EFFECT OF BRAND EQUITY ON FIRM PERFORMANCE IN TELKOMSEL USING CUSTOMER-BASED BRAND EQUITY (CBBE) MODEL

SANDRAFI ANISA ROZALINA

School of Business and Management, Bandung Institute of Technology, Bandung, Indonesia
E-mail:Sandrafiar02@gmail.com

Abstract - Indonesia can step to the next level of economic growth by going digital. Telecommunication is a good way to reach the next level of economic growth through digital way. As the biggest telecommunication company in Indonesia, Telkomsel can maximize the performance because it is really impact to Indonesia telecommunication sector and it can impact the economic potential too. Brand equity is really important for Telkomsel because it is affected to firm performance of Telkomsel. This study aimed to find the empirical evidence relationship between brand equity and firm performance. Keller's CBBE approach is used and measured using questionnaire developed from scaled. This study is using SEM Smart PLS as the methodology. As a result, it has been seen that the component of Keller's CBBE positively affect firm performance of Telkomsel.

Keywords - Telecommunication; Brand Equity; Firm Performance; Customer-Based Brand Equity; CBBE

I. INTRODUCTION

Indonesia is a country that has a high level of telecommunication growth. According to McKinsey [1] Indonesia can step to the next level of economic growth by going digital. Telecommunication is a good way to reach the next level of economic growth through digital way.

In Indonesia, there are three main telecommunication that is Telkomsel, Indosat Ooredo, and XL Axiata. Based on the annual report of Telkomsel [2], Indosat Ooredo [3], and XL Axiata [4]. Telkomsel has 196 million subscribers in December 2017, Indosat Ooredo has 110 million subscriber, and XL Axiata has 53,5 million subscribers.

Branding is one of the most important things that company has to sell their values to customer. The higher the value, the higher money will get from the company. The performance of a company expected to be increased as a result from a strong brand and higher brand equity [5]. Any firm in world must have their own brand. A firm brand can describe and reflected the firm value, word, and actions of all people in the corporation [6]. Brand equity is all brand asset and brand liability that a company has [7]. Branding program is one example of brand equity because it is a brand asset. Telecommunication is one of good example for brand equity because every telecommunication firm has its own brand equity. Since there are three main telecommunications in Indonesia, each of them has its own main branding program.

Telkomsel was established on May 26th 1995 [2]. Telkomsel is already giving the best service to fulfil the demand in Indonesia from Sabang until Merauke. Telkomsel is the biggest operator in Indonesia and already has 196 billion subscribers. Telkomsel gives the service all around Indonesia, in rural area and big city and Telkomsel has 146.000 BTS.

Telkomsel consistently implemented cellular technology and the first operator that give 4G LTE service in Indonesia. In this digital era, Telkomsel always try to develop the corporation which is Digital Advertising, Digital Lifestyle, Mobile Financial Service, and Internet of Things. For fulfil the demand, Telkomsel has 24 hours call centre and GraPari service spread in Indonesia.
For giving the best services to customer that faced digital lifestyle, Telkomsel helps to build a good digital ecosystem in Indonesia through various DNA (Device, Network, and Application) which is expected to accelerate the formation of Indonesia's digital society. In addition, Telkomsel is also actively encouraging young people to positively use technology.

Telkomsel will always available for inspiring people with technology development, products, and competitive services. These things will lead Indonesia becomes broadband-based economy according to the cellular technology map. Telkomsel always tries to create many creations for giving the best telecommunication services for Indonesia.

As the biggest telecommunication corporation in Indonesia, Telkomsel can maximize the performance because it is really impact to Indonesia telecommunication sector and it can impact the economic potential too. Therefore, Telkomsel has several phenomena that can change people's perception towards the brands and leads to degradation of the firm performance.

This research is aimed to conduct research based on facts of Telkomsel and improve some factors of the brand equity that can be applied for Telkomsel for leading the performance better. This study will be using customer-based brand equity (CBBE) method from Keller's.

This research is limited to analyse for Telkomsel. The analysis factors focused on company's side and consumer's side. Although there are many factors and strategy that build the brand equity, the factors and the strategy will be selected and just focused on Telkomsel. But it can be applicable for some related industry of Telkomsel.

