

# Brand Equity and Brand Image as Direct and Indirect Determining Factors of Small Business Growth

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**Abstract:** This study aims to analyze how brand equity (BE) and brand image (BI) affect the Small/Medium Enterprises growth ("Naik Kelas", i.e., NK) either directly or through a repeated buying process (PB). We use Structural Equation Model (SEM) analysis with data samples collected from 211 participants. The results of the study show that BI has a significant direct effect on SMEs to level up with the coefficient of determination  $r^2 = 0.769$ , while the indirect effect is only  $r^2 = 0.09$  or 9%. Brand equity has a negative direct effect on SME's leveling up by  $r^2 = 0.528$ , while its indirect effect is only  $r^2 = 0.09$  or 9%. Repeated purchases have a positive and significant direct effect of  $r^2 = 0.482$ , while BE and BI have a small or very weak effect on repeat purchases. These results illustrate that brand image and brand equity play a significant role in leveling up SMEs, but on the other hand, they have a very weak effect on repeat purchases

## 1 INTRODUCTION

Small and medium enterprises (MSMEs) are people's businesses that have a dominant role in Indonesia's economic growth. According to data disclosed by the Deputy for Macroeconomics and Finance (Merdeka.com, 2018), the UMKM sector is able to contribute 60.34 percent of GDP, consisting of 93.4 percent of micro and small entrepreneurs, 5.1 percent of medium-sized entrepreneurs, and entrepreneurs only 1 percent. To maximize this role, micro and small businesses must upgrade to the middle class and large businesses. It's just that not all small and micro businesses in Indonesia can develop and advance in class. Many weaknesses have become obstacles so that this business group is in a difficult condition to develop to move up a grade. According to Pro Indonesia CEO Isman (2017), six main problems prevent SMEs from advancing: low business knowledge, underdeveloped marketing, weak capital, too simple technology, legality, and limited business networks.

Based on the six main problems that prevent Small and Micro Enterprises (SME) from advancing in class, weak capital, business legality, and underdeveloped marketing are the three factors most often researchers find in the field. Credit access to banks or cooperatives has not been able to reach

SMEs as a whole. Several SMEs that the researchers interviewed directly said that they had difficulty getting credit from banks because of the conditions they were unable to meet. As a result, when order exceeds its production capability, so as not to disappoint customers, orders are transferred to other SMEs. Limited business capital also makes it difficult for SMEs to have business legality, such as brands for their products. Consumers can determine the brand and design according to their individual wishes. The researchers' findings in the field were confirmed by the Head of UMKM, Bogor Regency, who said that 90 percent of micro-class entrepreneurs in Bogor district with an average capital of IDR 50 million had problems in human resources, marketing, product quality, and business management. Another problem is that many micro-entrepreneurs do not have an entrepreneurial mentality. Meanwhile, the Dramaga Bogor District UMKM Forum Chairperson said that many MSMEs in the area did not yet have business legality such as labels and packaging (Gunawan, 2017). Business actors do not think about labels or brands, they focus more on the quality and quantity of production. In fact, in the field, not all SMEs have these characteristics. Even though the percentage is very small, in the city of Bogor, we can find a micro-business that has advanced and is widely recognized by the public, namely the Bogor Taro Layer

Business with the brand "Sangkuriang". This taro layer is said to be a typical Bogor food because Bogor is synonymous with taro producers. Lapis Bogor Sangkuriang was launched in 2011, and at this time, it is well known by residents of Bogor and its surroundings and has quite a number of outlets and many flavors. The distinctive feature of this layer is that apart from the use of taro, it is also known for its softness and not being too sweet. The purple packaging, which is equipped with a matching color outer packaging, makes this taro layer very suitable to be used as a souvenir or typical souvenir of Bogor City. Marketing has used social media such as Facebook and Twitter, and the owner Rizka Wahyu R has received several awards from the government for the success of the product "Sangkuriang", a word reminiscent of the legend of West Java.

