

Effect of Brand Equity Dimension on Purchasing Behavior (Case Study: Aroma Bakery and Cake Shop in Medan)

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Abstract

Many of the entrepreneurs of small enterprise continuously strive to overcome their difficulties to grow the business. Out of many entrepreneurs who run the small enterprise, only a few is capable of sustaining and successfully growing their business into medium or even large scale. One of the common pitfalls occur during their business is their incapability of building the brand equity as one of the most important capital to align with their business growth. This strategy, however, is perceived as important because a brand equity represents the value of customer's trust toward the entrepreneurs and the company's brands. *Aroma Bakery and Cake Shop* is taken as a case study of this research which known as a foremost brand of bakery and cake that has been successfully expanding the business from the micro scale to small and become medium and even large scale. They have impressively built their brand equity and strength in a brief time, thus widely accepted by their customers. From only first outlet opened in one of permanent store at a home store (rumah toko) in 2009 to successfully opened 30 outlets in 2015. This research analyzed the influences of the four dimensions of brand equity, which are brand awareness, brand association, perceived quality, and brand loyalty over the purchasing behavior. Moreover, 245 respondents' data were analyzed by utilizing Structural Equation Modeling (SEM) program as an analytical tool for the sample of this research. This research will test ten hypothesis those have been contributed from the past researches. Eventually, the result of the research suggests that brand awareness significantly influenced brand association, perceived quality, brand loyalty and purchasing behavior. Thus, it is strengthened by the result that brand association has significant influence over the perceived quality and brand loyalty as well as brand loyalty influenced significantly the purchasing behavior. On the other side, consecutively, the research indicates that perceived quality have no influence over or negatively influenced the brand loyalty, and brand association have no influence over or negatively influenced purchasing behavior

Keywords: brand awareness, brand association, perceived quality, brand loyalty, purchasing behavior.

1. Introduction

Food industry, especially bakery and cake shop, is the kind of business that rely heavily on customer perception of the quality of products and all the attributes that make up the customers' perception of the product. Good customer perception of a brand depends on customer acceptance of the company brand. Aaker (1991) says that a brand should be managed well as it is an important company asset that provides tremendous value including future earnings for the company. Brand not only gives the company high value by increasing profitability, a strong brand will help the company survive crisis and became the main capital of competitive advantage.

Research conducted by Thanh (2012) to study the relationship between brand equity with brand awareness, perceived quality, trust, value and loyalty with a case study Vinamilk products in Ho Chi Minh City, Vietnam proves that all these factors have positive relationship with the brand equity. Brand equity is developed by increasing brand awareness, trust, value, perceived quality and brand loyalty. This relationship is not built for the short term but in the long term relationships with thorough marketing investments design. Thus, brand equity will last long and sustained. A product with strong brand equity is a valuable asset not only for the company but also for the customer.

This study analyzes the effect of the strength of brand equity dimension in consumer's perspective towards small and micro business products engaged in the business of selling bread and cakes, and also the influence of the brand equity dimensions with buying behavior (purchasing behavior). This study takes the case of one business of bakery and cake shop in Medan which succeeded in increasing its business whom started from the micro and small business, and now has become a medium-sized business category and is continuing to expand its business to become a major business category.

The purpose of this study is to (1) analyze the influence of brand awareness to brand association, perceived quality, brand loyalty and purchasing behavior, (2) analyze the effect of brand association to perceived quality, brand loyalty and purchasing behavior (3) analyze the effect of the perceived quality of the brand loyalty and purchasing behavior (4) analyze the effect on purchasing behavior to brand loyalty (5) formulate a marketing strategy for Aroma Bakery and Cake as managerial implications of this study.

The scope of this study was limited to the influence of the attributes that become elements or the main

dimensions of brand equity based on Aaker (1996), namely brand awareness (brand awareness), the association of the brand (brand associations), perceived quality (perceived quality) and brand loyalty (brand loyalty) and purchase behavior (purchasing behavior). As an object of research is the 245 customers of *Aroma Bakery and Cake Shop*, spread among their 24 sales outlets. Research conducted using a survey taken through direct interviews with respondents.

