

## Conference Paper

# Conventional Market Brand Equity: How It Affects Visiting Intention

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**Abstract**

The aim of this research is to investigate the power of brand equity at a culinary centre in a traditional retail marketplace, assessing whether branding encourages customer visits. Questioners are distributed to visitors. 211 respondents completed the questionnaire survey forms correctly. The collected data were processed statistically using SmartPLS Version 3. The result of analysis reveals that the familiarity of the brand name directly influences brand associations in terms of service, product quality, price policy, and physical environment. Brand associations affect brand trust, and this, in turn, directly affects visit intention. Surprisingly, even though the physical environment of the marketplace has already been modernised by the local government through its revitalisation program, it is not effective in attracting customers. The study suggests that the intention to visit the marketplace stems from the brand name rather than the physical environment of the marketplace. Therefore, the marketplace should focus on developing a strong brand equity, then developing the favourable brand associations and building brand trust to ensure a steady flow of customers.

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## 1. Introduction

The growth of modern shopping centers such as malls, mini-markets, supermarkets, hypermarkets, cafes, distros, and chain restaurants, both managed under franchise system or independently owned, practically killing the existence and survival of traditional markets. The retail marketing strategy known as the one stop shopping service system implemented by modern market players has made the situation of traditional markets more and more neglected by the consumers because they prefer to shop in one single location that is comfortable, pleasant, where all their needs are met all at once. As of March 30, 2019, in the city of Bandung there were 40 traditional retail markets. On the other hand, the number of modern retail markets is 617, which includes 29 shopping centers, 19 department stores, 12 hypermarkets, 27 supermarkets, and 530 minimarkets

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[1]. It is a responsibility of local government to ensure that the traditional retail markets in its region to be attractive and competitive, given their role as the backbone of people's economy [2]. Sarijadi Contemporary Market (SCM) is one of three conventional markets who enjoyed being upgraded to become a contemporary market with a modern concept [3, 4]. It is built and completed in 2017, becoming more modern, cleaner, aesthetic and disabled person-friendly, with a construction cost of 19 billion rupiahs [5, 6]. Occupying land with an area of 3,538.34 square meters, with a three-story building, where the first floor is occupied by groceries, the second floor includes clothing, handicraft, coffee corner, and barbershop traders. While the third floor is a culinary center.

Access to the second and third floor are designed for people with disabilities. During the day the lighting in each room does not use electricity because the architecture of the building is designed openly using natural light so that it is environmentally friendly. The air temperature regulation system optimizes natural ventilation. Even though it has been revitalized with the new concept, the number of visitors is dwindling, and sales turnover did not match expectations [7]. Access and ease of public transportation may be one of the causes as well [8]. Despite of intensive direct appeal from local government as its main stakeholder, promoting through mass media and outdoor advertisements to persuade public to shop in conventional market, but it also seems to have not brought the expected results. So, to save SCM from the brink of failure, expert [9] proposed that the intention to visit can be improved if the shopping center have high brand equity.

Brand is a tool that can be used by business organizations as a medium to build something of value based on perceptions, expectations of, and emotional ties with consumers [10]. Valuable brands are brands that have equity. Brand equity is the added value created by brands for both marketers and their consumers. Expert [11] states that brand equity is the accumulation of knowledge about a specific brand obtained by consumers through their five senses which in aggregate reflects consumer responses to brand marketing actions. Advocate [12] defines that brand equity is a bundle of intangible assets (which are to add value) and intangible liabilities (which reduce the value) of a brand. Two brand equity experts, Aaker and Keller conceptualize their equity differently, but both define brand equity from the consumer's perspective (consumer-based brand equity), not from a financial perspective [13].

Retailer as a brand has a high or low level of brand equity, one of which is determined by the level of brand awareness among consumers. The extent to which retailers can be recognized as a brand is an important starting point for buying [14]. Brand awareness plays an important role in building retailer brand equity and positively influences the creation of a high level of buying interest. The fame of a brand has the potential to

produce more positive responses from consumers [15]. The level of brand awareness among consumers can be determined by measuring the level of brand familiarity based on its ability to recognize brands that have been seen/ heard before; and by linking the ability to recall from consumers by mentioning the product category, or by mentioning some of the benefits that can be fulfilled by the product category or by giving other signals such as brand recall [15, 16].

