

CHAPTER II

LITERATURE REVIEW

In this chapter the researcher explains the theory needed to explain the research subject and the variables in this study, those are brand awareness, perceived quality, brand associations, brand loyalty, brand equity, purchase intention, and willingness to pay premium prices. In addition, this chapter also describes previous studies, hypothesis development, research framework and pilot study.

2.1. Theoretical Background

2.1.1. Brand Awareness

Brand awareness is the ability of a prospective buyer to recognize or recall that a brand is part of a particular product category (Aaker, 1996, p.90 cited in Torres *et al.* 2015). Brand awareness in overall brand equity depends on the degree of awareness achieved by a brand. While Kumalasari (2013) defines brand awareness as the basic dimension in brand equity. Based on the perspective, a brand does not have equity until the buyer is aware of the brand.

Aaker (1991, p.62) defines brand awareness as the ability of buyers or consumers to recognize or remember that brands are members of certain product categories. The level of brand awareness of a product can be seen in the picture as follows:



Figure 2.1.

Brand Awareness Pyramid

Source: Aaker (1991, p.62)

Explanation of the dimensions of brand awareness according to the picture above from the lowest to the highest level is as follows (Aaker, 1991, p.62):

1. *Unware of Brand* is the lowest level in the brand awareness pyramid, where consumers or buyers are not aware of a product brand.
2. *Brand Recognition* is a minimal level of brand awareness. It is important for consumers or buyers to choose a brand when purchasing a product brand. At this stage, a brand appears again after the recall is done through aided recall.
3. *Brand Recall* is a reminder of a brand that is based on consumer demand or a buyer to mention a particular brand in the product class. Brand recall is a term of recall back without assistance, where the consumer or buyer does not need to be unaided (unaided recall) to bring up the brand.
4. *Top of Mind* is the highest level in the brand awareness pyramid. When asked directly without being given warning assistance and the buyer can mention a brand name, the

most mentioned brand is first a brand that has been embedded in the minds of buyers. Thus, brands that are spoken by consumers or buyers are brands that are in the minds of consumers or buyers.

Rangkuti (2004, p.40) states that in an effort to gain brand awareness, both in the level of recognition and level of recall, it takes 2 (two) activities, namely trying to obtain a brand identity and trying to associate it with a particular product class. In addition, Hoeffler and Keller (2002) in Oppong and Phiri (2018) stated that brand awareness can be distinguished from depth and width. Depth expresses how to make consumers remember or identify brands easily, and the width expresses when consumers or buyers buy a product, then a brand will immediately appear in the minds of consumers or buyers.

According to Aaker (1991, p.63), the role of brand awareness in helping brands can be understood by examining how brand awareness creates a brand awareness values are:

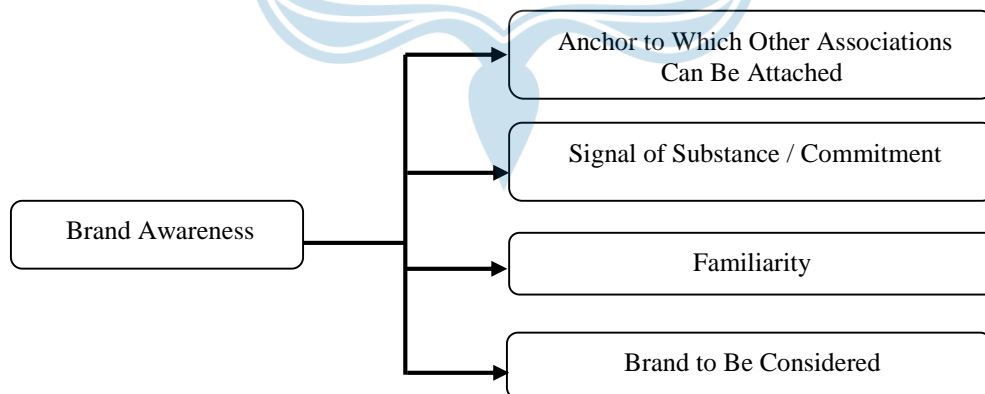


Figure 2.2.

Brand Awareness Values

Source: Aaker (1991, p.64)

The following is an explanation of the brand awareness values, as follows (Aaker, 1991, p.64):

1. Anchor to Which Other Associations Can Be Attached

A brand that has a high awareness will help the association stick to the brand because the brand's cruising becomes very high in the minds of consumers.

2. Signal of Substance / Commitment

Brand awareness can indicate the existence, commitment, and core that is very important for a company. If awareness of the brand is high, the presence of the brand will always be felt.

3. Familiarity

If the brand awareness of a product is very high, consumers will be very familiar with the brand of the product, and over time there will be a high sense of liking for the marketed brand.

4. Brand to Be Considered

A purchasing process by selecting brands that are known in a group to be considered and decided which brands to buy. Brands with high top of mind have high judgment values.

Thus, a brand with high consumer or buyer awareness is caused by several factors, namely: widely advertised, the existence that has been tested by time, a wide distribution range, and the brand is well managed (Aaker, 1991, p.65).

Keller (2013) affirm that one of the advantages of developing strong brand awareness is it influences the consumer to include the brand in a set of alternatives that can be considered for future purchases. In addition, strong brand awareness can affect a consumer`s buying decision in terms of brands that are being considered (cited in Oppong and Phiri 2018).

2.1.2. Perceived Quality

Perceived product quality is a global assessment ranging from “bad” to “good”, characterized by a high abstraction level and refers to a specific consumption setting (Tsiotsou, 2005). It is a critical element for consumer decision making. According to the online business dictionary, perceived quality (PQ) is a consumer's opinion of a product's (or a brand's) ability to fulfill his or her expectations. The perceived quality is based on the image of the company, the experience that consumers have had with the company's other products as well as the influence that opinion leaders project onto the consumers.

There are several studies that conducted by many author trying to explain the concept of perceived quality. Low and Lamb (2000) cited in Sanyal and Datta (2016) explain that perceived quality of strong brands add values to consumers' purchase evaluations. May *et al.* (2011) also mention that perceived quality related to customer's evaluation of a product or a brand that meet an individual's expectation (cited in Vo & Nguyen, 2015). Meanwhile, perceived quality is defined by Rowley (1998) & Zeithaml (1988) as the consumers' judgment about an entity's (service's) overall excellence or superiority (cited in Kassim *et al.*, 2014).

According to Aaker (1991) & Zeithaml (1988), cited in Listiana (2015), perceived quality is not the real quality of product, but perception of customer towards the overall quality or the excellence of product or services. The quality of a product will raise consumers' satisfaction, resulting in an increase in profits for the company (Churchill & Surprenant, 1982, cited in Kotler & Keller, 2012).

The judgment about a product's overall excellence or superiority will create a product quality perception on consumers' mind (Tsioutsou, 2006). Consequently, consumers will compare the quality of alternatives with regard to price within a category (Jin & Yong, 2005,

cited in Yee & San, 2011). Then it will create a reason that will encourage people to purchase something.

