Analysis of IKM Perceptions on The Role of Events to Moderate the Influence of Product Quality and Product Value on Brand Image (Study on Denpasar Festival)

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ABSTRACT

The development of the Creative Economy sector in collaboration with the IKM Sector to maintain local culture so it continues to grow and be sustainable. The development of IKM creativity is facilitated by the Denpasar City Government through the Denpasar Festival which is expected to be able to build an ecosystem, brand image and creative economy networking. For this reason, event implementation as one of the promotional media, so that the IKM brand image can be known by the wider community, both domestically and abroad. The purpose of this study is to examine and analyze the effect of product quality and product value on the brand image of IKM and moderated by the event. Respondents in this study were IKM who participated in the Denpasar Festival event for 3 consecutive years (2017 to 2019). The number of respondents used was 154 IKM using a sampling technique called Proportionate Stratified Random Sampling. This research used SEM analysis with SmartPLS 3.0 program. The results showed that product quality has a positive and significant effect on brand image, product value has no effect on brand image, events can moderate the effect of product quality on brand image, and events are not able to moderate the effect of product value on brand image.

Keywords: Brand Image, Event, Product Quality, Product Value

INTRODUCTION

Brand image is not only creating solely to ensure the brand is known by the public, but also emotional relations between consumers and the company. Brand image is created to form an image or positioning statement or service of a company that is known by consumers. Therefore, brand image is considered as an important strategy to market an IKM (Small and Medium Industry) business by promoting the characteristics of their products. Brand image is the identity of a product or company. A well-known and trusted brand is an invaluable asset.

Nowadays, competition among IKM is very competitive. The competition can be seen from a product that sells in the market. Selling the product is not enough, paying attention to the quality of the product, maintaining its existence and knowing what consumers want are also necessary, so that later it can reflect the IKM’s brand image. To achieve the desired product quality, it is necessary to standardize the quality. This is intended to ensure that the products produced meet the standards that have been set so that consumers will not lose confidence in the products being marketed (Susetiyo, Afifudin & Ayu, 2016). Quality reflects the brand’s value in the midst of the market, and thanks to the increasingly dynamic development of information technology, consumer becomes smarter and careful in consuming the product. This is in accordance with research conducted by Parasayu and Widayanto (2015) which states that there is a positive and significant influence among product quality variables on product brand image. Another study was also conducted by Ridho and Suharyono (2017) which
states that product quality has a positive and significant effect on brand image. In contrast to research conducted by Nuraini and Maftukhah (2015) which states that product quality has no direct effect on brand image.

The increasing welfare and quality of life of the community makes consumers’ demands to meet the needs for products which have high quality of a value also increases. For this reason, IKM (Small and Medium Industry) are also required to increase the value of their products in line with the increasing needs of these consumers. Product value is not only limited to good product quality, but also includes price, taste, packaging, service, and marketing. Each product must have more added value than other products in order to attract consumers to buy the product. Product value is very important to be able to attract and compare the products with competitors’ products. Product value is not just a numerical calculation, product value can also be the first glance at a product.

With the increasingly fierce business competition, IKM actors must be more observant in determining the added value of their products, thus, that a unique product branding that is different from the others is required. The development of product value in IKM still has the potential to be developed and marketed according to local cultural wisdom. This study is in accordance with research conducted by Yuriansyah (2013) which stated that there was an effect of perceived product value on customer satisfaction.

The promotion aspect is a means for companies to communicate with their consumers. Through promotional activities, the company can communicate everything related to the products offered. Many things can be done by a company to carry out promotional activities, one of which is by holding events. The uniqueness of the event carried out by the Denpasar City Government through the Denpasar Festival is intended to create and improve brand image IKM as a whole. A strong brand image will distinguish IKM from competitors because the brand image of an IKM cannot be equated with the brand image of other IKM. To build a positive image in the minds of consumers, the messages to be conveyed need to be communicated to consumers. This information can be communicated through the Denpasar Festival event held by the Denpasar City Government.

Organizing the Denpasar Festival event is a good opportunity for IKM actors to design marketing strategies (promotions and publications) which are able to target the right audience. Promotion plans and publications that are structured and assisted by various promotional media can still be strengthened to target domestic and foreign tourists. The positive benefits felt by IKM actors are the increased of income through visitor spending, return or repeated visits by consumers after the Denpasar Festival event, free promotions through the Denpasar Festival event, increased public awareness of the existence of their IKM, networking or the creation of business and investment opportunities (Denpasar City Government, 2018). This study is in accordance with research conducted by Nursanti (2011), which stated that event sponsorship has a significant influence on brand image and research by Sukoco (2014), which stated that event marketing has a positive effect on brand image. This is different from the research conducted by Maulana (2015), which found that sponsorship events do not have a significant effect on brand image.

