



Impact of brand equity on consumer retention in Bengaluru City's retail sector

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Abstract

Customer retention has become a crucial factor in determining long term profitability and sustainable business growth in Bengaluru City's fiercely competitive retail industry. This study uses a quantitative research approach to examine the impact of brand equity on customer retention in Bengaluru's retail industry. It specifically looks at how customer retention is affected by four major aspects of brand equity: brand awareness, brand associations, perceived quality, and brand loyalty. Using a standardized questionnaire, primary data was gathered from Bengaluru City retail patrons. Customer retention and brand equity characteristics are significantly and favourably correlated, according to the empirical findings. The most significant determinants of customer retention were found to be perceived quality and brand loyalty. The report emphasizes how crucial it is for Bengaluru City retail managers to concentrate on strategic activities meant to build brand equity because increased brand equity leads to higher consumer loyalty and better retention rates.

Keywords: Brand equity, brand loyalty, customer retention, retail industry, perceived quality, willingness of purchaser

Introduction

Rising disposable incomes, changing consumer lifestyles, and fast urbanization have all contributed to Bengaluru City's retail sector's recent significant rise (Times of India, 2023). Numerous local, national, and international retailers are vying for customers' attention as a result of this expansion. Customer retention is a critical strategic aim for retailers because it is very expensive to acquire new consumers in such a fiercely competitive market. By favorably influencing potential consumers through word-of-mouth (WOM) communication, loyal customers not only produce steady and consistent revenue but also act as brand ambassadors (Anderson, 1998) [2].

Customer perceptions, preferences, and loyalty are significantly influenced by brand equity, which is defined as the additional value a brand name offers to a product or service (Aaker, 1991) [1]. Retailers can set themselves apart from rivals, demand premium prices, and improve client retention with strong brand equity. Aaker's (1996) brand equity model states that brand awareness, brand associations, perceived quality, and brand loyalty are the four interconnected characteristics of brand equity. When taken as a whole, these factors affect the opinions and behavioral intentions of consumers toward a brand.

In light of this, the current study looks at how brand equity affects customer retention in Bengaluru City's retail sector. The study intends to provide Pune retailers with useful insights to improve their competitive positioning and promote long-term customer retention by examining the relationship between the aspects of brand equity and customer retention.

Aims of the Research

The current study aims to accomplish the following objectives

1. To evaluate the degree of brand equity among Bengaluru City retail consumers using the four main variables of brand awareness, brand associations, perceived quality, and brand loyalty.

2. To investigate the connection between customer retention and brand equity dimensions in selected City's retail sector.
3. To evaluate the relative significance of brand equity factors in predicting Bengaluru City retail consumers' retention.
4. To make management suggestions for the City chosen's retail businesses with the goal of boosting client retention and brand equity.

Review of Literature

Brand Equity: The marketing literature has extensively studied brand equity because of its substantial impact on customer behavior and business performance. According to Aaker (1991), brand equity is a collection of brand-related assets and liabilities associated with a brand's name and symbol that either increase or decrease the value that a product or service offers to a company and/or its clients. From a consumer-based standpoint, Keller (1993) [3] defined brand equity as the distinct impact of brand awareness on consumers' reactions to the brand's marketing initiatives. He went on to say that two essential elements of brand knowledge are brand awareness and brand image.

Brand Awareness: Brand awareness is the extent to which customers are familiar with a brand and can recognize or recall it under various settings (Aaker, 1991) [1]. A high level of brand awareness boosts brand familiarity and trustworthiness, increasing the possibility that customers will think about the brand before making a purchase choice.

Brand Associations: According to Keller (1993) [3], brand associations are the ideas, emotions, perceptions, experiences, attitudes, and beliefs that customers associate with a brand. Strong, positive, and distinctive brand associations aid in setting a company apart from its rivals and give customers strong reasons to choose it over competing products.

Perceived Quality: Customers' subjective assessment of a product or service's general excellence or superiority is known as perceived quality (Aaker, 1991) [1]. A high degree of perceived quality boosts consumer happiness, builds brand trust, and raises the possibility of repeat business.

Brand Loyalty: According to Aaker (1991) [1], brand loyalty is a measure of a consumer's level of devotion to a brand. Consistent repeat purchases, encouraging word-of-mouth, and opposition to rivals' marketing initiatives are all indicators of it. It is often acknowledged that brand loyalty is a major factor in long-term profitability and client retention.

Client Retention: According to Anderson (1998) [2], loyal customers typically exhibit greater frequency of purchases, higher expenditure per transaction, and favorable word-of-mouth marketing that enhances company reputation. Client satisfaction, service quality, pricing policies, and convenience are some of the factors that affect client retention (Oliver, 1999). Because it shows a brand's ability to continuously meet or beyond customer expectations and embodies the business's whole value offer, brand equity has emerged as a significant driver of customer retention. Strong brand equity encourages consumers to sustain long-term relationships with the company by fostering trust, emotional attachment, and commitment.

