Maintaining Brand Equity of Business Strategy in Multinational Firm: Fact from Indonesia

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Abstract

Maintaining brand equity is a key business strategy to increase market share. This paper wants to analyze the extent to which brand awareness, perceived quality, brand loyalty affects brand equity in a multinational company, namely Starbucks Co. The data analyzed consisted of 298 respondents who lived in the Jakarta area and outside the Jakarta area of Indonesia. Through statistical testing on data collected with Stata Release 15 Software, it proves that the data is reliable and valid. The methodology used is an econometric approach with multiple regression equation models with robustness requirements. The calculation result proves that the model is robust, and all selected variables have a significant effect on the 5% degrees of freedom. The results of this study suggest that maintaining brand equity must be influenced by consumer’s brand awareness, perceived quality, and brand loyalty.

Keywords

Brand Awareness, Perceived Quality, Brand Loyalty, Brand Equity

1. Introduction

The country of Indonesia is one of the ten countries with the most population. The range of population projections in Indonesia, estimated at 265 million, makes Indonesia the country with the largest population of almost one-third of the total population of the ASEAN countries (Budiono et al, 2021). Most of the Indonesia's population is filled with young people or who are in the productive age range of around 15-64 years (Purba & Budiono, 2019b). Because of it, Indonesia has a great opportunity to dominate the market in Southeast Asia and therefore also becomes its own attraction for domestic and foreign investors to take advantage of opportunities to invest and build businesses or their companies in Indonesia (Budiono & Purba, 2019).

The effect of globalization has made the boundaries of economic activity between countries disappear, making it easier for multinational companies with a global brand to enter the country so that they converge into economic activities that involve many countries (Purba et al 2020). Products that are produced by foreign companies usually rely on local resources in the production process to minimize production costs and maintain the taste locally or also they import raw materials from the country of origin to maintain the quality standards that have been determined (Budiono et al, 2021). This also triggers local companies to be able to innovate and adapt to the latest culture and trends to compete with global brands competitively.
By the way in shaping the perception of a good brand image in the eyes of the public, the company itself must be able to provide quality offers because the perception that has so far been embedded in the minds of the Indonesian people is that products with foreign brands have higher quality and prestige better than locally made products because the price is more expensive and has been widespread throughout the world (Budiono et al, (2020); Rajagukguk et al, (2020), (2021)). This is related to the country-of-origin effect which creates consumer views and evaluations of a country of origin of production. Usually, a product is written with the word "made in", then many people are familiar with the word and immediately mean that the product comes from a certain country (Purba, Budiono, & Adirinekso. G.P., 2020).

Generally, people prefer brands that are already well-known such as foreign brands that already have a high popularity and easier to market. However, not always having an image of foreign products always attracts the buying interest of potential consumers because in recent years there have been government programs that encourage brand localization to encourage local industries to form perceptions of loving domestically made products and a sense of love for the country towards the recognition of local cultural diversity (Budiono et al, (2019a) (2020); Purba et al, (2021)).

Firm "Starbucks" was founded by Jerry Baldwin, Zev Siegl, and Gordon Bowker in 1971 in Seattle, USA. Until now, it has become a giant multinational company with branches of more than 20,000 outlets throughout the world. The history of the beginning of the entry of “Starbucks” in Indonesia began with the opening of their first store at Plaza Indonesia on May 17, 2002, until January 2018 it was noted that Starbucks Coffee Indonesia had 326 branches spread across 22 cities in Indonesia. Starbucks Coffee Indonesia is a franchise business that is under the ownership of PT. Mitra Adiperkasa Tbk (MAP). The reason the researchers chose the brand "Starbucks" as a representative compared to other global brands in Indonesia such as "Coffee Bean & Tea Leaf, DOME, Caribou Coffee, and others" is because only "Starbucks" continues to grow, presenting the latest innovations, becoming increasingly popular in the community and able to attract potential customers to continue to come to the store and become the best brand among other global brands (Adirinekso et al, (2020), (2020); Purba et al, (2021)).

