

**THE IMPACT OF BRAND CONCEPT DIMENSIONS
ON CUSTOMER COMMITMENT**

(A survey of Apple iPhone Users in Bandung, Indonesia)

THESIS



By:

UCHENNA COLLINS AGBARAKWE

2017811002

Supervisor:

Prof. Dr. Marcellia Susan K., Dra., MSIE

**MASTER OF MANAGEMENT PROGRAM
POST GRADUATE PROGRAM
UNIVERSITAS KATOLIK PARAHYANGAN
BANDUNG
JULY 2019**

HALAMAN PENGESAHAN

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Oleh:

UCHENNA COLLINS AGBARAKWE

2017811002

Disetujui Untuk Diajukan Ujian Sidang Tesis Pada Hari/Tanggal:

Rabu, 24 Juli 2019

Pembimbing:

Prof. Dr. Marcellia Susan K., Dra., MSIE

**MASTER OF MANAGEMENT PROGRAM
POST GRADUATE PROGRAM
UNIVERSITAS KATOLIK PARAHYANGAN
BANDUNG
JULY 2019**

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Yang bertandatangan di bawah ini, saya dengan data diri sebagai berikut:

Nama : Uchenna Collins Agbarakwe
Nomor Pokok Mahasiswa : 2017811002
Program studi : Magister Manajemen
Fakultas Ekonomi
Universitas Katolik Parahyangan

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THE IMPACT OF BRAND CONCEPT DIMENSIONS ON CUSTOMER COMMITMENT

(A survey of Apple iPhone Users in Bandung, Indonesia)

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Dinyatakan : di Bandung
Tanggal : 24th July 2019



Uchenna Collins Agbarakwe

DEDICATION

I dedicate this piece of work to my late Father, Mr Christopher Columbus Agbarakwe and my Loving Mother, Mrs Ada Clara Columbus-Agbarakwe.

**DAMPAK DIMENSI KONSEP MEREK TERHADAP KOMITMEN
PELANGGAN
(SURVEI PENGGUNA IPHONE APPLE DI BANDUNG, INDONESIA)**

**Uchenna Collins Agbarakwe (2017811002)
Pembimbing: Prof. Dr. Marcellia Susan K., Dra., MSIE
Bandung
July 2019**

ABSTRAK

Kebutuhan teknologi, terutama smartphone, sekarang sangat besar; tidak dapat dipungkiri bahwa banyak merek smartphone bersaing satu sama lain untuk mendapatkan pangsa pasar tertinggi. Secara keseluruhan, beberapa merek terkenal seperti Samsung, Xiaomi dan Oppo adalah tiga merek smartphone teratas yang paling banyak digunakan di Indonesia, tetapi ada satu smartphone yang, walaupun memiliki pangsa pasar tidak sebesar merek ketiga, adalah dianggap paling eksklusif karena pasar hanya untuk sekelompok orang tertentu yang memahami merek, Apple iPhone. Tujuan dari penelitian ini adalah untuk mengetahui apakah konsep merek yang dimiliki oleh iPhone Apple dapat mempengaruhi komitmen pelanggan, karena diketahui bahwa pengguna iPhone Apple cenderung terus menggunakan merek iPhone yang sama, meskipun ada merek pesaing lainnya dalam produk yang sama. kategori. Metode penelitian yang digunakan adalah metode penelitian deskriptif dengan pendekatan kuantitatif, dimana populasinya adalah pengguna iPhone Apple di kota Bandung. Pengumpulan data dilakukan dengan kuesioner, wawancara dan observasi, sedangkan teknik analisis data menggunakan analisis deskriptif dan juga analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa dimensi konsep merek yang terdiri dari manfaat estetika, manfaat fungsional dan manfaat simbolik memiliki pengaruh signifikan dalam membentuk komitmen pelanggan. Adapun tiga dimensi dari konsep merek, diketahui bahwa manfaat simbolik memiliki dampak paling kuat pada komitmen pelanggan dibandingkan dengan dua dimensi lainnya.