2. Literature Study

Brand is an important intangible asset attached to the company. Aaker (1996) revealed that the brand equity creates value, both to the company and the customer. The value of a trademark is formed from the confidence of customers to the company's trademark. This trust formed the relationship between brands and customers that drive preference, brand loyalty and a willingness to consider new products and services offered by companies in the future from certain brand (Sumarwan *et al.* 2011). Brand equity (brand equity) is given on the added value of products and services (Kotler and Keller, 2009). In a business, the owner's equity is the value held by the owner in the company. This value is determined by the difference between what the company had in assets and liabilities in the form of what is owned. The greater the ratio of assets to liabilities, the greater the owner's equity. as well as calculating the value of the company, calculating the value of the brand is to reduce the total brand value of liabilities from the total asset value brand (Brand Equity = Brand Assets - Liabilities Brand) (Sumarwan *et al.* 2011). Understanding brand equity that is most commonly used are those of Aaker (1996), namely that there are five main elements or dimensions of brand equity. These five dimensions are brand awareness, brand associations, perceived quality, brand loyalty and other brand-related assets. Frankly, only four out of the five elements are used in studies on consumer-based brand equity, ie. brand awareness, brand associations, perceived quality and brand loyalty. Other assets related to brands such as patents and distribution channels are not directly associated with customer. Brand awareness is defined as the ability of customers to realize, recognize and remember a brand (Aaker, 1996). Aaker also noted that the first stage of building brand equity is creating brand awareness. Brand awareness refers to how strong a brand is in the minds of customers (Keller, 1993).

Brand association is an impression that emerges and is linked to customers memory regarding a brand that reflects the image of a brand on a particular impression in relation to habits, lifestyle, benefits, attributes, product, geographic, price competitors, celebrities, and others. Customer experiences to a brand encourage and create private associations on their minds. Association of customers varies, depending on the features needed products from these brands, lifestyle customer, customer type, and others (Keller, 2003). It can be concluded as quoted by Aaker (1991) that brand association is an element that helps the brand to be remembered.

Perceived quality is customers' perception of overall quality or services with respect to customer expectations. Perceived quality reflects the overall customer feelings towards a brand. Customer perception will involve what is important to customers because each customer has different interests to a product or service (Durianto *et al.* 2001). Aaker (1991) found that quality perception can show a prominent differentiation of product or service and become a selected brand. High perceived quality could affect customer's decision, which may further enhance brand equity. For the perpetrators of marketing, the creation of brand equity through high perceived quality that helped them set a price premium, thus increasing profits for companies (Yoo *et al.* 2000).

Brand loyalty is a measure of closeness or customer relationship with a brand. This illustrates the size of the possible absence of customers switching to other brands, especially if the brand changed both concerning price or other attributes. Aaker (1991) defines brand loyalty as constructive thoughts that set the brand that leads to the constant purchase of brands from time to time. Aaker also believes that brand loyalty is an important element when it comes to evaluating the brand in terms of value because of loyalty can generate profits. Customers can not always be satisfied, but satisfied customers tend to be loyal to the brand (Fornell, 1992).

The study of purchasing behavior or the consumer's buying behavior is very important in various aspects. Customer behavior (consumer behavior) can affect the survival of a company. Customers have their own preferences in a purchase of a product. Customers decisions may provide guidance for companies in determining which companies will succeed and what products are superior.

Every stage is equally important and the stages can change the purchasing decisions of customers. Once customers make purchasing decisions, they may need to recognize their personal needs, read product information, decided to buy and where to buy, determine whether to buy again from the same retailer, chose to make a purchase, expressed satisfaction with the service or the quality of products and ultimately loyal to the brand. The above explanation shows the complexity in the procurement process, but can be a potential impact for brands to influence purchase decisions. Model the customer's decision process through the seven steps before reaching their final decision. These seven steps include: introduction, searching for information, pre-purchase, evaluation, purchase, consumption, post-consumption evaluation (Blackwell *et al.* 2006).

The conceptual framework of research explaining the relationship between dimensions of the brand equity and the effect of each dimension of brand equity on the purchasing behavior by taking a variety of literature as a reference. The conceptual framework of this study can be seen in Figure 1. The relationship between the latent

variables in the conceptual framework of studies above will be hypothesis (10 hypothesis) to be tested in this study.

