



## Analysis of the Influence of Product Cost and Perceived Advertising Costs Through Digital Devices on Digital Brand Equity of American Fast-Food Products McDonalds

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### Abstract

The purpose of this research is to demonstrate and examine how perceived advertising budget and pricing deals affect perceived quality and brand image, as well as how brand loyalty, brand awareness, and brand image are affected. Descriptive research is what this study is doing. The research approach employed by the investigators was a cross-sectional design. In this study, a questionnaire is used to collect data. This study's target demographic consists of all individuals who have visited, seen, and bought merchandise. Scientists employed judgmental sampling, a non-probability sampling method. One hundred persons made up the research sample. This study makes use of the confirmatory factor analysis approach in conjunction with the SEM data processing technology. The analysis's findings indicated that perceived advertising spending positively impacted perceived quality. Brand loyalty is positively impacted by perceived ad spend. Brand recognition is positively impacted by perceived ad spending. Brand image benefits from perceived advertising expenditure. Discounts on prices positively impact the perception of quality. Discounts have a detrimental effect on a brand's reputation. Thus, these results provide important insights for companies in designing their marketing strategies. They need to carefully consider the allocation of their promotional funds, ensuring that investment in perceived advertising spending is balanced with the benefits derived while also being mindful of the risks associated with excessive use of price deals. By understanding the relationship between these factors, companies can optimize their marketing efforts to strengthen their brand image and improve their product performance in the marketplace.

**Keywords:** Brand Awareness, Brand Equity, Brand Image, Brand Loyalty, Perceived Quality.

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### 1. Introduction

In this modern era, human needs continue to increase rapidly, reflecting the ever-changing dynamics of societal and economic development. The construction of office buildings and shops is a real indicator of sustainable economic growth [1]. Every weekend, consumption activity increases, as seen in shops filled with potential buyers looking for various goods and services. Restaurants and cafes have also become busy places, not only as places to eat and drink but also as places to socialize and relax. Heavy private vehicle traffic on the main roads of big cities is another illustration of the intensity of economic activity and high community mobility. This phenomenon is directly influenced by increasing human needs, which are not only related to material needs such as consumer goods but also to the growing need for services and experiences [2]. Economic growth, especially in developed countries, spurs the increase in demand by reflecting in the rise of GDP per capita. With increasing GDP per capita, people have higher purchasing power, which in turn increases demand for various products and services. Increasing people's welfare is one of the positive impacts of this economic growth because higher income provides the opportunity to fulfill primary needs and also increases consumption for secondary needs, such as recreation, education, and entertainment [3]. Thus, an increase in GDP per capita not only reflects economic growth but also has an impact on the quality of life and standard of living of society as a whole. Therefore, the role of government and the private sector in ensuring a fair and sustainable distribution of economic benefits is critical to achieving inclusive and sustainable development [4].

The increase in GDP per capita in Indonesia has had a significant positive impact, especially on the growth of the middle class in this country. As a result of this increase, Indonesian people experienced a considerable increase in purchasing power [5]. The increasing spending patterns of society reflect this. The rapid development of the middle class has created a high demand for various products and services. There has been a significant increase

in product and service offerings from various sectors, including consumer goods, entertainment, travel, technology, and education. This increasing choice of products and services gives people wider access to fulfill their needs and desires [6]. This phenomenon also illustrates the transformation in consumer behavior in Indonesia. Society is now more oriented towards a modern lifestyle and a better quality of life. They tend to prefer products and services that provide added value, quality, and a satisfying experience. However, rising public spending also promotes economic sector expansion, opening up new doors for regional and global corporate players and entrepreneurs. Demand growth spurs market rivalry and innovation, which can raise the caliber of goods and services provided. Rapid growth in spending also poses challenges, including social inequality and imbalances in the distribution of economic benefits [7]. Therefore, it is important for the government and other stakeholders to implement policies that support inclusive and sustainable economic growth and ensure that the benefits of increasing GDP per capita can be enjoyed equally by all levels of society [8].

The increase in products and services has also resulted in more promotional media compared to previous years. This shows that advertising and promotional media have become part of everyday life. Promotional media carried out by various companies stimulates the public to understand more about the products and services offered, because from these promotional media, the public gets information about the value offered by these products and services, as well as increasing company sales in a short time [9]. Every company that carries out sales promotions in various media must certainly have differentiation compared to products and services from other companies. This differentiation represents uniqueness, company value, company excellence, product and service sophistication, intellectuality, and attractiveness, which can also be called brand personality [10]. Every company must have a brand personality because it can increase popularity and brand awareness [11]. Companies spend large amounts of money on sales promotions, ultimately increasing sales in a short period of time. Marketing expenses, or costs for this promotion, are always an important factor in the marketing budget [12].

