

The Form and Degree of Familiarity of Brand Extension: A Study of Higher Education in Indonesia

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Abstract

The variety of consumer preferences for products requires the proper branding strategy techniques. Brand extension is a strategy to attract consumers by utilizing the value/equity and reputation of the parent brand. The brand extension uses a brand from its parent that is already well known or has a solid value in the consumers' perception. This study aims to explore the form of brand extension on the preferences of higher education consumers in Indonesia. The method employed is desk study and literature review. The results show three general forms of brand extension associated with the parent brand, namely brand extension with the corporate, mass organization, and education center parent brands. The authors conclude that the degree form of brand extension with parent brands from mass organizations is more dominant than parent brands from corporates and education centers in the higher education industry in Indonesia. The socio-economic characteristics of Indonesia have a decisive effect on the choice of the extended brand of mass organizations.

Keywords: Brand extension, University, Parent Brand, Indonesia

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1. Introduction

The reputation of universities is more and more important and can improve the value of universities in an increasingly competitive global environment (Hemsley-Brown et al., 2016). Factors affecting the reputation of universities in Indonesia include university accreditation, the number of professors, research outputs, and collaboration with industry. Currently, prospective students' interest in enrolling in private universities in Indonesia is still low. There are several preference factors in college selection, and the university reputation is still the main assessment component for prospective students (Foroudi et al., 2020). Private universities can carry out the right branding strategy to guarantee the sustainability of the universities and to maintain the sustainability strategy.

Branding is a marketing strategy that aims to increase a product or service's selling value and added value (D. Aaker, 2014; Kotler & Pfoertsch, 2010; Panda et al., 2019). A strong brand can influence prospective students' decision to select the intended university. One of the most common branding strategies is a brand extension. The concept of brand extension is one of the elementary marketing strategies, using the strength of the brand already owned by its parent, and is the key driving force for developing new products (Ahn et al., 2018). Generally, 80-90% of new products or services are marketed annually with a brand extension marketing strategy (Keller et al., 2011). Brand extension is one of the value expansion strategies widely used by companies with high brand equity aiming to launch new products to the market (del Barrio-García & Prados-Peña, 2019). The brand extension of a parent brand that already has high and well-known brand equity

producing new products or services outside the segmentation of its parent; This is called an extended brand, so it is usually easier to introduce the new product. The superior value of the parent brand will make it easier for the company to develop a product or marketing growth strategy (Soehadi, 2012).

One of the branding strategies for expanding the value of brand extension can be in the form of brand identity and image from the perspective of the brand itself owned by consumers, for example in the higher education sector (Yuan et al., 2016). Currently, there is also a tendency of increasing cross-border brand extensions on reputable campuses from abroad (Yuan et al., 2016) in which private domestic universities cooperate with overseas universities. These private universities expect that the brands from foreign universities can strengthen their brands to attract more prospective students to enroll in their universities. The higher education industry is only one among many organizations trying to improve their market base and revenue through brand extensions and associations added to the parent brand related to consumer perceptions of brand extensions that occur in the future (Chun et al., 2015).

In this brand extension research, previous research studies have been carried out such as research from Ahn and colleagues (2018) which examines luxury car product brands (parent brand) which are extended to vehicle rental service brands (extended brand); Chun and colleagues (2015) examined the comparison of strong brand

reputation and weak brand reputation of the parent brand of Lenovo and Acer electronics against the extended brand of portable navigation system products; Prados-Peña and Del Barrio-García (2020) examined heritage brand extensions at UNESCO destinations as parent brands that have been extended to authenticity and credibility to other destinations; Dens and De Pelsmacker (2010) examined brand extension in advertisements with parent brand quality on computer and candy products with new product extensions; Dwivedi and Merrilees (2013) studied brand extension in the retail industry with parent brand equity in supermarkets (Woolwoths, Coles and IGA) and brand extended attitude in the banking industry; Hultman and colleagues (2021) examined brand extensions with parent brands (attributes, awareness, attitudes, loyalty) at Hilton, Marriott and Hyatt hotels with extended local hotel brands; Liu and colleagues (2018) examined corporate brand extensions with extended brand new products in the B2B and B2C markets; and other brand extension studies (Michel & Donthu, 2014; Miniard et al., 2020; Phau et al., 2020; Prados-Peña & Del Barrio-García, 2020). Various previous brand extension studies are still limited, especially in the world of higher education in Indonesia. In addition, previous brand extension studies are still limited in looking at the different forms and levels of parent brands, including in the higher education industry. This study aims to explore various forms of parent brands that occur in private university brand extensions in Indonesia.

2. Method

The method of this study is qualitative employing desk analysis and literature review. Researchers reviewed 1,258 universities in Indonesia registered with the International Association of Universities in the World Higher Education Database (https://whed.net/results_institutions.php). Each brand extension is reviewed based on the university's name having a parent brand at the institution. In addition, the researchers reviewed information retrieved from the university website about the history of the formation of the university. This review included the relationship between the university and its parent brand. Then, the parent brand with the given brand extension was classified.

