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Impact of retailer brand equity strategies upon competitive advantage on customers in selected retail outlets in Bangalore city

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Abstract

Customer loyalty is a deeply held commitment to re buy or re patronized a preferred product or service in the future, thereby causing repetitive same brand or same brand set purchasing despite situational influences and marketing efforts to cause switching behaviors. Loyal customers will not switch to another product even if convinced that other brands perform better. A firm enjoys high brand loyalty when a sizeable number of its customers won't switch. Loyal customers pay back the company in the long term cash flows and in generating a stream of referrals. Customers can demonstrate their loyalty by choosing to stay with the provider, increase the number of their purchases or the frequency of their purchases. They can also be loyal by influencing the buying decisions of others. Loyal customers offer a competitive edge against competitors. Customer loyalty is ultimately the desired goal of all firms. The purpose of this research was to examine the relationship between the retailer brand equity and Customer loyalty. The study also recommends that management of selected Retail outlets in Bangalore city should strive to ensure that customers get value for their money. Retail outlets should not prioritize brand associations over brand trust and perceived quality because the later two have more significance in contribution to customer loyalty than brand associations. Further research should be done on other factors which are not brand related that determine customer loyalty in the retail industry.

Keywords: Retail outlets, customer loyalty, retailer brand equity

1. Introduction

Products follow life cycles in combination with their brands. New products are first recognized as products and later, after the product has satisfied many customers and reached a more developed stage as brands. For instance in developing cellular phones, recent customers adopt products that best suits their needs or best appeals to them emotionally, symbolically and or cognitively. More experienced customers adopt a range of brands on the basis of both value and price whereas highly experienced customers become loyal to a brand. The typology is an effort to represent the evolution of a product to a brand in customer choice and the sub sequential achievement of customer satisfaction and customer loyalty. The study tries to investigate the effect of brand equity on brand loyalty in the presence of customer satisfaction.

2. Brand Equity

Brand equity is a core concept in marketing. Although extensive research has been conducted on brand equity, the literature on this subject is largely fragmented and inconclusive. Numerous definitions have been proposed. The definition from a consumer's perspective is based on the premise that the power of brands lies in the minds of consumers. The other definition is from financial perspective. The earlier definition of a brand was proposed by the American Marketing Association, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Although this definition was criticized for being too product-oriented and with an emphasis on visual features as a differentiating factor, modified this original definition to a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers. It considers brand equity as the monetary value of a brand to a firm. The financial value of brand is however the final outcome of consumer responses to brands.

3. Literature review

Brand equity has been studied in different perspectives by different researchers. The framework of Aaker (1991) ^[1] and Keller (1993) ^[4] were recognized as two main constituents of brand equity.

Both researchers have defined it differently while taking into account consumer's perspective.

Keller (1993) ^[4] identifies that the brand's knowledge of a consumer depends upon associations like features, benefits, users and overall attitude, this knowledge depends upon prior investment for advertisement, promotion and marketing activities.

Keller & Lehmann, (2001) ^[5] brand equity relates with customer's reaction to the marketing activities and differential impact of brand knowledge based upon prior marketing activities.

Walgren, Ruble, & Donthu, (1995) ^[9] Methods which are used to measure the brand equity can be categorized in one of the three categories financial, customer and combined. In previous researches the operationalization of brand equity results in two groups.

Yoo & Donthu, (2001) ^[10] one is consumer behavior and other is consumer perception. Consumer behavior includes willingness for higher payment and brand loyalty whereas Pappu, Quester, & Cooksey, (2005) ^[8] consumer perception includes brand association, perceived quality and brand awareness. Other researchers have defined brand equity from financial perspective. That is the value of brand to the firm.

Mittal & Lassar, (1998) Consumer Satisfaction directly affects customer loyalty and is different from other related concepts i.e. quality, loyalty and attitude. Satisfaction has been defined as "satisfaction is a consumer's fulfillment response.

Kim, Lee, and Lee (2008) ^[6] it is a judgment that a product/service feature, or the product or service itself, provided a pleasurable level of consumption related fulfillment, including level of under or over fulfillment", studied the effect of satisfaction on loyalty with brand, using co-branding as an independent variable having effect on satisfaction in Korean's restaurants.

Nesset, Nervik, and Helgesen (2011) ^[7] the study revealed a significant effect of satisfaction on loyalty with the restaurant brand. Further joint promotion was found to create switching barrier, increase satisfaction and an effective advertising strategy.

