

## The Influence of Brand Equity and Service Quality on Purchase Decisions on Garuda Indonesia Airline Services

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### Abstract

Airlines business growth rapidly in Indonesia and makes all of the airlines service company try to compete to be the best. Quality of service has been a key on marketing topic. Branding is one of the interesting topics for study also because branding is a competitive strategy. The purpose of this study is to examine influence of brand equity and service quality of purchase decision of Garuda Indonesia airlines. The samples for the study were 110 people who already using Garuda Indonesia airlines service at least once. Method of data collection using online questionnaire by Google Forms with Likert Scale 1-10. The techniques of data analysis using Structural Equation Modeling (SEM) AMOS program version 21.0 to verify the causality of two research hypothesis. The result of this research indicates that there was no influence between brand equity and purchase decision. Moreover, the research also indicates there was no influence between service quality and purchase decision.

### Keywords

brand equity, service quality, purchase decision

## 1. Introduction

Business competition that occurs in Indonesia is very tight so that it requires every company to compete in order to attract consumers to buy their products. One of the important means to keep pace with the increasing mobility of people is that air transportation is a means for people who want to travel out of town or country more efficiently than by road or sea. According to data published by IATA (International Air Transport Association), the number of aircraft passengers in the world until the end of 2013 reached a record 3.3 billion, and in 2016 the total number of

airplane passengers in Indonesia reached 86 million passengers with details of domestic flights reaching 76, 49 million passengers and international flights reached 10.25 million passengers (Table 1).

**Table 1.** Top Brand Index of Indonesian Airlines in 2012 – 2016

Indonesian Airlines	Top Brand Index			
	2013	2014	2015	2016
Garuda Indonesia	43,6%	41,2%	39,6%	40,0%
Lion Air	25,9%	30,8%	32,3%	35,1%
Air Asia	7,8%	9,9%	10,8%	8,7%
Sriwijaya Air	4,4%	5,8%	4,0%	4,4%
Citilink	-	0,8%	2,7%	4,4%
Merpati	3,8%	2,6%	2,5%	-

*Source: Top Brand Survey 2012 - 2015 Phase I*

In the airline industry in Indonesia, Garuda Indonesia ranks first, followed by Lion Air, Air Asia, Sriwijaya Air, Citilink, and Merpati ([www.topbrand-award.com](http://www.topbrand-award.com)). According to a survey conducted by Skytrax in 2014, Garuda Indonesia occupies the 7th position in The World's Top 100 Airlines and is the only Indonesian airline in the top 100 in the world. In addition, the cabin crew of the Garuda Indonesia airline received an award as The World's Best Cabin Staff. This shows that Garuda Indonesia's service quality meets the expectations of its customers.

Today, the company's competition for consumers is no longer limited to product functional attributes such as product usability, but has been associated with brands that are able to provide a special image for the wearer, in other words the role of the brand has shifted. This encourages companies to increase the brand equity of their products or services so that they have a positive value in the eyes of the public, especially their consumers. According to Aaker (in Sumarwan, 2011: 31), brand equity is a set of brand assets and liabilities related to a brand, its name and symbol, which increase or decrease the value provided by a product or service to the company or the company's customers. High brand equity has a big influence on high consumer purchasing decisions. Brand equity must be able to provide a competitive advantage that is not owned by competitors and be able to provide added value for consumers.

One of the other main factors that influence consumers in making decisions is the quality of service. Lewis and Booms (1983) defines service quality simply, which is a measure of how well the level of service provided is able to match customer expectations. This means that the quality of service is determined by the ability of a particular company or institution to meet needs in accordance with what is expected or desired based on the needs of customers/visitors. In other words, the main factors that affect service quality are the services expected by customers/visitors and the public's perception of these services. The value of service quality depends on the ability of the company and its staff to consistently meet customer expectations. The services provided mainly by service companies are part of consumer assessments which will have an impact on purchasing decisions.