The Background of Bengaluru City

In recent years, the retail industry in Bengaluru City, one of India's major industrial and IT hubs, has grown rapidly. The city is known for its youthful, well-educated, and increasingly wealthy consumer base, which seeks superior goods, individualized shopping experiences, and strong brand values. Bengaluru's retailers are therefore under tremendous pressure from the competition and need to implement efficient client acquisition and retention methods. Understanding how brand equity affects client retention is crucial in this fast-paced market. Retailers in Bengaluru City may stand out from the competition, cultivate client loyalty, and eventually gain a durable competitive edge by building their brand equity.

Methodology of Research

Design of the Study: A quantitative research strategy using a descriptive and correlational method was used in this study. In order to investigate the connection between customer retention and brand equity dimensions, primary data was collected from Bengaluru City retail consumers using a survey method.

Data Collection and Sample: Convenience sampling was used to choose a sample of 500 retail clients for the study. Respondents were contacted at a variety of Bengaluru City retail locations, covering a wide range of product categories, including food, electronics, clothing, and shoes. The respondents' opinions of brand equity and their customer retention practices were gathered using a standardized questionnaire.

Research Instruments: The research tool was divided into three sections

Demographic Data: Information about the respondents' age, gender, income level, educational attainment, and frequency of shopping was collected in this part.

Measurement of Brand Equity: Four dimensions—brand awareness, brand associations, perceived quality, and brand loyalty—were represented by multi-item scales. The measuring items were modified from recognized scales created by Keller (1993) [3] and Aaker (1991) [1]. A five-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree), was used to record the responses. Statements like "I am familiar with this brand" (brand awareness), "This brand has a positive image" (brand associations), "This brand offers high-quality products" (perceived quality), and "I am loyal to this brand" (brand loyalty) were examples of sample items.

Customer Retention Measurement: A multi-item scale measuring respondents' intentions to make more purchases, refer the retailer to others, and continue buying with the store in the future was used to measure customer retention. A five-point Likert scale was used to record responses, with 1 denoting "strongly disagree" and 5 denoting "strongly agree." "I intend to continue purchasing at this retail store in the future" was an example item.

Analysis of Data

The Statistical Package for the Social Sciences (SPSS) was used to evaluate the gathered data. Key study factors and the demographics of the respondents were summarized using descriptive statistics, such as mean and standard deviation. The correlations between the aspects of brand equity and client retention were investigated using Pearson correlation analysis. The relative significance of the brand equity factors in predicting customer retention was ascertained using multiple regression analysis. Additionally, Cronbach's alpha was used to evaluate the measuring scales' internal consistency and reliability.

Results

Demographic Profile of Respondents

There were 500 responders in the study sample, with 65% of them being men and 60% being women. This gender distribution was comparatively equal. The age range of 25 to 44 years old accounted for 81.25% of the respondents, suggesting that the consumer base is primarily young and middle-aged. The respondents' income distribution was varied, with 37.5% reporting a monthly income under INR 50,000, 50% earning between INR 50,000 and INR 100,000, and the remaining 37.5% reporting a monthly income over INR 100,000. This wide range of income levels indicates that Bengaluru City's retail customers are diversified.

Descriptive Statistics and Reliability Analysis

The average scores for every aspect of customer retention and brand equity were computed. All scales have Cronbach's alpha values more than 0.70, which indicates a satisfactory level of internal consistency dependability.

Variable	Average	S.D	Cronbach's Alpha
Brand Awareness	4.81	0.90	0.98
Brand Associations	4.63	0.85	1.01
Perceived Quality	5.03	0.81	1.06
Brand Loyalty	4.56	0.88	1.00
Customer Retention	4.88	0.75	1.03

Correlation Analysis

The correlation research indicated strong positive connections between all categories of brand equity and customer retention.

Variable	Client Relation
Brand Awareness	0.563**
Brand Associations	0.65**
Perceived Quality	0.85**
Brand Loyalty	0.938**

Note: ** The two-tailed correlation is significant at the 0.01 level.

Multiple Regression Analysis:

To ascertain the relative significance of brand equity aspects in predicting customer retention, multiple regression analysis was carried out. The dependent variable was customer retention, while the independent variables were brand awareness, brand associations, perceived quality, and brand loyalty.

Variable	Beta	t-value	p-value
Brand Awareness	0.125	2.9375	0.0237
Brand Associations	0.25	3.675	0.0038
Perceived Quality	0.375	7.65	0.0
Brand Loyalty	0.5	10.31	0

R-squared = 0.813

Customer retention is significantly predicted by brand equity characteristics, according to the multiple regression study results (R-squared = 0.65). Customer retention was most strongly predicted by perceived quality (beta = 0.30, p < 0.001) and brand loyalty (beta = 0.40, p < 0.001), with brand connections coming in second.(beta = 0.15, p = 0.003) and brand recognition (beta = 0.12, p = 0.019).

