

## **CHAPTER II**

### **LITERATURE REVIEW**

This part will explain about all the variables focused on the research and the hypothesis development. The variables consist of online repurchase intention as the dependent variable, online brand equity as the independent variable, product involvement and brand attachment as the mediating variable and online brand equity as the moderating variable. The explanation of each variable and the hypothesis development were based on the previous researches.

#### **2.1 Online Brand Equity**

##### **2.1.1 Definition of Online Brand Equity**

There are few attempts done by the researchers to understand more about online brand equity, and the previous research of Na and Marshall (2005) viewed that brand equity is conceptually the same for any brand, and the models of brand equity that work for off-line products and services will work just as well in an on-line context. Thus, the notion of online brand equity has important implication on both online and offline retailers to formulate their positioning strategy (Rezaei & Valaei, 2017).

Practically, brand equity is the added value a product accrues as a result of past investments in the marketing activity for the brand. Brand equity in this

research referred to Customer-Based Brand Equity (CBBE), which defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand (Keller, 2012). Brand equity defined from the perspective of consumers, focus on the interaction of customer and brand as well as the consequences result in that relationship (Soenyoto, 2015), and the power of a brand actually lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time (Keller, 2003).

### **2.1.2 Constructs of Online Brand Equity**

Christodoulides et al (2006) in Rezaei & Valaei (2017) proposed online brand equity as a second-order reflective construct designed by the five first-order constructs is comprised of fulfillment, trust, responsive service nature, online experience, and emotional connection.

#### **1. Fulfilment**

From the consumers' perspective, fulfilment means online businesses deliver the product they promised. Some online companies, knowing that some fulfilment problems can lead to dissatisfaction, mistrust, or relationship extinction (Pitta et al, 2006). Fulfilment of expectations (keeping promises) is central to relationship marketing and more specifically, to service relationships and it has been found to create value for consumers and companies (Rios & Riquelme, 2009).

## **2. Trust**

Young (2009) defined trust as a psychological state that involves a willingness to accept vulnerability based on positive expectations of another. To put it simply, trust is one's willingness to "take a chance" on another person. Consumers offer their trust and loyalty with the implicit understanding that the brand will behave in certain ways and provide them utility through consistent product performance and appropriate pricing, promotion, and distribution programs and actions (Keller, 2012). Building and maintaining a trusting and long-lasting relationship with customers are critical to a brand's success in today's highly competitive global market (Alhaddad, 2015).

## **3. Responsive service nature**

Christodoulides (2006) in Rezaei & Valaei (2017) mentioned that the term "responsive service nature" denotes to the degree of customer service interplay enabled by the site and the reaction and service procedures giving assistance to the consumers storefront. Responsive service nature could be achieved through personalization and customization of app/online retail. According to Thirumalai and Sinha (2011), customization of the internet purchase process influences retail consumer's satisfaction and overall behavioral intention. Information gathered by the e-retailer in the customization process can be saved and used by the customer for the next online visit, which provides a

convenient shopping experience and a feeling of personal service and care

#### **4. Online experience**

Past experiences with the product and its marketing program over the years, consumers able to find out which brands satisfy their needs and which ones do not (Keller, 2012). An individual is more likely to be satisfied with an offering or experience when he or she perceives better performance therefore greater usefulness. Unpleasant buying experience easily leads to dissatisfaction, discouraging the customer from coming back (Khalifa & Liu, 2017).

#### **5. Emotional connection**

A customer who has “valuable” experience with a retailer in economic or needs satisfaction terms may develop a positive emotional connection toward the retailer. While its strength will vary, emotion is inherent in most consumer decisions (Pitta et al, 2006). Based on the previous research of Vredevelde (2018), not all consumers have the same ability to make emotional connections and bond with brands, and thus need additional support from marketing to connect with brands and to facilitate the creation of emotional brand connections.

### **2.1.3 Benefits of Brand Equity**

The benefit of brand equity has become a warm and trending topic discussed by many companies, marketers, and academics especially when calculating the long-term performance of a business. According to Hasan (2013), there are some benefits of brand equity such as:

1. Can help differentiate a product from the company with the products offered by the competitors.
2. Can be a substitute for quality and create a positive image for the customers in purpose to lure new customers.
3. Can prevent a decrease in market share during the price war and promotion, giving the company time to respond to the threat of competition.
4. The greater a tangibility of a product, then the greater the importance of brand equity as a source of competitive advantage differentiation.
5. Strong brand equity can help customers reduce quality evaluation risk in the involvement with purchasing decisions.
6. Can be an explanation for customers who are still doubtful about the ability and experience of the company to produce quality product.
7. Can encourage customers to pay higher price because of its ability to reduce uncertainty.

