The Influence of Brand Equity and Green Marketing on Consumer’s Decision to Purchase Honda Beat Series in Surabaya

Syaifurrizal Wijaya Putra*, Tatang Ary Gumanti
1 2 University of Jember, Jalan Kalimantan 37, Jember, Jawa Timur 68121 Indonesia

ABSTRACT

Objective – Brand equity and green marketing are becoming increasingly relevant to brand competition. Brand equity and green marketing of a product are able to influence a costumer’s purchasing decision (Kotler and Armstrong, 2007). This study aims to test the relationship between brand equity, green marketing, and the decision to purchase certain goods.

Methodology/Technique – The study uses a sample of 120 respondents, all of whom are purchasers of a Honda Beat Series vehicle, and who live in Surabaya. The data is analyzed using multiple linear regression.

Findings – The study examines the purchase of the Honda Beat Series motorcycle in Surabaya City, in the East Java Province, Indonesia. East Java is regarded as a province with the highest selling rate; in 2014, the province recorded a market share of 17.1%. This study found that brand equity and green marketing both have a significant positive effect on a consumer’s decision to purchase.

Novelty – This study assesses the efficacy of Honda’s green marketing strategy, through the use of the PGM-Fi system, which is considered to set them apart from its competitors.

Type of Paper: Empirical.

Keywords: Brand Equity; Green Marketing; Marketing; Decision to Purchase; Regression Analysis.

JEL Classification: M30, M31.

1. Introduction

1.1 Brand Equity

Brand equity is considered one of the most important antecedents to behavioral, as well attitudinal, forms of customer loyalty (Taylor et al., 2004). The brand equity of a product may affect a consumer’s decision to purchase certain products (Kotler and Armstrong, 2007). Brand equity refers to the efforts made by a vendor, to identify the product and differentiate it from its competitors.
Brand equity can be measured by four indicators, namely: brand loyalty, brand awareness, perceived quality, and brand association. In addition to brand equity, green marketing is also found to have an effect on a consumer’s decision to purchase. Green marketing refers to the way in which a business produces their goods, with increased priority placed on the protection of the environment (Kotler and Armstrong, 2007). An increased focus on green marketing in recent years has led to many large companies, including the Honda Motor Company, to implement such policies. Honda Indonesia’s current green marketing system is Progamed Fuel Injection (PGM-FI).

In 2016, Honda occupied first position in the motorcycle market share (73.86%), with sales exceeding 4 million units that year (Muslim, 2017). The Honda Beat Series was the best-selling product in the automatic-motor class, with sales of almost 2 million units, or 30.59% of the top 10 motorcycles (Taufik, 2015). In January 2017, the Honda Beat Series maintained this position, as the predicate of the best-selling motorcycle, with a total of 173,438 sales.

East Java currently records the highest annual high sales of motorcycles. Detikoto’s survey in 2014 reported the sales in East Java as being 1,033,925 units (17.1%) followed by DKI Jakarta, West Java, Central Java, and South Sumatera. This indicates that East Java holds the largest motorcycle market share. Further, in East Java, 78% of the total sales of Honda motorcycles were for automatic motorcycles. Therefore, this study aims to examine the effect of brand equity and green marketing on the decision to buy a Honda Beat Series motorcycle in Surabaya. The city of Surabaya is used because of its significant market share and hence its purchasing power.

Kotler and Armstrong (2007) state that the decision to purchase is the stage in the decision-making process in which the consumer actually buys. Kotler and Armstrong (2007) suggests that there are four indicators of purchasing decisions: the stability of a product, the habit of buying the product, the behavior in giving recommendations to others, and repurchasing behavior. Thus, purchasing decisions are determined by a variety of factors.

Brand equity is a set of associations and behaviors owned by brand customers, distribution channel members, and companies, that allow a brand to differentiate itself from its competitors and hence, to gain strength, endurance, and excellence in the marketplace (Schiffman and Kanuk, 2010). According to Aaker (2014), brand equity is a set of brand assets and liabilities associated with a brand, such as its name and symbol, that add or decrease the value provided by a good or service to the company or its customers. Kotler and Armstrong (2007) define brand equity as the added value given to products and services. This value can be reflected in the form of a consumer’s way of thinking, feeling, and acting in relation to the company’s brand, price, market share, and profitability.

In addition, Yunus and Rashid (2016) assert that brand equity is what consumers consider before deciding to actually buy a product. In essence, brand equity refers to the relationship between a consumer and the company, which keeps the consumer coming back to that company’s brand. Companies will seek to strengthen their brand equity to gain new customers and retain loyal customers.

The effect of brand equity on the decision to purchase has been widely studied. For example, Gunawardane (2015) found that brand equity has a positive effect on purchasing decisions. Gunawardane measures brand equity with reference to brand loyalty, brand awareness, perceived quality, and brand association. Further, McGale et al. (2016) indicate that brand equity has an influence on the decision to purchase children’s food. Cobb-Walgren et al. (2013) also report that the stronger the brand equity, the stronger is the desire of a consumer to purchase. Based on these theories and findings, the first hypothesis of the present study is:

H1: Brand equity has a positive effect on a consumer’s decision to purchase a Honda Beat Series in Surabaya.
1.2 Green Marketing

Ottman (1992) defines green marketing as an application of marketing tools to facilitate changes that provide organizational satisfaction and individual goals in the maintenance, protection and conservation of the physical environment. Green marketing refers to the process of selling products and/or services by considering their environmental benefits. This involves products that are either environmentally friendly in and of itself, or those that are produced in an environmentally friendly manner. Green marketing activities require more than just image development. Green marketing has an effect on consumer’s purchasing decisions, as consumers take into account green place, green price, green products, and green promotion (Kotler and Armstrong, 2007). Green marketing is typically related to companies that demonstrate a strong commitment to sustainable development and corporate social responsibility and is considered a key business strategy for the future marketplace (McDaniel and Rylander, 1993). Companies should try to increase their environmental consciousness, to produce the desired response from their consumers and also to lead the way in environmental related programs.