In this research, the writer used Customer Based Brand Equity method from Keller. This research can be analyzed using other method. Other method related to brand equity is applicable or maybe other thing that has relationship to firm performance.

Demography aspect of this research can be a limitation too in this research. The writer targeted generation baby boomer, generation X (baby busters), generation Y (millenials), and generation Z (net silent generation) as the respondent. It will not representative enough for the whole Indonesia.

II. LITERATURE REVIEW

A. Brand Equity

Brand equity already appeared in 1980s. David A. Aaker stated that brand equity is a form of brand assets and liability that connected to a brand, its name and symbol that add to or subtract from the value that provided by a product or service to a firm or to that firm's customer [8]. And Kevin Lane Keller stated that brand equity is coming from a customer-based view as being the differential effect of brand knowledge on consumer response to the brand's marketing [7].

Brand equity is important for a corporation because it can differentiate the corporation from its competitors. Brand equity does not only give value to the customers and the owner, but it gives value to stockholders, personnel and managers [9]. In this era, a brand is a significant tool to attract investor attention. A brand is really crucial to the specific performance goals of the firm [10] because it can shape people's perception towards the brand.

Aaker's brand equity specifies three approaches on how brand assets can create values for the customers [8]. First, brand equity can grant the customers easy access to a lot of the brand's information. Second, it can affect the customer purchase decision through customer's confidence. And third, brand equity can enhance customer satisfaction and provide value to the customers.

B. Brand Identity

Brand identity is making brand salience. Brand salience is connecting to aspects of brand awareness. Brand awareness is the customer's ability to remember and recognize the brand [7]. Creating brand awareness means ensuring that the customers can easily understand the product and service while the brand creates and exhibits a clear connection to products and services sold under the brand name. Brand identity has to define the category identification and the needs satisfied in customers. Brand identity should be deep and vast enough for customers to recognize.

C. Brand Meaning

A brand is not only showing the utilitarian attributes but also has a particular meaning that makes the brand personally meaningful to the customers [11]. Company creates brand identity, but customer creates brand meaning. The meaning that people finds can help them to understand, and shape their own world [12]. Brand meaning is a connection between products and customer motivations that determined by how the brand felt by public through conscious way and how the brand resonance with them in semi or unconscious way [12].

Brand performance describes the extent to which the products and services meet customer needs [7]. It refers to the characteristics, features, product reliability, durability, serviceability, service effectiveness, efficiency, empathy, style, design, and price [7]. Brand imagery is really dependent upon extrinsic properties of the product and service, including the ways in which the brand meets customers' psychological and social need [7]. Brand imagery consists of user profiles, purchase and usage situations, personality and values, history, heritage, and experiences.

D. Brand Response

Brand response refers to how a customer responds to the brand, marketing activity, marketing program, and sources of information [13]. Brand response is very important because it is aimed to create an intense and active relationship between the brand and the customers [14]. Brand responses could be divided into two elements, brand judgment and brand feeling. Brand judgment comes from customer's mind meanwhile brand feeling comes from customer's heart [15]. Brand judgment is a customers' personal opinion and evaluation toward the brand which involves putting together all the different brand performance and imagery associations [7].

Brand judgment is composed of quality, credibility, consideration, and superiority. Brand feeling is the customers' emotional responses and reactions toward the brand [7]. Brand feeling relates to all the feelings a brand may evoke. It includes warmth, fun, excitement, security, social approval, and self-respect.

E. Brand Relationship

Brand relationship refers to the customer's relationship toward the brand and the level of personal identification that customer has [7]. Resonance is linked with intensity or depth of the psychological relationship in which the customer feels toward the brand. Brand relationship consists of loyalty, attachment, community, and engagement.

Brand relationship is related to activity of customer and the brand and if the brand relationship is strong, it means that the interactions between them is high [16]. Strong brand relationship brings to good cash flow in the form of loyalty and the extensions of a new brand, form a good cost advantages, and protect shareholder value [17]. Brand can be reputed as a mechanism that involve buyer and seller aims to create a long-term relationship [18].

F. Firm Performance

Firm performance is an important concept in organizational research [19]. Firm performance is a main key to all brands, because firm tries hard to maximize the brand value that they manage for ensuring the long term sustainability of its market dominance [20]. Firm performance is an organizational effectiveness that covered financial and operational outcomes [19]. Firm performance can be seen in bigger context as a part of business development of a firm. At this point, it is important to bold the fact that firm performance is measured by the firm operation efficiency, more effective the firm operation efficiency leads to more positive of the organizational performance, on the contrary, the low firm operation efficiency means that the poor firm's performance [20].