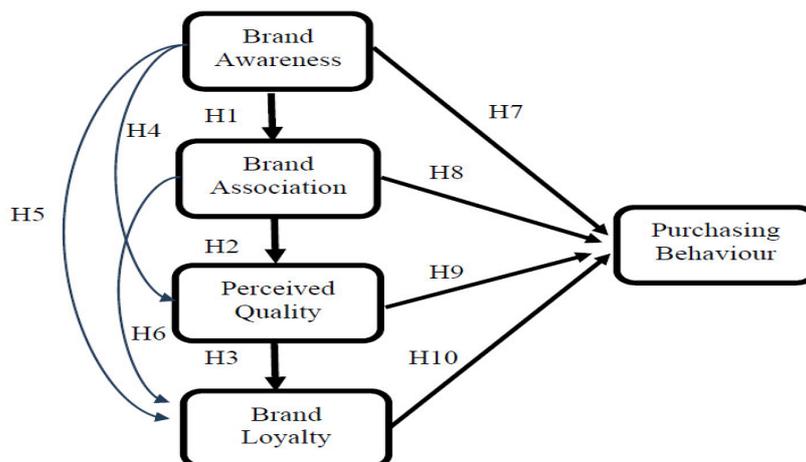


Figure 1. Research Conceptual Framework

The study hypothesis were built based on previous studies, summarized in Table 1.

Table 1 Research Hypothesis

Hipotesis	Hypothesis Description	Reference
H1 →	Brand Awareness has real effect on Brand Association	Yoo et al.(2000), Chen et al. (2012) and Chi et al. (2009)
H2 →	Brand Association has real effect on Perceived Quality	Yoo, Donthu, and Lee (2000)
H3 →	Perceived Quality has real effect on Brand Loyalty	Chi, Yeh and Chiou (2009), Buil, Chernatony and Martínez (2013)
H4 →	Brand Awareness has real effect on Perceived Quality	Teas and Sanjeev, (2000), Kan (2002), Lo (2002), Lin (2006),
H5 →	Brand Awareness has real effect on Brand Loyalty	Sirdeshmukh, Singh and Sabol (2002), Wu (2007)
H6 →	Brand Association has real effect on Brand Loyalty	Buil, Chernatony and Martínez (2013)
H7 →	Brand Awareness has real effect on Purchasing Behavior	Fouladivanda et al. (2013), Kandasamy (2013)
H8 →	Brand Association has real effect on Purchasing Behavior	Fouladivanda et al. (2013)
H9 →	Perceived Quality has real effect on Purchasing Behavior	Fouladivanda et al. (2013)
H10 →	Brand Loyalty has real effect on Purchasing Behavior	Fouladivanda et al. (2013), Kandasamy (2013)

3. Research Method

This study was conducted at the outlet *Aroma Bakery and Cake Shop* located in Medan, Indonesia, which includes 24 outlets with a minimum of 10 respondents in each outlet so that the total is a minimum of 240 respondents. Retrieval of data was conducted over 2 months ie March to April 2016.

This study uses two types of data, the primary and secondary data. Primary data include brand awareness, brand association, perceived quality, brand loyalty and purchasing behavior are obtained through interviews with customers who made manifest variables or indicators that relate to construct the latent variable or variables that can not be measured directly. Secondary data were obtained from internal party store *Aroma Bakery and Cake Shop* in the form of the number of outlet and distribution outlets in Medan, operating hours, and other information.

Data is collected from direct interviews using a questionnaire addressed to customers who come to buy products at the store *Aroma Bakery and Cake Shop*. Data is collected on weekdays Monday through Friday, Saturday and Sunday and follow the operating hours of stores open from 07.00 until 22:30.

The data is analyzed descriptively as an analytical tool used to describe the respondent based the statements in the questionnaire. Method used in this research is descriptive research design aimed to determine the extent of the interrelated variables in this study (Malhotra, 2007). Besides aiming to determine the variables used

in this research, descriptive analysis will also describe the demographic data of respondents. The data have been taken through a survey and then processed using software *LISREL 8:30 version for Windows*.

