Vol. 2 No. 1 November 2023
e-ISSN: 2963-7589
Economic and Business Journal | ECBIS
https://ecbis.net/index.php/go/index

# EXPLORING THE ROLE OF BRAND EQUITY ON CUSTOMER SATISFACTION AND BRAND LOYALTY: A CASE STUDY OF BROWCYL'S SIGNATURE MAKASSAR SNACKS

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**Abstract**

*This study aims to explore the relationship between consumer-based brand equity and brand loyalty, with an emphasis on the mediating role of customer satisfaction in the specific context of the cake shop segment within the restaurant industry. Employing Structural Equation Modeling (SEM) through LISREL, this research analyzes data collected from customers of Browcyl's cake shops in Makassar. The model focuses on examining the impact of five dimensions of consumer-based brand equity on customer satisfaction and, subsequently, on brand loyalty. The results indicate that three out of the five dimensions of consumer-based brand equity significantly and positively influence customer satisfaction. In turn, customer satisfaction has a strong, positive impact on brand loyalty. This highlights the pivotal role of certain brand equity elements in enhancing customer satisfaction, which is a key driver of brand loyalty in the cake shop sector. The study offers valuable insights for practitioners in the restaurant industry, particularly in the cake shop sector. It suggests that focusing on specific aspects of brand equity can significantly improve customer satisfaction, leading to increased brand loyalty. This provides a strategic direction for cake shop owners and marketers to strengthen their brand equity in ways that resonate with their customers.*

Keywords: ***Brand Equity, Brand Loyalty, Customer Satisfaction, Cake Shop Industry***

## 1. INTRODUCTION

In the evolving landscape of the global food and beverage industry, the pastry and bakery sector, mainly cake shops, has emerged as a dynamic and highly competitive arena. This sector, often at the heart of culinary innovation and consumer preferences, has witnessed substantial growth, propelled by entrepreneurs recognizing the untapped potential within the Indonesian cake market. However, this expansion has come with challenges. The burgeoning market has intensified competition, necessitating businesses to constantly innovate and creatively engage with their consumer base.

Among the notable players in this competitive field is Browcyl, a distinguished cake shop brand in Makassar. Browcyl has carved out a niche for itself, especially among South Sulawesi's populace, by offering unique product variations focusing on banana-based delicacies and exceptional customer service. Despite its success, Browcyl, like its counterparts, faces the ongoing challenge of differentiating itself in a market characterized by many options and rapidly changing consumer tastes.

The pivotal role of customer satisfaction in the context of this intense competition cannot be overstated. Studies have shown that customer satisfaction is a crucial determinant of brand loyalty and is influenced by various factors, including the quality of service and the degree of alignment between the customer's self-image and the brand (Kim et al., 2016; Kataria and Saini, 2020). This relationship highlights the importance of understanding and enhancing the customer experience, as it directly impacts brand loyalty and, by extension, the business's success.

Furthermore, the mediating role of customer satisfaction in the relationship between brand equity and brand loyalty offers a compelling area for exploration. The ability of a brand like Browcyl to maintain and grow its customer base in the face of stiff competition hinges on its capacity to foster substantial brand equity and translate that into customer loyalty through positive customer experiences.

This background sets the stage for an intriguing investigation into how cake shops, particularly in the Indonesian context, can leverage customer satisfaction to bolster brand loyalty, ensuring their long-term success and sustainability in a highly competitive market. This research aims to contribute to the existing body of knowledge by examining these dynamics, mainly focusing on the mediating role of customer satisfaction between brand equity and brand loyalty in the context of the unique and flourishing Indonesian pastry and bakery industry.

## 2. LITERATURE REVIEW

### Brand Equity

Brand equity, as defined by Vazquez et al. (2002), stems from the heightened trust consumers place in a specific brand over others, leading to brand loyalty and the ability to command premium pricing. It encompasses the total value perceived by customers, including both functional and symbolic utilities associated with a brand's purchase. This study adopts a customer-based approach to brand equity, as it is instrumental in evaluating marketing strategies and positioning the brand effectively. Unlike the finance perspective, which is confined to brand valuation, the customer-based perspective, as suggested by Keller et al. (2011), is rooted in customer perceptions, making the measurement, and tracking of brand equity.

