What Affects Brand Performance?

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Abstract

The purpose of this research is to analyse what affects brand performance on the relationships between industry competitive intensity, market orientation and brand knowledge towards Chatime products in Indonesia. This research surveyed total 160 valid responses from Chatime's consumer. Path analysis will be used for analysing the data, using SPSS 26 and AMOS 23 statistical software. The results indicate that all hypotheses are accepted. The findings enhance the existing literature pertaining to industry competitive intensity, market orientation, brand knowledge and brand performance on fnb companies by providing new insights. This research is useful for managerial because this framework can be applied by fnb companies and if necessary modified by considering other aspects. The study contributes originality lies in providing information to clarify the effect of industry competitive intensity, market orientation and brand knowledge as a contributing factor to brand performance. This research not only broadens the empirical application of dynamic capabilities theory but also offers actionable insights for practitioners aiming to optimize performance.

Keywords: Industry Competitive Intensity, Market Orientation, Brand Knowledge, Brand Performance

INTRODUCTION

The increasing demand for food and beverages is driving growth in this industry. The food and beverage business sector are a culinary business sector that focuses on food and beverage services to achieve customer satisfaction. Indonesia's population growth is directly correlated with a higher demand for food and beverages. This is evident from the statistical study results on the sources of economic growth in Indonesia released by the Badan Pusat Statistik (BPS) and Badan Koordinasi dan Penanaman Modal (BKPM), which show that the Food and Beverage business has experienced a significant increase post-COVID-19 pandemic from 3.94 percent to 5.33 percent in the second quarter of 2022. The convenience-driven food preferences of Indonesian consumers have created a niche for new entrants in the food and beverage industry, leading to increased competition.

One of the trending businesses in the food and beverage sector is bubble tea products and one of that companies currently in Indonesia is Chatime. In Indonesia, Chatime has opened many new outlets from 2019 to 2024. In 2019, Chatime had around 300 outlets and continued to grow to more than 400 outlets in 2023 (BPS, 2024). There has been a substantial growth in the consumer base. In 2021, Chatime has been awarded the Top Brand title for a bubble tea, a distinction given to brands that have consistently performed well in national consumer surveys and assessments.

Several previous studies have been conducted in various countries regarding brand performance, but the results obtained show inconsistencies that can be caused by various factors, such as differences in the industries studied, methods used, and countries. For example, a study by Atuah & Ghodes (2015) on fast-food restaurants in Jordan showed that brand knowledge has a significant influence on brand performance. Verma & Sharma (2017) on retail clothing brands and Talari & Khoshroo (2018) on FMCG companies showed that market orientation and industry competitive intensity positively and significantly affect brand performance. Conversely, a study by Narver & Slater (1990) in the United States found that there was no significant influence on brand performance. This creates an important research gap as it shows that brand performance may be influenced by certain factors. Differences in previous research results prove that further studies are needed to identify additional factors that may play a role. By understanding these factors, future research can provide more comprehensive knowledge across various industries.

Brand Performance

Performance is a method of assessing, either qualitatively or quantitatively, the results of planned actions undertaken over a specific period to attain predetermined objectives, thereby aiding managers in making more informed decisions (Unurlu, 2019). Strong brand performance is a powerful tool for attracting investors, employees, and customers (Waithaka *et al*., 2018). Previous research has defined brand performance as "a brand's ability to meet its customers' needs, offer products that are unique and different from its competitors, and provide superior value beyond its price" (Irshad, 2012). Brand performance serves as a barometer of company's brand strength (Harcourt & Gladson, 2020; Unurlu & Uca, 2017) and is instrumental in gauging a brand's strategic success within the market (Unurlu, 2019). The evaluation of brand performance is a multifaced endeavor, with a myriad of models and approaches drawing from diverse perspectives (Bajgiran & Sadeghi, 2018; Unurlu, 2019). However, a comprehensive review of marketing literature reveals a lack of singular, universally applicable metric for assessing brand performance (Waithaka *et al*., 2018). Instead, brand performance can be linked to the intrinsic value of the company and its strategic positioning for market survival (Bajgiran & Sadeghi, 2018).

The Relationship between Industry Competitive Intensity toward Market Orientation

Industry competitive intensity refers to the level at which companies in an industry compete for customers and resources (Dess & Miller, 2003). The intensity of industry rivalry is determined by several factors, including the number of competitors, the level of market concentration, barriers to entry and exit, and substitute products. Porter (1980), in his five

forces model, proposed that competition within an industry drives companies to improve their operational efficiency and effectiveness, as well as innovate to create value for customers. In highly competitive conditions, companies that do not adapt quickly will fall behind and be forced out of the market. Market orientation helps companies better understand and meet customer needs, thus increasing their chances of survival and success in a dynamic industry. Fiol (2009) stated that market orientation is the ability of a company to understand and capitalize on new market opportunities. Companies with a strong market orientation are more capable of adjusting to shifts within the industry and develop effective strategies to satisfy customers. In a competitive industry, companies with a strong market orientation are more likely to achieve a competitive advantage. Consequently, this influence is formulated into hypothesis 1 as follows:

H1: Industry Competitive Intensity positively influences and Market Orientation.

