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Factors That Influence Customer Preferences Towards a Private University in Sungai Petani, Kedah

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ABSTRACT

This study attempts to focus on the factors influencing customer preferences towards a private university in Sungai Petani, Kedah. Nowadays, demand for higher education in Malaysia is growing in tandem with the government's emphasis on human capital development. Without private higher education, hundreds of thousands of students would have difficulties of gaining the knowledge as places in public universities are limited. The research aims to identify factors such as image and reputation, quality of education and overall cost of education that influence customer's choice and preference in choosing future higher educational institute. A sample of 200 students from secondary schools participated in this study. Data collected from the questionnaires were analyzed by using regression analysis to determine the relationship between dependent and independent variables. Results from the study shows that the quality of education and overall cost of education significantly influenced the customer preferences. Future research should also focus on the factors studied or even other factors that influence customer preferences by enlarging the scope to include all private universities and colleges in Malaysia. Additional variables such as administration, facilities, lecturers or programme offered of private or public universities can be further examined to increase the accuracies and effectiveness of the findings.

Keywords: Customer Preferences, Higher Education, Image and Reputation, Quality, Cost

1. Introduction

Demand for higher education in Malaysia is growing due to the increasing population and increasing awareness towards education in the society. The growing demand is also parallel with the Government's emphasis on human capital development. According to Mark Disney, chief operating officer, Asia, of London Chamber of Commerce and Industry (LCCI), private education has been absolutely central to the development, stability, and harmony of Malaysia for the past 25 years. It is the engine room for developing outward-looking graduates and it is the reason why Malaysia can legitimately call itself a regional educational hub (Oh, 2009). The story of private higher education in Malaysia is that of entrepreneurship, ingenuity and adaptability. The industry has had its ups and downs, but through it all, the key determinant of success remains the same, that are the ability to attract and retain students.

However, it is not purely a matter of running popular courses. Quality is critical, maybe more so in education, where reputation is a make-or-break factor. It is understandable then that the presence of the Malaysian Qualifications Agency (MQA), the Government body in charge of the accreditation of higher education programs, is widely regarded as a positive element in the industry. Parents and students are now more conscious of quality, and they seek some assurance in the form of MQA accreditation.

Besides that, the cost of overall education also plays an important role in making sure those students will choose certain educational institution. Most of them seek loans from Perbadanan Tabung Pendidikan Tinggi Nasional Malaysia (PTPTN) as the aid for their cost of education. Since the competition is becoming more intense between private and public universities, private universities are vulnerable to secure high number of students per intake. As a result, private universities are increasing their offerings in order to attract more students. In today's intense competitive market, the organizations are looking towards building a long term profitable business relationships with the customer (Shaharudin, 2010). Profitable business relationship is not something that a company can take easily as it requires enormous effort and cost to build it (Shaharudin, 2009).

Due to this, the study was conducted to identify factors that influence customer's choice and preference in choosing their future higher educational place of study.

1.1   Relationship of Image and Reputation with Customer Preference

In the decision-making process, "reputation is more likely to influence consumer preference (or attitude) while brand awareness is more likely to be

related to actual choice. Barich and Kotler, 1999 argued that in marketing, the critical role of institutional image and institutional reputation in customer's buying intentions is well known (as cited in Nguyen & LeBlanc, 2001, p. 303). For example, according to Dick and Basu, 1994, institutional image and reputation are important to develop and maintain a loyalty relationship with customers (as cited in Nguyen and LeBlanc, 2001, p. 303). Furthermore, according to Milo, Edson and McEuen, 1989; Weissman, 1990, in educational services management, these concepts are extensively used as positioning instruments to influence students' choice of higher education institution (as cited in Nguyen & LeBlanc, 2001, p. 303). COU, 2003 revealed that in the decision-making process of prospective students, academic reputation, service, employment prospect and teaching are among the most important factors" (as cited in Brewer & Zhoa, 2010, p. 34). Further, ever-changing and increasingly complex market forces mean that well-established universities can no longer rely upon reputation alone and need to assure the quality and price of offerings (Briggs, 2006; Menon, 2004). With regard to university environment, there is no doubt that reputation is becoming increasingly important and universities have developed distinct images in order to maintain their competitiveness in the market place. Furthermore, the importance of the university's reputation has been identified by Nguyen & LeBlanc (2001), Kazoleas et al. (2001), and Hoyt & Brown (2003).

1.2   *Relationship of Quality of Education with Customer Preference*

Service quality is important to all organizations as it is "regarded as a driver of corporate marketing and financial performance" (Buttle, 1996, p. 8). It has also been put forward as a critical determinant of competitiveness (Lewis, 1989), and a source of lasting competitive advantage through service differen-tiation (Moore, 1987).