The habit of sitting drinking coffee while talking was only available in local stalls until in recent years various kinds of international coffee shops have been present in big cities in Indonesia, but there are still many traditional coffee shops around the local community. Now coffee drinks themselves can be enjoyed with various types of flavors by all groups ranging from teenagers, adults, office workers, students, and visitors who want to sit back and relax, surf while talking accompanied by coffee that has been purchased (Purba et al, 2021). The consumptive nature of society is not just fulfilling functional values but has changed to a more symbolic direction where initially it was only a secondary need that turned into a primary need (Uttam, 2019). This change in consumptive nature can mean that the changing mindset has made them to fulfill prestige and dignity, especially at the center of the trend of urban lifestyle. It is assumed that if they sit and relax while enjoying a cup of coffee in an expensive coffee shop it is considered a luxury to increase social class if it is used as a daily habit (Bian & Forsythe, 2012).

Seeing so much of the attractiveness of the Indonesian people to their passion for consuming coffee drinks today which is used as a daily lifestyle, this study is expected to explain and provide information on how Indonesian consumers view the coffee brands they buy from Global brand, Starbucks Coffee. In this research, authors would like to analyse impact of brand awareness, perceived quality, brand loyalty on brand equity in a international company, namely Starbucks Co.

2. Literatur Review.

2.1. Brand Awareness

Brand awareness is an image that shows the ability of a potential consumer to associate and recall and recognize a brand as part of a particular product category they want to buy. Brand awareness includes several levels starting from unaware of a brand which is the lowest level where consumers are “Unaware of Brand”, “Brand Recognition” which is the minimum level when a buyer chooses a brand during a purchase transaction, “Brand Recall” as a reminder based on someone's request to mention the brand, and last “Top of Mind” where without the help of consumers, they can immediately remember the brand when they only hear the name. Brand awareness is a form of awareness of a brand that has a positive impact on organizational perceptions held by everyone (Pranata & Permana, 2021). Therefore, familiarity has an important role in building a company's reputation through virtue and reliability (Kevin Lane Keller, 2013). The success of this form of brand awareness depends very much on how it can provide understanding in the minds of consumers that the brand was created to be able to meet the needs and how often they see and interact with the brand (Purba et al, 2021). Besides brand awareness is also often considered the benchmark of a product with a good reputation and value, therefore marketers must be smart in conducting promotions to their potential customers (Khuong & Kim Chau, 2017).
2.2. Perceived Quality

Perceived Quality is a view of the overall consumer perception of the brilliance and quality of a product or service compared to offerings from other competitors (Ha & John, 2010). The higher the perceived quality is obtained, it indicates that consumers increasingly understand the differences and advantages of a product with other similar products, this can be obtained after going through several stages of the purchase and also requires a long time (Purba et al, 2021). In creating a product brand, it is very important to pay attention to quality, where this is an important resource for the company to be able to create a competitive advantage (Severi & Ling, 2013). Good perceived quality also has several benefits for a product brand which can be a factor in strengthening the existence of a product in the market, increasing the attractiveness of consumers, making the basic reason for consumers to be willing to pay a higher price, giving a distinctive characteristic difference that makes consumer reasons for making purchase transactions (Othman, Kamarohim, & Nizam, 2017). If perceived quality affects consumer purchasing decisions, so the thing to do is to give a good and favorable impression for consumers in the use of the products offered. Because if consumers feel the opposite or give a negative impression of the product or service that they don't like, it will be very easy to predict that they will not make a repeat purchase because they think the product or service has a value or quality that is not good and will not survive a long time on the market (Stylidis, Wickman, & Söderberg, 2020).