Bandyopadhyay & Martell, (2007) ^[2] Loyalty has been considered a part of relationship building strategies; predicting and defining it is difficult.

Jarvis & Wilcox, (1976) from the attitudinal aspect loyalty means psychological commitment of consumer in buying act, i.e. intent to recommend and buy a product without conducting any actual purchase in account. Brand loyalty was being studied with different constructs and found to have relation with them.

Martinez and Bosque (2013), studied customer identification, trust and satisfaction as a mediator between perceived CSR and brand loyalty in hotel industry and found the effect of consumer's perceived CSR on brand loyalty.

Bianchi, Drennan, and Prouda (2014) ^[3], stated that higher satisfaction would result from trust on the brand. Therefore, the customer satisfaction with the said brand is a substantial driver of loyalty.

4. Objective

- a) To study the impact of Brand Equity on Customer Loyalty and Customer Satisfaction in Retail outlets.
- b) To study the significant dimensions of Brand Equity factors that influence Customer Loyalty
- c) To check validity and reliability of the independent and dependent variables
- d) To develop the observed variable path analysis using SEM.

5. Research Methodology

The study has used causal type of investigation as the study analyzes the effect of variables. The study is also cross sectional. The population for the study is customers of selected Retail outlets in Bangalore City. Sample size of 1000 customers is drawn randomly questionnaires are used as a tool for data collection. Each item has been measured and responses have been collected using five-point Likert - scale, i.e. strongly disagree = 1, disagree = 2, neutral = 3, agree = 4 and strongly agree = 5.

To analyze the data SPSS 21.0 and AMOS 21 are used. The software is used due to their ease of accessibility, and these are user friendly software. Further frequency, percentage, correlation analysis, Regression Analysis, validated with help of factor analysis has been drawn through SPSS and finally the mediating effect has been checked through Structural Equation Modeling using AMOS 21.

