MEASURING BRAND EQUITY: THE PERSPECTIVE OF STARBUCKS’ CUSTOMERS

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Abstract: This study aims to analyze brand loyalty in mediating the effect of brand association and brand awareness on brand equity. The population of this study is customers of Starbucks Coffee in Malang City, with a sample of 160 respondents. The data was analyzed using Structural Equation Modeling. The results showed that brand association and brand awareness influenced brand equity, and brand loyalty was able to mediate the effect of brand awareness and brand association on brand equity. To increase brand loyalty, which in turn leads to brand equity, the management team of Starbucks Coffee has to provide a strategy in building brand awareness and brand association. Future researchers can develop this study by adding more variables, for example, is brand trust.

Keywords: brand association, brand loyalty, brand equity, brand awareness

Cite this article as: Puspaningrum, Astrid. 2020. Measuring Brand Equity: The Perspective of Starbucks’ Customers. Jurnal Aplikasi Manajemen, Volume 18, Number 4, Pages 825–833. Malang: Universitas Brawijaya. http://dx.doi.org/10.21776/ub.jam.2020.018.04.20

As time goes by, people lifestyle has changed, especially those who live in a city. One example of a modern lifestyle we often found nowadays is hanging out at a coffee shop or cafe. Starbucks Coffee is a coffee shop chain from Seattle which is based in Washington, United States. The largest company of coffee shop in the world is Starbucks Coffee. Not only does it sell various drinks such as coffee, espresso-based hot drinks, and many more drinks both hot and cold, but also sells snacks, coffee beans, and cups. Starbucks coffee has 15,012 stores in 44 countries. In 1971, the first Starbucks coffee has been opened by Jerry Baldwin, Gordon Bowker, Zev Siegle in Seattle. In 1987, the first Starbucks outside Seattle has been opened in Vancouver and Chicago, while in Tokyo it also opened its first branch outside North America.

In Indonesia, the Starbucks coffee chain is operated by PT Mitra Adiperkasa Tbk. Starbucks is already available in 12 cities in Indonesia, with more than 150 outlets (starbucks.co.id, 2018). Starbucks Coffee has a very strong image in its consumers’ minds and is considered a part of the modern lifestyle. Starbucks Coffee itself targets the upper-middle class; therefore, the price is quite expensive. Nevertheless, keep repurchasing their products; this has encouraged Starbucks Coffee to expand massively and start opening new branches in various locations. Initially, Starbucks Coffee only opened its outlets in shopping centers or malls, currently Starbucks Coffee began to reach places which are
close to universities; this is because the majority of Starbucks customers are teenagers.

Competition in the coffee shop industry requires Starbucks Coffee to maintain its brand to compete for and maintain market share. The strategy they applied is building strong brand equity. A brand that is strong and has ‘value’ will be able to build brand equity, which then can be an advantage of the brand compared to other brands (Kotler and Armstrong, 2018).

Brand equity is formed due to brand awareness, which is the skill of a prospective purchaser to recall or recognize that a brand is part of a specific product category. Overall, brand equity depends on the level of awareness achieved by a brand (Rajh, 2005, Shabbir et al., 2017, Świtala et al., 2018, Ilias et al., 2020, and Kim et al., 2008). Different results were found in the studies which were conducted by Tong and Hawley (2009), Setiawan and Harris (2020), and Gil et al. (2007), that brand awareness did not affect brand equity.

One of the elements forming brand equity besides brand awareness is a brand association (Chen, 2001) and (Tong and Hawley, 2009). The association not only existed but also possessed a degree of strength. Brand linkage will be stronger if it is communicated through a lot of experiences or appearances. Various associations that consumers remember can be strung and form a brand image in their minds. Different results were found in the studies which were conducted by Gil et al. (2007), Sasmita and Suki (2015), and Sucayahyo (2017). They found evidence that brand association did not affect brand equity.

There is a contradiction in the effect of brand awareness and brand association on brand equity. Therefore, it is interesting to re-examine brand loyalty as a mediating variable. According to Kotler and Armstrong (2018), Brand loyalty is considered as the extent to which customers show a positive attitude towards a brand, have a commitment to a particular brand and are willing to continue to buy back the product in the future. In their research, Idrrees, et al. (2015), defined brand loyalty as a consistent consumer preference to make purchases on the same brand for a specific service or product category.