### Mediating Variable: Customer Loyalty

Customer satisfaction is a multi-faceted concept, with Dimitriades (2006) noting its diverse interpretations. The expectancy disconfirmation theory offers a widely accepted definition within academic circles. This theory posits that satisfaction is the result of comparing expected and actual performance. The importance of customer satisfaction cannot be understated, as it plays a crucial role in the sustainability, competitiveness, and profitability of businesses, as highlighted by Luo and Homburg (2007). Dimitriades (2006) suggests that satisfied customers tend to show less sensitivity to price changes and competitor strategies, thereby fostering a loyal customer base for a brand. Del Bosque and San Martín (2008) emphasize that satisfaction is not just a cognitive judgment but also an emotional response. There are two primary types of satisfaction identified in literature: transaction-specific satisfaction and overall satisfaction. Researchers differentiate between these two, with the latter being more indicative of future customer loyalty since it encompasses the entire range of interactions with a company. Some argue that while transaction-specific satisfaction varies with each individual experience and may lack consistency, overall satisfaction is a more stable and reliable indicator of a customer's general perception of a brand.

**Brand Loyalty**

Brand loyalty, a critical subject in the study of consumer behavior, is often used to indicate a business's overall performance and significantly impacts an organization's financial health, as Khan (2013) noted. Its benefits are manifold, including creating formidable barriers to entry for competitors, boosting market share and sales revenue, enhancing a company's ability to counter competitive threats, and reducing customers' likelihood to switch brands due to competitors' marketing strategies.

Brand loyalty manifests in two primary forms: behavioral and attitudinal. The behavioral aspect involves consistently repurchasing a specific brand despite the influence of situational factors and competitors' marketing efforts. On the other hand, attitudinal loyalty refers to a consumer's psychological commitment and positive sentiment toward a brand. This form of loyalty is characterized by spreading positive word-of-mouth, demonstrating a solid commitment to the brand, and actively recommending and endorsing the brand to others, as He et al. (2012) described. Therefore, brand loyalty should be understood as a multifaceted concept encompassing behavioral and attitudinal elements rather than being seen as a singular, one-dimensional phenomenon.

## 3. RESEARCH METHOD

**Research Design**

For this study, the researcher adopted a descriptive research methodology. The specific design employed is a single cross-sectional design, which entails gathering information from various groups of respondents. This collection is conducted only once within a single period and is not continuous over an extended timeframe.

**Data Collection**

To support the research, the author has gathered two distinct data types: primary and secondary. Primary data is sourced directly through disseminating self-administered questionnaires involving multiple-choice questions for screening purposes and to gather demographic information about the respondents. Additionally, this study employs a 7-point Likert scale for specific questions. The Likert scale is widely used to measure individuals' or groups' attitudes, opinions, and perceptions regarding social phenomena (Sugiyono, 2013). This research utilizes several statements rated on a scale of 1 to 7, indicating degrees of agreement or disagreement with the statements (1=strongly disagree, 2=disagree, 3=somewhat disagree, 4=neutral, 5=somewhat agree, 6=agree, 7=strongly agree).

This study also uses external secondary data from various books, journals, internet sources, and other relevant materials aligned with the research's purpose and objectives. Secondary data refers to information previously collected for purposes other than the issue currently being addressed (Malhotra, 2020). This data type is essentially primary data that has been further processed into more informative forms such as tables, graphs, diagrams, pictures, and other formats by external parties.

**Sampling Techniques**

This study's target population consists of individuals who have visited the Browcyl cake shop outlet in Makassar City. The sampling was conducted using a non-probability sampling method, where respondents do not have equal chances of being selected as a sample (Malhotra, 2020). The technique employed in this research is purposive sampling, where samples are chosen based on specific intentions or objectives and are selected according to certain criteria present in the respondents. In this case, the criterion for respondents is having visited the Browcyl cake shop within the last three months and residing in Makassar City. The sample size comprises 100 respondents. The researcher has used the maximum likelihood estimation method to determine the appropriate sample size for the study.