Kata Kunci: Dimensi Konsep Merek, Komitmen Pelanggan, Apple iPhone

**THE IMPACT OF BRAND CONCEPT DIMENSIONS ON
CUSTOMER COMMITMENT
(A SURVEY OF APPLE IPHONE USERS IN BANDUNG,
INDONESIA)**

**Uchenna Collins Agbarakwe (2017811002)
Supervisor: Prof. Dr. Marcellia Susan K., Dra., MSIE.
Bandung
July 2019**

ABSTRACT

Technology needs, especially smartphones, are now very huge; it cannot be denied that many smartphone brands compete with each other to get the highest market share. Overall, several well-known brands such as Samsung, Xiaomi and Oppo are the top three smartphone brands that are most widely used in Indonesia, but there is one smartphone that, although it has a market share not as big as the three brands, is considered the most exclusive because the market is only for a certain group of people who understands the brand, the Apple iPhone. The purpose of this research is to find out whether the brand concept possessed by the Apple iPhone can impact customer commitment, because it is known that the Apple iPhone users tend to continue to use the same iPhone brand, despite other competing brands in the same product category. The research method used is the descriptive research method with a quantitative approach, whereby the population is the Apple iPhone users in the city of Bandung. Data collection is by questionnaires, interviews and observations, while the data analysis technique uses descriptive analysis and also multiple linear regression analysis. The results showed that brand concept dimensions consisting of aesthetic benefits, functional benefits and symbolic benefits had a significant influence in shaping customer commitment. As for the three dimensions of the brand concept, it is known that symbolic benefits have the strongest impact on customer commitment compared to the other two dimensions.

Keywords: Brand Concept Dimension, Customer Commitment, Apple iPhone

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July, 2019

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CHAPTER I

INTRODUCTION

1.1 Background

According to the information and communication technology report of the World Bank, it reports that the development of mobile phones brands in Indonesia is relatively good and a good dynamic for local and international products. The role of the information and communication technology (ICT) sector, in improving sustainable development in Indonesia has expanded significantly in the last few years.

According to Hartini (2012), the focus of smartphone development as a smart phone focuses on from internet features such as GPS and move using smartphones. Seeing this opportunity many companies now produces cell phones with smartphones. At large, the numbers of manufacturers who are able to meet this demand cause those companies to think of certain strategies than their competitors. One of the strategies is to determine brand to that product (Hartini, 2012).

In the process of globalization, it is inseparable from change, these changes also impact business competition, which requires companies to behave and act quickly, in order to face competition in a business environment that moves very dynamic and full of uncertainty. Therefore, every company is required to compete competitively to create and maintain customer commitment. At present a

company's competition to attract the attention of customers has not focused on functional products such as product use, but nowadays products are strongly associated with brands that can provide their own value for their use, it is now known that the role of brands has shifted. At a low level of competition a brand only distinguishes between products and other products or in other words, a brand is just a name. In contrast, at the high level of competition that makes a brand an identity of a product, the more time it develops, the company begins to realize the importance of a brand to a company, because it is a high-value asset. Competition in the mobile phone industry is very tight, encouraging smartphone product manufacturers to continue to grow to compete with market share.

According to preliminary data from the International Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker, smartphone vendors shipped a total of 355.2 million units during the third quarter of 2018 (3Q18), resulting in a year-over-year decline of 6.0%. This was the fourth consecutive quarter of year-over-year declines for the global smartphone market, which raises questions about the market's future. IDC maintains its view that the market will return to growth in 2019, but at this stage it is too early to tell what that growth will look like.