## **2.2 Product Involvement**

### **2.2.1 Definition of Product Involvement**

The concept of product involvement has been studied by numerous researchers in consumer behavior and offered as a useful way to understand characteristics of various consumer groups as well as their behavioral tendencies. According to Zaichkowsky (1985) cited in Lee Sungmi (2007), product involvement generally has been defined as an individual's perceived relevance of a product based on his or her needs, values, and interests. From this perspective, a consumer's involvement with a product can be the degree to which a person perceives the product to be personally relevant, which means that products have different levels of involvement connected with them for different consumers and in different situations (Baker et al, 2002).

When they have knowledge, experience, and values that make shopping and purchase of the products that are relevant to them, consumers would have enduring involvement (Lee Sungmi, 2007).

### **2.2.2 Levels of Product Involvement**

Wu and Wang (2011, p. 449) explain that consumers can experience either high (e.g. risky purchase) or low levels (low-risk purchase) of product involvement. Involvement level can be defined as relation with individuals; different consumers have different product involvement on the same products (Lin et al, 2011). Consumers, who exhibit high levels of product involvement, seek continuous information on the product and have high levels of experience

and interest in the product, and will easily influence other consumers' purchasing behavior (Wu & Wang, 2011). Warrington & Shim (2000), mentioned that when high-involvement consumers are satisfied, they are expected to develop brand and store loyalties, and consumers who have high involvement with a product process relevant information in more detail than consumers who have low involvement with a product.

For low involvement level, a consumer does not have high personal relationship with a certain product which leads to less effort in finding information about the product (Siahaan, 2011). Low involvement products are defined as those that are more frequently purchased and less costly. They are bought frequently and with a minimum of thought and effort because they are not of vital concern nor do they have any great impact on the consumer's lifestyle (Radder & Huang, 2008 and Tanner & Raymond, 2012). In a low involvement product's purchasing process, consumers are known to engage in a "routine response behavior" based on their limited current information or their past gathered information (Tanner & Raymond, 2012).

### **2.2.3 Classifications of Product Involvement**

Lee Sungmi (2007) mentioned that based on the previous research of Celsi and Olson, Rothschild and Zaichkowsky, there are two classifications of product involvement. First, situational involvement is related to cues in the consumers' immediate environment such as sales promotion or advertisements. Thus, their level of involvement can change if the situation changes. On the

other hand, the second type is enduring product involvement which symbolizes a continuing concern with a product that consumers bring into a purchase situation. When they have knowledge, experience, and values that make shopping and purchase of the products that are relevant to them, consumers would have enduring involvement. According to Michaelidou & Dibb (2008), there is another classification of product involvement which is response involvement. Response involvement refers to a behavioral orientation which involves information acquisition and decision processes.

## **2.3 Brand Attachment**

### **2.3.1 Definition of Brand Attachment**

Previous research (Park et al, 2006) approached attachment from the perspective of an individual's relationship with the brand as the attachment object. In that context, they define attachment as the strength of the cognitive and affective bond connecting the brand with the individual. Brand attachment may be built by enriching consumers' self through the experience of a brand "core ideology or values" and "enabling the consumer to pursue his goals". Attachment denotes a psychological state of mind in which a strong cognitive and affective bond connects a brand with an individual in such a way that the brand is viewed as an extension of the self (Park et al, 2006). The stronger one's attachment to an object, the more likely one is to maintain proximity to the object (Thomson et al, 2005).

Attachment expresses emotional bonds which are persistent, resist to change, impact cognition, and predict behavior. Persistence reflects the degree to which an individual attachment toward an object remains unchanged over time. Resistance represents an individual's ability to refuse shifting to competitive products (Krosnick & Petty, 1995; Raval et al, 2011 cited in Taghipurian & Bakhsh, 2015).

### **2.3.2 Constructs of Brand Attachment**

The result of previous research of Zhang et al (2013) in Rezaei & Valaei (2017), showed 3 constructs of brand attachment:

1. Affection

Brands with attractive personalities entice consumers with no previous brand usage, for the reason that consumers may enhance their sense of self (Mazodier and Merunka, 2014 in Rezaei & Valaei, 2017). The basis for the consumer's affection toward the brand can be provided by brand's personality by animating and humanizing the underlying brand.