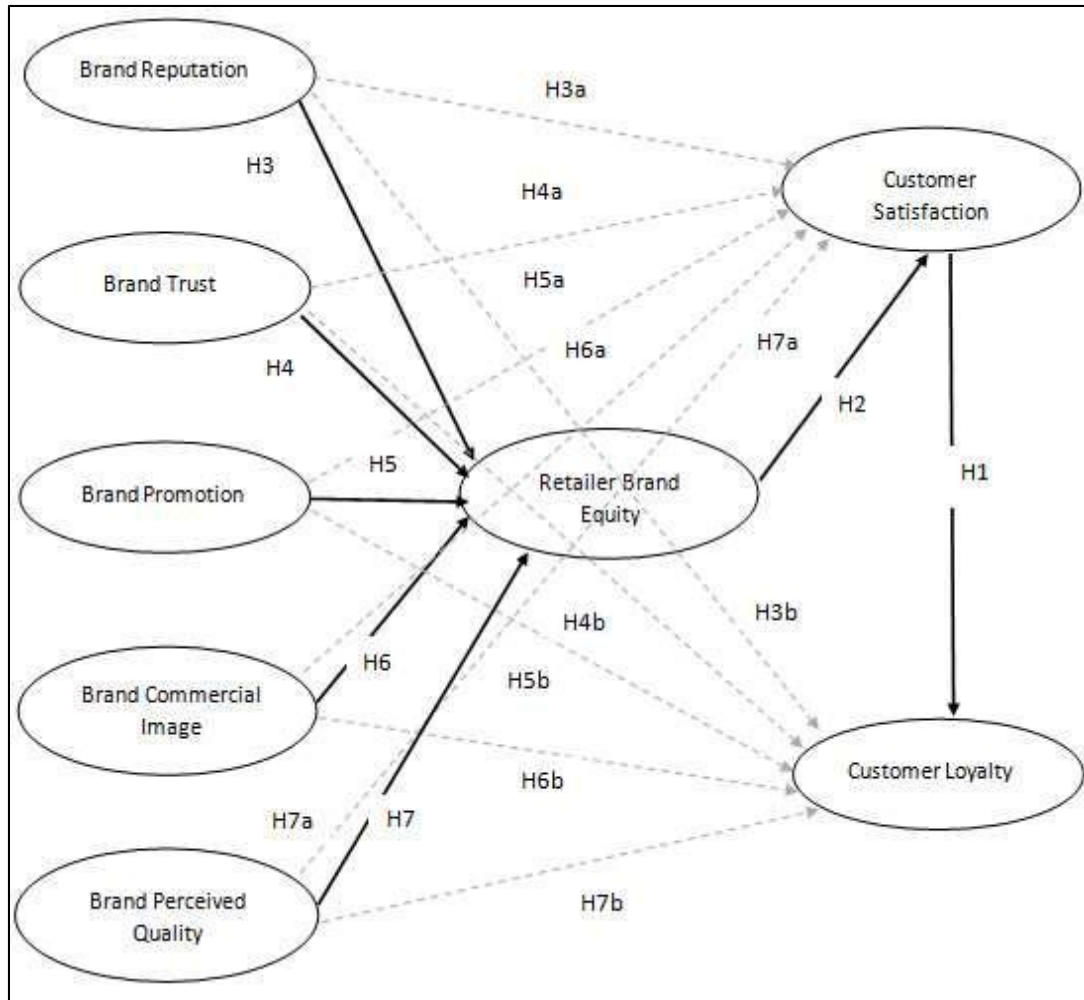


Fig 1: Proposed Model

6. Hypothesis

- H1: Customer Satisfaction will positively affect Customer Loyalty
- H2: Retailer Brand Equity will positively affect Customer Satisfaction
- H3: Brand Reputation will positively affect Retailer Brand Equity
- H3a: Brand Reputation will positively affect Customer Satisfaction
- H3b: Brand Reputation will positively affect Customer Loyalty
- H4: Brand Trust will positively affect Retailer Brand Equity
- H4a: Brand Trust will positively affect Customer Satisfaction
- H4b: Brand Trust will positively affect Customer Loyalty
- H5: Brand Commercial Image will positively affect Retailer Brand Equity
- H5a: Brand Commercial Image will positively affect Customer Satisfaction
- H5b: Brand Commercial Image will positively affect Customer Loyalty
- H6: Brand Promotion will positively affect Retailer Brand Equity
- H6a: Brand Promotion will positively affect Customer Satisfaction
- H6b: Brand Promotion will positively affect Customer Loyalty
- H7: Brand Perceived Quality will positively affect Retailer Brand Equity
- H7a: Brand Perceived Quality will positively affect Customer Satisfaction
- H7b: Brand Perceived Quality will positively affect Customer Loyalty

- H7a: Brand Perceived Quality will positively affect Customer Satisfaction
- H7b: Brand Perceived Quality will positively affect Customer Loyalty

7. Analysis and Findings

7.1 Reliability and Validity of Measure

The reliability analysis is carried out using Cronbach’s alpha coefficients which is used to measure the internal consistency of each identified dimension of construct, and items with adequate Cronbach’s alpha were retained for the scales. The general criteria for the Cronbach’s alpha coefficient is that it should be greater than 0.7. Table 1 gives the details of constructs of the model and the number of items representing each construct along with their alpha values. As all the constructs have alpha value satisfying the criteria, all the constructs were accepted and a total of 33 items were retained for the eight constructs in the study.

Table 1: Cronbach’s Alpha of Construct

Construct	Number of Items	Cronbach’s Alpha
Brand Reputation	6	0.740
Brand Trust	5	0.964
Brand Commercial Image	4	0.964
Brand Promotion	3	0.932
Brand Perceived Quality	3	0.984
Retailer Brand Equity	3	0.998
Customer Satisfaction	3	0.989
Customer Loyalty	6	0.864

Table 2 presents the convergent validity of all the constructs using composite reliability (CR) and average variance extracted (AVE). Individual item's reliability was checked using Cronbach's alpha, whereas to test the reliability of the construct or latent variables, composite reliability was used. The composite reliability analysis using AMOS output produced the following values: 0.817 for brand reputation, 0.965 for brand trust, 0.965 for brand commercial image, 0.936 for brand promotion, 0.984 for brand perceived quality, 0.998 for retailer brand equity, 0.989 for customer satisfaction and 0.856 for customer loyalty which are greater 0.7 and within the acceptable levels in line with Bagozzi and Yi (1988).

Average variance extracted (AVE) was then calculated to establish the convergent validity of the eight constructs. AVE estimates were 0.625 for brand reputation, 0.875 for brand trust, 0.874 for brand commercial image, 0.832 for brand promotion, 0.954 for brand perceived quality, 0.995 for retailer brand equity, 0.969 for customer satisfaction and 0.665 for customer loyalty. All AVE estimates were higher than 0.50.

Impact of Retailer Brand Equity on Customer Loyalty with Customer Satisfaction in Selected Retail outlets in Bangalore City.