Research by Boonwanna, Srisuwannapa and Rojniruttikul (2014) states that brand equity has a positive influence on purchasing decisions. From this study it was concluded that brand association plays the most important role among the 4 variables included in brand equity.

Meanwhile, research by Ponbamrungwong & Chandsawang (2009) states that brand equity has no influence on purchasing decisions.

Research by Vatjanasaregagul & Wang (2007) states that service quality has a positive influence on purchasing decisions and research by Agyapong (2011) states that service quality has a positive influence on customer satisfaction. This study has the following objectives: to analyze the effect of brand equity on the purchase decision of Garuda Indonesia airline services and analyze the effect of service quality on the purchase decision of Garuda Indonesia airline services.

## **2. Theoretical Basis**

### **2.1 Brand Equity**

According to Philip & Keller (2009: 243), brand equity is a positive differentiation effect that can be seen from consumer responses to goods or services. Brand equity is the strength of a brand that promises the value that consumers expect of a product so that ultimately consumers will feel that they get more satisfaction when compared to other products. According to Aaker, Brand Equity consists of five variables, namely:

1. Brand awareness means the ability of a prospective buyer to recognize or recall that a brand is part of a certain product category.
2. Brand Associations are everything that is connected in the memory of consumers to a brand. The connection to a brand will be stronger if it is based on many experiences or appearances to communicate it. Various associations that are remembered by consumers can be assembled so as to form an image about the brand or brand image in the minds of consumers.
3. Perceived quality is the customer's perception of the overall quality or superiority of a product or service in relation to what the customer expects.
4. Brand loyalty is a measure of customer attachment to a brand. Companies will be able to measure how likely customers are to switch to other competitors through brand loyalty.
5. Other Proprietary Brand Assets (such as: patents, trademarks, channels, relationships and others).

### **2.2 Service Quality**

According to Kotler & Armstrong (2012: 230), quality is all the characteristics and properties of a product or service that affect the ability to satisfy stated or implied needs. According to Tjiptono & Chandra (2012: 4) service can be seen as a system consisting of two main components, namely service operations which are often invisible or unknown to customers (back office or backstage) and service delivery which is usually visible (back office or backstage). visible) or known to the customer (often called the front office or frontstage). From the definition of service, it can be concluded that service is an intangible activity and is useful for providing satisfaction to consumers.

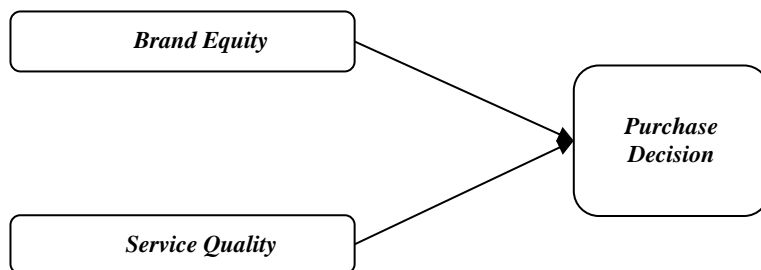
From this understanding, service quality is an effort from the company to meet consumer needs. Service quality can be assessed by comparing perceptions between consumers. According to Parasuraman, Zeithaml, & Berry (1985; 1988) there are five main dimensions to measure service quality, namely:

1. Tangibles, are tangible evidence of the care and attention given by service providers to consumers.
2. Reliability, is the company's ability to carry out services in accordance with what has been promised in a timely manner.
3. Responsiveness, is the company's ability to be carried out by employees directly to provide services quickly and responsively.
4. Assurance, is the knowledge and behavior of all employees in a company to build trust and confidence in consumers in consuming the services offered.
5. Emphaty, is the company's ability to be carried out directly by employees to give attention to individual consumers, including sensitivity to consumer needs.

