

# **Effect of Brand Equity on Customer Retention in the Retail Industry in Pune City**

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## **Abstract:**

In the highly competitive retail landscape of Pune City, customer retention is a crucial driver of profitability and sustainable growth. This research paper investigates the impact of brand equity on customer retention within the retail sector in Pune. Using a quantitative research design, the study examines the influence of four key dimensions of brand equity—brand awareness, brand associations, perceived quality, and brand loyalty—on customer retention. Data were collected from a sample of retail customers in Pune through a structured questionnaire. The findings reveal a significant positive relationship between brand equity dimensions and customer retention. Specifically, perceived quality and brand loyalty emerged as the strongest predictors of customer retention. Implications for retail managers in Pune City include focusing on strategies to enhance brand equity dimensions to foster customer loyalty and improve retention rates.

**Keywords:** Brand Equity, Customer Retention, Retail Industry, Pune City, Brand Awareness, Brand Associations, Perceived Quality, Brand Loyalty.

## **1. Introduction**

The retail industry in Pune City has witnessed significant growth in recent years, driven by increasing disposable incomes, changing lifestyles, and rapid urbanization (Times of India, 2023). This has resulted in a highly competitive market, with numerous local, national, and international retailers vying for customer attention. In such an environment, acquiring new customers can be expensive, making customer retention a critical strategic priority for retailers. Customer retention refers to the ability of a company to retain its customers over a specified period (Reichheld, 1996). Retained customers not only contribute to consistent revenue streams but also act as brand advocates, influencing potential customers through positive word-of-mouth (WOM) (Anderson, 1998).

Brand equity, defined as the added value a brand name lends to a product or service (Aaker, 1991), plays a pivotal role in influencing customer behavior and fostering customer loyalty. A strong brand equity can differentiate a retailer from its competitors, command premium prices, and ultimately drive customer retention. Aaker (1996) proposed a model of brand equity comprising four dimensions: brand awareness, brand associations, perceived quality, and brand loyalty. These dimensions work synergistically to shape customer perceptions and attitudes towards a brand.

This research paper aims to investigate the effect of brand equity on customer retention in the retail industry in Pune City. By examining the relationship between the dimensions of brand equity and customer retention, this study provides valuable insights for retailers in Pune seeking to enhance their competitive advantage and build long-term customer relationships.

## 1.1 Research Objectives

This research paper aims to achieve the following objectives:

1. To assess the levels of brand equity (brand awareness, brand associations, perceived quality, and brand loyalty) among retail customers in Pune City.
2. To examine the relationship between brand equity dimensions and customer retention in the retail industry in Pune City.
3. To determine the relative importance of brand equity dimensions in predicting customer retention.
4. To provide managerial recommendations for retail companies in Pune City to enhance brand equity and improve customer retention.

## 2. Literature Review

### 2.1 Brand Equity

Brand equity has been extensively studied in marketing literature. Aaker (1991) defined brand equity as a set of assets (and liabilities) linked to a brand's name and symbol that add to (or subtract from) the value provided by a product or service to a firm and/or to that firm's customers. Keller (1993) conceptualized brand equity from a consumer-based perspective, defining it as the differential effect that brand knowledge has on consumer response to the marketing of the brand. He further elaborated on brand knowledge as comprising brand awareness and brand image.

**2.1.1 Brand Awareness:** Brand awareness refers to the extent to which consumers are familiar with the brand and can recognize or recall it (Aaker, 1991). High brand awareness can create a sense of familiarity and credibility, increasing the likelihood that consumers will consider the brand in their purchase decisions.

**2.1.2 Brand Associations:** Brand associations are the thoughts, feelings, images, experiences, beliefs, and attitudes that become linked to the brand node in memory (Keller, 1993). Strong, favourable, and unique brand associations can differentiate a brand from its competitors and create a compelling reason for customers to choose it.

**2.1.3 Perceived Quality:** Perceived quality refers to the customer's judgment about a product or service's overall excellence or superiority (Aaker, 1991). High perceived quality can enhance customer satisfaction and increase the likelihood of repeat purchases.

**2.1.4 Brand Loyalty:** Brand loyalty is the attachment a customer has to a brand (Aaker, 1991). It is manifested in repeat purchasing behaviour, positive word-of-mouth, and resistance to competitors' offers. Brand loyalty is a crucial driver of customer retention and long-term profitability.

### 2.2 Customer Retention

Customer retention is a critical strategic objective for businesses across industries (Reichheld, 1996). It involves keeping existing customers engaged and loyal to the brand over time. Retained customers typically exhibit higher purchase frequency, spend more per transaction, and generate positive word-of-mouth (Anderson, 1998).

