and brand equity predict the performance of higher education institutions ("HEIs") in Malaysia. SETARA'11 has been employed to measure the firm's performance. This study used a questionnaire survey sampled from 371 students of public and private HEIs in Malaysia. A logistic regression is conducted to test the hypotheses. The results provide empirical evidence to verify the findings of past studies, thus proving that the higher the brand identity of HEIs, the better the performance is. It is concluded that in HEIs, employee, and culture are significantly important to enhance their performance.

1. Introduction

In year 2012, the Malaysian Qualification Agency (MQA) Rating System for Higher Education Institutions in Malaysia in 2011 (SETARA'11) has rated private and public Higher Education Institutions (HEIs) into Six (6) tiers ranging from Tier 6 (Outstanding) to Tier 1 (Weak). The main purpose of SETARA'11 is to measure the performance of undergraduate teaching and learning. In Malaysian education industry, SETARA is a crucial instrument to measure how successful a brand is. The SETARA'11 exercise classifies universities and university-colleges into six Tiers, ranging from Tier 1 as weak to Tier 6 as outstanding (MQA, 2012). A total of 54 higher education institutions (HEIs) participated in the exercise. 35 HEIs achieved Tier 5, 18 HEIs achieved Tier 4, and one HEI achieved Tier 3. An HEI that aims to stay competitive in the challenging environment has to strategise on how to maintain and achieve the highest level. This exercise has been critiqued by a lot of practitioners; the practice has not been able to classify an HEI in accurate categories.

The vision of HEIs is to deliver high quality services for students and parents. The brand has played an important role in communicating the quality of service to the public. De Chernatony and Segal-Horn (2003) indicated that the conventional product branding assumes an internal, quality controlled, value delivery system unseen by consumers. However, in actual fact the consumer is an active participant in service brand strategy, or in other words, the value delivery system for service brand is visible to the consumers. Therefore, due to factors such as the intangible nature of services, the perceived quality of a service brand and customers' interaction with service brand, the execution of a service brand strategy needs more consideration. McDonald et al. (2001) supported the statement and explained that the implementation of product and service brand differs although the concept of a brand is the same for both.

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Rosenthal (2003) claimed that the literature on marketing in HEIs has been discussed since the early 1980s; two of the significant areas are the branding process and the change process within the educational institutions' settings. Kotler and Fox (1995) have indicated the importance of branding in educational institutions and said "branding can add value to an educational institutions offer and provide more satisfaction for the consumers" (p. 281). However, published literature related to branding in an educational institution is still limited. Indeed, brand is important intangible assets that are positively significant with firm performance (Park et al., 2012). Contributions to understanding the impact of brand identity and brand equity on firms' performance are limited. To date, no available research investigates the specific nature of these relationships in the education industry. Therefore, this study aims to answer the following research question: *How brand identity and brand equity influence educational institutions' performance?*

The purpose of this study was to address the above literature gap and identify the impact of brand identity and brand equity on the firm's performance. First, this study applied established framework for the educational industry. This study will measure the performance of the educational institution in a different way. Finally, the framework then developed to help educational institutions in Malaysia in order to be successful in understanding the impact of brand identity and brand equity. The structure of this paper is as follows. The next section reviews the literature on brand identity, brand equity, and performance, from which hypotheses are developed. This study then addresses research methodology, followed by a report of the results. Finally, the paper concludes with a note on the suggestion and limitations of the study.

2. Literature Review

Brand Equity

Brand equity is an important part of brand building and has always been identified as central in brand management (Krishnan, 1996; Keller, 2003). Researchers and academicians have discussed the concept of brand equity widely, to establish how a firm can build strong brands. As a result, a lot of researchers have developed conceptual models to conceptualize brand equity. Brand equity was found to be important in understanding and managing brands (O'Cass and Grass, 2003). Nowadays, brand equity is defined and conceptualized in various ways. Aaker's (1991) definition and conceptualization of brand equity had received great attention and agreement. Aaker (1991) illustrated five major consumer-related basis for brand equity: (1) brand loyalty, (2) brand awareness, (3) perceived quality, (4) brand association, and (5) other proprietary brand assets. Brand equity is also defined as "a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers" (Aaker, 1991; p. 15). Both the definition and conceptualization of brand equity receive merit from both academicians and practitioners. Aaker's (1991) statement is used as the basis of the definition for this study. Yoo and Donthu's (2001) brand equity instrument, which provided a valid and reliable measure of brand equity, had introduced three major dimensions namely, brand loyalty, perceived quality, and brand awareness.

