Effect of Brand Awareness, Brand Association, Perceived Quality and Brand Loyalty on Purchasing Decision: Case Study on ACE Hardware Indonesia Consumers

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Abstract—This research aims to determine and analyze whether there is a significant effect both simultaneously and partially among brand equity variables represented by brand awareness, brand association, perceived quality, and brand loyalty on the purchasing decision of products being sold at ACE Hardware Indonesia. Samples were taken by using convenience sampling method through online form. Data analysis was performed by using multiple regression techniques. Results of the hypothesis test obtained that simultaneously all brand equity variables have a significant effect, but partially the results are varied. Brand awareness and brand association have no significant effect, while perceived quality and brand loyalty have a significant effect on purchasing decisions.

Keywords—brand awareness, brand association, perceived quality, brand loyalty, purchase decision.

I. INTRODUCTION

Retail business competition in Indonesia is very tight, signified by a number of big retailers closing their outlets. The impact on retail business growth has decreased from 14-15% in 2014 to only 9% in 2016 (Janah, 2018). On the other hand, Utami’s research (2018) with a sample of 17 retail companies listed on the Indonesia Stock Exchange in the 2015-2017, actually showed quite a good performance of the companies concerned. This means that predictions stating a decline in profits in the retail industry do not apply to all retail sectors. However, the above competitive situation must be vigilant and demanding business people to remain creative by using accurate marketing strategies in order to survive.

One of the most important marketing concepts in dealing with the above competitive situation is the concept of branding. Branding makes every company a brand holder which can make a difference. The strength of difference will depend on the owned brand equity. Products can be easily imitated by competitors because they are tangible, whereas brand equity is not easy to emulate since it is more intangible. Brand contains values that are far more meaningful than physical attributes because they involve emotional elements, beliefs, expectations, and are filled with customer perceptions (Rangkuti, 2008). David Aaker introduced five factors that form brand equity, namely brand awareness, brand association, perceived quality, brand loyalty, and other brand assets (Aaker, 1992). Kevin Lane Keller tries to perfect the Aaker model by saying that there are two determinants of brand equity, namely brand awareness and brand image (Ali, 2015). Yoo et al (2000) tried to expand the Aaker model by adding Perceived Marketing Mix as the antecedents of brand equity asset dimensions.

Although there are some developments, the authors try to limit themselves by using the initial concept of brand equity, especially in the four main dimensions.

Brand Awareness shows the ability of a prospective buyer to recognize or recall that a brand is part of a particular product category. Brand Association is all the impressions that exist in the mind of a person related to his memory of a brand. Impression related to a brand will increase with the increasing experience of consumers in consuming the brand concerned. Whereas Perceived Quality is the perception of the customer on the overall quality or excellence of goods or service of the product, related to the customer’s expectations of the product. Meanwhile Brand Loyalty is a measure of customer loyalty, closeness or connection to a brand. Other assets can be patents, trademarks and channel relationships.
This research was conducted on ACE Hardware consumers, a convenience store that sells a variety of engineering, industrial equipment, as well as household and office supplies such as furniture products. ACE Hardware itself originates from the United States, and currently its presence is growing quite rapidly in Indonesia, especially present in various large malls. Until 2016, ACE outlets have reached 129 units in 34 cities in Indonesia. The company’s performance has been recognized internationally and domestically. Almost every year various awards are given by Indonesian consumers. In 2017 several awards were obtained such as: (1) ‘Business Indonesia Award’ in the category of trade, services and investment; (2) ‘Asian Brand’ as the 3 most powerful retail brands in Indonesia given by Markplus Inc. and Nikkei BP Consulting; (3) ‘Indonesia most admired company award’, as the best product/service image in the retail industry by economic news; (4) ‘Top brand award’ for the supermarket hardware & home decoration category by Frontier Consulting group; etc. Such awards also continue for the following years.

This study is entitled ‘Effect of Brand Awareness, Brand Association, Quality Perception, and Brand Loyalty on Purchasing Decisions (case study on consumers of ACE Hardware Indonesia). In detail, the purpose of this study is to find out and analyze whether there is a significant effect both simultaneously and partially of the variables of Brand Awareness, Brand Association, Quality Perception, and Brand Loyalty to the Purchasing Decision of products contained in ACE Hardware.

