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Analysis of the Influence of Brand Equity on Consumer Purchase Decisions in the Modern Retail Market

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Abstract: This study aims to analyze the influence of brand equity on consumer purchasing decisions in the modern retail market. Brand equity, which includes brand awareness, brand association, quality perception, and brand loyalty, is a strategic element in building long-term relationships with consumers and creating a competitive advantage. This study uses a literature study approach by examining theories and related empirical findings. The results of the analysis show that each component of brand equity has a significant influence on consumers' purchasing decisions, with the perception of quality and brand loyalty as the dominant factors. Brand awareness and brand associations also make an important contribution in shaping consumer preferences. These findings underscore the importance of effective brand equity management through integrated marketing strategies to increase brand appeal and customer loyalty in the modern retail market. This research is expected to be a reference for business practitioners in developing brand equity-based marketing strategies.

INTRODUCTION

In the era of globalization and increasingly fierce business competition, companies face great challenges to attract attention and win the hearts of consumers. Consumers today have wide access to a wide range of information, so their preferences for products or services are greatly influenced by the quality, image, and added value offered by a brand. In this context, brand equity is one of the strategic elements that has a significant influence on the company's success in building long-term relationships with its consumers.

Brand equity refers to the set of positive values and perceptions associated with a brand, which makes it an important asset for a company. According to Aaker (1991), brand equity provides added value to a product or service through elements such as brand awareness, brand association, quality perception, and brand loyalty (Aaker, 1991). Each of these elements contributes to creating an emotional connection and consumer trust in the brand, thereby influencing their purchasing decisions. In the marketing literature, brand equity is often considered a key factor that not only influences consumer buying behavior, but also provides sustainable competitiveness for the company.

The modern retail market, which is characterized by product diversity and competition between brands, is a relevant arena to explore the importance of brand equity. Modern retail consumers are often faced with a variety of brand alternatives with relatively similar features and prices. In a situation like this, the strength of brand equity can be the main determinant in consumer purchasing decisions. Research by Hilgenkamp (2014) confirms that quality perception and brand loyalty play an important role in purchasing decisions in the retail sector, while a study by Siali et al. (2016) shows that quality perception is the most dominant element of brand equity in influencing consumer preferences (Siali et al., 2016).

However, the influence of brand equity components on purchasing decisions often varies, depending on the type of product, market characteristics, and marketing strategies implemented. Tresna et al. (2013) revealed that each component of brand equity provides varying levels of influence (Tresna et al., 2021). In the modern retail market, promotional effectiveness, product innovation, and consistent marketing communication play a crucial role in strengthening brand equity. Therefore, companies must understand the factors that are most relevant to their consumer preferences in order to create a differentiated value over competitors.

In the framework of this dynamic competition, this study aims to analyze in depth the influence of brand equity on consumer purchasing decisions in the modern retail market. By further exploring the relationship between elements of brand equity and purchase decisions, this research is expected to make a significant contribution to the development of brand equity-based marketing strategies. In addition, the results of this research are expected to provide insights for business practitioners in strengthening their brand position, creating competitive advantages, and increasing consumer loyalty in an increasingly complex and competitive retail market.

METHOD

This article is prepared using the literature study method, which is a research approach that aims to examine the theories, concepts, and findings of previous research that are relevant to the topic of discussion. Through this method, the author collects and analyzes credible sources, especially journal articles accessed through Google Scholar. Literature studies allow authors to gain an in-depth understanding of the concept of brand equity, its components, and their influence on consumer purchasing decisions. In this way, the theoretical framework used in this article is built based on the views of experts as well as the results of previous studies that have been tested for validity.

The selection of the literature study method was carried out because it provides flexibility in reaching diverse and up-to-date academic sources, without the need to conduct direct research in the field. In addition, this method also supports the validity of research by utilizing secondary data derived from previous empirical studies. This article not only analyzes the existing literature, but also synthesizes information to provide a comprehensive picture of the relationship between brand equity and consumer purchasing decisions, particularly in the modern retail market. This approach is expected to be the basis for further research, both conceptually and practically.

RESULTS AND DISCUSSION

The Influence of Brand Equity on Consumer Purchase Decisions

Brand equity is a concept that includes the added value provided by a brand to consumers, which includes consumers' perception of the brand and its impact on purchase decisions. As an important factor in marketing, brand equity plays a big role in influencing consumers' purchasing decisions, as consumers are more likely to choose products from brands they know and trust. Research by Yoo et al. (2000) shows that strong brand equity can increase consumer trust in products and make them feel safer in making purchase decisions (Yoo et al., 2000). In the modern retail market, consumers tend to look for brands that have a positive image and high quality assurance, leading to increased purchasing decisions.