Based on American Society for Quality Control in Ratnasari and Aksa (2011, p.103) perceived quality is the customer's perception of the overall characteristics and characteristics of a product or service in accordance with the intended purpose. Quality has measurement dimensions consisting of:

1. Features, can be additional products from a core product that can add value to a product.
2. Reliability, consistency of product performance from one purchase to the next.
3. Serviceability, the company's ability to provide services in connection with these products.

Customers do not always have complete information about the attributes of products and or services. However, customers usually have information about the product indirectly, for example through brands, names and producer countries (Ratnasari and Aksa, 2011, p.105).

2.1.3. Brand Associations

According to Bougenville and Ruswanti (2018), brand associations is attribute existing in the brand and will be greater if the customers have a lot of experiences with the brand. A variety of association remembered by consumers can be combined to create brand image. Argued that brand association builds on three elements: perceived value, brand personality, and organizational association. Brand association has certain power level and will be stronger as the consumers experience with or exposure to the specific brand increases. From all of the

explanations, it can be concluded that brand association is everything related to perception, trust and recall about the brand.

Hussain *et al.* (2017) state that brand association is a mental link of buyers to a brand. Brand association not only exist but it also has a level of strength. Recall and recognition also increases the association for a brand. Association have many forms, it also a level of abstraction. Brand association as further three types these are attitude, attributes and benefits. Consumer beliefs about brand attributes and benefits can be formed on different paths. Brand attributes are all descriptive features that characterize a product or service. Brand benefits are personal values and that means that consumers are attached to the attributes of products and services. In general, the source of information makes the association of the strongest brand attributes and benefits an experience for consumers. The next strongest association, tends to be formed on the basis of word of mouth or other non-commercial sources of information (Keller, 2003: 71, *Second Edition*).

At its most basic, profitable brand associations are those made by consumers who believe that a brand has relevant attributes and benefits in meeting their needs and desires. A profitable association for a brand is a successful association delivered through its product and delivered through a marketing program for that brand (Keller, 2003; 72, *Second Edition*).

Keller (2008: 56), argues that brand associations are distinguished conceptually in three dimensions, which are:

1. Strength: the strength of brand associations depends on the number or quantity and quality of information received by consumers. The more consumers receive brand information, the stronger the brand association it has. Two factors that influence

brand strength are personal relationships and the information, and the consistency of the information over time;

2. Favorable: the preferred brand association is formed by a marketing program that runs effectively delivering its products into products that are preferred by consumers;
3. Uniqueness: the brand uniqueness association is created from the strength and preference associations that make the brand different than others. With the existence of unique brand associations, competitive advantage will be created and the reasons why consumers should buy the brand. Unique brand associations are designed so that consumers "have no reason not to" choose the brand.

2.1.4. Loyalty

According to Schiffman and Kanuk (2009) in Bougenville and Ruswanti (2018), brand loyalty is consumer preferences to make purchases on the same brand on specific products or certain service categories consistently. If the customers are highly satisfied and keep purchasing the same products or brands, they often will give positive and encouraging word-of-mouth to others, and become “customers for life” of the brand. But there is always a negative side, if the customers are less satisfied or feel neutral either switch to competitor or wait until marketer offers something cheaper then switch immediately (Schiffman and Wilsenblit, 2015, p.44).

Brand loyalty is a strong commitment in subscribing or buying a brand consistently in the future. While Yoo and Donthu (2001, p. 3 quoted in Torres *et al.*, 2014) defined brand loyalty as the tendency to be loyal to a focal brand, which is demonstrated by the intention to buy the brand as a primary choice.

Rangkuti (2009) explains that brand loyalty can be measured through:

1. Behavior Measures

A direct way to determine loyalty, especially for habitual behavior by taking into account the actual purchase pattern.

2. Measuring Switch Cost

Measurements in this variable can identify brand loyalty in a brand. In general, if the cost of replacing a brand is very expensive, the customer will be reluctant to change the brand so that the rate of depreciation of the customer group from time to time will be low.

3. Measuring Satisfaction

The measurement of customer satisfaction or dissatisfaction of a brand is the most important indicator in brand loyalty. If customer dissatisfaction with a brand is low, in general there is not enough reason for customers to move to another brand unless there are strong enough pull factors.

4. Measuring Liking Brand

Brand preference, trust, respect or friendship with a brand generates warmth and closeness in the customer's feelings. It will be difficult for other brands to attract customers who are at this stage. The measure of liking is the willingness to pay a higher price to get the product.

5. Measuring Commitment

One key indicator is the number of interactions and customer commitments related to the product. Customers' preference for a brand will encourage them to talk about the brand to others both in the level of telling or up to the recommended stage.

Table 2.1

	Satisfaction	Loyalty (repurchase)	Behavior
Loyalist/Apostle	High	High	Staying and supporting
Defector/Terrorist	Low to medium	Low to medium	Leaving or having left; feeling unhappy
Mercenary	High	Low to medium	Coming and going; low commitment
Hostage	Low to medium	High	Unable to switch, negative word-of-mouth

CUSTOMER SEGMENTS IN THE APOSTLE MODEL

Source: Schiffman and Wisenblit (2015, p. 44)

Quoted from Schiffman and Wisenblit (2015, p. 44), brand loyalty is classified into two categorized based on satisfaction and profitability. There are five types of customers based on satisfaction,

1. **The Loyalists** are customers who keep purchasing because they feel completely satisfied and give a positive feedback about the company by provide a very positive word-of-mouth to others.
2. **The Defectors** are customers who feel neutral or quite satisfied with the company and probably change over another company that offers them cheaper price.
3. **The Terrorists** are customers who spread bad news or negative word-of-mouth to others because they had negative experience with the company.
4. **The Hostages** are customers who remain attached to the company even though they are not satisfied and unhappy because of a monopolistic environment or low prices.

5. **The Mercenaries** are customers who very satisfied but they are not loyal to the company and can defect because of a cheaper price elsewhere or because of impuls.