Furthermore, according to Ghobadian, Speller & Jones, 1994, customer's intention to re-purchase is affected by the quality of service. It contributes to the retention and enrolment of students in universities by attaining their basic objectives of the study (Gunn and Backes, 1992). Quality of service provided by the higher educational institutions can be measured from the students (customers) expectations against the perceived level of service provided (Zammuto, Keaveney & O'Connor, 1996).

On the other hand, Johnstone (2001) mentioned that higher education is deemed important to national economic growth and for individuals to prosper. To attain and sustain national, regional, and international quality, certain com-ponents are particularly relevant, notably sufficient and modern educational facilities as such library, textbooks, learning and living environments, and all kinds of equipment that support teachers' and students' teaching and learning

processes (Mavondo et al., 2000). As Zeithaml & Bitner (1996) point out:

". . . the issue of highest priority today involves understanding the impact of service quality on profit and other financial outcomes of the organization" (p. 76).

This explains that the impact of service quality on the organization profit and financial capability is enormous and crucial. In terms of academic aspect, students considered quality of academic staff, quality of programs, and university reputation as important factors that influenced their perceptions of service quality. In the case of non-academic aspect, financial assistance and tuition fees, counseling and support services, job placement services, and grievance procedures have contributed to students' perceptions of service quality.

1.3 Relationship of Cost of Education with Customer Preference

The past research has proven that the cost to retain the existing customer is much cheaper than to attract a new customer (Gemme, 1997). The main concern of parents sending their children to college is the tuition cost (Tang, Tang & Tang, 2004). However, tuition prices have grown higher and outpaced the ability of students and their families to pay for college (Basch, 1997; Heller, 1997). Among the major reasons for the increase in college tuition are due to the increase in university expenditures and greater dependency on tuition as a revenue source (Joyner, 1996).

Hence, many private institutions rely on tuition fees as the major source of revenue. Thus, larger institutions may charge higher tuition in order to support all the programs. Given the economy of scale, larger institutions may charge lower tuition. According to Stilwell, 2003, universities became creative in their course offerings and broadened their target markets. No longer did they focus solely on home country residents, but they sought out international students and targeted the corporate world through their newly established university commercial apparatus: apparatus that was designed to introduce the corporate world to the concept of lifelong learning the repeat purchaser. Marketing metaphors have become a natural part of the academic vocabulary in the marketing efforts directed towards prospective students. With the deregulation of the tertiary sector came the need for universities to actively compete for market share (as cited in Svensson & Wood, 2007).

From the review of literature, Figure 1 depicted the proposed theoretical framework of the study:

2. Research Methodology

2.1 Hypothesis Development

Given the preceding discussion, the following hypotheses are proposed:

H1:   There is no significant influence between customer preferences and image and reputation.

H2:   There is no significant influence between customer preferences and quality of education.

H3:   There is no significant influence between customer preferences and overall cost of education fees.

2.2 Research Design

This research is a quantitative research where sources of information are gathered from questionnaire. This study is interested in describing the characteristics of a population or phenomenon, thus the study is a descriptive study. This study also used hypotheses testing to determine the influence of image and reputation, quality of education and overall cost of education factor towards customer preferences of private university.

2.3 Population and Sampling

The type of sampling is probability sampling. Data collected were based on simple random sampling in which each element in the population has a known and equal probability of selection. The population estimated was 2,220 potential students to enter KLMU/CICT (in Sungai Petani branch). Potential respondents derived from multiple sources. All schools leavers can be categorized as the main potentials for KLMU/CICT. Three schools were identified posses number of potentials such as SMK Guar Chempedak, SMK Gurun and SMK Taman Ria Jaya. Out of the total population, 200 respondents have responded to the research survey.

2.3   Data Analysis and Interpretation

For the purpose of this study, the researcher used the Statistical Software Package for Social Sciences (SPSS) Version 17 to compute all the data gathered from the questionnaire. The techniques of analysis used in this study were descriptive (mean, standard deviation) and inferential analysis (regression) to sum up the data collected.

The questionnaire was adopted from previous research with some modifications to suit with local requirements of the study's respondents. Besides that, factor analysis to confirm and measure the right variables and also reliability

of the questions were also carried out in the study.

A set of questionnaire containing five sections (section A, B, C D and E) have been prepared where each variable was placed separately in different sections. In the data analysis report, demographic data (Section A) such as age, gender and family income are included in the questionnaire. In the subsequent sections, all the study variable scales are measured using Likert scale as the rating scale to indicate a degree of agreement or disagreement about the subject. Each variable such as image and reputation, quality of education and overall cost of education were constructed in five measurement items as well as dependent variable; which is customer preference.