G. Brand Equity Relates to Firm Performance

Brands can shape people's perception. Investor perception is important because it influences investor's investment decision making process [21]. Brand equity is defined as the sum of the values attached to a stock exchange in any particular country that may influence investors' choice to do business there [22]. A stock exchange perceived to have high brand equity is likely to be associated with lower risk, and therefore increased attractiveness as a destination for investment [22]. Efforts to market a stock exchange is as important as branding and marketing efforts for any brand in the market. If a corporation has a good brand equity, it means that the corporation managed to create a good perception towards the firm and it impacts the financial performance due to the increased investor interest.

A good brand equity leads to a good perception in investors mind. To achieve and increase the stock performance, the firm needs to support it through marketing investment to build a strong brand equity and enhance the firms' reputation. The interpretation of a brand concept is the use of a marketing program. A marketing program has to deliver the brand concept because it can influence a customer's mind. If the brand concept can be delivered well, it will yield positive effects from the customer's mindset. Positive effect from the customer's mindset will increase firm performance.

H. Hypotheses

In line with customer-based brand equity components and firm performance, the following hypotheses are developed:

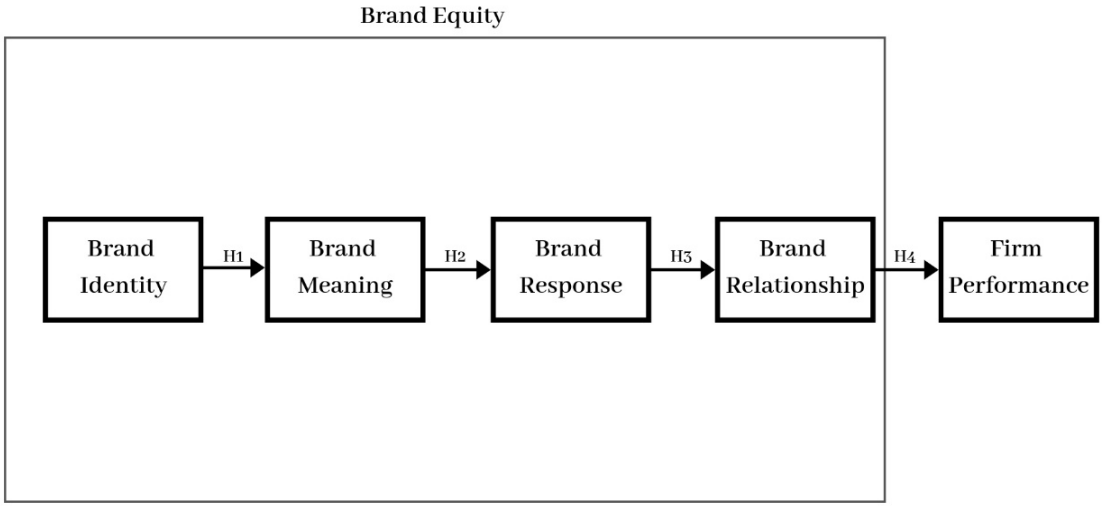


Figure 1. Conceptual Framework

H1 : Brand Identity in positively associated with Brand Meaning for customers in Telkomsel

H2 : Brand Meaning in positively associated with Brand Response for customers in Telkomsel

H3 : Brand Response in positively associated with Brand Relationship for customers in Telkomsel

H4 : Brand Relationship in Telkomsel contributes positively on the Firm Performance

III. METHODOLOGY

Whenever a researcher manages with relation between construct, SEM is probably going to be approach of decision. Since SEM is intended for working with numerous related conditions simultaneously, it offers various circumstances over familiar techniques and gives a general framework for linear modeling [23]. SEM permits incredible flexibility on how the conditions are specified.

Based on Armin Monecke and Friedrich Leisch [23], SmartPLS is an independent software for PLS path models. It is based on Java Eclipse platform making it operating system independent. The model is determined through drag and drop by drawing the illustration model for the latent variables. Data files of various formats can be stacked. In the wake of fitting the model, coefficients are added to the plot. The detailed output is given in plain text, LATEX and HTML format. The chart representing the model can be exported to PNG. Other than bootstrapping and blindfolding methods it supports the determination of interaction effects.

