Influence of Brand Extention Strategy, Brand Image and Brand Trust on Coffee Product's Brand Equity

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Abstract

The objective of this research is to explore the relationship between brand extension strategy, brand image, brand trust, and brand equity in the coffee industry of Indonesia. The research mainly discusses the effect of brand extension strategy on brand equity through brand image and brand trust in the coffee industry, i.e., Kapal Api as a leading coffee brand in Indonesia. Approximately 200 respondents of Kapal Api consumers participated on the survey by responding the questionnaire. Data were analyzed using Structural Equation Modeling (SEM) by combining factor analysis and regression analysis. The results of the evaluation of the one step modification model show that the model is fit and tested for causality. This study shows that brand extension strategy affects brand trust but does not affect brand image and brand equity. Brand trust affects brand image and brand equity. In addition, the brand image also affects brand equity. Brand trust is able to mediate the brand extension strategy on brand equity while a brand image is not. This research is useful for businesses to evaluate marketing strategies in maximizing potential customers by understanding the factors that influence brand equity.

Keywords: brand extension strategy, brand image, brand trust, brand equity, coffee

1. Introduction

1.1 Introduction of the Problem

Modern marketing is supported by the raising of various brands. Brands become the most important part of the product because it can affect the consumer in purchasing (Kakkos et al., 2015; Chatzipanagiotou et al., 2018; Ganesh et al., 2018). Consumer's brand assessment creates customer-brand relationships that can increase consumer loyalty to certain brands (Hunt, 2019). This is because brands provide added value to products in the minds of consumers (Severi & Ling, 2013). The added value of product is able to lead consumer spend the money instead of only considering the price of the product (Abril dan Rodriguez-Cánovas, 2016).

Added value created from a set of assets, brands, and symbols is known as brand equity (Keller, 2008). Brand equity occurs when consumers have a high level of awareness and familiarity with brands (Matarid et al., 2014). The use of attributes, names, packaging, distribution strategies, and advertisements can build brand associations that are unique in the minds of consumers (Alhaddad, 2015; Alavinasab et al., 2017). The concept of brand equity is now an important part of marketing and is the most valuable asset for a marketer. Products can be easily imitated by competitors because they are tangible, while brand equity is not easily imitated because it is intangible (Wang et al., 2018; Moisescu, 2005). The results of brand equity are the creation of brand awareness and brand value that will influence the strength of the brand in the market share (Kapferer, 2008). Brand equity helps consumers reduce time sacrifices in simplifying the selection process to make purchasing decisions.

One strategy that can be used as an alternative to increase brand equity is introducing new products into the market using a brand that has been known before or known as the brand extension (Sajjad, Rasheed, Ibrahim, & Iqbal, 2015; Voss & Mohan, 2016). This strategy has some advantages such as it can be done with minimal advertising and promotion costs to instill brand trust and brand image. Public trust in new brands introduced with

the brand extension strategy will be able to give birth to a positive image of the brand and indirectly increase the added value of the brand itself (brand equity). Even so, the risk of failure that occurs can affect the image of the existing product category, i.e. decreasing trust from consumers and distributors or retailers (Kim & Park, 2018; Rangkuti, 2004). Therefore, the brand extension strategy must be implemented effectively to have a positive influence on brand equity.

Previous research shows that brand extension strategy has a direct influence on the brand equity (Kim & Park, 2018; Sajjad et al., 2015; Bahari, 2015; Matarid et al., 2014). However, there is no research that shows the construction of how the brand extension strategy is able to create brand equity. When the marketers find a decrease in brand equity, marketers will find it difficult to evaluate and find alternative solutions. Therefore, it is necessary to prioritize the search for other factors that influence the formation of brand equity from the brand extension strategy. It needs to be done so that the implementation of the brand extension strategy can run effectively and increase brand equity. One of the industries that has implemented a brand extension strategy and even become a favorite in all of Indonesia is the coffee industry. The rapid development of the coffee industry is a reflection of people's appetite for coffee drinks that must be met by producers. The increase of domestic coffee consumption, in addition to being supported by the community's social pattern in consuming coffee, is also supported by affordable prices, practicality in serving and the diversity of flavors that are in line with consumer tastes (Association of Indonesian Coffee Exporters, 2016).

