

Research on the Effectiveness of Traditional Education Service Provider Entering New Market on Brand Group

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Abstract: Starting in July 2021, a far-reaching event occurred in the education industry: the Double Reduction Policy (DRP) was fully implemented in China. This policy has a great impact on the vast majority of families with children, as well as on the operation of public schools and private education institutions. In this paper, New Oriental Education & Technology Group (New Oriental) was used as a case study to conduct SWOT research and analyze the long-term impact of this behavior on its brand image (BI) and brand loyalty (BL) after the group entered the live-commerce domain under the DRP. Through the detailed investigation of the case, it was proven that the strategic decision of entering the live-commerce business can bring financial advantages to New Oriental in the short term, but it had a negative impact on its BI and BL in the long term. Through reviewing the literature and analyzing this specific case, this paper believed that entering a new business field, especially when selling products or services at lower prices, will have a negative impact on the BI and then affect the BL.

Keywords: brand image, brand loyalty, SWOT, New Oriental Education & Technology Group, live-commerce

1. Introduction

1.1. Research Background

The Double Reduction Policy (DRP) was put into place by the Chinese government in July 2021. It was the strictest educational policy since the 1990s. Before DRP, almost every Chinese student had a hard time in school. This was because K12 schools (from year 1 to year 12) didn't have as many responsibilities as the public thought they should, especially when it came to after-school activities. As a result, parents had no choice but to send their young children to private educational service providers, such as New Oriental Education & Technology Group (New Oriental). Not only will this make it harder for the whole family to pay for things, but it will also make it harder for the kids to do things outside of school. With the introduction of DRP, it brings a couple of major benefits for China: initially, K12 schools ought to take more teaching responsibility within school campuses; more teaching sessions need to be provided for children after classes; this greatly reduces the burden on parents, as mostly they are busy with planned works, which makes them have little time to look after kids [1]. Likewise, both the family's financial burden and the students' after-school

burden can be relieved, since parents no longer need to pay extra to private education providers and students no longer need to attend extra courses after school [2].

However, DRP did not bring any good benefits to private education service providers, like New Oriental. New Oriental is a Chinese local private-owned educational service group established in 1993. It operated more than 2,000 study centers nationwide in its peak period before DRP. However, after the utilization of DRP, as the bellwether in Chinese private education service provider, New Oriental had to cut down K12 training business as policy ordered, which accounted for nearly 80% of the total income for this education provider; more than 1,500 study centers have been closed down within two months; more than 60,000 employees have to be laid off after DRP; more than 20 billion in tuition fees have been refunded in 2021 since DRP; that was also called Black Monday to New Oriental's stock price; 70% of its stock price vanished within several days after implementation of DRP [3]. During this difficult time, New Oriental decided to make critical and strategic changes to save itself from the impact of DRP. A new business mode has been established at the end of 2021: DFZX (Dong Fang Zhen Xuan), as New Oriental decided to enter a completely new market.

1.2. Research Gap

Before the DRP, there were more than 124,000 registered private education institutions in China, but after the DRP, there were only 9,762 left in the whole country [4]. This number includes online education service providers. In the meanwhile, surveys and reports revealed that DZXF brought a number of advantages to its parent company in the short term: within several months, the stock price of DFZX (01797.HK) dramatically increased from HK\$2.84 to HK\$61.9 in only six months, and the estimated market value of DFZX was even higher than that of its parent company [5]. New Oriental's annual financial report indicated that in the last half of the financial year of 2022, the sales revenue was 2.08 billion, compared with 573 million in 2021, a dramatic 262.7% increase. From June 2022 to December 2022, the GMV (gross merchandise volume) reached 4.8 billion, and Tik Tok followers reached 35.2 million within half a year [5].

