

The Effect of Brand Reputation and Experiential Marketing on Repurchase Intention (Case Study of Indomaret Pakutandang Ciparay, Indonesia)

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Abstract

The growth of retail business in Indonesia show various results. Compared to another type of modern market such as supermarket and hypermarket, the number of minimarkets in Indonesia grow rapidly. Recently, Indonesia hold the biggest number of minimarket in South East Asian Region. The present study focuses in investigating the customer repurchase intention of Indomaret Pakutandang branch since it experienced decreasing transaction per day and average sales per customer lately. Besides that, there was decreasing sales per day for four consecutive years (2016 to 2019) with average 7.05% yearly. This study tries to find the answer through two independent variables namely experiential marketing and brand reputation. This study collected data from 149 respondents to be analyzed. By using multiple regression, this study demonstrates that both independent variables are significantly influence repurchase intention. Furthermore, it is found that brand reputation influence repurchase intention stronger than experiential marketing does. Some suggestions are discussed and recommended.

Keywords: brand reputation, experiential marketing, repurchase intention, minimarkets, Indonesia.

1. INTRODUCTION

Modern market comprises of minimarket (including convenience store), supermarket, and hypermarket, that can be differentiated by scale of business (i.e. number and type of product sold, store areas, number of parking lots, investments, etc.). In period 2012 to 2017, the average growth of minimarket, supermarket, and hypermarket in Indonesia was 10.78%, 0.18%, and -2.76%, respectively (USDA Foreign Agricultural Service, 2018). It can be concluded that growth of minimarket is the highest, compared to another type of modern market such as supermarket and hypermarket. Nielsen (2019) reported that in early 2018, Indonesia hold the biggest number of minimarket in South East Asian Region with 43,826 stores and almost reached 60% of total minimarkets in the region. Since the growth of minimarkets in Indonesia is more than 15% every year, there are about 1000 new stores open every year (Riley & Yuliawati, 2019). In their report, Nielsen (2019) also explained some reasons behind this enormous growth, which are: increased spending power, convenience lifestyle, connected consumers, affordable indulgence, and market opportunity outside Java Island Region. With the growing number of middle class and young

people in Indonesia, there is the increasing trend of busy lifestyle. Proximity, convenience and buying small amount of products have become very important issues for people in this category when they make purchasing decision (Bella, 2019; Gumiwang, 2019).

In Indonesia, there are two dominant players in minimarket industry, which are: Indomaret and Alfamart. In 2019, these two players dominated 77% of total market share of minimarket in Indonesia (i.e. Indomaret reached 46% of market share and 31% for Alfamart), while the remain 23% for the other players, such as: Yomart, Podjok Halal, Coco Mart, Family Mart, Ok Oce Mart, etc. (www.idx.co.id/). In 2019, these two players operated 33,345 stores or 75% of total number of minimarket in Indonesia. Indomaret opens about 1366 new stores every year, and the growth of store opening reach 11,93% annually,

On the other hand, Alfamart hold 10.17% annual growth of store openings. On average, Alfamart opens 952 new stores every year (www.databoks.katadata.co.id; www.lokadata.co.id). Some tactics has been implemented by the players in minimarket industry to face the fierce of competition, such as: location strategy, extensive promotion, competitive pricing strategy, implementing non cash payment, customer loyalty programs with member card system, delivery service, and so on (Martinus, 2011).

Facing with fierce competition and continuously changing of customer lifestyle, minimarkets should organize their store for the best experience of their customers. Nielsen (2019) reported that people today consider that convenience in shopping is not only about having impulse products (such as, snacks, beverage, and tobacco), but also getting a wide range of ready-to-eat food and impulse items (plus other services) to make their life become easier. Usually, people buy small amount of daily needs from grocery shop close to their house. People avoid visiting supermarket or hypermarket due to traffic congestion. Customer needs and wants are not just about the tangible product or goods, but they also need good experience when the buy it at the store. Today, beside the availability of products, many retailers focus on enhancing customer experiences as an important strategy to win the competition. According to Schmitt and Hanover (2016), in buying a product, customers do not merely depend on functional features of the product, but also consider about the experience of consumption. Thus, companies should move beyond the product-oriented approach to customer-oriented approach by focusing on consumption situations. This concept known as experiential marketing, which explains about how customers will use their sense, feel, think, act, and relate in buying a product. Previous researchers found that experiential marketing has significant effect to repurchase intention of Indonesian minimarket's customers (Astari & Pramudana, 2016; Fadilah, 2020; Rossanty, Purba, Ario, Nasution, & Siregar, 2019; Setyono, Widyanata, Siaputra, & Jokom, 2017).