Aaker (1991) also found that perceived quality as part of brand equity has a significant influence on consumer purchasing decisions (Aaker, 1991). When consumers perceive a brand to be of high quality, they are more likely to make a purchase because they believe that the product will meet their expectations. This shows that high brand equity, which consists of elements such as brand awareness, brand association, perceived quality, and brand loyalty, can encourage consumers to choose the product, even if the price is higher compared to an unknown brand or has a lower brand equity.

For example, a brand with strong brand equity, such as Apple, is often able to attract consumers' attention with a higher perceived quality and innovative brand image. Consumers who are loyal to Apple not only buy the product because of its quality, but also because of their positive association with the brand and their belief that Apple products will meet their needs. In this context, high brand equity leads to greater customer loyalty and more frequent purchase decisions. In another research, Aaker (1996) emphasized that the elements of brand equity related to brand loyalty and quality perception play a big role in influencing purchasing decisions (Aaker, 2012). Consumers who feel they have an emotional connection with the brand or who have had a positive experience before, will be more likely to make a repeat purchase.

Based on these findings, companies that succeed in building strong brand equity tend to be more successful in maintaining market share and increasing their sales, because consumers feel more confident in choosing products from brands they trust. Therefore, effective brand equity management is key to driving consumer purchasing decisions and building long-term loyalty.

Brand Loyalty and Its Influence on Purchase Decisions

Brand loyalty is one of the key components in brand equity that has a significant influence on consumer purchasing decisions. Brand loyalty refers to the tendency of consumers to continue to choose and buy products from the same brand over the long term, even when there are cheaper or newer alternatives on the market. According to Dick and Basu (1994), brand loyalty consists of two main dimensions: positive attitudes towards the brand and repeat purchase behavior (Dick & Basu, 1994). Loyal consumers not only feel satisfied with the products they buy, but they also develop a deep emotional connection with the brand, which encourages them to stay loyal despite changes in external factors, such as price or product availability.

Brand loyalty has a huge impact in creating a long-term influence on consumers' purchasing decisions. A study by Jacoby and Chestnut (1978) revealed that loyal consumers are more likely to make repeat purchases and are not easily tempted by competitors' product offers (Jacoby et al., 1978). This loyalty can also lead to increased purchase frequency, which is crucial for companies to maintain their market share. In this case, brand loyalty creates a stronger bond between consumers and products, which in turn reduces price sensitivity. Loyal consumers often don't care much about the price difference because they value the value and quality of the brand higher.

The influence of brand loyalty on purchasing decisions is also seen in the behavior of consumers who are willing to pay a premium price for products from brands they like. Research by Aaker (1991) shows that consumers who have a high level of brand loyalty are more likely to buy products from that brand even though the price of the product is higher compared to products from other brands (Aaker, 1991). This is due to consumers' confidence in the quality and satisfaction they get from the product, which prioritizes emotional value and positive experience compared to cheaper prices.

In a highly competitive market, such as the modern retail market, brand loyalty becomes a very important factor in consumer purchasing decisions. In many cases, brands that have high customer loyalty can not only retain existing customers but can also attract new customers through recommendations from their loyal customers. Word-of-mouth is one of the main ways in which brand loyalty is strengthened. Loyal consumers often recommend products to others, either through direct conversations or through social media platforms, which then increases the brand's brand equity. As Keller (2010) expressed, brand loyalty can create "brand defenders" who not only buy products but also promote them to others, which strengthens the brand's position in the market (Keller et al., 2010).

Brand loyalty also plays an important role in reducing marketing costs. Companies that have loyal customers don't need to spend a lot of money to attract new customers, because already loyal consumers will continue to buy and provide recommendations. This creates a positive cycle where increased brand loyalty contributes to sustainable long-term growth.

A report by Nielsen (2013) shows that 60% of consumers around the world prefer to buy products from brands they trust, and they are willing to pay more for those products (Nielsen, 2013). In addition, research by Kumar and Shah (2004) revealed that loyal customers contribute more to a company's profitability, with an estimate that a company can increase profits by 25-95% just by retaining existing customers (Kumar & Shah, 2004).

Brand Associations and Their Impact in Purchase Decisions

Brand association refers to the image or feeling that consumers have of a brand, which is formed through direct experience or interaction with the brand through advertising, promotion, or recommendations. Research by Keller (2010) revealed that positive brand associations have a significant impact on purchasing decisions (Keller et al., 2010). These associations can relate to various elements, such as product quality, reliability, innovation, or the social values that the brand offers. The more positive the association that consumers have with the brand, the more likely they are to choose the product.