**Literature Review and Hypothesis Development**

Kotler (2016, p. 97) stated that quality is one of the product attributes that directly affect consumer impressions. Product quality is one of the important factors in a company, where the products offered to consumers must have good quality in meeting the needs and desires of consumers, consumers will feel satisfied if they can feel the quality that meets their expectations in the form of appearance, quality of work, durability, and other attributes, it is certain that every company should be able to pay attention to their
product quality. With good product quality, it certainly will be able to provide a good image for the company in the eyes of consumers which in turn can foster a desire to make purchasing decisions. The creation of a positive brand image can be caused by the product quality offered to meet the needs and desires of consumers with high effectiveness. Based on research conducted by Ridho and Suharyono (2017), product quality has a significant effect on brand image. Another study was conducted by Suwarni, Suharyono and Kumadji (2019), that product quality has a significant effect on brand image. Based on this research, hypothesis 1 in this study as follows:

H1: Product quality affects the brand image of IKM in Denpasar City.

The concept of product value has a close relationship with consumer satisfaction, where the values felt when consuming or using the product will shape consumer satisfaction and increasing consumer satisfaction will be able to improve brand image of the company. This means that the application of the value of the products offered has a strategic role in supporting the implementation of marketing strategies. The higher the application of product value by the company, the better brand image will be created. Based on research conducted by Yuriansyah (2013), there is an effect of perceived product value on customer satisfaction. Another study conducted by Rizan and Arrasyid (2008) stated that there is a significant influence between product value and consumer satisfaction. Based on this research, hypothesis 2 in this study as follows:

H2: Product value affects the brand image of IKM in Denpasar City.

A well-known and trusted brand is an invaluable asset. A well-known product with good quality will invite consumers to try or make a repeat purchase decision. Good product quality is a consumer expectation that must be met by the company, because good product quality is the key to the development of company productivity. According to Ohy (2019), products are the main element in the marketing mix, and play a significant role in creating customer satisfaction. The success or failure of supermarkets is very dependent on the products or goods that consumers want. To build a positive image in the minds of consumers, information can be done through appropriate promotional strategies, one of which is through event. Event marketing can be a medium in improving the company's image and making the company or agency name easy to remember. Event marketing is a form of brand promotion that binds a brand with athletic competition, entertainment, cultural, social, or other interesting public activities. Based on research conducted by Nursanti (2011), product quality affects event marketing to improve the company's brand image. Based on this research, the third hypothesis in this study as follows:

H3: The implementation of the Denpasar Festival event was able to moderate the influence of product quality on the brand image of IKM in Denpasar City.

Targeted promotional activities can build and strengthen consumer confidence in the products and services offered. The brand of a product that is considered to have high equity will make it easier for the company to seize market share and make the price of the product higher than competing products (Nursanti, 2011). A good product value offered at an event can increase consumer satisfaction because it is believed to be able to provide a memorable experience for consumers, especially if it involves consumer emotions and the occurrence of positive word of mouth. According to Coulson-Thomas (2012), the event is an activity that can introduce company's name and can improve the company's image. The event was held with the aim of making the company's name better known and getting a good image from the public. It is also intended to build and strengthen consumer confidence in the brand image. With a strong brand image will distinguish the company from competitors because the brand
image of a company cannot be equated with the brand image of other companies. Based on research conducted by Prasetyo (2016), the value of a product affects the success of the event being held so that the company's brand image increases. Based on this research, hypothesis 4 in this study is:

**H4:** The implementation of the Denpasar Festival event can moderate the influence of product value on the brand image of IKM in Denpasar City.

**RESEARCH METHOD**

This research is examining and analyzing the effect of product quality on the brand image, the effect of product value on the brand image, and the role of events to moderate the influence of product quality and product value on brand image. The sample used in this study was 154 IKM actors, with requirement these respondents have successively participated in the Denpasar Festival event for the last 3 years, from 2017 to 2019, so that the IKM actors can already feel the effects of the event to strengthen their brand image. The validity and reliability test were carried out by pre-research testing on 30 samples IKM. The sampling technique used was Proportionate Stratified Random Sampling. Data was collected by distributing questionnaires and processed with analysis tools. This study used four variables, product quality (X1), product value (X2), event (Z), and brand image (Y). SEM-PLS with the Smarts PLS 3.0 program used to analyze and to test the data.