Associations and positive feelings about the brand among target consumers contribute positively to the development of brand equity [13]. Brand association is everything that is related/exists in the minds of consumers about certain brands [17]. These associations can be strong, positive, unique and steady [18]. One factor that is related/ has a positive influence on buying interest is the dimension of perceived quality. Quality perception is the consumer's perception of the quality of the product, which is not the actual quality that the product has [17]. The quality perceived by consumers is not only in their products and services but also its price policy, the physical environment of market and store atmosphere, which simultaneously influences the evaluation, attitudes and behavior of consumers. Quality perception is consumer judgment of the accumulation of use values of the brand and is a subjective feeling of consumers towards the quality of the brand that makes the brand unique and has a point of differentiation and can be a superior brand in the minds of consumers. Expert [19] claimed that quality perception can also be a determinant of whether consumers will stay with retailers or move to competitors.

Experts [20] states that brand loyalty is demonstrated by consumers by assuming that certain brands are the first choice and are not affected by competing brand strategies. Brand loyalty is a core dimension of brand equity that can be cognitive or conative. Conative loyalty is consumer behavior in markets whose indications are in the form of repeat purchases and a commitment to continue buying the brand again even if marketing efforts are carried out by competing brands [10, 12]. Cognitive loyalty is the ability of a brand to appear first/first in the minds of consumers' minds. In addition, including in cognitive loyalty is the intention/interest to recommend to others [16]). Some brand equity experts exclude brand loyalty dimensions from brand equity dimensions because brand loyalty is considered a consequence of brand equity [16]). Even recent studies have argued that consumer loyalty is an outcome of brand equity and provides confirmation that other dimensions of brand equity affect brand loyalty. This study treats the dimensions of brand equity, except brand loyalty, as predictor variables while the brand loyalty dimension is positioned as the dependent variable. Even though in the

literature it is stated that brand loyalty precedes buying interest [16]), however, in this study brand loyalty is a substitute of buying intention.

A theoretical framework containing variables that are relevant to brand equity model especially in the retail industry [11] is proposed is shown in Figure 1 which integrates store image so totally there are seven dimensions divided into four sequential structure sequences as follows: brand awareness → (brand associations: customer service, product quality, price policy, physical environment/store atmosphere) → brand trust → visit intention. Based on the research framework mentioned above, this study examines the following hypotheses: H1: Brand awareness influences brand associations; H2: Brand associations influence brand trust; and H3: Brand associations through the role of brand trust as mediator influence visiting interest. This paper consists of five parts that begin with introduction, methodology, result, discussion, and end with conclusions.

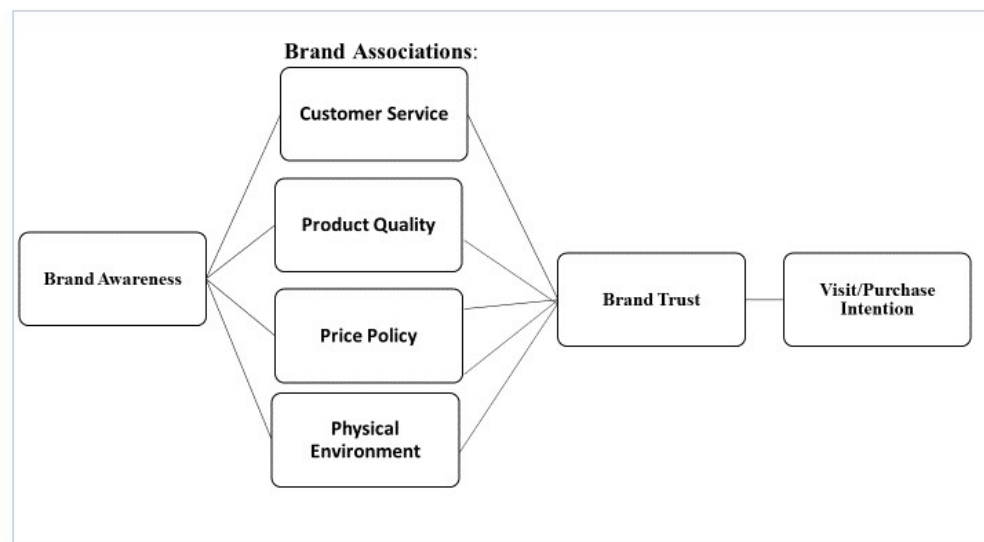


Figure 1: Research Framework

## 2. Methodology

This study investigates the effect of one brand equity variable on other brand equity variables in the context of the retail industry. This survey is divided into two parts. Part I consists of 18 questionnaires measuring seven variables adopted from [11], namely brand awareness (2 items), product quality (3 items), service (3 items), price policy (2 items), trustworthiness of the brand (2 items), physical environment and atmosphere of the shop (2 items), and interest in visiting (4 items). The measurement uses a Likert Scale,

where Scale 1 means “Strongly disagree”, Scale 2 means “Disagree”, Scale 3 means “Neutral”, Scale 4 means “Agree” and Scale 5 means “Strongly Agree”. Part II consists of four respondents’ demographic questionnaires covering gender, age, work status, and visiting frequency. Data analysis was performed using the Partial Least Square (PLS) method, an alternative method with Structural Equation Modeling (SEM) based on variance. The advantage of this PLS is that it does not require a lot of assumptions and can be estimated with a relatively small sample size [21]. The tool used to estimate the model is SmartPLS Version 3.