Meanwhile, there are four grouped of tiers that classified brand loyalty based on their

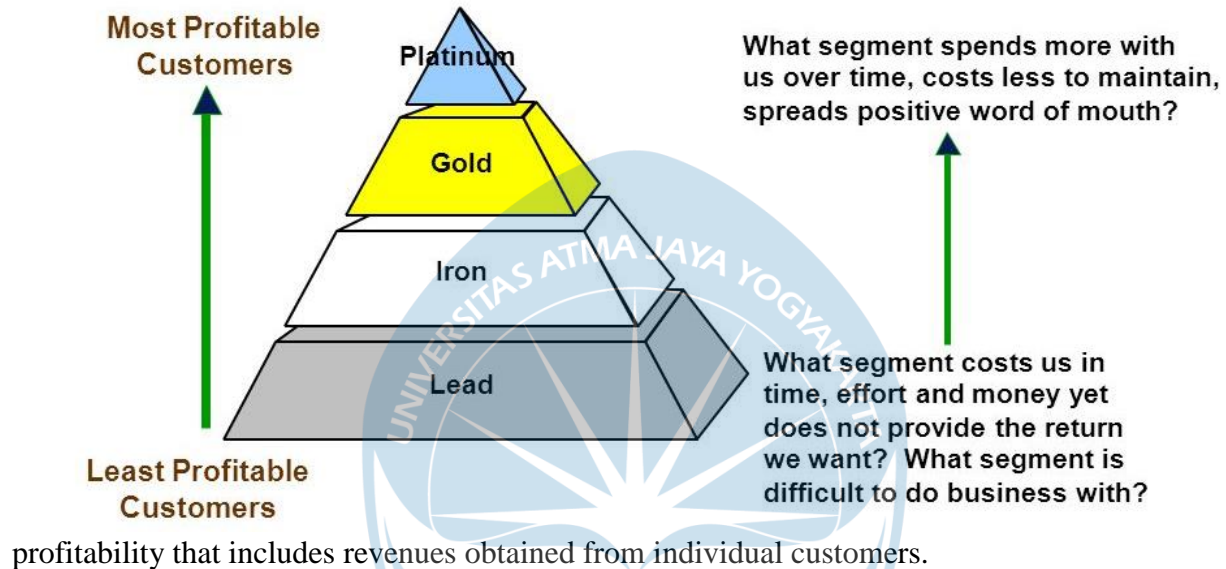


Figure 2.3.

Customer Pyramid

Source: Schiffman and Wisenblit (2015, p. 44)

The following is the explanation about the customer pyramid, as follows (Schiffman and Wisenblit, 2015, p. 44):

1. **The Platinum Tier:** consist of heavy users who do not mind of price and they are fond of trying new items.
2. **The Gold Tier:** consist of customers who are heavy users but they are more price sensitive than those in the higher tier, so it less profitable compare to platinum tier.
3. **The Iron Tier:** consist of customers who do not get special treatment from the company based on the volume of spending and profitability.

4. **The Lead Tier:** consist of customers who inflict a financial loss to the company because they claimed more attention than their expenses, and spread negative word of mouth.

2.1.5. Brand Equity

According to Kotler and Keller (2009, p.263) define that brand equity is added value given to products and services. Brand equity can be reflected in the way consumers think, feel and act in relation to the brand and also the price, share, and profitability that the brand gives to the company. Different from the definition described by Aaker (1991, p.15) in Alhaddad (2015) states that brand equity is a series of brand assets and liabilities related to a brand, its name and symbol, which increase or decrease the value given by a product or services to companies and / or customers of the company. Brand equity should be regarded as a global preference for the brand over similarities (Aaker, 1991 cited in Torres *et al.*, 2015).

Brand equity could be analysed on two levels: firm-based brand equity and consumer-based brand equity. However, marketing research has largely concentrated on the latter because this approach provides more insights into consumer behaviour which can be converted into actionable brand strategies (Christodoulidesetal, 2006 cited in Alhaddad 2015). Attempts to operationalize brand equity could be direct or indirect. The direct approach focuses on the consumer's preferences and/or utilities, while indirect approaches are based on their demonstrable manifestations (Christodoulides and Chernatony, 2010 in Torres *et al.*, 2015).

According to Keller in his book, Strategic Brand Management (1997), Keller says that in order to build brand equity, the company has to shape how consumers think and feel about the product. These thoughts and feelings are categorized by four questions that represent what consumers subconsciously ask about the brand.

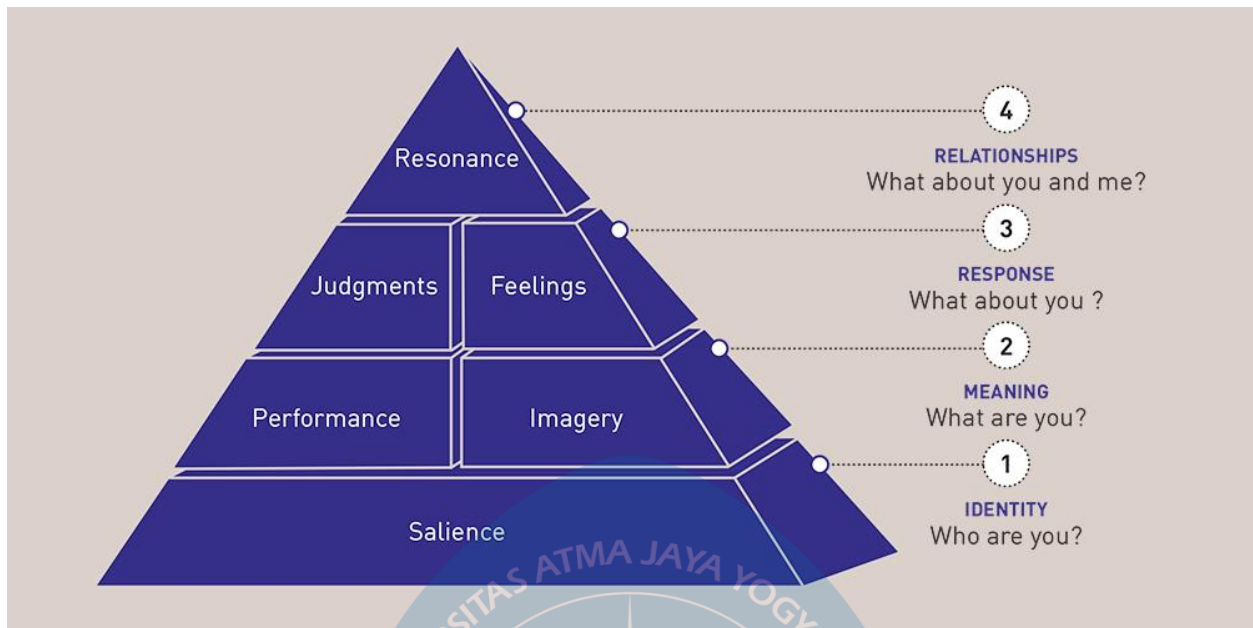


Figure 2.4.
Brand Building Equity Pyramid
 Source: Keller (1997)

a. Salience: “Who are you?”

The first level of brand equity has to do with brand identity and how people recognize it. Salience refers to brand excellence and whether it stands out or not. Companies need to have an accurate understanding of what customers think about brands, true or not.

b. Meaning: “What are you?”

Meaning relates to how the company communicate what the brand means and stands for. This level of brand equity is split up into two parts, performance and imagery. Performance refers to how well the product meets the needs of the customers through factors like reliability, effectiveness, style, and price, while imagery refers to how the brand meets psychological needs. Both of these factors play a huge role in developing the brand’s personality.

c. Response: “What about you?”