Prior studies have discussed the influence of green marketing on purchasing decisions. Young buyers are increasingly looking for products that adhere to green marketing (Lee, 2008). Govender and Govender (2017) suggest that green marketing consisting of: green place, green price, green products and green promotion. Lee (2008) also reports that green marketing has an effect on purchasing decisions, particularly for adolescents residing in Hong Kong. Rahbar and Wahid (2011) have shown that some manufacturing companies in Malaysia that implement green marketing strategies through the Eco Green label have also experienced a significant increase in product sales. Another study by Maniatis (2015) reports that mall visitors in the city of Athens prefer to buy products that are environmentally friendly. Thus, eco-friendly products are considered to be more important to future generations, despite often retailing at a high price. Based on this, the second hypothesis of the current study is:

H2: Green marketing has a positive effect on the consumer’s decision to purchase a Honda Beat series in Surabaya.

2. Research Methodology

This study is a quantitative study. It examines the effect of brand equity (brand loyalty, brand awareness, perceived quality, and brand association) and green marketing (green place, green price, green product and green promotion) on the decision of consumers to purchase a Honda Beat Series motorcycle in Surabaya, Indonesia. The data was collected through the distribution of questionnaires. The questionnaire was directly distributed to those customers that had already purchased the product, and were living in Surabaya City. Regression analysis was used to analyze the effect of brand equity and green marketing on the decision to purchase.

Figure 1 depicts the conceptual framework of the paper. As shown in the figure, we predict that the two independent variables will positively affect the decision to purchase.
3. Results

The number of questionnaires that have been distributed were 150 questionnaires but only 120 questionnaires returned and usable. The respondents live in sub-districts of Sukolilo, Wiyung, Wonokromo, Gubeng and Karangpilang. The age range of respondents are from 17 to 40 years old. Majority respondents are students and employees. The data are normally distributed and the model has passed normality, multicollinearity, and heteroscedasticity assumption. The result of regression analysis is shown in Table 1. The signs of standardized coefficients of brand equity and green marketing are consistent with the prediction. Those two variables show positive and significant effect.

Table 1. Result of Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Expected Sign</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td></td>
<td>1.294</td>
<td>1.031</td>
<td></td>
</tr>
<tr>
<td>Brand Equity</td>
<td>+</td>
<td>0.232</td>
<td>2.113*</td>
<td>H01 is rejected</td>
</tr>
<tr>
<td>Green Marketing</td>
<td>+</td>
<td>0.396</td>
<td>2.504*</td>
<td>H02 is rejected</td>
</tr>
</tbody>
</table>

* Denotes the coefficient is significant at 5%.

4. Discussion

4.1 The Effect of Brand Equity on Purchasing Decisions

This study demonstrates that brand equity has a significant positive effect on the decision of consumer’s to purchase a Honda Beat Series motorcycle in Surabaya, Indonesia. These results are consistent with studies of Cobb-Walgren et al. (2013), Gunawardane (2015), McGale et al. (2016), and Yunus and Rashid (2016). These studies found that brand equity (brand loyalty, brand awareness, perceived quality, and brand association) have a significant impact on purchasing decisions.

Honda is a well-known company with strong brand equity in Indonesia. This is evidenced by the large amount of consumers opting to purchase Honda’s products over other competitors. Honda’s products are known to have cheap and easy to find spare parts. In addition, Honda always educate consumers with knowledge about their products. This has contributed to Honda’s excellent brand awareness in Indonesia. Product education also influences a consumers’ perceived quality of the product. Consumers assume that the PGM-FI technology in Honda products means that the quality of the product has been enhanced, and that the performance is also improved. This contributes to a positive reflection of the product by the consumer, and potentially even recommendations by the consumer to other people. This creates a strong brand loyalty.

4.2 The Effect of Green Marketing on Purchasing Decisions

The results of the regression analysis show that green marketing has a positive effect on the decision to purchase. This is consistent with Lee (2008), Rahbar and Wahid (2011), Maniatis (2015), and Govender and Govender (2017). These studies report that green price, green promotion, green place, and green product positively influence the decision to purchase.

Honda uses PGM-FI technology as a green promotion strategy to its customers. This is evidenced by its large sales in Indonesia. Consumers of the Honda Beat series consider these green component when deciding to purchase the product, as a result of increased global awareness of issues such as environmental pollution from motor vehicles. The green product (the PGM-FI technology) is therefore considered by consumers to
contribute to the reduction in pollution. It is also shown that consumers are not typically effected by the increase in price of the product, as a result of the green components.

5. Conclusion

This study tests whether brand equity and green marketing have an affect on a customers’ decision to purchase the Honda Beat Series in Surabaya. The results of the regression analysis show that brand equity (brand loyalty, brand association, brand awareness, and perceived quality) has a positive and significant effect on the decision to purchase. The results also indicate that green marketing (green price, green place, green product, and green promotion) also has a positive and significant effect on the decision to purchase.

There are two primary limitations of this study. Firstly, this study only tests two variables that affect the decision to purchase. Further research should consider testing additional variables. Secondly, the study does not specify whether the respondents are known to be very loyal. Loyalty may be measured based on the consumer’s prolonged use of the products. For instance, if someone buys and always use the same product, they may be considered loyalty to those brands. Thus, further study may wish to refine the subject group to those consumer’s that are known to be loyal to a brand.

References