Consistency to highlight product excellence, as is done by Lapis Bogor Sangkuriang products, is one way to maintain marketing communications to customers in the form of sustainable promotions. Product excellence can be used as a characteristic that forms a positive image in consumers' minds/minds, which are expected to generate consumer loyalty. Research from Yulianti (2017) states that the Lapis Bogor Sangkuriang product is in a growth position so that every year it continues to increase in sales. The target market segments are the upper-middle class and the lower middle class. In contrast, the target market is adolescent and adult age groups, as well as tourist groups visiting Bogor city. The most significant opportunity for this product to develop is the increasing number of tourists visiting Bogor Regency and the city of Bogor. However, the threat remains, namely the emergence of competitors with very similar types of products and packaging.

Maintaining product excellence is essential to creating brand equity and brand image. Dimitrieska (2017) states that products with well-known brands can become favorite products because they have several advantages: high product quality, continuous availability, and proper promotion. These three advantages form consumer loyalty. Adetunji (2017) suggests that marketing communication using social media has a positive and significant impact on product brand image and significantly affects consumer purchase intentions. This research shows that the promotion that has been carried out by companies conventionally will be more effective if it is also done through social media. In other studies, it is said that advertising and personal selling are quite effective in providing information, creating

awareness, and changing consumer attitudes. It's just not very effective in building corporate image and creating brand loyalty (Alorunleke, 2010). From this research, it is observed that although advertising and personal selling are part of the way a company is promoted, it is not always able to build an image. Consistency in promoting excellence and brand characteristics can be said to play a more important role in building a brand image. Meanwhile, Chung (2012) states that the brand image of a product can significantly influence brand equity and brand equity significantly affects consumer purchase intentions.

Pradipta (2016) said that simultaneously brand equity has a significant influence on purchasing decisions, and partially the variables of brand equity show significant results on purchasing decisions except for brand awareness. Besides that, it is found that brand association has the most dominant influence. In another study, Tresna (2018) said that brand equity has a significant positive effect on brand loyalty. Besides that, customer satisfaction has a significant positive effect on brand loyalty. Other studies say that there is an influence between brand equity on purchasing decisions. In addition, there is an effect of brand association on purchasing decisions, and there is an effect of perceived quality on purchasing decisions (Zulkarnain, 2015). In another study by Marisa (2019), it is said that the product brand image has a significant effect on the decision to repurchase. Buybacks are made because millennials will always fulfill their hedonistic lifestyle. When the product's brand image is able to realize the desired lifestyle, consumers will make repeated purchases.

According to several studies, it shows that the brand equity and brand image of a product is very important in influencing consumers' intention to buy the product repeatedly so that SMEs can move up in class. The Lapis Bogor Sangkuriang product can already have brand equity, and a brand image that can be seen with the increasing sales of this product, and the more people outside Bogor know it. This product also has many competitors that are made very similar to the Sangkuriang Taro Layer product. Buyers who are not careful will buy this competitor's product and feel they are consuming the Sangkuriang brand layer.

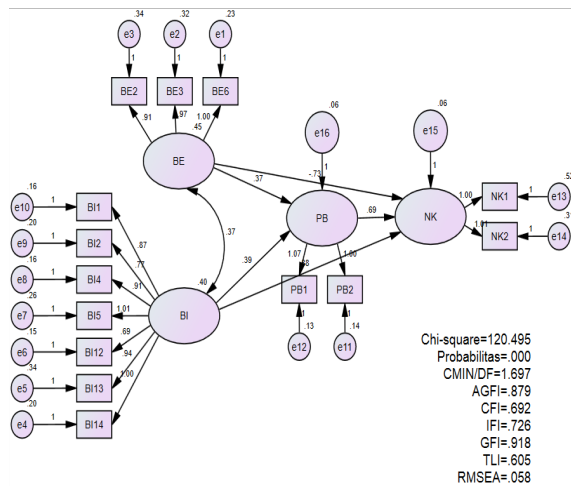


Figure 1 CFA Model 2nd Order Exogeneous Construct

Based on this background, we formulate the problem in this study as to how the influence of brand equity (BE) and brand image (BI) of SME products on repeat purchases (PB) and SME growth (NK). This study aimed to examine and analyze that brand equity and brand image can directly influence repeat purchases and indirectly influence growth of small and micro enterprises.