Table 2: Convergent Validity of Construct

Construct	CR (Composite Reliability)	AVE (Average Variance Extracted)
	Brand Reputation	0.817
Brand Trust	0.965	0.875
Brand Commercial Image	0.965	0.874
Brand Promotion	0.936	0.832
Brand Perceived Quality	0.984	0.954
Retailer Brand Equity	0.998	0.995
Customer Satisfaction	0.989	0.969
Customer Loyalty	0.856	0.665

Structural equation modeling is used to test the hypothesis and relationship between brand reputation, brand trust, brand commercial image, brand promotion, brand perceived quality and retailer brand equity, customer satisfaction, customer loyalty. AMOS 21.0 is used to analyze the structural model.

Table 4 shows the Goodness of fit Indices for Structural Model used for the research. The chi-square value obtained for the model is 1.644. This is statistically significant, which is not uncommon given chi-square is particularly sensitive to sample size (Hair, Anderson, Tatham & Black, 2006). The P value got for the model is 1.644 which is greater than

0.05. Hence the Model is fit. The other fit indices are obtained to assess the fit of the model.

Indicatively, GFI was .95, AGFI was .91, CFI was .82, and RMSEA was .074. These fall within generally acceptable levels and this then allows us to examine path estimates to test our hypothesis relationships amongst the constructs. Table 2 shows the regression estimates and associated p-values for each hypothesis path.

Findings provide full support for H1 and H5, whilst H2 and H4 are only partially Supported H3 is rejected in its entirety. Table 3 summarizes the hypotheses tested. Figure 2 shows the modified model.

Table 3: SEM Estimates

Path	Standardized Estimates	p-value
H1: Customer Satisfaction → Customer Loyalty	.390	.000
H2: Retailer Brand Equity → Customer Satisfaction	.267	.000
H3: Brand Reputation → Retailer Brand Equity	-.030	.279
H3a: Brand Reputation → Customer Satisfaction	-.003	.899
H3b: Brand Reputation → Customer Loyalty	.066	.012
H4: Brand Trust → Retailer Brand Equity	.062	.046
H4a: Brand Trust → Customer Satisfaction	.131	.000
H4b: Brand Trust → Customer Loyalty	.021	.485
H5: Brand Commercial Image → Retailer Brand Equity	-.080	.011
H5a: Brand Commercial Image → Customer Satisfaction	.130	.000
H5b: Brand Commercial Image → Customer Loyalty	.141	.000
H6: Brand Promotion → Retailer Brand Equity	.026	.369
H6a: Brand Promotion → Customer Satisfaction	.002	.939
H6b: Brand Promotion → Customer Loyalty	.098	.000
H7: Brand Perceived Quality → Retailer Brand Equity	.493	.000
H7a: Brand Perceived Quality → Customer Satisfaction	.297	.000
H7b: Brand Perceived Quality → Customer Loyalty	.155	.000

Table 4: Goodness of fit Indices for Structural Model

Fit Indices	Accepted Value	Model Value
Absolute Fit Measures		
Chi-square value		1.644
P value	> 0.05	0.20
df (Degrees of Freedom)		1
Chi-square/df	< 3	1.64
GFI (Goodness of Fit Index)	> 0.9	1.000
RMR (Root Mean Square Residual)	< 0.10	0.009
RMSEA (Root Mean Square Error of Approximation)	≤ 0.08	0.025
Incremental Fit Measures		
AGFI (Adjusted Goodness of Fit Index)	> 0.80	0.985
NFI (Normed Fit Index)	> 0.90	0.999
CFI (Comparative Fit Index)	> 0.90	1.000
IFI (Incremental Fit Index)	> 0.90	1.000

Table 5: Results summary

Hypotheses	Predicted Effect	Supported [Yes / No]
H1	Customer Satisfaction will positively affect Customer Loyalty	Yes
H2	Retailer Brand Equity will positively affect Customer Satisfaction	Yes
H3	Brand Reputation will positively affect Retailer Brand Equity	No
H3a	Brand Reputation will positively affect Customer Satisfaction	No
H3b	Brand Reputation will positively affect Customer Loyalty	Yes
H4	Brand Trust will positively affect Retailer Brand Equity	Yes
H4a	Brand Trust will positively affect Customer Satisfaction	Yes
H4b	Brand Trust will positively affect Customer Loyalty	No
H5	Brand Commercial Image will positively affect Retailer Brand Equity	No
H5a	Brand Commercial Image will positively affect Customer Satisfaction	Yes
H5b	Brand Commercial Image will positively affect Customer Loyalty	Yes
H6	Brand Promotion will positively affect Retailer Brand Equity	No
H6a	Brand Promotion will positively affect Customer Satisfaction	No
H6b	Brand Promotion will positively affect Customer Loyalty	Yes
H7	Brand Perceived Quality will positively affect Retailer Brand Equity	Yes
H7a	Brand Perceived Quality will positively affect Customer Satisfaction	Yes
H7b	Brand Perceived Quality will positively affect Customer Loyalty	Yes

