

CORPORATE BRANDING, EMOTIONAL ATTACHMENT, AND BRAND LOYALTY: THE CASE OF DANONE GROUP INDONESIA

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ABSTRACT

Fast moving consumer goods or more well known as FMCG industry is definitely one of the biggest industries in the world with business value reaching over USD 8 trillion or around IDR 104 quadrillion in 2014. Therefore, this research is done to know the impact of corporate branding and emotional attachment towards brand loyalty with a study case of Danone Group Indonesia (one of the biggest FMCG companies in Indonesia which focusing on healthy products). In this research, there will be in total 200 questionnaires distributed with clustered sampling method. The analysis technique used in this research is structural equation modelling (SEM), supported with AMOS application for in-depth analysis. The final results indicate that corporate associations will have a positive significant impact towards brand loyalty fully mediated by emotional attachment, while symbolical benefits has no impact at all towards brand loyalty in the case of Danone Group Indonesia. Therefore, this research concludes that by having great corporate associations, FMCG companies can make an emotional attachment with the consumers which at the end will lead into a strong bond between companies and consumers through brand loyalty.

Keywords: Corporate Branding, Corporate Associations, Symbolical Benefits, Emotional Attachment, Brand Loyalty, Danone, FMCG

INTRODUCTION

Fast moving consumer goods (FMCG) is well defined as an industry that produces a variety of goods that consumed regularly by consumers and has business characteristics of low production costs and affordable prices (EconomyWatch, 2010). Until now, FMCG industry is still becoming one of the world's largest industry with a business value reaching over USD 8 trillion or around IDR 104 quadrillion in 2014 (Mckinsey, 2015) and the industry is still expected to grow aggressively until 2020 (Press, 2016).

If we take more specifically in Asian market, the FMCG industry is still a very promising industry with a total market value of \$1.3 trillion dollars (Statista, 2015) with an average growth of 7% from 2013 to 2015 (Prahadi, 2015). This aggressive market growth can still be reached due to the increasing purchasing power parity of the winsome class in Asia, such as India, China, and Indonesia (GBIndonesia, 2013). In addition, multinational companies take a huge impact by aggressively investing more and more in Asian markets, such as Procter and Gamble, Unilever, Philip Morris International, Heinz ABC, Danone World, and so forth.

The development of this excellent market was also reflected in the FMCG industry in Indonesia. The overall market value has reached \$82.1 Billion dollars in 2014 (JakartaGlobe, 2015) and has an average growth of 11.3%, which 3.3% higher than the average of Asian market growth in 2014 to 2015. Furthermore, based on the latest news from Global Business Guide Indonesia, about 56% of Indonesia's GDP growth over the last five years is strongly influenced by the FMCG industry (GbgIndonesia, 2015).

As mentioned before, multinational companies take a huge impact in our fast moving consumer goods overall business growth. Companies like Nestle, Unilever, Danone, Phillip Morris International, and Procter and Gamble are just some of the multinational companies that have been playing in our field for a long time and in the status quo, they are dominating our FMCG market. Consumers of Indonesia have a tendency to see the name of the company behind the brand in perceiving quality and making decisions in purchasing various

kinds of products. Therefore, it is very important for us to know about how the companies are able to create a very strong image or even becomes the top of consumers' mind.

From all multinational companies those are moving in Indonesian market, who does not know Danone World, a French based multinational corporation with a brand value of \$10.6 billion US dollars (54th worldwide), has been established in Indonesia since 1998 through its first acquisition of AQUA, the largest mineral water company in Indonesia (Danone. 2015). After the acquisition of AQUA itself, Danone World has expanded its product portfolio to isotonic beverages with Mizone and milk through Sarihusada and Nutricia.

Danone has a very unique sales strategy that goes against the FMCG industry standard in general. As we all know, the average world's consumers including Asia are very price sensitive when talking about FMCG products (Nielsen, 2013). Price competition is becoming a must in this industry. In fact, Danone puts their selling product price above the FMCG product's sales standard, AQUA can now be purchased with a price range of IDR 4.000,00 (standard market price IDR 2.000,00), while Nutricia is in the price range of IDR 100.000,00 (standard market price IDR 60.000,00). But still, Danone still has an excellent yet aggressive sales improvement until 2015.