In Indonesia, the power of advertising in influencing consumer purchasing decisions is very significant, even ranking third in Asia-Pacific. Promotional media practices are widespread throughout the country, with billboards adorning street corners in major cities, television advertisements of abundant duration, and newspapers and magazines full of product promotions. This phenomenon has become an integral part of the daily lives of Indonesian people. Franchise businesses in Indonesia also feel the positive impact of this phenomenon. Franchise companies adapt their marketing strategies by offering price deals on their products, with the aim of stimulating consumers to make purchases [13]. This not only increases the added value of the products offered but also helps accelerate the growth rate of franchise businesses in Indonesia. Indonesia's increasing GDP per capita and the rapid growth of the middle class have further strengthened the position of franchise businesses in this country. Data shows that the food and beverage sector in the franchise industry is the highest contributor to turnover, indicating the high popularity and attractiveness of franchise businesses in this sector [14]. In this way, the franchise business is not only a significant contributor to the Indonesian economy but also reflects the dynamics of consumption and increasingly strong market forces in society. In this context, franchising has become a profitable business model with great growth potential in the future.

## **2. Research Methods**

The two primary forms of data used in this study are qualitative and quantitative data. Using unstructured comments and small sample sizes, qualitative data is used to gain a thorough knowledge of the study problem. Quantitative data is split into descriptive and causal study. The primary goal of this descriptive study is to characterize the features or functions of the market. The study approach that we employed was a cross-sectional design. Through primary and secondary data, the researchers are able to gather the majority of the data. Questionnaires filled out by respondents who have visited, seen commercials, and used the product are used to gather primary data. Researchers obtain secondary data from trusted sources such as scientific journals, literature books, articles, and the internet. The research target population includes all communities relevant to the product and advertising. We used non-probability sampling, specifically judgmental sampling, to select a sample size of 100 people. Previously, we conducted a pre-test using the SPSS to test the validity and reliability of the pre-test data. Data analysis was carried out using structural equation modeling with the confirmatory factor analysis method. SEM with the CFA method tests the relationship between variables in the research model. Thus, this research has a comprehensive approach to collecting, analyzing, and interpreting data to answer the research questions asked.

## **3. Results and Discussion**

The study's findings support the notion that perceived advertising expenditure significantly raises perceived quality. This result is in line with earlier studies that demonstrate a positive correlation between perceived advertising spending and perceived quality. The findings of testing the first hypothesis (H1) in this context show that a high level of perceived advertising spending has a favorable influence on the perceived quality of a product. In this research, perceived advertising spending is defined as all marketing efforts carried out by the

company, including promotions, advertising, and other marketing activities. Consumers interpret the level of perceived advertising spending as an indicator of superior product quality, especially due to high advertising intensity and repetition. Put another way, consumers perceive supplied products to be of higher quality the more money is spent on marketing them. These results provide important insights for marketing practitioners in designing effective promotional strategies. By strengthening marketing efforts, especially in terms of perceived advertising spending, companies can increase consumer perceptions of the quality of their products. Apart from that, these findings also confirm the importance of maintaining consistency and advertising intensity in building a strong brand image and convincing consumers about the quality of the products offered. All things considered, these results make a substantial contribution to our knowledge of the connection between perceived advertising spending and perceived quality, as well as the practical consequences for marketing. Businesses can enhance consumer perception and gain a competitive edge in the market by optimizing their marketing strategy by comprehending this relationship.

The study's findings support the notion that perceived advertising expenditure significantly increases brand loyalty. This result is in line with earlier studies that demonstrate a favorable correlation between perceived advertising expenditure and brand loyalty. According to the results of testing the second hypothesis (H2) in this context, a high perceived advertising spending level has a favorable impact on brand loyalty. The investment a business makes in marketing initiatives, such as promotions, advertising, and other marketing operations, is known as perceived advertising spending. The high level of repetition and intensity of advertising spending creates opportunities for consumers to continue paying attention. This creates an emotional bond between the brand and the consumer, where the consumer becomes accustomed to seeing and recognizing the brand. With repeated advertising, companies tap into the consumer's repertoire of alternative choices, which simplifies the consumer's decision-making process. Loyal consumers become accustomed to the brand and tend not to pay attention to competing brands. This also increases consumer knowledge about the company, which in turn increases the level of consumer loyalty to the brand. The results of this research provide important insights for marketing practitioners to design effective strategies for building and maintaining brand loyalty. By understanding the importance of perceived advertising spending in establishing brand loyalty, companies can allocate their marketing resources more efficiently to achieve long-term marketing goals. All things considered; our results demonstrate that perceived advertising expenditure plays a significant influence in determining brand loyalty. By comprehending this link, businesses can establish strong brands and enduring customer loyalty.