Frontier group conducts annual brand performance survey for 15 categories and announce the winner of Top Brand Award for each product category. The brand performance is measured by the combination of mind share, market share, and commitment share (<https://www.topbrand-award.com/top-brand-index/>). For minimarket category, the top brand index can be seen in the Table 1. In contrast with the market share, the top-brand-index of Indomaret always below its rival, Alfamart, for four consecutive years (2017-2020). This information shows that compare to Alfamart, Indomaret has several problems in mind share and commitment share but not for their market share. The present study assumes that this phenomenon is driven by brand reputation. Brand reputation is a consumer's opinion about the brand, whether reliable or not (Shandi, 2011). According to Urde and Greyser (2015), there are 8 elements to measure brand reputation, which are: relevance, trustworthiness, differentiation, credibility, reliability, responsibility,

willingness to support, and recognisability. Andriani (2015) and Nugraha (2020) demonstrated that if a brand has better reputation, the consumers tend to loyal to the brand.

Table 1. Top Brand Index of Alfamart and Indomaret 2017-2020

Minimarket	2017	2018	2019	2020
Alfamart	47.9%	52.9%	49.0%	49.3%
Indomaret	42.5%	41.7%	39.1%	39.8%

Source: <https://www.topbrand-award.com/top-brand-index/>

The present study aims to investigate how consumers' experiential marketing and brand reputation have an effect to their repurchase intention. As a case, the authors choose the Indomaret Pakutandang in Ciparay area of Kabupaten Bandung. In this area, there are 26 minimarket stores that comprise of 12 Indomaret, 9 Alfamart, and 5 local minimarkets (Yomart). In reality, not all Indomaret stores show positive growth in sales. One of them, Indomaret Pakutandang, experienced decreasing sales per day for four consecutive years from 2016 to 2019. For that period, sales per day was decreasing with average 7.05% every year. Other than that, Indomaret Pakutandang also faced the decrease in transaction per day and average sales per customer in the same period. This study tries to explore the implementation of experiential marketing strategy and brand reputation of Indomaret and its impact on customer repurchase intention. Customers will repeat their buying and buy more items from the store if they have good experience in their previous buying and if the store has good brand reputation.

2. LITERATURE REVIEW

2.1 Repurchase Intention

Satisfied customer will rebuy the product, recommend the product to other people, unaffected to advertisements of competing brands, and do cross selling (Kotler & Keller, 2016: 244). Rebuy the product as an action of repurchase intention, after customer become a first-time buyer, is an easy and clear sign of customer satisfaction. Satisfaction will generate an interest to rebuy in the future. Chinomona and Dubihlela (2014) defined repurchase intention as consumer's decision based on his/her situations and circumstances to repeatedly buying the product from the same company for a long time period. Thus, repurchase intention is a part of consumer behaviour that come from satisfaction.

In minimarket industry, where companies offer almost similar products, customer value comes from another sources apart from product is important factors in pursuing market success. In this case, many companies rely more on intangible factors such as: brand awareness, brand reputation, experience in shopping, good location, customer engagement, customer relationship, etc. Previous study revealed that in retail industry, repurchase intention depends on consumer ratings from past transactions, instant behaviours and hedonic tendencies (Subawa, Widhiasthini, & Suastika, 2020). Past study has been proposed four indicators to measure repurchase intentions, namely: transactional intentions, referential intentions, preferential intentions, and explorative intentions (Setyono et al., 2017).

2.2 Experiential Marketing

In modern marketing, experiential marketing is an important element in marketing for delivering and creating customer value (Kotler & Keller, 2016). Unlike traditional marketing that

emphasize on rational, functional, engineering, and product-based focus; experiential marketing emphasizes on customer experience that provides sensory, emotional cognitive behaviour and hedonic value (Datta, 2017; Schmitt, 2010). In retail industry, the experiential marketing means that company not only offers products to customers, but also creates experience during their shopping activities (Anggie & Haryanto, 2011). Thus, experiential marketing is a holistic situation that involves any face-to-face or offline relationships between company (including products) and customers during their shopping activities that provide unique experiences to create psychological value for customers. Schmitt (1999) introduced five types of experience marketing approaches that consist of: sense, feel, think, act and relate.

Experience is personalized. If customers perceived that their experience is positive, then the company will have benefits from it. Good experience will drive brand awareness, increasing customer satisfaction, and developing customer loyalty (Anggie & Haryanto, 2011; Schmitt, 2010; Subawa et al., 2020). On the contrary, if customers have bad experience then they will act negative actions, such as: churn or stop buying from company, negative word-of-mouth, etc. In Indonesian context, many previous studies proved that experiential marketing positively influences repurchase intention, for example: Anggie & Haryanto (2011), Astari & Pramudana (2016); Rossanty et al. (2019); Setyono et al. (2017); and Subawa et al. (2020). Thus, the present study proposes:

H1: Experiential marketing efforts will positively influence repurchase intention.