From here the researchers are very interested to find how Danone Indonesia able to create a very strong corporate branding, product benefits that is beyond functional, and strong emotional bonding or attachment with the consumers, so that consumers becoming very loyal to Danone Indonesia products.

LITERATURE REVIEW

Previous Research

This research has previously been done in the luxury goods industry where previous researches also wanted to see the influence of corporate branding and emotional attachment towards brand loyalty of luxury goods consumers. The subject in the previous research is 282 consumers whichever bought any luxury goods, while the method that has been used is structural equation modeling. The final empiric results are corporate associations, functional benefits, and symbolical benefits have a positive significant impact towards emotional attachment and brand loyalty, while corporate activities, corporate values, and corporate personalities did not have any impact towards emotional attachment and brand loyalty. Furthermore, the previous researcher also found that corporate associations, functional benefits, and symbolical benefits are having a positive significant impact towards brand loyalty partially mediated by emotional attachment.

Corporate Associations

Corporate associations defined as customer's personal assessment towards a certain brand, which determined by customer's knowledge based on past interaction (Romaniuk, 2007). Brand with favorable corporate associations will easily uplift customer's trust to purchase brand's products. Based on Jing Theng So (2013), corporate associations can be measured with four terms:

- Corporation with outstanding products
- Good corporate citizen
- Corporation at forefront of FMCG

Symbolical Benefits

Symbolical benefits are well defined as the extrinsic value of a certain product which aims to deliver brand meanings to consumers instead of the main practical needs (Liang C.J., 2004). These benefits are able to satisfy customers' hidden needs, such as sense of social approval and self-expressive needs. Based on Jing Theng So (2013), symbolical benefits can be measured with four terms:

- Expresses my self-personality
- Symbolizes my status
- Enhances my personal image
- Helps me get social approval

Emotional Attachment

Emotional attachment represents consumer's notion of connection, affection, and passion to a certain brand (Thompson, 2006). Thus, it is asserted that high level of emotional attachment will likely lead into higher

customer's emotional bound to a certain brand. Based on Jing Theng So (2013), emotional attachment can be measured with three terms:

- Passionate
- Pride
- Satisfied

Brand Loyalty

Brand loyalty reflects as consumer's devotion to bound into a certain brand in a long period of time (Reichheld, 1996). In the status quo, almost every brand in this world is aiming into this one particular goal, which is brand loyalty. When customers have reached in a certain particular level of brand loyalty, they will reluctantly leave or change into other brands. Based on Jing Theng So (2013), brand loyalty can be measured with one term

- Consumer preferences to wait for the availability of products from a certain brand compared to buying another products from another brands.
- Consumer preferences to keep buying products from a certain brand even the price are relatively higher compared to the market standard.

Conceptual Framework

Figure 1 shows the conceptual framework, corporate branding has two dimensions, which are corporate associations and symbolical benefits. These two variables have an impact on customer emotional attachment which at the end will impact the consumer brand loyalty. In total there are five hypotheses in this framework.

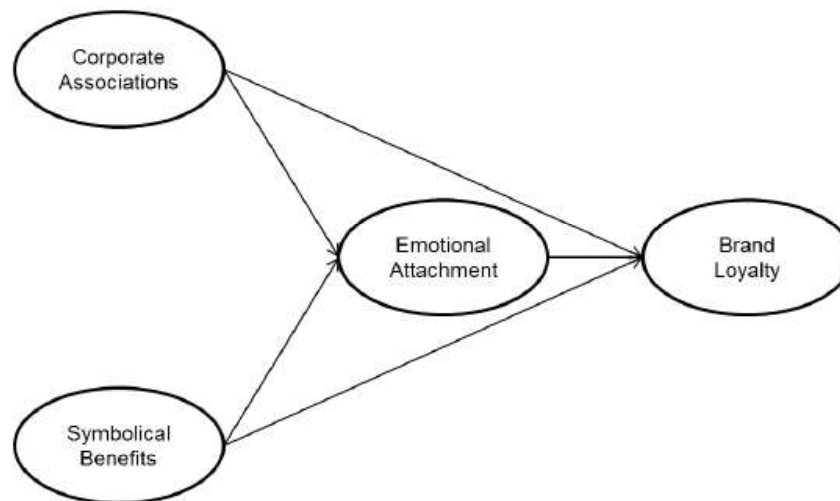


Figure 1. Conceptual Framework

Corporate Associations, Emotional Attachment, and Brand Loyalty

Favorable corporate associations will encourage customers to create a strong emotional bound with a certain brand due to their previous fulfilling experience. In addition, when customers already have a great experience and a strong emotional bound with a certain brand, they will tend to comprehend a long-term brand relationship.