### 2.3 Purchase Decision

According to Kotler & Armstrong (2012:152), the purchase decision is the stage in the buyer's decision-making process where consumers actually buy. Decision making is an individual activity that is directly involved in obtaining and using the goods offered. The buying decision process consists of 5 stages, can be described in a model as follows:

1. Problem Recognition. The buyer process begins with the recognition of a problem or need. The buyer recognizes a difference between the actual state and the desired state.
2. Information Search. An intrigued consumer may or may not seek more information. The consumer may not seek further information or be very active in seeking information in relation to that need.
3. Evaluation of Alternatives. After searching for as much information as possible about many things, the consumer must then make an assessment of several alternatives and determine the next step.
4. Purchase Decision. After the initial stages have been carried out, now is the time for the buyer to make a decision whether to buy or not. Decisions regarding the type of product, product form, brand, seller, quality and so on.
5. Post purchase Behavior. After purchasing a product, consumers will experience some level of satisfaction or no satisfaction. To achieve harmony and minimize dissatisfaction, the buyer must reduce other desires after the purchase, or the buyer must spend more time evaluating before buying.



**Figure 1.** Theoretical Framework

### 3. Methods

#### 3.1 Population and Sample

The population in this study are consumers who have used Garuda Indonesia airline services in Jakarta.

The sample collection method used is non-probability sampling, namely purposive sampling, this indicates that the sampling in this study is the object according to the criteria that have been determined as follows:

1. The consumers studied only cover the Jakarta area.
2. The consumers studied consisted of men and women with an age range of >21 years and <56 years.
3. The consumers studied already have sources of income (employees and entrepreneurs).
4. The consumers studied had previously used the services of the Garuda Indonesia airline.
5. The number of samples in this study were 110 respondents.

#### 3.2 Data Collection

The data in this study were obtained using a questionnaire data collection technique. This method supports primary data collection. In the questionnaire, it is done by asking the respondent a list of written questions in a list of questions. Measurement of this variable is done with a Likert scale using the scoring method. The scoring used in this study is a minimum of 1 and a maximum of 10.

#### 3.4 Operational definition

**Table 2.** Operational Definition of Brand Equity, Service Quality, and Purchase Decision Variables

Variable	Dimension	Indicator
Brand Equity	– Brand awareness	– People know the Garuda Indonesia symbol
	– Brand Associations	– People can easily remember the Garuda Indonesia brand
	– Perceived quality	– There is a good impression of the quality of Garuda Indonesia
	– Brand loyalty	– Choosing Garuda Indonesia in terms of airlines
	– Other Proprietary	
Service Quality	– Brand Assets	
	– Tangibles	– Garuda Indonesia facilities and crew in the eyes of consumers
	– Reliability	– Accuracy in providing services
	– Responsiveness	– There is service if there is a problem
	– Assurance	– The sense of security that Garuda Indonesia services provide to consumers
Purchase Decision	– Empathy	– The existence of 24-hour customer service and crews who are ready to serve while on the plane
	– Problem introduction	– Consumers want to use flight services
	– Information search	– Consumers looking for references
	– Alternative assessment	– Assessing Garuda Indonesia's services well
	– Purchase decision	– Decided to use Garuda Indonesia service
	– Behavior after buying	– Back to using Garuda Indonesia services

## Analysis Technique

The analysis technique in this study uses a structural equation model (Structural Equation Modeling). Moreover, the analysis was conducted with assumption test and normality test. Evaluation of normality is carried out using the criteria for the critical ratio skewness value of  $\pm 2.58$  at a significance level of 0.01. In conclusion, the distribution is normal if the critical ratio skewness value is below the absolute value of 2.58 (Ghozali, 2013).

To observe the outlier, a test was conducted. Observations of data that have unique characteristics that look very different from other observations and appear in the form of extreme values, both for a single variable or for combination variables are also called Outliers (Hair et al in Ghozali, 2013). To detect multivariate outliers, it is done by paying attention to the value of the mahalanobis distance.

