

# The Effect of Consumer-Based Brand Equity on Customer Satisfaction and Brand Loyalty in the Coffee Bean & Tea Leaf or Maxx Coffee

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**ABSTRACT:** The purpose of this study is to examine whether consumer-based brand equity (physical quality, staff behavior, self-compatibility, brand identification, and lifestyle congruence) of Coffee Bean & Tea Leaf Surabaya or Maxx Coffee Surabaya have a positive impact on customer satisfaction. This study examined 150 Coffee Bean & Tea Leaf customers and 150 Maxx Coffee customers in Surabaya who had bought the coffee. Structural equation modeling was used to analyze the constructs and overall model. The results of this study found that staff behavior, ideal self-congruence, and lifestyle-congruence have a significant effect on customer satisfaction. Physical quality and brand identification are factors that have no significant effect on customer satisfaction. Meanwhile physical quality and staff behavior have a significant effect on customer satisfaction. Ideal self-congruence, brand identification, and lifestyle-congruence have no significant effect on customer satisfaction. However customer satisfaction has a significant effect on brand loyalty.

*Keywords:* consumer based brand equity, customer satisfaction, brand loyalty

## 1 INTRODUCTION

In an increasingly tough business competition situation, many companies are competing to increase their market share, thus spurring companies to always develop their business in order to progress, develop, and compete. The company needs loyal customers to the brand because they are reluctant to move to other brands, which enables the company to survive and grow in the competition.

One of the strategies that a company can carry out is to create a brand because a brand is something essential. Helmig, Huber & Leeftang (2007) revealed that "brand is one of the main tools for marketers to alleviate consumers' price sensitivity in the market competition", which means that the brand is one of the main tools for marketers to reduce customer price sensitivity in market competition.

Consumer-Based brand equity is a common strategy used to build strong brands. Strong consumer-based brand equity will provide value, both to customers and the company. According to Kotler & Keller (2016: 324), consumer-based brand equity refers to an added value given to products and services. This value can be reflected in the way a customer thinks, feels, and acts on the brand, price, market share, and profitability of the company. According to Supranto & Limakrisna (2011), the value is de-

termined by customers in a brand above and beyond the functional characteristics/attributes of the product.

### 1.1 *Physical Quality and Staff Behavior*

The physical environment can give customers a good experience that can affect them to repeat their service requests, recommend services to their friends, and survive and spend more than initially planned (Ryu & Jang, 2008). In addition, good experience stimulates customer loyalty and customer satisfaction (Ryu & Jang, 2008). Organizational employees are essential factors in shaping customer perception and satisfaction because they are the people who are ultimately responsible for providing quality services that meet expectations customers (Zeithaml, Berry & Parasuraman, 1996 in Susanty & Kenny, 2015). Hensley & Sulek (2007) found that employee behavior affects overall customer satisfaction, suggesting that these factors influence customer experience.

H1. Physical Quality has a positive effect on Customer Satisfaction.

H2. Staff Behavior has a positive effect on Customer Satisfaction.

### 1.2 Ideal Self-congruence

He & Mukherjee (2007) noted that self-congruence is an essential determinant of customer satisfaction because it has long been recognized as an essential aspect in explaining and predicting various aspects of customer behavior. Customers will be satisfied if their needs and expectations are met and products can improve their image. Therefore, self-congruence can lead to satisfaction. Jamal & Goode (2001) in Nam et al. (2011) said that customer satisfaction could be the result of self-congruence. The positive fit between self-congruence and brand image can lead to high and positive satisfaction levels.

H3. Ideal Self-congruence has a positive effect on Customer Satisfaction.

### 1.3 Brand Identification

According to Shirazi & Mazidi (2013), brand identity has a significant relationship with customer satisfaction. Brand identification provides a more practical framework for customers to react to the experience of brand functions compared to previous expectations. When a brand's performance expectations are met, customers who are more identified with the brand feel more satisfied. As a result, customers increase their psychological dependence on brands, which in turn increases their self-esteem (He & Li, 2011).

H4. Brand Identification has a positive effect on Customer Satisfaction.

### 1.4 Lifestyle-congruence

Sarki et al. (2012) found that when customers buy, they follow emotions rather than a rational mindset. In fact, many different things affect purchases, including culture and lifestyle. Lifestyle marketing aims to develop customer satisfaction with brands by developing brands that are in accordance with identified customer lifestyles (Solomon, 2002 in Susanty & Kenny, 2015).

H5. Lifestyle-congruence has a positive effect on Customer Satisfaction.