Several factors influence customer retention, including customer satisfaction, service quality, price, and convenience (Oliver, 1999). However, brand equity has emerged as a significant driver of customer retention, as it reflects the overall value proposition offered by the brand and its ability to meet customer needs and expectations.

### **2.3 Relationship between Brand Equity and Customer Retention**

Empirical studies have consistently demonstrated a positive relationship between brand equity and customer retention. Nam, Ekinci, and Whyatt (2011) found that brand equity had a significant positive impact on customer loyalty in the hotel industry. Similarly, Yoo and Donthu (2001) showed that brand equity dimensions such as brand awareness, brand associations, and perceived quality were positively related to customer loyalty and purchase intention.

In the retail industry, several studies have highlighted the importance of brand equity in driving customer retention. For example, a study by Zhang, Dixit, and Mandal (2015) found that brand equity significantly influenced customer loyalty and repurchase intention in the online retail context. Furthermore, research suggests that strong brand equity can buffer customers from negative experiences and reduce the likelihood of switching to competitors (Aaker, 1991).

### **2.4 Context of Pune City**

Pune City, a major industrial and IT hub in India, has a rapidly growing retail sector (Times of India, 2023). The city's young and affluent population is increasingly demanding high-quality products, personalized experiences, and strong brand values. Retailers in Pune face intense competition and need to develop effective strategies to attract and retain customers. Understanding the role of brand equity in driving customer retention is crucial for retailers in Pune to build sustainable competitive advantage.

## **3. Research Methodology**

### **3.1 Research Design:**

This study employed a quantitative research design using a descriptive and correlational approach. A survey method was used to collect data from retail customers in Pune City.

### **3.2 Sample and Data Collection:**

A sample of 400 retail customers was selected using a convenience sampling method. Respondents were recruited from various retail outlets across Pune City, representing different product categories like apparel, electronics, groceries, and footwear. A structured questionnaire was administered to the respondents to collect data on their perceptions of brand equity and their retention behaviour.

### **3.3 Instrument Development:**

The questionnaire consisted of three sections:

**Demographic Information:** This section collected data on respondents' age, gender, income, education, and shopping frequency.

**Brand Equity Measurement:** This section measured the four dimensions of brand equity (brand awareness, brand associations, perceived quality, and brand loyalty) using multi-item scales adapted from Aaker (1991) and Keller (1993). Five-point Likert scales were used, ranging from 1 (strongly disagree) to 5 (strongly agree). Sample items included: "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).

**Customer Retention Measurement:** Customer retention was measured using a multi-item scale assessing respondents' likelihood of repurchasing from the same retailer, recommending the retailer to others, and continuing to shop at the retailer in the future. Five-point Likert scales were used, ranging from 1 (strongly disagree) to 5 (strongly agree). A sample item included: "I intend to continue shopping at this retail store in the future."

### 3.4 Data Analysis:

The collected data were analysed using statistical software (SPSS). Descriptive statistics (mean, standard deviation) were used to summarize the data. Correlation analysis was used to examine the relationships between brand equity dimensions and customer retention. Multiple regression analysis was used to determine the relative importance of brand equity dimensions in predicting customer retention. Cronbach's alpha was used to assess the reliability of the scales.

## 4. Results

### 4.1 Demographic Profile of Respondents:

The sample consisted of 400 respondents, with a roughly equal gender distribution (52% male, 48% female). The majority of respondents (65%) were between the ages of 25 and 44. The income distribution was varied, with 30% earning less than INR 50,000 per month, 40% earning between INR 50,000 and INR 100,000 per month, and 30% earning more than INR 100,000 per month.

### 4.2 Descriptive Statistics and Reliability Analysis:

The mean scores for each dimension of brand equity and customer retention were calculated. The Cronbach's alpha values for all scales exceeded 0.70, indicating acceptable internal consistency reliability.

Variable	Mean	Standard Deviation	Cronbach's Alpha
Brand Awareness	3.85	0.72	0.78
Brand Associations	3.7	0.68	0.81
Perceived Quality	4.02	0.65	0.85
Brand Loyalty	3.65	0.7	0.8
Customer Retention	3.9	0.6	0.82

### 4.3 Correlation Analysis:

The correlation analysis revealed significant positive correlations between all dimensions of brand equity and customer retention.