H1a: Corporate associations have an impact towards emotional attachment.

H1b: Corporate associations have an impact towards brand loyalty.

Symbolical Benefits, Emotional Attachment, and Brand Loyalty

In contrary with functional benefits, symbolical benefits influence customer's mind through non-product related attributes or extrinsic values. When brands are able to generate superior symbolical benefits which reflects customers' hidden needs, customers can create an emotional connection with the brand. Furthermore, throughout those values, customers are expected to create a very strong long term relationship with brands.

H2a: Symbolical benefits have an impact towards emotional attachment.

H2b: Symbolical benefits have an impact towards brand loyalty.

The Impact of Emotional Attachment towards Brand Loyalty

As what the author has mentioned before, high level of emotional attachment is likely to create strong customer’s emotional dependency towards a brand. When, customers become more emotionally attached to a brand, they have a tendency to be a part of brand and willing to dedicate in long-term relationship with brand.

H3: Emotional attachment has an impact towards brand loyalty.

RESEARCH METHODS

Type of research used in this study is casual explanatory study. This method is usually used to find the cause and effect or relations between variables, which in this case is the relations between corporate branding, emotional attachment, and brand loyalty with the study case of Danone Indonesia.

Proceed in collecting all the important data in this study, the researcher will look for primary and secondary data. The primary data can be obtained by distributing 200 questionnaires to Surabaya’s consumers who ever bought any kind of Danone Indonesia products (purposive sampling method), while the secondary data will be obtained through looking information from various trusted sources. After that, all the questionnaires will be gathered and analyze further using covariant structural equation modeling (SEM). This method is used to validate a certain research framework using a different subject. In this case, the previous study is looking for the relations between corporate branding, emotional attachment, and brand loyalty in luxury goods industry, while in this research is using fast moving consumer goods industry.

RESULTS AND DISCUSSION

Here we are the results of this research. The first table and second table show that all indicators within each variable has a loading factor above 0.5, variance extracted above 0.5, and construct reliability above 0.7 which mean all indicators are valid and eligible to use for further analysis.

Table 1. Standardized Regression Weight

CAS4 ← CAS	.712
CAS3 ← CAS	.703
CAS2 ← CAS	.712
SB4 ← SB	.785
SB3 ← SB	.772
SB2 ← SB	.730
SB1 ← SB	.783
EA1 ← EA	.673
EA2 ← EA	.759
EA3 ← EA	.699
BL1 ← BL	.605
BL2 ← BL	.857

Table 2. Variance Extracted and Construct Reliability

	AVE	CR
<i>Corporate Associations</i>	0.5027	0.7520
<i>Symbolical Benefits</i>	0.5896	0.8516
<i>Emotional Attachment</i>	0.5059	0.7539
<i>Brand Loyalty</i>	0.5502	0.7039

Next, based on table 3 below, 5 out of 5 model fit measurements have a value between all the brackets. Therefore, the model that used within this research is valid and eligible for further analysis.

Table 3. Model Fit

Model Fit Measurement	Good Fit Cut Off Value	Result Default Model	Model Fit
RMSEA	0.05 – 0.08	0.094	Acceptable Fit
GFI	≥ 0.9	0.883	Acceptable Fit
CMIN/DF	2 – 4	2.250	Good Fit
TLI	≥ 0.9	0.919	Good Fit
NFI	≥ 0.9	0.896	Acceptable Fit

After all the indicators and model are valid and eligible to be used, next we will run the regression weight model analysis to look at the relations between each variable involved. The final result as we can see, there are only two variable connections which have $P < 0.05$ with positive Estimate value and can be concluded to have a positive significant impact on each other, corporate associations with emotional attachment and emotional attachment with brand loyalty, while the others have no significant impact towards each other.