In a research [23], it mentioned what things that must be done and included to use Structural Equation Model Smart Partial Least Square (SEM SmartPLS).

Indicator/Procedure	Purpose	Value/Criteria
Outer loading	Correlation between variables	≥0.7
Cronbach alpha	Reliability	≥0.7
Rho A	Strength of association	≥0.7
Composite Reliability	Model reliability	≥0.7
AVE	Measure the number of variances due to measurement errors	≥0.5
Discriminant Validity	Unrelated measurement	≥0.5
Inner VIF Value	Collinearity assessment	≤0.5
R Square	Evaluate variant portions of endogenous variables	In percent
Q Square	Evaluate the accuracy of the adjusted model.	≥0
T Test	Evaluate the importance of evaluation and regression	≥1.96
Path Coefficient (Direct and Indirect Influence)	Evaluate the causal relations	In percent

Table 1. SEM SmartPLS

III. FINDINGS

A. R square

	R Square	R Square Adjusted
Brand Meaning	0.401	0.399
Brand Response	0.82	0.82
Brand Relationship	0.762	0.61
Firm Performance	0.488	0.487

Table 2. R Square

R square is a statistical method for knowing how close the data to the fitted regression. The adjusted R-squared compares the explanatory power of regression models that contain different numbers of predictors. As we can see from the table above that:

1. The influence of Brand Identity to Brand Meaning
2. The influence of brand identity variable to brand meaning is equal to 0.401 or about 40.1% while other factors influence to brand meaning with 0.599 or about 59.9%. In other words, brand meaning variable can be seen as 40.1% by brand identity variable. The remaining 59.9% can be explained by other variables that are not researched.

3. The influence of Brand Meaning to Brand Response
4. The influence of brand meaning variable to brand response is equal to 0.82 or about 82% while other factors influence to brand response with 0.18 or about 18%. In other words, brand response variable can be seen as 82% by brand meaning variable. The remaining 18% can be explained by other variables that are not researched.
5. The influence of Brand Response to Brand Relationship
6. The influence of brand response variable to brand relationship is equal to 0.762 or about 76.2% while other factors influence to brand relationship with 0.238 or about 23.8%. In other words, brand relationship variable can be seen as 76.2% by brand response variable. The remaining 23.8% can be explained by other variables that are not researched.
7. The influence of Brand Relationship to Firm Performance
8. The influence of brand relationship variable to firm performance is equal to 0.488 or about 48.8% while other factors influence to firm performance with 0.512 or about 51.2%. In other words, firm performance variable can be seen as 48.8% by brand relationship variable. The remaining 48.8% can be explained by other variables that are not researched.

B. T test

Hypothesis		t-value	t-table	Decision	Influence
1	Brand Meaning -> Brand Response	87.328	±1.96	H1 supported	Significant
2	Brand Relationship -> Firm Performance	21.322	±1.96	H1 supported	Significant
3	Brand Response -> Brand Relationship	70.049	±1.96	H1 supported	Significant
4	Brand Salience -> Brand Meaning	20.506	±1.96	H1 supported	Significant

Table 3. T value

Based on the table, it concludes the hypothesis test as follow:

Hypothesis 1

The first hypothesis tested was the influence of brand salience to brand meaning

H01: There is no significant influence of brand salience to brand meaning

H11: There is significant influence of brand salience to brand meaning

T-value counted as 20.506 is greater than the critical limit specified that is ±1.96 so H1 is supported, which means there a significant influence of brand salience to brand is meaning.

Hypothesis 2

The second hypothesis tested was the influence of brand meaning to brand response

H02: There is no significant influence of brand meaning to brand response

H12: There is significant influence of brand meaning to brand response

T-value counted as 87.328 is greater than the critical limit specified that is ±1.96 so H2 is supported, which means there a significant influence of brand is meaning to brand response.

Hypothesis 3

The third hypothesis tested was the influence of brand response to brand relationship

H03: There is no significant influence of brand response to brand relationship

H13: There is significant influence of brand response to brand relationship

T-value counted as 70.049 is greater than the critical limit specified that is ±1.96 so H3 is supported, which means there is a significant influence of brand response to brand relationship.