**RESULTS AND DISCUSSION**

**Results of Partial Least Square Analysis with Moderating Variable**

Evaluation of the measurement model to test the validity and reliability of the indicators that measure the construct or latent variable. The results of the outer model examination which include convergent validity, discriminant validity and composite reliability can be submitted as follows:

**Convergent Validity**

To test convergent validity, the outer loading value or loading factor is used. An indicator is declared to meet convergent validity in a good category if the outer loading value is > 0.70. Based on data processing with the SmartPLS program, it is known that each of the research variable indicators has an outer loading value of > 0.70, so all indicators are declared feasible or valid for research use and can be used for further analysis.

**Discriminant Validity**

The discriminant validity test used the Average Variant Extracted (AVE) value for each indicator. The required value must be > 0.5 for a good model as presented in Table 1 as follows:

**Table 1. Average Variant Extracted (AVE)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Quality (X1)</td>
<td>0.680</td>
</tr>
<tr>
<td>Moderating Effect (X1*Z)</td>
<td>1.000</td>
</tr>
<tr>
<td>Product Value(X2)</td>
<td>0.666</td>
</tr>
<tr>
<td>Moderating Effect (X2*Z)</td>
<td>1.000</td>
</tr>
<tr>
<td>Event (Z)</td>
<td>0.634</td>
</tr>
<tr>
<td>Brand Image (Y)</td>
<td>0.610</td>
</tr>
</tbody>
</table>

Source: The result of the analysis in the study
Based on Table 1, it is known that the AVE value of product quality (X1), product value (X2), event (Z) and brand image (Y) variables is > 0.5. Thus, it can be stated that each variable has good discriminant validity.

**Composite Reliability**
The reliability test with composite reliability can be strengthened by using the Cronbach alpha value. A variable can be declared reliable or fulfills Cronbach Alpha if it has a value > 0.7 as presented in Table 2 as follows:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Quality (X1)</td>
<td>0.941</td>
</tr>
<tr>
<td>Moderating Effect (X1*Z)</td>
<td>1.000</td>
</tr>
<tr>
<td>Product Value(X2)</td>
<td>0.830</td>
</tr>
<tr>
<td>Moderating Effect (X2*Z)</td>
<td>1.000</td>
</tr>
<tr>
<td>Event (Z)</td>
<td>0.715</td>
</tr>
<tr>
<td>Brand Image (Y)</td>
<td>0.908</td>
</tr>
</tbody>
</table>

Source: The result of the analysis in the study

Based on the data presented, the Cronbach Alpha value of each research variable is > 0.7. Thus, these results can indicate that each research variable has met the requirements of the Cronbach Alpha value, so it can be concluded that all variables have a high level of reliability.

**Goodness of Fit**
The goodness of fit assessment is known from the Q-Square value. Based on the results of data processing, obtained a Q-Square value of 0.553. This shows that the diversity of research data that can be explained by the research model is 55.3 %, while the remaining of 44.7 % is explained by other factors that are outside this research model. Thus, from these results, this research model can be declared to have a good goodness of fit.

Based on the results of tests carried out using the SmartPLS 3.0 application, an image of the research model can be presented in accordance with the PLS Bootstrapping analysis or inner model evaluation as follows:
Hypothesis testing can be divided into testing the direct effect and testing the moderating variable. Based on data processing, it is found that the results of the hypothesis testing are presented in Table 2 as follows:

### Table 3. Hypothesis Testing Result Direct Effect

<table>
<thead>
<tr>
<th>Effect</th>
<th>Path Coefficient</th>
<th>T-Statistics</th>
<th>P-Values</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Quality (X₁) → Brand Image (Y)</td>
<td>0.422</td>
<td>3.032</td>
<td>0.003</td>
<td>H₁ received</td>
</tr>
<tr>
<td>Product Value (X₂) → Brand Image (Y)</td>
<td>0.095</td>
<td>0.738</td>
<td>0.461</td>
<td>H₂ rejected</td>
</tr>
<tr>
<td>Interaction of Product Quality and Event (X₁*Z) → Brand Image (Y)</td>
<td>0.238</td>
<td>2.182</td>
<td>0.030</td>
<td>H₃ received</td>
</tr>
<tr>
<td>Interaction of Product Value and Event (X₂*Z) → Brand Image (Y)</td>
<td>0.179</td>
<td>1.649</td>
<td>0.100</td>
<td>H₄ rejected</td>
</tr>
</tbody>
</table>