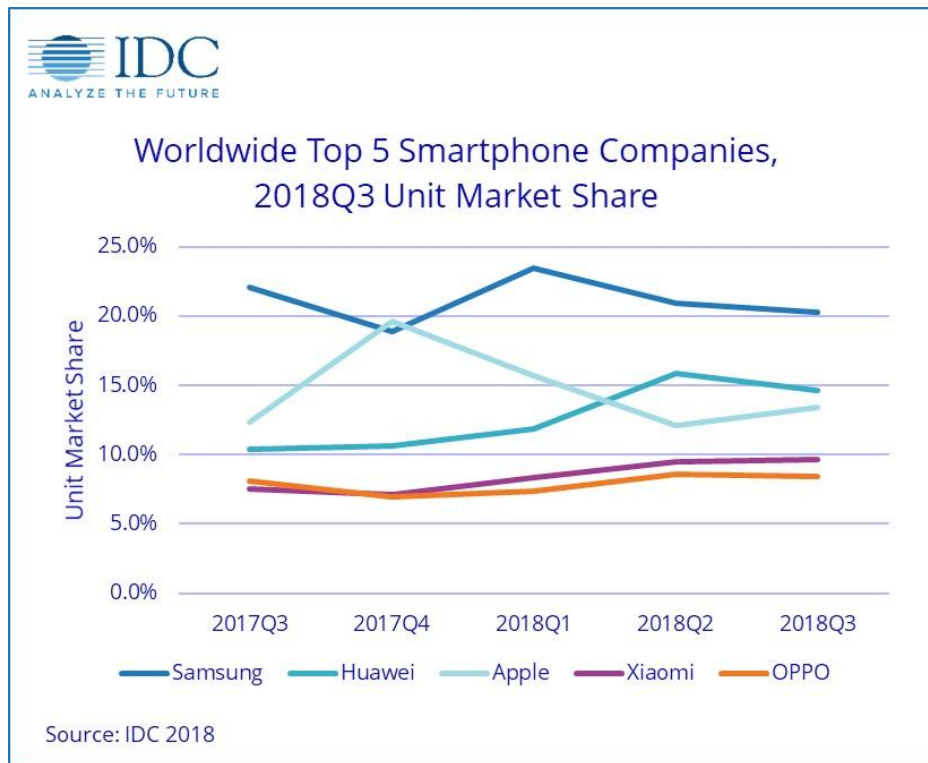


Figure 1.1
 IDC Quarterly Mobile Phone Tracker, November 1, 2018
 Source: IDC.com

Steve Jobs, described Apple as a "mobile devices company" - the largest one in the world. Apple is making many services and functionality which consumers use accessible on whatever (Apple) device they happen to be using at the time, be it on their desk, lap, fingertips or wrist.

“There are now more than 700 million iPhones currently in use worldwide”. — BMO Capital Markets”

For years now Apple iPhone products have been in the leading pack in sales worldwide, the statistics (see table in figure 1.1 above) shows that Apple iPhone products were among the top 4 most sold products in the world. The most powerful products for business are the ones people already love to use. Apple

products have always been designed for the way we work as much as for the way we live (Appleinc.com). Some of the other mobile phone companies are much more technically oriented than customer oriented, which has a sizable effect on how they prioritize, according to “Ira Kalb”, clinical marketing professor at the USC Marshall School of Business.

"The race at the top of the market continues to be a heated one as Huawei once again slipped past Apple to the second position," said Anthony Scarsella, research manager with IDC's Worldwide Quarterly Mobile Phone Tracker. *"Although Huawei may have beaten Apple in Q3, the holiday quarter could have Apple iPhone as the market leader, thanks to the launch of three new Bezel-less devices".*



Figure 1.2
Number of Indonesian Smartphone Users in 2013-2018
Source: repository.unpas.ac.id

As seen in figure 1.2 above, the number of smartphone users in Indonesia from 2013-2018 continued to increase. In 2013 the number of smartphone users in

Indonesia only reached 27.4 million people. However, there was a sharp increase of 10.9 million in 2014 which was 39.78% when compared to 2013. Even so, in the following years, the percentage increase in the number of smartphone users in Indonesia gradually declined, with 32.95% in 2016, 24.78% in 2017 and 18.93% in 2018. However, despite a decrease in percentage increase, the number of smartphone users in Indonesia remained increased.

In addition, growing markets like India and Indonesia, where Samsung has held leading positions for many years, are being changed by the rapid growth of Chinese brands like Xiaomi, OPPO, and vivo. Also, the International Data Corporation's (IDC's) Quarterly Mobile Phone Tracker, stated that the smartphone shipments in Indonesia reached 9.4 million units in 2Q18, a growth of 22% quarter over quarter (QoQ) and 18% over the same period last year, marking the highest shipments ever recorded in Indonesia.



Figure 1.3
 IDC Top-5 Vendor Smartphone Indonesia-Q318
 Source: Selular.ID

Apple expanded their Research and Development (R & D) reach into the Asian region. Apple chose Indonesia as the headquarters of their research and innovation (Annisa Bella; 2018).