The third level of brand equity deals with how people respond to the brand based on their judgments and feelings. Consumers usually judge the brand based on its perceived quality and credibility, which the company can influence by establishing the brand’s expertise over time. Feelings are usually much trickier to manage. Generally, supporting the company’s core values with communications can help the brand impact how a consumer feels about themselves.

d. Resonance: “What about you and me?”

The final and greatest level of brand equity is resonance and refers to how much of a connection the customers have with the brand. This level is the hardest to reach and has characteristics that range from repeat purchases and sense of community and everyone’s favorite to active engagement. Resonance means the consumers are actively sharing and connecting with others who associate with your brands, even when they are not currently purchasing. That deep emotional connection will keep a company at their top of mind during purchase and even afterward. At its finest, resonance can even lead consumers to refer to a brand as the name for products in its entire category.

If the company could accomplish all of that, according to Keller (1997), it means that the brand overall will be less vulnerable to competitive marketing and price changes. Brand equity can be strong; but once it starts going bad, things can spiral pretty quickly and have devastating effects. Bad news happens in an instant, and with social media, it can amplify just as quickly. After being burned by an untimely story, it can take several years for a company to recover.

2.1.6. Purchase Intention

Peter and Olson (2008) define purchase intention as a conscious decision to make an effort to buy a particular product. One might assume that a person's attitude towards a product will be an adequate predictor of his behavior intention to buy or not buy. However, it has been found that attitudes towards products alone are not sufficient to explain purchase intentions (Schutte and Ciarlante, 2000).

Ajay and Goodstein (1998) say that if we want to influence someone, then the best way is to learn what he thinks, then it will be obtained not just information about that person and how the information process can work and how to use it. This is called the buying process. According to Ajay and Goodstein (1998), the purchasing process includes five things, which are:

1. Need

It is a purchasing process that starts from a need that does not have to be fulfilled or needs that arise at that time and motivates to make a purchase.

2. Recognition

Is recognizing the need itself to be able to set something to fulfill it.

3. Search

Is an active part in purchasing that is looking for ways to fill those needs.

4. Evaluation

It is a process to learn all that is gained during the search process and develop several choices.

5. Decision

Is the last step of a purchasing process to make decisions based on information received.

Whereas Shah *et al.* (2012) state that purchase intention is a kind of decision-making that studies the reason to buy a particular brand by consumer (cited in Mirabi *et al.*, 2015). For marketers purchase intention is of vast meaning as their forecasted consumer behavior is highly dependent on this purchase intention of the customers (Rizwan *et al.*, 2014). It can measure the possibility of a consumer to buy a product, and the higher the purchase intention is; the higher a consumer's willingness is to buy a product (Dodds *et al.*, 1991 and Schiffman, 2000, cited in Sari & Kusuma, 2014). Furthermore, consumers' purchase intention is easily affected by many external factors during their decision processes. For instance in the processes of information search, they are easily affected by word-of-mouth and word-of-mouse communication. During the purchase process, their purchase intention would be affected by the product attributes, price, and endorser performance which perceived by consumers (Sheu, 2010).

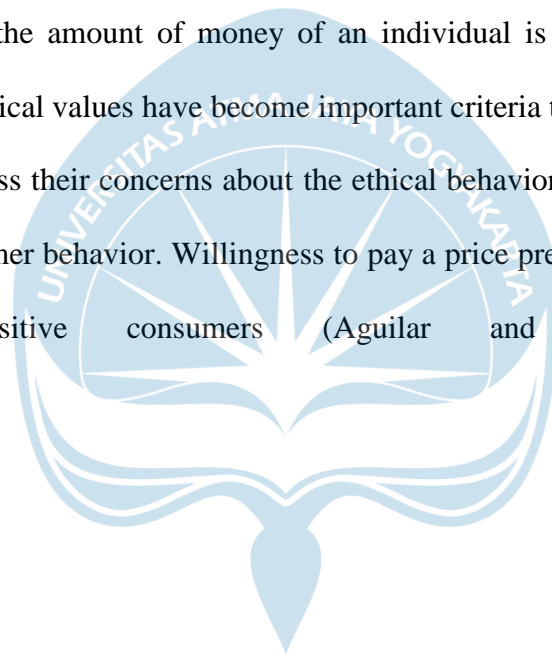
2.1.7. Willingness to Pay Premium Price

Customer willingness to pay a price premium is defined as the highest price level at which the consumer is willing to pay for the goods or services (Homburg, et al., 2005: 85) is a situation that can be achieved by the positive comparison of the value that consumers will bear against the costs they will endure (cited in Mutlu and Yilmaz, 2017). While according to Bruno *et al.* (2016) willingness to pay premium price is consumers' willingness to pay more specifically to have a particular product or brand.

A brand gets a price premium when the sum which customers are willing to pay for products from the brand is higher than the sum they are willing to pay for similar products from other relevant brands (Aaker, 1996 cited in Anselmsson, 2014). Several authors state price premiums as the most useful indicator of brand equity (Ailawadi *et al.*, 2003). Doyle (2001) even

argue that a price premium is the most important way in which brands can create shareholder value, because it does not require direct investments to charge higher prices (cited in Anselmsson, 2014). Price premium reflects the brands ability to order a higher price than their competitors (de Chernatony and McDonald, 2003) and Agarwal and Rao (1996) show that price premium was the measure that could explain choice of brand at individual level as well as aggregated market shares (Anselmsson, et al. 2007: 403).

In the present study, it should be noted that price premium deals with willingness to pay which does not necessarily reflect real prices (Sethuraman, 2000). De Pelsmacker *et al.* (2005) state that price premium refers to the amount of money of an individual is willing to pay to secure a welfare improvement. Ethical values have become important criteria to prefer a brand or product. Because consumers express their concerns about the ethical behavior of companies by means of ethical buying and consumer behavior. Willingness to pay a price premium will be desirable and reasonable for sensitive consumers (Aguilar and Vlosky, 2007:1101).



2.2. Previous Studies

The following is a table that lists some of the previous journals used in this study to complement, support, and strengthen the hypothesis in this study:

Table 2.2.
Table of Previous Study

No	Title	Purpose of The Study	Variable	Hypothesis	Method	Findings
1.	<i>Global Brand or Local Heroes?: Evidence From The Spanish Beer Market</i> Porral & Mangin (2013)	The purpose of the study is to investigate how consumers perceive and evaluate local and global brands in a developed mature European market.	1. Brand Awareness 2. Perceived Quality 3. Brand Associations 4. Loyalty 5. Brand Equity 6. Purchase Intention 7. Willingness Pay Premium Price	H0: Brand awareness is positively related to brand equity, for local brands and for global brands. H1: Perceived quality is positively related to brand equity, for local brands and for global brands. H2: Brand associations are positively related to brand equity, for local brands and for global brands. H3: Brand loyalty is positively related to brand equity, for local brands and for global brands. H4: Brand equity is positively related to purchase intention, for local brands and for global brands. H5: Brand equity is positively related to consumer willingness to pay a premium price, for local brands and for global brands.	The study evaluate four dimensions and two consequences of brand equity, based on consumers' standpoint. Structural equation modeling (SEM) is carried out in order to analyze results obtained.	The findings suggest that brand loyalty, brand image and perceived quality exert the higher influence on consumers' brand value; while there are relevant differences in consumer's assessment toward local and global brands.
2.	<i>Impact of Brand Awareness and Association on Loyalty: The Role</i>	The purpose of this study is to examine the influence of brand	1. Brand Awareness 2. Brand Association	H1: Brand awareness has direct influence on brand equity. H2: Brand awareness has direct influence on brand loyalty.	Guided by Keller's brand equity model, seven hypotheses were postulated and	The study confirmed that brand awareness and brand

