

Informational Obstacles for Brand Creation in Higher Education

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摘要

正當各行各業充斥著各式各樣的品牌建立工具, 高等教育界裏的新進學府在展示其能力及品質方面受到極大限制。傳統的資訊傳播技倆 (重覆購買 *repeated purchase*, 產品保證合約, 以及以口碑為主的宣傳策略), 在高等教育界不是不適用, 就是不可靠。老牌學府由於擁有大量優秀畢業生, 加上年資較輕的學府要克服消費者在資訊不足下的成見并不容易, 老牌學府在宣傳競爭上已勝人一籌。

Brand creation is a costly and often time-consuming activity in any business. But in no industry is it so difficult to introduce new brands as it is in higher education. A new institution must first inform the public about the type of its product, which Lingnan has been doing tirelessly over the past years. Second, it needs to tell the public about the quality of its product convincingly, which Lingnan has been trying so hard to accomplish with limited success. The frustration Lingnan has been facing is not university-specific; it pertains to every new comer in higher education. This is so because, on the one hand, the quality of product or service is much less directly observable in higher education, and on the other hand, conventional signaling devices available and so effective in other businesses are simply not feasible in the sector of education.

The output and the quality of a university depends on the value-added it can provide to its students. It depends on the program design, curriculum, quality of the teaching staff, as well as the study effort by students. The truth of the fact is that the value added of a student's education is embedded in the student's human capital and is not observable to outsiders. A student knows how much he has learned and how much he has improved during his

university time. Nobody else observes this information. Information revealed by signaling devices, such as certificate of a university degree, student GPA, letters of recommendations, performance during a job interview, etc., is largely about the end-value of the student, instead of the value added. There simple does not exist any publicly observable and credible measure of the value added a student receives from college education.

On the other hand, while it is the value-added that determines the true value of a university, the general public tends to rank universities by the *absolute* quality of their graduates.

A comparison with other businesses reveals that, due to the nature of higher education, new schools face substantial information obstacles in establishing a market position.

In other businesses, customers acquire information about product/service quality through three main channels. First, one can obtain valuable information through *repeated purchase*. After consuming a product (say, a given brand of wine) or a service (haircut, medical, financial, or legal service) of a given provider, you learn about the product or service, and come back to the high-quality suppliers. For durable goods, for which repeated purchase is less applicable, an effective way for suppliers to convey product information is to offer product warranty contracts. In addition to just being good service, modern economics teaches us, such warranty contracts can be credible information-conveying devices. This is so because low-quality providers cannot afford to offer such promises, since their products are more likely to break down. Therefore, being able to offer a warranty contract is a credible signal of high quality.

In education, neither of the two mechanisms is feasible. In particular, there is no such a thing as repeated purchase in undergraduate education. Every student just "consumes" it once in his or her lifetime. Thus every student a university admits is a "new customer" who

needs to be informed about the school from scratch. Warranty contracts are not feasible either simply because “breakdowns” are hard to measure and verify in education. (Some secondary schools in other parts of the world do offer warranty-type contracts which promise a certain percentage of graduates succeeding in nation-wide university entry tests, as a way to convey information about their teaching quality.)

There is a third way of conveying information in other business that is feasible in education. It is through the “*word-of-mouth*” advertising, whereby new customers learn from the experienced ones. One often chooses to purchase a certain brand of product based on recommendation of reliable parties, such as friends. Product satisfaction surveys and rankings conducted by the *Consumer Report*, trade associations and the like, are also forms of word-of-mouth advertising. In these cases, word-of-mouth advertising is reliable because experienced consumers in general have nothing to gain by not revealing their truth satisfaction. For instance, when being surveyed a brand X car owner will most likely report truthfully about the quality of his car. He is likely to do so, unless he is a shareholder of X Motor Limited, in which case he would always report positively regardless of quality of the car. In higher education, however, every experienced customer (a graduate) is a stakeholder. Since low self-evaluation of the mother school’s education will adversely affect a student’s job opportunity in the labor market, there is an overall tendency to overstate the quality of his mother school. Therefore, “*word-of-mouth*” advertising from graduates is not reliable in higher education.

An important indirect advertising channel does exist in education, namely through the stock of a university graduates. Take HKU for example whose past graduates can be easily seen in any important position in all sectors in Hong Kong. Whatever the HKU graduates’ occupations are, be they bankers, managers, doctors, lawyers, high-ranked government officials, etc., and whatever events they participate in, business or social,

public or otherwise, their qualification constantly signals and reminds the public about the quality of the HKU education. This form of advertising is very informative and persuasive because the graduates are the most-informed individuals about the education they received. Furthermore, this type of advertising is long lasting and increasing in scale overtime. An individual by means of achieving his personal objectives advertises for his mother university for his lifetime or even longer, and free. The longer the history of a university, the larger the stock of its graduates, and thus the more effective and powerful is such an indirect advertising channel.

However, the stock of graduates, the most qualified advertisers/informants for their mother school’s education, can only be built over time. Older universities thus enjoy an advantage over younger schools because of their larger pool of graduates. Schools with shorter history are handicapped in advertising competition with established universities.

In sum, while effective brand-building devices do exist in other businesses, new schools in higher education are severely constrained by their inability to show their true quality. Due to the nature of higher education, conventional information transmission devices (repeated purchase, product warranty contract, and word-of-mouth advertising, etc) are either infeasible or unreliable. In addition, older schools enjoy an advantage in advertising because of their larger pool of successful graduates accumulated overtime. These observations are probably a good explanation of why the first-class universities in the world all have very long history, while in other businesses household brands can be created almost overnight (Nokia in a matter of four years, Dell in two years, for example).

Given all these, new schools are likely to have to endure a long and difficult time before their hard work and academic excellence is finally recognized by society at large.