### 1.5 Customer Satisfaction & Brand Loyalty

Practical studies illustrated that satisfaction affects brand loyalty (Nam et al., 2011). Brand loyalty can be increased by satisfying customers, which leads to repeat purchases of the same product or service (LaBarbera & Mazursky, 1983 in Susanty & Kenny, 2015). Satisfaction and loyalty are not substitutes for each other (Bloemer & Kasper, 1995 in Susanty &

Kenny, 2015). Satisfaction is a critical indicator in winning customer loyalty to specific brands in the long run (Mittal & Kamakura, 2001 in Susanty & Kenny, 2015).

H6. Customer Satisfaction has a positive effect on Brand Loyalty.

## 2 RESEARCH METHODS

### 2.1 Research Model

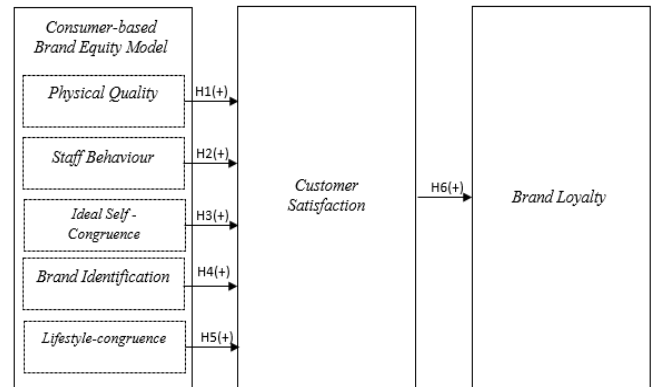


Figure 1. Research Model.

Based on its purpose, this study is included as basic research because it aims to develop knowledge, not to solve a problem or phenomenon in a particular company. Based on its type, this study seeks to identify the causal relationship (Zikmund, 2003). It used a quantitative approach where this study was discussed empirically and used numerical analysis and measurement. The collected data were processed using SEM (Structural Equation Modeling) analysis technique. The results of the analysis were then interpreted, which results in a conclusion. The data collection technique used was the survey method.

### 2.2 Population and Sample

The target population in this study was customers of The Coffee Bean & Tea Leaf or Maxx Coffe in Surabaya, who bought and enjoyed the facilities and services of the brand in the past six months. The respondents are domiciled in Surabaya and at least 18 years old and a maximum of 50 years old. The number of respondents in this study was 300 respondents, consisting of 150 The Coffee Bean & Tea Leaf and 150 Maxx Coffee. It exceeded the minimum sample size recommended by Hair et al. (2001) in Prawira (2010:46), which is five times the number of question items in the questionnaire. The indicators in this study consisted of 5 endogenous variables, 1 exogenous variable, and 1 mediating variable. The total questions in the study were 25 questions so that

the minimum sample size of this study is 125 respondents.

**2.3 Data Processing**

Data processing used SPSS 18 to test the reliability and validity of each question on the questionnaire with initial data of 30 questionnaires. The reliability test was used to measure the internal consistency of the scale with Cronbach's Alpha. All constructs can be used when the value is Cronbach's Alpha exceeds 0.7 (Hair et al., 2010). However, according to Malhotra (2010), all measurement scales can still be used if the Cronbach's Alpha value is not less than 0.6, while the validity test can be done by calculating the correlation between each statement in the questionnaire used.

Furthermore, data processing was performed using Lisrel 8.7. The first step was the measurement model that links indicators to variables. The approaches used to assess a measurement model were the Construction Reliability and Average Variance Extracted.

**3. RESULTS AND DISCUSSIONS**

Hypothesis testing is called a structural model. Hypothesis testing in this study used a t-test (to measure the t-value) on the structural model. The hypothesis is supported if the t-values  $| 1.96 |$  and the direction is as expected (positive) with  $\alpha = 5\%$ , so it can be said to be significant. However, if it is not appropriate, the hypothesis cannot be accepted or rejected.

Table 1. Results The Coffee Bean & Tea Leaf

H	Relationship	SE	t-Values	Decision
H1	PQ to CS	-0.13	-1.31	Not Supported
H2	SB to CS	0.42	4.03	Supported
H3	ISC to CS	0.34	2.65	Supported
H4	BI to CS	-0.09	-0.82	Not Supported
H5	LC to CS	0.25	2.21	Supported
H6	CS to BL	0.52	4.08	Supported

Sources: Processed data

The physical quality variable in The Coffee Bean & Tea Leaf brand had no effect on customer satisfaction for this customer band. This is supported by research by Yusuf Bilgin (2017), which states that Physical Quality does not affect Customer Satisfaction. This is because customers tend to consider the service provided, especially in the service sector, such as restaurants, which is also included in this case, namely the coffee shop.