Table 4. Regression Weight Model

	Estimate	S.E.	C.R.	P	Label
EA ← CAS	2.279	1.115	2.044	.041	par_9
EA ← SB	-1.123	.897	-1.253	.210	par_10
BL ← EA	3.883	.855	4.542	***	par_11
BL ← CAS	-8.739	4.839	-1.806	.071	par_12
BL ← SB	4.953	3.699	1.339	.181	par_13
CAS4 ← CAS	1.000				
CAS3 ← CAS	.787	.098	7.991	***	par_1
CAS2 ← CAS	.875	.107	8.172	***	par_2
SB4 ← SB	1.000				
SB3 ← SB	.910	.090	10.157	***	par_3
SB2 ← SB	.906	.100	9.048	***	par_4
SB1 ← SB	.819	.079	10.406	***	par_5
EA1 ← EA	1.000				
EA2 ← EA	1.275	.144	8.869	***	par_6
EA3 ← EA	1.109	.137	8.113	***	par_7
BL1 ← BL	1.000				
BL2 ← BL	1.241	.174	7.151	***	par_8

Empirical Results

Hypothesis 1a (Corporate Associations with Emotional Attachment)

Based on the survey that has been conducted, hypothesis 1a ends up with a P-Value of 0.041 and estimation value of 2.279. These values indicate that corporate associations have a positive significant impact towards emotional attachment in case of Danone Indonesia; one point increase on corporate associations will result in 2.279 increases in brand loyalty. This result is also supported by the previous research from Jing Theng So (2013).

Hypothesis 1b (Corporate Associations with Brand Loyalty)

Hypothesis 1b ends up with a P-Value of 0.071 and estimation value of -8.739. These values indicate that corporate associations have no direct impact to brand loyalty. Corporate associations need to be mediated by

emotional attachment first to reach brand loyalty. This result is not supported by the previous research from Jing Theng So (2013).

This hypothesis reflects that consumers are actually needed more time to create a brand loyalty with Danone through emotional attachment. The consumers need to see Danone as a great company first through various factors, such as having outstanding product portfolios, having great corporate citizens which can be reflected through the customer services, and etc. Then, after the emotional attachment has been created, the consumers will start to be loyal with Danone Indonesia.

Hypothesis 2a (Symbolical Benefits with Emotional Attachment)

Hypothesis 2a ends up with a P-Value of 0.210 and estimation value of -1.123. These values indicate that symbolical benefits do not have a significant impact on emotional attachment in this study. Once again, the result in this hypothesis is unaligned with Jing Theng So (2013).

The difference in results can occur due to the characteristics of FMCG products. For example, AQUA mineral water products have relatively the same product values as the competitors; have similar models, similar packaging design, etc.

Hypothesis 2b (Symbolical Benefits with Brand Loyalty)

Hypothesis 2b ends up with a P-Value of 0.181 and estimation value of 4.953. These values indicate that symbolical benefits do not have a significant impact on brand loyalty and also not supported by the previous research from Jing Theng So (2013). Details related to the difference results are the same with what we've found in Hypothesis 2a.

Hypothesis 3 (Emotional Attachment with Brand Loyalty)

Hypothesis 3 ends up with a P-Value of *** and estimation value of 3.883. These values indicate that emotional attachment has a positive significant impact towards brand loyalty; one point increase on corporate associations will result in 3.883 increases in brand loyalty. This result is also supported by the previous research from Jing Theng So (2013).

CONCLUSION, IMPLICATIONS, AND FURTHER RESEARCH

Based on the research of Corporate Branding, Emotional Attachment, and Brand Loyalty: The Case of Danone Indonesia, we can conclude three main elements. The first conclusion wills the importance of corporate associations in delivering a positive significant impact towards brand loyalty fully mediated by emotional attachment. Danone Indonesia needs to keep their focus on improving corporate associations in all aspects, including products, services, and marketing activities. Through this approach, Indonesia's consumers will look at Danone Indonesia as a great overall corporation and the consumers will start to be emotionally attached and at the end they will be loyal to Danone Indonesia. The second conclusion is that Danone doesn't necessarily need to invest way too much in creating symbolical benefits, since the industry is FMCG and the consumers' characteristics are tend to be neglecting the symbolical benefits after all. Last but not least is about the importance of creating or looking for more and more variables which can significantly impact the emotional attachment, because as mentioned before it will lead into brand loyalty.

That's why our first recommendation for the further research is to look for other variables that have a strong potential to have positive significant impact to emotional attachments. It can be price, product availability, customer services, creating more product portfolio, or others. The second suggestion will be it would be great if in subsequent research, the researcher could include a wider sample from another cities to represent the whole Indonesian market, since different market will have a different consumers characteristics.

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