2. Connection

In social media era, consumers' interrelationship and their relationship with brands in information sharing and creating activities is propelling the firms to formulate new communication strategies and alter their branding activities to reverberate a more engaging

approach sealing the connection between brand and consumers (Munnukka et al, 2015).

### 3. Passion

Passion is an activity-specific construct involving a love for, and identification with, a given activity (Vallerand et al, 2003). In the meantime, a well-known brand may drive customer's passion to buy (Pandowo, 2017). Swimberghe et al (2014) launched a dualistic approach of passion. First, harmonious brand passion, as result of autonomous internalization when individual is like, find, and decide to buy and keep relationship with the brand. Second, obsessive brand passion, it's a result from internalization controlled by socio-intern pressures. While passion may really characterize strong brand attachment as (Thomson et al. 2005) suggested the degree of passion linked to strong attachment might depend on the relationship's evolutionary status.

## **2.4 Online Repurchase Intention**

### **2.4.1 Definition of Online Repurchase Intention**

Repurchase intention refers to the individual judgment about repurchasing a service determined by that company with regard to current condition and probably situation (Amini & Akbari, 2014). Some of the researches had focused on determining in advance initial variables to repurchase. Previous research of Wen et al (2011) mentioned that "online

repurchase intention” has similar context with “continue to shop online”, “customer intention to return”, “Web site stickiness”, and “continued information systems/IT intention”. In marketing literature, there is a vast agreement about the very important role of repurchase as a behavioral key result for a successful marketing relationship (Mosavi and Ghaedi, 2012).

Customers’ repurchase is critical to the success and profitability of online shopping. Indeed, online customer retention has attracted considerable attention in recent years, partly because it is means of gaining competitive advantage. In the online shopping environment, consumers evaluate their online repurchase intention in terms of perceptions regarding product information, form of payment, delivery terms, service offered, risk involved, privacy, security, personalization, visual appeal, navigation, entertainment and enjoyment (Burke, 2002; Parasuraman & Zinkhan, 2002; Mathwick et al, 2001 cited in Razak et al, 2014).

#### **2.4.2 Indicator of Online Repurchase Intention**

Just like traditional shopping, consumer repurchase intention is primarily based on satisfaction in a previous shopping experience. Satisfaction has also been tested in several academic studies as an important factor affecting repurchase intention in the context of e-commerce (Wen et al, 2011). Sari et al (2013) in Farida (2017) also mentioned that repurchase intention has three indicators:

1. Famous

The more famous the product, the consumers' interest to do repurchase will grow. This type of consumer likely to make a purchase by considering a product that is in high demand.

2. Trustworthy

The consumer response will be good if they believe in company's experience and ability to produce a quality product. Positive response from the consumer will help the company's business in the future.

3. Product Superiority

Consumers will consume or do repurchase by considering the product excellence and superiority compared to the products offered by the other companies. Consumer will do the repurchase when they believe that the product will provide many benefits for them

## **2.5 Types of Store (Website vs Application)**

There are many channels that can be used for a company to reach its customers such as physical store, website store, mobile application store and even catalogue. Therefore, this study will focus on the comparison of website and mobile application store of Traveloka Online Agent company. According to Zhuang (2000), website and application store were both electronic commerce (e-commerce) which allow all customers to order products more

quickly and easily over the internet. Benson 1996 cited in Rezaei & Valaei (2017) explained that the coming of Web technologies makes e-commerce attractive for low cost business-to-business applications and for introducing a new way of buying and selling.

Due to e-commerce, the world is at the threshold of changing the way we think about commerce, the way we do business and the way our efforts are valued. Furthermore, consultants say that e-commerce has fundamentally changed traditional business processes, since all companies now need to conduct business online with their customers and business partners (Ewton, 2002).

