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MEDIATING EFFECT OF BRAND EQUITY ON CONSUMER IPHONE PURCHASE DECISION IN JAKARTA, INDONESIA



BY

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JAKARTA

in the

Faculty of Business Management and Professional Studies

MANAGEMENT AND SCIENCE UNIVERSITY MALAYSIA

FEBRUARY 2022



DECLARATION

I hereby declare that the work has been done by myself and no portion of the work contained in this Thesis has been submitted in support of any application for any other degree or qualification on this or any other university or institution of learning.

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ABSTRACT

This study examines the factors that determine brand equity and its influence on consumer iPhone purchase decisions. It focuses on Mediating Effect of Brand Equity on Consumer Purchase Decision in Jakarta, Indonesia. The questionnaire survey method was used in primary data collection. The sampling is nonprobability with convenience. And the sampling technique with the determinant of the minimum sample size for SEM ((Structural Equation Model) according to hair et al (2010) which produces a minimum of 175 respondents. In this study, researchers got 202 respondents. In assessing the drivers of consumer purchase decisions, brand loyalty, brand awareness, perceived quality, and brand associations were found to have a significant direct influence on consumer purchase decisions. Among these, brand loyalty appears to be the strongest factor and has a significant positive path. This shows that higher brand loyalty leads to higher consumer purchase decisions. Other significant variables also have a positive relationship. Then from this study also shows that there is an influence of brand loyalty, brand awareness, perceived quality, and brand associations variables on consumer purchase decisions through brand equity mediation.

Key Words: Brand Equity, Brand Loyalty, Brand Awareness, Perceived Quality, Brand Association, Consumer Purchase Decision.

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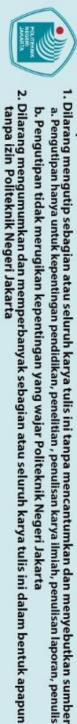


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CHAPTER 1 INTRODUCTION

1.1 Introduction

This chapter provided the reasons for the research and reaches on several points: Background of the research, problem statement, research question, research objectives, the significance of the research, scope of the research, limitations of the research, key terms, the structure of the proposal, and also the chapter conclusion.

1.2 Background of the Research

Customers and sellers meet in the sales process to perform purchasing and selling transactions, but in modern marketing it is essential to satisfy customer needs. Increasing sales volume, gaining market share, and retaining clients are all goals that many organizations are aiming for at the moment. In order to do this, it is necessary to put out a range of efforts followed by creativity in order to come up with new ways or forms of features or traits that bring unique value and attention from customers to the organization, usually known as a brand.

If a corporation is correct in naming a brand, it will be easier for customers to recognize their items and to return for future purchases. One strategy to beat the competition is to battle of brands because marketing itself does not just sell the product, but a brand that is easily remembered can help consumers perceptions of the product be good. Therefore, the presence of brand equity will make it easier for the company to promote and discover the desires of consumers. One company that uses a strategy to compete for a brand is Apple with its product, namely the iPhone.

Statscounter conducted a survey in April 2022 and found that the iPhone itself is only ranked second in Indonesia with a market share of 8.33 percent. Despite the limited size of the target market, the iPhone has a number of advantages over its competitors, the most notable of which are its prestige and brand loyalty. When trying to compete with higher-class players, lower-class players will typically lower their prices. However, the iPhone does the exact opposite of this strategy. The iPhone charges a premium price that is



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significantly higher than other smartphones in its category. It is only within the financial reach of a select few. It is clear that the power of prestige is significantly greater than the power of offering low prices. According to Temporal and Trott (2012: 47), in order for a brand to be successful, there must be a complete shift toward the customer, and the customer must be the only focus of the brand initiative. This conclusion is based on the phenomenon described above. Even though it is sold at a premium price, the iPhone brand has proven to be customer-oriented and has been successful in building loyalty.

According to Tanya Sammut (2017), A brand is a set of tangible and intangible characteristics that help people identify and identify a product, service, person, place or organization. They also help build a brand reputation. The overall picture of branding as a long-term strategy includes many different things, from new products to marketing communications. In this case, the brand of a product is believed to be the most significant component because of its ability to identify itself to consumers. Choosing a brand for a product requires a thorough understanding of the product and the targeted market segmentation so that the product's presence, profitability and most importantly, its success in the market can be ensured. In order to establish a strong brand equity, a product must first be successful in the market.