**Hypothesis Development**

In the context of examining the aspects that contribute to brand equity, this study introduces a series of hypotheses focused on understanding how various factors influence customer satisfaction and brand loyalty. These hypotheses are grounded in the concept that brand equity is not only a reflection of the intrinsic value of a product or service but also a product of customer perceptions and experiences. The hypotheses presented are as follows:

H1: Perceived quality has a positive effect on customer satisfaction.
H2: Employee attitude has a positive effect on customer satisfaction.
H3: Self-conformity has a positive effect on customer satisfaction.
H4: Brand identification has a positive effect on customer satisfaction.
H5: Lifestyle fit has a positive effect on customer satisfaction.
H6: Customer satisfaction with the brand has a positive effect on brand loyalty.

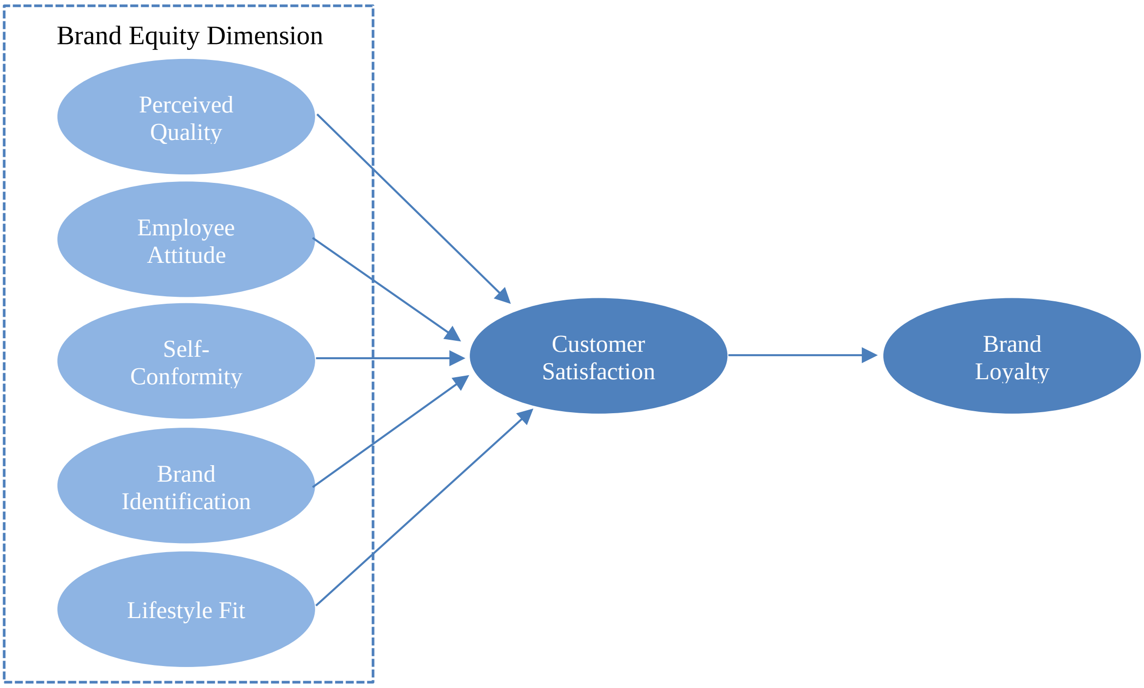


**Figure 1. Conceptual Framework**

**Data Analysis Techniques**

In this study, the researcher employs reliability analysis to measure the consistency and reliability of questionnaire items, using a Cronbach’s alpha threshold of 0.6 for reliability. Validity testing is also conducted, assessing how well research constructs are defined by their measurement variables using standardized loading factor values greater than 0.5 and t-values above 1.96 as benchmarks (Hair et al., 2006). The primary data analysis uses structural equation modelling (SEM), a statistical technique for testing and estimating causal relationships that combines statistical data with qualitative causal assumptions (Pearl, 2009; Wijanto, 2008). It is well-suited for exploring the hypothesized relationships within this study.