Source: The result of the analysis in the study

**Product Quality Affects Brand Image**

The first hypothesis examines whether product quality (X₁) influences brand image (Y). The test result is shown by the path coefficient of 0.422 with T-Statistics is 3.032 (T-Statistic > 1.98) and P-Value is 0.003. From these results, it is stated that the T-statistic is positive and significant because P-Values < 0.05 so that the first hypothesis is received. The result of analysis obtained mean that product quality (X₁) will be able to increase the brand image (Y) of IKM. This is because product quality is one of the important factors in building the image of a business, because consumers will feel satisfied if they can feel product quality that meets their expectations in the form of shape, features, work quality, durability, reliability, ease of repair, style and product design. With good product quality, it will also be able to provide a good image for IKM actors.
The results of this study supports research conducted by Ridho and Suharyono (2017) which stated that product quality has a significant effect on brand image. Another study was conducted by Suwarni, Suharyono and Kumadji (2019) which stated that product quality has a significant effect on brand image. Another study that supports this research was conducted by Parasayu and Widayanto (2015) which stated that product quality has a significant and positive effect on brand image. Likewise with research conducted by Kusuma (2016) which stated that product quality affects brand image.

Product Value Affects Brand Image
The second hypothesis examines whether product value (X2) influences brand image (Y). The test result is shown by the path coefficient of 0.095 with T-Statistics is 0.738 (T-Statistic < 1.98) and P-Values is 0.461. From these results, it is stated that the T-statistic is not significant because P-Values > 0.05 so that the second hypothesis is rejected. This proves that product value (X2) is not proven to have a significant effect on brand image (Y). This is because the ability of IKM actors and human resources is still inadequate in understanding the importance of product value in supporting the implementation of marketing strategies so that product values are felt to have not been able to improve the brand image of IKM in Denpasar City.

There has been no research like this study, so the researchers used journal references that were close to this research. The results of this study are different from the research conducted by Yuriansyah (2013) which states that there is an effect of perceived product value on customer satisfaction. Another different study was also conducted by Rizan and Arrasyid (2008) which stated that there was a significant effect between product value and consumer satisfaction. Other studies that do not support this research were conducted by Rubaiah (2016) and Sari and Hutasuhut (2017) which state that the perceived value of the product has a positive and significant influence on customer satisfaction and purchasing decisions.

Event Moderates the Effect of Product Quality on Brand Image
The third hypothesis tests whether the event (Z) can moderate the effect of product quality (X1) on brand image (Y). The test result is shown by the path coefficient of 0.238 with T-Statistics is 2.182 (T-Statistic > 1.98) and P-Value is 0.030. From these results, it is stated that the T-statistic is significant because P-Values < 0.05 so that the third hypothesis is accepted. This proves that the event (Z) can moderate the effect of product quality (X1) on brand image (Y). This means that events can improve the brand image of IKM when product quality is high, and events can reduce the brand image of IKM when product quality is low. By displaying a variety of quality products at the event, it will be able to foster consumer desire to make purchasing decisions. Purchase decisions occur because the product quality offered can meet the needs and desires of consumers with high effectiveness to create a positive brand image. In addition, the event opens up many opportunities abroad. Therefore, IKM must have the right strategy to enter the export market, not only able to read trends and market needs, but also improve quality and build branding.

There is no research that uses event as a moderating variable between the influence of product quality and brand image, so researchers use journal references that are close to this research. The results of research that support this research are those conducted by Nursanti (2011) which stated that product quality affects event marketing to improve the company’s brand image. Another study was conducted by Andrianto (2012) which states that sponsorship events have a significant effect on brand image. Likewise with research conducted by Vonny (2018) which stated that there is an influence between the Indonesia International Motor Show special event in 2018 on the brand image of Honda cars. Research conducted by Harimurti (2017) stated that event marketing has a positive and significant influence on the formation of brand image. A different study
was conducted by Maulana (2015) who found that event sponsorship had no significant effect on brand image.