Confirmatory Factor Analysis (CFA) is designed to test multidimensionality and a theoretical construct or often called to test the validity of a theoretical construct. The latent variables that we use in this study are formed based on theoretical concepts with several indicators or manifests. This confirmatory analysis examines whether these indicators are valid indicators as a measure of latent constructs. This indicator is a measure of the uni-dimensionality of a latent construct (Ghozali, 2013).

Moreover, reliability is an index that shows the extent to which a measuring instrument can be trusted or reliable or shows the consistency of a measuring instrument in measuring the same symptoms.

Lastly, Goodness of Fit (GoF) test used to determine whether the model built meets the fit criteria with the evaluation shown in Table 3.

**Table 3.** Evaluation of the Goodness of Fit Index Criteria

Goodness of Fit Index	Cut of Value
$\chi^2$ Chi-Square	Expected small
Significance Probability	$\geq 0,05$
RMSEA	$\leq 0,08$
GFI	$\geq 0,90$
AGFI	$\geq 0,90$
CMIN/DF	$\leq 2,00$
TLI	$\geq 0,95$
CFI	$\geq 0,95$

Source: Ghozali (2013)

## 4. Results

The examination of Normality test showed that from the value of the critical ratio skewness value indicator service quality and brand equity shows a normal distribution because the value is below  $\pm 2.58$ . Meanwhile, the purchase decision indicator is above -2.58. However, the multivariate normality test was obtained  $-0.192 < -2.58$  so that the multivariate distribution was normal.

In examining outlier test, the criteria used are based on the chi-square value at the degree of freedom (degree of freedom) 74, namely the number of indicator variables at a significance level of  $p < 0.001$ . The sample used in this study previously amounted to 110. After the sample was

processed using the Amos program, 4 outlier data were found, namely numbers 34, 3, 40, and 104. The four data were then removed, then reprocessed using 106 samples.

The value of the Mahalanobis distance  $(74, 0.001) = 82,602$ , because the entire value of the mahalanobis distance is below 82,602, it can be concluded that there are no outliers in the research data.

The results of Confirmatory Test of Brand Equity, Service Quality, and Purchase Decision Constructs with CFA Full Model are shown in Figure 2.

