

The Impact of Brand Equity on Brand Preference and Purchase Intention of IndiHome Product

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Abstract

The reduction of market share of fixed broadband PT Telkom was caused by purchase intention of Indihome product was lower than purchase intention of product from the other competitor. Based on the literature study on the previous research, the variables that had influence to purchase intention were brand equity and brand preference. This research used the model that stated brand equity and brand preference had a positive influence to purchase intention. The data collected by having questionnaire that distributed to the candidate customer through on line (using google form and SMS). There were 403 respondents. The data analyzed in descriptive and verificative with variance based SEM with SmartPLS 3.0 software. Based on the result of descriptive analysis, the respondents had given the moderate evaluation to the variables, i.e: brand equity (67.04%), brand preference (60.55%), and purchase intention (64,37%). The result of verificative analysis with Partial Least Square, showed that brand equity had a significant positive influence to brand preference, brand equity had a significant positive influence to purchase intention, brand preference had a significant positive influence to purchase intention, also brand equity had a significant positive influence to brand preference and purchase intention direct and indirect. The suggestions that could be proposed were Telkom had to enhanced the dimension of brand equity that had positive effect on brand preference and purchase intention, also the need of adding another variable that had effect on purchase intention for the future research.

Keywords: brand equity, brand preference, purchase intention

1. Introduction

In 2015, January IndiHome brand offered nation wide in Indonesia. IndiHome is bundling triple play service, consists of: phone, high speed internet, and Usee TV (Telkom, 2015). With existence of the bundling of IndiHome, can increase customer intention to subscribe PT Telkom's product because the service of this product was completed to meet the needs of customer in the residential segmen. However the market share of fixed broadband PT Telkom was reduced from 85,37% (Oct 2014) into 83,28% (Feb 2016).

According to brand indicator analysis from Marketing Intelligent Unit to IndiHome brand (Telkom, 2015), there were four weaknesses of indicator on IndiHome brand, that is Brand Perception, Market Share, Perceived Quality, Brand Loyalty. Only Brand Awareness that showed as a strength indicator on IndiHome brand. According to Top Brand Award survey that showed the reduction of top brand index of IndiHome/Speedy from 56.7% (2014) to 48.1% (2016). It can be concluded that brand equity of IndiHome was still low. This condition caused low brand preference of IndiHome and inline with the result of the research from Buil et.al. (2013), Mahfooz et.al (2015), and Moradi&Zarei (2011) that showed brand equity had positive influence on brand preference. The reduction of market share of fixed broadband PT Telkom was predicted cause by purchase intention of Indihome product was lower than purchase intention of product from the other competitor, so it required the efforts to increase purchase intention of IndiHome.

Based on some literature study in the previous research, the variabels which could be influenced on purchase intention were: (1) brand equity that consist of the dimensions, i.e: brand awareness, perceived quality, brand association, and brand loyalty (Buil et al. , 2013; Mahfooz, et.al., 2015; Moradi&Zarei, 2011), also (2) brand preference (Buil et al., 2013; Mahfooz, et.al., 2015; Moradi&Zarei, 2011).

Based on the introduction, research statements in this research were (1) IndiHome is the product that expected to be the main contributor to revenue of Telkom Regional 2 Jakarta that replaced brand Speedy, but the market share growth in regional 2 showed the reduction. Based on the result of brand indicator analysis and Top Brand Award Survey showed that brand equity of IndiHome was low. Based on the previous research (Buil et al., 2013; Mahfooz, et.al., 2015; Moradi&Zarei, 2011), showed that there was a positive effect between brand equity, brand preference, and purchase intention, if the low brand equity caused the low brand preference, so that the low purchase intention. The low purchase intention caused the reduction of market share, (2) It was necessary to know the evaluation of customer to the dimensions of brand equity of



Indihome product that had influence on brand preference and purchase intention, also the relationship between the variables.