Almost no reports look at the long-term effects of New Oriental's move into live-commerce, since DFZX means a lot more to New Oriental than simple and short-term financial returns. In recent research, the audience can read articles about how New Oriental and DFZX together made great financial success, but not many journals investigate how this behavior and situation could pose an influence on New Oriental and DFZX in the long term. To be more precise, DFZX will have some impact on the brand image (BI), brand value (BV), and brand loyalty (BL) of New Oriental. In this essay, I will mainly discuss how the BI, BV, and BL of New Oriental are affected by live commerce provided by the company itself.

1.3. Structure of This Paper

In this paper, in the beginning, the annual financial report of New Oriental for 2020 will be analyzed because it provided background information on New Oriental before the DRP to see how successful it was this year. A literature review will be performed after step one to state the definitions of BI, BV, and BL in order to prove how BI poses influence on BV and how BV poses influence on BL. Third, a SWOT analysis will be done to give a full picture of New Oriental's situation after it had to deal with DRP, especially after it brought DFZX to the live trading market. This section demonstrates how DFZX impacts the BI, BV, and BL of New Oriental through SWOT analysis. At the end of this part, in order to maintain the good BI and BL of New Oriental and DFZX, two solutions will be pointed out.

2. Literature Review

2.1. Definition of Theory

As defined, BI is the core competitiveness of BL. In different years and among different researchers, they hold different views on BI [6]. In the 1950s, BI was regarded as every kind of feeling customers could receive from particular brands [7]. However, in recent years, especially after 2000, in the Internet era, consumers will be exposed to a large amount of product or service information anytime and anywhere, like Facebook or Twitter; therefore, the BI of a product comes from the information customers have access to through various channels of the brand and they will recognize it through their preferences for the product in memory [8].

Referring to BV, it is regarded as one of the most important intangible assets for businesses [9]. This could be achieved through acquisition or internal research and development. BV is a combination of all kinds of factors and attributes that present the characteristics and symbols of an organization so that customers can recognize and remember this organization in a quick and easy way [10].

Jacoby and Chestnut explained BL in 1978. They define it conceptually: (1) BL is non-objective and biased; (2) it will have customer behavior responses like first-time purchasing and re-purchasing actions; (3) it will be expressed and lasted for a long period rather than temporarily changing behavior; (4) it will be determined by several decision-making units, like product designs and prices that represent its BI; and (5) choosing one or two products from a number of brands is a psychological deception [11]. BL goes beyond repeat purchases. Pricing affects brand choice but not loyalty. Sales promotions can satisfy customers' product needs by allowing them to buy multiple brands quickly, but they don't build BL and may even decrease it. Enterprise decision-makers desire BL.

2.2. Important Results

Based on the analysis of many researchers, this paper can draw the conclusion that the creation of BI has an important impact on BV. One of the researchers, Toll B.A., used two famous cigarette brands, Marlboro and Virginia Slims, in his report to demonstrate how important the BI is to brands. Without the established positive BI, it would be hard for these two brands to achieve unique BV in front of customers and to maintain BL as well as market shares [12].

From further investigation into the relationship between BV and BL, it can be proved that BV will have a direct impact on BL. In the Hossien Emari et al. report, with the analysis of a chocolate brand in Iran, it can be seen that BI and BL are vitally important to businesses, while other factors have a very small direct impact on business equity. In addition, BI has been proven to have a positive and sustainable long-term impact on BV, which has also been proven in the reports of other researchers. At the same time, the impact of BV on BL has also been proven to be significant and positive [13].

Many researchers indicate that BI has a great positive influence on customers' purchase behavior as well as their BL [14]. Researcher Lien et al. revealed trust, perceived price, and perceived BI are significant factors that influence customers' purchase behavior and BL [15]. In another researcher's report, Wang Xia clearly clarified that BL does not come from nowhere but is shaped by many factors, one of which is the unique BI. In his case study, ThinkPad and Louis Vuitton were used as the analysis objects [16]. Through the new BI, consumers determined the new BV and brand positioning of the two brands, and the BL of them can be strengthened owing to this behavior [16].