The determination of brand loyalty as a mediating variable based on the results of previous studies on the effect of brand association and brand awareness on brand loyalty and brand equity. Dhurup et al. (2014), Akhtar et al. (2016), and Gil et al. (2007) proved that brand awareness affects brand loyalty, while Alexandris et al. (2008) and Gil et al. (2007), found evidence that brand association affects brand loyalty. The effect of brand loyalty on brand equity was evidenced by Tong and Hawley (2009), Shabbir et al. (2017), and Gil et al. (2007), that brand loyalty affects brand equity.

The results Inconsistency of previous empirical studies and phenomena above, this study examines brand loyalty as a mediator of the effect of brand awareness and brand association on brand equity, which was developed in one model.

LITERATURE REVIEW

Brand Equity

Brand equity is a series of assets and liabilities associated with its name, symbol, and brand, which decreases and increases the value provided by services or goods to the company’s customers or company. Kotler and Keller (2016), stated that brand equity is added value provided to services and products. It can be reflected in the way customers act, feel, and think concerning brands, as well as in the profitability, market share, and price provided by a brand to companies.

According to Aaker (2004), brand equity is a set of brand assets and liabilities associated with a brand, its symbol, and name, which decrease or increase the value provided by a service or good to its customers or the company. According to Kotler and Keller (2016), brand equity-based to the customer can be defined as the difference in the impact of brand knowledge on customer responses to the brand. A brand can be said to have positive customer-based brand equity if customers react to certain products more positively. On the other hand, a brand can be said to have negative customer-based brand equity if the customer reacts negatively to
the brand’s marketing activities in the same situation.

**Brand Loyalty**

Schiffman and Kanuk (2004), has stated that brand loyalty is the most expected result of a study on customer behavior. Brand loyalty is directly affected by customers’ dissatisfaction/satisfaction with the brand that has been accumulated in a certain period. Brand loyalty is the extent to which a customer shows a positive attitude towards a brand, intends to buy it back in the future and has a commitment to a particular brand. (Mowen and Minor, 2002).

Brand loyalty measurement consists of measuring attitudes and measuring customer behavior towards a brand. Measuring customer attitudes towards a brand involve all customer feel about the product and brand as well as their tendency to buy the product and brand. Behavior measurement relies on the response of customer behavior to a stimulus that aims to promote certain products and brands. Therefore, this measurement will involve the three components of attitude, namely cognitive, affective, and conative; it will also involve action (Schiffman and Kanuk, 2004). Tong and Hawley (2009), revealed that brand loyalty is measured using three indicators, namely consumer loyalty to brands, brand satisfaction, and recommendations. According to Aaker (2004), brand loyalty can be measured through behavior, switch cost, satisfaction, liking brand, and also commitment.

**Brand Awareness**

In a company, brand awareness is a very important element of equity because brand awareness can directly affect brand equity. If consumer awareness of a brand is low, then brand equity will also low. Aaker (2004), stated that brand awareness is the ability of a prospective buyer to recognize or recall that a brand is part of a certain category of product. Overall, the brand awareness role in brand equity depends on the awareness level that is achieved by a brand. Brand awareness has four levels that are, brand Unaware, Brand recognition, brand recall, and Top of Mind (Aaker, 2004).

**Brand Association**

Brand association is memory or everything in customers’ minds that is related to a particular brand (Aaker, 2004). Such association not only existed, but it also possessed a degree of strength. Based on a lot of experience, appearance, or whatever is shared and used to communicate with customers will make a connection with a brand will be stronger. Various associations that stick in a customer’s mind can form a brand image. According to Aaker (2004), there are several indicators of brand association, namely relative price, competitors, product class, and personality, or lifestyle.