Bandung can be referred to as a city in Indonesia that never stops giving birth to creative and innovative ideas. Most of the current trends start from the city of Bandung. The main actors who play an important role in the birth of these creative ideas are young people who seem to continue to thirst for inspiration in all fields, to maintain the existence of the city as the center of the creative industry not only at the local level of Indonesia, but also as the main barometer of creativity for Asian youths, Southeast Asia even more broadly. The creativity of

young people in the city of Bandung continues to grow, certainly not apart from the role of information and communication technology used. The form of information and communication technology that is often used by young entrepreneurs in Bandung, one of which is a smartphone with various types and brands. (As cited in Oktri Mohammad Firdaus; 2013).

Phenomenon of the study

In this sophisticated era of globalization, one phenomenon that attracted the attention of the world is the more growing sophisticated telecommunication products, it opens opportunities and challenges for world technology companies, including in Indonesia. Current phenomenon is that people want a tool that is practical, easy to use, and multifunctional to be part of a lifestyle that can increase the prestige of the user. To fulfill these needs, technology was made called in the name of Smartphone. One recent smartphone that managed to steal the attention of the public is the brand of Apple iPhone (Felly, 2015).

The city of Bandung is the largest in the province of West Java, and the population of the province of West Java is the largest in Indonesia compared to other provinces in Indonesia. Based on population, the highest number of internet users is in West Java as many as 16.4 million, one of which is in Bandung with cell phone usage reaching 92% spread in Java & Bali. Bandung is also known as one of the most technologically aware cities and has a young generation that is almost entirely aware of innovating technology; even Bandung itself strongly supports the advancement of technology through its government (Rachmani,

2015). For some people, the use of smartphones is not just a tool to communicate like an ordinary mobile phone, but can be used as a tool to work using software provided by software developers.

In Indonesia, it is one of the targets of Chinese smartphone companies to expand its market. The city of Bandung is one of the potential market targets for Chinese smartphones. The city of Bandung in 2015 was chosen, as the world's top 6 finalists for Smart City innovation from the World Smart City Organization in Barcelona representing Indonesia. The city of Bandung got the nickname, because its people actively helped the city's development using smartphones. This means that people in the city of Bandung have quite a lot of smartphone users and also means having a high purchasing power for smartphones. That way it can benefit Chinese smartphone manufacturers to market their products (as cited in Ramadhan F.A, Yulianna E; 2016).

However, a separate phenomenon is that the Apple iPhone market share in Indonesia is still inferior to other brands. In the **figure 1.3** above, it is explained that the Apple iPhone market share falls in the category (written as *others* with 13%), this signifies that Apple iPhone isn't among the top five selling smartphone brands in Indonesia in regards to unit market share, with the new Chinese brands displacing Apple iPhone in the leading position.

So, what makes Apple iPhone brand generate such commitment among its customers, especially in Bandung Indonesia?

What's interesting is that Apple only sells far fewer product variants than its competitors in Bandung Indonesia, only one to two variants of cellphone

products per year and all of them are products that are in the upper class and niche market, while these other upcoming Chinese brands such as Xiaomi, Oppo, Vivo etc offer different variants of smartphone products for various segmentations ranging from the lower class to the middle class, at a lower rate compared to the Apple iPhones, yet these factors doesn't discourage the Apple iPhone users/customers (Venta, Lestari and Pamungkas; 2016).

According to Mike Levin, Partner and Co-Founder of Consumer Intelligence Research Partners (CIRP); "Apple iPhone customers have historically been very committed, with 80-90% or more of customers upgrading from one iPhone to another".

Companies will always be at the risk of decreased sales or not gaining any sales at all if the role of brand is not well maintained. Different things can impact a brand of a company or its product and thus the sales. Therefore, a company must be assertive on how their brand is portrayed to consumers. The brand of a company sends its customers through its message and hence it tells the story of what the company is and how it operates. There are certain factors that can limit the sales of a product that the company cannot control; be it natural disaster, price increase of raw materials or something else-however the goal is always to sell products. This is not always possible if the price increases, because though a customer is aware of it and is a repeat purchaser of a certain brand, he /she might not prefer it, if the price increases beyond his/her capacity (Kotler, Amstrong, Saunders, and Wong, 1996, as cited in pinson and Brosdahl, 2014).