According to Lisa Wood (2016), Brand equity can be assumed of as the sum of all the attitudes and behaviors that build up in the minds of people who use the product, as well as the influence that distribution channels and agents have on them. This will lead to more profits and long-term cash flows in the future. Brand equity can also be seen in the way customers feel, think, and act about the brand. Adding to this, the value of a brand's added equity is reflected in its impact on a company's pricing, market share, and profitability. In addition, a strong brand allows companies to better manage their assets, increase their cash flow, and expand their business.

According to Aaker (in Haeruddin M.I.W. 2021) is defined by four primary factors, brand awareness, brand loyalty, perceived quality, and brand association. According to Wasib bin Latif, in the modern marketing environment, brand awareness is based on brand recognition and brand recall performance, with the primary goal of generating comprehensive knowledge about brands that aid in creating a favourable impression of brands and



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companies in the minds of consumers rather than negative perceptions about competitors. According to Tahreem Saif (2018) explained that brand Loyalty can be defined as an increase in the chance of repeat purchases, which results in the building of brand loyalty over time. Furthermore, people may prefer and purchase a brand as a result of the added value generated by the brand signal. According to Gustavo Quiroga Souki, in terms of perceived quality, it relates to the consumer's assessment of the superiority or overall excellence of a product or service. According to Edbert Pradnyaputra, anything that is associated with a brand in people's minds is referred to as brand association.

Based on the explanation above, the researcher is assumed to investigate

Based on the explanation above, the researcher is assumed to investigate more about Mediating Effect of Brand Equity on Consumer iPhone Purchase Decision in Jakarta, Indonesia.

1.3 Problem Statement

The rapid advancement of technology makes it easier for individuals to communicate and collaborate with one another. One of the consequences of extremely rapid technology advancements is the proliferation of mobile devices like smartphones. Not only can one use their smartphone to make and receive phone calls and text messages, but they may also aid make one's work life easier. There is a wide variety of smartphone brands available in Indonesia, including Samsung, iPhone, Oppo, Vivo, and Xiaomi, amongst others. Because there are so many different smartphone brands currently available, competition amongst businesses is getting increasingly fierce. Therefore, it is necessary for businesses to do research and determine the aspects that will contribute to the company's success.

One of the corporate identities that has a big impact in differentiating products from one another is Brand. A symbol or logo that can build consumer perceptions of a product is a brand. The reason consumers can make purchases with various considerations is the influence of Brand Equity. When making a purchase, consumers become more careful in evaluating products that do not have a brand. With this Brand Equity, it has an effect on a brand having the power to attract potential customers, it can provide trust, satisfaction, and confidence that consumers have been satisfied by the products offered, so consumers will become loyal customers of the product. which is offered. The



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🔘 Hak Cipta milik Politeknik Negeri Jakarta the market that will make consumers buy it for the first time. Consumers will repurchase a product in large quantities when the consumer has tried and got satisfaction or has better quality than other brands. So, for overcome penetration by competitors, the company will continue to maintain its market share, one of which is by forming a strong Brand Equity like Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Association by the company.

When a customer is shopping for a mobile phone, they have a number of options to choose from. This is clear when comparing the available options. All of them offer almost the same advantages and conveniences, but there are a lot of hidden factors that lead customers to choose one brand over another (Terence Shimp, 2013). Numerous studies have been carried out in order to get to the bottom of the reasons behind why customers prefer one brand over another, as well as the origin of brand equity in relation to customer purchasing decisions. In our situation, the mobile phone industry is expanding, and new companies are going to enter the market as a result of the partial privatisation of the telecom sector. As a result of this, there is a demand for developing, measuring, and maintaining the brand equity of mobile phone brands so that they can compete successfully, earn a superior profit, and perform very well. In order to accomplish this goal, it is necessary to conduct research aimed at determining whether existing mobile phone brands offer a positive or negative value from the perspective of customers. This will allow for the development and implementation of effective marketing strategies. As a result, the purpose of this study has been to investigate the effect of brand equity components on customer purchase decisions, as well as the extent to which brand equity influences purchase decisions, and to fill the gaps that exist in the marketing efforts that marketing professionals and businesses make when presenting their offering to customers.

process of trying to buy a product is where a new product or brand appears in

1.4 Research Objectives

The purposed of this research is to identify the effect of brand equity and product quality on consumer purchase decision of an iPhone product. So, the consumer purchase decision can come brand equity and product quality. The research includes the following objectives:



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 To identify and find out the effect of Brand Loyalty on Consumer Purchase Decision of iPhone Product in Jakarta

- 2) To identify and find out the effect of Brand Awareness on Consumer Purchase Decision of iPhone Product in Jakarta
- 3) To identify and find out the effect of Perceived Quality on Consumer Purchase Decision of iPhone Product in Jakarta
- 4) To identify and find out the effect of Brand Associations on Consumer Purchase Decision of iPhone Product in Jakarta
- 5) To identify and find out the effect of Brand Loyalty on Consumer Purchase Decision of iPhone Product in Jakarta with brand equity as variable mediating.
- 6) To identify and find out the effect of Brand Awareness on Consumer Purchase Decision of iPhone Product in Jakarta with brand equity as variable mediating.
- 7) To identify and find out the effect of Perceived Quality on Consumer Purchase Decision of iPhone Product in Jakarta with brand equity as variable mediating.
- 8) To identify and find out the effect of Brand Associations on Consumer Purchase Decision of iPhone Product in Jakarta with brand equity as variable mediating.

1.5 Research Questions

Based on the background above, the researcher started to raise the problem as follows:

- 1) Does brand loyalty direct affect consumer purchase decisions on iPhone products in Jakarta?
- 2) Does brand awareness direct affect consumer purchase decision on iPhone products in Jakarta?
- 3) Does perceived quality direct affect consumer purchase decision on iPhone products in Jakarta?
- 4) Do brand associations direct affect consumer purchase decision on iPhone products in Jakarta?
- 5) Does brand loyalty affect consumer purchase decisions on iPhone products in Jakarta with brand equity as variable mediating?



- 6) Does brand awareness affect consumer purchase decision on iPhone products in Jakarta with brand equity as variable mediating?
- 7) Does perceived quality affect consumer purchase decision on iPhone products in Jakarta with brand equity as variable mediating?
- 8) Do brand associations affect consumer purchase decision on iPhone products in Jakarta with brand equity as variable mediating?

1.6 Significance of the Research

To find out how brand equity affects people's purchasing decisions when they buy an iPhone. The results and findings of this study will be very important to marketing professionals who want to grow their brand's market share, especially when talking about cell phone companies, because they will show how consumer insights and perceptions are shaped by the influence of these companies. Played a role in their decision to buy an iPhone. When it comes to brand equity, there are things like customer loyalty and how people think about the quality of the brand. In the future, marketing professionals will be able to understand and cater to their offerings for their target audience in a way that will be useful.

From a managerial perspective, this research will help marketers to identify indicators of consumer purchasing decisions and what things influence consumer purchasing decisions for iPhone products in Jakarta. This research will be able to provide a conceptual framework for iPhone companies to find out more about the factors that influence consumer purchasing decisions for iPhone products in Jakarta.

For the field of education, this research can be used as a guideline for further research that wants to examine brand loyalty, brand awareness, perceived quality, brand associations, brand equity. The results of this study can be used as a concrete source of information to be used as a standard in the future. These findings will contribute new knowledge to the smartphone industry.

1.7 Scope of the Research

The study focuses on describing how brand equity influence purchase decision on consumer. And also, in brand equity there are 4 dimensions: the



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brand loyalty, brand awareness, perceived quality, and brand associations. Besides that, this study focuses on smart phone which is iPhone.

1.8 Limitations of the Research

This research in line with the identification problems, the focus of research was on the effect of brand equity on consumer purchase decision of iPhone product in Jakarta. The data, sources, and material found on journals, books, and information on Google were used in this study. Thus, ensuring that the data written originates from a reputable source.

1.9 Definition of key terms

To clarify the key terms used in this study, some definitions are put forward:

1.9.1 Brand Equity

According to Kotler and Keller (2016) reveal that brand equity is the added value provided by products and services to consumers. This may be in the way consumers think, feel, and act based on, as well as the desired price, market share, and profitability.

1.9.2 Brand Loyalty

According to Dewi Murtiningsih (2016), brand loyalty can be assumed as customers have a good attitude about the brand, which means they want to buy the same brand now and in the future.

1.9.3 Brand Awareness

According to Shahid et al (2017), brand awareness is the first level of brand knowledge, which involves having some familiarity with the brand name or structure that has been developed through the accumulation of detailed information.