	<i>of Equity in Plant Medicine Market in Kumasi, Ghana</i> Oppong & Phiri (2018)	awareness and association on loyalty through the mediated effect of brand equity in the plant medicine market in Kumasi, Ghana.	3. Brand Equity 4. Brand Loyalty	H3: Brand association has direct influence on brand equity. H4: Brand association has direct influence on brand loyalty. H5: Brand equity has direct influence on brand loyalty. H6: Brand equity mediates the relationship between brand awareness and brand loyalty. H7: Brand equity mediates the relationship between brand association and brand loyalty.	tested by using structural equation modelling.	association both directly and indirectly impact on brand loyalty through the mediated influence of brand equity.
3.	<i>Determining The Causal Relationships that Affect Consumer-Based Brand Equity</i> <i>The mediating effect of brand loyalty</i> Torres <i>et al.</i> (2014)	The purpose of this study is to analyse the causal relationships among the dimensions that explain consumer-based brand equity, and to determine the importance of each dimension in the assessment of overall brand equity.	1. Perceived Quality 2. Brand Awareness 3. Brand Loyalty 4. Overall Brand Equity	H1: The higher the perceived quality, the greater the brand loyalty. H2: The greater the brand awareness, the greater the brand loyalty. H3: The greater the brand loyalty, the greater the overall brand equity.	A research instrument proposed by Yoo and Donthu was applied to undergraduate students of the University of Coimbra. Two leading brands in the Portuguese beer market were used in the study. Respondents were randomly assigned to one brand and were asked to rate all items on seven Likert-type scales. Based on Aaker's conceptual framework, a structural equation model (SEM) was designed to analyse the proposed relationships.	A causal order between brand equity dimensions was established. The results suggest that the positive effects of perceived quality and brand awareness on overall brand equity are mediated by brand loyalty.

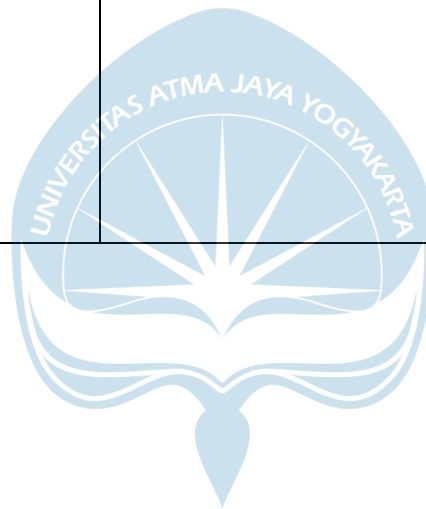
4.	<p><i>Brand Equity on Purchase Intention Consumers' Willingness to Pay Premium Price Juice</i></p> <p>Bougenville & Ruswanti (2018)</p>	<p>This study has two objectives, the first objective is understanding consumer mind through brand equity in purchasing a product and willingness to pay premium price. The second is how the strategy should be done by a newcomer to the juice category.</p>	<ol style="list-style-type: none"> 1. Brand Awareness 2. Perceived Quality 3. Brand Association 4. Brand Loyalty 5. Brand Equity 6. Purchase Intention 7. Willingness to Pay Premium Price 	<p>H1: there is an effect of brand awareness on brand equity. H2: there is an effect of perceived quality on brand equity. H3: there is an effect of brand association on brand equity. H4: there is an effect of brand loyalty on brand equity. H5: there is an effect of overall brand equity on purchase intention. H6: there is an effect of brand equity on willingness to pay premium price</p>	<p>This study use 330 sample of consumers and use Structural Equation Modeling (SEM) to test the hypothesis.</p>	<p>The study shows that brand loyalty of juice is the most important dimension to build brand equity. In addition, a positive significant effect is found for brand awareness and association. Meanwhile, weak support is found for the perceived quality dimensios. Empirical support to the effect of juice's brand equity impacts on the consumers' purchase intention and willingness to pay premium price.</p>
5.	<p><i>Brand Image and Customers' Willingness to Pay a Price Premium for Food Brands</i></p> <p>Anselmsson <i>et al.</i> (2017)</p>	<p>The purpose of this study is to understand customers' willingness, or unwillingness, to pay a price premium in the market for consumer packaged food and what kind of images brands can use in order to achieve a price premium.</p>	<ol style="list-style-type: none"> 1. Awareness 2. Perceived quality 3. Uniqueness 4. CSR 5. Social Image 6. Origin 7. Willingness to Pay Price Premium 8. Brand Loyalty 	<p>H1a: Perceived awareness will have a positive impact on customers' willingness to pay a price premium. H1b: Perceived awareness will have a positive impact on brand loyalty. H2a: Perceived quality will have a positive impact on customers' willingness to pay a price premium. H2b: Perceived quality will have a positive impact on brand loyalty. H3a: Perceived CSR will have a positive impact on customers' willingness to pay a price premium. H3b: Perceived CSR will have a positive impact on brand loyalty. H4a: Perceived home country origin will have a positive impact on customers'</p>	<p>The study is based on a quantitative survey of brand images found in food and branding literature and their impact on loyalty as well as customers' willingness to pay a price premium for consumer packaged food.</p>	<p>The survey shows that quality is a significant determinant of price premium, but adding other image dimensions doubles the predictability and understanding about price premium. The strongest determinants of price premium are social image,</p>