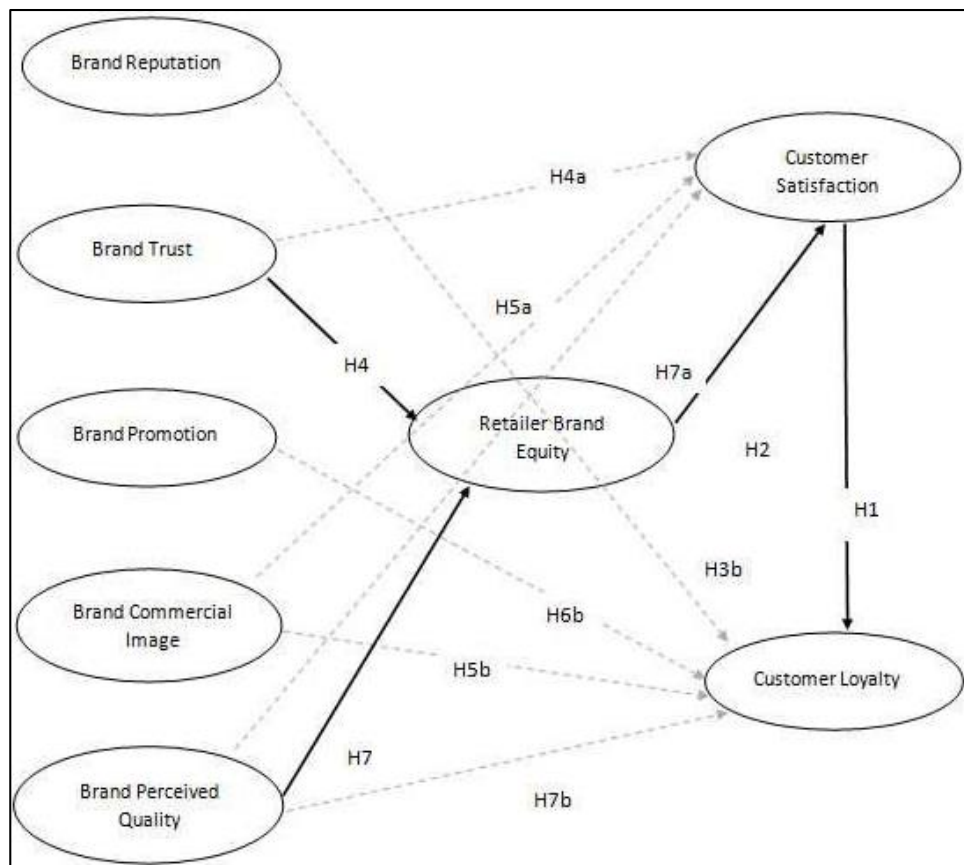


Fig 2: Modified Model

8. Conclusion

This study concluded that brand reputation, Brand promotion, Brand commercial image and brand perceived quality is significant to customer loyalty. The Retail outlets need to work on their brands so that customers can trust them. This will result into Customer satisfaction and customer loyalty which can lead to growth and long term benefits for the retail outlets. This will grow their brand equity hence end up spending less in marketing and increase sales.

This study concluded that perceived quality is a critical component in cultivating customer satisfaction and customer loyalty. This means that customers will buy where they perceive to get value for money. It is therefore important for retail outlets to understand the dynamics of customer loyalty in regard to perceived quality. In this way, the retail outlets will be in a position to enhance their offering to be perceived as giving quality to their customers.

In the long run this will result to growth in brand equity and customer loyalty. This study concluded that brand promotions are also important in cultivating customer satisfaction and customer loyalty.

However, customer loyalty seems to have little significance compared with the other two; brand trust and brand equity. This implies that for retail outlets to cultivate customer loyalty, they need to concentrate on brand reputation, brand trust, Brand promotion, Brand commercial image and brand perceived quality with more attention.

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