## 2.6 Previous Study

**Table 2.1**

### **Previous Study**

<b>No</b>	<b>Title / Author</b>	<b>Hypotheses</b>	<b>Method</b>	<b>Result</b>
1	The impacts of brand equity, brand attachment, product involvement and repurchase intention on bicycle users – Lin et al (2011)	H1: Brand equity directly affects brand attachment and through product involvement, indirectly affects brand attachment. H2: Brand equity has direct influence on repurchase intention and through product involvement and brand attachment, indirect influence on repurchase intention.	-. Convenience sampling -. Structural Equation Modeling (SEM) -. Path Analysis	-. H1 is accepted -. H2 is accepted
2	Branding in a multichannel retail environment: Online stores vs app stores and the effect of product type – Rezaei and Valaei (2017)	H1: There is a positive relationship between brand attitude and brand attachment. H2: There is a positive relationship between online brand equity and brand experience. H3: There is a positive relationship between online brand equity and brand attitude.	-. Snowball sampling -. Common method bias -. PLS path modeling approach	-. H1 is accepted -. H2 is accepted -. H3 is accepted -. H4 is accepted -. H5 is accepted -. H6 is accepted -. H7(a-f) is accepted except for H7c

		<p>H4: There is a positive relationship between online brand equity and brand attachment.</p> <p>H5: There is a positive relationship between brand experience and brand attitude.</p> <p>H6: There is a positive relationship between brand experience and brand attachment.</p> <p>H7(a-f): Types of store (online vs app) moderates the relationship between the variables.</p> <p>H8(a-f): Product type moderates the relationship between the variables.</p>		<p>-. H8(a-f) is accepted except for H8c</p>
3	<p>Product Involvement/Brand Loyalty: is there a link? – Quester and Lim (2003)</p>	<p>H1: Product involvement is positively associated with brand loyalty.</p> <p>H1a: Interest and pleasure are positively associated with brand loyalty.</p> <p>H1b: Sign is positively associated with brand loyalty.</p> <p>H1c: Risk probability is positively associated with brand loyalty.</p> <p>H1d: Risk importance is positively associated with brand loyalty.</p>	<p>-. F-test</p> <p>-. Simple regression analysis</p>	<p>H1 is only partially supported</p> <p>H1a is supported</p> <p>H1b is supported</p> <p>H1c is not supported</p> <p>H1d is not supported</p>
4	<p>Role of Involvement and Loyalty in Predicting Buyer's Purchase Intention towards Private Apparel Brand Extensions – Sadasivan et al (2011)</p>	<p>There are no hypotheses in this research. The objectives stated as:</p> <ol style="list-style-type: none"> <li>1. To examine the relationship between antecedents of involvement and brand choice of apparel products from private stores.</li> <li>2. To find out whether product involvement influences brand loyalty.</li> <li>3. To understand consumers' reaction towards the extended products of private store brands.</li> </ol>	<p>-. Free associations test</p> <p>-. Mall-intercept method</p> <p>-. Varimax rotation method</p> <p>-. Simple regression analysis</p> <p>-. T-test</p>	<p>-. Three antecedents of involvement are actually positively related with brand choice of apparel products from private stores. However, the last factor is not significant.</p> <p>-. Product involvement positively influence brand loyalty and appears to play a significant role.</p> <p>-. Extended products of private store brands will be able to provoke</p>

				consumers' purchase intention.
5	The Effects of Brand Equity on Repurchase Intention: The Role of Brand Relationship Quality in Muslim Wear Brand Surabaya, Indonesia – Pitaloka and Gumanti (2019)	<p>H1: Brand Equity has a significant effect on repurchase intention.</p> <p>H2: Brand Equity has a significant effect on the brand relationship quality.</p> <p>H3: Brand Relationship Quality has a significant effect on repurchase intention.</p> <p>H4: Brand Relationship Quality mediates the relationship between brand equity and repurchase intention.</p>	<p>-. Path analysis</p> <p>-. T-test</p> <p>-. Simple regression analysis</p> <p>-. Multiple regression analysis</p>	<p>H1 is supported</p> <p>H2 is supported</p> <p>H3 is supported</p> <p>H4 is supported</p>
6	Effects of Brand Love and Brand Equity on Repurchase Intentions of Young Consumers – Gomez and Perez (2018)	<p>H1: Brand love directly and positively influences brand equity.</p> <p>H2: Brand equity influences repurchase intentions directly and positively.</p>	<p>-. Convenience sampling method</p> <p>-. Partial least squares regression</p> <p>-. VIF analysis</p> <p>-. HTMT method</p>	<p>H1 is supported</p> <p>H2 is supported</p>
7	Perceived Quality Levels and their Relation to Involvement, Satisfaction, and Purchase Intention – Rodoula Tsiotsou (2005)	<p>H1: Consumers perceiving a product being of high quality have higher intentions to purchase the product than consumers perceiving a product being of low quality.</p> <p>H2: Consumers perceiving a product being high quality are more satisfied with the product than consumers perceiving a product being of low quality.</p> <p>H3: Consumers perceiving a product being of high quality are more involved with the product than consumers perceiving a product being of low quality.</p>	<p>-. MANOVA method</p> <p>-. ANOVA method</p>	<p>H1 is supported</p> <p>H2 is supported</p> <p>H3 is supported</p>
8	Customer Value, Satisfaction and Behavioral Intentions: The Effects of Consumer Search Behavior – Wahyuningsih (2011)	<p>H1: Customer value is antecedent to behavioral intentions</p> <p>H2: The relationship between value and behavioral intentions is mediated by satisfaction.</p> <p>H3: Each type of consumer search behavior performs differently on the relationships among perceived value, satisfaction, and behavioral intentions.</p>	<p>-. Convenience sampling method</p> <p>-. Structural Equation Modeling (SEM)</p>	<p>All the hypotheses are not supported.</p> <p>However, the results of the conceptual model test show that consumer with high involvement have a higher level of confidence regarding whether they are going to</p>