Table2. Results Maxx Coffee

H	Relationship	SE	t-Values	Decision
H1	PQ to CS	0.55	2.72	Supported
H2	SB to CS	0.33	2.64	Supported
H3	ISC to CS	-0.03	-0.21	Not Supported
H4	BI to CS	-0.07	-0.70	Not Supported
H5	LC to CS	0.07	0.67	Not Supported
H6	CS to BL	0.25	2.36	Supported

Sources: Processed data

The physical quality variable in the Maxx Coffee brand had a significant effect on the customer satisfaction variable for this brand. Before entering the Indonesian market, Maxx Coffee conducted a survey of customers about the coveted coffee shop concept, then Maxx Coffee now has a vintage concept that is the belle of the urban community, making customers more comfortable and not saturated at Maxx Coffee, ingredients of a variety of drinks served also come from A grade Arabica coffee, which the majority of 70% use coffee from the regions of Indonesia that suits the tastes of the Indonesian people. An excellent physical environment can give customers a good experience, which can influence customers to make repeat purchases, recommend to friends, stay longer at the place, and buy more than the customers' initial plan (Ryu & Jang, 2008).

The Coffee Bean & Tea Leaf staff behavior had a significant impact on the customer satisfaction of this brand. This is consistent with the fact that The Coffee Bean & Tea Leaf customers are in direct contact with The Coffee Bean & Tea Leaf employees. This is supported by Kattara, Weheba, & Ahmed (2015) that stated that good employee behavior has a positive effect on overall customer satisfaction.

The staff behavior variable of the Maxx Coffee brand had a significant effect on the customer satisfaction variable of this brand. Employees in an organization are the most critical factors in shaping customer views and customer satisfaction because they are the people who are ultimately responsible for providing quality services expected by customers (Zeithaml, Berry & Parasuraman, 1996 in Susanty & Kenny, 2015). Employee behavior will affect overall customer satisfaction, which shows that the factor affects customer experience. Therefore, the good behavior and attention of The Coffee Bean & Tea Leaf and Maxx Coffee employees can create customer satisfaction with the brand. This is supported by Hensley & Sulek (2007); Law, Hui, & Zhao (2004).

The ideal self-congruence variable on The Coffee Bean & Tea Leaf brand had a positive effect on customer satisfaction of this brand. This is also supported

ed by Tsai, Chang, & Ho (2015) that found self-concept congruence, which, in this case, is similar to ideal self-congruence, has a significant relationship on customer satisfaction. This is also supported by the theory of He & Mukherjee (2007) that scrutinized customers will be satisfied if their needs and expectations are met, and the product can improve the image of the customer. The award owned by The Coffee Bean & Tea Leaf can enhance the brand image, which will also enhance the image of the customer.

The ideal self-congruence variable of the Maxx Coffee brand had no significant effect on the customer satisfaction of this brand. This is also supported by Hosany (2015), which concluded that self-image congruence, which in this study is similar to the ideal self-congruence, has no significant effect on customer satisfaction.

Brand identification variable in The Coffee Bean & Tea Leaf and Maxx Coffee had no effect on customer satisfaction for both brands. It happens because when expectations related to the brand do not match with what the customer thinks, customers who are identical to the brand are less likely to be affected by satisfaction because they show a flexible attitude when they hear bad news and experience about the brand (Bhattacharya & Sen, 2003). This is also supported by the phenomenon in one of the Breadtalk bread outlets where in March 2018, 2 mice found in the Breadtalk outlet kitchen (Pribadi, 2018). Many media reported that occurrence. However, Breadtalk actually scored higher sales in March 2018 with a sales promo in the context of Breadtalk's birthday ([www.marketeers.com](http://www.marketeers.com) downloaded on April 25, 2018). This phenomenon supports the statement that brand identification does not affect customer satisfaction.

The lifestyle-congruence variable in The Coffee Bean & Tea Leaf brand had a positive effect on customer satisfaction of the Coffee Bean & Tea Leaf brand. It happens because the target market of The Coffee Bean & Tea Leaf is niche consumers who consider drinking coffee or tea as a lifestyle of modern society ([www.marketeers.com](http://www.marketeers.com), downloaded on April 25, 2018). It is in line with Solomon (2002), which said that a customer's lifestyle could increase customer satisfaction by developing a brand that is in accordance with the customer's lifestyle itself.

The lifestyle-congruence variable in the Maxx Coffee brand had no significant effect on customer satisfaction of the Maxx Coffee. This can happen because of the many coffee shops on the market are competing to offer authentic flavors from a variety of local coffees (Novianty, 2018). Maxx Coffee

brand is a local brand, and customers prefer to put their lifestyle to try different kinds of local coffee outlets and compare the quality of the coffee shops ([www.kinciakincia.com](http://www.kinciakincia.com), downloaded on April 25, 2018). Solomon et al. (2002) found that when customers buy, they follow emotions rather than a rational mindset.