## 4. RESULTS AND DISCUSSION

### Respondent Profile

The respondent profile in this study is as follows: Out of the 100 respondents, 29 (29%) are male, and 71 (71%) are female, indicating a majority of female respondents. The age distribution shows that most respondents fall within the 25–30 age range, with 39 respondents, or 39% of the total, falling into this category. Regarding visit frequency, a majority of 72 respondents, which accounts for 72%, reported visiting the Browcyl outlet only once a month. Additionally, 71% of the respondents indicated that their monthly expenditure ranges between Rp. 1,000,000 and Rp. 5,000,000.

### Descriptive Statistics

The study reveals that among the seven latent variables measured using a 1–7 Likert scale, the variable 'physical quality' achieved the highest mean score of 5.80. This indicates that most respondents tend to rate this variable between "somewhat agree" and "agree." On the other hand, the variables 'lifestyle congruence' and 'brand identification' recorded the lowest mean scores, with 5.10 and 4.62, respectively. This suggests that most respondents tend to give a rating of "somewhat agree" for these variables.

**Table 1** Descriptive Result

| No | Laten Variable | Mean |
|---|---|---|
| 1 | Perceived Quality | 5.80 |
| 2 | Employee Attitude | 5.26 |
| 3 | Self-conformity | 5.29 |
| 4 | Brand Identification | 4.62 |
| 5 | Lifestyle Fit | 5.10 |
| 6 | Customer Satisfaction | 5.60 |
| 7 | Brand Loyalty | 5.45 |

### Confirmatory Factor Analysis

The measurement model establishes the relationships between latent variables and their observed indicators in this study. These relationships are reflective, meaning the observed variables reflect the related latent variables. To assess the validity of the measurement model, the following criteria are examined:

1) The t-value of the standardized loading factor (λ) for the observed variables in the model should be ≥ 1.96, in line with the 5% significance level adopted by the researcher. This threshold is crucial to determine the statistical significance of each observed variable's relationship to its latent variable.
2) The standardized loading factor (λ) for the observed variables in the model must be ≥ 0.70 (Wijanto, 2008) or, following Igbaria's (1997) suggestion, ≥ 0.50 (Sitinjak & Sugiarto, 2006). However, for this research, a threshold of ≥ 0.50 is chosen to evaluate the validity of the measurement model.

Additionally, the analysis involves calculating the Construct Reliability (CR) and Variance Extracted (VE) from the standardized loading factors and error variance values. The model is considered reliable if the Construct Reliability is ≥ 0.70 and the Variance Extracted is ≥ 0.50. These thresholds ensure the model is reliable and valid in reflecting the relationships between latent and observed variables.

**Table 2** Validity and Reliability of Measurement Model

| Variable | Indicator | t-value | SLF | Result | CR | VE | Result |
|---|---|---|---|---|---|---|---|
| Perceived Quality | PQ1 | 5.83 | 0.44 | Eliminate | 0.76 | 0.51 | Reliable |
| | PQ2 | 5.28 | 0.48 | Eliminate | | | |
| | PQ3 | 10.46 | 0.78 | Valid | | | |
| | PQ4 | 10.10 | 0.76 | Valid | | | |
| | PQ5 | 7.60 | 0.60 | Valid | | | |
| Employee Attitude | EA1 | 12.23 | 0.86 | Valid | 0.85 | 0.58 | Reliable |
| | EA2 | 12.82 | 0.83 | Valid | | | |
| | EA3 | 9.98 | 0.62 | Valid | | | |
| | EA4 | 8.30 | 0.72 | Valid | | | |
| | EA5 | 5.83 | 0.46 | Eliminate | | | |
| Self-conformity | SC1 | 5.51 | 0.46 | Eliminate | 0.78 | 0.54 | Reliable |
| | SC2 | 10.29 | 0.70 | Valid | | | |
| | SC3 | 9.14 | 0.78 | Valid | | | |
| | SC4 | 9.30 | 0.51 | Valid | | | |
| Brand Identification | BI1 | 6.59 | 0.71 | Valid | 0.84 | 0.51 | Reliable |
| | BI2 | 10.53 | 0.86 | Valid | | | |
| | BI3 | 12.90 | 0.75 | Valid | | | |
| | BI4 | 12.12 | 0.54 | Valid | | | |
| | BI5 | 7.01 | 0.82 | Valid | | | |
| | BI6 | 4.01 | 0.33 | Eliminate | | | |
| Lifestyle Fit | LF1 | 13.05 | 0.89 | Valid | 0.91 | 0.77 | Reliable |
| | LF2 | 13.74 | 0.85 | Valid | | | |