## 2 METHODOLOGY

The research technique used is a field survey method (field research) by selecting consumers of the Taro Layer Cake product, Bogor "Sangkuriang" brand as respondents. We conduct the research in several locations in Bogor City, Regency of Bogor, and the town of Depok from May to August 2020. The population in this study were consumers who were over 17 years of age, and respondents were selected randomly by referring to the terms and characteristics that had been determined. The number of samples used refers to the central boundary theory, which requires that a large number of samples ( $n > 30$ ) will spread normally. The participants are interviewed using a purposive method, selected based on the respondents' willingness to cooperate in this study.

This study's primary data consisted of brand equity variables with the dimensions of brand awareness, perceived brand quality, brand association, and brand loyalty. Variables of brand image with dimensions include logo design, logo design consistency, main brand values, brand strengths, brand uniqueness, and consumer loyalty to the brand. The SME variable is upgraded with the

dimensions of the distribution network and support network. Repeat purchase variable with dimensions of post-purchase and product evaluation. The model used in this study is a model of causality or an interplay of relationships to test the proposed hypothesis. The data analysis technique used the SEM (Structural Equation Models) method. The SEM analysis method is used because SEM can identify the indicators of a construct and, at the same time, be able to measure the effect or degree of relationship between the factors that have been identified in its dimensions.

There are seven hypotheses to be tested in this study, namely:

- **H1:** There is a direct positive and significant effect of BE on UKM-NK
- **H2:** There is a direct positive and significant effect of BI on UKM-NK
- **H3:** There is a direct positive and significant effect of BE on PB
- **H4:** There is a direct positive and significant effect of BI on PB
- **H5:** There is a direct positive and significant effect of PB on UKM-NK
- **H6:** There is a positive and significant effect of BE on UKM-NK through PB
- **H7:** There is a positive and significant effect of BI on UKM-NK through PB

## 3 RESULTS AND DISCUSSIONS

Brand equity, which consists of brand awareness, perceived quality, brand association, and loyalty, is able to influence the class upgrading of Sangkuriang's Bogor Kue Lapis cake products. Specifically, three factors affect the upgrading of the Sangkuriang brand, namely: 1) the ability of respondents to remember Sangkuriang's brand; 2) the Sangkuriang brand is the main choice among the various brands of Bogor taro layer products that exist; and 3) the Sangkuriang brand is the most popular according to respondents.

The Bogor Sangkuriang taro layer began to be marketed in 2011. The right Sangkuriang brand marketing strategy made 50 percent of respondents able to recognize, remember, and associate with certain products. Currently, this brand is the market leader compared to its competitors. Research from Yulianti (2017) states that the taro layer of Bogor Sangkuriang is in a growth position, even though many competitors have emerged with similar products and packaging. The popularity achieved by

the Sangkuriang brand indicates that this brand is in the position of "top of mind awareness" which means that consumers immediately remember the Sangkuriang brand spontaneously without the help of props such as banners/advertisements when their mind wants something to be consumed or something for souvenirs. . The specialty of Sangkuriang is that the basic ingredient is taro which is the original garden product of Bogor district/city. For a long

time, taro has been a typical Bogor food that is often bought by tourists both in the form of raw and taro chips. The development/diversification of taro products in the form of layers is something new that can attract consumers' interest, plus other features of the Sangkuriang brand, namely its dominant level of tenderness and not excessive sweetness, which is very suitable for consumer tastes.

Table 1. Results of the hypothesis tests

Hipotesa	Estimasi	CR (Uji t)	Prob	Caption
<b>BE <math>\Rightarrow</math> UKM NK</b>	- 0.727	-2,345	0.019	Ho rejected Ha accepted
<b>BI <math>\Rightarrow</math> UKM NK</b>	0.877	3.168	0.002	Ho rejected Ha accepted
<b>BE <math>\Rightarrow</math> PB</b>	0.369	2.472	0.013	Ho rejected Ha accepted
<b>BI <math>\Rightarrow</math> PB</b>	0.391	2.579	0.010	Ho rejected Ha accepted
<b>PB <math>\Rightarrow</math> UKM NK</b>	0.694	2.579	0.010	Ho rejected Ha accepted
<b>BI <math>\Rightarrow</math> PB <math>\Rightarrow</math> UKM NK</b>	0.308	2.031	0.008	Ho rejected Ha accepted
<b>BE <math>\Rightarrow</math> PB <math>\Rightarrow</math> UKM NK</b>	0.308	2.031	0.004	Ho rejected Ha accepted