				<p>willingness to pay a price premium.</p> <p>H4b: Perceived home country origin will have a positive impact on brand loyalty.</p> <p>H5a: Perceived social image will have a positive impact on customers' willingness to pay a price premium.</p> <p>H5b: Perceived social image will have a positive impact on brand loyalty.</p> <p>H6a: Perceived uniqueness will have a positive impact on customers' willingness to pay a price premium.</p> <p>H6b: Perceived uniqueness will have a positive impact on brand loyalty.</p> <p>H7: Adding non-quality dimensions to customers' perceptions of quality will have additional positive impact on customers' willingness to pay a price premium</p>		<p>uniqueness and home country origin. Other significant determinants are corporate social responsibility (CSR) and awareness.</p>
6.	<p><i>The role of brand equity and face saving in Chinese luxury consumption</i></p> <p>Siu et al. (2016)</p>	<p>This paper aims to investigate the impact of brand equity on Chinese consumers' affective attitudes toward luxury brands and their behavioral intentions by applying the cognitive-affective model. The interaction effect between face saving and consumer's affective attitude on luxury consumption is also examined.</p>	<ol style="list-style-type: none"> 1. Brand Loyalty 2. Perceived Quality 3. Brand Knowledge 4. Affective Attitude 5. Face Saving 6. Consumer Willingness to Pay a Premium Price for a Luxury Brand 	<p>H1: Brand loyalty is positively related to consumer's affective attitude toward a luxury brand.</p> <p>H2: Perceived quality is positively related to consumer's affective attitude toward a luxury brand.</p> <p>H3: Brand knowledge is positively related to consumer's affective attitude toward a luxury brand.</p> <p>H4: Favorable affective attitude has a positive impact on consumer's willingness to pay a premium price for a luxury brand.</p> <p>H5: Face saving interacts with a consumer's affective attitude toward a luxury brand in predicting their willingness to pay a premium price for a luxury brand. In other words, the effect of face saving on customer willingness to pay a premium price for a luxury brand is stronger for consumers who hold less positive affective attitudes about it.</p>	<p>A field survey was conducted using a sample of 248 luxury consumers in three Chinese cities.</p>	<p>This study showed that brand equity was found positively to predict Chinese consumers' affective attitudes and their willingness to pay a premium price for a luxury brand. Moreover, consumers who highly value face saving were found to be more willing to pay a premium price, even though they hold a less positive attitude toward the brand.</p>
7.	<p><i>The Role of Brand Equity and</i></p>	<p>This paper attempts to clarify</p>	<ol style="list-style-type: none"> 1. Brand Awareness 	<p>H1: Brand Awareness has a positive effect on Brand Association.</p>	<p>Research question of the study is to</p>	<p>As the result of this study is post-</p>

	<p><i>Perceived Value for Stimulating Purchase Intention in B2C e-Commerce Web Sites</i></p> <p>Civelek & Ertemel (2018)</p>	<p>the underlying mechanism behind purchase decision on B2C e-commerce web sites.</p>	<ol style="list-style-type: none"> 2. Brand Association 3. Brand Loyalty 4. Perceived Value 5. Purchase Intention 	<p>H2: Brand Association has a positive effect on Brand Loyalty. H3: Brand Association has a positive effect on Perceived Value. H4: Perceived Value has a positive effect on Brand Loyalty. H5: Perceived Value has a positive effect on Purchase Intention. H6: Brand Loyalty has a positive effect on Purchase Intention.</p>	<p>investigate the interaction between brand equity, perceived value and purchase intention in B2C ecommerce context by specifically questioning the direct and indirect effects within the process. Firstly, the hypotheses in the conceptual model were tested. Secondly, post-hoc analyses were conducted to clarify the mediator roles of perceived value and brand loyalty. Sub dimensions of brand equity are namely brand awareness, brand association and brand loyalty.</p>	<p>hoc analyses, partial mediator roles of perceived value and brand loyalty have been proved for each variable. But the most prominent finding of this study is the disappearing of the relations between brand associations and brand loyalty and between perceived value and purchase intention after including all the variables into the global research model. This result, particularly, supported the joint mediator roles of perceived value and brand loyalty</p>
8.	<p><i>Electronic Word of Mouth: Investigating The Influence of Electronic Message Source Credibility, Message Appeal and Brand Equity on Consumer Purchase Intention</i></p>	<p>The aims of this study is to investigate the direct effects of source credibility, message appeal and brand equity, and the indirect effects of electronic word of mouth (EWOM) on message receiver purchase</p>	<ol style="list-style-type: none"> 1. Source Credibility 2. Message Appeal 3. Brand Equity 4. EWOM 5. Product Involvement 6. Purchase Intention 	<p>H1: Message Source credibility significantly impacts the consumer purchase intention. H2: Message appeal significantly impacts the consumer purchase intention. H3: Brand equity has a significant positive impact on consumers' purchase intention. H4: Electronic word of mouth mediates the relationship between message source credibility and consumer purchase intention. H5: Electronic word of mouth mediates the relationship between message appeal and</p>	<p>This study adopted convenient sampling technique as the most appropriate and feasible sampling technique. A questionnaire survey method was used to collect information about the measures of the study including</p>	<p>Results of the study reveal that message source credibility, message appeal and brand equity have significant positive effects on consumers' purchase intention where as the mediating variable EWOM has also</p>

	Sharif <i>et al.</i> (2016)	intent for the respective brand.		consumer purchase intention. H6: Electronic word of mouth mediates the relationship between Brand equity and consumer purchase intention. H7: Product involvement moderates the relationship between electronic word of mouth and purchase intention.	message appeal, source credibility and brand equity. Data was analyzed using regression analysis, moderation and mediation analysis techniques.	significant positive indirect effect on consumers' purchase intention.
9.	<i>Brand Equity Of Lahore Fort As A Tourism Destination Brand</i> Kashif <i>et al.</i> (2015)	The purpose of this study is to investigate the destination brand equity of the Lahore Fort by employing the CBBE model in a developing country context of Pakistan.	<ol style="list-style-type: none"> 1. Brand Awareness 2. Brand Image 3. Brand Association 4. Brand Loyalty 5. Brand Equity 	<p>H1: Destination brand awareness positively contributes to destination brand loyalty.</p> <p>H2: Destination brand image positively contributes to destination brand loyalty.</p> <p>H3: Destination brand associations positively contribute to destination brand loyalty.</p> <p>H4: Destination brand awareness positively contributes to overall brand equity of destination brands.</p> <p>H5: Destination brand image positively contributes to the overall brand equity of destination brands.</p> <p>H6: Destination brand associations positively contribute to the overall brand equity of destination brands.</p> <p>H7: Destination brand loyalty positively contributes to overall destination brand equity.</p>	The study adopted a survey-based approach to collect data from 237 tourists visiting the Lahore Fort. Data were collected through a questionnaire developed to explain the relationship of brand awareness, brand image, brand association, and brand loyalty with Lahore Fort's overall brand equity. The author used various robust statistical techniques such as correlation, regression and confirmatory factor analysis (using PLS method)	The study found that brand image and brand associations positively contribute to brand loyalty. Furthermore, brand loyalty significantly contributes towards overall brand equity.
10.	Determinants of the brand equity: A verification approach in the	This research study aims to examine the practicality and	<ol style="list-style-type: none"> 1. Brand loyalty 2. Perceived quality 3. Brand 	<p>H1: Brand loyalty has a significant positive direct effect on brand equity</p> <p>H2: Perceived quality has a significant direct effect on brand equity.</p>	The study employed structural equation modelling to investigate the	The study concludes that brand loyalty is the most influential

	<p>beverage industry in Turkey</p> <p><i>Atilgan et al.</i> (2014)</p>	<p>application of a customer-based brand equity model, based on Aaker's well-known conceptual framework of brand equity</p>	<p>awareness</p> <p>4. Brand associations</p> <p>5. Brand equity</p>	<p>H3: Brand awareness has a significant direct effect on brand equity.</p> <p>H4: Brand association has a significant direct effect on brand equity.</p>	<p>causal relationships between the dimensions of brand equity and brand equity itself. It specifically measured the way in which consumers' perceptions of the dimensions of brand equity affected the overall brand equity evaluations. Data were collected from a sample of university students in Turkey</p>	<p>dimension of brand equity. Weak support is found for the brand awareness and perceived quality dimensions.</p>
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2.3. Hypothesis Development

2.3.1. The Influence of Brand Awareness to Brand Equity

Brand awareness is one of brand assets that contributes to enhance the value of a brand (Aaker, 1996; Keller, 2013 cited in Oppong and Phiri, 2018). Based on Porral and Mangin (2013), the level of brand awareness depends on the level of attention achieved by a brand or by a product on the market. When the level of brand awareness is increasing, the probability that the brand will be in the consideration set in a purchase decision will also increase.