2.3. Brand Loyalty

Brand loyalty is a view of the extent to which a consumer can still get a positive impression, which will trigger their commitment to continue to be loyal in using products of the same brand over and over again, accompanied by feelings of satisfaction and pleasure after being consumed repeatedly and there will be an intention to continue making more transactions in the future (He & Lai, 2014). Brand loyalty has an important role for a service-based organization where satisfied customers will be more loyal to use services and this has a constant effect on current and future revenue streams (Rahman & Noor, 2014). Brand loyalty is also defined as customers who get a high level of satisfaction, involvement and experience with a particular product which will increase their sense of loyalty to the product brand compared to other product brand alternatives (Pappu & Quester, 2016). Loyalty attitude from consumers refers to psychological commitment in the act of buying, as in the attitude shown in the purchase intention and the intention to recommend a product brand to others without any real repeat purchases (Wang, Chen, Yu, & Hsiao, 2015).

2.4. Brand Equity

Brand equity is an intangible subjective assessment of a consumer towards a particular product, either from outside effect or above the actual objective perceived value of the brand itself or it can be concluded as the value of a brand in the market (Severi & Ling, 2013). Brand equity can be defined as a brand's contribution to a product and service to its profitability in a company compared to the profitability of a company that does not have a brand (Alhaddad, 2014). Brand equity can be interpreted as a description of the current market value of a brand as well as a picture of the future potential which is expected to be useful in the business world, besides that brand equity also depends on certain market features (Saleem, Rahman, & Umar, 2015). There are many types of approaches to measuring brand equity itself which are divided into subgroups such as customer relations, complex techniques and finance (Pappu & Quester, 2016). Brand equity is an added value to a product and service, where the value intended can be in the form of consumer thinking, acting, feeling for prices, market share, profitability and brands owned by the company (Lin, 2015).

3. Methods

3.1. Collecting and Goodness Data

3.1.1. Collecting Data

Collecting data is a way in which a researcher carries out very important stages of a study, with the correct technique the researcher will be able to produce data with high-quality credibility. Data collection can be divided into two sources, namely "Primary Sources" (Data sources that are directly provided to data collectors) and "Secondary Sources" (Indirect sources provided to data collectors, for example, such as through other people and documents). The data collection method is an integral part of the research design which involves collecting data from the original source as a specific research objective. Primary data collection methods are divided into four methods, namely interviews, observation, questionnaires and experiments (Sekaran & Bougie, 2016).

3.1.2. Validity Test
Validity test is used to determine the problem of whether an instrument used to measure something can properly do its job to measure it appropriately. In this research, validity tests are divided into three types, namely content validity, criterion-related validity and construct validity (Sekaran & Bougie, 2016). The type of validity tests will be used by the researcher in determining and measuring is the construct validity of the data obtained.

(a) **Content Validity** is the validity estimated through the testing phase of the appropriateness or relevance of the test content through analysis and expert judgment. Content validity has a function to ensure the measurement of a set of items from sufficient results to represent the researcher in expressing the concept of research. The more samples taken to measure the content validity results will be greater.

(b) **Criterion-Related Validity** is the validity that aims to determine the results of data processing based on the comparison of the tested values of the respondents studied on certain performance against external criteria (Hendryadi, 2017). Criterion-related Validity is created when the researcher wants to measure individual differences based on criteria that are expected to be predictable.

(c) **Construct Validity** that construct validity is made to correct inadequacies and face the difficulties of content validity and criterion-related validity approaches. Construct validity is the validity that aims to determine how well the results are received based on the fit measurements according to the theory around which the test was designed (Sekaran and Bougie, 2016). Construct validity is divided into two types, namely convergent validity, and discriminant validity. According to Sekaran and Bougie (2016) that convergent validity is a measure of construct validity that is formed when there is a high correlation between two different sources responding to the same measure. Continue for Sekaran and Bougie (2016) that discriminant validity can be formed if two different concepts are not correlated with each other. Discriminant validity is used to see the effect of the differences in each variable involved empirically by looking at the $\sqrt{AVE}$ values recorded in the correlation test measurement table (Fornell-Larcker Criteria).

### 3.1.3. Reliability Test

Reliability is used to prove the consistency and stability of the concept of a measurement instrument that is combined into a unit. Cronbach alpha is the coefficient of reliability used to determine how well the variables in a set correlate positively with each other, the higher Cronbach alpha approaches to one, the higher the reliability and internal consistency of the measured variables (Sekaran and Bougie, 2016). Besides that, we can also find out the reliability of the variables by looking at the value of composite reliability.