2. Literature Review

The result of the research of Buil et.al. (2013), Mahfooz et.al (2015), and Moradi&Zarei (2011), showed that brand equity had a positive influence on brand preference. Based on the research of Buil et.al. (2013), Mahfooz et.al (2015), and Moradi&Zarei (2011), brand preference had a positive influence on purchase intention. On the other hand, based on the research of Buil et.al. (2013) and Moradi&Zarei (2011) brand equity had a positive influence on purchase intention. So it can be concluded that the factors had a positive influence on purchase intention of the candidate of customer of IndiHome were brand equity with the dimensions, i.e: brand awareness, perceived quality, brand association, and brand loyalty (Aaker, 1997); also brand preference. Research scope consisted of the research conducted in area of Telkom Regional 2 Jabodetabek, spesifically to the candidate of IndiHome customer and the variables on this research were brand equity (consist of brand awareness, brand association, perceived quality, and brand loyalty), brand preference, and purchase intention.

3. Methodology

This research used model from Buil et.al. (2013), Mahfooz et.al (2015), and Moradi&Zarei (2011), with three variables, i.e: brand equity (with 4 dimensions: brand awareness, perceived quality, brand association, and brand loyalty), brand preference, and purchase intention. This research had similarity with that previous research on variables and data analysis technique. Beside that, based on research of Mahfooz et.al (2015), this study considered to combined the dimensions of brand equity into unity, brand equity variables. The proposed conceptual model is shown in Figure 1.

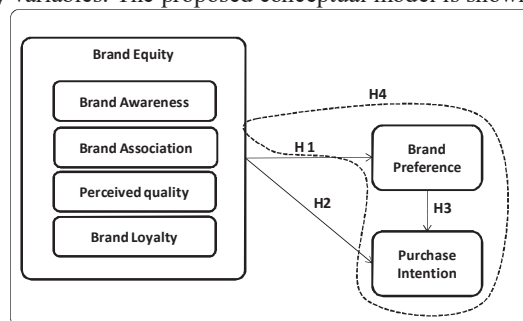


Figure 1 Proposed Research Model

Based on the Figure 1 above, there are two variables that directly and directly influence purchase intention, namely overall brand equity and brand preference. The operationalization variables are shown in Table 1.

Table 1 Operationalization of Variables

Variable / Sub Variabel	Variable Definition	Indicator		Code	Reference	
Brand Equity	Brand awareness (AW)	1	Recognition of brand	AW1	Buil et.al (2013); Khan et.al (2015); discussion with expert	
		2	Memory of brand	AW2		
		3	Accustomed with brand	AW3		
		4	The most memorable brand	AW4		
		5	Knowledge of symbol and logo brand	AW5		
	Perceived quality (PQ)	Customer perception to overall of quality or superiority of IndiHome product.	1	Service quality of brand	PQ1	Buil et.al (2013); Khan et.al (2015); Mahfooz et.al (2015); discussion with expert
			2	Service reliability of brand	PQ2	
			3	Completely feature of brand	PQ3	
			4	Competitive advantage	PQ4	
	Brand association (AS)	Everything that connected with IndiHome brand.	1	Fixed broadband service	AS1	Buil et.al. (2013); Mahfooz et.al (2015); discussion with expert
			2	Fast internet service	AS2	
			3	Telkom as service provider	AS3	
			4	TV interactive service	AS4	
			5	Inexpensive telephone service	AS 5	
			6	Bundling triple play service	AS 6	
	Brand loyalty (LO)	Connection customer with IndiHome brand	1	Comparison between value and price	LO1	Buil et.al (2013); Mahfooz et.al (2015); hasil diskusi dengan expert
2			Connection customer with IndiHome brand	LO2		
3			Customer trust to brand	LO3		
4			Recommended the brand to others	LO4		
Brand preference (PR)	Customer tendency to prefer IndiHome brand among the others.	1	Preference brand	PR1	Buil et.al. (2013); Mahfooz et.al (2015); discussion with expert	
		2	Superiority of brand	PR2		
		3	Preferably brand	PR3		
		4	Brand is the first preference	PR4		
Purchase intention (PI)	Customer intention to	1	Willingness to purchase soon	PI1	Buil et.al. (2013);	

buy IndiHome product after evaluation to IndiHome brand	2	Willingness to purchase on the future	PI2	Mahfooz et.al (2015); Moradi&Zarei (2011); discussion with expert
	3	Consideration to purchase the product	PI3	

The hypothesis on this research are shown below:

1. Hypothesis 1 (H1) .

H1_o. Brand equity didn't have a positive significant influence on brand preference.