2.3. Summary and Hypothesis

After reading a number of works of literature, these papers conclude that, in most people's research, it has been proven that BV comes from BI in the eyes of customers. If consumers have a positive BI toward the brand, the BV will experience an increase. If the BV increases, the BL will also increase, and other brands will be rejected accordingly by customers.

In the case of New Oriental before and after DRP, with deep understanding and investigation of this group, several hypotheses can be made: (1) New Oriental had suffered great damage, especially in the financial factor, because of DRP; however, New Oriental indeed achieved short-term financial success via DFZX. (2) DFZX will have a negative impact on New Oriental's long-term BI, and this negative BI will harm BL for New Oriental in the future. (3) The short-term BI of DFZX will be negatively influenced because of poor management on its own.

3. Method

3.1. Research Design

In previous research reports, many researchers used Likert scale or brand dimension analysis to get their research conclusions. In this paper, this research uses the SWOT analysis method to investigate and study cases and obtain the advantages and disadvantages of the research object both internally and externally.

3.2. Background of the New Oriental Education & Technology Group

Before implementation of DRP, New Oriental mainly focused on K12 academic training, serving overseas study and foreign language training at both online and physical study centers; it has nothing to do with live-commerce, and customers have no connection between New Oriental and live-commerce, which is trying to sell agricultural products on social media platforms. DongFangZhenXuan (DFZX) was started in December 2021, just four months after the DRP went into effect. New Oriental is in charge of it. DFZX started getting into the live-commerce business, and New Oriental was the first private educational service provider in China to get into this market [17]. It can be seen that New Oriental gave DFZX the most important help it needed, like people and money to get started. This helped DFZX make a lot of money. Customers did feel like they were getting something new on DFZX, thanks to the funny anchors and hosts that New Oriental provided and trained. Within 6 months, DFZX sales reached a huge amount [18].

In this report, SWOT analysis will be used to investigate how BI, BV, and BL will be influenced by DFZX after New Oriental decides to enter a new market in both internal and external ways.

3.3. SWOT Analysis

3.3.1. Strength

As one of the first privately owned educational service providers, New Oriental has existed and operated in China for 30 years, since 1993. During those years, New Oriental cultivated and accumulated a good reputation in the educational industry and provided good service to customers for the last three decades, especially in the English training area. Once New Oriental decided to enter the live-commerce industry, this good business model could be transferred to this new area, and DFZX could take great advantage of the prestigious BI given by New Oriental. As DFZX is a newly built live-commerce brand, it has neither live-commerce experience nor a live-commerce BI; this situation could have negative effects on its initial operation. But if it can receive a good BI from New Oriental, then this phenomenon will have direct positive effects on the BL of DFZX [18].

Besides, at the beginning, New Oriental offered great assistance to DFZX, including financial support, human resources support, and so on; among all, human resources support played a significant role in the fast development of DFZX. Especially for a person named Dong Yuhui, his live commerce was greatly different from other hosts, selling products by introducing them through vivid descriptions of the story and history behind products, known as "knowledge live commerce." Thanks to him, DFZX gained enormous exposure among audiences and gave them a sense of freshness in the live-commerce industry [19].

3.3.2. Weakness

Customers who want to buy education services or products will be worried about the quality of education offered by New Oriental, since some of its best and most well-known teachers have been moved to DFZX as hosts [20]. This behavior will affect New Oriental's teaching quality in some ways. As a result, the BI of New Oriental will be damaged, and in the long run, if this situation continues, the BL of New Oriental will decrease. As for customers who would like to choose agricultural products from DFZX, they will be concerned about the products quality and time of delivery. Since this is the first time DFZX has appeared in front of an audience, no one can ensure the products offered by DFZX, as this business is a newly built enterprise and has no previous live-commerce experience. In June 2022, DFZX achieved the greatest development within this year; both GMV and stock price rocketed to the sky [21]. However, this phenomenon accompanies a number of complaints from buyers, like China Consumer Daily, which received plenty of complaints about moldy and hairy peaches received by customers or late delivery of vegetables and fruits, especially frozen seafood [22]. This situation simply means DFZX is not fully ready for efficient quality management; it cannot guarantee the product quality provided to customers; this behavior would have a negative effect on DFZX, and in the long run, BL cannot be established by new users [23].

