Examining Product Attributes, Brand Equity, and Brand Loyalty across Domestic and International Brand

Dwi Irianto[1], *Dwi Suhartanto[2], Dewi Purnamasari[3] , Yuniasari Megandini[4]

[1,3,4] Student at Business Administration Department, Bandung State Polytechnic, Bandung, Indonesia

[2]Lecturer at Business Administration Department, Bandung State Polytechnic, Bandung, Indonesia

*Corresponding author

Abstract

Although many studies have examined the influence of country-of-origin towards customer buying decision, a few research has evaluated the indirect influence of country-of-origin on customer buying decision in a low-involvement consumer product (ice cream). This research compares the effect of product attributes and brand equity toward brand loyalty across the domestic and international brand. This study predicts that international brand is perceived as superior compared to local brand. The sample of this study, 574 students, was collected from Bandung, Indonesia. The result shows that product attributes, equity, and loyalty of domestic brand are significantly different from that of the international brand product. The finding of this research confirms that international brand is perceived as superior than domestic brand in terms of product attributes and brand equity. Lastly, related to loyalty, this study reveals that both product attribute and brand equity are important determinants of brand loyalty for the international brand, while for domestic brand only brand equity affect significantly brand loyalty.

Keywords: Product attribute, brand equity, country of origin, brand loyalty

Introduction

The flow of products from one country to another becomes unstoppable (Kotler, Kartajaya, & Setiawan, 2010). World Trade Organization informs that there are so many emerging market products that dominating the international market (WTO, 2015). Literature also informs that this is the symptom of the competitive era in global market (Grosse, 2016). This phenomenon indicates that there is increasing competition in a country, not only between local brands but also with the international brand. The logic consequence from this situation, based on consumer's perspective is they have many brand choices–local and international- that will make them consider and compare first before making purchase decisions (Kinra, 2006). Thus, in this situation, offering high-quality products is an essential requirement for every company survival to gain consumer satisfaction and consumer loyalty (Heskett, 2002). Although there is a symptom that consumer tends to consider many indicators to buy a product, including the country-of-origin, there is still lack scholars attention on this issue in emerging markets.

Literatures has identified that country-of-origin significantly influences on product quality perceived by consumers (Rajeev Batra, Ramaswamy, Alden, Steenkamp, & Ramachander, 2000). Past studies indicate that country-of-origin influences positively on consumer's purchasing decisions (Rajeev Batra et al., 2000). In contrast, the study conducted by Wang et.al. (2004) shows that country-of-origin has limited influence in determining the perception of consumer quality. This suggests that country-of-origin not always affects consumer perception of the international brand because in some situations its influences also depend on the type of products. To the best of authors understanding, none of the past studies investigate the effects of country-of-origin on low-involvement products. As this product category is distinct and differs from other products, understanding on how country-of-origin affects product choice for low-involvement products is a necessary (Bakewell & Mitchell, 2003; Wang, Siu, & Hui, 2004).

To fulfil the research gap, the objective of this study is to scrutinize the differences that determine consumer loyalty on domestic and international brand using two differentiating factors; product attribute and brand equity in low –involvement product, ice-cream. A better understanding on this issue will be beneficial for the product

manager to create the better approach to improve consumer loyalty and formulate the better strategy to compete with others. The Nielsen (2016b) report shows that the percentage of consumption of ice cream product in Indonesia projected will increase up to 10% in 2016. In addition, Marketeers (2016a) also inform that the ice cream product relatively promising in this emerging market. However, this market is dominated by two main brands, Campina (Indonesia) and Wall's (Netherland) with the market share 73,7% for the international brand and 24,6% for the Indonesian brand. This figure shows that ice cream business is flourishing in the Indonesian market. Therefore, conducting this study on ice cream brand in Indonesian market is justified.

Literature Review

People as consumers have different perception between domestic and international products. It is influenced by product attributes (Fandos & Flavian, 2006), brand equity (Yasin, Noor, & Mohamad, 2007) and country-of-origin (Sun, Zheng, Su, & Keller, 2016). Relating to the model developed by Lancaster (1979), consumer choice is based on the characteristics (attributes) of the product. Fandos and Flavian (2006) explain that quality as one of the parts of products attributes is the way for consumer to get the information and cues of the characteristics of products. Then, consumers must evaluate both cues and information based on their needs when they buy or consuming the products (Becker, 2000). Moreover, the other previous studies suggest that product attributes are influenced by country-of-origin (R Batra, 2000). So that, the consumer will compare between domestic and international brand from some products associated with the origin of the products.

Brand equity indicates the value added of the brand that built from its name in consumer's mind then it has expanded become the including of the set of product attributes that push consumer decision-making. This statement means that consumer willing to pay more for the same quality of products because of the image of the brand. The previous study in China shows that imported products or international brand seem higher social status (Li & Gallup, 1995) so they will choose more on international brand rather than domestic brand, at least, if they have similar quality. In contrast, the other studies found that some consumers prefer domestic brand because of the economic, social and physiological motives (Freurer, Baumbach, & Woodside, 2016; Zeugner-Roth, Zabkar, & Diamantopoulus, 2015). This finding is indicating that there is the differences between domestic and international brand in terms of brand equity.

Country-of-origin is the place where the products were produced (Zafar, Ahmad, & Boon, 2004). Research conducted by Guo (2013) suggest that products from developed countries have the higher quality and value than developing countries. It implies that country-of-origin has significant affects for the consumer decision-making. This statement is proven by the research conducted by Yasin et al. (2007) that country-of-origin plays an important role in purchase decision in case electrical goods. The other study explains that country-of-origin will influence the consumers' belief about the product attributes and brand (Srikatanyoo & Gnoth, 1993). Thus, country-of-origin has important role between international and domestic brand in the market.