Brand Concept is designated brand image derived from consumer prerequisites and is the zenith of various arrays of direct and indirect brand equity features, such as brand awareness and brand identity. The brand benefit is a perception created by marketers' management of the brand. As a result, it is expected that brand concept is an antecedent of strong brand relationship (Lina, 2011).

Benefit has been defined as a subjective feeling of compensation or expectation that is associated with the consumption or use of a product or service (Peter & Olson, 1987). According to this understanding of a 'benefit', customers can acquire various benefits offered by utilization of the attributes of a product, apart from the benefit of purchasing the product itself. Such benefits have been categorized in various ways. For example, Peter & Olson (1987) categorized benefits on the basis of product use as 'functional', 'psychological', and 'social', whereas Keller (1993) categorized benefits as 'functional' (an intrinsic physical attribute of a product), 'experiential' (a benefit related to emotional enjoyment, diversity, and cognitive stimulus), and 'symbolic' (a benefit associated with social approval, self-expression, and self-concept).

Commitment is a force of psychological attachment (O'Reilly and Chatman, 1986). Commitment is viewed as a central construct in the relationship marketing literature (Morgan and Hunt, 1994) and there are various views about the nature of the construct. Many of these definitions assume that commitment is an attitudinal construct (Gilliland and Bello, 2002). This enables researchers in the area to focus on the relationship between customer commitment attitude and a

number of relational intentions and/or behaviours. Commitment has been viewed as an implicit or explicit pledge of continuity between relational partners (Dwyer et al., 1987). It has also been defined as mutuality and the forsaking of alternatives (Gundlach et al., 1995). Others have defined commitment as an enduring desire to maintain a valuable relationship (Moorman et al., 1992). Accordingly, marketing scholars should regard customer commitment as a psychological force linking the consumer to the selling organization.

Customer Commitment can be viewed as an enduring desire to maintain a valued relationship with the brand (Chaudhuri and Holbrook, 2001; Park et al., 2013). Consumers having strong levels of commitment, who have nurtured strong relationships with the brand, tend to see strong connections between themselves and the brand (Escalas and Bettman, 2003) and consider the brand to be an integral part of their lives.

1.2 Problem Identification

Based on the description of the background of the research above, the problems in this study can be identified as follows:

1. How is the customers' response of Brand Concept dimensions of Apple iPhone?
2. How is the Customer Commitment of Apple iPhone?
3. What is the Simultaneous impact of Brand Concept dimensions (Aesthetic, Functional and Symbolic benefits) on Customer Commitment?

4. What is the Partial impact of Brand Concept dimensions (Aesthetic, Functional and Symbolic benefits) on Customer Commitment?

1.3 Research Objectives

The objectives of this study are:

1. To analyze the customers' response of Brand Concept dimensions of Apple iPhone.
2. To analyze the Customer Commitment of Apple iPhone
3. To analyze the Simultaneous impact of Brand Concept dimensions (Aesthetic, Functional and Symbolic benefits) on Customer Commitment
4. To analyze the Partial impact of Brand Concept dimensions (Aesthetic, Functional and Symbolic benefits) on Customer Commitment

1.4 Benefits of the studies

The study is expected to bring awareness on how Brand Concept Dimensions impacts the Customer Commitment. The benefits of this study, is for reference purposes for another researcher with the same topic. However, the findings will be of great importance to Apple Company and to other companies in and outside Indonesia, especially the upcoming and small companies by understanding the importance of branding in the marketing era.

1.5 Research Framework

Calculative commitment is based on a cognitive assessment of economic benefits (or losses) that are likely to accrue from continuing or ending a relationship (Geyskens et al., 1996; Kumar et al., 1994). In the context of telecommunication services, calculative commitment will thus be influenced by such benefits as communication quality and/or the supplementary services that are provided by telecommunication/mobile phone companies. It will also be affected by perceptions of sacrifices that are likely to be required if the relationship with a service provider is terminated – including the loss of existing benefits, difficulties in beginning a relationship with a new service provider, and investment in the existing services (Kumar et al., 1994). On the other hand, affective commitment is based on positive emotional ties (Gilliland & Bello, 2002). According to Dimmick, Sikand, and Patterson (1994), customers who are satisfied with a mobile phone service are likely to form positive emotional ties with a brand image and the lifestyle it reflects. It is therefore reasonable to postulate that experiential and symbolic benefits from the use of a mobile phone service are likely to increase the affective commitment of customers to the service.