II. LITERATURE REVIEW

2.1 Brand Equity

Brand equity is a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and or that firm’s customers. The major asset categories are brand awareness, perceived quality, brand association, and brand loyalty (Aaker (1996), cited in Rangkuti (2008)). Susan Gunelius defines brand equity as tangible and intangible values given by a brand either positively or negatively to the organization, to products, services, and profits resulting from knowledge, perceptions and experiences with the relevant brand (Sekar Sari, 2017). Brand equity is the strength of a brand that can increase or decrease the value of the brand itself obtained from the response of customers relating to the goods or services sold. Brand equity is an intangible asset that gives added value to the company. This is reflected from the way customers think, feel and act with respect to the brand (Swasty, 2016). Actually, the concept of brand equity can be studied from three perspectives: consumer based perspective, company based perspective, and financial based perspective. Of these three perspectives that have proven to be the most important in identifying brand equity is from consumer-based perspective (Vazquez et al, 2002). There are many models developed to explain brand equity such as the Aaker, BRANDZ, Brand Resonance, and others. However, for this study the author chose to use the model developed by Aaker.

It has been recognized that strong brand equity will benefit both customers and the company. Since this study tries to relate brand equity to purchasing decisions, it is necessary to explore the benefits received by consumers that affect their purchasing decisions. Aaker (1992, in Tuominen (1999)) states that there are at least three benefits obtained by consumers, i.e.: (1) can help a customer interpret, process, store and retrieve a huge quantity of information about products and brands; (2) the assets can also affect the customer’s confidence in the purchase decision, a customer will usually be more comfortable with the brand that was last used, is considered to have high quality, or is familiar; (3) brand equity assets particularly perceived quality and brand association, provide the customer with value is by increasing the customer’s satisfaction when the individual uses the product.

Quite a lot of research in various industries has been done to see the effect of brand equity on purchasing decisions. Gunawardane research (2015) on telecommunications products in Sri Lanka, Maula et al (2014) on fashion products in Surabaya, Hakimah (2016) on food products in Kediri, Sulistiono et al (2018) on air transportation services to consumers in Bogor, Adam et al (2016) on cell phone products in Karachi and Lahore, showed identical results, which proved that brand equity (brand awareness, brand association, perceived quality, and brand loyalty) has significant and simultaneous effect on the purchasing decisions of its consumers. Kusuma et al (2018) tried to analyze the effect of the four dimensions of brand equity variables above on the purchase intention variable mediated by the brand reference variable. His research was conducted on hotel services in Bali, and showed that brand awareness, brand association, perceived quality and brand loyalty, had a positive and significant effect on purchase intention. Meanwhile the study conducted by Sari et al (2017) aims to see if brand awareness, perceived quality and brand association have effect on purchasing decisions for mobile products by having students at a tertiary institution in West Sumatra as samples, and the results of these three variables have a positive and significant effect. On another occasion the
brand loyalty variable acts as an intervening variable to the effects of the three variables above on consumer buying behavior. This approach was carried out in the study of Kocoglu et al (2015), which concluded with similar results.

Several other studies have acquired mixed results. Fitri et al (2018) in their research on the brand of a laptop product among university students in northern Sumatra found that variables of brand awareness, brand association, brand quality perception, and brand loyalty had a positive and significant effect simultaneously on purchasing decisions. But Fitri et al found that the variable of brand association had no significant effect, and brand loyalty had the most dominant influence. Meanwhile Muigai (2017) also conducted similar research among milenial students at US international universities on a smartphone product. He examined the influence of brand awareness, brand association, perceived quality, and brand loyalty on consumer buyer behavior. Muigai’s research results showed that all brand equity variables have a positive and significant effect on consumer buyer behavior, except for perceived quality variable.

**Brand Awareness, Brand Association, Perceived Quality, and Brand Loyalty.**

Rangkuti (2006) described brand awareness as the ability of a customer to remember a particular brand or advertisement spontaneously or through stimulus in the form of key words. Tuominen (1999) defines it as the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category. Brand awareness also is determined by examining the strength of the brand node in the mind of a consumer, meaning how easily a consumer can recall and identify the brand in different situations and circumstances (Keller, 2009). In the research of Sasivongpakdi et al (2014), it is found that brand awareness is correlated with customer value when consumers have purchased certain products, so that it will have an impact on subsequent purchasing decisions.