H1₁. Brand equity had a positive significant influence on brand preference.

2. Hypothesis 2 (H2) .

H1_o. Brand equity didn't have a positive significant influence on purchase intention.

H2₁. Brand equity had a positive significant influence on purchase intention

3. Hypothesis 3 (H3) .

H3_o. Brand preference didn't have a positive significant influence on purchase intention.

H3₁. Brand preference had a positive significant influence on purchase intention

4. Hypothesis 4 (H4) .

H4_o. Brand equity didn't have a positive significant influence on brand preference dan purchase intention direct and indirect.

H4₁. Brand equity had a positive significant influence on brand preference dan purchase intention direct and indirect.

To test the hypothesis, this research collected data by using questionnaire. To determine the effectiveness of the developed instrument in measuring its target construct, this research used (1) content or logical validity; (2) criterion-relate validity, which is categorized into predictive and concurrent validity; and (3) construct validity, which can be measured by convergent and discriminant validity that explained by computing factor loadings (FL) (Sekaran& Bougie (2010)). An item in construct has convergent validity if the value of FL minimal on 0.5 (Ghozali&Latan, 2015). To test the validity and reliability of the questionnaire used, this research distributed the questionnaire to 30 respondents. The collected data were analyzed by using IBM SPSS statistics 22 software. All 26 items of 26 construct are valid and ready to distributed to the respondents. Table 3 shows the valid and reliable items of the questionnaire used in this research.

Table 3. Items of the Questionnaires

Variable/ Sub Variable		Items		Reference
Brand Equity	Brand awareness (AW)	1	I can recognize IndiHome brand among the other internet provider service.	Buil et.al (2013); Khan et.al (2015); discussion with expert
		2	I can recall of IndiHome brand quickly.	
		3	I already recognize and know about IndiHome brand.	
		4	IndiHome is the one and only brand that I remember when I prefer internet service.	
		5	I recognize IndiHome logo.	
	Perceived quality (PQ)	1	IndiHome offers the good service quality.	Buil et.al (2013); Khan et.al (2015); Mahfooz et.al (2015); discussion with expert
		2	IndiHome offers the reliable service.	
		3	IndiHome offers the complete feature.	
		4	IndiHome has superiority if it compares with competitor product.	
	Brand association (AS)	1	In my opinion IndiHome is fixed internet service.	Buil et.al. (2013); Mahfooz et.al (2015); discussion with expert
		2	In my opinion IndiHome is fast internet service.	
		3	Telkom is the trusted internet service provider.	
		4	In my opinion IndiHome is interactive TV service.	
		5	IndiHome is low rate telephone service.	
		6	IndiHome is fast internet, low rate telephone, and interactive TV service.	
	Brand loyalty (LO)	1	IndiHome brand gives value comparable with the price.	Buil et.al (2013); Mahfooz et.al (2015); discussion with expert
2		I don't use the other internet service, if there is IndiHome service.		
3		I trust on IndiHome brand.		
4		I will recommend IndiHome to others.		
Brand preference (PR)	1	IndiHome is my preference brand.	Buil et.al. (2013); Mahfooz et.al (2015); discussion with expert	
	2	IndiHome is more superior than other brands.		
	3	I prefer IndiHome than the other internet service.		
	4	IndiHome is the first preference brand that I will purchase.		
Purchase intention (PI)	1	I will purchase IndiHome soon.	Buil et.al. (2013); Mahfooz et.al (2015); Moradi&Zarei (2011); discussion with expert	
	2	I will purchase IndiHome in the future.		
	3	I will consider to purchase IndiHome.		



Having finish with the testing of valid and reliable questionnaire, data were collected by using questionnaire that distributed online (by google form and SMS) from 2016, April, 15th until 2016, May, 1st. Thus, the total of valid questionnaire for data analysis was 403.