4. Result And Discussion

4.1. Demographic characteristics

In this study the demographic characteristics analyzed were age, gender, marital status, level of education and employment and income respondents. The age of the respondents aged 21-25 years as many as 96 people or 39 per cent, followed by aged under 20 years as many as 47 or 19 percent. By sex, the survey data obtained that store customers are women many as 183 people or 74.7 per cent, while 62 customers or 25.3 percent were male gender. At the customer's marital status dominance is still single store as many as 155 people, or 63.3 percent, status marry as many as 86 people or 35.1 per cent, and who is a widow or widower as many as four people, or 1.6 percent. The education level of the survey respondents predominantly shop customers who have a high school education by 129 people, or 52.7 percent. While this type of work, most of the customers bakery is dominated by a student or students as many as 89 people or 36.3 per cent, private sector employees 54 people, or 22 percent, self-employed, housewives, other work and rest, which owns the smallest percentage of employees the country as many as 10 people or 4.1 percent. Customers income per month are divided into five categories, dominated by customers with an income of USD. 77 to 230 as many as 93 or 38 percent. Customers who have an income of USD. 46 to 76 as many as 65 or 27 percent and revenue \leq USD. 46 as many as 50 people or 20 per cent, while the income of more than USD.230 as many as 37 or 15 percent.

4.2. Factors Influencing on Purchasing Behavior

Modelling conducted has requirements or rules that models built is to be analyzed by Structural Equation Modeling (SEM) well. Conformance test performed using software models *LISREL 8:30 for Windows*. Based on Table 2 goodness of fit, all indicators show that the model is fit or SEM is good.

Table 2 SEM Modeling *Fit index*

Goodness-of-fit	Cut-off-Value	Result	Conclusion
RMSR (<i>Root Mean Square Residual</i>)	$\leq 0,05$ or $\leq 0,1$	0.073	Good Fit
RMSEA (<i>Root Mean Square Error of Approximation</i>)	$\leq 0,08$	0.037	Good Fit
GFI (<i>Goodness of Fit</i>)	$\geq 0,90$	0.97	Good Fit
AGFI (<i>Adjusted Goodness of Fit Index</i>)	$\geq 0,90$	0.96	Good Fit
CFI (<i>Comparative Fit Index</i>)	$\geq 0,90$	0.99	Good Fit
NFI (<i>Normed Fit Index</i>)	$\geq 0,90$	0.96	Good Fit
Non-Normed Fit Index (NNFI)	$\geq 0,90$	0.99	Good Fit
Incremental Fit Index (IFI)	$\geq 0,90$	0.99	Good Fit
Relative Fit Index (RFI)	$\geq 0,90$	0.95	Good Fit

This study used the t-test with significance = 0.05 ($t_{\alpha / 2} = 1.96$) to determine the level of significance of the relationship between the indicator with the latent variables and between latent variable itself. Referring to Ferdinand (2002) which says that the value of t-test where larger than 1.96 illustrates the significant relation of each indicator against its latent variables. Figure 2 shows the t-test results for each indicator and latent variable. The large loading factor to look at each variable, either on the indicators and latent variables, can be seen in Figure 2.

Captions to the figure 1 and 2 as described below:

- Exogenous latent variable brand awareness is constructed by five indicators X1, X2, X3, X4 and X5.
- Endogenous latent variable brand association is constructed by nine indicators Y1, Y2, Y3, Y4, Y5, Y6, Y7, Y8 and Y9.
- Endogenous latent variable perceived quality is constructed by six indicators Y10, Y11, Y12, Y13, Y14 and Y15.
- Endogenous latent variable brand loyalty is constructed by five indicators Y16, Y17, Y18, Y19 and Y20.
- Endogenous latent variable purchasing behavior is constructed by three indicators Y21, Y22 and Y23.