### 3. Result and Discussion

As shown in Table 1, of the total 211 respondents gathered, around two thirds of the respondents were women (64%) and the rest were men (36%). Furthermore, based on the profession/occupation, the respondents were dominated by students (73%), followed by employees (21%), entrepreneurs (3.4%), and housewives (1.4%). This is possible because close to the market where the culinary center is located there are three tertiary educational institutions, one state polytechnic and two private higher education institutions, many students hang-out at the food courts. In terms of age, respondents were dominated by 17-22 years of age (81.5%), followed by young people aged 23-40 years (16.1%); age 41-50 around 1.4%, and age range 51-60 years around 0.9%. In terms of visiting frequencies, the first- time visit was around 13.3%; rarely visit was 73.5%; which is often time visit 12.8%; always visit around 0.5%. Low frequent visit indicates that there is a fierce competition from fast food providers operating scattered outside the formal marketplace. The results of the descriptive statistical analysis show that the average value of brand awareness is 3.52.

The results indicate that consumers are aware of the existence of culinary shops that provide food and drinks at SCM. Then, customer service has an average value of 3.48. This means that consumers tend to agree that the food stall’s staff and cashiers at the SCM are friendly, knowledgeable, and provide good service. In addition, the average respondent tends to agree that the food and drinks served are of high quality. This is indicated by an average value of 3.42. In relation to prices, the average value is 3.64 indicates that consumers tend to agree that the prices are reasonable and comparable with what they sacrifice to get food or drink they need.

The condition of the store and the physical environment has an average value of 3.85, this shows that the spatial decoration, layout, and culinary atmosphere of the SCM is quite attractive and friendly to visitors, especially for people with disabilities. Customer

trust to retailer has an average value of 3.36 which means that the average respondent feels quite confident with the shops in this market. Finally, the average value of Intention to Visit is 3.24, indicating that consumers are somewhat loyal to the SCM. Overall, the total mean value which covers the seven dimensions of equity is 3.5, which indicates that foods and beverages provided at SCM is good enough.

TABLE 1: Descriptive Statistics

	Mean	Std. Deviation
Brand Familiarity	3.52	0.77
Customer Service	3.48	0.57
Product Quality	3.42	0.59
Price Policies	3.64	0.71
Physical Environment	3.85	0.77
Brand Trust	3.36	0.64
Intention to Visit	3.24	0.62

PLS-SEM testing can be done through two approaches: evaluation of measurement models and structural model evaluations [22]. Model measurement can be done by testing the reliability and validity of the construct under study. To ensure reliability indicators, the standard value on the *loadings* indicator is 0.7, but loadings of more than 0.4 are acceptable [23]. Meanwhile, to determine internal consistency reliability, the composite reliability (CR) value must be greater than 0.7 [24]. This research has a loading value of more than 0.5 and a composite reliability of more than 0.7. Furthermore, validity can be done through convergent and discriminant validity testing. Convergent validity can be assessed through the average variance extracted (AVE) which must be greater than 0.5 [24]. All testing reliability and validity results of the constructs are shown in Table 2.

Goodness of fit (*GoF*) testing is carried out to ensure the suitability of structural models [25]. The *GoF* value of this study is 0.431 which is in the large category, so the proposed model has good quality [26]. Furthermore, structural model testing is carried out through the following criteria: coefficient of determination (*R*<sup>2</sup>) [27] as shown in Table 3.

*R*<sup>2</sup> is a measure of the predictive accuracy of a model, path coefficients are values that represent relationships that are hypothesized to connect constructs [27] (Table 3). Furthermore, the assessment of the significance of the path coefficient and hypothesis testing using the bootstrapping method. Authors [28] suggest using 5000 bootstrap samples. Critical t-values for the two-tailed test: 1.65 (significance level = 0.1), 1.96

TABLE 2: Loading, Composite Reliability, and AVE

Construct/item	Loading	CR	AVE
Brand Familiarity		0.868	0.766
BF1	0.863		
BF2	0.887		
Product Quality		0.844	0.652
PQ1	0.914		
PQ2	0.887		
Brand Trust	0.578		
Customer Service		0.867	0.685
CS1	0.840		
CS2	0.802		
CS3	0.840		
Price Policy		0.908	0.832
PP1	0.895		
PP2	0.929		
Brand Trust		0.826	0.704
BT1	0.866		
BT2	0.812		
Physical Environment		0.874	0.776
PE1	0.855		
PE2	0.906		
Intention to Visit		0.895	0.681
IV1	0.797		
IV2	0.838		
IV3	0.884		
IV4	0.780		