**HYPOTHESES DEVELOPMENT**

Kotler and Keller (2016), assumed that brand awareness plays an important role in building customer-based brand equity. High brand awareness will increase brand equity, because, with high brand awareness, the brand will have a greater opportunity to be selected by customers in the purchasing decision-making process, which ultimately leads to increased revenue, lower costs, and greater profits for the company. Rajh (2005), Kim et al. (2008), Shabbir et al. (2017), Świtała et al. (2018), and Ilias et al. (2020), found evidence that brand awareness affects brand equity. Hypothesis obtained from the empirical studies results in this research are as follows:

\[ H_1 \] Brand awareness has a significant effect on brand equity.

Aaker (2004), stated that brand association can provide consumer benefits, which in turn will give consumers specific reasons to buy the product of a particular brand by showing its strength. Apart from the benefits provided by the product to consumers, this specific reason also comes from a strong and positive relationship between related information about a product that sticks in the consumers’ minds and a good strategy and brand management of a product. Chen (2001), as well as Tong and Hawley (2009), found some evidence that brand affects brand equity. The second hypothesis is obtained from the empirical studies results in this research are as follows:
H₂: Brand association has a significant effect on brand equity. Gil et al. (2007), Dhurup et al. (2014), Akhtar et al. (2016), proved that brand awareness affects brand loyalty. The effect of brand loyalty on brand equity was proved by Tong and Hawley (2009), Shabbir et al. (2017), and Gil et al. (2007), that brand loyalty affects brand equity. The third hypothesis from the empirical study results in this study is as follows:

H₃: Brand loyalty mediates the effect of brand awareness on brand equity. Alexandris et al. (2008) and Gil et al. (2007), found some evidence that brand association affects brand loyalty. The effect of brand loyalty on brand equity was proved by Gil et al. (2007), Tong and Hawley (2009), Shabbir et al. (2017), which brand loyalty affects brand equity. The fourth hypothesis from the empirical study results in this study is as follows:

H₄: Brand loyalty mediates the effect of brand association on brand equity.

METHOD
Population and Research Sample
The population of this study was Starbucks Coffee’s customers in Malang City. The population taken in this study is infinite, meaning that the size is very large that it cannot be known with certainty, so 160 Starbucks Coffee customers were taken to be the sample in this study.

Variable Operations
Variable Operations are elements of research that describe how to measure a variable containing indicators that allow researchers to collect relevant data for these variables. The operational definition of the variables and their indicators can be seen in Table 1 below:

Data Analysis
This study has used SEM (Structural Equation Modeling) analysis techniques was uses in this study. A T-test was conducted to check whether there is a direct effect or not. With a significance level \( \alpha = 5\% \). The criteria for acceptance of hypothesis testing are as follows: if the probability < 5\%, then \( H_0 \) is rejected; \( H_1 \) is accepted, and if the probability > 5\% then \( H_0 \) is accepted; \( H_1 \) is rejected. Meanwhile, to find whether there is an indirect effect or not, the total effect is compared with the direct effect. If the total effect is greater than the direct effect, then there is an indirect effect.

Table 1  Variable Operations

| Variable          | Indicator                      | Source                                           |
|-------------------|--------------------------------|--------------------------------------------------|
| Brand awareness   | Unaware of brand               | Shabbir et al. (2017), Świtala et al. (2018), Ilias et al. (2020) |
|                   | Brand Recognition              |                                                  |
|                   | Brand Recall                   |                                                  |
|                   | Top of Mind                    |                                                  |
| Brand Association | Relative price                 | Dhurup et al. (2014), Akhtar et al. (2016)       |
|                   | LifeStyle/personality          |                                                  |
|                   | Product class                  |                                                  |
|                   | Competitors                    |                                                  |
| Brand Loyalty     | Consumer loyalty               | Tong and Hawley (2009), Shabbir et al. (2017)   |
|                   | Consumer satisfaction          |                                                  |
|                   | Recommendation                 |                                                  |
| Brand Equity      | Perceived quality              | Tong and Hawley (2009), Shabbir et al. (2017), Gil et al. (2007). |
|                   | Perceived value                |                                                  |
|                   | Image                          |                                                  |
|                   | Trustworthiness                |                                                  |
|                   | Commitment                     |                                                  |
effect, then brand loyalty is a variable that mediates the effect of brand awareness, brand association, and brand loyalty on brand equity.