1.9.4 Perceived Quality

According to Licen Indahwati (2017), perceived quality is the first step to customer satisfaction, and higher quality leads to more customer satisfaction

1.9.5 Brand Associations

According to Belinda Crawford (2016), brand association is a source of brand value and a potential driving force behind a company's chosen brand strategy.



1.9.6 Consumer Purchase Decision

According to Sheikh Qazzafi (2019), The fourth step of the consumer purchasing decision-making process is the purchase decision. The consumer has made the decision to acquire a product after collecting information from a variety of sources, assessing that information, and deciding where and what to purchase as a result of their findings.

1.10 Structure of the Proposal

The structure of the thesis will be explained in this section. There are 5 chapters in this research. In chapter one, problems related to the topic are discussed and begin by introducing the chapter and then introducing the background of the topic followed by the problem statement, research objectives, research questions, significance of the research, scope of the research, limitations of the research, definition of key terms, structure of the research, and chapter conclusion.

Chapter two reviews the literature related to the topics are brand equity, brand loyalty, brand awareness, perceived quality, and brand associations. The begin by introducing the chapter and then review of previous studies, underpinning theories, research framework and hypotheses, and conclusions from this chapter.

Chapter three reviews the methodology part which includes chapter introduction, elements of research design, population and sampling, measurement of variables, instrument and data collection, data analysis, and conclusion of the chapter.

Chapter four shows references of the research. And chapter five shows the appendix of the research questionnaire and first page of research article referred.

1.11 Chapter Conclusion

Overall, this chapter focuses on the beginning of this study, which includes the introduction and background of the problem to be studied. Explain the formulation of clearly explained problem to facilitate the research process, explain the object of a study, and know the purpose of the research in the future.



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CHAPTER 5 DISCUSSION AND CONCLUSION

5.1 Main Objective of The Study

This chapter presents an overview of the research that the researcher carried out. At first, a concise summary of the research will be provided for your perusal. As a type of issues, such as research objectives, research frameworks, and research procedures are briefly discussed in this section. In addition, a discussion of the most important findings obtained from this research may be found in this chapter. The results of the empirical tests that were produced from the analysis of the data are reported in this part of the report. Following that is a discussion of the repercussions that the current study has. Additional scientific contributions are discussed in this article. Following that will be a discussion of the restrictions as well as suggestions for further research. And finally, the final one will go over the suggestions that can be made based on the findings of this study.

5.2 Discussion

According to the findings of the study that are presented in chapter 4, it is clear that all independent variables, specifically brand loyalty, brand awareness, perceived quality, and brand association, have an effect on the variables that are used to measure brand equity and consumer purchase decision. The findings gained from the data have important implications. In general, the consumer purchase decision variable has a direct and positive association with the other independent variables that have been discussed. Brand equity acts as a mediator between the variables of consumer purchase decisions, including brand loyalty, brand awareness, perceived quality, and brand association. These variables all have an influence on consumer purchase decisions. The researchers behind this study sent out questionnaires to a total of 202 participants, who then filled them out to provide their responses. Those individuals in Jakarta, Indonesia, who have previously utilised iPhone products can access this statement by filling out a Google form. After collecting the data, they were entered into SPSS and analyzed in a variety of



ways, including correlation, descriptive analysis, validity, and reliability. The findings of these studies can serve as guidance for further research as well as guidelines for businesses to follow in the future.

That is evident, after looking at the results of studies conducted on a guardent of different variables, that these share trainings have a substantial.

That is evident, after looking at the results of studies conducted on a number of different variables, that these characteristics have a substantial impact on the purchasing decisions made by consumers. The following are some of the variable that have an effect on it:

1) Brand Loyalty, according to the findings of research on the brand loyalty variable, the average respondent gives an answer that agrees with the statement item on the Brand Loyalty variable with a standard coefficient beta of 0.264, which means that consumer brand loyalty to iPhone products is high and consumers will be loyal to iPhone brand products so that consumers when they want to buy a smartphone, back to buying iphone products. This indicates that consumer brand loyalty to iPhone products is high and that consumers will be loyal to iPhone brand products so that consumers.