Strong brand associations are not only influenced by consumers' direct experience with products, but also by external factors such as advertising, promotion, and brand relationships with consumers through various communication channels. For example, brands that frequently appear in advertisements or social media with a strong and attractive image tend to have an easier time building positive associations in the minds of consumers. Research by Keller (2010) explains that consistent, engaging, and relevant advertising is able to strengthen brand associations, which in turn can increase consumer preferences for the brand (Keller et al., 2010).

Brand associations can also involve the emotional aspect, where consumers feel connected to the brand because of the values they receive, such as sustainability or social responsibility. For example, brands that promote sustainability or support certain social movements tend to build positive associations among consumers who share the same values. This can increase the likelihood that consumers will choose a product from the brand, even if a similar product at a lower price is available from a competitor.

Research by Thomson, Rindfleisch, and Arndt (2005) shows that brand associations rooted in emotional experiences can drive stronger loyalty and improve purchase decisions (Ahuvia et al., 2020). Consumers who have an emotional association with a brand tend to prefer the brand because of the sense of proximity and satisfaction they get, not just because of the quality of the product or price.

Brand Awareness as a Driving Factor for Purchase Decisions

Brand awareness is one of the main components of brand equity that influences consumer purchase decisions. Aaker (1991) explained that the higher the brand awareness, the easier it is for consumers to identify and remember the brand when making a purchase decision (Aaker, 1991). Brand awareness is essential in a market full of a wide selection of products, as consumers tend to choose brands that they are familiar with and easy to remember, especially when they are in a hurry or don't have time to assess the product in-depth.

Research by Yoo et al. (2000) also confirmed that brands with high awareness will more easily influence purchase decisions, because consumers feel more comfortable and confident in choosing products they are already familiar with (Yoo et al., 2000). Well-known brands are often considered more trustworthy and safer to buy, because consumers feel they already have enough information about the product.

For this reason, companies need to continue to invest in marketing strategies to strengthen brand awareness in the market. This can be done through various channels, such as television advertisements, social media, direct promotion, and events. Effective brand awareness increases help brands stay at the top of consumers' minds, which in turn influences their choices when they are at the point of purchase decision.

External Influences in Purchasing Decisions

In addition to the brand equity factor, consumers' purchasing decisions are also influenced by other external factors, such as price, product availability, and distribution. According to Dick and Basu (1994), although brand equity has a significant role in building loyalty and influencing purchase intentions, supporting external factors—such as competitive pricing and efficient distribution—also play an equally important role in determining purchase decisions (Dick & Basu, 1994).

For example, even though a brand has high brand equity, consumers may still choose products from competing brands if the price of the product is more affordable or if the product is easier to find in the market. Research by Steenkamp & Kashyap (2010) shows that lower prices or better availability can shift consumer preferences even though the chosen brand has a lower brand equity value (Steenkamp & Kashyap, 2010). Therefore, companies must ensure that in addition to strengthening their brand equity, they must also consider efficient pricing and distribution strategies.

External factors such as promotional offers and distribution channels are also important to ensure that products can be reached by consumers at the right time. Without the support of these external factors, a strong brand equity can become less effective. For example, if a product from a well-known brand with high brand equity is not available in the market or is too expensive for the target consumer, the purchase decision will be disrupted, and the consumer may switch to another brand that is more affordable or more accessible.

CONCLUSION

Brand equity plays a significant role in influencing consumer purchasing decisions in the modern retail market. Key dimensions of brand equity, such as brand awareness, brand association, quality perception, and brand loyalty, have been shown to contribute greatly to consumer purchasing preferences and behavior. Consumers tend to choose products with strong brand equity because they feel more confident in the quality and value offered by the brand.

In a competitive market, brands with high brand equity are able to create emotional connections with consumers, increase loyalty, and reduce price sensitivity. High brand awareness helps the product become the top choice of consumers, while a positive brand association strengthens the brand image in the minds of consumers. Additionally, brand loyalty not only encourages repeat purchases but also supports marketing through recommendations from satisfied consumers.

Nevertheless, brand equity must be supported by an effective pricing and distribution strategy. External factors such as product availability and promotional offers also affect consumer purchasing decisions. Therefore, comprehensive brand equity management, involving internal dimensions and external factors, is the key to the company's success in maintaining competitiveness in the modern retail market.

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