For brands with aesthetic benefits, brand strategies should convey the brand's effect on sensory satisfaction. Using the brand should highlight the aesthetic aspects associated with consumption. Brands with aesthetic benefit are designed to fulfill internally generated needs for aesthetic pleasure (Park et al., 1986) and are more likely to build connections with their customers than are brands with low aesthetic qualities (Goldman, 2001). Thus, the aesthetic benefit of

brand is an important component of a brand's ability to appeal to customers and has the potential to emotionally connect with them, thereby enhancing their brand loyalty.

According to prior research, sensory experience is fundamental to the formation of aesthetic stimuli (Brakus et al., 2009; Hirschman and Holbrook, 1982). Therefore, the sensory experience is an important platform for enabling the brand to differentiate itself and create an opportunity for intense consumer relationships (Patrick and Hagtvedt, 2011).

This research expects brands that convey functional benefits will encourage customers to rely on the brand as a solution for consumption-related problems, thereby enhancing customers' brand commitment. As a result, functional brands may have the potential to communicate and reinforce a brand's promise to assist customers in their daily lives and, in so doing, can strengthen customers' relationships with the brand (Morgan and Hunt, 1994; Park et al., 2013). Satisfaction with functional brands appears to serve as a key determinant of customer commitment, consistent with the concept of brand management (Fournier, 1998).

Customers who are satisfied with functional brands are committed to preserving the relationship with the brand. Therefore, satisfaction with a functional brand and consumer commitment should be related, as satisfaction is important in the relational exchange (Oliver, 1999).

The information-processing paradigm regards consumer behavior as largely objective and rational when oriented towards problem solving (Moorman

et al., 1992; Chaudhuri and Holbrook, 2001). Thus, customer trust in a particular favored functional brand may be greater when the utilitarian value in the product category is high in terms of tangible product attributes, such as quality or convenience. Furthermore, Chaudhuri and Holbrook (2001) found that the functional value of brand was significantly and negatively related to emotional response.

Recently, increasing interest among brand manager has focused on strong brand relationships because they reflect customer loyalty through emotional attachment and commitment (Fournier, 1998; Morgan and Hunt, 1994; Oliver, 1999). Commitment represents professed faithfulness and loyalty to the brand (Fournier, 1998). Emotional attachment is affinity towards the brand, with respect to other available alternatives. Emotional bonds may range from feelings of warmth to true passion (Thomson et al., 2005). Marketing managers are able to substantiate expenses on advertisings that have the potential to generate such long-term consumer effects as emotional connection and customer commitment.

This research proposes that brands with symbolic benefits are related to both sensory experiences and emotional attachment. This proposition stems from the emerging theory of brand commitment in relationship marketing (Fournier, 1998). Park et al. (2010) defines brand attachment as the strength of the bond connecting the brand with the self. This bond is exemplified by a rich and accessible memory network that involves thoughts and feelings about the brand and the brand's relationship to the self, In other words, brand attachment indicates an emotional bond between a consumer and a brand (Thomson et al., 2005).

Emotional attachment consists of affective variables, such as commitment, enjoyment and love (Thomson et al., 2005), while attitudinal loyalty consists of customers' psychological commitment to brands (Chaudhuri and Holbrook, 2001; Oliver, 1999). In addition, emotionally attaching to a brand is also associated with great investment in the brand, indicating customers are willing to “forgo immediate self-interest to promote a relationship” with the brand and stay with the brand (Thomson et al., 2005, p. 78).

Brand attachment was found critical in impacting customer behaviors and life-long brand commitment. Customers can be connected to a brand, because it represents who they are or because it is meaningful in light of goals, personal concerns, or life projects (McCracken, 1990). The idea that attachment involves an emotional bond suggests that a critical aspect of attachment involves the connection between the brand and the self, defined here and elsewhere as brand–self connection (Escalas, 2004a, 2004b).