The study's findings demonstrate that perceived advertising expenditure significantly raises brand awareness. This result is consistent with earlier studies that found a positive correlation between perceived advertising spending and brand awareness. In this context, the results of testing the third hypothesis (H3) conclude that high perceived advertising spending contributes to increasing brand awareness. Perceived advertising spending is defined as the investment made by a company in marketing efforts, including promotions, advertising, and other marketing activities. High levels of advertising spending create opportunities for companies to get consumers' attention. This allows consumers to recognize and remember the company's brand, which is an important indicator of brand awareness. By repeating advertising and promotions, companies are able to strengthen their brand recognition in the eyes of consumers. Consumers become familiar with the brand and have the ability to recognize and remember it when they see or hear the brand name. High brand awareness is a valuable asset for companies because it can increase the possibility of consumers choosing their products or services in the midst of fierce market competition. These findings provide an important contribution for marketing practitioners in designing effective promotional strategies to increase brand awareness. Businesses can better deploy their marketing budgets to meet long-term marketing objectives by knowing the connection between perceived advertising spending and brand awareness. Overall, these findings confirm that perceived advertising spending has an important role in forming brand awareness, which is an important foundation for marketing success and building a strong brand.

The study's findings demonstrate that perceived advertising expenditure significantly improves brand perception. This result aligns with earlier studies that verified a favorable correlation between perceived advertising expenditure and brand perception. The fourth hypothesis (H4) was tested, and the findings indicate that a positive brand image is formed in part by high perceived advertising budget. Perceived advertising expenditure is regarded as being crucial in forming a brand's identity in this context. Companies can inform consumers about the worth, image, and features of their products through a variety of promotional and advertising campaigns. Through the creation of imagery and symbols associated with the brand, advertising helps consumers form perceptions and emotional bonds with the brand. Through constant and persistent marketing, businesses can establish a powerful and favourable brand identity in the eyes of their target audience. Positive associations that are created through advertising will help consumers relate to the brand. People will identify the brand with quality assurance, appealing aesthetics, and ideal values. These findings have significant ramifications for marketing professionals who create successful advertising campaigns to enhance brand perception. Businesses can more effectively focus their marketing efforts to create a favorable brand image and set themselves apart

from competitors by knowing the relationship between perceived advertising spending and brand image. Overall, these findings emphasize the importance of perceived advertising spending in forming a strong and positive brand image. By using advertising effectively, companies can build strong relationships with consumers and create a memorable impression in the market.

The study's findings show that the theory that price reductions have a detrimental effect on perceived quality is unfounded. The test results for H5 do not support the conclusions of other studies that found a negative correlation between perceived quality and price deals. On the other hand, the results of testing H5 show that perceived quality is influenced by price deals, but in an unexpected direction. This means that high-priced deals actually contribute to low perceived quality. Basically, these findings show that frequent offers of discounts or promotions can cause consumers to draw the conclusion that the quality of the product is low. Consumer perceptions that products frequently offered at discount prices tend to have less value or quality may cause this. In this context, consumers tend to pay more attention to price offerings than to the benefits or quality provided by the brand. However, these results do not significantly impact consumer behavior. Although high-priced deals can influence perceived quality, this does not directly influence purchasing decisions or consumer loyalty to the brand. Consumers still consider various other factors, such as product satisfaction, brand reputation, and personal experience, before making a purchasing decision. The implication of these findings is the need for companies to pay attention to appropriate pricing and promotion strategies. While offering discounts or promotions can briefly increase sales, companies must also ensure that they do not harm consumers' perceptions of product quality. As a result, striking a balance between price strategy and the ideal brand image is crucial.