3. Result and Discussion

There are two categories of brand extension; vertical brand extension and horizontal brand extension. In a vertical brand extension, a new product or service is introduced under the same product/service category as the parent brand but with a different price or quality point. The horizontal brand extension refers to the use of a parent brand name to introduce a new product or service in a different category from the parent brand (Ahn et al., 2018). In other words, vertical brand extensions have new products with the same product category with different quality and price levels, while horizontal brand extensions have new products with new product categories with the same quality and price levels. An example of a vertical brand extension is Nike's Highest Performance, Mid-Performance, and Low-Performance shoes with different prices and quality according to their level. Colgate Tooth Paste and Colgate Tooth Brush are examples of horizontal brand extensions.

In addition, there are two classifications of brand extensions; low fit and high fit (Chun et al., 2015). In Indonesia, the concept of university brand extension can be classified generally in the form of a low-fit brand extension as stated by Pahuja and colleagues (2020), companies usually use established parent brands to strengthen relationships with consumers on products from newly recognized extended brands or are called low fit brands extensions. The case of Pertamina as the parent brand and Pertamina University as the brand extension is an example of a low-fit brand extension described by Chun and colleagues (2015) and Pahuja and colleagues (2020). Another reason why it is said to be a low-fit brand extension is because of the industry difference between the parent brand and the extended brand. On the other hand, high fit extension reverses low fit brand extension. The parent and extended brands are in the same industry and have so many similarities, for example, in the target market section. This study seeks to explore the form of brand extension based on the parent brand's form.

A review of 1,258 universities in Indonesia from the International Association of Universities registered in the World Higher Education Database (https://whed.net/results_institutions.php) shows three general forms of parent brand in brand extension in private universities in Indonesia. The three forms of the parent brands are parent brands from mass organizations, parent brands from corporates, and parent brands from education centers, as shown in Table 1. The various forms of parent brands have different characteristics described in the table below.

Table 1. Forms of parent brand in brand extension in the universities in Indonesia

| Brand Extension | | Characteristics |
|-----------------------------------|--|--|
| Parent brand | Extended brand | |
| Parent brand as Corporate | For example: Pertamina University; Telkom University; Bakrie University; Kalbis Institute; Sampoerna University; Ciputera University; etc. | <ul style="list-style-type: none"> • Affiliated with private corporate. • Growing up in big cities, especially in Java. • The cost of education is quite high. • The dominant field of study programs are management/economics and related to the parent brand industry. |
| Parent brand as Mass Organization | For example: Malang Muhammadiyah University; Surabaya Nahdatul Ulama University; Aisyiyah College of Health Sciences in Bandung; etc. | <ul style="list-style-type: none"> • Affiliated with a mass organization. • Spread over regions and cities. • The education cost is affordable. • The dominant field of study programs are religion, education, and health. |
| Parent brand as education center | For example: Indonesia Al Azhar University; Mataram Al Azhar University; Medan Al Azhar University etc. | <ul style="list-style-type: none"> • Affiliated with an education center. • Located in big cities. • The education cost is quite high. • Field of studies are varied. |

Indonesia is currently experiencing a growing trend of brand extensions from corporate parent brands, although not as many as extensions from mass organization parent brands. It is because brand extensions, when introduced in a new market, will have a feedback effect (Dwivedi & Merrilees, 2013). The feedback effect creates new associations and beliefs. However, it doesn't mean that a brand extension will increase the value or number of purchases of products/services from the extended brand automatically. It depends on the relationship between the parent brand and the extended brand (Liu et al., 2018).

Four characteristics of extension categories can influence consumer attitudes towards brand extensions: (1) the measure of awareness tools; (2) the perceived similarity between existing brands; (3) perceived category familiarity; and (4) overall category attitude. (Hem et al., 2014). It can later affect the success of the extended brand itself.

When viewed from the level of familiarity of brand extension universities in Indonesia, the largest is the parent brand of mass organizations, the second is corporates, and the last is the education centers. The number of universities affiliated with mass organizations is 359 universities, affiliated with corporates are ten universities, and affiliated with education centers are three universities. Table 2 shows the degree of familiarity with brand extension at universities in Indonesia. Organizations from Muhammadiyah have affiliations with 177 universities, while Nahdatul Ulama (NU) dominates the number of extended brand universities as many as 182 universities.