Hypothesis 4

The fourth hypothesis tested was the influence of brand relationship to firm performance

H03: There is no significant influence of brand relationship to firm performance

H13: There is significant influence of brand relationship to firm performance

T-value counted as 21.322 is greater than the critical limit specified that is ±1.96 so H3 is supported, which means there is a significant influence of brand relationship to firm performance.

This research aims to determine the relationship of brand equity to firm performance in Telkomsel. The discussion of each research question is presented as follows:

1. The influence of Brand Identity to Brand Meaning
2. This result of this study showed that brand identity has a significant influence on brand meaning with the t-value count is 87.328 greater than the critical limit specified that is +1,96. So this study succeeds in proving second hypotheses that states that there is a significant influence of brand identity on brand meaning. Brand identity

is customer's ability to recognize and remember the brand. Brand meaning is when a brand stands for in customer's mind. In this case, customer of Telkomsel that already known Telkomsel will stand the brand in their mind. They already save Telkomsel in their brand. It means that customer can easily understand Telkomsel. Since brand identity of Telkomsel is in "almost good" category, it is aligned with Telkomsel problem in brand identity. Customer is not easy to understand the product and service while the Telkomsel creates and exhibits a connection to products and services sold under the Telkomsel name.

3. The influence of Brand Meaning to Brand Response
4. This result of this study showed that brand meaning has a significant influence on brand response with the t-value count is 21.322 greater than the critical limit specified that is +1,96. So this study succeeds in proving second hypotheses that states that there is a significant influence of brand meaning on brand response. Brand response is a way customer responds to the brand. When customer already save Telkomsel in their brain, they will easily think about the feeling and judgment of Telkomsel that happens or past in their live will easily show responses and reactions every time their stimuli catch Telkomsel because customer already stand Telkomsel in their brain. Even though it is already good, Telkomsel can push to "very good" category. Since customer of Telkomsel feels that their needs not satisfied because of the problem in Telkomsel product and it leads to uncontrolled complaint.
5. The influence of Brand Response to Brand Relationship
6. This result of this study showed that brand response has a significant influence on brand relationship with the t-value count is 70.049 greater than the critical limit specified that is +1,96. So this study succeeds in proving second hypotheses that states that there is a significant influence of brand response on brand relationship. When customer already easily response Telkomsel, customer will easily too to connect the relations between them and the brand. Customer will connect it with their personal identification that they have. Brand relationship links with psychological relationship. Even though it is already good, Telkomsel can push to "very good" category. Since customer of Telkomsel mostly cannot catch and understand the product knowledge well.
7. The influence of Brand Relationship to Firm Performance
8. This result of this study showed that brand relationship has a significant influence on firm performance with the t-value count is 20.506 greater than the critical limit specified that is +1,96. So this study succeeds in proving second hypotheses that states that there is a significant influence of brand relationship on firm performance. Even though it is already good, Telkomsel can push to "very good" category. Since Telkomsel is hard to engage Gen Y and Gen Z for becoming loyal customer.

V. CONCLUSION

Telecommunication is important for a nation. In the past, government really took a part in telecommunication. But as time goes by, telecommunication is already shifted from old paradigm to new paradigm. Many things changed in telecommunication. Telecommunication can bring a nation to be a better economy. Since we know that one of the factors to bring a nation into a better economy is from digital, telecommunication is one of them.

There are three main players in Indonesia telecommunication market. Those are Telkomsel, XL, and Indosat. Each of them has its own branding program and strategy. We know that as a big company, brand is an important thing to be maintained. It is a way for a company to sell value to customer.

Telkomsel is the biggest telecommunication brand in Indonesia. Telkomsel has the biggest number of subscribers in telecommunication market. Telkomsel consistently implemented cellular technology and the first operator that give 4G LTE service in Indonesia. In this digital era, Telkomsel always try to develop the corporation which is Digital Advertising, Digital Lifestyle, Mobile Financial Service, and Internet of Things. For fulfill the demand, Telkomsel has 24 hours call center and GraPari service spread in Indonesia. As a big brand, Telkomsel still has several problems regarding brand equity.