3. Results and Discussions

3.1 Reliability Analysis

From the reliability analysis, independent variables were found to be good reliability with all the Cronbach's Alpha results are of above 0.6 whereas dependent variable was found to be poor with the value Cronbach's alpha is 0.5.

3.2 Demographic Profile

The result of the demographic profile shows that majority of the respondents are female (54.5%), age more than 18 years old (46.5%) and family income in between RM1,501 to RM2,000 (41.5%).

3.3 Factor Analysis

Based on KMO measure of sampling adequacy test in table 2, it was found that the factor analysis data was appropriate with the value of 0.879, which falls between the ranges of being great and appropriate of factor analysis data. Bartlett's Test was utilized with the result which indicates a highly significant result with p=0.000 (p<0.05) and therefore factor analysis is appropriate. Table 3 shows that from three independent variables, it has been changed to two components. The first component is dominated by independent variable that is cost while the second component is dominated another independent variable that is quality. Nevertheless, a variable (reputation) has been disregarded from the data analysis due to insufficient result of factor loading to support the proposed model. The available factors of cost and quality were remained as the study variables for the data analysis. As a result, a new theoretical framework has been formulated to suit with the factor loading results. Figure 2 depicted the revised theoretical framework of the study.

3.4 Correlation Analysis

The result of correlation analysis is shown in Table 4. It shows that there were significant positive association between customer preference with quality (0.472) and negative association with overall cost of education (-0.484).

3.5 Regression Analysis

Table 5 shows the R-Square test where the result of 0.503 can be accepted for the regression analysis. From the ANOVA in table 6, it appears that all independent variables are significant with dependent variable as is indicated by F value of 39.437 and strong significance level of 0.000 ($p < 0.05$). Further as shown in table 7, the results prove that cost and quality of education are significant ($p < 0.05$) influence towards customer preference with high Beta 0.314 and 0.284 respectively.

Cost has a major influence towards customer preference because the value of beta for cost is larger than beta value for quality. As for the interpretation, the test indicates there are positive association between customer preference and all the independent variables. By examining the t statistic for all the independent variables it has apparently confirmed that cost and quality of education have significant relationship due to strong significant level ($p < 0.05$) with customer preference, indicating that the null hypotheses for H2 and H3 are wrong and can be rejected.

3.6 Discussion

The objective of this research is to determine whether there is a relationship between independent variables (Reputation, Quality and Cost) and dependent variable (Customer Preference). Nevertheless, a variable (Reputation) has been disregarded from the data analysis due to inappropriate results of factor loading to support the proposed model.

The result of correlation analysis shows significant positive association between customer preference with quality (0.472) and negative association with overall cost of education (-0.484). It implies that the customer preference towards private university will be increased once the university increases the quality of education. On the other hand, the customer preference will be decreased if the university increases the cost of education.

Furthermore, the regression analysis result shows that both cost and quality of education have significantly influenced the customer preference towards the private university. However, in terms of ranking, overall cost of education was found to be more important than quality of education. In other words, customers placed the cost factor more than quality as their preference in choosing the right private university to further their study.

This is supported from the respondent's profile where most of them are in the average income level (RM1,501-RM1,200) and cost has always become the deciding factor to further the study in private universities. Since, KLMU/CICT is one of the well-known private universities, most people are aware that the study fees are quite expensive as compared to public colleges and universities. The average fees is about RM4,000 per semester excluding other expenses such as books, food and etc. For respondents who come from low to average family, such amount is too high and expensive. It will be a burden to their parents to fork out RM4,000 per semester from their own savings especially when their earnings are just enough to support their daily lives. The result also included students who obtained the PTPTN loans to finance their study by which cost is a crucial factor in determining the repayment commitment upon completing their study.

Besides cost, quality also has influenced the customer preference towards KLMU/CICT. Through education he/she can change the fate of his/her life. To some of the students, the opportunity to further study comes once in a life time. Hence, it is better to obtain the right education, right quality at the right university as their first choice of selection. The quality of education will also give assurance to secure a good job once the students graduated from the university.

The quality of education is also related with the university's environment and infrastructure. A good study environment and infrastructure can help students to learn in a more conducive environment. For example, students' hostel, cafeteria, Wifi facility, library and etc. The transfer of knowledge to the students will be much easier and allows the students to maximize the learning efficiency. This could contribute to the overall performance of the students to meet the learning objectives and obtain a good result.

Besides that, accreditation is another issue that relates to the overall quality of the course offered. There are many private universities and colleges facing difficulties in attaining the accreditation from Malaysian Qualifications Agency (MQA). It is an undesirable scenario when some subjects offered were not relevant with their courses. Eventually, students end up paying for unqualified certificates/diplomas. Such situation will put the graduates in difficulties to secure good jobs in the future, especially with the government sector.