The relationship shown in this study is that brand equity has a significant but negative effect on SME growth. This growing of SMEs is assessed from 2 dimensions, namely: a) Sangkuriang outlets are easy to find around the respondents' residences, b) Bogor Sangkuriang taro layer products are obtained at souvenir shops. The form of this negative relationship shows that the main consumers of the Sangkuriang brand are local tourists who come from areas around Bogor such as Depok, Jakarta, Bekasi, and Tangerang, so an increase does not follow the increase in brand equity in outlets. Consumers buy Bogor Sangkuriang tiered products at official outlets in Bogor City, be it in the center of Bogor city such as Jalan Pajajaran or on Jalan Soleh Iskandar.

The brand image of the Bogor Sangkuriang taro layer product is formed by several dimensions, namely: a) easily recognizable logo, b) attractive logo, c) easy to recognize brand writing, d) logo has been known for a long time, e) harmonious Sangkuriang brand color combination, f) consumers do not want to try a competitor's product, g) have been consuming it since it was marketed. The brand image that is formed from the Sangkuriang product has a direct and significant effect on the upgrade of SMEs. This influence shows that Sangkuriang's logo has been embedded in the minds of consumers. The logo serves as an entrance into the consumer's mind for a reminder of the product's existence and differentiation from competitors' products.

Respondents agreed and strongly agreed that the Sangkuriang brand logo was attractive and easily recognizable. The logo is in the form of a young man in a regional dress with a mountainous background reminiscent of the West Java legend "Sangkuriang". According to respondents, the color combination, which is dominated by purple, is very harmonious. Besides, the consistency of the shape and color of the logo since it was marketed until now makes respondents who have been consuming for a long time have no desire to try competing products. All these things make the brand image affect SMEs to upgrade in a positive and significant way. Until now, respondents/consumers have high loyalty to the Sangkuriang brand. This is evidenced by its market position as a market leader and in a growth position (Yulianti, 2017). The company's ability to maintain consumer loyalty is based on several things, such as: a) being able to maintain consumer trust. Maintaining consumer confidence is done by maintaining product quality. One of the advantages of Sangkuriang Taro Layer is the softness of the product, and this has been maintained since the beginning of the product market until now; b) maintaining continuous marketing communications either through conventional means or by using social media; c) giving discounts and special offers; d) quality service. One form of service that makes consumers satisfied is that when this product was marketed, the amount of production



that was not sufficient for market demand made the company impose a purchasing restriction policy. The goal is that consumers from outside the city who come during the day can still enjoy this product.

In this study, the product brand equity of Sangkuriang has a positive and significant effect on repeat purchases. Respondents made Bogor's Sangkuriang their top choice even though there were many competitors, such as the Arasari brand, the Barokah brand, the Kabayan brand, and the Amor brand. The advantages of the product are: soft, not too sweet, complete variants, and always make promotional programs tailored to the moments that occur. For example, in order to welcome the month of fasting, a promo was made "Breaking the Fast for more Favors with a 30% discount via Goofood". When the 75th Independence Day, a Red and White Lapis promo, and a "buy one get one free" daily promo was made for the first 200 buyers. Some of the marketing activities that make up brand equity positively and significantly impact repeat purchases.

Tresna G et al. (2018) found that brand equity positively and significantly affects consumer loyalty. Meanwhile, research by Pradipta D and Hidayat K (2016) states that brand equity, except brand awareness, has a positive and significant effect on purchasing decisions and brand associations show the most dominant influence. Based on these two studies, it can be said that consumers of the Bogor Sangkuriang layer have high loyalty, so they are willing to make repeated purchases. In this study, brand image affects repeat purchases positively and significantly. Consumers who have kept the Sangkuriang taro layer logo in their mind, then when they are going to buy a taro layer product spontaneously decide to buy the Sangkuriang brand and even voluntarily recommend it to close friends and family. Rusandy (2018) states that brand image has several benefits, including: 1) it can increase customer loyalty; 2) can increase customer satisfaction; 3) customer satisfaction can increase customer loyalty; and 4) customer satisfaction mediates the relationship between brand image and loyalty.