The study's findings support the notion that price reductions significantly harm a brand's reputation. This result is in line with other studies that have demonstrated a negative correlation between price reductions and brand image. The sixth hypothesis (H6) was tested, and the findings indicate that expensive promotions may contribute to a deterioration in brand image. Price deals do not positively influence brand image in this context. On the other hand, excessive or inappropriate use of price deals can damage the brand image. Offering discounts or promotions that are too frequent or too large can give rise to the perception that the brand is less exclusive or has low value. This can reduce consumer trust in the brand and reduce the attractiveness and positive image desired by the company. Therefore, companies must carefully consider the pricing and promotion strategies they use. Although price deals can increase sales in the short term, their negative impact on brand image can have a long-term impact on brand reputation. Companies must maintain pricing consistency and ensure that price deals do not harm the hard-earned brand image. Thus, these results provide a deeper understanding for marketing practitioners about the importance of paying attention to the wise use of price deals. Promotional tactics shouldn't compromise the intended brand image in order to temporarily boost sales; instead, they should be consistent with that image. By doing this, businesses may create and preserve a solid and favorable brand image in the eyes of their customers.

Perceived advertising budget has a considerable impact on perceived quality, brand loyalty, brand awareness, and brand image, according to the results of the structural equation modeling test. These findings indicate that a high level of perceived advertising spending can positively influence consumer assessments of product superiority, increase consumer loyalty to the brand, increase consumer awareness about the company, and increase consumer perceptions of the brand image. On the other hand, these findings also show that price deals have an influence on perceived quality and brand image. High-priced deals tend to reduce consumer perceptions of the company's image. Offering discounted prices or excessive promotions can damage a brand's image and reduce its value or exclusivity in the eyes of consumers. These results imply that businesses ought to reassess their marketing approach. Consumer opinions of product quality, brand loyalty, brand recognition, and overall brand image can all be improved by increasing advertising investment. Companies must exercise caution when implementing price reductions, though, as doing so too frequently might harm a brand's reputation and make it less valuable or exclusive in the eyes of customers. The results of this research provide valuable input for companies in designing their marketing strategies. By strengthening appropriate advertising spending efforts and managing price deals wisely, companies can improve consumer perceptions of their brands and strengthen their position in the market. Along with this, companies must also continuously monitor and evaluate the effectiveness of their marketing strategies to achieve their long-term goals of building and maintaining a strong and positive brand image.

#### **4. Conclusion**

According to the analysis's findings, perceived advertising expenditure positively affects a number of crucial marketing factors. First, a product's perceived quality will rise in proportion to its perceived advertising expenditure. This demonstrates how effective marketing campaigns can influence consumers' perceptions of product quality in a positive way. In addition, perceived advertising expenditure has a beneficial impact on brand loyalty. This implies that customer loyalty to the brand will rise in direct proportion to the amount of money allocated to advertising. In connection with this, a bigger advertising budget will raise consumer awareness of

the brand, and increasing perceived advertising spending also has a good effect on brand awareness. Additionally, the analysis's findings demonstrate that perceived advertising expenditure positively affects brand perception. In other words, the greater the investment in advertising, the more it will improve the brand image in the eyes of consumers. This reflects the importance of effective advertising strategies for building and maintaining a positive brand image. Apart from advertising, the price-deals factor also plays a role in influencing consumer perceptions. Increasing price deals has a positive impact on perceived quality, indicating that attractive price offers can increase perceptions of product quality. It is important to acknowledge that price deals may also have an adverse effect on brand image, with an increase in price deals potentially detracting from brand image. Overall, this analysis's findings show that consumer views of a product's quality, loyalty, awareness, and brand image may be greatly influenced by a potent advertising campaign and well-considered pricing offers. Therefore, companies need to carefully consider advertising budget allocation and pricing policies to achieve optimal marketing goals.

Based on the study's findings, the researcher would want to provide a number of recommendations that could benefit the business and give future researchers ideas for new lines of inquiry. After analyzing the research results, the researcher suggested improving the effectiveness of the advertising campaign. One suggestion is to involve brand ambassadors with distinctive vocal voices in Indonesia. This can provide a stronger local touch and increase its appeal in the eyes of consumers. Apart from that, it is necessary to improve the quality of advertising through a creative approach. Companies should develop unique and attractive advertisements for promotional media such as billboards and television commercials. This is expected to attract public attention and strengthen the brand's image. Researchers also suggest improving integrated marketing communications (IMC) by utilizing 15-second advertisements on online platforms such as YouTube and online banners. In this way, it can achieve an integrated and broader approach to introducing its brand to consumers. Finally, it is recommended to advertise products and services that demonstrate their quality. This aims to ensure that consumers not only know the existence of the company but also understand the quality that the company will provide. For further research, the researcher suggests several things to increase the comprehensiveness and depth of the research results.

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