Tsai and Lo (2010) have claimed that no prior studies have examined the relationship between brand equity and firm performance. Tsai and Lo (2010) indicated that brand equity is associated with firm performance. The study had measured the firm performance by using gross revenue and categorized into two groups namely high or low performing. Four dimensions of brand equity had been tested and found to be associated with brand equity. Chirani et al. (2012) indicated that brand equity contribute to the performance of a brand. Wang et al. (2012) and Lai et al. (2010) also indicated that brand equity has a positive and significant influence on marketing performance. This study hypothesized that the brand equity has the same impact toward firm's performance in the education industry. Thus, this study hypothesizes:

Hypothesis: *The higher the firm's brand equity (Brand loyalty, perceived quality, brand awareness), the better the firm's performance is.*

Brand Identity

Based on Kapferer's (2004) and Keller's (2004), a company's presented brand and external brand communication can be defined as 'brand identity.' Lynch (2006) explained that educational institutions use various marketing communication elements such as brand name, positioning statement, and brand symbol to build brand identity. Harris and de Chernatony (2001) indicated that 'brand identity' refers to how managers and employees make a brand unique. A manager needs to define brand's values and make sure that the employees' values and behaviour are consistent with the brand. Nandan (2005) and Kapferer (2004) also explained that the company creates brand identity that can be identified by the stakeholders. Stern (2006) based on his/her previous studies concluded that brand identity is what the branded entity really is. Cobb (2001) agreed and defined brand identity of higher educational institutions as what a college wants to be known for.

Melewar and Akel (2005) had identified four sub-constructs of the higher educational identity model, which consists of communication and visual identity, behaviour, culture, and market conditions. All of the sub-constructs can be grouped as something that can be observed. Bosch et al. (2006) also agreed and indicated that brand identity of an HEI does not only consist of visual expression of a brand, but also verbal expression. The argument above explains two major subjects: the firm created the brand identity for the consumer, and the elements of the brand identity presented should be communicable and visible. From the above argument and for the purpose of this study, the brand identity of an HEI can be defined *as a characteristic (such as physical specificities and qualities, personality, culture, relationship, customer reflection, self-image) of the brand based on the visual and verbal elements that the HEI has created.*

Koh et al. (2009) examined the impact of brand recognition and brand reputation on firm performance and found that brand reputation has a positive influence on a firm's value performance. However, brand reputation has no significant influence on the firm's performance. Tobin's Q and Return-On-Asset (ROA) have been used to measure the performance of the firm, which may have contributed to the insignificant result. Park et al. (2012) had examined the impact of brand logo toward firm performance. The study found a significant influence of brand logo toward the firm's performance, mediated by customer commitment. Since brand logo, brand recognition, and brand reputation are synonymous with brand identity, this study assumes a relationship between brand identity and firm's performance. Koh et al.'s (2009) concept of a firm's performance contrasted with Park et al.'s (2012) study thus producing different results. This study aims to fill the gap by clarifying the result. Therefore, this study expects that:

Hypothesis: *The higher the firm's brand identity (advertising, distribution channel, word-of-mouth, public relation, promotional material, facilities, employee, brand name, core service, price, culture, training, and system), the better the firm's performance is.*