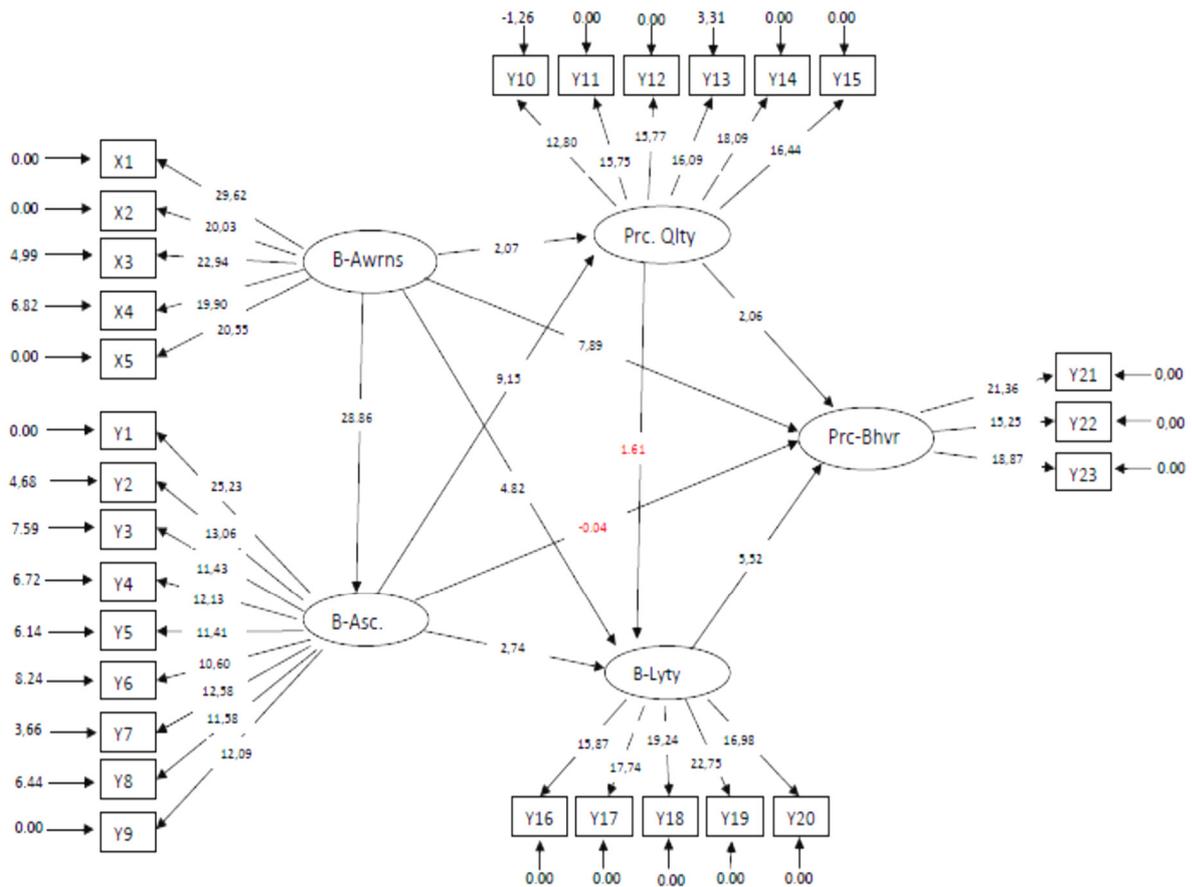


Figure 2 t-test result and its model

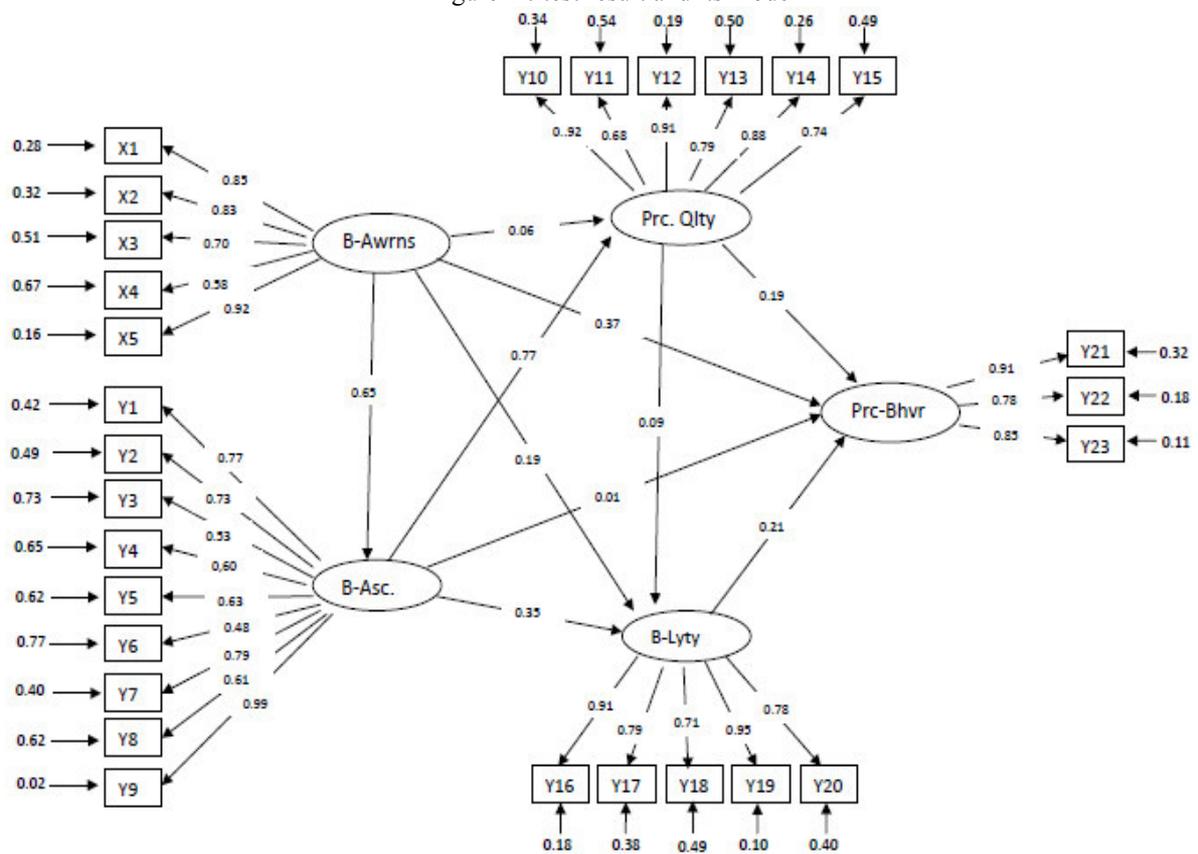


Figure 3 Model and loading factor value estimation

4.3. Research Hypothesis Testing

Hypothesis testing is based on the value contained in the structural analysis model, the significance level path coefficient obtained from the t-value and the value of the standardized path coefficient. Limit values or threshold hypothesis testing are:

- Value-t load factor (factor loadings) is greater than the critical value (≥ 1.96)
- The value of standardized path coefficient (p) $\geq 0:05$.

Summary results of testing for these hypothesise as shown in Table 3 as the test results of structural models below.

Table 3 Result of Research Hypothesise Testing

Hypothesis	Hypothesis Description	Standardized Loading factor	t-Test	Conclusion
H1	Brand awareness → Brand association	0,63	27,64	Significant/Accepted
H2	Brand association → Perceived quality	0,66	8,12	Significant/Accepted
H3	Perceived quality → Brand loyalty	0,07	1,61	Denied
H4	Brand awareness → Perceived quality	0,09	2,07	Significant/Accepted
H5	Brand awareness → Brand Loyalty	0,21	4,82	Significant/Accepted
H6	Brand association → Brand loyalty	0,34	3,48	Significant/Accepted
H7	Brand awareness → Purchasing behavior	0,37	7,89	Significant/Accepted
H8	Brand association → Purchasing behavior	0,03	0,35	Denied
H9	Perceived quality → Purchasing behavior	0,11	2,06	Significant/Accepted
H10	Brand loyalty → Purchasing behavior	0,21	5,52	Significant/Accepted

Hypothesis # 1 (H1) brand awareness significantly influence brand association. These results indicate that customers who have been aware of the brand bakery *Aroma Bakery and Cake Shop* with the ease of finding the store at the time of need products, familiar with the product and make the brand *Aroma Bakery and Cake* be the first choice to make the purchase of bread and pastry making it easier for customers to associate everything with brand *Aroma Bakery and Cake* them. The results of this study are also consistent with studies conducted by Yoo *et al.* Chen *et al.* (2012) and Chi *et al.* (2013).