The customer satisfaction variable of The Coffee Bean & Tea Leaf and Maxx Coffee brand had a significant effect on the brand loyalty of both brands. Brand loyalty can be enhanced by excellent customer satisfaction, which will create repeat purchases on the same brand by customers (LaBarbera & Mazursky, 1983 in Susanty & Kenny, 2015). The Coffee Bean & Tea Leaf can increase customer satisfaction well as evidence that respondents in this study who have a happy feeling after comparing the products of The Coffee Bean & Tea Leaf or Maxx Coffee with the expectations they have, so this things create customer loyalty to both brands. Satisfaction is the most important factor in gaining customer loyalty over a long period of time (Mittal & Kamakura, 2001 in Susanty & Kenny, 2015), so customer satisfaction for The Coffee Bean & Tea Leaf and Maxx Coffee can increase customer loyalty.

#### 4. CONCLUSIONS

The physical quality of the Coffee Bean & Tea Leaf brand did not affect the customer satisfaction of the Coffee Bean & Tea Leaf brand, while the physical quality of the Maxx Coffee brand affected the customer satisfaction of the Maxx Coffee brand.

The staff behavior of The Coffee Bean & Tea Leaf brand affected the customer satisfaction of The Coffee Bean & Tea Leaf brand, while the staff behavior of the Maxx Coffee brand also affected the customer satisfaction of the Maxx Coffee brand.

The Ideal Self-congruence of The Coffee Bean & Tea Leaf brand affected the customer satisfaction of The Coffee Bean & Tea Leaf brand, while the ideal self-congruence of the Maxx Coffee brand did not affect the customer satisfaction of the Maxx Coffee brand.

The Coffee Bean & Tea Leaf brand identification did not affect the customer satisfaction of The Coffee Bean & Tea Leaf brand, while the Maxx Coffee brand identification did not affect the customer satisfaction of the Maxx Coffee brand.

The Lifestyle-congruence brand of The Coffee Bean & Tea Leaf affected the customer satisfaction of The Coffee Bean & Tea Leaf brand, while the lifestyle-congruence of the Maxx Coffee brand did

not affect the customer satisfaction of the Maxx Coffee brand. The customer satisfaction of The Coffee Bean & Tea Leaf and Maxx Coffee brand affected brand loyalty.

#### 4.1 *Recommendation for the Coffee Bean & Tea Leaf in Surabaya*

Maintaining excellent service provided by employees, the quality of food and drinks served, as well as reasonable room management can create customer satisfaction that will have a positive effect on customer loyalty of the Coffee Bean & Tea Leaf brand.

The Coffee Bean & Tea Leaf employees must always listen to complaints from customers who provide input or criticism. Employees must also be sensitive to know what is needed by the customer and have a good insight related to the product, to be able to provide the best menu choices that suit the customer tastes who are confused in choosing food or beverage menus. Moreover, The Coffee Bean & Tea Leaf brand employees serve their customers friendly.

The Coffee Bean & Tea Leaf can open outlets in strategic places in accordance with typical customers of The Coffee Bean & Tea Leaf. The brand must also be able to increase its value by increasing the rewards obtained. By having a better brand value, customers tend to share their experiences in rising value.

Modern society, especially those in urban areas, have considered drinking coffee as a lifestyle, with the potential that exists, The Coffee Bean & Tea Leaf should routinely provide the latest promos, as well as the latest drink flavor variants, to reflect, adapt, and support customer lifestyle.

#### 4.2 *Recommendation for Maxx Coffee in Surabaya*

Maxx Coffee can complement its facilities, increase the internet network provided to customers, the benefits of its membership, improve the visual quality of the brand to attract customers, increase the variety of types of food and drinks served to customers to suit different customer tastes, as well as provide supporting facilities such as electric ports, magazines, or newspapers to eliminate customers' boredom.

The Coffee Bean & Tea Leaf employees must always listen to complaints from customers who provide input or criticism. Employees must also be sensitive to know what is needed by the customer and have a good insight related to the product, so as to be able to provide the best menu choices that suit the customer tastes who are confused in choosing food

or beverage menus. Moreover, Maxx Coffee employees serve their customers friendly.

By maintaining the services provided by employees, the quality of food and drinks served, as well as good room settings, the Maxx Coffee brand can create customer satisfaction that will have a positive effect on customer loyalty.

#### 4.3 *Recommendations for Academics*

For academics who will conduct similar research, it is recommended to use the coffee shop, but the selected object can be different. Future studies can also use different population characteristics or sampling locations.

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