				repurchase or switch to another company
9	Factors Influencing Involvement, Brand Attachment and Brand Loyalty on Facebook Brand Pages – Mette Storm (2015)	<p>H1b: Brand attachment is significantly and positively associated with repeat purchase intentions</p> <p>H2a: Involvement has a significant and positive influence on brand attachment</p> <p>H2b: Brand attachment has a mediating effect on the relationship between involvement and brand loyalty</p> <p>*Only Related Hypothesis</p>	<p>-. Randomized probability sampling</p> <p>-. Structural Equation Modeling (SEM)</p> <p>-. Path analysis</p> <p>-. Simple regression analysis</p> <p>-. Multiple regression analysis</p>	<p>H1b is supported</p> <p>H2a is not supported</p> <p>H2b is supported</p>

## 2.7 Hypothesis Development

Based on the findings of the previous research of Lin et al (2011), brand equity affects consumers' product involvement. Brand equity makes consumers pay more attention to products so they look for messages on products actively. Chen et al (2012) also mentioned that consumer cognition of brand equity is related with different product involvement strengths. Quester and Lim (2003) found that the subcomponents of product involvement that were merged into one factor, had a positive effect on brand loyalty which is a construct of brand equity. The effect is actually differed for each level of the involvement. Thus, the first hypothesis proposed as:

H1: Online brand equity has positive effect toward product involvement.

Previous research of Rezaei and Valaei (2017) found that online brand equity is positively associated with brand attachment and contingent upon it. According to Lin et al (2011), higher brand equity will lead to higher attachment of consumers, who are willing to buy, invest in brands and maintain their relation with brands. Beside affecting the brand attachment directly, the findings also showed that brand equity indirectly affecting the brand attachment through product involvement. Thus, the hypothesis proposed as:

H2: Online brand equity has positive effect toward brand attachment.

H4: Online brand equity has positive effect on brand attachment with product involvement as the mediation variable.

Sadasivan et al (2011) mentioned that product involvement is one of the determinant factors of brand loyalty and thus appears to play a significant role. Oneto (2014) mentioned that the meaning of brand attachment is deeper than brand loyalty, therefore this research assumed that product involvement also related with brand attachment. Lin et al (2011) also explained that when consumers have different involvement, they indirectly have brand attachment and consequence results. If brand and consumers have distinctive association, attachment leads to different strong behaviors and extend to businesses through products and brands. Thus, the hypothesis proposed as:

H3: Product involvement has positive effect toward brand attachment.

Pitaloka and Gumanti (2019) found in their research that brand equity has a positive and significant effect on repurchase intention. The higher the brand equity it means the more consumers can easily recognize the brand, consumers are highly connected with the brand, consumers perceive the brand as high quality; therefore, the more likely consumer will like the brand, choose the brand over other brands, and motivated to actually buy the product of that brand and do repurchase (Soenyoto, 2015). Gomez and Perez (2018) also mentioned in their research that consumers who perceived general brand impressions in favorable manner, increase the chances of repeating the purchase. Thus, the hypothesis proposed as:

H5: Online brand equity has positive effect toward online repurchase intention.

According to Razak et al (2014), the consumer involvement has recently been increasing in service industry particularly the adoption of internet services. When consumers have higher interaction with the products, they have higher overall evaluation and higher repurchase intention. Thus, higher consumer product involvement leads to higher relation between consumers and repurchase intention (Lin et al, 2011). Tsotsou (2005) stated that involvement with a product is significantly related to perceived quality, and if the perceived

quality is high, consumers are satisfied and more likely to purchase the product again.