Methodology

To examine the research issue, the researchers developed the questionnaire with 26 attributes adopted from previous studies related to this research (Becker, 2000). Likert scale with five-point is stated by strongly disagree '1', disagree '2', neutral '3', agree '4', and strongly agree '5' is considered as an appropriate method to measure variable constructs. This research uses data collected through online from Bandung City, Indonesia in March 2017. This study focuses on students, thus the data was collected to the target respondents among university and senior high school. The sampling used is random sampling in order to get a sound result (Saunders et al., 2016). Off 600 responses collected, researchers excluded 26 responses from the data because of missing data reason. Respondents consist of female (63.76%) and male (36.23%).

Data analysis

Concerning the objectives is identify the difference and influence of product attributes, brand equity and country of origin, researchers used t-test and multiple regressions for this research. The t-test is a method used to examine the significant difference between two groups (Ghozali, 2009). In this study, we use one of the methods of the t-test, namely the Independent sample t-test. The result of t-test is depicted in Table 1.

Table 1 T-test result of brand comparison

Variable	F-value	t-value	Variable	F-value	t-value
Product attributes			**Brand equity**		
Product quality	22466	16800*	Intention to buy	45654	14503*
Variant flavor	11489	15450*	Choices domination	35439	18,354*
Product package	10222	17340*	First of mind	842	25,378ns
Price	7828	-3301*	Product uniqueness	13149	9,937*
Product variation	25859	14503*	Buying new variant	16337	15,647*
Loyalty	79805	10,238*			

Table 2 Regression result of brand comparison

Path	International brand		Domestic brand	
	Coefficient	t-value	Coefficient	t-value
Product attributes > Loyalty	-0,168	-4,592*	-0, 089	-1.296ns
Brand equity > loyalty	0,840	22,998*	0,710	18,345*

*ns: not significant, *significant at p<0,01*

Discussion

Table 1 shows the result of t-test analysis from two products, domestic and international brand. Based on product attributes variable, including product quality, flavor variant, packaging, price and product variant are offered by international brand significantly different with local brand. It means that international brand concerning product attributes is perceived as better compared to local brand. In brand equity dimension, the international brand is better than the local brand in consumer's mind. It is proven from this study that shows that for some variables such as the intention of buying, product dominant, and product uniqueness, and loyalty, the international brand better than the local brand. In the contrast, for the first mind variable there is the similarity between the international brand and local brand. It shows that for both products have had a strong brand in consumer's mind. Past studies suggest that product attributes (internal cues) are influenced by country-of-origin (external cues), so consumers often associate a product with the origin of the product (Rajeev Batra et al., 2000). This study also confirms that when comparing product attributes of local and international brands, consumers tend to judge that international brands are better. Likewise for brand equity, although there are variables that have similarities with international brands, the international brand still shows its dominance of local brands (Rajeev Batra et al., 2000; Steenkamp, Batra, & Alden, 2003). According to the result, it can be stated that international brand is better than domestic brand, this result similar to the previous study (Sun et al., 2016). So, the variable of the country of origin of international brand and domestic brand is different. This result proves that the respondents are not ethnocentrism consumer because they prefer to choose international brand than domestic brand in this research (Nikoletta & Siamagka, 2017).

Table 2 shows the result of regression analysis from product attributes and brand equity toward loyalty for every product (international and domestic). This result shows that loyalty and the desire to rebuy for international brand is significantly influenced by the product attributes offered and brand equity of the international brand. Furthermore, brand equity has a greater impact than product attributes in shaping consumer loyalty on the international brand. In contrast, for local brand product loyalty and the desire to rebuy is influenced by brand equity that they have built, not depend on product attributes offered through their various products. Table 2 shows the relationship between construct variable product attributes, brand equity and country-of-origin toward consumer loyalty formation as described in the theoretical model. The results show that product attributes and brand equity of the international brands significantly establish consumer loyalty, whereas for the local brands only brand equity influences significantly. Thus, the product attributes and brand equity of the international brand can affect simultaneously to consumer loyalty. The result of this study explains that in forming consumer loyalty, international brand is formed by two variable, product attributes and brand equity simultaneously and significantly. In contrast, for local brand, consumer loyalty is formed as partial by brand

equity indicator, it indicates that relationship of forming loyalty by product attributes variable in context local brand is not significant and very complicated. This study is relevant to the previous study about consumer loyalty in relation with country-of-origin (Rajeev Batra et al., 2000; Loureiro & Umberger, 2007). Furthermore, attribute products owned by local brands do not influence consumer loyalty, but the brand equity indicator towards loyalty influences significantly.

Conclusion

The competition in low-involvement products, especially ice cream, is intense in the Indonesian market. This intense competition is due to the changing in consumer behavior as well as entering international brand. This study extends our knowledge on the effect of country-of-origin through the differences between domestic and international brand. This study supports past studies and a common belief that the international brand is perceived as a better product compared to the domestic product. Of the attributes product (product quality, variant flavor, and product package, price, and product variations) as well as the brand equity and customer loyalty toward the brand, international brand perceived as a better and their customers are more loyal. This finding provides the venue for managerial practices that, for the domestic brand, the competitive strategy should not rely on stressing the brand. This study suggests that domestic product should improve the quality of their product attribute to be, at least, equal to the international brand in order to compete with the international brand. Although this study has important contributions from theoretical and managerial perspective, this study bears some drawbacks. Many factors affect customer brand loyalty. In this study, only two factors (product attributes and brand equity) are included in this study. To get a better understanding on the effect of country-of-origin, the future study could include other factors such as quality, satisfaction, and image in the model.

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