Brand association is anything that is ‘linked’ to one’s memory of a brand (Aaker, 1991). In his article ‘Managing brand equity’, Tuominen (1999) described brand association as any mental linkage to the brand, may include e.g: product attributes, customer benefits, uses, life styles, product classes, competitors and countries of origins. Brand association provides value to companies, among others, to help the process of compiling information, to differentiate brands from one another, to stimulate positive feelings towards products as foundation for brand expansion.

Perceived quality reflects customer perceptions of the overall quality or excellence of a product or service with regard to customer expectations (Muafi & Effendi, 2001). This variable is also believed to influence purchasing decisions, in reference to the research conducted by Sasivongpakdi et al (2014) which found a correlation between perceived quality and customer value both for consumers who have already bought or never bought the product in question.

Brand loyalty can be interpreted as a condition which consumers have a positive attitude towards a brand and are committed to the brand and intend to continue their purchases in the future (Mowen & Minor, 2002). Brand loyalty is a benchmark of consumer loyalty to a brand. The level of customer loyalty can be seen by how consumers easily switch brands, especially if the product has experienced price changes or changes in design or material. According to Aaker (1997, in Kusuma et al (2018)) there are several levels of loyalty from the lowest to the highest, namely: switcher, habitual buyer, satisfied buyer, likes the brand, and committed buyer.

**2.2 Purchasing Decisions**

According to Schiffman & Kanuk (in Abdurrahman, 2015), purchasing decision is the decision of consumers to buy or not buy a product or service. The essence of decision making is the integration process that combines a variety of knowledge to evaluate two or more alternative behaviors in order to choose one (Sangaji & Sopiah, 2013).

According to Aaker (1992, in Tuominen (1999), one of the benefits of brand equity for consumers is that it influences confidence in the purchasing decision, Peter (2009) describes the purchasing decision as part of the consumer buying process. Whenever a consumer buys something or makes decision of buying a product, he or she goes through a process.

Kotler (2006) describes several stages that prospective buyers must go through prior to making a purchasing decision:

1. **Problem recognition.** Starting with a problem or need, and potential buyers feel the difference between the real situation with the desired state.
2. **Information search.** Consumers who intend to make a purchase will seek more information before deciding to buy. When a purchasing decision has not yet been made, the information will be stored for further processing purposes.
3. **Alternative evaluation.** Consumers will use the information they have for the evaluation process by comparing the benefits to be obtained. This can also be done by using more than one evaluation procedure.
4. Purchasing decision.
5. Post purchase behavior. After the purchasing decision, consumers can feel satisfied or not satisfied, depending on whether consumer expectations are met or not.

2.3 Conceptual Framework and Hypothesis

In order to answer the research objectives, a research model was developed which involved the variables of Brand Awareness, Brand Association, Perceived Quality, and Brand Loyalty as independent variables, while the Purchasing decision variable serves as the dependent variable.

The research variables above can be defined operationally as follows:

a. Brand Awareness Variable.
   Shows a person’s ability to recognize or recall that a brand is part of a particular product category. As an indicator of this variable, the concept of Aaker (1991, in Durianto et al (2006)) is used as follows: (1) Unaware of brand, is the lowest level where consumers are not aware of a brand; (2) Brand recognition, is a minimum level of awareness of a brand and this condition is important for a consumer who will make a purchase; (3) Brand recall, the ability to recall a brand when asked by someone to mention a particular brand in a product category; (4) Top of minds, brand products that first appear in consumers’ minds when asked to mention a brand in a particular product category.

b. Brand Association Variable.
   Describing the image of a brand to a certain impression associated with the elements: habits, lifestyle, benefits, product attributes, geography, competitor prices, celebrities, and so on. To explain brand association, Cahyadi’s approach (1998, in Hidayah, 2007) is used, namely: (1) value, emphasizing functional benefits; (2) brand personality, brings out the emotional side of a brand that benefits someone; (3) organizational association, see the similarity of attributes when compared with competitors.