Keller (2013) stated that one of the advantages of developing strong brand awareness is that it affects the consumer to include the brand in a set of alternatives that can be considered for future buying. In addition, strong brand awareness can influence a consumer's purchase decision in terms of brands that are being considered. Furthermore, consumers' awareness of a brand can offer the brand a sense of familiarity or similarity and signals of substance and commitment (Aaker, 1992). Therefore, the higher brand awareness, the greater prevalence it will make, and will increase the likelihood of the brand will be considered in buying situation. This statement also justified by Kashif *et al.* (2015), that brand awareness affect the establishment of brand equity and for that reason the brand will be taken into account in purchasing decision.

Past studies reveal that brand awareness positively influences brand equity and loyalty (Hussain *et al.*, 2015; Pike and Bianchi, 2016 cited in Oppong and Phiri, 2018). This statement is supported by Oppong and Phiri (2018) in their own research result that brand awareness positively influences brand equity. Bougenville and Ruswanti (2017) also reveal in their research that brand awareness influences brand equity.

Hence, the following hypothesis is proposed:

Hypothesis 1: brand awareness positively influence on brand equity.

2.3.2. The Influence of Perceived Quality to Brand Equity

The perceived quality of the brand is due to their subjective perceptual processes, which are involved in their decision making process (Bougenville and Ruswanti, 2017). When consumers perceive a brand to be of high quality, they are prefer to choose the brand, buy it rather than competing brands and pay a premium price (Porral and Mangin, 2013). Steenkamp *et al.* (2003) stated that global brands appeal mainly arises from higher perceived quality, and the higher perceived quality might be explained because of their relative scarcity and higher prices (cited in Porral and Mangin, 2013). So, perceived quality will influence consumers' purchasing decisions and brand choice, by choosing the brand with higher perceived quality. Previous studies found that perceived value, brand personality and organizational associations positively influence brand equity (Oppong and Phiri, 2018). On the other hand, Konecnik and Gartner (2007) found that perceived quality affects brand equity and, according to Oliver (1997), perception of high product quality lead to brand equity because it is the basis of customer satisfaction (cited in Torres *et al.*, 2015).

Therefore, the following hypothesis is proposed in this research:

Hypothesis 2: perceived quality positively influence on brand equity.

2.3.3. The Influence of Brand Associations to Brand Equity

Favorable brand associations offer several benefits to consumers that can be replicated to the brand. For example, profitable brand associations influence consumer purchase intention and increase their willingness to pay premiums (Agarwal & Rao, 1996, cited in Kashif *et al.*, 2015).

This statement is also confirmed by Korchia (2004) in Bougenville and Ruswanti (2017) that consumers believe when a product has a good brand association, it will affect their purchase behaviour.

Brand associations are associated with benefits sought for attitudes towards products / services / goals, outlines of functional excellence, and brand personality, all of which contribute greatly to increasing brand equity (Kashif *et al.*, 2015). Previous study found that products with brands that have positive and unique association have high level of brand equity. The level of brand equity is clearly higher when there are two unique and positive associations. Interest depends on associations in a manner similar to brand equity. The maximum level is due to favorable and unique associations (Bougenville and Ruswanti, 2017). On the other hand, previous research by Lee *et al.* (2000) cited in Oppong and Phiri (2018) shows that brand associations directly influence brand equity and brand loyalty. This result is also supported by Siu *et al.* (2016) that perceived value, brand personality and organizational association positively influence brand equity.

Thus, the following hypothesis is proposed in this research:

Hypothesis 3: brand association positively influence on brand equity.

2.3.4. The Influence of Brand Loyalty to Brand Equity

Brand loyalty is usually regarded as the core dimension of brand equity and for Aaker (1991) according to situations that reflect how likely customers are to switch to other brands (Torres *et al.*, 2015). Brand loyalty can also be linked to the extent to which customers feel that they are "sync" with the brand, which reflects the nature of customer-brand relationships (Keller, 2003). While Yoo and Donthu (2001, p. 3) in Torres *et al.*, (2015) define brand loyalty as "the

tendency to be loyal to brand focus, which is indicated by the intention to buy the brand as the main choice".

In the previous study, brand loyalty has been found positively affecting the brand equity (Bougenville and Ruswanti, 2017). Subramaniam *et al.* (2014) confirmed that brand loyalty and brand image highly affect the brand equity. Gil *et al.* (2007) stated that brand loyalty and overall brand equity are closely related (cited in Torres *et al.*, 2015).

However, brand loyalty is one element of brand equity which also includes attitude, awareness, performance, and brand image (Chen & Gursoy, 2001, quoted in Kashif *et al.*, 2015). Out of the three factors included in regression model, brand loyalty has a higher effect on brand equity compared with brand awareness and perceived quality (Civelek and Ertemel, 2018).

For that reasons, author proposes the following hypothesis:

Hypothesis 4: brand loyalty positively influence on brand equity.

2.3.5. The Influence of Brand Equity to Purchase Intention

Consumer-based brand equity has been regarded as a condition or prerequisite for brand choice or preference, which then affects purchase intentions (Porral and Mangin, 2013). Keller (2001) argues that in-depth knowledge of a particular brand causes a better reaction to marketing activities. With the increase in brand equity, consumer perceptions are positively influenced by the brand and this leads to consumer preference and purchase intention towards the brand (Walgren *et al.*, 1995, cited in Sharif *et al.*, 2015).

Some studies show a positive relationship between the dimensions of brand equity, brand preference and purchase intention (Myers, 2003). Yoo and Donthu (2001) in Sharif *et al.* (2015)

find that brand equity has positive relationship with consumers purchase intention. Bougenville and Ruswanti (2017) also find that brand equity influence consumer purchase intention.

Thus, the following hypothesis is proposed in this research:

Hypothesis 5: brand equity positively influence on purchase intention.