Wahyuningsih (2011) also mentioned that the level of intentions to repurchase and to recommend to the other people, depends on the involvement. According to Storm (2015) findings, brand attachment mediated the relationship between involvement and two brand loyalty constructs which are repeat purchase intention and WOM intention. The hypothesis proposed as:

H6: Product involvement has positive effect toward online repurchase intention.

H10: Product involvement has positive effect on online repurchase intention with brand attachment as the mediation variable.

Based on the findings of Lin et al (2011) research, once brands provide consumers with required resources, consumers believe the brands have personalized meaning and are related to them. The brands offer sensory organ pleasures, enjoyment or beauty to meet consumer egos and transform to repurchase intention. To enhance market productivity and increase consumer repurchase intention, businesses must enhance brand equity, product involvement and brand attachment to have higher consumer repurchase intention. Previous study of Storm (2015) found that the respondents that perceives a strong cognitive and emotional bond with the brand increases the likelihood of brand loyalty, both in terms of repeat purchase intention and

intent to pass positive word of mouth about the brand to peers. Thus, the hypothesis proposed as:

H7: Online brand equity has positive effect toward online repurchase intention with product involvement as the mediation variable.

H8: Brand attachment has positive effect toward online repurchase intention.

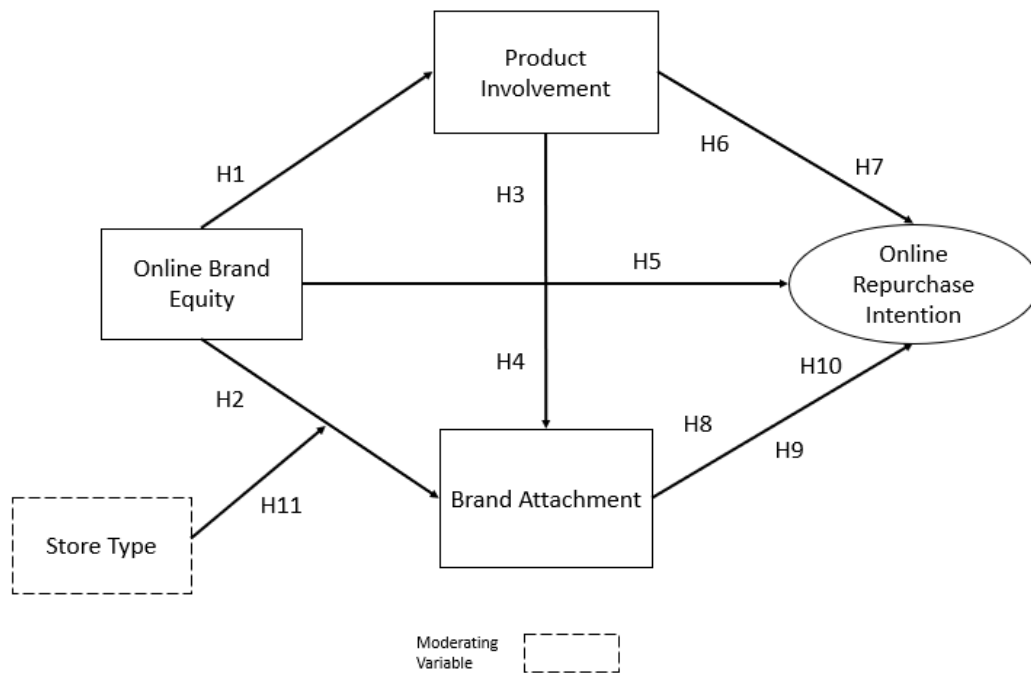
H9: Online brand equity has positive effect on online repurchase intention with brand attachment as the mediation variable.

Shopping preference theory postulates that customers' priority for buying from a shop will be decided on the basis of available shopping choices and customers' shopping motives alongside other factors, for instance, their shopping attitude and inclination as well as shopping reasoning (Rajamma and Neeley, 2005). Although channel integration has been recognized as a good strategy in the retailing industry, its impact on customer responses toward retailers and across different channels remain unclear (Herhausen et al, 2015). Thus, the hypothesis proposed as:

H11: Store type moderates the relationship between online brand equity and brand attachment.

## 2.8 Theoretical Framework

Based on the hypothesis development stated above, the theoretical research framework of this research displayed in Figure 2.1 which is adopted from previous study of Lin et al (2011).



*Source: Modified from Lin et al (2011)*

**Figure 2.1**

**Theoretical Framework**