3.3.3. Opportunity

At the moment, DFZX's market can give it good opportunities outside of China, especially in the fast-growing e-commerce platform outside of China and the growing demand for high-quality agricultural products. In this field, DFZX can gain a good BI. For now, the operation of DFZX is mainly based on TikTok. From June to November 2022, the total amount of DFZX gross merchandise volume (GMV) reached 4.8 billion; 35.2 million people followed TikTok; and 70.2 million orders have been paid on the TikTok platform [24]. Based on collected data and sources, it is not hard to see how important Tik Tok is for DFZX and how much DFZX relies on TikTok. This is also a very good external opportunity for Eastern selection. At present, DFZX has not built its own online sales platform but relies on existing online sales platforms, such as Tiktok, Taobao, and other online trading platforms. These platforms have played a positive role in the development of Oriental selection, allowing it to gain more exposure, but they are also uncontrollable. The establishment of the online sales platform can make the development of DFZX more flexible and active, and it can also play a positive role in the promotion of the BI of DFZX and further enhance the BL. Furthermore, due to the lack of proper sales channels and methods, agricultural products in many places cannot be effectively sold. Cooperating with the local farmers and even the local government can not only help them solve the immediate problems, but also improve the sales volume of DFZX itself, reduce unnecessary costs, and also improve the BI of DFZX in the eyes of consumers, thus increasing BL [25].

3.3.4. Threaten

New live-commerce competitors appeared. Although DRP also hurt TAL Group, another top Chinese educational provider, it started a live-commerce business [26]. TAL Groups (NYSE: TAL) reported selling hundreds of thousands of intelligent teaching aids in the second quarter of fiscal year 2023. Publishing, digital, and hardware learning content are TAL's biggest highlights this quarter. Political factors are also crucial. One Chinese government policy drove New Oriental's entry into live commerce: the Double Reduction Strategy may recur for New Oriental. The Chinese government does not regulate live commerce, but the live broadcasting industry has grown rapidly, causing many issues. Several unqualified companies have entered the live broadcast sector, offering low-quality and high-priced items to trick consumers, causing huge economic and spiritual losses. Some companies want this industry's large revenues. They left their enterprises to enter this industry naively. If this trend continues, the Chinese government will have to introduce and enforce live-commerce regulations and policies. New competitors have used techniques to increase market share. DFZX's brand will suffer compared to its competitors. At the same time, if the Chinese government starts to strictly regulate the online live broadcasting and online sales market and introduces some specific laws and regulations to restrict training enterprises from entering the field, this policy will have a negative impact on the normal operation and BI of DFZX because consumers will think New Oriental should not enter the field of online sales of physical goods, and this operation will affect DFZX.

4. Results & Discussion

In summary, the strength of DFZX is that it can receive great assistance from its parent company, New Oriental, at the beginning, including human resource and financial support, as well as a good BI and BL passed on from New Oriental to DFZX. For the opportunities, it is strongly suggested that DFZX build up its own online sales platforms and offline sales stores; besides, cooperating with local farmers and authorities is also recommended. Referring to its internal weakness, as a new entrant in the live-commerce industry, DFZX is not equipped with sufficient experience and relevant knowledge about how to run an online broadcast smoothly and properly. In the meantime, selling agricultural products in DFZX will have negative effects on the BI and BL of New Oriental, as the company is famous for its educational services rather than agricultural products. In addition to the external threats that existed and the new competitors that should not be ignored, future political and policy uncertainty will also have a negative impact on long-term BL.