c. Perceived Quality Variable.
   Describe the customer’s perception of the overall quality or excellence of a product or service that is associated with customer expectations. According to Parasuraman et al (1988, in Simamora (2001)) indicators of perceived quality can be described through five matters: (1) Tangible, in the form of physical appearance, equipment, personnel, and communication materials; (2) Reliability, in the form of the ability to provide the promised service accurately; (3) Assurance, namely the ability to provide confidence in the quality of service through knowledge and skills possessed; (4) Responsiveness, which is a willingness to help consumers in the form of employee responsiveness to service requests in a brief amount of time; (5) Empathy, namely attention and seriousness in understanding the needs of consumers.

d. Brand Loyalty Variable.
   It reflects the level of consumer attachment to a product brand. As an indicator of this variable the Aaker approach (1997, in Kusuma et al (2018)) is used, namely: (1) Committed buyers, are loyal customers where they are also ready to recommend and promote the brand to others; (2) Likes the brand, is a customer who really likes the brand; (3) Satisfied buyer, is a buyer who is satisfied with the brand, even though it is possible that they may transfer their purchases to another brand at the expense of switching costs; (4) Habitual buyer, is a buyer of a brand based on their habits so far; (5) Switcher, is a customer who is at the lowest level of loyalty. The buyer considers that all brands can be considered, and brands only have a small role in purchasing decisions, but price has a significant role.

e. Purchasing decision Variable.
   It describes the stages in the purchasing decision making process. To explain this variable, Kotler’s (2006) concept is used: (1) Problem recognition; (2) Information seeking; (3) Alternative evaluation; (4) Buying decision; and (5) Post-purchase behavior.

Based on a assessment of literature reviews and research model that has been built, the following hypotheses have been developed:

First Hypothesis (H1) :  
Brand Awareness has a significant effect on Purchasing Decisions.

Second Hypothesis (H2) :  
Brand association has a significant effect on the Purchasing Decision.

Third Hypothesis (H3) :  
Perceived quality has a significant effect on Purchasing Decisions.

Fourth Hypothesis (H4) :  
Brand Loyalty has a significant effect on Purchasing Decisions.

Fifth Hypothesis (H5) :  
Brand Awareness, Brand Association, Perceived quality and Brand Loyalty simultaneously have a significant effect on the Purchasing Decision of products contained in ACE Hardware.

### III. RESEARCH METHOD
This research is a causal associative research, namely a research that seeks a causal relationship or influence between independent variables and dependent variables. The research population is customers who buy products from ACE Hardware Indonesia’s store. Samples were taken by the non-probability sampling method, namely convenience sampling method. As the name implies, samples are taken with consideration of the ease in obtaining them (Indriantoro & Supomo, 2002). The researcher took the data of respondents who are ACE Hardware customers through an online form. The number of samples to be analyzed is in accordance with the formula of Rao Purba (2006), which consists of 100 respondents.

Furthermore, the research instrument was designed in the form of a survey or questionnaire containing questions or statements representing indicators of the research variables. The scale used is a Likert scale in the form of 1 to 5 scale, containing a selection of responses: strongly agree, agree, quite agree, disagree, and strongly disagree.

Before the questionnaire was distributed to the real respondents, the research instrument test was first carried out in the form of a validity test and a reliability test. If the data quality requirements are met, then the data collecting is ready. After the respondents’ data have been collected, data analysis is performed by using multiple linear regression techniques, to see the effect of some independent variables towards the dependent variable. In this study the independent variables are Brand Awareness, Brand Association, Perceived Quality, and Brand Loyalty; whereas Purchasing decision serves as the dependent variable. To answer the research objectives, it is necessary to test hypotheses using the F test and t test.

IV. RESEARCH FINDINGS AND DISCUSSION

Before data analysis, the validity and reliability of the research instruments was tested. Validity Test examines whether the questions or statements in the questionnaire already represent what needed to be measured, while the Reliability test is to see whether the answers of respondent to the questions are consistent or stable over time. It is considered valid if the value of r = 0.3, and is considered reliable if the value of alpha cronbach> = 0.6 (Ghozali, 2005). The test results show that the research instrument is valid and reliable.