Kapal Api shows superiority in the assessment of Top Brand Indonesia and has made it more confident to make a brand extension strategy in order to expand its market and be able to meet various consumer needs for packaged coffee products. Some of the derivative products produced by Kopi Kapal Api include Kapal Api Bubuk Instant, Kapal Api Susu Ginseng, and Kapal Api White Coffee. However, Kapal Api Coffee derivative products do not get high scores in the Top Brand Index survey in 2015–2018. It shows that there are several factors that influence the success of the brand extension strategy carried out by the producer of Kopi Kapal Api. This study aims to find the effect of brand extension strategy on brand equity through a variable intervening brand image and brand trust.

1.2 Hypothesis Development

Brand extension is any effort made to use a brand name that has succeeded in launching a new product or modified product into a new category. While brand equity is a series of brand assets and liabilities associated with brand names and symbols, which can be taken from the value provided by products or services and provide value for customers and companies (Aaker, 1992a). The company uses a brand extension strategy by exploiting its valuable assets, i.e., a brand (Keller, 2008). The number of similar products, even though with different variants, will increasingly stick to the main brand in the minds of consumers. This is because consumers will still meet products with the same brand. Therefore, it will gradually be able to increase brand equity from existing parent products and most importantly, be able to be the reason for consumers to make purchases (Matarid et al., 2014).

H$_1$: The better the brand extension strategy is carried out, the better the brand equity that will be obtained by Kopi Kapal Api products

The brand extension strategy is considered to be more effective and more efficient since it utilizes the previous product brand image or utilizes brand recognition; therefore, consumers are not stranger to products offered by the company (Matarid et al., 2014; Hameed et al., 2014). Brand extension can build a positive brand image (Mohan & Sequeira, 2012). Positive brand image benefits the company to develop its product line by utilizing the positive image that has been formed on the product brand. Thus, the better the brand extension of a product, the better the image of the company in the eyes of consumers.

H$_2$: The better the brand extension strategy is carried out, the better the brand image obtained by Kapal Api coffee products

Brand trust is the feeling of being held by a consumer towards a product brand, where the product is believed to be able to meet expectations or expectations of the quality or needs of the product brand itself (Agustin & Singh, 2005). A positive purchasing experience tends to get a positive emotional response and can increase the perception of reliability from the brand focus on the views of consumers (Erciş et al., 2012). When consumers are confident and trust the brand, they will develop an emotional bond with the brand, and this affects consumer attitudes towards greater commitment, i.e., loyalty (Chinomona et al., 2013). At the same time, consumers reinforce their belief that the brand will fulfill its actual obligations and performance (Chinomona et al., 2013).

H₃: The better strategy brand extensions are carried out, the higher the brand trust in Kapal Api coffee products.

Brand trust is the feeling of being held by a consumer towards a product brand, where the product is believed to be able to meet expectations or expectations of the quality or needs of the product brand itself (Agustin & Singh, 2005). Furthermore, Lau and Lee (2011) suggest that brand trust is the desire of customers to rely on a brand with the risks faced because expectations of the brand will lead to positive results. Kotler (2009) state that brand image is the perception and belief carried out by consumers, as reflected in the associations that occur in consumer memory. The amount of research that states that trust in a brand will make the brand indirectly have an increasingly positive image (Ercis et al., 2012; Mohammed et al., 2016; Becerra et al., 2013; Martinez et al., 2004; Ar & Kara, 2014).

H₄: The higher the brand trust, the higher the the brand image in Kapal Api coffee products

Brand Image plays an important role in the brand formation and in the buyer's decision-making process when evaluating brands as an alternative. Faircloth et al. (2001) propose that brand equity can be created directly and indirectly through brand image, and brand image proves to have a positive influence on brand equity (Juntunen et al., 2011; Chang dan Lui, 2009; Mishra dan Datta, 2011).