4. Findings and Discussion

The 403 collected data were analyzed by using the quantitative investigation method. To know the rate of all variables based on respondent's perspective, this research used descriptive statistic. Data computed based on mean value or score of respondents' answers of each variable. The mean value than translated into several quality, the mean value which has score ranging from 20% to 36% is considered to be very low, above 36% to 52% considered to be low, above 52% to 68% considered to be medium, above 68% to 84% considered to be high, and above 84% to 100 considered to be very high. The result of scoring showed on Table 4. The table shows that the variables of brand awareness had high score that means the customers have high or good perception for those variables. While, variables of overall brand equity and its dimensions, i.e: perceived quality, brand association, brand loyalty; brand preference, and purchase intention had moderate scores, these mean that the customers felt that those variables had not good enough performance, the customers just feel that the performance of those variables are only moderate.

Table 4. Score of Variables

Variable	Mean	Score
Brand Equity	67.04%	Moderate
Brand Awareness	73.16%	High
Perceived Quality	63.81%	Moderate
Brand Association	67.03%	Moderate
Brand Loyalty	62.62%	Moderate
Brand Preference	60.55%	Moderate
Purchase Intention	64.37%	Moderate

The quantitative analysis method used in this research was the PLS method, which is a variance based technique of structural equation modeling (SEM). The software used was the SmartPLS 3.0 software which can be downloaded free from <http://www.smartpls.de>. Processing data by using PLS involves two steps : (1) assesment of the measurement model to test the reliability and validity of the instrument which consist three criterias that should fulfilled: indicator reliability, internal consistency reliability, and convergent validity; and (2) assesment of the structural model to test the research hypotheses. In PLS, the indicator validity is evaluated by factor loading (FL) with minimal value 0,5 that show that an item in construct has convergent validity (Nunnally in Abdillah&Jogiyanto, 2015). For internal consistency reliability shown by Cronbach Alfa (CA) and Composite Reliability (CR) value should be at least 0,7, and convergent validity measured by Average Variance Extracted (AVE) that should at least 0,5. SmartPLS can directly produce the FL of each item with menu "Calculation for PLS Algorithm" and the results showed that all items have FL values above 0,5, indicating that each item of the questionnaire met the indicator validity requirement, as can be seen in Figure 2 below:

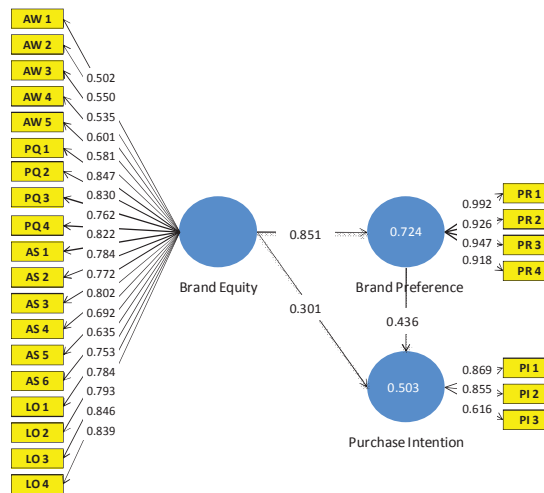


Figure 2. SmartPLS Result of Model

Table 5 shows the FL, CA, CR, and AVE values of all construct resulted by SmartPLS fulfilled all the requirements. Thus the measurement model of this research is valid and reliable.

Table 5. The FL, CA, CR, and AVE Values of Each Construct

Variabel / Sub Variabel		Item	FL	CR	CA	AVE
Brand Equity	Brand awareness (AW)	AW1	0.502	0.955	0.95	0.54
		AW2	0.550			
		AW3	0.535			
		AW4	0.601			
		AW5	0.581			
	Perceived quality (PQ)	PQ1	0.847			
		PQ2	0.830			
		PQ3	0.762			
		PQ4	0.822			
	Brand association (AS)	AS1	0.784			
		AS2	0.772			
		AS3	0.802			
		AS4	0.692			
		AS5	0.635			
	Brand loyalty (LO)	AS6	0.753			
		LO1	0.784			
LO2		0.793				
LO3		0.846				
Brand preference (PR)	LO4	0.839	0.961	0.946	0.86	
	PR1	0.922				
	PR2	0.926				
	PR3	0.947				
Purchase intention (PI)	PR4	0.918	0.828	0.712	0.62	
	PI1	0.869				
	PI2	0.855				
	PI3	0.616				