2.3 Brand Reputation

Brand reputation is defined as overall evaluation by the customers regarding their interactions with firm's goods, services, communication activities, employees, management and also with other customers (Walsh & Beatty, 2007). People tend to choose a reputable brand in order to buy a quality product (Rindell, Strandvik, & Wilén, 2014) and also increase their status (Kremer & Viot, 2012). Firms that compete with brand reputation believes that strong reputation will drive customers to buy with highest prices and outperform competitors (Chaudhuri, 2002; Loureiro, Sarmiento, & Le Bellego, 2017). The present study implements Urde and Greyser's (2015) dimensions in order to measure the brand reputation that comprises of: relevance, trustworthiness, differentiation, credibility, reliability, responsibility, willingness to support, and recognisability.

Previous studies confirmed that brand reputation have a positive impact on customer loyalty (for example: Loureiro et al., 2017; Mahmood, Qaseem, Ali, Ali, Humayon & Gohar, 2018). In Indonesian context, the influence of brand reputation to customer loyalty has been confirmed by previous studies (for example: Adriani, 2015; Nugraha, 2020). Therefore, since repurchase intention is part of customer loyalty, it can be said that brand reputation has an impact on repurchase intention. Farida (2018) found that brand reputation drives repurchase intention in Indonesian small business. Thus, the second hypothesis is:

H2: Brand reputation will positively influence repurchase intention.

3. METHODOLOGY

This study is a quantitative research with two independent variables, namely experiential marketing and brand reputation; and one dependent variables: repurchase intention. The object of study is Indomaret branch in Pakutandang Ciparay District of Kabupaten Bandung, Indonesia. This branch suffers from decreasing sales per day for four years' period from 2016-2019. The

questionnaires are adapted from previous studies. Experiential marketing is adapted from Schmitt (1999, 2010), brand reputation is adapted from Urde and Greyser (2015), and repurchase intention is adapted from Setyono et al. (2017). The present study distributed more than 200 questionnaires purposely to all the repeated customers that come to the store in June to July 2020. As a result, the present study used 149 valid responses to be analysed. The present study operated the multiple regression to test the hypotheses by using SPSS version 20. Prior to hypothesis testing, the validity and reliability test of questionnaire items are ensured.

4. RESULTS AND DISCUSSION

4.1 Characteristics of respondents

Table 2 shows the characteristics of the respondents. The number of respondents in this study were 149 respondents. It seems that the characteristics of the respondents represent the characteristics of the Indonesian population, especially for gender, age, occupation and income categories. Respondents are dominated by private employees, housewives and self-employed (82.6% total) and they are in productive age since 72.5% of respondents are between 20-40 years old. The majority of consumers show monthly expenditures below IDR 5 million and it seems to be in line with the product category and product pricing policies sold at Indomaret minimarkets that targeted for middle-income consumers.

Most of the respondents' shop at Indomaret with a frequency of once a week and 91.9% of respondents revealed that they also shop at other minimarkets that compete with Indomaret. It is related with data of respondents who become Indomaret members. Only 5.4% of the total respondents join with Indomaret membership. This can be a reference for Indomaret, especially the Pakutandang branch, to improve information sharing for consumers regarding the advantages and benefits that will be received with Indomaret membership. This information sharing is important considering that respondents who want to join Indomaret membership in the future only reach 9.4% of respondents, the remaining 90.6% are still have no willingness and still doubt for that. On the other hand, by increasing the number of members, the possibility of customer to make repeat purchases or frequent purchase or transactions will be higher.

Table 2. Characteristics of Respondents

Characteristics	Detail	Frequency	%
Gender	Male	88	59.1
	Female	61	40.9
Age	< 20 years	12	8.1
	20-30 years	49	32.9
	31-40 years	59	39.6
	41-50 years	24	16.1
	>51-60 years	5	3.4
Occupation	Entrepreneur	28	18.8
	Public servant	6	4.0
	Students	20	13.4
	Private employees	46	30.9
	Housewife	49	32.9
Monthly Spend	<Rp2.50 M	74	49.7
	Rp2.50M-Rp4.99M	61	40.9