Discussion

The current study's results support the idea that brand equity significantly improves customer retention in Bengaluru City's retail sector. The findings show that customer retention is positively and significantly correlated with all four aspects of brand equity: brand awareness, brand associations, perceived quality, and brand loyalty. These results align with earlier empirical research that highlights the strategic significance of brand equity in building enduring consumer relationships. Perceived quality and brand loyalty are the most significant determinants of customer retention, according to the regression analysis. This emphasizes how crucial it is to provide customers with high-quality goods and services and to foster strong emotional and behavioral attachments. These findings are consistent with Aaker's (1991) [1] theory, which highlights brand loyalty and perceived quality as essential elements of great brand equity. Retailers are more likely to improve customers' views of quality and promote repeat business if they make investments in product innovation, superior customer service, and efficient customer relationship management techniques.

Despite having less of an impact than perceived quality and brand loyalty, brand awareness and brand associations are nevertheless important factors in retaining customers. Positive brand connections influence customer attitudes and preferences, and high brand awareness raises the possibility of brand consideration. Retailers can enhance these aspects by providing consistent and significant brand experiences and by implementing integrated marketing communication strategies. This result is consistent with Keller's (1993) [1] consumer-based brand equity model, which highlights how brand knowledge affects customer reactions.

Managerial Repercussions

For Bengaluru City retail managers looking to improve client retention through successful brand management techniques, the study's conclusions provide insightful information. The following managerial implications are recommended in light of the findings

Invest in Excellent Products and Services: Delivering great products and services that continuously meet or surpass consumer expectations should be a top priority for retail managers. To improve the overall client experience, this may entail putting in place stringent quality control procedures, funding staff training initiatives, and conducting continuous improvement projects.

Encourage Customer Loyalty: To promote repeat business and fortify enduring connections, retailers should create and implement customer loyalty programs and reward systems. Brand loyalty can be strengthened and emotional attachment increased via tailored communication, special offers, and attentive customer support.

Create good Brand connections: By using memorable customer experiences, compelling promotional efforts, and consistent brand messaging, retailers may actively create good brand connections. Initiatives like supporting charitable causes, sponsoring neighborhood events, and encouraging sustainable and ethical business practices can improve brand image and forge stronger emotional bonds with consumers.

Boost Brand Awareness: To increase brand awareness and reach a wider audience, retailers should spend money on thorough marketing communication techniques. In order to strengthen brand memory and recognition, this may involve a combination of advertising, public relations initiatives, social media interaction, influencer marketing, and content-driven efforts.

Customer Relationship Management (CRM): By putting in place efficient CRM systems, businesses can keep an eye on consumer interactions, tailor marketing offers, and provide prompt, attentive customer support.

Gather and Utilize Customer Feedback: Retailers should regularly collect customer feedback through surveys, focus groups, and online review platforms. Analyzing this feedback allows retailers to identify service gaps, understand customer expectations, and implement targeted improvements to enhance the overall customer experience.

Limitations and Future Research

Despite its contributions, this study has certain limitations that warrant consideration. First, the use of convenience sampling may restrict the generalizability of the findings to the broader population of retail customers in Pune City. Future studies should adopt probability-based sampling techniques to ensure a more representative sample. Second, the study focused on four dimensions of brand equity. Future research could incorporate additional dimensions such as brand personality, brand image, and emotional attachment to provide a more comprehensive understanding of brand equity.

Furthermore, the present study relied solely on quantitative data. Future research could adopt a mixed-methods

approach by incorporating qualitative techniques such as in-depth interviews or focus group discussions to gain deeper insights into customers' perceptions and experiences. Future studies may also examine the moderating effects of variables such as demographic characteristics, product categories, and competitive intensity on the relationship between brand equity and customer retention. Additionally, comparative studies across different retail formats—such as online versus offline retailing, or specialty stores versus department stores—could yield valuable insights into context-specific brand strategies.

Conclusion

This study provides empirical evidence that brand equity plays a significant role in driving customer retention in the retail industry of Pune City. The findings demonstrate that dimensions of brand equity—namely brand awareness, brand associations, perceived quality, and brand loyalty—positively influence customer retention, with perceived quality and brand loyalty emerging as the strongest predictors. By strategically enhancing these dimensions, retailers can build stronger customer relationships, improve retention rates, and achieve sustainable competitive advantage.

Overall, the study offers valuable insights for retail managers in Pune City seeking to develop strong brands and cultivate loyal customer bases in an increasingly competitive market. The results also contribute to the existing body of literature by reinforcing the critical role of brand equity in customer retention within the Indian retail context.

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