H₅: The higher the brand image, the better the brand equity that can be found in Kapal Api coffee products

Consumer's brand trust will have an impact on the loyalty of consumer attitudes or behavior towards the brand. Chaudhuri and Holbrook (2001) state that brand trust is a consumer's belief that the brand they want can be relied on, provide a guarantee, not detrimental and its performance is very valuable or very useful. Prestigious brands have high equity, so brands have a role for the company given that brand equity can bring many benefits to the company (Aaker, 1992a). Aaker (1992b) explains that brand equity is a set of assets and liabilities owned by a company or symbols that can add value to a product or service. Good brand equity can be an asset while bad brand equity will be an obligation for companies to increase brand equity value (Keller, 1993). In order to get high brand equity, the company must be able to increase consumer trust in the brand. When someone has trusted another party, they are confident that expectations will be fulfilled and there will be no more disappointment (Ryan, 2002).

H₆: The higher the brand trust, the higher the brand equity in Kapal Api coffee products.
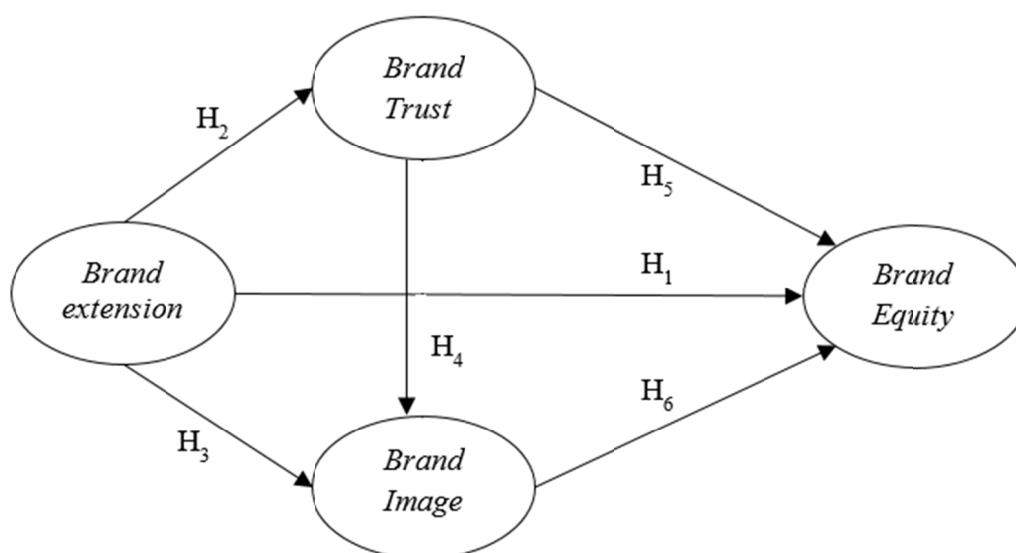

Figure 1. The conceptual framework of the study

2. Method

This study uses a positivist approach to see causality between variables. The modeling in the analysis of this research is using SEM (Structural Equation Modeling). SEM is a multivariate statistical technique which is a combination of factor analysis and regression analysis (correlation), which aims to examine the relationships between variables in a model, both between indicators and their constructs, or relationships between constructs.

The research was conducted to Kopi Kapal Api consumers in major cities in Indonesia represented by the City of Jakarta, Semarang, Yogyakarta, and Surabaya. The results of the evaluation of the one step modification model show the fit and can be tested for causality. The method of data collection in this study is a survey method, which is a method of collecting data based on questions submitted to respondents who are designed to obtain information from the respondents. The sampling method is nonprobability sampling using accidental sampling, which is a technique for determining samples based on chance. In this study, 200 samples were used. The data collection procedure used in this study is a structured data collection.