Variable	Customer Relation
Brand Awareness	0.45**
Brand Associations	0.52**
Perceived Quality	0.68**
Brand Loyalty	0.75**

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

### 4.4 Multiple Regression Analysis:

Multiple regression analysis was conducted to determine the relative importance of brand equity dimensions in predicting customer retention. Customer retention was entered as the dependent variable,

and brand awareness, brand associations, perceived quality, and brand loyalty were entered as independent variables.

Variable	Beta	t-value	p-value
Brand Awareness	0.1	2.35	0.019
Brand Associations	0.2	2.98	0.003
Perceived Quality	0.3	6.12	0
Brand Loyalty	0.4	8.25	0

**R-squared = 0.65**

The results of the multiple regression analysis indicate that brand equity dimensions significantly predict customer retention (R-squared = 0.65). Perceived quality (beta = 0.30,  $p < 0.001$ ) and brand loyalty (beta = 0.40,  $p < 0.001$ ) were the strongest predictors of customer retention, followed by brand associations (beta = 0.15,  $p = 0.003$ ) and brand awareness (beta = 0.12,  $p = 0.019$ ).

## 5. Discussion

The findings of this study support the notion that brand equity has a significant positive impact on customer retention in the retail industry in Pune City. The results indicate that all four dimensions of brand equity—brand awareness, brand associations, perceived quality, and brand loyalty—are positively correlated with customer retention.

The regression analysis revealed that perceived quality and brand loyalty are the most critical drivers of customer retention. This suggests that retailers in Pune should prioritize strategies to enhance the perceived quality of their products and services and foster strong brand loyalty among their customers. This is aligned with the findings of Aaker (1991), highlighting the importance of these dimensions in building strong brand equity. Investing in product development, service excellence, and customer relationship management can significantly contribute to improving perceived quality and fostering brand loyalty. Brand awareness and brand associations also play a significant role in influencing customer retention, although to a lesser extent than perceived quality and brand loyalty. Retailers should focus on building brand awareness through effective marketing communication campaigns and creating positive brand associations through consistent brand messaging and customer experiences. Building positive associations aligns with Keller's (1993) conceptualization of brand equity from the consumer's perspective.

## 6. Managerial Implications

The findings of this study have important implications for retail managers in Pune City. Retailers should focus on the following strategies to enhance brand equity and improve customer retention:

**Invest in Product Quality and Service Excellence:** Retailers should prioritize offering high-quality products and services that meet or exceed customer expectations. This can involve rigorous quality control processes, employee training, and continuous improvement efforts.

**Foster Customer Loyalty:** Retailers should implement loyalty programs and reward schemes to encourage repeat purchases and build long-term customer relationships. Personalized communication, exclusive offers, and exceptional customer service can foster brand loyalty.

**Build Positive Brand Associations:** Retailers should create positive brand associations through consistent brand messaging, engaging marketing campaigns, and memorable customer experiences. This can involve sponsoring local events, supporting charitable causes, and promoting sustainability initiatives.

**Increase Brand Awareness:** Retailers should invest in marketing communication campaigns to increase brand awareness and reach a wider audience. This can involve advertising, public relations, social media marketing, and content marketing.

**Customer Relationship Management (CRM):** Implement CRM systems to track customer interactions, personalize offers, and provide proactive customer service. This helps to build stronger relationships and increase retention rates.

**Gather Customer Feedback:** Regularly solicit customer feedback through surveys, focus groups, and online reviews. Use this feedback to identify areas for improvement and enhance the customer experience.

## **7. Limitations and Future Research**

This study has some limitations that should be acknowledged. The use of convenience sampling may limit the generalizability of the findings to the entire population of retail customers in Pune City. Future research should employ random sampling techniques to ensure a more representative sample. Additionally, the study focused on four dimensions of brand equity. Future research could explore other dimensions, such as brand personality and brand image. This research focused on quantitative data collection. A mixed-methods approach involving qualitative interviews could provide richer insights into the complex interplay between brand equity and customer retention. Future studies could also investigate the moderating effects of factors such as customer demographics, product category, and competitive intensity on the relationship between brand equity and customer retention. Finally, research comparing different retail formats (e.g., online vs. offline, specialty stores vs. department stores) could offer valuable insights into the specific strategies that are most effective in different contexts.

## **8. Conclusion**

This research paper provides evidence that brand equity plays a significant role in driving customer retention in the retail industry in Pune City. By focusing on strategies to enhance brand awareness, brand associations, perceived quality, and brand loyalty, retailers can foster stronger customer relationships, improve retention rates, and ultimately achieve sustainable competitive advantage. The findings of this study provide valuable insights for retail managers in Pune seeking to build strong brands and create loyal customer bases in a highly competitive market.

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