Hypothesis # 2 (H2) brand association significantly affect the perceived quality. Some indicators of brand association variables such as taste, service, product variety and assuredness halal products is an association of customers to the quality of products that have been felt or enjoyed by previous customers, so that a significant correlation to the perception of the brand association naturally proven to drive quality. The results of the present study is also consistent with studies conducted by Yoo, Donthu, and Lee (2000).

Hypothesis # 3 (H3) perceived quality has no significant effect on brand loyalty. Indicators of formed quality perception variable and the indicators of formed brand loyalty variable did not make the two latent variables correlated significantly, so the study by Chi, Yeh and Chiou (2009), and Buil, Chernatony and Martínez (2013) is denied in this study.

Hypothesis # 4 (H4) brand awareness significantly affect the perceived quality. Brand awareness for *Aroma Bakery and Cake Shop* is once formed prior to customer knowledge of quality of the products. Familiar customers will choose product whereof the quality of the product is also a part that customers knowledge that this research can prove how brand awareness significantly correlated to perceived quality. This study had similar results to the study Teas dan Sanjeev (2000), Kan (2002), Lo (2002) and Lin (2006).

Hypothesis # 5 (H5) brand awareness significantly influence brand loyalty. Customer awareness of the brand and has put it into a top of mind to buy bakery products and pastries became the basis for the customer to also loyal to the product. The results are consistent with research conducted by Sirdeshmukh, Singh and Sabol (2002) and Wu (2007).

Hypothesis # 6 (H6) brand association significantly affect brand loyalty. Customers of *Aroma Bakery and Cake Shop* has been able to associate many things with the store's products. These conditions make the brand has been embedded in the minds of customers and the corresponding causal customer loyalty to the brand *Aroma Bakery and Cake* store them. Proven in this study that there is a significant correlation of the two variables. These results are consistent with research conducted Buil, Chernatony & Martínez (2013).

Hypothesis # 7 (H7) brand awareness significantly affect the purchasing behavior. Customers who make a certain brand become the top of mind when buying a product will repeat buying products and eventually become a routine. Selection of product variants and funds allocation for such products can be ascertained to be done by the customer. This study proves a significant correlation between the variables of brand awareness with purchasing behavior. The results are consistent with research conducted Fouladivanda *et al.* (2013) and Kandasamy (2013).

Hypothesis # 8 (H8) brand association does not significantly influence the purchasing behavior. Indicators of forming brand association and indicators forming purchasing behavior does not make these two variables significantly correlated in this study. Therefore, this result is not consistent with the one from Fouladivanda *et al.* (2013).

Hypothesis # 9 (H9) perceived quality significantly influence purchasing behavior. Perception that has formed in the minds of customers on product quality bakery *Aroma Bakery and Cake* makes the customer will buy back as

well as to allocate funds for the purchase. This study proved a significant correlation between the two variables and according to research conducted Fouladivanda *et al.* (2013).

Hypothesis # 10 (H10) brand loyalty significantly influence purchasing behavior. Customer loyalty toward *Aroma Bakery and Cake Shop* makes it easier for customer to make a purchase or increase the frequency of purchasing a product. Indicators of the two forming variables, the brand loyalty and purchasing behavior, were proved to have a significant correlation in this study. These results are also consistent with studies conducted by Fouladivanda *et al.* (2013) and Kandasamy (2013).

The other result based on SEM analysis is intervening variables as shown in Tabel 4.

Tabel 4 Intervening Variable Analysis Result

Variable	TE	DE	IE
BAS η_1			
BAW ξ_1	0.63*	0.63*	-
PRQ η_2			
BAS η_1	0.66*	0.66*	-
BAW ξ_1	0.51*	0.09*	0.42*
BLY η_3			
BAW ξ_1	0.47*	0.21*	0.26*
BAS η_1	0.40*	0.34*	0.06
PRQ η_2	0.07	0.07	-
PURC η_4			
BAW ξ_1	0.55*	0.37*	0.18*
BAS η_1	0.19*	0.03	0.16*
PRQ η_2	0.13*	0.11*	0.02
BLY η_3	0.21*	0.21*	-

Remarks :

- *) significance on the real sampel level at 5%
- TE = Total Effect DE = Direct Effect IE = Indirect Effect