Performance

Past literature had measured performance in various ways. For example Lai et al. (2010) measured performance based on sales growth, market share, margin, and overall performance. Wang et al. (2012) measured performance only based on sales growth, Hu et al. (2010) measured performance using market share, relative prices, price premium, and flexibility of price. Morgan and Rego (2009) have measured performance based on Tobin's Q, cash flow, cash flow variability, advertising spending-to-sales ratio, SG&A-to-sales ratio, customer loyalty, and relative market share. The SETARA'11 rating exercise was carried out from 2006 to measure the performance of HEIs in Malaysia. The measurement of SETARA'11 covers three domains (includes 62 indicators) of teaching and learning namely input (20%), process (40%) and output (40%). The SETARA'11 had provided a clue to students on how to evaluate HEIs in Malaysia. SETARA'11 was announced to the public in the year 2012 and most of the HEIs were grouped into two groups namely Tier 5 (excellent) and Tier 4 (Good). Based on the suggestion of Tasi and Lo (2010), the performance of the HEIs can be categorized as high or low performing. The HEIs in Tier 5 will be categorized as high performing, and the HEIs in Tier 4 will be categorized as low performing.

3. Methodology

For the purpose of this study, pre-test and pilot tests are conducted. Pre-test is conducted in order to identify the suitability of the instrument design (format, content, understandability, and terminology), easiness, and speed of completion. The pilot test is conducted on a full questionnaire using respondents whose background are similar to the real population and exploratory factor analysis was performed to examine the reliability and validity of the instrument.

The instrument for this study was developed based on Berry (2002), Moorthi (2002), de Chernatony and Segal Horn (2003), and Grace and O'Cass (2005) who introduced 24 attributes and 33 items of a brand identity. There are thirteen dimensions of brand identity consisting of advertising, distribution channel, word-of-mouth, public relation, promotion material, facilities, employee, brand name, core service, price, culture, training, and system (Goi, 2010). In order to validate the issues of dimensionality of brand identity, this study used Confirmatory Factor Analysis (CFA). The results showed that χ^2/df = 3.37, p=0.001, GFI=0.93, RMSEA=0.08, RMSR=0.02. Yoo and Donthu's (2001) 10-items brand equity instrument, which provided a valid and reliable measure of brand equity was employed. The CFA results showed that χ^2/df = 3.44, p=0.001, GFI=0.95, RMSEA=0.08, RMSR=0.03. The indicator reliability and variance extracted for both brand identity and brand equity exceed 0.5.

Three HEIs from each category of public and private HEIs in Malaysia were randomly selected. In order to capture students who have experienced university's brand, students who have studied for more than one year were selected from the HEIs. Malhotra (2002) recommended the maximum and minimum samples that can be collected are 500 cases for bigger subset and 200 cases for smaller subset. Therefore, based on that recommendation, a total of 500 questionnaires were distributed to the students in three public universities and three private university-colleges that were willing to participate in the study. Out of 500 questionnaires distributed, 371 (74.2%) were usable and valid for analyses while 129 had to be dropped due to incomplete response and missing data. Cronbach's alpha was computed; the alphas for the variables examined are above 0.70 (brand equity = 0.91, and brand identity = 0.93). In order to examine the discriminate validity of the instrument, Average Variance Extracted (AVE) was computed, and the value is above 0.50 (brand equity=0.65, and brand identity = 0.71).

Kamakura and Wedel (1997) addressed the situation in which a marketing researcher wants to cross-tabulate two sets of discrete variables collected in independent samples by suggesting that the common variables grouped into categories, and an exact match between subjects in the two files is sought along these categories. The demographic is the common variable used to match the subject, but other variables can also be used for the specific purpose of data fusion (Kamakura and Wedel, 1997). In this study, the common variable that appears in both samples is the brand of the HEI where the respondents have enrolled into. Therefore, the mean of brand identity and brand equity in the second set of instrument is calculated. The two files are merged based on the HEIs in the cases. This procedure of matching the data is acceptable in marketing research and the problem of missing data can be avoided. The performance of HEI is matched with HEI where the student study, value '1' for HEIs in Tier 5 that indicated a high performing, and '0' for HEIs in Tier 4 indicated a low performing.