TABLE 3: Goodness of Fit Index (GoF)

Variable	AVE	R2
Brand Familiarity	0.868	
Merchandise Quality	0.844	0.122
Customer Service	0.867	0.212
Price	0.908	0.224
Brand Trust	0.826	0.578
Physical Environment	0.874	0.064
Purchase Intention	0.895	0.334
Average score	0.728	0.256
$AVE \times R^2$		0.186
$GoF = \sqrt{(AVE \times R^2)}$		<b>0.431</b>

(significance level = 0.05), and 2.58 (significance level = 0.01) [29]. The results of this study is shown in Table

4. Brand awareness has a significant effect on product quality ( $\beta = 0.350$ ;  $p < 0.01$ ), customer service ( $\beta = 0.460$ ;  $p < 0.01$ ), price policy ( $\beta = 0.473$ ;  $p < 0.01$ ), and physical environment ( $\beta = 0.252$ ;  $p < 0.01$ ). Thus, H1a, H1b, H1c, and H1d are accepted. Then, product quality, customer service, and price policy significantly influence brand trust ( $\beta = 0.282$ ;  $p < 0.01$ ,  $\beta = 0.236$ ;  $p < 0.01$ , and  $\beta = 0.392$ ;  $p < 0.01$ ), but not for the physical environment. Thus, H2a, H2b, and H2c are accepted and H2d is rejected. Finally, brand trust has a significant effect on brand loyalty ( $\beta = 0.578$ ;  $p < 0.01$ ). Thus, H3 is accepted (Table 4).

TABLE 4: Test Results of the Relations among Variables

Path	Direct effect		Indirect effect		Total effect	
	$\beta$	t-value	$\beta$	t-value	$\beta$	t-value
H1a: Brand awareness => Product quality	0.350	4.370**	-	-	0.350	4.370**
H1b: Brand awareness => Customer service	0.460	6.159**	-	-	0.460	6.159**
H1c: Brand awareness => Pricing policy	0.473	6.920**	-	-	0.473	6.920**
H1d: Brand awareness => Physical environment	0.252	2.733**	-	-	0.252	2.733**
Brand awareness => Brand trust	-	-	0.413	7.168**	0.413	7.168**
Brand awareness => Loyalty	-	-	0.238	5.212**	0.238	5.212**
H2a: Product quality => Brand trust	0.282	5.847**	-	-	0.282	5.847**
Product quality => Loyalty	-	-	0.163	5.023**	0.163	5.023**
H2b: Customer service => Brand trust	0.236	3.606**	-	-	0.236	3.606**
Customer service=> Loyalty	-	-	0.136	3.304**	0.136	3.304**
H2c: Pricing Policy=> Brand Trust	0.392	8.210**	-	-	0.392	8.210**
Pricing policy => Loyalty	-	-	0.227	6.215**	0.227	6.215**
H2d: Physical Environment => Brand Trust	0.079	1.538	-	-	0.079	1.538
Physical Environment => Loyalty	-	-	0.046	1.550	0.046	1.550
H3: Brand trust => Loyalty	0.578	10.217**				

Note: \*\* $p < 0.01$ ; \* $p < 0.05$

## 4. Conclusion

The revitalization program of traditional markets initiated by local governments to upgrade physical environment of the marketplace has no impact at all on increasing the number of visitors. In other words, the appearance of the marketplace is not a motivating factor for customers to visit. The true driving force to visit is its brand equity. Consumers may still perceive that traditional or contemporary markets are not the right places



for leisure and entertainment. In addition, its ability to implement “one stop shopping service policy” is still lagging-behind modern retail shopping centers.

The success of any market, traditional or modern, is determined not only by the effectiveness of managing its physical environment but also its brands including the name of the marketplace itself and the stores operate inside it. Brand as a non-physical asset need to be built to become strong and big. It can be done by creating and increasing its awareness among its consumers. Furthermore, efforts need to be devoted into building brand associations with the hope it has a positive and favorable image. At the same time, trust in brands need to be built through assuring to deliver as promise its product quality, service and its price. Other things that need to be considered by marketplace administrator is selecting the right tenants based on key performance indicators as criteria. If possible, as being practiced by modern shopping centers, the traditional market needs to have a tenant who has a gravitation power in attracting both other tenants to lease and shoppers to visit.

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