The variable in this study is brand extension strategy which is measured with similarity, reputation, perceived risk and innovativeness (Hem et al., 2003). Brand trust is measured with quality indicators that match expectations, product reliability, confidence, and recommendations (Hosseini & Behboudi, 2017; Song et al., 2019; Hegner et al., 2016; Alwi et al., 2016; Becerra et al., 2013; Shin et al., 2012; Reast, 2008; Ha, 2005). Brand image is measured with indicators of different brands, brand value, position, executive, and pride (Song et al., 2019; Aaker, 1992b; Severi & Ling, 2017). Brand equity is measured with brand loyalty indicators, perceived quality, brand awareness, and brand association (Aaker, 1992b). The structural model can be drawn as follow:

$$Y_1 = \beta_{01} + \gamma_{11}X + \zeta_1 \tag{1}$$

$$Y_2 = \beta_{02} + \gamma_{12}X + \beta_1 Y_1 + \zeta_2 \tag{2}$$

$$Y_3 = \beta_{03} + \gamma_{13}X + \beta_1 Y_1 + \beta_3 Y_2 + \zeta_3 \tag{3}$$

Equation (1) is the model for brand trust variable (Y_1), while equation (2) and (3) stand for brand image (Y_2) and brand equity (Y_3) with X as brand extension variable. The symbol γ is coefficient for exogenous latent variable to endogenous variables, β is coefficient for endogenous latent variable to other endogenous variables and ζ for error of endogenous variables. Those models is used to analyze the effect between variables as stated in hypothesis.

Table 1. Items and α coefficient of the construct

Variable Measurement	Source	Items	α
Brand Extension Strategy (X)	Hem, et, al, 2003	7	0.837
Brand Trust (Y1)	Hosseini & Behboudi, 2017; Song et al., 2019; Hegner et al., 2016; Alwi et al., 2016; Becerra et al., 2013; Shin et al., 2012; Reast, 2008; Ha, 2005	5	0.899
Brand Image (Y2)	Song et al., 2019; Aaker, 1992b; Severi & Ling, 2017	5	0.828
Brand Equity (Y3)	Aaker, 1992b	7	0.832

3. Results

3.1 Baseline Data

Table 2. Respondent Characteristic

Respondent Characteristic	frequency	%
Sex		
Male	131	65.5
Female	69	34.5
Last Education Level		
D1 & D2	10	14.5
Diploma	9	20.5
Undergraduate	104	52.0
Graduate	57	28.5
Post Graduate	20	10.0
Age (y.o)		
18–25	29	14.5
26–35	41	20.5
36–45	60	30.0
> 45	70	35.0
	200	100

Table 2 shows that the number of respondents in this study was 200 consumers of packaged coffee products. Most of the respondents were men of 65.5% and their last education was S1 degree of 52.8%. The age of respondents in this study varied and most were > 45-years-old, which was 35%.

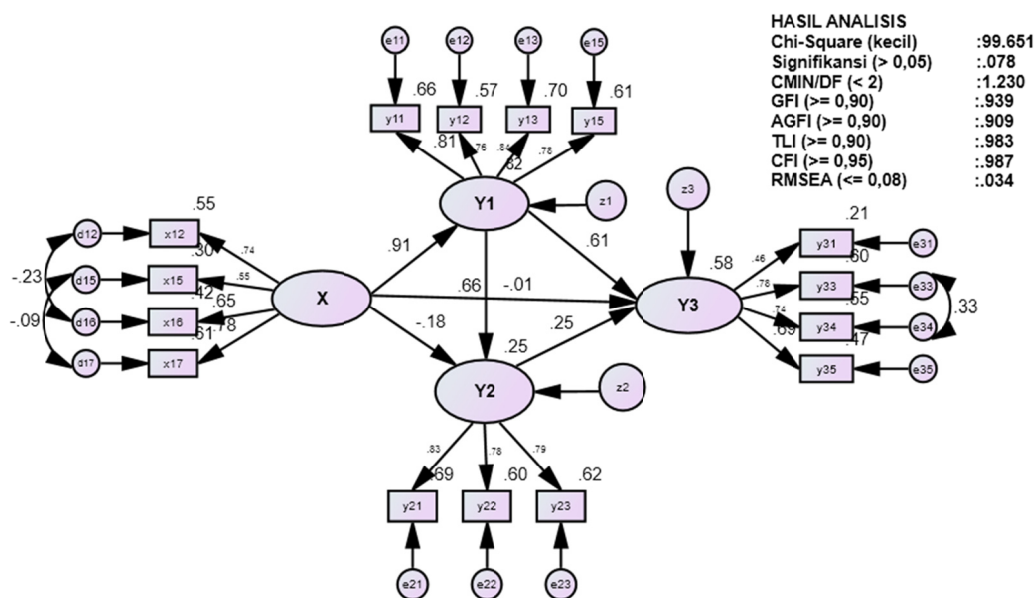*3.2 Statistics and Data Analysis*

Figure 2. Model of one step approach modification

The results of the evaluation of the one step modification model (as shown in Table 2) show that most of the goodness of fit criteria used have good evaluation. It means that the model was in accordance with the data and the conceptual model developed and based on theory has been fully supported by facts. Thus, it is the best model to explain the relationship between variables in the model in this study.