Brand equity is an important thing for a brand. Brand equity can lead firm management unto success. Brand equity that Keller interpreted is good because it is focused on customer. It consists of brand identity, brand meaning, brand response, and brand relationship. Brand identity is how the customer easily understand the product and service while the brand creates and exhibits a clear connection to products and services sold under the brand name. Brand meaning is a connection between products and customer motivations. Brand response is how customer respond to the marketing activity that the brand creates. Brand relationship is customer personal relationship toward the brand. All of this can shape customer perception because brand equity leads to firm performance.

Brand equity positively affect firm performance in Telkomsel. All components of brand equity that Telkomsel has already well except brand identity or

brand salience, it is in the almost good category. It means that Telkomsel has focused on brand identity first since it was the worst category in brand equity of Telkomsel.

Brand equity influences firm performance. This research can know how it influenced toward one and another. Brand identity influences 40.1% to brand meaning. Brand meaning influences 82% to brand response. Brand response influences 76.2% to brand relationship. And brand relationship influences 48.8% to brand performance.

REFERENCES

[1] McKinsey, "Unlocking Indonesia's digital opportunity," 2016.
[2] Telkomsel, "Leading Through Digital Disruption: Annual Report," Telkomsel, Jakarta, 2017.
[3] Indosat Ooredo, "Annual Report," Indosat Ooredo, Jakarta, 2017.
[4] XL Axiata, "Annual Report," XL Axiata, Jakarta, 2017.
[5] B. U. Gokhan Aydin, "Effect of Brand Equity of Firms' Financial Performance in Consumer Goods," Journal of Business, Economics, and Finance, vol. 4, no. 3, pp. 331-350, 2015.
[6] K. Richey, Journal of Brand Management, 14 ed., Hall Hanover: Palgrave Macmillan UK, 2006.
[7] K. L. Keller, "Building, Measuring, and Managing Brand Equity," Global Edition, vol. IV, p. 112, 2013.
[8] D. A. Aaker, "The Value of Brand Equity," Journal of Business Strategy, vol. 13, no. 4, 1992.
[9] D. E. Schultz, "Branding the Basis for Marketing Integration," Marketing News, p. 8, 1998.
[10] N. A. M. &. L. L. Rego, "Brand Portfolio Strategy and Firm Performance," Journal of Marketing, p. 72, 2009.
[11] J. C. Mark Ligas, "The Process of Negotiating Brand Meaning: A Symbolic Interactionist Perspective," Consumer Research, vol. 26, pp. 609-614, 1999.
[12] M. Batey, Brand Meaning, New York: Routledge, 2008.
[13] O. I. Moisescu, "The Concept of Brand Equity - A Comparative Approach," Munich Personal RePC Archive, p. 212, 2005.
[14] K. L. Keller, "Building strong brands in a modern marketing communications," Journal of Marketing Communications, vol. 15, pp. 139-155, 2009.
[15] K. L. K. Steve Hoeffler, "Building Brand Equity Through Corporate Societal Marketing," Journal of Public Policy & Marketing, vol. 21, no. 1, pp. 78-89, 2002.
[16] S. M. C. Loureiro, "Consumer-brand relationship: Foundation and state-of-the-art," in Customer- Centric Marketing Strategies: Tools for Building Organizational Performance, H. R. K. &. M. F. A. K. Panni, Ed., Pennsylvania, IGI Global, 2012, p. 2.
[17] M. B. a. M. F. Susan Fournier, "Consumer-Brand Relationship," p. 30, 2012.
[18] C. L. B. A. M. Rima Ismail, "Customer Brand Relationship - An empirical study of customers' perception of brand experience,," p. 6, 2012.
[19] C. C. Miller, "The Myth of Firm Performance," Organization Science, vol. 24, no. 3, pp. 948-964, 2013.
[20] B. Narteh, "Brand Equity and Financial Performancee: The moderating role of brand likeability," Emerald Insight, 2017.
[21] E. Bennet, "Investors' Perception of The Factors Influencing the Stock Selection Decision," p. 2, 2011.
[22] M. L. Betul Cal, "Stock Exchange Brands as An Influence on Investor Behavior," International Journal of Bank Marketing, vol. 35, no. 3, pp. 394-395, 2017.
[23] F. L. Armin Monecke, "semPLS: Structural Equation Modeling Using Partial Least Squares," Journal of Statistical Software, vol. 48, no. 3, 2012.

★★★