In PLS, the correctness of the proposed model can be measured by using Path coefficient (PC), R-squared (R^2), and Q-squared (Q^2) criterion. R^2 criterion has been applied by 105 (96%) models published in MISQ and PC criterion has been applied by 107 (98%) models published in MIS Quarterly in the 20-year period from 1992 through 2011 (Ghozali&Latan, 2015). The path coefficients should have t-values of at least 1.96 to be considered significant at the 95% confidence level. The t-values can be obtained by using re sampling techniques, such as bootstrapping. Table 6 shows the path coefficients and t-values of the model as a result of bootstrapping.

Table 6. t-value for each variable

Path	PC	t-value
Brand Equity (BE) --> Brand Preference (BP)	0.851	56.815
Brand Equity (BE) --> Purchase Intention (PI)	0.301	4.133
Brand Preference (BP) --> Purchase Intention (PI)	0.436	6.099
Brand Equity (BE) --> Brand Preference (BP) --> Purchase Intention (PI)	0.371	6.031

*Represent significance at 95% confidence level

Based on the Table 6 above, all of 4 hypothesis were significant at the 95% confidence level, since the t-value is more than 1.96.

It could be concluded that brand preference was influenced by brand equity, and purchase intention was influenced by brand preference and brand equity. Brand equity had influenced brand preference and purchase intention directly and indirectly. The indirect influence of brand equity on purchase intention was greater than direct influence.

The R^2 criterion measures a construct's percentage variation that is explained by the model or the proportion of the total variation in the dependent variable explained by the independent variables jointly (Indrawati, 2012). The R^2 value should be sufficiently high for the model to have a minimum level of explanatory power. Values above the cutoff of 0.670, approximately 0.333, and 0.190 or lower are deemed substantial, average and weak, respectively (Indrawati, 2012). Figure 1 also shows that the R^2 resulted from calculation for PLS algorithm was 0.503. This means that the model has average power to predict purchase intention.

5. Conclusion

Based on the descriptive analysis, the respondent had given moderate scores to the variables, i.e: brand equity (67.04%), brand preference (60.55%), and purchase intention (64,37%). On the other hand, the scores of sub variable of brand equity that had been ranked from low score to high score, i.e: brand loyalty (62.62%), perceived quality (63.81 %), brand association (67.03%), and brand awareness (73.16%). Only brand awareness had high category, the other subvariabel had moderate category.

Based on the result of Partial Least Square, this research concluded that purchase intention were influenced by brand equity and brand preference. Brand equity had influenced brand preference and purchase intention directly and indirectly.



On the other side, purchase intention could be described by brand equity and brand preference at 50.3 %. This research model could be used to predict purchase intention at 50.3 %.

Based on the result of the research, PT Telkom must increase brand equity and brand preference of IndiHome that can be a differentiator from the product of other competitor. This strategy can increase purchase intention of IndiHome. *Brand preference* as the intervening variable between *brand equity* and *purchase intention*, had given a big impact if compared with direct relationship between *brand equity* and *purchase intention*. This condition must be the main attention for PT Telkom to increase *brand preference* IndiHome with increase the communication with the customer that focused on the competitive advantage of IndiHome product if compared with the product of the competitors.

On the other hand, the strategies that can be done to increase brand equity of IndiHome are give better value for the candidate customer, for example: give the same or cheaper price for IndiHome product, add the interesting contents and TV channel based on customer's need, increase quality and reliability of IndiHome service, give free calling package to all Telkomsel's number for a few minutes and decrease the tariff of IndiHome Telkomsel Mania package. Furthermore suggestions for the future research are addition of the other variable that influenced purchase intention, for example: perceived price, interpersonal influence, etc. The research about brand equity on the other competitor can be used as the comparison with brand equity IndiHome. This research can generalizable to the other areas in Indonesia to understand effect of brand equity to brand preference and purchase intention in the other areas with the different competition level.

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