2.3.6. The Influence of Brand Equity to Willingness to Pay Premium Price

When research in the area of customer-based brand equity becomes more systematic, differences between determinants (brand image) and results (brand strength) have developed (Persson, 2010, cited in Anselmsson *et al.*, 2017). Brand image (or sometimes brand knowledge or brand description) has been defined as any information that is associated with a brand in the customer's memory (Keller, 1993), which means the associations and beliefs that customers have about the brand. Brand strength, in contrast, is most often described as a global evaluation or intention to behave, such as the intention to buy or pay for a brand (Anselmsson, 2017). Examples of general strength of brands and the results of brand image are premium prices, loyalty and satisfaction (Netemeyer *et al.*, 2004). According to Aaker (1996, p. 107) in Anselmsson (2017), premium prices may be the best single measure of available brand equity.

Some authors describe premium prices as the most useful indicator of brand equity (Blackston, 1995; Aaker, 1996; Sethuraman, 2000). Empirically, several studies (Agarwal and Rao, 1996; Ailawadi *et al.*, 2003) seem to support their argument by showing, for example, that premium prices are relatively stable over time, but capture variations in brand health, and strong predictors for market share. Some authors, such as Doyle (2001), even argue that price premiums are the most important way in which brands can create shareholder value, because they do not require direct investment to charge higher prices (cited in Siu *et al.*, 2016).

Cited from Porral and Mangin (2013), some previous study also find that brand equity is also likely to influence the willingness that consumers have to pay a premium price for a product or brand (Hutton, 1997; Arvidsson, 2006). Previous research has shown that consumers are willing to pay higher prices for brands that have positive brand associations, or provide higher quality (Erdem et al., 2002; Netemeyer et al., 2004). Consumers who are loyal to a brand and have a greater willingness to pay premium prices (Chaudhuri, 1995, cited in Siu *et al.*, 2016).

Therefore, the following hypothesis is proposed in this research:

Hypothesis 6: brand equity positively influence on willingness to pay premium price.

2.4. Research Framework

The research framework used in this study is taken from the pre-existing research framework of journals that is used as a reference in this study, the journal is written by Porral and Mangin (2013), with the title "Global Brands or Local Heroes?: Evidence From The Spanish Beer Market". The following is a picture of the research framework used:

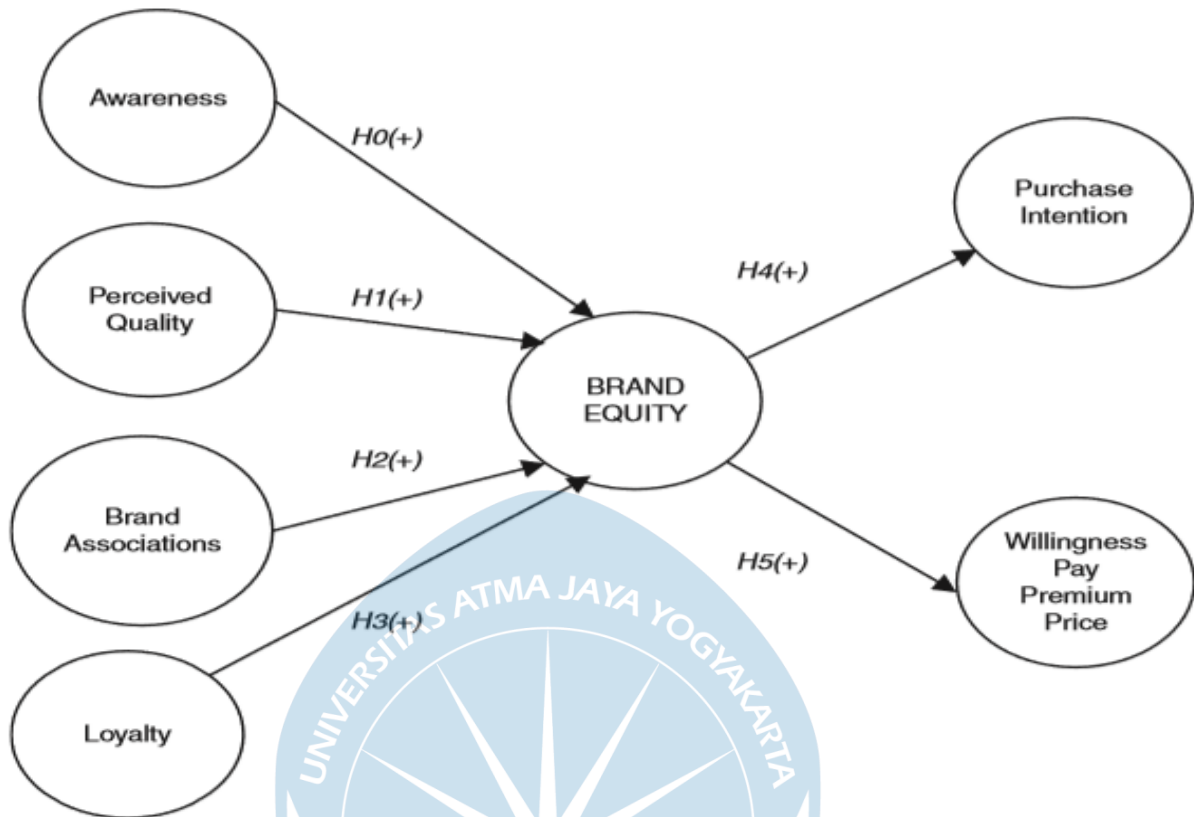


Figure 2.5.

Research Framework

Source: Adapted from Porral and Mangin (2013), Global Brands or Local Heroes?: Evidence From The Spanish Beer Market, *British Food Journal* Vol. 117 No. 2, 2015 pp.565-587

2.5. Pilot Study

Before the research was conducted, the researchers initially conducted trials on a small scale to minimize errors during the study. At this stage, researchers conducted trials on 20 students aged 19-22 years who were members of the sample or subject that will be used, because at that age students usually have not earned their own income and have certain considerations in buying a product. The researcher gave five questions to the 20 students to be answered, the following is the list of the questions.

1. What coffee brand that are well-known in Indonesia?

11 of them answered Starbucks and 9 of them answered Excelso were the most well-known brand of coffee in Indonesia.

2. Do you know that Starbucks is a global brand?

100% or all of them said that they had already known Starbucks was a global brand.

3. Do you know that Excelso is a local brand?

80% or 16 of them said that they had already known that Excelso was a local brand and 4 of them did not know.

4. Do you know what is premium price?

60% or 12 of them said that they knew about premium price, in their opinion premium price was a price given by a company for a product but it was above market average with similar product. While 6 of them thought that premium price were expensive price.

5. Do you think that Excelso and Starbucks coffee price are premium price?

100% or all of them said that Excelso and Starbucks coffee price were premium compare to other local coffee brand such as Janji Jiwa, KULO, Kopisoe, etc with the similar product that Starbucks and Excelso offered.

Based on the answered above, it can be concluded that Starbucks and Excelso indeed the most well-known coffee shop in Indonesia with premium price and suitable to be the object of this research.