RESULTS

Based on the questionnaire filled in by the respondents (Starbucks Coffee’s customers) in Malang, the data on respondent characteristics, starting on sex, age, and occupation were as follows:

Based on Table 2 above, it can be seen that Starbucks Coffee’s customers in Malang City are dominated by male students aged 15-30 years old. This condition shows that the market share of Starbucks Coffee in Malang City is dominated by students. In this modern era, hanging out at cafés or coffee shops has become a lifestyle. One of the cafés or coffee shops which become a favorite place to hang out is Starbucks Coffee.

Table 2  Respondent Characteristics

| Individual Characteristics | Percentage (%) | Number of People |
|----------------------------|----------------|-----------------|
| Based on Sex              |                |                 |
| Female                    | 40.6           | 65              |
| Male                      | 59.4           | 95              |
| Based on Age (years old)  |                |                 |
| 15 – 30                   | 70             | 112             |
| 31 – 40                   | 20.6           | 33              |
| > 41                      | 9.4            | 15              |
| Based on Occupation       |                |                 |
| Student                   | 75.6           | 121             |
| The employee of Private Company | 15.6   | 25              |
| Civil Servant             | 8.8            | 14              |

Analysis Results of Goodness of Fit SEM

The theoretical model in the conceptual framework is considered to be fit if it is supported by empirical data. In accordance with the results of the SEM analysis, to determine whether the hypothetical model is supported by empirical data, the test results of the goodness of fit overall model is presented in Figure 1 below.
Based on the results of the Goodness of Fit test presented in Figure 1, overall, it can be seen that all the criteria show that the model is good and has met the cut off value; therefore, the model is considered feasible and can be used in this research, so that it can be explored and discussed further.

**Results of Hypothesis Testing**

SEM (Structural Equation Model) was analyzed using AMOS 6.0 to test the hypotheses proposed by the researcher. Critical ratio (Cr) from the result of output regression weight was used as a basis for testing the hypotheses. The research hypothesis will be accepted if the p-value < of significance by 5%, then the null hypothesis is rejected. The results of hypothesis testing are presented in Table 3 below.

The effect of brand awareness on brand loyalty generates an estimated value of 26.6%; the effect of brand association on brand loyalty results in an estimated value of 27.9%. The overall relationship is at a significance level of 5%. Therefore, the stronger the awareness and association towards the brand, the higher consumer loyalty to Starbucks Coffee.

The effect of brand awareness on brand equity produces an estimated value of 42.9%; the effect of brand association on brand equity results in an estimated value of 27.9%, and the effect of brand loyalty on brand equity results in an estimated value of 33.4%. The overall relationship is at a 5% significance level. Therefore, the stronger the awareness, association, and consumer loyalty to the brand, the higher the brand equity of Starbucks Coffee.

The indirect effect of brand awareness on brand equity through brand loyalty has a total coefficient value of 0.517; it is greater than the direct effect of brand awareness on brand equity (0.429). This indicates that brand loyalty can mediate the effect of brand awareness on brand equity.

The indirect effect of brand association on brand equity through brand loyalty has a total coefficient value of 0.372; it is greater than the direct effect of brand association on brand equity, which is amounted to 0.279. These results indicate that brand loyalty can mediate the effect of brand association on brand equity.

**DISCUSSION**

**The Effect of Brand Awareness on Brand Equity**

Based on the results of hypothesis testing, it is proved that the brand equity of Starbucks Coffee is influenced by brand awareness and brand association. These results indicate that the higher the customer awareness level towards Starbucks Coffee, the higher the brand equity of Starbucks Coffee.

This means that the brand equity of Starbucks Coffee is formed by customer awareness of Starbucks Coffee through unaware of the brand, such as being able to distinguish Starbucks Coffee from other café brands. Related to brand recognition, Starbucks Coffee is one of the brands which first come to the customer’s mind when they hear ‘café’. In terms of brand recall, Starbucks Coffee is a café that can be recognized easily, and in terms of top of mind,
people can recognize the logo of Starbucks Coffee even from afar.