Meanwhile the respondent profile is classified based on: (1) Age (20-30 years, 31-40 years, 41-50 years, >= 51 years); (2) Education (high school, diploma, undergraduate, etc.); (3) Monthly income (< Rp 1000000, Rp 1000001-2500000, Rp 2500001-5000000, Rp 5000001-10000000, >= Rp 10000001); (4) Occupation (Employees, Entrepreneurs, others). It turned out that respondents were dominated by consumers aged 20-30 years (59%), had an undergraduate degree (77%), had a monthly income above Rp. 5 million (74%), and worked as an Employee (57%).

The results of data processing by using multiple linear regression method obtained a coefficient of determination of 48.3%, which indicates that brand equity variables are only able to explain consumer purchasing decisions below 50%, meaning that there are other variables that can explain the reason a consumer chooses ACE Hardware by 51.7%. F statistical test shows that simultaneously independent variables (Brand Awareness, Brand Association, Perceived Quality, and Brand Loyalty) significantly influence the dependent variable (Purchasing decision). This means that the fifth hypothesis (H5) can be accepted.

The first hypothesis (H1) states that brand awareness has a significant influence on purchasing decisions. From the t-test results, the sig value is greater than 0.05, so it can be statistically concluded that at the 5% significance level, the brand awareness variable does not significantly influence the purchasing decision of the products contained in Ace Hardware. This means that the first hypothesis is rejected. This result is indeed not in accordance with many previous studies. Rangkuti (2006) states that customers who have brand awareness will automatically be able to decipher brand elements without having to be helped, so that it will affect purchasing decisions. But the research of Homburg et al (2010) is quite interesting to understand. His research aims to look at how brand awareness relates to return-on-sale, where the results indicate that brand awareness will have a
positive impact if mediated by market performance, with the following conditions: (1) low product homogeneity, (2) low technological turbulence, (3) low heterogeneity of shopping centers, and (4) low time pressure in decision making. The characteristics of ACE are rather unique, which provides various types of products with a combination of several stores. ACE also faces rather high technological turbulence, which has to deal with online shops. In Indonesia ACE is also dealing with the heterogeneity of shopping centers that provide similar products. In addition, the element of time pressure can make brand awareness have less impact on return-on-sale. The author considers that the above phenomenon can support the results of the first hypothesis test.

The second hypothesis (H2) states that brand association has a significant effect on purchasing decisions. From the t-test results it can be seen that the sig value is greater than 0.05, so statistically it can be concluded that the brand association variable does not significantly influence the purchasing decision of the products contained in ACE Hardware. This means that the second hypothesis is also rejected. Actually brand association provides value for consumers, including helping the process of compiling information in purchasing decisions. But the results of the hypothesis test do not support the above statement. The results of this study are in line with the results of research by Alinegoro (2014) and Fitri et al (2018), which state that brand awareness has no significant effect on purchasing decisions. This result can be justified in the case of ACE Hardware, because this shop sells a variety of products under various brands produced by various suppliers.

The third hypothesis (H3) states that perceived quality significantly influences the purchasing decision. While the fourth hypothesis (H4) states that brand loyalty has a significant effect on purchasing decisions. From the t-test results, the sig value is smaller than 0.05, so it can be statistically concluded that at the 5% significance level, the perceived quality and brand loyalty variables have a significant effect on the purchasing decision of the products contained in ACE Hardware. This means that the third and fourth hypotheses are accepted. Many previous studies support the results of the third and fourth hypothesis tests (Hamidi (2014), Widhiarta et al (2015), Gunawardane (2015), Maula et al (2014), Hakimah (2016), Sulistiono et al (2018), Adam et al (2016), Fitri et al (2018)).

V. CONCLUSION

The results showed that brand awareness, brand association, perceived quality, and brand loyalty simultaneously had a significant effect on the purchasing decision of the products contained in ACE Hardware. But partially, the results vary. It turns out that brand awareness and brand association have no significant effect, while perceived quality and brand loyalty partially have a significant effect on the purchasing decision of products sold in ACE Hardware stores in Indonesia. Hypothesis testing which shows that brand awareness does not affect purchasing decisions is surprising, but the unique characteristics of the store can justify the phenomenon. Other results can be supported by several previous studies. The implications of policy that can be taken are strengthening perceived quality and maintaining and enhancing company brand loyalty.

REFERENCES