| Variable | Indicator | t-value | SLF | Result | CR | VE | Result |
|---|---|---|---|---|---|---|---|
| | LF3 | 13.89 | 0.88 | Valid | | | |
| Customer Satisfaction | CS1 | 9.88 | 0.71 | Valid | 0.85 | 0.59 | Reliable |
| | CS2 | 12.73 | 0.78 | Valid | | | |
| | CS3 | 11.15 | 0.85 | Valid | | | |
| | CS4 | 10.21 | 0.61 | Valid | | | |
| Brand Loyalty | BL1 | 7.46 | 0.77 | Valid | 0.69 | 0.51 | Reliable |
| | BL2 | 9.87 | 0.73 | Valid | | | |
| | BL3 | 3.11 | 0.38 | Eliminate | | | |
| | BL4 | 6.90 | 0.54 | Valid | | | |
| | BL5 | 4.45 | 0.27 | Eliminate | | | |

**Goodness of Fit**

The fit test in this research is conducted by examining several key metrics as part of the Goodness of Fit Statistics. These metrics typically include the Chi-square value and its p-value, Root Mean Square Error of Approximation (RMSEA), Standardized Root Mean Square Residual (RMR), Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Normed Fit Index (NFI), Non-Normed Fit Index (NNFI), Comparative Fit Index (CFI), among others.

**Table 3** Goodness of Fit Index

| Index | Fit Criteria | Measurement Model | Result | Structural Model | Result |
|---|---|---|---|---|---|
| Chi-square | Small number | 482,55 | Poor Fit | 435.44 | Poor Fit |
| p-value | P > 0.05 | 0.000 | | 0.000 | |
| RMSEA | RMSEA <= 0.08 | 0.081 | Marginal Fit | 0.072 | Good Fit |
| RMR | RMR <= 0.05 | 0.07 | Marginal Fit | 0.65 | Marginal Fit |
| GFI | GFI >= 0.90 | 0.81 | Marginal Fit | 0.82 | Marginal Fit |
| AGFI | AGFI >= 0.90 | 0.84 | Marginal Fit | 0.79 | Poor Fit |
| NFI | NFI >= 0.90 | 0.90 | Good Fit | 0.90 | Good Fit |
| NNFI | NNFI >= 0.90 | 0.95 | Good Fit | 0.94 | Good Fit |
| CFI | CFI >= 0.90 | 0.97 | Good Fit | 0.95 | Good Fit |

**Path Analysis**

From the structural model derived from the LISREL output, the influence between one latent variable and another is determined by examining the t-values (t-value). In this analysis, a t-value of 1.96 or higher indicates that the latent variable significantly influences another latent variable.

Conversely, a t-value of less than 1.96 suggests that the latent variable does not significantly influence the other latent variable. This threshold is based on the standard significance level used in statistical testing, where a t-value equal to or exceeding 1.96 typically corresponds to a p-value of 0.05 or less, denoting statistical significance. Therefore, in this study, the t-value is a critical indicator for assessing the strength and significance of the relationships between the latent variables within the model.