	RP5.0M-Rp7.49M	9	6.0
	Rp7.50M-Rp10.00M	3	2.0
	>Rp10.00M	2	1.3
Shopping Frequencies	Once a month	30	20.1
	2-3 times a month	30	20.1
	Once a week	62	41.6
	Almost everyday	27	18.2
Are you member?	Yes	8	5.4
	No	141	94.6
Membership intentions?	Yes	14	9.4
	No	37	24.8
	Don't know	98	65.8
Buy from others mm?	Yes	137	91.9
	No	12	8.1

4.2 Descriptive Analysis

Table 3 shows descriptive analysis of variables under study. Customer responses regarding the implementation of experiential marketing at Indomaret Pakutandang is in the high category or good, with average score 4.06. Service given by Indomaret employee to consumers (dimension: feel) get the highest score (4.33), while the statement with the lowest score is service regarding product availability information (dimension: think), which occupies the lowest score (3.91).

The brand reputation of Indomaret Pakutandang is considered very good. with average score 4.09. Statement regarding the honesty of Indomaret service get the highest score from respondent (4.19), while the statement regarding distinctiveness and uniqueness of Indomaret Service occupied the lowest average score (3.99)

Indomaret Pakutandang consumer repurchase intention can be categorized by good or high with average score reach 4.03. Statement about the willingness to make repurchase at Indomaret in the future, occupy the highest score an average of 4.12. Meanwhile, the statement "I want to recommend Indomaret to others (family, friends, etc.) get the lowest score (3.98).

Table 3. Descriptive Analysis of Variables Under Study

Variable	Mean	Dimension	Mean
Experiential marketing	4.06	• Sense	4,11
		• Feel	4,20
		• Think	3,97
		• Act	4,01
		• Relate	4,00
Brand reputation	4.09	• Relevance	4,02
		• Trustworthiness	4,19
		• Differentiation	3,99
		• Credibility	4,00
		• Reliability	4,18,
		• Responsibility	4,12
		• Willingness to support	4,17

		• Recognisability	4,12
Repurchase intention	4.03	• Transactional intention • Referential intention • Explorative intention • Preferential intention	4,12 3,98 4,02 4,02

4.3 Hypotheses testing results and discussion

Table 4 shows that all of the hypotheses are accepted. All the independent variables, which are experiential marketing ($\beta = .204$, $p < .0$) and brand reputation $\beta = .47$, $p < .01$) have significant influence to repurchase intention. This result supports previous literatures for example: Adriani (2015), Anggie and Haryanto (2011), Astari and Pramudana (2016), Loureiro et al. (2017), Mahmood et al. (2018), Nugraha, 2020; Rossanty et al. (2019); Setyono et al. (2017); and Subawa et al. (2020).

Furthermore, the F test also shows that both independent variables significantly influence repurchase intention simultaneously. The adjusted R^2 is .531 which mean experiential marketing and brand reputation explain 53.1% of repurchase intention variances. The remaining 46.9% can be explained by other independent variables, such as location, promotion, pricing strategy, etc.

Table 4. Multiple Regression Analysis Result

	Dependent variable: Repurchase Intentions Standardized Beta
Independent variable: Experiential Marketing	.204*
Brand Reputation	.574**
R^2	.537
Adjusted R^2	.531
F	84.648**

Note. Significant levels ** $p < .01$; * $p < .1$

5. CONCLUSION

The present study demonstrates that experiential marketing and brand reputation influence customers repurchase intention in Indomaret Pakutandang branch. Therefore, some conclusions can be drawn. Firstly, since Indomaret Pakutandang branch's customers are dominated by private workers and housewives, there is an opportunity for Indomaret Pakutandang to increase customer visit by offering products that relate to household needs. One issue to be considered regarding customer marketing experience is information about product availability. Secondly, the brand reputation of Indomaret Pakutandang is considered good. However, according to respondents, Indomaret do not have any uniqueness in its services. It can be explained by several facts such as: most of customer only make a purchase once a week or less, membership intention

rates are very low and they still buy from competitors. Finally, the present study reveals that brand reputation has stronger relationship to repurchase intention than experiential marketing does.

Based on the conclusion above, in order to increase customer, repurchase intention, the present study suggests three recommendations. First, Indomaret should enhance its uniqueness in Pakutandang branch by offering unique products and services to customers, especially for private workers and housewives. Second, Indomaret Pakutandang should improve the way it handling information to fulfill customers' needs. Indomaret should increase customer experience by giving an accurate information of product availability, price, quality, and so on. Finally, in general, Indomaret Pakutandang should increase its services by engaging to customer needs and wants. Hopefully, if customers satisfy with their shopping experience in Indomaret and they trust the services given by Indomaret, they will have no doubt to refer Indomaret to their relatives and friends voluntarily, and make repurchase actions.

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