Table 3. Criteria evaluation of goodness of fit indices

Criterion	Result	Critical Value	Model Evaluation
Cmin/DF	1.230	$\leq 2{,}00$	Fit
Probability	0.078	$\geq 0{,}05$	Fit
RMSEA	0.034	$\leq 0{,}08$	Fit
GFI	0.939	$\geq 0{,}90$	Fit
AGFI	0.909	$\geq 0{,}90$	Fit
TLI	0.983	$\geq 0{,}95$	Fit
CFI	0.987	$\geq 0{,}94$	Fit

Source: primary data (processed).

The number of the determinant of sample covariance matrix: 33.326 > 0 indicates that there is nomulticollinearity or singularity in this data; thus, the hypotheses are fulfilled. Therefore, the magnitude of the regression coefficient of each factor can be trusted as seen in the causality test in Table 4.

Table 4. The result of causality test

Regression Weights			Ustd Estimate	Std Estimate	Prob.	Result
Brand Extension Strategi (X)	$\Rightarrow$	Brand Trust (Y1)	1.163	0.908	0.000	Significant
Brand Extension Strategi (X)	$\Rightarrow$	Brand Image (Y2)	-0.274	-0.184	0.544	Not Significant
Brand Trust (Y1)	$\Rightarrow$	Brand Image (Y2)	0.766	0.659	0.027	Significant
Brand Image (Y2)	$\Rightarrow$	Brand Equity (Y3)	0.157	0.246	0.012	Significant
Brand Trust (Y1)	$\Rightarrow$	Brand Equity (Y3)	0.455	0.613	0.034	Significant
Brand Extension Strategi (X)	$\Rightarrow$	Brand Equity (Y3)	-0.006	-0.007	0.980	Not Significant

Note. significant at $\alpha = 5\%$.

Source: Primary data (processed).

Moreover, as displayed in Figure 3 and Figure 4, Sobel Test Calculator shows a one-tailed probability of $0.02 < 0.05$; thus, it can be concluded that Brand Trust variables can mediate brand extension strategy variables on brand equity. In the contrary, Figure 4 shows one-tailed probability results of $0.278 > 0.05$; thus, it can be concluded that the brand image variable cannot mediate the band extension strategy variable on brand equity.
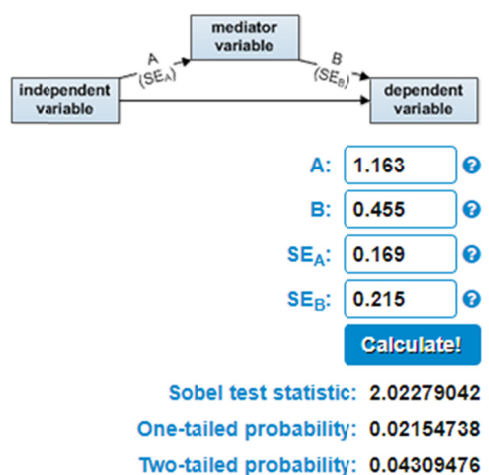

Figure 3. Diagram calculator sobel test with brand image as intervening variable
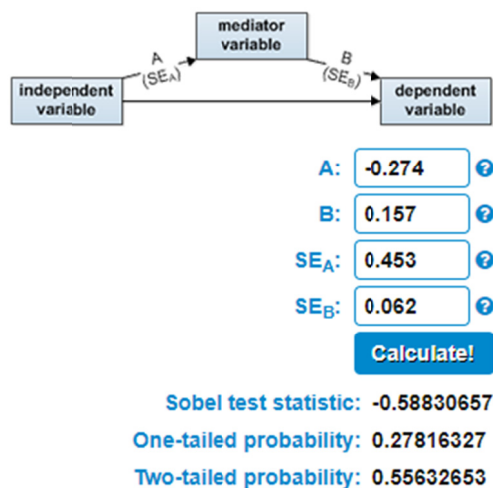
Source: Primary data (processed).