Loyalty to a brand is a measurement of the relationship that a consumer has with a particular brand. This metric represents the likelihood that customers may migrate to a different brand, particularly if the brand in question has undergone changes in pricing in addition to changes in its other characteristics (Mustafa et al., 2018). Because customers are sensitive to both increases and decreases in the cost of the products they buy. As a consequence of this, customer loyalty can be reduced to a product's ability to fulfil a consumer's needs. Therefore, there needs to be a sense of satisfaction offered to customers if there is an increase in the price of a product so that customers would continue to be loyal.

2) Brand Awareness, according to research on the brand awareness variable, the average respondent gave an agreeable answer to the statement item on the brand awareness variable with a standard coefficient beta of 0.175, which indicates that consumers' brand awareness of iPhone products and when consumers want a smartphone will directly cross the iPhone brand. This is because the standard coefficient beta for the brand awareness variable is 0.175. According to Sasmita and Suki (2015), brand awareness refers to the process by which customers link particular brands with things



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that pique their interest. Similar to the iPhone, the degree to which customers in Jakarta recall a brand influences their propensity to make purchases of that company's products. Consumers' thoughts about a product might be prompted by a variety of factors, including its flavour and quality (Wardana & Maulana, 2019).

- 3) Perceived Quality According to the findings of study on the perceived quality variable, which has a standard coefficient of beta 0.401, it has the most significant influence when compared to other factors. These findings demonstrate that quality plays a significant role in the decisions that consumers make regarding their purchases. The findings of this research are consistent with the findings of research conducted by Muharam and Soliha (2017) and Fatmawati and Soliha (2017), both of which indicate that the quality of a product has a beneficial influence on the decisions that consumers make regarding their purchases.
- 4) Brand Association, according to the findings of the research conducted on the brand association variable, the typical respondent provided an answer that was in agreement with the statement item on the brand association variable, with a standard coefficient of beta 0.126. According to these findings, no other smartphone but the iPhone is capable of satisfying customer requirements. An association with a brand is a mental connection that can be made between a brand and certain people, places, objects, or feelings. The findings of this investigation are consistent with those obtained by Sawagyudcharee et al. (2018), who discovered that consumers' brand associations have a substantial role in the decisions they make over which products to buy.
- 5) Brand Equity, based on the results of research on the brand equity variable as a mediating factor has a positive value with a statistical significance of 0.751 (standard beta). This shows that overall brand equity variables contribute to changes in purchasing decisions. It can be concluded that Brand Equity has a positive and significant effect on purchasing decisions. Consumers in Indonesia have chosen product brands to be one of the cornerstones as a means to complement their products smartphone purchasing decisions.

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5.3 Limitation and Future Research Opportunities

The first limited amount of time and resources available for this investigation is the primary restriction of this research. Due to the restricted amount of time that could be spent collecting responses from the questionnaire, the researcher was only able to get a small number of respondents to fill out the questionnaire. In addition, a second limitation is that the majority of respondents were students and adolescents; as a result, the findings cannot be extrapolated to the broader population. The third limitation is that the people who filled out the questionnaire did not do it with their whole concentration, and they lacked linguistic skills. Consequently, the outcome does not provide the best performance. In addition, the fourth limitation is that even though the population of Jakarta is fairly huge, there were only 202 people chosen to participate in the study as samples. Because of this, the findings do not apply to the full population. The fact that the researcher does not have many relationships with other individuals is the study's last and most significant restriction. As a result, the number of people who answered the survey was restricted to just 202 people.

For future research, it is advised that the distribution of questionnaires be increased so that there would be a greater number of respondents than in this study, which only had 202 respondents. In addition, the researchers conducting future studies need to make certain that participants complete out the questionnaire with their full attention. For example, researchers may choose to award respondents with prizes if they provide accurate responses on the questionnaire, and last, future research should have a greater number of resources to support research done by earlier journals. These resources could include journals, books, essays, and so on.

5.4 Recommendations

First, there needs to be an established presence of brand awareness strategy needs to be able to answer questions about who the brand is and how it is distinct from other brands by highlighting those companies' areas of uniqueness. In the second step, which focuses on brand association, the meaning of the brand needs to be communicated to the target market in order



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for those individuals to be able to better analyze, appraise, and generate good thoughts about the brand.

And at this stage, softer marketing approaches should not be overlooked.

And at this stage, softer marketing approaches should not be overlooked. Consumers should start feeling an emotional bond with the brand in order for them to be able to not only buy the brand, but also promote it to their relatives and peers. Once customers demonstrate a preference for a certain brand, it is imperative for marketers to continue to boost earnings and incentives, as well as keep the same brand image and quality they have always offered, if not improve it.