4. Results

Logistic regression was conducted to assess whether brand identity and brand equity significantly predicted the firm's performance. Table 1 shows that brand equity (brand loyalty, perceived quality, and brand awareness) does not significantly predict firm's performance, χ2=5. 73, df=32, N=371, p=0. 13 (p>0.05). Therefore, the hypothesis is rejected. The high and low performing of HEIs is not influenced by brand equity. The result is not consistent with Chirani et al (2012), Lai et al (2010), Tsai and Lo (2010), and Wang et al. (2012).

Table 1: Logistic Regression Predicting Firm's Performance with Brand Equity

Variable	B	SE	Odds ratio	p-value
Brand Loyalty	-0.26	0.18	0.78	0.15
Perceived Quality	0.36	0.20	1.43	0.07
Brand Awareness	0.77	0.58	0.75	0.15

This study further tested the dimensions of brand identity which consist of advertising, distribution channel, word-of-mouth, public relation, promotional material, facilities, employee, brand name, core product, price, culture, training, and system. Table 2 shows the overall the results are significant, $\chi 2=85.65$, df=13, N=371, $p<0.001$. The results indicated two dimensions of brand identity as significant, namely employee and culture. The result is consistent with the study by Koh et al. (2006) and Park et al (2012). Table 2 presents the odds ratios, which suggest that the odds of a firm's performance are increasingly as great as employee and culture.

Table 2:Logistic Regression Predicting Firm's Performance with Brand Identity

Variable	B	SE	Odds ratio	p-value
Advertising	-0.36	0.18	0.70	0.04
Distribution Channel	0.47	0.25	1.60	0.06
Word-of-mouth	-0.94	0.24	0.40	0.001
Public Relation	-0.83	0.30	0.44	0.006
Promotional Material	-0.10	0.23	0.91	0.66
Facilities	0.56	0.31	1.75	0.07
Employee	0.64	0.25	1.89	0.02
Brand Name	-0.05	0.23	0.95	0.83
Core Product	-0.50	0.30	0.61	0.10
Price	-0.70	0.21	0.50	0.001
Culture	0.76	0.29	2.14	0.01
Training	-0.41	0.27	0.66	0.13
System	0.25	0.26	1.28	0.35

5. Discussion and Conclusion

The findings of this study indicated that brand identity is a better predictor of a firm's performance compared to brand equity. Employee (Odds ratio=1.89), and culture of HEI (Odds ratio=2.14) predict the highest performing of an HEI. The results supported Koh et al. (2006) and Park et al (2012)'s studies. The employee has been proved significant in service branding, and this finding is consistent with service branding theory regarding the intangible asset value of a customer. The culture of HEI shows the highest probability for HEI to achieve better performance. However, the brand equity is not significantly predicting the firm's performance. The result is not consistent with previous studies (Chirani et al., 2012; Lai et al., 2010; Tsai and Lo, 2010; and Wang et al., 2012). The result is not surprising because brand equity might be a better predictor of a firm's performance if the measurement of performance is financial performance.

This study has several important implications for researchers and managers. First, this study provides new insights into the impact of brand equity and brand identity toward firm's performance. This study suggested that brand identity increases the probability of HEIs being better performers. However, brand equity is not a predictor for HEIs in becoming better performers. Second, distribution channel, employee and culture of HEI are important in order for the HEI to achieve better performance. From a marketing performance perspective, an excellent brand is not only based on the external marketing activities but must focus on internal branding.

This study is subject to several limitations. First, the student respondents were not randomly selected as originally planned. This was partly due to HEI branding issues which was deemed confidential to the top management teams of the HEIs. Therefore, fully implementing the random sampling method of selecting student respondents was not feasible. However, since theoretical generalizability and not population generalizability is the priority of this study, convenience sampling, given the data collection limitations, is deemed acceptable to derive the analysis. Second, the HEIs service branding model has been often questionable in terms of model generalization. The finding shows that the full sample of research model is a good fit model, but the practice of private and public HEIs in Malaysia differs.

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