4. Conclusion

As a conclusion, it was discovered that only two variables meet the research objectives of the study; cost and quality factors. The result is consistent with the previous research where the students prefer to choose the right private university to pursue their tertiary educations based on cost and quality factors.

On the cost factor, it is obvious that students especially those who come from low to middle income group family have to be selective to choose the right university as they are financially limited. Affordable fees will make the university more attractive and acceptable to the students to continue their study after finishing their secondary school. Similarly, students prefer to choose the right university based on the quality factor. A good quality education can help them to improve their knowledge and skills to face the competitive working environment ahead. A good quality education also can increase the tendencies of securing a good job in the future.

Based on the findings and discussion of the results in this study, the following suggestions and recommendations are made in attempt to increase customer preference toward KLMU/CICT.

1)   To attract more students, KLMU/CICT has to improve a lot in their offered courses especially in term of quality. For example, one of the quality dimensions is about the accommodations and facilities. It is suggested that all branches of KLMU/CICT to be equipped with standardized accommodations and facilities.
2)   High study fees can cause customers shifting to other private universities and colleges that are offering competitive prices. Hence, it is recommended that KLMU/CICT offer courses with affordable study fees and yet maintain the quality of education, environment and infrastructure.
3)   KLMU/CICT is suggested to offer reasonable fees based on the courses taken by the students. The students will feel that the fees are justified and worth paying. The delighted students will spread positive stories about KLMU/CICT and eventually help to increase customer preference especially to the potential students who are still in secondary schools.
4)   The pricing structure of the programs offered also need to be reconsidered and revised. Currently, the fees are fixed based on semester system where students have to pay up to RM4000 regardless of how many subjects the students are taking. It is recommended that KLMU/CICT charges the students on the basis of subjects taken and not per semester in lump sum.

Future research should focus on the study of similar factors that influence customer preferences with the extended scope to all private or public universities in Malaysia. Additional variables such as administration, facilities, lectur-

ers or programme offered of private or public universities can be further examined to increase the accuracies and effectiveness of the study findings.

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Figure 1 : Proposed Theoretical Framework
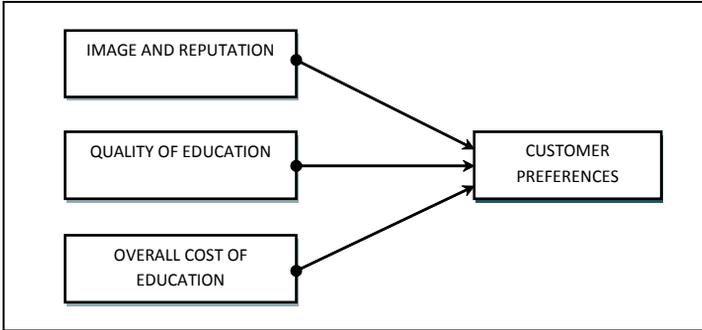
Figure 2: Revised Theoretical Framework
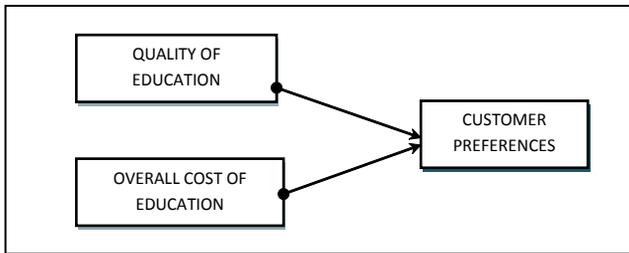
Table 1 : Reliability Statistics

Factor	Status	Cronbach's Alpha Result
Reputation reliability	Independent Variable	.639
Quality reliability	Independent Variable	.757
Cost reliability	Independent Variable	.831
Customer preference	Dependent Variable	.567

Table 2 : KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.879
Bartlett's Test of Sphericity	Approx. Chi-Square	944.268
	df	78
	Sig.	.000

Table 3 : Rotated Component Matrix(a)

Rotated Component Matrix^a

	Component	
	1	2
Reasonable	.822	
Lower	.770	
Affordable	.760	
Understandable	.752	
Academic advising	.573	
Job placement	.512	
Benefits		
Needs and interest		.791
Locations		.770
Accomodations		.622
Information		.578
High skills		.546
Payment		.525

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Table 4 : Result of Correlation Analysis

Variable	Quality	Overall Cost
Customer Preference	0.472*	-0.484*

* Correlation is significant at the 0.01 level (2-tailed).

Table 5 : Result of R Square

Model	R Square
1	0.286

Table 6 : Result of Anova Test

Model	F	Sig.
1	39.437	0.000

Table 7 : Result of Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.629E-16	.060		.000	1.000
	Cost	.314	.075	.314	4.185	.000
	Quality	.284	.075	.284	3.782	.000

a. Dependent Variable: Customer Preference