When a well-known enterprise enters a new market or domain, it can always get a lot of attention from the public. This exposure can help the company's new plans and actions, like promoting the sales of new products, taking over the market faster, and getting a bigger share of the market. These positive factors are more from a financial and economic perspective. However, in the long run, it is still unknown whether this positive financial situation can be sustained. Even from the latest financial report that the gross merchandise volume of DFZX has shown a certain decline in the last six months [27]. In the long run, when an enterprise enters a completely new field, especially when the products sold and services provided are completely different from the previous core products, the BI and BL of the enterprise will be greatly affected. Generally speaking, if the price of the products and services sold by the enterprise is lower than the price of the products previously provided, the BI of the enterprise will be negatively affected, and the BL will also be negatively affected.

Other researchers mentioned more about the short-term financial profitability of DFZX in their research reports, and it is widely believed that this strategic decision could bring many benefits to New Oriental. However, in these reports, there is little mention of the impact on the long-term BI

and BL of the parent company, New Oriental, after it made the decision to enter the field of live commerce. In this paper, it not only analyzes the short-term financial achievements of DFZX but also the long-term impact on BI and BL.

This report gives some good ideas and solutions for both New Oriental and DFZX to keep growing in a sustainable way:

By completely separating DFZX and New Oriental, both brands can maintain good long-term BI and BL. New Oriental will continue to focus on providing educational services for learners, and customers will continue to have a positive BI and BL for New Oriental because its core competitiveness and services have never changed. On the other hand, DFZX should operate under its own management. Likewise, it is very important for New Oriental to find other sources of income to overcome short-term financial difficulties within its own competitive products. For example, DRP can be used to prevent K12 students from receiving additional education and training, but it has no restrictions on other types of education, such as providing vocational training for adults to help them develop new skills. New Oriental can obtain new sources of funds from vocational training and education and also strengthen its BI in this field. Besides, after DRP, it is essential for New Oriental to continue providing training in quality education to teenagers, like providing programming training for programming enthusiasts and teaching teenagers how to play the piano. By positioning itself in the field of quality education, New Oriental can obtain a different BI and BL from learners.

5. Conclusion

Under the influence of the DRP, the private-owned education service enterprises in China have been greatly restricted, especially the training businesses in the K–12 area. Thus, every school is looking for new ways to grow new business sectors and get into new markets. For New Oriental, it established DFZX to enter the live-commerce market. It is also the first private education institution in China to enter the live-commerce field after the implementation of DRP. The establishment of DFZX has brought economic benefits to its parent company, New Oriental, in the short term and has also had a certain impact on its BI, BV, and BL in the long term. In the literature review section, the concepts and definitions of BI, BV, and BL are obtained through the study of a large number of articles and journals, and then it is stated that BI will positively affect BV and that BV will positively affect BL. In the case of New Oriental, the SWOT analysis method was used for detailed investigation and research: after the establishment of DFZX and its entry into the live-commerce market, the strengths and weaknesses existing in New Oriental, as well as the external opportunities and threats faced by New Oriental. Through the study of the case of New Oriental, this paper draws a conclusion: New Oriental can gain short-term economic benefits after entering a completely new market, but if it continues, it will have a negative impact on its own BI, BV, and BL.

In this paper, the fact that BI will affect BL has been proven again through literature reviews. On the other hand, in the case study, DFZX's entry into the live-commerce market can bring short-term financial advantages to New Oriental, which has also been verified again. At the same time, this article fills in the fact that there aren't many studies out there that give a detailed analysis after New Oriental enters the live-commerce market and changes its own BI and BL. This research result can be used as a reference for enterprises preparing to transform and enter the live-commerce market, especially for enterprises entering the live-commerce market for the first time and private-owned service providers who are seeking positive transformation. Therefore, within the research discussion, two appropriate suggestions are put forward for those education businesses that would like to seek development in live-commerce businesses to help them avoid facing similar problems. However, this paper doesn't go into more detail about how much BI, BV, and BL will change when New Oriental joins the live commerce market. Therefore, in the future, the article should do more

research on how DFZX affects the BI and BL of New Oriental. For example, it could use a Likert scale, a questionnaire, or an interview. This would give the public a better idea of the BI and BL of New Oriental.

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