#### 3.2. Regression Model.

Based on the problems and causal relationships between brand trust with brand equity, perceived quality with brand equity, and brand loyalty with brand equity then we compile an research model as outlined in the following figure (Greene, William, & Greene, 2007).

![Regression Model Diagram](image)

**Figure 1 Research Model, Source: Choosing Model**

Based on the basic framework of this regression model, the applied regression model for this study is

$$BE_G = \beta_0 + \beta_1 Aw.G + \beta_2 PQ_G + \beta_3 L_G$$

Subsequently a calculation is made by estimating the suitability of the research model that is the magnitude of the $R^2$-squared and F-test with a significance level of 5%.
Based on the theoretical estimates for each parameter to achieve the desired model conditions in mathematical equations are as follows (Greene, 2018).

\[
\beta_1 = \frac{\partial BE_G}{\partial Aw_G} > 0, \quad \beta_2 = \frac{\partial BE_G}{\partial PQ_G} > 0 \quad \text{and} \quad \beta_3 = \frac{\partial BE_G}{\partial L_G} > 0
\]

(2)

Based on the calculus equation, the partial test of each independent variable is one way. Brand awareness (Aw_G) affects brand equity (BE_G) in the same direction, perceived quality (PQ_G) affects brand equity (BE_G) in the same direction and brand loyalty (L_G) also affect brand equity (BE_G) in the same direction. Thus, the value of each parameter \( \beta \) is expected to be positive.

While the partial testing of each independent variable on the dependent variable is carried out by t-test with a significance level in this study amounting to 5%.

By using the null hypothesis (H_0) and alternative hypothesis (H_1) for partial testing on the \( \beta_1 \) parameter as follows:

- \( H_0: \beta_1 = 0 \), brand awareness (Aw_G) does not affect brand equity (BE_G)
- \( H_1: \beta_1 > 0 \), brand awareness (Aw_G) affects brand equity (BE_G) in the same direction.

The null hypothesis (H_0) and the alternative hypothesis (H_1) for partial testing on the \( \beta_2 \) parameter are as follows

- \( H_0: \beta_2 = 0 \), perceived quality (PQ_G) does not affect brand equity (BE_G).
- \( H_1: \beta_2 > 0 \), perceived quality (PQ_G) affect brand equity (BE_G) in the same direction.

The null hypothesis (H_0) and the alternative hypothesis (H_1) for partial testing on the \( \beta_3 \) parameter are as follows

- \( H_0: \beta_3 = 0 \), brand loyalty (L_G) does not affect brand equity (BE_G).
- \( H_1: \beta_3 > 0 \), brand loyalty (L_G) affect brand equity (BE_G) in the same direction.

4. Result and Discussion

After obtaining primary data from the research instrument, the data will be assessed for its validity and reliability. In this study, the research instrument used is the electronic questionnaire which consist of research indicators as shown in the table 1 for each research variables. The electronic questionnaire has collected 298 respondents as primary data from Indonesian citizen as the respondents of this research.

<table>
<thead>
<tr>
<th>Item</th>
<th>Obs</th>
<th>Sign</th>
<th>item-test correlation</th>
<th>item-rest correlation</th>
<th>interitem correlation</th>
<th>alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aw_G</td>
<td>298</td>
<td>+</td>
<td>0.8819</td>
<td>0.7810</td>
<td>0.6127</td>
<td>0.8260</td>
</tr>
<tr>
<td>PQ_G</td>
<td>298</td>
<td>+</td>
<td>0.7823</td>
<td>0.6183</td>
<td>0.7263</td>
<td>0.8884</td>
</tr>
<tr>
<td>L_G</td>
<td>298</td>
<td>+</td>
<td>0.8882</td>
<td>0.7919</td>
<td>0.6055</td>
<td>0.8216</td>
</tr>
<tr>
<td>BE_G</td>
<td>298</td>
<td>+</td>
<td>0.8700</td>
<td>0.7607</td>
<td>0.6262</td>
<td>0.8341</td>
</tr>
<tr>
<td>Test scale</td>
<td></td>
<td></td>
<td>0.6427</td>
<td>0.8780</td>
<td>0.8780</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Processing

The basis for decision making in the reliability test is the Cronbach's Alpha value of 0.878 > 0.60, so the questionnaire or questionnaire is declared reliable or consistent. The validity testing based on Stata software shown in table 1. The item-test correlation on the table 1 is also showing result of validity based on r-table, which in this research all item-test correlation that more than value r-table.