Table 2. The Degree of Familiarity of Brand Extension at universities in Indonesia

| Brand Extension | | Number and Remark |
|---------------------|--|---|
| Parent Brand | Extended Brand | |
| Mass Organization | | Total: 359 Universities |
| Muhammadiyah | Muhammadiyah University | <ul style="list-style-type: none"> 177 universities as extended brands in various regions in Indonesia consisting of universities, polytechnics, academies, colleges, and institutes. Parent brand was founded in 1912. |
| Nahdatul Ulama | Nahdatul Ulama University | <ul style="list-style-type: none"> 182 universities as extended brands in various regions in Indonesia consisting of universities, polytechnics, academies, colleges, and institutes. Parent brand was founded in 1926. |
| Corporate | | Total: 10 Universities |
| Pertamina (Persero) | Pertamina University | <ul style="list-style-type: none"> Extended brand was founded in 2016. Parent brand engages in the oil and gas industry. |
| PT Telkom Tbk | Tekom University | <ul style="list-style-type: none"> Extended brand was founded in 1994. Parent brand engages in the telecommunication industry. |
| PLN (Persero) | PLN-Institute of Technology (IT PLN) | <ul style="list-style-type: none"> Extended brand operated since 1998. Parent brand engages in the electricity industry. |
| Bakrie Group | Bakrie University | <ul style="list-style-type: none"> Extended brand was founded in 2006 Parent brand engages in the mining, oil and gas, property, infrastructure, media, and telecommunication industries. |
| PT Pembangunan Jaya | Pembangunan Jaya University | <ul style="list-style-type: none"> Extended brand was founded in 2011. Parent brand engages in the construction, infrastructure, and utility industry. |
| PT Kalbe Farma Tbk | Kalbis Institute | <ul style="list-style-type: none"> Extended brand was founded in 2011. Parent brand engages in the pharmacy, healthcare, dan nutrition industry. |
| Bina Husada | Bina Husada College of Health Sciences | <ul style="list-style-type: none"> Parent brand is a group of hospitals. Having 2 colleges, the first one was founded in 2000. |
| PT HM Sampoerna Tbk | Sampoerna University | <ul style="list-style-type: none"> Extended brand was founded in 2014. Parent brand engages in the cigarette industry. |
| Ciputra group | Ciputra University | <ul style="list-style-type: none"> Extended brand was founded in 2006. Parent brand engages in property and development. |
| Education center | | Number of universities: 3 |
| Al-Azhar | Al-Azhar University | <ul style="list-style-type: none"> Parent brand from the education center in Egypt. Extended brand has three universities, the first one was founded in early 1981. |

Extended brands utilizing the brand image of the parent brand also induce a positive spillover effect from the parent brand (Chun et al. 2015a) itself. It is especially true for universities affiliated with Muhammadiyah and NU mass organizations. These organizations also have a positive belief value owned by consumers due to the role of the organizations in society. Chun and colleagues (2015) stated that the positive results in the extended brand were influenced not only by the abundance of the parent brand but also by a combination of three variables, namely brand reputation, brand extension suitability, and brand extension innovation. The brand reputation of the parent brand transferred to the extended brand is critical for the sustainability of the brand extension process.

Therefore, efforts to carry out the brand extension as a market strategy need to consider (i) the suitability of the parent brand to the extended brand category, (ii) consumer perceptions of the parent brand; and (iii) the category of brand extension that occurred (Hem et al., 2014). The success of brand extensions also depends on certain assumptions about consumer behavior, including (i) consumers have positive beliefs and favorable attitudes towards the parent brand and are already in their memory, (ii) these positive associations facilitate the formation of positive beliefs and favorable attitudes towards the brand extension in consumers, and (iii) negative associations are not transferred or created by brand extensions (D. A. Aaker & Keller, 1990).

Currently, the corporate brand extension is starting to grow due to the need for employees in line with the HR needs of the parent brand industry. For example, IT-PLN was established in 1998 to meet the specific needs of a reliable electrical workforce. Another example is Telkom University, founded in 1994 to meet the needs of human resources in the telecommunication field. Various other corporations such as Ciputra, Bina Husada, and

Pertamina did the same. In addition, the study by Yuan and colleagues (2016) shows the phenomenon of increasing brand extension on reputable campuses from the US, UK, and France into developing countries such as China, Indonesia, and Malaysia. Brand extension has a significant role in the university's brand strategy (Clark et al., 2020). The existence of a parent brand is a powerful tool that can influence the product image and consumer purchasing decisions (Mazurek, 2019).

4. Conclusion

Brand extension in Indonesia has three general forms when viewed from the parent brand side, namely the form of mass organizations, corporates, and education centers. From the degree of familiarity and the growing number, universities in Indonesia with mass organization brand extension are the largest, with the number of extended brands amounting to 359 universities. The corporate brand extension is ten universities, and the education center brand extension is only three universities. The socio-economic characteristics of Indonesia have a decisive effect on the choice of the extended brand of mass organizations. Corporate brands have also begun to grow. The study remains limited to explaining the extended brand based on the form of its parent brand in Indonesia's university industry. In the future, researchers need to focus on empirical studies of consumer interest by comparing extended brands from mass organizations, corporates, and educational centers.

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