5.5 Conclusion

This study was conducted to determine the mediating effect of brand equity on consumer iPhone purchase decisions in Jakarta. There are 6 variables in this study, namely brand loyalty, brand awareness, perceived quality, brand associations, brand equity, and consumer purchase decisions. The majority of respondents in this research are female consumers and the majority of respondents are 17 - 20 years old. Most of them are still students. The results showed that the variables of brand loyalty, brand awareness, perceived quality, and brand associations had a significant influence on iPhone purchasing decisions. Thus, the result is smaller than 0.05, brand loyalty: 0.000, brand awareness: 0.002, perceived quality: 0.001, brand associations: 0.036. From these data shows that the hypothesis variable brand loyalty, brand awareness, perceived quality, and brand associations have an influence on consumer purchase decisions can be accepted. Then from this study also shows that there is an influence of brand loyalty, brand awareness, perceived quality, and brand associations variables on consumer purchase decisions through brand equity mediation.



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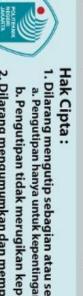
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JAKARTA

APPENDIX A: RESEARCH INSTRUMENT

QUESTIONNAIRE

Below is the questions for the effect of brand equity on consumer purchase decision of iPhone product in Jakarta, Indonesia.

Characteristic of respondents:

a. iPhone users

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b. Based in Indonesia, especially Jakarta

Respondent Identity

Name :

Gender: Female / Male

Age

a. < 17 years old

b. 17-20 years old

c. 21-24 years old

d. 25-28 years old

e. > 28 years old

Occupation:

a. Students

b. Employee

c. Others

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Questionnaire Filling Instructions

Fill in the answers to the following statements according to your opinion with put a thick $(\sqrt{})$ in the available column:

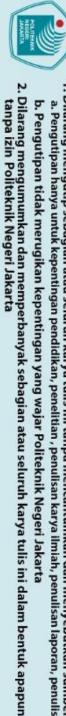
Strongly Agree (SA) = 5

Agree (A) = 4

Neutral (N) = 3

Disagree (DA) = 2

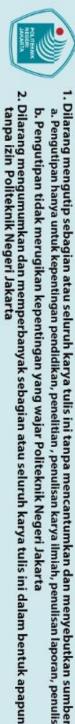
Strongly Disagree (SD) = 1



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DA SDA No. SA Statement **Brand Loyalty** I am loyal to iPhone brand because I know that it is the best choice for me. When purchasing a smartphone, I would choose iPhone brand over other brands. I intend to continue buying iPhone brand I will recommend iPhone brand to other people I will buy iPhone brand in the future even if 5 competitive brands offer cheaper prices. **Brand Awareness** Logo of iPhone smartphone helps me to feel more selfconfident. I can recognize iPhone brand among other competitors' 2 brands. When I think of a smartphone, iPhone brand is one of the 3 brands that come to my mind. I know how iPhone brand looks like. I can distinguish my different smartphone brand 5 products. Perceived Quality iPhone brand offers products with consistent quality. iPhone brand offers products with excellent features. iPhone brand would seem to be durable iPhone brands have specifications in accordance with 4 consumer desires. iPhone brand is a luxury product **Brand Associations** iPhone brand is worthy for the price.



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I believe that the company of iPhone is socially 2 responsible. iPhone brand use assists me to attain the type of life I 3 desire for. I can link and associate between my life experiences and 4 the iPhone brand. I think others form a judgment regarding me with the 5 type of brand I use. **Brand Equity** I would not switch to another smartphone the next time 2 It is luxurious Its brand is familiar to me I am satisfied with the buy to this smartphone The quality of iPhone is good **Purchase Decision** I bought an iPhone smartphone because the iPhone smartphone has an elegant product design I bought an iPhone smartphone because the quality of the iPhone smartphone is guaranteed I bought a iPhone smartphone because the features and design fit my preference My purchase decision depends upon how others think 4 about me with the type of brand I use My awareness regarding a mobile brand guides my 5 purchase decision.



APPENDIX B: TURNITIN REPORT

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MEDIATING EFFECT OF BRAND EQUITY ON CONSUMER IPHONE PURCHASE DECISION IN JAKARTA, INDONESIA

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