Based on the proposed econometrics model, we conduct data processing in 298 observations. By using linear regression and robustness feasibility, the output of data processing is as follows.
Table 2. Result of Linear Regression for Brand Equity

<table>
<thead>
<tr>
<th>Source: Data Processing</th>
</tr>
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Based on the value of R-squared = 0.59 shows that 59% changes in brand equity (BE_G) are influenced by independent variables in the model, while the influence of variables outside the model is 41%. The test results for the proposed model that the results of the value of F-test = 184.37 and probability F = 0.00 smaller than the significance level of 5%, we reject the null hypothesis. The independent variable brand awareness, perceived quality, brand Loyalty effect on brand equity (BE_G).

Based on the results of partial testing the brand awareness (Aw_G) variable is $t$-test = 3.74 and probability value $t$ = 0.000 states that we reject null hypothesis and accept alternative hypotheses. Brand Awareness significantly brand equity (BE_G). Subsequent partial testing of perceived quality PQ_G variable. The results of $t$-test = 3.50 and probability value $t$ = 0.001 states that we reject null hypothesis and accept alternative hypotheses. Perceived Quality significantly influences the brand equity (BE_G). Last, partial testing of brand loyalty (L_G) variable. The results of $t$-test = 6.73 and probability value $t$ = 0.000 states that we reject null hypothesis and accept alternative hypotheses. Brand loyalty (L_G) significantly influences the brand equity (BE_G). So, testing together or partially shows the behavioral model in this study has met the statistically requirements.

Next, we construct the equation of the research model in this study as follows.

$$BE_G = 0.25 + 0.27 \text{Aw}_G + 0.24 \text{PQ}_G + 0.38 \text{L}_G$$

All value of the parameter coefficients is positive, this show the results of this study are in accordance with the hypotheses and theoretical basis. The magnitude of the parameter coefficient reflects the magnitude of the impact of the independent variable on the dependent variable. The value of brand awareness parameter with coefficient of 0.27 shows that each increase in brand awareness resulted in an increase brand equity (BE_G) of around 0.27 in 5 scale. The value of perceived quality PQ_G parameter with coefficient of 0.24 shows that each increase in perceived quality (PQ_G) resulted in an increase brand equity (BE_G) of around 0.24 in 5 scale. At the last, the value of brand loyalty (L_G) parameter with coefficient of 0.38 shows that each increase in brand loyalty (L_G) resulted in an increase brand equity (BE_G) of around 0.38 in 5 likert scale.

5. Conclusion

The awareness behavior influence on brand equity. A consumer can still get a positive impression, which will trigger their commitment to continue to be loyal in using products of the same brand again, accompanied by feelings of satisfaction and pleasure after being consumed repeatedly. Therefore, brand awareness increases current market value of brand, it is mean brand equity.

The higher the perceived quality is obtained by consumers; it indicates that consumers increasingly understand the differences and advantages of a product with other similar products. Good perceived quality also has several benefits for a product brand which can be a factor in strengthening the existence of a product in the market, increasing the attractiveness of consumers, making the basic reason for consumers to be willing to pay a higher price, giving a distinctive characteristic difference that makes consumer reasons for brand equity.
The view about the enthusiasm of consumers to prefer brand, especially in Starbucks coffee drinks, it will also support high consumer loyalty which has a big influence on increasing market value of brand, it means brand equity increase. In this study, consumer loyalty have biggest effects on brand equity than other variables.

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