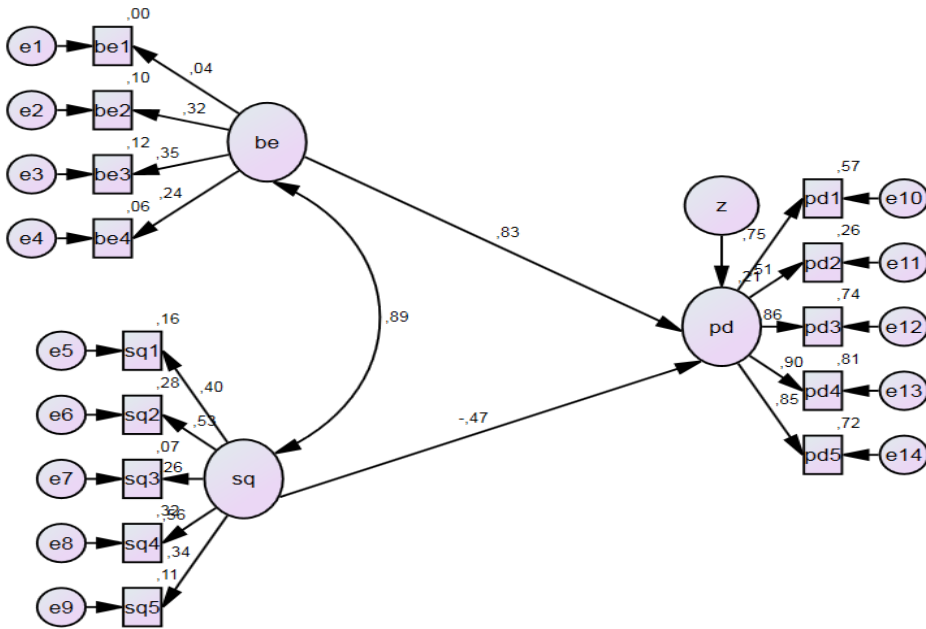


Figure 2. CFA Full Model

After conducting a confirmatory test on the brand equity, service quality, and purchase decision variables, it was found that almost all of the variable construct indicators had a probability value of  $p < 0.05$  and also met the convergent validity value. So it can be concluded that all data in the full model diagram is valid. The results of the CFA test can be seen in Table 4.

Table 4. Regression Weights

			Estimate	S.E.	C.R.	P	Label	Standardized Regression Weights
pd	<---	sq	,000	,000	-,193	,847	par_12	-,471
pd	<---	be	,000	,000	,314	,754	par_13	,833
be4	<---	be	1,000					,240
be3	<---	be	1,542	,984	1,567	,117	par_1	,353
be2	<---	be	1,385	,911	1,520	,128	par_2	,322
be1	<---	be	,191	,595	,322	,748	par_3	,042

sq5	<---	sq	1,000					,337
sq4	<---	sq	1,705	,731	2,332	,020	par_4	,562
sq3	<---	sq	,756	,452	1,673	,094	par_5	,260
sq2	<---	sq	1,601	,694	2,307	,021	par_6	,529
sq1	<---	sq	1,237	,586	2,113	,035	par_7	,403
pd1	<---	pd	1,000					,752
pd2	<---	pd	,880	,169	5,197	***	par_8	,515
pd3	<---	pd	1,109	,122	9,099	***	par_9	,859
pd4	<---	pd	1,106	,116	9,565	***	par_10	,902
pd5	<---	pd	1,004	,112	8,991	***	par_11	,850

**Table 5.** Construct Reliability (CR) Value

1	Brand Equity	0.964
2	Service Quality	0.979
3	Purchase Decision	0.884

Furthermore, Reliability Test was conducted with the results in Table 5. Based on the analysis, the CR value shows the value  $> 0.700$ . Thus, it can be concluded that the three variables have a high level of reliability. Meanwhile, the results of Goodness of Fit Test was obtained with the results described in Table 6.

**Table 6.** Goodness of Fit Test

No	Goodness of Fit Index	Cut of Value	Analysis Results	Model Evaluation
1	$\chi^2$ Chi-Square	Expected small	82,602	Fit
2	Significance Probability	$\geq 0,05$	0,231	Fit
3	RMSEA	$\leq 0,08$	0,033	Fit
4	GFI	$\geq 0,90$	0,904	Fit
5	AGFI	$\geq 0,90$	0,864	Marginal Fit
6	CMIN/DF	$\leq 2,00$	1,116	Fit
7	TLI	$\geq 0,95$	0,970	Fit
8	CFI	$\geq 0,95$	0,975	Fit

Based on the existing Goodness of Fit criteria, the Goodness of Fit is fulfilled. From these results it can be concluded that the model is fit with the data.

**Table 7.** Parameter Estimation Calculation

			Estimate	S.E.	C.R.	P	Label
pd	<---	sq	,000	,000	-,193	,847	par_12
pd	<---	be	,000	,000	,314	,754	par_13
be4	<---	be	1,000				
be3	<---	be	1,542	,984	1,567	,117	par_1
be2	<---	be	1,385	,911	1,520	,128	par_2
be1	<---	be	,191	,595	,322	,748	par_3
sq5	<---	sq	1,000				
sq4	<---	sq	1,705	,731	2,332	,020	par_4
sq3	<---	sq	,756	,452	1,673	,094	par_5
sq2	<---	sq	1,601	,694	2,307	,021	par_6
sq1	<---	sq	1,237	,586	2,113	,035	par_7



pd1	<---	pd	1,000				
pd2	<---	pd	,880	,169	5,197	***	par_8
pd3	<---	pd	1,109	,122	9,099	***	par_9
pd4	<---	pd	1,106	,116	9,565	***	par_10
pd5	<---	pd	1,004	,112	8,991	***	par_11