The Relationship between Brand Knowledge toward Market Orientation

Brand knowledge is a set of beliefs, associations, and information that consumers hold about a brand. This knowledge can influence how consumers perceive and behave toward the brand (Keller, 2016). Keller & Abratt (2019) define brand knowledge as consumers' understanding of a brand, including the brand's name, logo, slogan, attributes, benefits, values, associations, and experiences. According to Zeithaml *et al*., (2009), a cornerstone of Customer Relationship Management is the establishment of robust, long-term connections with customers to drive organizational success. In market competition, companies that effectively apply brand knowledge will be able to establish a strong market orientation with their customers. This occurs because consumers with high brand knowledge will find it easier to recognize and recall the brand compared to others. Strong brand knowledge also allows consumers to understand how a brand can meet their needs and desires. Consumers who comprehend the value offered by a brand are more likely to choose the brand over others they may not be as familiar with, ultimately enhancing market orientation. Therefore, this influence is formulated as hypothesis 2 as follows:

H2: Brand Knowledge positively influences Market Orientation

The Effect of Market Orientation toward Brand Performance

A market-oriented organization is one that is deeply committed to understanding and meeting the needs and wants of its customers (Narver & Slater, 2000; Kohli & Jaworski, 2000). Brand performance refers to the degree to which a brand fulfills or surpasses consumer expectations. Consumer expectations can be measured in various ways, such as surveys, interviews, and focus groups (Aaker, 2019). Brand performance also means the results

obtained by the company from its brand in achieving its business goals and strategies (De Chernatony & McWilliam, 2020). Companies with a high market orientation are more likely to achieve high brand performance because they can better understand customer needs and wants and develop products and services that meet those needs and wants. Therefore, this influence is formulated as hypothesis 3 as follows:

H3: Market Orientation positively influences Brand Performance

METHOD

This research is a type of quantitative study and is expected to be able to determine the relationship between each of the variables, thereby providing conclusions about the relationships between the variables that influence each other. The questions asked in the questionnaire align with the research indicators that have been outlined. The questionnaire will be distributed online using Google Forms through social media. According to the SEM (structural equation modeling) method chosen for this study, the sample size determined is representative based on the number of indicators. This research took a non-probability sample and used purposive sampling techniques. A total of 160 questionnaires were received and could be used for analysis.

The analysis technique in this study was conducted using the SEM (Structural Equation Modeling) method. The primary data was stored in Ms Excel, then converted to SPSS 26 and analyzed for goodness of fit and hypothesis testing using AMOS 23.

RESULTS AND DISCUSSION

Demographic

Most of respondents are female (76.8%) and aged 16-26 years (86.8%), with the age group 27-37 years (13.2%) (See Table 1). Thus, the respondents fall into the age group that meets the criteria to provide data and information for this research.

Table 1. Demographic distribution of the respondents (N=160)

Attributes	Frequency	Percentage
Gender		
Female	123	76.8
Male	37	23.3
Age		
16-26 years	137	86.8
27-37 years	23	13.2

SEM Analysis

The SEM analysis is used to determine the correlation between the structural model and the variables studied. The structural correlation between variables are tested for their fit using the goodness of fit index. The results of the Structural Equation Modeling analysis in this study are in Table 2.

Table 2. Structural Equation Modelling Fit Test

Goodness of fit index	Cut of Value	Result	Model Evaluation
Chi-Square	Expected small	59,355	Expected small
Probability	≥0,05	0,089	Good
GFI	≥0,90	0,933	Good
AGFI	≥0,90	0,887	Marginal
TLI	≥0,90	0,971	Good
CFI	≥0,90	0,980	Good
RMSEA	≤0,08	0,046	Good
CMIN/DF	≤3,00	1,290	Good

Hypothesis Testing

This test is conducted to examine the relationship between latent variables by looking at the t-value or c.r (Critical Ratio) in the regression weights table from the AMOS output. The following are the results of the Regression Weights output: (Group number 1-Default model):

Table 3. Regression Weights: (Group number 1-Default model)

			Estimate	S.E.	C.R.	P	Label
MO	<---	ICI	,617	,129	4,769	***	par_10
MO	<---	BK	,518	,115	4,515	***	par_11
BP	<---	MO	2,692	,794	3,390	***	par_12

The results of the SEM analysis for direct testing between Industry Competitive Intensity and Market Orientation shows a positive and significant influence, thus the hypothesis stating a positive influence of Industry Competitive Intensity on Market Orientation is accepted. The direct test of Brand Knowledge on Market Orientation also shows a positive and significant effect, thus the hypothesis stating a positive influence of Brand Knowledge on Market Orientation is accepted. Direct testing of Market Orientation on Brand Performance indicates a positive and significant effect, thus the hypothesis stating a positive influence of Market Orientation on Brand Performance is accepted.

CONCLUSION

The Food and Beverage industry in Indonesia has shown significant growth, particularly in the post-pandemic period. This sector, which focuses on providing food and beverage services to achieve consumer satisfaction, has benefited from the increasing population and the rising demand for ready-to-eat food. Statistical data from BPS and BKPM indicate a sharp increase in the Food and Beverage business, from 3.94 percent to 5.33 percent in the second quarter of 2022.

One notable trend within this sector is the popularity of bubble tea, with Chatime being a prominent player. Chatime's expansion from around 300 outlets in 2019 to over 400 outlets in 2023 demonstrates a significant increase in consumer demand. The brand's recognition, such as being included in the Top Brand Award in 2021, further highlights its success.

Previous research on brand performance across various countries has shown inconsistent results due to factors such as industry differences, methodologies, and geographical contexts. For instance, studies by Atuah & Ghodes (2015) in Jordan, Verma & Sharma (2017) in the retail clothing sector, and Talari & Khoshroo (2018) in the FMCG sector found significant positive influences of brand knowledge and market orientation on brand performance. However, Narver & Slater (1990) in the United States found no significant influence, indicating a research gap.

The acceptance of all hypotheses in this study underscores the positive and significant relationships between the variables examined. This highlights the importance of industry competitive intensity and brand knowledge in enhancing market orientation, which in turn positively impacts brand performance. Future research should aim to identify additional factors that may influence brand performance to provide more comprehensive insights across different industries.

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