The Sangkuriang brand product's brand image affects repeat purchases positively and significantly, indicating that consumers are satisfied with the Sangkuriang Bogor tiered product, and this satisfaction makes consumers loyal. Loyal customers will automatically make repeated purchases. Syoaleha et al. (2016) stated that brand image, which includes company image, user image, and product image has a positive influence on consumer loyalty, and the biggest influence is

company image. Abidin (2018) states that brand image and consumer trust in the company have a positive and significant impact on customer loyalty. Based on these two studies, it can be said that Sangkuriang's brand image makes consumers loyal to the product and affects repeat purchases. Consumers of Sangkuriang have loyalty to the product, so they make repeat purchases. Repeated purchases have made Sangkuriang's taro layer product reach a growth position, and it can be said that this company has experienced an upgrade to a higher class. Several things that indicate that this company has undergone a gradual upgrade are a) it already has several large outlets in the city of Bogor such as Soleh Iskandar street, Pajajaran street, Cibinong, and Puncak area. b) assets have reached IDR 500 billion.

The movement of UKM to level up is a priority of the government, to strengthen the foundation of the national economy so that there is no too big gap between large businesses and MSMEs. The strategy undertaken by the government is to open the widest possible market access, both domestic and foreign markets. For this reason, SME products must meet global quality standards so that they can compete with both local products and imported products (Masduki, 2020). Siagian (2020) there are 5 strategies that can be carried out in order to accelerate SME's Grading: 1) opening access to the domestic market and export markets, 2) increasing the competitiveness and capacity of SMEs through digital marketing, 3) providing financing and investment support, 4) developing management and business capacity through training and mentoring, 5) providing business opportunities and facilities such as licensing.

The brand equity of the taro layer product in Bogor Sangkuriang, which has been established and has generated high loyalty to consumers, has grown this business into the middle class. Upgrading can be shown from several things, namely assets that have reached 500 billion, as well as product sales turnover from small outlets that can reach 50 to 80 boxes per day, and the profit margin reaches 20% of sales. This position is able to be achieved by the company through repeated transactions by consumers. From the results of interviews with respondents, the reasons put forward for repeated purchasing activities are: a) a good relationship with SME producers/entrepreneurs, b) satisfaction obtained after consuming the product, c) satisfactory service from the perpetrator UKM. These three things make consumers make repeated purchases. This is what causes the Sangkuriang to have a brand image that

makes consumers buy back frequently and in the end this business is able to move up in class.

Particular strategies can be applied to consumers who only make one-time purchases, for example, by contacting them personally to offer special promos so that consumers make a repurchase. Several companies undertake a points incentive strategy. Consumers who make transactions within a certain limit will get points that can be accumulated for the next purchase. Another way that can be done is by providing special discounts for customers who have successfully brought in new customers. UKM can also use advertisements through social media and inform attractive offers directly via email customers. Another thing that can be done is to ask for feedback from customers directly about the product or service received. Consumers who are asked for their opinion tend to feel valued so that they are loyal to the product.

## 4 CONCLUSIONS

Brand Equity (BE) has a negative direct effect on SME growth (NK), meaning that this is contrary to the hypothesis which states that brand equity has a positive and significant effect on SME's growth. Brand equity (BE) has a positive and significant direct effect on repeat purchases (PB) with a strong relationship, and brand equity has a positive and significant effect on grown SMEs (NK) through repeated purchases with a weak relationship level ( $<0.5$ ). Brand image has a direct and positive effect on repeat purchases with a weak level of relationship. Brand image has a positive and significant direct effect on SME growth with a weak level of relationship. Repeat purchases have a direct and positive effect on SMEs' leveling up with a correlation coefficient of 0.694, while the brand image has a positive and significant effect on the SMEs through repeated purchases with a correlation coefficient of 0.308.

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