Source: Processed Primary Data (2016)

The next analysis was examined to find the Parameter Estimation Calculation Results (Table 7). The analysis showed the value of C.R. of brand equity to purchase decisions, service quality to purchase decisions, brand equity variables to brand equity, and service quality variables to service quality do not meet the requirements, namely  $< 2.58$ . However, the purchase decision variable on the purchase decision meets the requirements, namely  $> 2.58$  at a significance level of 0.01. Moreover, hypothesis testing was examined to find the effect of brand equity on purchase decision and the effect of service quality on purchase decision (Table 8).

**Table 8.** Hypothesis Testing

			Estimate	S.E.	C.R.	P	Label
pd	<---	be	,000	,000	,314	,754	par_13
pd	<---	sq	,000	,000	-,193	,847	par_12

The results showed the value of C.R. of  $0.314 < 2.58$  at a significance level (p-value) of 0.754  $< 0.05$ , so it can be concluded that H1 is rejected and H0 is accepted = Service Quality does not affect the Purchase Decision. The results showed the value of C.R. of  $-0.193 < 2.58$  at a significance level (p-value) of 0.847  $< 0.05$ , so it can be concluded that H1 is rejected and H0 is accepted = Brand Equity has no effect on Purchase Decisions.

## 5. Conclusion

After testing the SEM assumptions on the data that has been obtained in the field, the following conclusions are obtained. The analysis found that Brand Equity has no influence on purchasing decisions. The indicator that most influences brand equity is the indicator of perceived quality (perception/impression of quality). This shows that the majority of respondents have a good perception/impression of Garuda Indonesia which is expected to meet consumer needs. Consumers who have spent money to buy Garuda Indonesia tickets are of the opinion that the price paid is proportional to the quality they will get. Moreover, the analysis regarding the effect of Service Quality showed that it has no influence on purchasing decisions. The indicator that most influences service quality is the assurance indicator. This shows that the respondents considered the service quality of Garuda Indonesia to be quite good in giving attention to individual consumers. Consumers feel more valued by the attention given when they need help.

In this study, the majority were consumers aged 21-29 years (73.64%) with an income of IDR 2,000,000 – IDR 5,000,000 per month. This results in Brand Equity and Service Quality not having much effect on Purchase Decisions. Even though they know that Garuda Indonesia is a well-known airline and has the best service in Indonesia, the ticket prices are considered expensive, so they choose another airline that has a cheaper price even though the service is not as good as Garuda Indonesia.

Although the findings were insightful, in carrying out this research, the study has several limitations, such as that the location for distributing the questionnaires is only a few locations in Jakarta, so it does not present the overall data results. Moreover, many respondents who refused to fill out the questionnaire proposed and the results of the questionnaire do not show the actual situation/experience.

As suggestion, the indicator with the lowest value in brand equity is the brand awareness indicator (awareness of the brand). This shows that respondents are not very aware of the Garuda Indonesia brand and use the airline not because of the company's brand. The author suggests that Garuda Indonesia can increase brand awareness to its consumers by interacting through social media, creating attractive marketing messages, and other ways.

The indicator with the lowest value on service quality is the responsiveness indicator. This shows that respondents think that Garuda Indonesia is not responsive enough in dealing with a problem experienced by consumers. The author suggests that Garuda Indonesia can improve responsiveness by trying to immediately repair or minimize consumer losses.

The author suggests that further research be carried out in a wider area, not limited to just a few areas, but covering the entire Jakarta area by using a larger sample, so that the results obtained will be more accurate. The data collection method uses a questionnaire, so the possibility of the data is subjective. It would be better if in the next research an interview method was added so that the research results obtained were more complete.

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