Figure 4. Diagram calculator sobel test with brand trust as intervening variable

Source: Primary data (processed).

4. Discussion

The results of this study prove that brand extension strategy has an influence on the brand; however, it does not have a direct effect on brand equity and brand image, while brand trust has a direct effect on brand equity. Several factors that cause the absence of the influence of brand extension strategy on brand equity in Kapal Api products are the lack of promotion, quality of competitors, and consumer culture (Hunt, 2019; Kim & Park, 2018). Kapal Api has market share more than 50% in Indonesia with their main product, coffe grain powder. Kapal Api is less optimal in promoting new products by implementing brand extension strategy. One of the advantages of a brand extension strategy is to reduce marketing costs by utilizing the brand equity of the parent product, however, it does not mean that promotion is being ruled out (Matarid et al., 2014). Promotion is one of the important things in the marketing process (Hunt, 2019). Emphasis on promotional costs should be balanced with promotional strategies that are able to compete with competitors in the same taste variants. In addition to promotion, competitor quality also affects the unsuccessful brand extension strategy in increasing the brand equity of Kapal Api. The Susu Ginseng variant cannot defeat the same product by CNI brand. This is because CNI has been a pioneer in the variant of ginseng milk coffee in Indonesia since 1994. Besides being known to the public first, it is also because of a promotional strategy carried out through word of mouth (WoM). Word of mouth is one of the effective promotion strategies that can foster consumer confidence and ultimately increase product sales (Ha, 2004). Meanwhile, the variant of Kopi Kapal Api White Coffee is also not able to compete with the main product of Luwak White Coffee. With the ability of competitors to create awareness in the minds of consumers on each of their products, the Kopi Kapal Api derivative products are less able to increase equity. Awareness is one of the factors that build brand equity (Ha, 2004; Lee et al., 2011).

Previous research suggests that Asian consumer culture has fundamental differences with Western consumers. Asian consumers tend to focus on the prevention of negative consequences for a choice while Western consumers focus on positive consequences (Kim & Park, 2018). As a result, consumers in Asia will retain products with good experiences in the past rather than trying new products without prior experience. This is consistent with the majority of respondents' choices which show a difference in knowledge between the derivative variants and the Kopi Kapal Api's parent products. This difference certainly greatly affects the brand extension strategy carried out by Kapal Api. The culture of not taking risks for new products is closely related to customer attitude. Although derivative products use a parent product brand that is well-known to the public, the community's interest in derivative products is still minimal. The brand extension strategy that is carried out to add value to the product is not necessarily able to change customer attitude (Hameed et al., 2014). In addition, the brand extension strategy cannot influence Kapal Api's brand image because of consumer's personality/attitude factors, similarity, and perceived quality of derivative products and low personal involvement (Arslan & Altuna, 2010; Kazemi et al., 2013; Martínez & De Chernatony, 2004; Ghorbani dan Madani, 2012; Zaichkowsky, 1985). Personal involvement is related to advertising, product value, and purchasing decisions. Research on consumer behavior states that coffee products tend to have low involvement values. Coffee products are not crucial in the life of consumers, so they will not think too far to learn brand information, brand attributes and purchasing decisions (Zaichkowsky, 1985).