**Table 4** Hypothesis Testing

| Hypothesis | Path | T-value | Result |
|---|---|---|---|
| H1 | Perceived Quality -> Customer Satisfaction | -1.05 | Rejected & Insignificant |
| H2 | Employee Attitude -> Customer Satisfaction | 1.55 | Rejected & Insignificant |
| H3 | Self-conformity -> Customer Satisfaction | 1.89 | Accepted & Significant |
| H4 | Brand Identification -> Customer Satisfaction | 2.74 | Accepted & Significant |
| H5 | Lifestyle Fit -> Customer Satisfaction | 4.98 | Accepted & Significant |
| H6 | Customer Satisfaction -> Brand Loyalty | 5.15 | Accepted & Significant |

**R-square**

The coefficient of determination ($R^2$) essentially measures the extent to which the model explains the variance in the dependent variables. The value of the coefficient of determination ranges between 0 and 1. A small $R^2$ value indicates that the independent variables have limited capability in explaining the variance of the dependent variables. Conversely, a value close to one suggests that the independent variables provide almost all the information required to predict the dependent variables. In the context of this study:

a. The influence of perceived quality, employee behavior, self-congruity, brand identification, and lifestyle fit on customer satisfaction has an $R^2$ of 0.65. This indicates that 65% of the variance in customer satisfaction can be explained by these variables, while the remaining 35% of the variance is explained by other factors.
b. The impact of customer satisfaction, perceived quality, employee behavior, self-congruity, brand identification, and lifestyle fit on brand loyalty has an $R^2$ of 0.35. This means that 35% of the variance in brand loyalty can be explained by these variables, with the remaining 65% of the variance being explained by other factors.

## 5. CONCLUSION

### Conclusion

In conclusion, this study provides valuable insights into the dynamics of brand equity, customer satisfaction, and brand loyalty, particularly in the context of the restaurant industry. The findings reveal that while physical quality and employee behavior are basic expectations and do not significantly impact customer satisfaction, other dimensions of brand equity such as brand identification, lifestyle congruence, and self-congruity play a crucial role in enhancing customer satisfaction. These elements are integral to aligning the brand with the customer's identity and values, thereby significantly influencing their satisfaction levels.

Moreover, the study underscores the critical link between customer satisfaction and brand loyalty. It demonstrates that increased customer satisfaction leads to higher brand loyalty, emphasizing the importance of creating satisfying customer experiences. Satisfied customers are more likely to exhibit repeat purchasing behaviors and show a commitment to the brand, which are key factors in establishing brand loyalty.

These findings highlight the need for businesses, especially in the hospitality sector, to focus on strengthening the aspects of brand equity that resonate most with their customers. By doing so, they can not only meet but exceed customer expectations, fostering satisfaction and, consequently, building a loyal customer base. This approach is essential for long-term success and sustainability in competitive markets, where customer satisfaction and loyalty are paramount. The study contributes to the understanding of brand equity dynamics and offers practical implications for developing effective brand strategies to enhance customer satisfaction and loyalty.

**Managerial Implications**

This research found that self-congruity, brand identification, and lifestyle congruence significantly influence customer satisfaction, with lifestyle congruence having the most profound impact. Therefore, restaurant managers should focus on aligning with evolving lifestyle trends and creating a supportive atmosphere to enhance customer experiences. This includes offering versatile spaces for various activities beyond dining and tailoring the restaurant environment to different customer needs. Additionally, maintaining substantial brand equity is essential. This can be achieved by ensuring product quality, providing prompt and accurate service, engaging in positive activities like welcoming customer feedback, listening to their stories post-visit, and rewarding loyal customers. Such practices help foster a closer relationship with customers and enhance the restaurant's reputation, encouraging satisfied customers to recommend the restaurant to others.

Moreover, self-congruity, ranking third after brand identification in its influence, suggests that restaurants should also focus on building a positive image that reflects exclusivity and prestige while remaining approachable to customers. This image attracts consumers and becomes associated with them, thereby supporting the customers' image. Thus, the image and perception of the restaurant are crucial factors that management should continuously monitor and maintain.

**Further Studies**

This study faces several limitations, including a limited respondent count that meets the minimum quota and a focus exclusively on one type of restaurant, which may impact the generalizability of its findings. For future research, it is recommended to increase the sample size for more robust results, incorporate additional variables relevant to restaurant elements such as product quality for a deeper exploration of customer satisfaction and brand loyalty, and conduct qualitative research through methods like focus group discussions or in-depth interviews for more nuanced insights. Additionally, extending the research to include different types of restaurants, especially those targeting middle to upper-class consumers, could offer a broader understanding of the variables influencing customer satisfaction.

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