Event Moderates the Effect of Product Value on Brand Image

The fourth hypothesis tests whether the event (Z) can moderate the effect of product value (X2) on brand image (Y). The test result is shown by the path coefficient of 0.179 with T-Statistic is 1.649 (T-Statistic < 1.98) and P-Values is 0.100. From these results, it is stated that the T-statistic is not significant because P-Values > 0.05 so that the fourth hypothesis is rejected. This proves that the event (Z) is not able to moderate the effect of product value (X2) on brand image (Y). This means that the event is not able to improve the brand image of IKM when the product value is high, and the event cannot reduce the brand image of the IKM when the product value is low. This may be due to the lack of consumer attraction for the products exhibited at the event because the market share for certain products or those that are not commonly known to consumers is limited and very specific, especially craft products, so that consumers tend to be more interested in fashion and culinary products. Product value is not the main thing in improving the brand image of IKM because product value can only be felt and cannot be seen like product quality. Meanwhile, to improve brand image, the main thing needed is something that can be seen and can attract the consumers so that purchases occur and create consumer loyalty. The results of this study do not support the research conducted by Prasetyo (2016) which stated that a product affects the success events carried out so the brand image of the company increases. The results conducted by Sukoco (2014) stated that there is a positive and significant influence between marketing events and brand image.

Testing Moderating Effect with Moderation Variable

For testing the moderating effect hypothesis in this study, the results of the analysis can be described in Table 2 as follows:

Table 4. Recapitulation of Test Results for Moderation Variable

<table>
<thead>
<tr>
<th>No.</th>
<th>Test Results</th>
<th>Moderation Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Event (Z) → Brand Image (Y) significant (0.030) Interaction of Product Quality and Event (X1*Z) → Brand Image (Y) significant (0.030)</td>
<td>Pseudo Moderation (Quasi Moderator), meaning that the event (Z) variable which moderates the relationship between the product quality (X1) variable and the brand image (Y) variable which is also an independent variable.</td>
</tr>
<tr>
<td>2</td>
<td>Event (Z) → Brand Image (Y) significant (0.030) Interaction of Product Value and Event (X2*Z) → Brand Image (Y) not significant (0.100)</td>
<td>Predictor Moderation (Predictor Moderator), meaning that the event (Z) variable only acts as a predictor variable (independent) in the relationship model formed</td>
</tr>
</tbody>
</table>

Source: The results of the analysis in the study

The event variable (Z) and interaction variable (X1*Z) are both significant, so based on the classification of moderating variables, it can be concluded that the event variable (Z) functions as a Quasi Moderator, this is because the event variable (Z) functions as an independent variable and simultaneously interacts with the product quality variable (X1) in relation to brand image (Y).

The event variable (Z) is significant, and the interaction variable (X2*Z) is not significant, so based on the classification of the moderating variable, it can be concluded that the event functions as a Moderator Predictor or in other words the event
variable (Z) is not a moderating variable. This is because the event variable (Z) only functions as an independent variable in relation to the brand image (Y) and does not interact with the product value variable (X2).

CONCLUSIONS

Product quality (X1) has a positive and significant effect on brand image (Y) of IKM in Denpasar City. From nine indicators used in this study, the style indicator which has the highest outer loading is obtained. This indicates that style is the most important indicator in improving product quality, because the appearance of the products served will be able to attract consumers to make purchasing decisions, so that the brand image of the product or company will increase. Meanwhile, the durability indicator has the lowest outer loading.

Product value (X2) has no significant effect on the brand image (Y) of IKM in Denpasar City. This means that product value (X2) has not been able to improve the brand image (Y) of IKM.

Denpasar Festival Event (Z) can moderate the influence of product quality (X1) on brand image (Y) of IKM in Denpasar City. This is evidenced by the P-Value of the event (Z) as a moderating variable and interaction variable (X1*Z) both of which are significant. Based on the classification of moderating variables, it can be concluded that the event (Z) functions as a pseudo moderating variable (quasi moderator), because the event (Z) is also an independent variable that affects brand image (Y).

Denpasar Festival Event (Z) are not able to moderate the effect of product value (X1) on brand image (Y) of IKM in Denpasar City. This is evidenced by the P-Value of the event (Z) as a moderating variable which is significant, and the interaction variable (X2*Z) is not significant. Thus, based on the classification of moderating variables, it can be concluded that events (Z) function as predictor moderator variables, because event (Z) only acts as independent variables in relation to brand image (Y) and do not interact with product value (X2) variable.

REFERENCES