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Appendix

Table of instrument items construct

Variable			
Brand Extension Strategy (X)	Similarity	Hem et al., 2003	Kopi Kapal Api Bubuk Berampas has similarity with Kapal Api Susu Ginseng, Kapal Api Kopi Bubuk Instant dan Kapal Api White Coffee
	Reputation		Positive attitude toward brand
			Brand satisfaction
	Perceived Risk		No doubt in brand
			There is no negative effect on the brand
	Innovativeness		Consumer like to find the new idea and innovativeness
			Consumers like change and improvement
Brand Trust (Y1)	Quality	(Hosseini & Behboudi, 2017; Song, et al 2019; Hegner, et al., 2016)	Kapal Api Coffee has a good quality, taste, and meet the consumer need
			Innovation as proof for caring to consumer
	Product reliability	(Alwi, et al., 2016; Becerra, et al., 2013; Hegner et al., 2016; Hosseini & Behboudi, 2017; Shin, et al., 2012)	Kapal Api Coffee product is reliable
	Self Confident	(Hegner, et al., 2016; Reast, 2008)	Kapal Api Coffee makes the consumer feels warm and confident
	Recommendation	(H.-Y. Ha, 2005)	The consumer has no doubt for recommending the product to others

Brand Image (Y2)	Different brand	(Severi & Ling, 2017; Song et al., 2019; Aaker, 1992b)	Kapal Api Coffee Bubuk Berampas has a different brand than other variants
	Brand value	(Severi & Ling, 2017; Aaker, 1992b)	Kapal Api Coffee Bubuk Berampas has more value than other variants
	Positioning	(Severi & Ling, 2013)	Kapal Api Coffee Bubuk Berampas has a good positioning than other variants
	Executive brand	(Song et al., 2019; Aaker, 1992b)	By consuming Kapal Api Coffee Bubuk Berampas makes consumer has a *clear impression* and executive
	Personality	(Song et al., 2019; Aaker, 1992b)	By consuming Kapal Api Coffee makes the consumer feel special *personality* and proud
Brand Equity (Y3)	Brand loyalty		The consumer will not take other brands when Kapal Api is out of stock in a particular shop
			Considering to become a loyal consumer of Kapal Api
	Perceived quality		Kapal Api has high quality and reliability
			Kapal Api is made from high-quality materials
	Brand awareness		The consumer can easily remember the characteristhic of Kapal Api brand
	Brand association		Consumer know the logo as soon as word Kapal Api is spoken

Table of respondent's score

Code	Respondent's Score (%)					Average	Value
	1	2	3	4	5		
X_1	5.0	33.0	21.5	28.5	12.0	3.10	Enough
X_2	1.0	24.5	37.0	31.5	6.0	3.17	Enough
X_3	6.0	35.5	31.0	23.0	4.5	2.85	Enough
X_4	3.5	24.0	39.5	27.5	5.5	3.08	Enough
X_5	1.0	14.5	48.0	29.5	7.0	3.27	Enough
X_6	0.5	14.5	43.5	38.0	3.5	3.30	Enough
X_7	2.0	22.5	43.5	25.5	3.5	2.97	Enough
$Y_{1.1}$	1.0	13.5	46.0	13.5	3.5	3.28	Enough
$Y_{1.2}$	1.0	7.5	37.5	47.0	7.0	3.52	Good
$Y_{1.3}$	0	13.5	47.0	35.5	4.0	3.30	Enough
$Y_{1.4}$	2.0	19.5	55.5	19.5	3.5	3.03	Enough
$Y_{1.5}$	3.0	18.5	50.0	24.0	4.5	3.09	Enough
$Y_{2.1}$	0	7.5	21.5	52.0	19.0	3.83	Good
$Y_{2.2}$	0	8.0	35.0	44.0	13.0	3.62	Good
$Y_{2.3}$	0	9.5	22.0	49.0	19.5	3.79	Good
$Y_{2.4}$	1.5	9.0	41.5	39.5	8.5	3.45	Good
$Y_{2.5}$	3.5	17.0	51.0	23.5	5.0	3.10	Enough
$Y_{3.1}$	7.5	39.0	35.5	14.0	4.0	2.68	Enough
$Y_{3.2}$	1.5	17.5	28.0	44.5	8.5	3.41	Enough
$Y_{3.3}$	0.5	8.0	39.5	48.0	4.0	3.47	Good
$Y_{3.4}$	0.5	7.0	44.0	43.5	5.0	3.46	Good
$Y_{3.5}$	1.0	6.5	21.5	60.5	10.5	3.73	Good
$Y_{3.6}$	2.5	20.5	44.5	27.5	5.0	3.12	Enough
$Y_{3.7}$	1.5	17.5	36.0	34.0	11.0	3.36	Enough