4.4. Managerial implications

4.4.1. Brand Awareness (Brand Awareness)

Aroma Bakery and Cake Shop can be said to have succeeded in establishing brand awareness *Aroma Bakery and Cake* on its customers. Placement of store locations or outlets is clearly the biggest indicator of brand awareness. Likewise to further expand the presence information *Aroma Bakery and Cake* to other potential customers, promotion still need to be done by the *Aroma Bakery and Cake Shop*. The smallest indicator variable contribution of brand awareness is that differentiation of customers for *Aroma Bakery and Cake Shop* products to other brand products are not evidently determined. *Aroma Bakery and Cake Shop* need to make products with a characteristic that differs it from other brands. New product innovation may be one solutions to this problem.

4.4.2. Brand Association

The biggest contribution of brand association indicator is that customers associates products at *Aroma Bakery and Cake Shop* guaranteed halal. *Aroma Bakery and Cake Shop* should retain the attributes that have been there, but not making it redundant because the customer *Aroma Bakery and Cake Shop* today comes from diverse society. Customers of *Aroma Bakery and Cake Shop* really enjoy shopping at all outlets exist for its comfort and good interior and exterior design, and accepted taste of bread and pastry, as well as the friendliness of the waiters which also has been associated to the brand. Nonetheless, the number of waiters to serve customers is too big. A complete product variations remains a major task for *Aroma Bakery and Cake Shop*. On the other hand, he parking lot at some outlets get a lot of complaints from customers.

4.4.3. Perception of Quality (Perceived Quality)

Customers of the *Aroma Bakery and Cake Shop* have a wide range of income that does not have a uniform pricing-related products that are available today. The variety of products that reach the customer income range is a solution that can be used. Uptime or closed shop opening hours and consistent start to open at 07.00 till 22:30 daily closing hours also make customers perceive *Aroma Bakery and Cake Shop* as stores with consistent hours of operation and the customers have adjusted their shopping time with the operational schedule. Therefore, what is left to be done is improving schedule for the product availability and its consistency.

4.4.4. Customer loyalty (Brand Loyalty)

Customer loyalty to the brand *Aroma Bakery and Cake Shop* was good, but some customers are still confusing to switch if there is a change or increase in one of the product prices. *Aroma Bakery and Cake Shop* should pay special attention to customers with such confusion. Promotions in the form of discount often done to certain products or holding a draw in a certain period for all customers.

4.4.5. Purchasing behavior (Purchasing Behavior)

The things that have been and should be conducted by *Aroma Bakery and Cake Shop* in marketing their products is to be oriented to engage customers purchasing behavior. Customers will repeat purchases continuously and will always be satisfied.

Conclusions And Recommendations

5.1. Conclusion

The results of this study are concluded as follows: (1) Brand awareness significantly affect on brand association, perceived quality, brand loyalty and purchasing behavior, (2) Brand association significantly affect perceived quality and brand loyalty, but the brand association did not significantly influence purchasing behavior, (3) perceived quality significantly influence purchasing behavior, but the perceived quality has no significant effect on brand loyalty, (4) brand loyalty significantly affect purchasing behavior, (5) *Aroma Bakery and Cake* has managed to create a strategy that includes creating, developing, implementing, and managing a brand continuously that *Aroma Bakery and Cake Shops* turn into a strong brand in the minds of its customers. The strategy adopted *Aroma Bakery and Cake Shop* for brand building can be a good example for businesses of all levels of business scale and to be maintained by making improvements as has been discussed in this study.

5.2. Suggestions, Limitations and Further Research

Lastly, an advice for the owner *Aroma Bakery and Cake Shop* that they must continue to strive maintaining and strengthening the existing brand as it plans to expand the business in the future and anticipating competitors. Future studies are recommended to perform data retrieval majority of respondents because this study only take respondents from customers who visit outlets of *Aroma Bakery and Cake Shop* directly while a number of customers did not buy directly to the shop but make a purchase through an intermediary or order by telephone. Therefore, further research is expected to take the overall respondent data uniformly including customers who do not make purchases directly in stores. Data collection in this study is also limited to 24 outlets of total 30 outlets *Aroma Bakery and Cake Shop*. Future studies are expected to examine the entire outlet and is expected to obtain a more complete data.

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