The results of this study are in accordance with Aaker (2004), brand awareness is the ability of a prospective buyer to remember or recognize a brand as part of a certain product category. Overall, the role of brand awareness in brand equity depends on the level of awareness achieved by a brand. Rajh (2005), Kim et al. (2008), Shabbir et al. (2017), Świtała et al. (2018), and Ilias et al. (2020), found some evidence that brand awareness affects brand equity.

**Effect of Brand Association on Brand Equity**

The results of hypothesis testing prove that brand equity is influenced by brand association. Therefore, the higher the level of customer association in recognizing the brand of Starbucks Coffee, the higher the level of brand equity. This means that brand equity is formed by customer association in Starbucks Coffee brand through a relative price; for example, Starbucks Coffee offers a discount. Regarding lifestyle/ personality, Starbucks Coffee is always full of visitors. Related to product class, Starbucks Coffee provides diverse products, good ambiance, and atmosphere; and related to competitiveness, Starbucks Coffee competes with other cafes.

These study results are in line with Aaker (2004), which brand association can provide consumer benefits, which in turn will give consumers specific reasons to buy the product of a particular brand by showing its strength. Apart from the benefits provided by the product to consumers, this specific reason also comes from a strong and positive relationship between related information about a product that sticks in the consumers’ minds and a good strategy and brand management of a product. Chen (2001), as well as Tong and Hawley (2009), found some evidence that brand affects brand equity.

**Brand Loyalty Mediates the Effect of Brand Awareness on Brand Equity**

Based on the results of the analysis, it is found that brand loyalty can mediate the effect of brand awareness on brand equity. This result means that the respondent’s brand awareness towards Starbucks Coffee that reaches the top of mind is manifested in the ability to recognize the logo of Starbucks Coffee even from afar, leading customers to be loyal to the brand and keep visiting Starbucks Coffee. The role of brand awareness in contributing to brand loyalty has an impact on brand equity because Starbucks Coffee has a good ambiance and atmosphere, so many people love to hang out there.

These study results are also consistent with the studies which were conducted by Gil et al. (2007), Dhurup et al. (2014), and Akhtar et al. (2016), which proved that brand awareness affects brand loyalty. The same results were also found by Tong and Hawley (2009), Shabbir et al. (2017), and also Gil et al. (2007), that brand loyalty affects brand equity.

**Brand Loyalty Mediates the Effect of Brand Association on Brand Equity**

Brand loyalty can mediate the effect of brand association on brand equity. This means that brand equity is formed by the role of customer association in the brand of Starbucks Coffee through a relative price; for example, Starbucks Coffee offers a discount. It leads customers to be loyal to the brand and keep visiting Starbucks Coffee. The role of brand awareness in contributing to brand loyalty has an impact on brand equity because Starbucks Coffee has a good ambiance and atmosphere, so many people love to hang out there. Gil et al. (2007) and Alexandris et al. (2008), proved that brand association affects brand loyalty. The same result was also found by Gil et al. (2007), Tong and Hawley (2009), and also Shabbir et al. (2017), that brand loyalty affects brand equity.

**CONCLUSIONS AND RECOMMENDATIONS**

**Conclusions**

Brand awareness and brand association affect the brand equity of Starbucks Coffee. This means that the brand equity of Starbucks Coffee will increase if customers have a high level of awareness.
and association with Starbucks Coffee. Brand association and brand awareness have a significant effect on brand equity through brand loyalty. This means that a high level of awareness and brand association towards Starbucks Coffee can increase customer loyalty to Starbucks Coffee, and eventually, it will increase brand equity.

Brand association and brand awareness play an important role in increasing brand equity through the level of customer loyalty to the brand. This confirms the theory which was developed by Aaker (2004). He divided brand equity based on 5 main elements, namely brand loyalty, brand association, perceived quality, and brand awareness. To increase brand loyalty, which ultimately builds brand equity, the management team of Starbucks Coffee should provide a strategy in building brand awareness and brand association.

**Recommendations**

Future researchers can develop this study by adding more variables, for example, is brand trust.

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