Brand–self connection is a core component of attachment because it reflects the definition of attachment as the bond connecting a person with the brand (Thomson et al., 2005). In this study, emotional attachment is defined as a brand's potential to elicit a positive emotional response in the average customer as a result of its use (Thomson et al., 2005).

Attachment is increasingly viewed in terms of the aesthetic elements of brand symbolism and cultural significance, and the emotions and resonance that these produce in the hearts and minds of customers (Malär et al., 2011). Furthermore, previous research proposes that a valid measure of emotional

attachment should predict customer's commitment to a brand and their loyalty to that brand (Thomson et al., 2005). Overall, customers' emotional attachment to a brand leads to their commitment to the relationship with that particular brand.

Customers sometimes become committed to brands that help them to create or represent their desired self-concepts (Escalas and Bettman, 2003; Escalas, 2004; Cooper et al., 2010).

1.6 Research Model Brand Concept

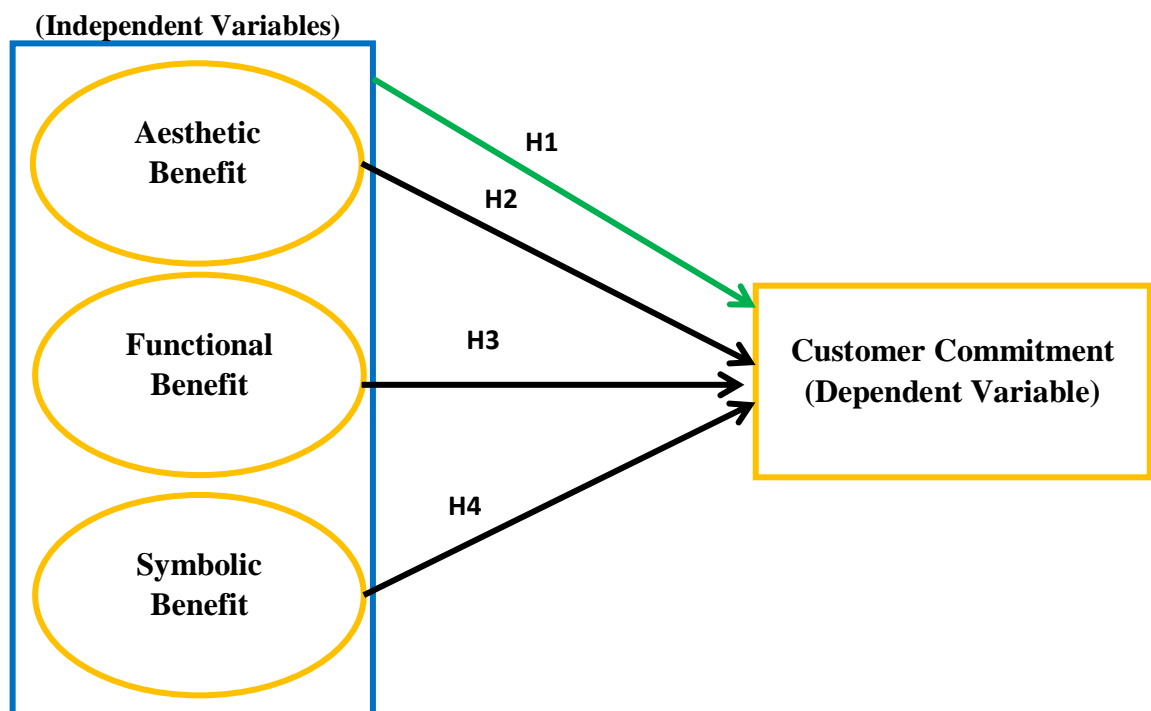


Figure 1.4
Research Model
Source; Researcher, 2019

1.7 Research Hypothesis

Based on the background of the problem and the framework above described in the research model, the following research hypothesis is formulated.

1. H1: Brand Concept Dimensions simultaneously impacts customer commitment.
2. H2: Aesthetic benefit partially impacts customer commitment
3. H3: Functional benefit partially impacts customer commitment
4. H4: Symbolic benefit partially impacts customer commitment